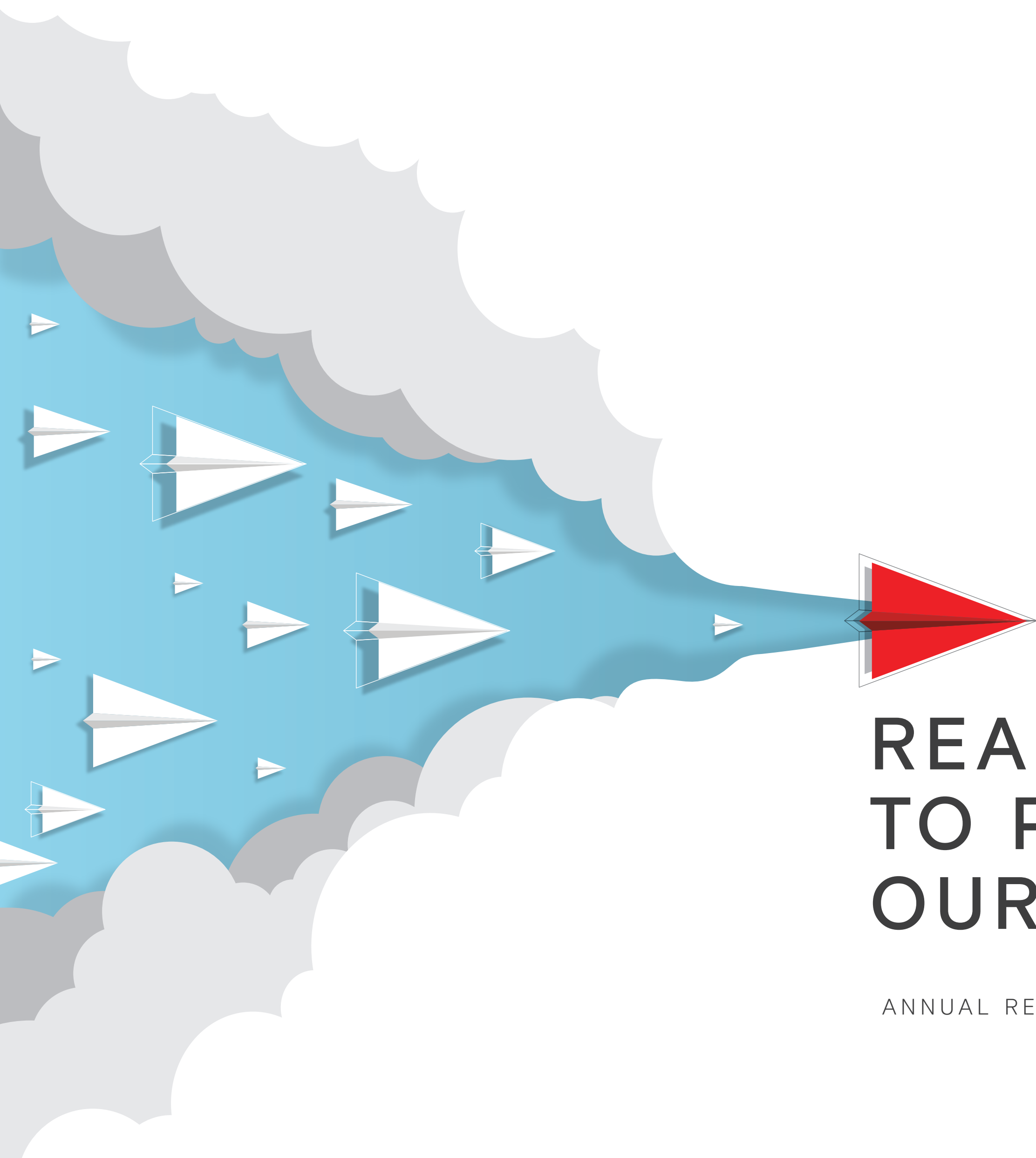
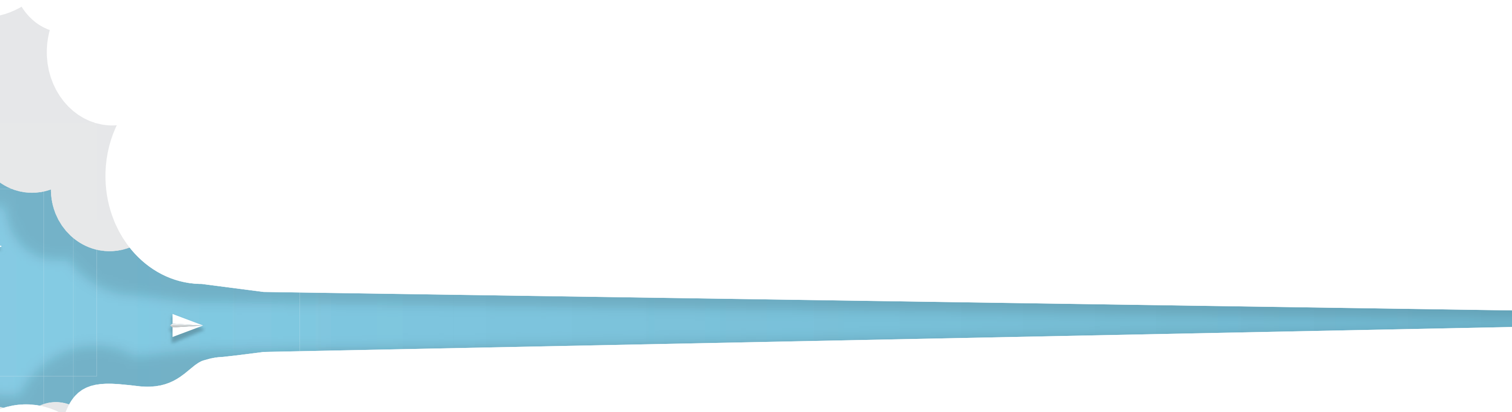


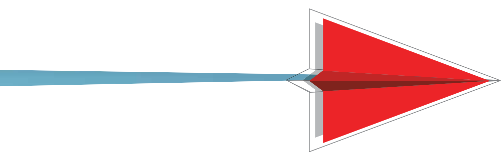
READY TO PLAY OUR PART

ANNUAL REPORT **2021/22**

CDB

Your Friend





READY TO PLAY OUR PART

Our motherland Sri Lanka facing unprecedented challenges...rebuilding the fortunes of the Nation will require us all to step up to the plate. CDB is ready to play its part...to offer unflagging support and empowerment to Nation and people as a premier financial solutions provider.

Content

This integrated report is our primary report to shareholders and other stakeholders. This presents a multi-dimensional view of our performance over the financial year 2021/22. We have exercised reasonable care in the preparation and presentation of this Integrated Report while preserving its integrity.

END-TO-END INTERACTIVE ONLINE HTML
To cater to the communication needs of our diverse stakeholder groups, this Report is available as an end-to-end interactive online HTML version which includes additional reference material, features for ease of finding, extracting and sharing information.

https://www.cdb.lk/ar2021-22/

Annual Report of the Board of Directors

GRI 102-46, 102-47, 102-48, 102-49

The Board of Directors is pleased to present to the shareholders the ninth integrated Annual Report of the Company comprising the Audited Financial Statements of the Company for the year ended 31 March 2022, and the Independent Auditors' Report on the Financial Statements conforming to all applicable statutory requirements.

The Report has been structured to present a balanced and comprehensive assessment of our financial, social, and environmental impacts resulting from our value-creating activities and includes the Financial Statements of the Company, which are duly certified by the Chief Financial Officer and approved by the Audit Committee and the Board of Directors and signed by the Chairman and the Managing Director as per the requirements of the Companies Act No. 07 of 2007 appear on pages 174 to 276.

The Directors are responsible for the preparation of the Financial Statements of the Company and for ensuring the Financial Statements have been presented in accordance with the Sri Lanka Accounting Standards. Furthermore, the Directors are responsible to provide the information required by the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011. The Directors are of the view that the Financial Statements appearing on pages 174 to 276 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto. The Statement of Directors' Responsibility for Financial Reporting forms an integral part of this Report and appears on page 162.

As required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, the names of the persons holding office as Directors of the Company at the reporting date and the names of persons who ceased to hold office as Directors of the Company during the year are given on pages 126 to 127 of this Annual Report. As mandated under Section 223 (1) of the Companies Act, the Company maintains a Register of Directors and Secretaries which contains information of each Director and the Secretary.

This Report, where applicable, is presented in accordance with the Guiding Principles and Content Elements as stipulated by the International <IR> Framework issued by the International Integrated Reporting Council (IIRC), now known as the Value Reporting Foundation consequent to the merger with the Sustainability Accounting Standards Board in June 2021. This report provides information about our financial and non-financial performance for the year in review, including our risk management, corporate governance practices and provides forward-looking information in terms of our short-, medium- and long-term strategic outlook, highlighting the material relationships between stakeholders and strategy that form the basis of our value-creation process. Due consideration has been given to sustainability reporting principles including Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness in determining the report content.

Having reviewed the Company's business plans, the Board of Directors is satisfied that CDB has adequate resources to continue its operations in the foreseeable future. The Report explains how the Company has created value during the year under review, and provides a well-rounded appreciation of the state of operations, instilling confidence in the stakeholders in the Company's prospects for future growth and sustainability.

Reporting period and boundary

GRI 102-50, 102-51, 102-52, 102-1, 102-45

The Report covers the operations and financial reports of Citizens Development Business Finance PLC identified as "CDB" or the "Company".

The Report covers the period from 1 April 2021 to 31 March 2022, which is consistent with our usual annual reporting cycle. The key financial aspects are discussed in the context of the Company while non-financial aspects are discussed in the context of the Company unless stated otherwise. Our most recent report for the year ended 31 March 2021 is available on our website: http://www.cdb.lk.

Key frameworks and compliance

GRI 102-45, 102-54

CDB's social and environmental impacts are presented in accordance with the Consolidated GRI Standards: Core Option. The following laws, regulatory frameworks, standards, guidelines and protocols have been followed in the preparation of this Report.

- The IIRC Framework (www.theiirc.org)
- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (ICASL)
- Guidelines for preparation of Annual Reports 2022, published by The Institute of Chartered Accountants of Sri Lanka (ICASL)
- A Preparer's Guide to Integrated Corporate Reporting, published by The Institute of Chartered Accountants of Sri Lanka (ICASL)
- Sustainable Development Goals (SDGs) – The UN initiative with 17 aspirational "Global Goals"
- Smart Media Methodology™ for Integrated Reporting

The Financial Statements of the Company, which reflect a true and fair view of the financial position and performance of the Company has been prepared and presented in compliance and conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007 and amendments thereto, and the Listing Rules of the Colombo Stock Exchange (CSE) including the Rules pertaining to Related Party

Transactions as required by Section 9.3.2 (c) and (d) thereof and the recommended best practice. In this regard, the Board of Directors wishes to confirm that the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Significant Accounting Policies and Notes thereto appearing on pages 174 to 276 have been prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007 and amendments thereto.

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments to the Government, other regulatory institutions, and to employees have been made in time. The Board of Directors reviewed the business plans of the Company and is satisfied that the Company has adequate resources to continue their operations in the foreseeable future. Accordingly, the Financial Statements of the Company is prepared based on a going concern basis.

Having carefully considered matters material to the Company and its stakeholders in preparing this Report, the Board acknowledges that reasonable care has been exercised in the preparation and presentation of this Integrated Annual Report while preserving its integrity. The extent of compliance with the requirements of Section 168 of the Companies Act No. 7 of 2007 and amendments thereto and other relevant statutes is disclosed in detail on pages 4 to 7. The Board wishes to confirm that the Company has prepared the Annual Report in time as required by Section 166 (1) and 167 (1) of the Companies Act. The Financial Statements of the Company for the year ended 31 March 2022, including comparatives for 2021, were approved and authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on 17 June 2022. The appropriate number of copies of the Annual Report will be submitted to the CSE within the statutory deadlines and soft copies of same will be hosted on the website of the Company, www.cdb.lk.

Precautionary principle

GRI 102-11

The precautionary principle has been applied in relation to the Company's social and environmental sustainability. Although the CDB's business model and operations do not directly create a significant negative impact on the environment, as a responsible corporate citizen, the Company has taken necessary measures to mitigate the risks caused to society and the environment through its actions.

Improvements in reporting

This Report has been structured to effectively communicate our efforts to create value to all our stakeholders across the short, medium and long-term through our business model on pages 47 and 48. We have identified and categorised into risks and opportunities the emerging developments and trends that are likely to impact our business model and value creation process based on their importance to the Company and the stakeholders, together with the stakeholders that are likely to be affected most. The Value Creation Story (pages 52 to 109) contained in this report provides a detailed account of the strategic imperatives and strategies to mitigate risks and capitalise opportunities. The underlying governance structure and the risk management framework are detailed on pages 110 and 168.

External Auditors and assurance

GRI 102-56

The Company's External Auditors, Messrs KPMG, who were appointed in accordance with a resolution passed at the 5th Annual General Meeting held on 30 July 2021 have expressed their opinion, given on pages 174 to 177 of this Annual Report as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007 and assurance on sustainability indicators as shown on pages 284 to 286. The details on the remuneration of External Auditors are given in Note 13.2 on page 196 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship with the Company. The External Auditors do not have any interest in contracts with the Company.

Disclosure on the affairs of the Company's related party transactions

There were no related party transactions which exceeded 10% of the equity or 5% of total assets, whichever is lower during the reporting period. The Company complied with the requirements of the Listing Rules of the CSE on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in Note 45 on pages 241 to 243 of this Annual Report and a summary of the said transactions carried out during the FY was presented to the Board on 28 June 2022.

Queries

GRI 102 -3, 102-53

We welcome your comments and suggestions on this Report and kindly invite you to direct your feedback to:

Chamath Siriwardana
Senior Manager
– Finance and Planning

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

The Board of Directors does hereby acknowledge the contents of this Annual Report as per the requirement of Section 168 (1) (k) of the Companies Act No. 07 of 2007.

Signed in accordance with the resolution adopted by the Directors.

Alastair Corera
Chairman/Non-Executive Independent Director

Mahesh Nanayakkara
Managing Director/Chief Executive Officer/Executive Director

Senior Prof Sampath Amaratunge
Non-Executive Independent Director

Damith Tennakoon
Deputy CEO/Chief Financial Officer/Executive Director

Roshan Abeygoonewardena
Executive Director

Sasindra Munasinghe
Executive Director

Dave De Silva
Executive Director

Karthik Elangovan
Executive Director

Prof Prasadini Gamage
Non-Executive Independent Director

Jagath Abhayaratne
Non-Executive Director

Ms Rajitha Perera
Non-Executive Independent Director

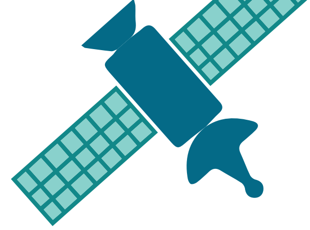
Sujeewa Kumarapperuma
Non-Executive Independent Director

Samitha Hemachandra
Non-Executive Director

17 June 2022
Colombo

Who we are

GRI 102-16



Positioned among the top five largest Non-Banking Financial Institutions (NBFIs) in Sri Lanka, we are one of the most innovative financial institutions with a strong commitment to sustainability, exemplary corporate governance and transparency standards. Disrupting the financial services industry with our far-reaching technological innovations, we have revolutionised the way financial services are performed in Sri Lanka, providing cutting-edge financial solutions. With an asset base of over Rs. 100 Bn. and a staff strength of over 1,900, we continue to empower a smarter and sustainable Sri Lanka. Living our purpose "Empowering aspirations" we continue to add value to our stakeholders with our unique proposition of "Urban Funding Rural Lending". As a people centric Organisation we believe in achieving "extraordinary results through ordinary people" by providing opportunities for rural youth from challenging backgrounds to be a part of our team. The growth of our balance sheet and after-tax profit over the past decade reflects a strong financial performance achieved through a disciplined culture and foresight.

Our Vision

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

Our Purpose

Empowering aspirations

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

Our Values

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

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

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

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

Our value creation journey

CDB has become an integral aspect of the financial services and social fabric of Sri Lanka. From humble beginnings in 1995, we have become a formidable financial institution, deeply rooted in sustainability, innovation and business ethics.

For 26 years we have served our Nation and stakeholders with empathy, trust and reliability, empowering their diverse aspirations.

1995

- CDB incorporation

2001

- Strategic refocus with a new management team

2004

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

2007

- Initiated two flagship community projects:
  - CDB *Sisu Diri* Scholarship scheme for school children
  - CDB *Pariganaka Piyasa* by setting up a fully-fledged IT lab in a deserving school

2017/18

- Assets reached Rs. 75 Bn. and profit after tax Rs. 1.4 Bn.
- Winner of the Best Corporate Citizen Sustainability Award 2017 for the “Green Ninja Quiz Master 2017” programme
- Gold Award for People Development at the SLITAD People Development Awards 2017
- IT lab donation community project was re-launched as the CDB Smart classroom project

2018/19

- First in Sri Lanka to enable fund transfers through social media channels (CDB iTransfer)
- First in Sri Lanka to launch credit card self-care app (CDB iControl App)
- Online fixed deposit placement through CDB iDeposit
- Profit before tax surpassed Rs. 2 Bn.
- Raised USD 60 Mn. in foreign funding for SMEs

2009/10

- Became a public deposit-taking institution
- Board approval for the strategic plan for 2010-2020 targeting a balance sheet size of Rs. 100 Bn.

2010/11

- Listed on the Colombo Stock Exchange
- Company profit reached Rs. 0.5 Bn., total asset base reached Rs. 10 Bn.

2012/13

- CDB was the first Non-Bank Financial Institution (NBFI) to initiate a core banking platform
- The first NBFI to sign up for the Sri Lanka Interbank Payment System (SLIPS)
- Launched CDB Visa debit card which was the first Visa debit card issued by a NBFI
- Launched the CDB savings product
- Installed the first ATM at the Head Office
- First international recognition for the Annual Report by League of American Communication Professionals (LACP), USA

2013/14

- CDB secured its first foreign line of credit, worth USD 6 Mn. from the Multilateral Agency of Belgian Investment Company for Developing Countries (BIO)
- Loan book surpassed Rs. 25 Bn.
- Launched CDB Hybrid lease
- Operational footprint surpassed 50 outlets

2015/16

- Company profit after tax reached Rs. 1 Bn. total asset base reached Rs. 50 Bn. and total equity amounted to Rs. 5 Bn.
- Became the first ISO 14064-1 Carbon verified financial institution in South Asia by Sri Lanka Carbon Fund (Pvt) Limited
- Garnered the Best Corporate Citizen Sustainability Award (turnover less than Rs. 15 Bn. category) and ranked among the Top 10 best Corporate Citizens by the Ceylon Chamber of Commerce
- CDB Annual Report 2014/15: "The Name of the Game" was recognised as the best Non-Traditional Annual Report globally and the best in Sri Lanka at the ARC Awards 2015

2016/17

- Initiated "Act early for Autism" CDB flagship CSR project partnering with the Sri Lanka Association for Child Development (SLACD) and mooted the Autism Trust Fund
- Winner of the Best Corporate Citizen Sustainability Award 2016 for best project on "GHG Emission Analysis"
- First Runner-up in the Best Corporate Citizen Sustainability Award 2016 (turnover less than Rs. 15 Bn. Category)

2019/20

- Recognised among Top 10 Corporate Citizens in Sri Lanka at the Best Corporate Citizens Sustainability Award 2019, by Ceylon Chamber of Commerce
- Recognised as one of Sri Lanka's best-performing companies, ranked among the "Business Today Top 30" corporates in Sri Lanka
- NBFI sector Gold Award winner for the 4th consecutive year, at the National Business Excellence Awards 2019 by the National Chamber of Commerce Sri Lanka

2020/21

- Ranked among the top 25 in the Business Today Top 30 Businesses in Sri Lanka
- Among Top 10 Corporate Citizens for the 3rd consecutive year by Ceylon Chamber of Commerce at the Best Corporate Citizens Sustainability Awards 2020
- Winner of Excellence in Automation at UiPath Automation Excellence Awards 2020
- Company profit after tax surpassed Rs. 2.5 Bn., total asset base reached Rs. 94 Bn.
- Initiation of CDB Advance Sustainable Financing vertical
- Customer base surpassed 290,000

2021/22

- **Total assets base surpassed Rs. 100 Bn. during the year under review**
- **Business profit surpassed Rs. 3.5 Bn.**
- **Overall 1st Runner up of Best Corporate Citizens Sustainability Awards 2021 awarded by Ceylon Chamber of Commerce**
- **CDB Advance Roof Solar product was expanded to all the branches in the branch network**
- **Customer base surpassed 300,000**

Our year in review

In the context of the volatile, uncertain, complex and ambiguous operating environment we continued to meet the **aspirations of our stakeholders.** Our results demonstrate the strength of our Organisation, the resilience of our business model, the soundness of our strategy, the robustness of our risk management framework, and the high quality of our customer base. PAT swelled by **41%** YoY to **Rs. 3,612 Mn.** ROA to **3.62%** and ROE to **22.79%.** NPA ratio (gross) reduced by 111 bps YoY to **5.89%** and the NPA ratio (net) by a phenomenal 210 bps to **0.11%.**

INVS

We created **investor** value by delivering sustainable growth and returns. Accordingly, shareholder value increased as reflected in the increase of EPS by **41%** to **Rs. 51.75** in FY 2021/22 from **Rs. 36.64** the previous year. Market capitalisation increased by over **100%** to **Rs. 14.6 Bn.**

COMU ENVI

We continued to contribute to **social value** in the **communities** in which we operate. During the year, we invested **Rs. 11.8 Mn.** to advance social sustainability. The **SMB Friday 2.0** was launched to support entrepreneurs, especially outside the Western Province, and **34%** of our lending was extended to women entrepreneurs. Our contribution to treat and manage severe and critical cases of COVID-19 in Sri Lanka surpassed **Rs. 50 Mn.** and **1,500** essential packs were donated to needy families. **100 *Sisu Diri* scholarships** were awarded to deserving students for their academic excellence and **26 specialist discussions** were held to spread awareness of the Autism Spectrum Disorder (ASD). As a net lender to the rural economy, we enrich the lives of the poorest and marginalised people in thick rural areas of Sri Lanka.

Under our **people-based environmental approach,** all our team members are **CDB Green Ninjas** who act as green ambassadors. **A Branch Green Ninja Champion** was appointed for every branch to coordinate all green initiatives. **Green HRM Scorecard** was introduced to develop a green workforce with a deep understanding and appreciation for the green culture within the Company. A total of **105 CDB Advance Roof Solar** facilities were approved during the year and approximately **633Kw** capacity was achieved. The energy consumption for the year was reduced by **2.3%** YoY. **2,576** customers converted to use digital transaction platforms by downloading the CDB iNet app.

We became a **Carbon verified company** for the seventh consecutive year and were certified as a **Carbon Neutral business entity.** We have invested in **Sri Lankan Certified Emission Reductions** (SCERs+) and have pledged to the **UNFCCC Climate Neutral Now Pledge.** Through recycling, we have saved **327 fully grown trees** and conserved **32,241 litres of water.**

We have nurtured long-standing relationships with our **customers** by delivering an insight-driven customer value proposition focused on customer lifecycle management. Nearly **53%** of our customer relationships extend over **five years** and our customer base increased by **5.6%** to **310,118.** More than **14,000** customers are using the CDB iNet App and CDB iControl App with over **9,000** new customer registrations. More than 50,000 clients were digitally onboarded and more than 10,000 savings account openings were done using our RPA technology. This represents **89%** of client creations and **60%** of savings account openings done through RPA. The value of iDeposits placed soared by **163.5%** and the number of visitors to the CDB website increased by **43%.**

Showcasing our commitment to building a high level of **employee** trust, engagement, pride and camaraderie to shape great workplace culture, CDB was certified as **A Great Place to Work.** Of our **1,966** team members, **26%** are female and **11%** have served the Company for over 11 years. **26%** of the recruits were women and **53%** were recruited from outside the Western Province. Team members received an average of **52.9** hours of training with a total investment in employee training and development reaching **Rs. 5.5 Mn.** Over **17,500 hours** of learning were delivered through our online e-learning platforms. Our aim is to have a training delivery mix of **80/20** of which 80% is online.

We continued to collaborate with our **business partners** to advance environmental protection, social justice, and economic prosperity. We were fully compliant with relevant laws and **regulations.** The globally recognised **ISO/IEC 27001:2013** information security standard was recertified for the fifth consecutive year. We automated the customer due diligence process to ensure fully compliant with CDD rules and global best practices.

Chairman's Letter

GRI 102-14

Alastair Corera
Chairman

Our fundamental resilience, reinforced by our employees and their steadfast support for our customers, continues to give me great confidence that we will continue to play a proactive role in building a better future.

Our digitalisation journey is ongoing. It will further cement the creation of a top flight experience for both internal and external customers, reduce cost and create additional capacity to support more of our customers, without increasing our staff cadre or opening new physical touchpoints.

On behalf of the Board of Directors, I am pleased to present the Annual Report of CDB for the financial year ended 31 March 2022.

Navigating a year of multiple challenges

The year gone by was one of great complexity, for which there was no blueprint to follow. Yet, we relied on our fundamentals, adopted a considered and prudent approach and are reasonably pleased of the value delivered to all our stakeholders. With the pandemic dictating the way we work and live for most of the year, CDB remained strongly committed and focused to ensure the health, safety, and well-being of our people. I applaud the incredible energy put forward by the team in the face of adversity to best serve our customers and communities and ensure integrity of our operations.

It was our decisive and timely actions that helped to infuse stability and activate alternate strategies to achieve the original performance targets.

Delivering results under pressure

We began the year with a strong focus on achieving our strategic targets.

Some of the business targets were revised down early in the year as the pandemic gathered pace again. However, I am happy to state that despite the eventful economic conditions, we ended the year delivering a profit before tax of Rs. 3,612 Mn. (2020/21 - Rs. 2,557 Mn.) and earnings per share of Rs. 51.75 (2020/21 - Rs. 36.64). I would direct you to the CEO's and CFO's reviews for more detailed commentaries on CDB's performance.

Our ongoing focus on digitalisation, streamlining of our systems and processes while strengthening capacity helped to deliver this commendable performance.

The digital transformation continued in earnest this year, as we pursued our goal of becoming a digitally-enabled organisation. A few more components of our workflow is now automated, paperless and functions 24/7. This has considerably reduced turnaround times as well as reduce costs. Importantly, it's a step closer towards achieving our sustainability goals. Our digitalisation journey is ongoing. It will further cement the creation of a top flight experience for both internal and external customers, reduce cost and create additional capacity to support more of our customers, without increasing our staff cadre or opening new physical touchpoints. Our foray into gold loans was in line with our diversification strategy. Essentially a fully collateralised product with short maturities, the expansion of gold loans helps reduce the overall portfolio's sensitivity to changes in interest rates. It also helps us manage our exposure to vehicle loans.

During the financial year, we focused on preserving capital and liquidity and protecting our balance sheet. Our capital and liquidity levels strengthened further, which, when combined with strong loan coverage, positions our balance sheet well, increasing resilience and providing a solid base for growth. Based on our profitability and financial position, we made a dividend payment for 2020/21 of Rs. 7.50 per share, a pay-out ratio of 20.47%.

We always prioritise financial inclusion and create a high level of trust in our services, through transparency and fair dealing as part of our efforts to strengthen our bonds with all our stakeholders.

Championing sustainability

During the year under review, the CDB Advance Sustainable Financing Vertical was initiated in our endeavour to become a leader in sustainable financing by progressing towards the Green Economy by 2030.

We have also always prioritised financial inclusion for the underserved and creating a high level of trust in our services through transparency and fair dealing as part of our efforts to strengthen our bonds within the communities in which we operate.

We also marked our solidarity with our team members, customers and the community across the island through a broad range of relief support. These included donating oxygen concentrators and other essential medical supplies worth over Rs. 50 Mn. to the Ministry of Health and several hospitals in critical need. Over the past year, we were proud to stand up for causes we believe in and support key community partners, with a particular focus on: children's health; equipping the next generation to lead by making education and career opportunities more widely available for our employees and people across our communities; and supporting women entrepreneurs, who are an indispensable yet underutilised segment of our country's labour force. It is noteworthy to mention that 25% of our lending was extended to women entrepreneurs in the period under review.

A winning, talented and diverse team

I am proud of how our team has managed over the past two years and for their unwavering dedication to meeting customers' needs during difficult times. We will be leveraging what we have learned over the past two years working under unique conditions to evolve the employee experience. Being certified as A Great Place to Work is gratifying and motivates our commitment to building a high level of employee trust, engagement, pride and camaraderie to shape great workplace culture. Being recognised with a category award for "Employee Relations" at the Best Corporate Citizen Sustainability Award 2021 underscores our extraordinary team and demonstrates that we can achieve extraordinary results through ordinary people in our journey of empowering a smarter and sustainable Sri Lanka.

Being awarded the Business Excellence Award in the Non-Banking and Financial Services Sector by the National Chamber of Commerce and Industry for the fifth consecutive year is an affirmation of our valued contribution to business excellence in Sri Lanka.

Sound corporate governance

The Board and I strive to ensure that CDB remains a place where all our people have the opportunity to fulfil their potential in a nurturing environment that encourages the right behaviour. Our stakeholders expect honesty and integrity and we will continue to promote a sense of accountability and ethics among team members. Our governance culture supported by sound risk management is aimed at ensuring that we remain resilient during challenges and forge a sustainable future for the Organisation. Our commitment to business excellence and international best practices in compliance, governance, and business principles have been recognised by numerous national and international organisations. Being awarded the Business Excellence Award in the Non-Banking and Financial Services Sector by the National Chamber of Commerce and Industry for the fifth consecutive year is gratifying.

A new set of challenges to contend with

This year we face a new crisis. Our Nation faces severe domestic macroeconomic pressures, primarily emanating from a deteriorating external financing position, which has been subsequently exacerbated by political uncertainty and social unrest towards the fourth quarter of 2021/22. At the time of penning this message, we are facing our Nation's most significant and challenging crisis – economically, politically, and socially. From March 2022 onwards, Sri Lanka witnessed a record depreciation of the rupee following the floating of the currency, due to the previously pegged exchange rate not being reflective of market rates, unprecedented rates of inflation, shortages of essential goods, and disruptions to power supply, which have placed a significant burden on businesses and the people of our Nation.

However, it is somewhat comforting to note the positive developments in relation to the engagement with the International Monetary Fund (IMF) following the appointment of a new Governor of the Central Bank of Sri Lanka (CBSL), and the ongoing discussions towards reaching a staff-level agreement. within a few months. We hope the necessary actions required to revive the economy are taken decisively and expeditiously following due process.

1.0
OVERVIEW

2.0
OUR BUSINESS AND CONTEXT

3.0
OUR VALUE CREATION STORY

4.0
LEADERSHIP, GOVERNANCE, AND RISK MANAGEMENT

5.0
FINANCIAL REPORTS

6.0
SUPPLEMENTARY REPORTS

As the current macroeconomic challenges continue to evolve, we need to brace ourselves to face the uncertainty and challenges ahead. As an entity that predominately provides long-term leases financed by shorter term borrowings, we will be impacted by the substantially higher interest rates that now prevail. There are many possible paths along which this crisis can play out and many unseen second order effects that we will have to contend with. What we do have in the face of all this uncertainty however is a very experienced, committed senior and middle management team who are very familiar with the business and have faced and worked through serious challenges previously. I am confident in our team that has rallied together to prepare, pre-empt and navigate these challenges. I am also confident in the resilience of the people of our Nation to overcome this challenge. It gives us hope that we will overcome these challenges together.

Expressing appreciation

Year 2022 will not be an easy one, but we look ahead with resolve to continue working towards our purpose. I extend my appreciation to our employees for their engagement and dedication in these unprecedented times. I convey my deep appreciation to my colleagues on the Board for their counsel in steering the Company during difficult times and I thank them for their valuable input.

I wish to commend Mr Mahesh Nanayakkara, our Managing Director and CEO for his inspired leadership. I also extend my thanks to the senior officials of the Central Bank of Sri Lanka for their valuable counsel, guidance and support, and my appreciation to our Auditors, KPMG for their valuable service. My sincere appreciation is extended to our customers for their loyalty and valued patronage and our shareholders for their confidence and steadfast support extended to us at all times.

Alastair Corera
Chairman

17 June 2022
Colombo

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ANNUAL REPORT OF THE BOARD OF DIRECTORS

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OUR YEAR IN REVIEW

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CHAIRMAN'S LETTER

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MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

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CHIEF FINANCIAL OFFICER'S ANALYSIS

Managing Director/ Chief Executive Officer's Review

Mahesh Nanayakkara
Managing Director/
Chief Executive Officer

We have achieved a commendable growth in profits, while our operational indicators, including our non-performing asset ratios, have also improved, demonstrating exceptional resilience in responding to macroenvironmental threats.

I believe it is now opportune to think beyond the Organisation in a wider national perspective, to bring about a period of recovery and healing that would benefit all citizens.

Dear stakeholders,

As you are aware, the financial year 2021/22 marks three continuous years of socio-economic turbulence in Sri Lanka. Although our Nation made a rapid recovery from the Easter Sunday bombings in 2019, the outbreak of the COVID-19 pandemic in 2020, which extended through 2021, hampered the economic recovery. The economic conditions worsened in 2022, following the foreign exchange crisis, the depreciation of the rupee and rapid inflation, climaxing in a foreign debt default for the first time in post-independence history. Ongoing price increases and recurrent shortages of essential goods including fuel, electricity, gas, and medicines have caused severe hardships to businesses and the people of Sri Lanka, and the path ahead will undoubtedly have unprecedented challenges. Further international events fuelled domestic crisis with escalation of commodity and energy prices due to the Russia-Ukraine conflict.

Financial performance

Despite the challenging operating context, in 2021/22, I am pleased to report that CDB has sustained a robust financial performance, as reflected by key financial indicators. We have achieved a commendable growth in profits, while operational indicators, including the improvement of our non-performing asset ratio, demonstrate our exceptional resilience in responding to macroenvironmental threats.

Over the years, we have been continually recognised for our commitment to business excellence and international best practices in compliance, governance, business operations, accountability, ethics, and business principles by numerous national and international organisations.

Profit after tax (PAT) grew by 41% year-on-year (YoY), to Rs. 3,612 Mn. for the year ended 31 March 2022. The cost to income ratio improved to 38.65% and the total assets grew by 12% - YoY, to Rs. 105,420 Mn. Both the return on average equity (after-tax) and return on average assets (after-tax) improved to 22.79% and 3.62%, from 19.97% and 2.73% respectively. The gross non-performing assets (NPA) ratio and net NPA ratio improved to 5.89% and 0.11%, from 7.00% and 2.21% respectively, in the financial year 2020/21. Tier 1 and Tier I & II capital ratios stood at 15.16% and 17.07% respectively, whilst the liquidity ratio stood at 14.14%, well above the minimum regulatory requirements.

The current financial year (2022/23) has already witnessed historically high interest rates targeted at curbing inflation, which will have a tremendous impact on our bottom line due to the repricing impact based on our asset-liability maturity profile, consumer behaviour, and constrained credit demand.

Having said that, we have witnessed a tangible change in our balance sheet profile as at the year-end, where the shorter tenure, high-frequency turnaround transaction lending portfolios with a relatively higher yield increased to 15.1% of the loan book - from 9.9% at the beginning of the financial year under review. This is a significant change to our business as we cross the Rs. 100 Bn. milestone in total assets. Conventionally our balance sheet is comprised predominantly of equated monthly instalment repayment structures. We will further augment this composition to represent a balanced composition to minimise the impact of disruptive interest rate movements as experienced in the recent past.

Sustainability commitment vs business challenges

As indicated in our previous reports, CDB is strongly committed to its sustainability pledges. We have strategised to continue our carbon neutral status and our journey from Rs. 100 Bn. to a quarter trillion balance sheet company by the end of this decade (2021–30) leaving behind the smallest carbon footprint and being a highly socially impacting organisation. Towards these commitments, our tech-based future strategy enables us to expand our capacity without expanding our physical distribution channels, facilitating us to become a more resource-efficient organisation. This also enables us to be a conduit for financial inclusion, by reaching the most vulnerable, the base of the pyramid and rural markets. The current crisis has - challenged us in these commitments as some of the products we aggressively pursue require physical capacity as well. Despite these challenges, our team is committed to continuing to embrace our sustainability pledges and adopt appropriate strategies and navigate and emerge stronger from this crisis.

Outlook and plans

At the time of penning this message, our country is in the midst of a political transformation. While our Nation requires an inclusive interim solution pending the next general election, the political situation remains fluid. However, on a more positive note, people of all denominations have united as never before demanding better governance and accountability. Sri Lanka has also commenced formal engagement with the International Monetary Fund (IMF) and is en route to restructuring the foreign debt. We have garnered support from many nations and international organisations, such as the World Bank, IMF and Asian Development Bank, towards a recovery path. We are hopeful this course of action will bring much-needed relief to the public and would break the vicious cycle of inflation and rupee depreciation, while also facilitating recovery in tourism and worker remittances.

While the outlook for 2022/23 remains challenging, the emergence of a united Sri Lankan identity, zero tolerance for corruption and merit-based appointments, can recapture the potential of our country and precipitate a faster recovery. We are a blessed land of rich biodiversity with over 300 days of sunlight for a year and two seasons of rain, encircling countless man-made and natural heritage sites within a radius of 65,000 square kilometres. I believe these endowments still have the potential to attract 10 million tourists annually within this decade, a feat that will change the destiny of our Nation.

On our part, we are highly conscious of our obligations towards all our stakeholders during these extraordinary times. Therefore, we will carefully examine the challenges of the financial year 2022/23 and beyond and navigate them with prudence and strategic foresight. I believe at this juncture it is opportune to think beyond the Organisation in a wider national perspective, to bring about a period of recovery and healing that would benefit all citizens.

Appreciations

I would like to thank our team members who united as one, to battle a long period of challenges since 2019 that continues to date. Your determination has given me strength and enabled CDB to navigate this uncharted territory. I thank our customers and business partners for their patronage and confidence in us, during these unpredictable times. I extend my appreciation to our Chairman and the Board for their insightful leadership and for always encouraging the Management and strengthening our team. I would also like to thank all the doctors and other members of the Sri Lanka Association of Child Development (SLACD) for their commitment and support to continuing the work we do under our Autism Trust Fund. We look forward to working closely with all our stakeholders in navigating the challenges of the future.

Sincerely,

Mahesh Nanayakkara
Managing Director/
Chief Executive Officer

17 June 2022
Colombo

Chief Financial Officer's analysis

GRI 102-7

Damith Tennakoon
Executive Director/
Deputy Chief Executive Officer/
Chief Financial Officer

Although we were no exception to the impacts and implications of this environment, we managed to maintain the trend of consistently improving performance year on year as we have been doing over the past decade.

We would like to attribute our performance which appears to be better than the industry averages to the strength of our franchise, the resilience of our business model, the soundness of our strategy, the robustness of our risk management framework and the high quality of our customer base.

An overview

Overall, the performance of the Non-Bank Financial Institutions (NBFIs) sector is projected to have recovered during the year compared to the setbacks reported in 2020/21. As at 31 December 2021, NBFI sector recorded a growth in total assets to Rs. 1,487 Bn. or 6.1% compared to Rs. 1,402 Bn. reported as at 31 December 2020. However, the market share of the NBFI sector continued to shrink (5.5% in 2021, 5.9% in 2020 and 7.1% in 2019), a trend that was observed since 2019 that can be attributed to the effects of Easter Sunday attacks and COVID-19.

Based on the interim financials available so far, both loans and advances and total assets of the sector are expected to have recorded double digit growth during the year ended 31 March 2022 while customer deposits continued to dominate the liabilities of the NBFIs accounting for 53% of liabilities. Loans and advances accounted for 75% of the total assets while deposits accounted for 50% of the fund base. Asset quality too appears to have improved leading to a drop in both gross and net NPLs and an increase in provision coverage. Interest margins have been maintained and operational efficiency improved. Consequently, sector is projected to have recorded substantial improvements in profits and profitability. Overall, the sector managed to maintain comfortable levels of capital adequacy and liquidity during the year under review.

Performance of the sector as well as our performance should be read in the context of the volatile, uncertain, complex and ambiguous operating environment that prevailed as elaborated on page 32 of this Annual Report. Although we were no exception to the impacts and implications of this environment, we managed to maintain the trend of consistently improving performance year on year as we have been doing over the past decade. We would like to attribute our performance which appears to be better than the industry averages to the strength of our franchise, the resilience of our business model, the soundness of our strategy, the robustness of our risk management framework and the high quality of our customer base. It is also a manifestation of how serious we have been in our purpose of empowering aspirations of our stakeholders.

A detailed review of our performance is given below.

Business volumes

Loans and receivables

Gross loans and receivables to customers increased by Rs. 4.7 Bn. (6%) YoY to Rs. 83.5 Bn. as at 31 March 2022 from Rs. 78.8 Bn. a year ago. The growth in the lending portfolio mainly came from gold loans which recorded a growth of Rs. 3.9 Bn. or 56%, enabling us to diversify the loan portfolio and improve the short-term assets in the maturity profile.

The unusually higher vehicle prices in the market continued to be a challenge on new leases. Higher prices expose the Company to higher Loan To Value (LTV) ratios which may potentially cause losses in the event the vehicle prices come down during the tenure of such lease agreements. The underlying risk was compounded when we had to underwrite new business at substantially lower interest rates, especially in the first half of the year. Adequate precautions were taken to maintain our exposures at acceptable levels by maintaining our LTV ratio at acceptable levels which was below 70% as of 31 March 2022. Even as the shift from leases for brand new vehicles to leases for registered vehicles continued during the year due to ongoing import restrictions, we experienced unusually high early settlements of leases owing to stress situations experienced by lessees leading to instalments in arrears as well as higher vehicle prices.

Margin Trading and credit card portfolios also have shown considerable progress during the year recording a growth of Rs. 310 Mn. and Rs. 565 Mn., both portfolios witnessing over 50% growth.

CONCENTRATION OF LOAN BOOK BY ASSETS CATEGORIES

Assets category	2022		2021	
	Rs. Mn.	%	Rs. Mn.	%
Motor cars and light vehicles	43,302	51.9	43,635	55.4
Three wheelers and motorcycles	18,180	21.9	17,265	21.9
Gold articles	10,774	12.9	6,893	8.7
Motor lorries and other heavy vehicles	2,030	2.4	2,067	2.6
Loans against deposits	1,455	1.7	1,483	1.9
Mini trucks	688	0.8	681	0.9
Motor buses and motor coaches	515	0.6	527	0.7
Machineries	350	0.4	333	0.4
Other	6,164	7.4	5,915	7.5
Total	83,458		78,799	

Deposits from customers

Our deposit base grew by 7% YoY to Rs. 52,217 Mn. in FY 2021/22 from Rs. 48,999 Mn. in FY 2020/21. The Growth in the deposit portfolio mainly came from time deposits which recorded a growth of Rs. 3,196 Mn. or 7%. It is also evident that average cost of the customer deposits also reduced from 12.56% of five years ago to 7.29% for the current year showcasing the strong deposit brand franchise. The deposits to debt composition decreased from 70% in the previous year to 68% in the financial year under review.

GROWTH IN DEPOSIT BASE AND BEHAVIOUR OF AVERAGE COST

	2021/22	2020/21	2019/20	2018/19	2017/18
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Time deposits	48,844	45,648	40,783	44,945	42,331
Savings deposits	3,004	2,915	2,267	2,014	1,991
Other Deposits - Islamic Finance	369	436	256	264	388
Total deposits	52,217	48,999	43,305	47,223	44,710
Interest cost for Deposits	3,809	4,283	5,171	5,756	4,856
Average cost (%)	7.29	9.28	11.42	12.52	12.56

Income

Fund-based income

Net interest income for the period increased by 19% to Rs. 9,038 Mn. in 2021/22 from Rs. 7,595 Mn. in the previous year. This was consequent to the higher decrease of 15% YoY in interest expense by Rs. 1,126 Mn. compared to the 2% increase in interest income. Consequently, NIM improved to 9.05% for the year from 8.10% a year ago.

Our interest-earning assets as a percentage of total assets amounted to 90% as of 31 March 2022 compared to 89% as of 31 March 2021, while interest-bearing liabilities as a percentage of total liabilities amounted to 94% as of 31 March 2022 compared to 94.50% as of 31 March 2021. Interest earning assets to interest-bearing liabilities was maintained at around 115%. (2020/21 - 110%)

Fee-based income

Fee-based income from fees and commissions recorded a decrease of 23% YoY to Rs. 311 Mn. from Rs. 406 Mn. in FY 2020/21. Low business growth in vehicle related lending caused the reduction in fees and commission income. However, other operating income increased by 54% to Rs. 2,067 Mn. from Rs. 1,339 Mn. in the previous year. The increase is mainly attributed to the rise in pre closures of the lending contracts.

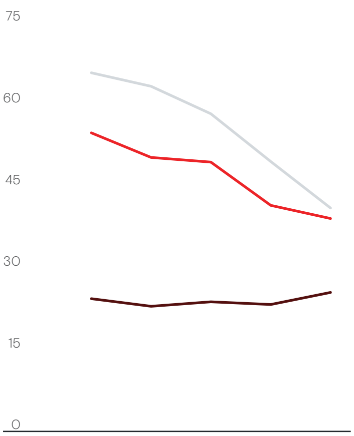
Growth in net interest income coupled with the increase in other operating income contributed to the 22% increase in total operating income to Rs. 11,415 Mn. for the year from Rs. 9,340 Mn. in FY 2020/21.

Operating expenses

Total operating expenses swelled by 15% YoY to Rs. 4,412 Mn. from Rs. 3,830 Mn. in FY 2020/21. The increase was mainly due to staff-related expenses that increased by 26% in the year under review, mainly driven by inflationary pressures.

Nevertheless, the higher growth in operating income compared to the increase in operating costs resulted in the cost to income ratio (excluding taxes on financial services) for the year under review decreasing to 38.65% from 41.00% in 2020/21.

OPERATIONAL EFFICIENCY RATIOS



Asset quality and impairment provisioning

Our lending portfolio accounts for 75% of the total assets on average. Therefore, the quality of our assets portfolio depends heavily on the quality of the lending portfolio.

Of the total lending portfolio, 83% accounted for vehicle related lending whilst 13% accounted for gold related lending. Due to the abnormally high vehicle prices, the vehicle related lending undergoing stress conditions about their payments opted to dispose of their vehicles and settle the lending contracts.

During the year, the growth in the loan book was mainly driven by gold loans which is a relatively safe asset class generating higher yields. Exemplifying the success of our strong recovery mechanism and focus on expanding our exposure to less risky asset classes, the quality of our portfolio continued to improve further during the year. Accordingly, the NPA ratio (gross) reduced by 111 bps YoY to 5.89% in 2021/22 from 7.00% last year, and the NPA ratio (net) reduced by a phenomenal 210 bps to 0.11% in the year under review from 2.21% in 2020/21. This is a noteworthy achievement considering the significant deterioration in asset quality in the NBFI sector.

As a result of the improvement in asset quality, the impairment provision for the year decreased to Rs. 1,195 Mn. compared to Rs. 1,422 Mn. last year. Provision cover too improved accordingly from 69.12% in 2020/21 to 98.31% in the current year compared to the sector average of 65%. The open credit exposure ratio came down to 27.28% as of 31 March 2022 from 38.52% a year ago.

ASSET QUALITY AND IMPAIRMENT PROVISION

	2021/22	2020/21	2019/20	2018/19	2017/18
NPA ratio (gross) (%)	5.89	7.00	7.54	6.68	3.07
NPA ratio (Net) (%)	0.11	2.21	4.24	3.84	0.89
Impairment provision (Rs. Mn.)	4,733	3,741	2,667	2,064	1,336
Provision cover (%)	98.31	69.12	49.34	44.12	71.60
Open credit exposure ratio (%)	27.28	38.52	47.55	51.54	21.22

Exemplifying the success of our strong recovery mechanism and focus on expanding our exposure to less risky asset classes, the quality of our portfolio continued to improve further during the year.

Except for the 2.58% of personal loans and credit card portfolio, the rest of the lending portfolio is asset-backed with a relatively lower LTV ratio. As a result, our LGD is relatively lower. Historically our loss rates have continued to be significantly lower compared to the industry. Our NIM was 9.05% in 2021/22 which makes a statement about the risk profile of our customer base.

All the above factors combined contributed to the decrease in the impairment provision for the year compared to the previous year.

STAGE-WISE BREAKDOWN OF THE LENDING PORTFOLIO AND THE IMPAIRMENT PROVISION

Product	Stage 1 12 months ECL	Stage 2 Lifetime ECL - Not credit impaired	Stage 3 Lifetime ECL - Credit impaired	Total
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Gross loans and receivables to customers	72,050	6,594	4,814	83,458
Expected credit loss allowance	(1,335)	(702)	(2,696)	(4,733)
Net loans and receivables to customers	70,715	5,892	2,118	78,725

Performance of loans under moratoria

During the first round of the moratorium announced by the Central Bank of Sri Lanka in March 2020, we extended deferment of installments for over 90% of the contracts/lending portfolio even without a request from the borrowers. Furthermore, over 90,000 customers were extended the moratorium over the past two years. At the end of the financial year under review, I am happy to state that only about 9,100 contracts with an exposure of Rs. 2.4 Bn. remain from the 11,000 contracts under moratoria at the beginning of the financial year, indicating the satisfactory repayments made by customers. Approximately, 40% of the contracts that have become non-performing have been fully provided for, making the provision coverage 100% of NPLs.

A detailed analysis of the loan portfolio that went under moratorium is given below.

Regulatory Direction Circular No. 4 of 2020 – Debt Moratorium for COVID-19 affected businesses and individuals

Moratorium Type – Instalment payment deferment

Number of months that instalments had been deferred	Number of facilities	Exposure Rs. Mn.	Percentage of moratorium exposure
Two months	33,366	24,762	43
Three months	43,272	25,188	44
Four to six months	5,970	7,430	13
Total	82,608	57,380	100

2nd Moratorium
Circular No. 11 of 2020 Debt Moratorium for COVID-19 affected businesses and individuals

Moratorium Type – Concessionary rate new facility for unpaid instalments

Moratorium type	Number of facilities	Exposure Rs. Mn.	Percentage of moratorium exposure
Moratorium Loans	10,991	1,724	100

3rd Moratorium
Circular No. 06 of 2021 and Circular No. 11 of 2020 Debt Moratorium for COVID-19 affected businesses and individuals

Moratorium Type – Instalment Payment Deferment

Number of months that instalments had been deferred	Number of facilities	Exposure Rs. Mn.	Percentage of moratorium exposure
Up to 3	25,385	17,265	72
3 to 5	7,760	5,154	22
6 and above	5,827	1,511	6
Total	38,972	23,930	100

4th Moratorium
Circular No. 09 of 2021 Debt Moratorium for COVID-19 affected businesses and individuals

Moratorium Type – Concessionary rate new facility for unpaid instalments or restructuring

Moratorium type	Number of facilities	Exposure Rs. Mn.	Percentage of moratorium exposure
Moratorium loan	2,382	452	26
Restructuring	1,069	1,262	74
Total	3,451	1,714	100

Status of the lending portfolio that were granted moratorium, as of 31 March 2022

Status of the facilities	Number of facilities	Exposure Rs. Mn.	Percentage of moratorium exposure
Performing facilities	47,484	33,225	53
Fully settled lending facilities	40,840	24,223	39
Lease assets acquired by the company	1,830	1,120	2
Non-performing (over 6 months)	5,388	4,068	6
Total	95,542	62,636	100

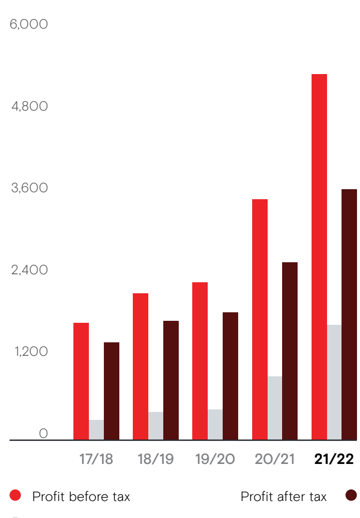
Profitability

Operating profit before taxes on financial services for the year swelled by 42% to Rs. 5,808 Mn. in 2021/22 from Rs. 4,089 Mn. in the previous year. The increase is attributable to the 19% increase in net interest income, 54% increase in other operating income, and the 16% decrease in impairment charges and other credit losses on financial assets. Value added tax and other taxes decreased by 13% YoY to Rs. 540 Mn. As a result, profit before tax increased by 52% for the year to Rs. 5,268 Mn. from Rs. 3,467 Mn. in FY 2020/21. Income tax expense increased by 82% to Rs. 1,656 Mn. compared to Rs. 910 Mn. in FY 2021/22. Consequently, CDB recorded a profit after tax of Rs. 3,612 Mn. for the year under review as against Rs. 2,557 Mn. in 2020/21; an increase of 41% YoY. Earnings per share increased to Rs. 51.75 from Rs. 36.64 in the previous year.

The higher increase in profit after taxation (41%) compared to the relatively lower growth in equity (26%) and total assets (12%) during the year led to significant improvements in profitability. Accordingly, both Return on Average Assets (after-tax) and Return on Average Equity increased to 3.62% and 22.79% respectively for the year compared to 2.73% and 19.97% reported in 2020/21.

PROFIT BEFORE TAX AND PROFIT AFTER TAX

Rs. Mn.



Liquidity

We continued to maintain liquidity levels above the regulatory minimum and the stringent ALCO targets during the year. The fact that ours is a very liquid asset portfolio with over 90% of the lending portfolio being contracts with monthly instalment repayments contributed to maintain liquidity at comfortable levels along with low assets liability maturity mismatches.

ASSET LIABILITY MISMATCH BASED ON CONTRACTUAL MATURITIES VERSUS BEHAVIOURAL MATURITY PATTERNS

	Up to 1 year Rs. Mn.	1 – 3 years Rs. Mn.	3 – 5 years Rs. Mn.	Over 5 years Rs. Mn.	Unclassified Rs. Mn.
Based on contractual maturities (Assets – liabilities)	(3,053)	5,113	2,990	3,901	(8,951)
Based on behavioural maturities (Assets – liabilities)	(5,617)	4,262	9,525	1,302	(9,473)

Capital

We have continued to improve our capital adequacy ratios over the past several years and we are in a comfortable position today in meeting even higher capital adequacy requirements stipulated under guidelines on the Sector Consolidation and the Prompt Corrective Action of the Central Bank of Sri Lanka. The growth in the gold loans portfolio, as well as growth in overall risk-weighted assets being limited to 3% during 2021/22, had positive impacts on capital adequacy. Our capital augmentation plan is in tandem with our plans for expansion of business and the risk profile of our business.

CAPITAL ADEQUACY RATIOS

	2021/22 %	2020/21 %	2019/20 %	2018/19 %	2017/18 %
Core capital ratio	15.16	12.10	10.25	8.09	10.64
Total capital ratio	17.07	15.34	13.29	11.07	13.93

Shareholder returns

We declared a dividend for 2021/22 of Rs. 3.75 per share which is 50% of the dividend declared in the previous year, in compliance with the directions of the CBSL. Market Prices of both voting and non-voting shares recorded substantial increases during the year, thereby increasing the Company market capitalisation to Rs. 14,623 Mn. from Rs. 7,283 Mn. a year ago. Accordingly, market prices of voting and non-voting shares were at Rs. 230.75 and Rs. 110 as of 31 March 2022 and Rs. 86.10 and Rs. 71.90 as of 31 March 2021. Appreciation of the prices by 110% and 20% respectively for voting and non-voting shares compares well against the increase in the ASPI index during the year of 25%.

Outlook for 2022 and beyond

At the time of writing this review, our Nation is facing the most significant economic, political, and social challenges in its history. The deteriorating external financing position combined with the record depreciation of the rupee, unprecedented rates of inflation and the shortage of essential commodities have placed Sri Lanka in a very grave situation. However, the positive developments in relation to the engagement with the International Monetary Fund (IMF) and supportive nations to secure bridge funding and prepare for restructuring of the country's foreign debts provide hope of economic revival in due time. The unprecedented policy rate hike of 700 basis points effected by the CBSL to curtail inflation and support the currency has created a high-interest rate regime, which is likely to increase pressure on the funding cost as well as asset quality of financial institutions. In such a scenario, growing the lending portfolio while managing our interest margin and asset quality will be challenging due to the high cost of borrowing. Further, in line with the new CBSL regulations, NBFI sector commenced the classification of loans into NPLs based on 120 days past due with effect from 1 April 2022 as opposed to 180 days past due adopted earlier which is also expected to cause an increase in the NPLs reported in the ensuing year.

However, we will prepare for the challenges ahead, capitalising on our innovation and technology and business acumen to deliver value for our stakeholders. More emphasis will be given to growing products that are fully collateralised and repriced at a shorter interval. Through cost efficiencies, effective management of NPLs and topflight customer experiences, we will continue to drive profitability and deliver earnings growth and shareholder returns.

Damith Tennakoon
Chief Financial Officer

17 June 2022
Colombo

2.0

OUR BUSINESS AND CONTEXT

At a time when our Nation is in crisis, we extend our support to rebuild our country by empowering aspirations, goals, ambitions of our people.

Operating environment and our response

Market drivers

By paying close attention to the environment in which we operate, we scan the horizon for risks and opportunities, and adapt our strategy accordingly. We also monitor trends in the behaviour of our customers to effectively meet their evolving needs. Especially at a time when our Nation is in crisis, we extend our support to rebuild our country by empowering aspirations, goals, and ambitions of our people.

Given below is a synopsis of the operating context of Sri Lanka

Despite the resilient performance following the immediate aftermath of the COVID-19 pandemic, Sri Lanka's economic performance and outlook remain threatened due to the severe fiscal and external imbalances. The resultant political and social unrest, and the unfavorable global economic situation, have exacerbated the economic woes of the island.

The economy recovered from the pandemic-induced economic contraction in 2020, with significant contributions from manufacturing, financial services, construction, transport, and real estate activity. However, the Central Bank Governor, warned that this recovery is expected to be short-lived under the current economic crisis, with Sri Lanka having to brace up to witness the worst economic contraction in its history.

Amid the sharp deterioration in reserves, the pressure exerted on the exchange rate was ultimately reflected in an exchange rate adjustment in early March 2022, resulting in the USD/LKR exchange rate depreciating by around 80%. The economic activities of the Nation were further disrupted by the social unrest and political instability caused by regular power cuts, lengthy fuel queues, shortages of essential commodities, and escalating inflation levels.

As Sri Lanka's foreign exchange crisis worsened, the country suspended approximately, USD 25 Bn. in government external debt repayments excluding multilateral debt which is to be restructured as expected by the CBSL.

The significant tightening of monetary policy by the Central Bank led to a sharp increase in the yields of government securities leading to higher marked-to-market losses for financial institutions. The economic downturn and high-interest rate environment are likely to hurt loan growth in 2022, whilst the sharp increase in lending rates is likely to reduce the repayment capacity of borrowers amidst a depressed macroeconomic environment. The financial services sector would be required to make higher impairment provisions, that would impact the bottom-line growth.

Alongside the domestic economic recovery, Sri Lanka's export sector recorded strong growth, with monthly exports exceeding USD 1 Bn. during the 10 consecutive months from June 2021 to March 2022, mainly driven by industrial exports. Although the recovery in exports and restrictions on non-essential imports, provided some respite to the external trade balance during mid-2021, the overall increase in global commodity prices, weak tourism income, and remittances added pressure on the current account deficit towards the end of the year. Sri Lanka entered into negotiations with key bilateral and multilateral partners for aid and financing facilities in the context of dwindling reserves and loss of access to global capital markets. Thus far, India has extended over USD 4 Bn. in financial support in 2022. Intending to ensure the sustainability of the country's external debt for restoring macroeconomic stability, the Government and the CBSL have identified the need for implementing urgent measures and economic reforms to address external sector vulnerabilities aimed at resolving persistent and long-standing issues in the economy. Together with bilateral support, the government has commenced negotiations with the International Monetary Fund (IMF) at varying levels across April, May, and June 2022. An IMF delegation arrived in Sri Lanka on the 20 June for further discussions on a possible IMF program which is expected to be at least USD 3 Bn. spread across 3 years. An IMF program is expected to unlock additional bridging finance from other bilateral and multilateral partners. However, to secure and proceed with an IMF programme, Sri Lanka will need to implement several structural reforms including fiscal consolidation, state-owned enterprises reform, and achieve public debt sustainability.

Disruptive digital technologies gaining traction

From customer service chatbots to software robot bankers, disruptive digital technologies like artificial intelligence (AI), robotics, and blockchain are changing the financial services industry. This affects our competitiveness, and our ability to remain relevant to our customers, whilst increasing vulnerability to cyber risks.

Challenges

1. Rapid innovations from FinTechs and telcos with the challenge to integrate and up-scale digital innovations
2. Complexity of managing technology, information and cyber risks
3. Increased competition for specialised skills, such as information technology, data analytics and risk management
4. Customer behaviour influenced by disruption through FinTechs and telcos

Opportunities

5. Several initiatives launched by the Central Bank of Sri Lanka to promote the growth of FinTech solutions in the island to facilitate business expansion
6. Opportunities for process automation and adoption of AI to decrease cost-to-serve and enhance customer convenience
7. Customers increasingly adopting digital products
8. Automation enables to cut down on human error and improve decision making efficiency and processing speed
9. Adoption of an AI-first mindset helps to resist encroachment by expanding technology firms
10. Early adaptation of FinTech solutions enables to achieve an accelerated pace of growth
11. Digital adoption enable businesses to expand beyond geographical boundaries

Impact on CDB

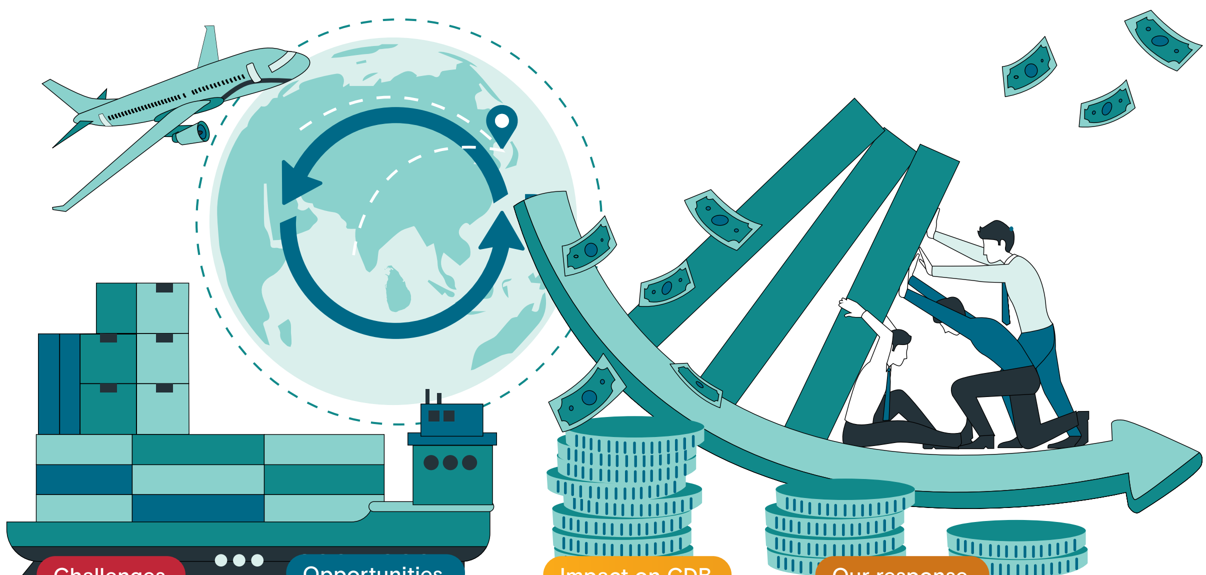
- Expansion of digital platforms helps to broaden customer touch points and channels
- Achieve cost-efficiencies through digitalisation
- Stringent monitoring and prevention to protect customers and the Company from the increasing sophistication of cybercrime, fraud risk and financial crime
- Automation of systems and implementing an agile way of working across all business functions
- Have a future-ready team of staff members by reskilling team members and making significant investments in developing technology skills and capabilities internally

Our response

- Faster deployment of new and improved digital products, services and processes to meet customer needs for safe and secure transacting and drive customer experience
- Meeting customer needs for safe, secure and reliable banking through investing in our cyber security capabilities
- Providing staff with appropriate technology, tools and equipment to work productively from home during the pandemic and its aftermath
- Proactively adopt and embrace new technological knowhow and embed AI based solutions to strengthen our decision making and processes
- The core banking solution has created a differentiation in terms of products offer and service quality
- Continuous investment in technology platforms, processes and controls including monitoring, enhancements and prioritisation of key issues
- The entire process of granting credit facilities to customers was automated, reducing the credit process lead time from four days to one

Depleting foreign exchange and heightened external sector challenges

Sri Lanka's external sector experienced heightened vulnerabilities in 2021 amid persistently high debt service obligations and a weakened balance of payments (BOP) position along with lacklustre performance in the domestic foreign exchange market with continuous pressure on the external value of the currency.



Challenges

12. Slowdown in the economy
13. Currency depreciation against the US Dollar and related cost escalations in the support products and services
14. Import restrictions on motor vehicles
15. Declining worker remittances
16. Reduced rental collection and related increase in credit risk
17. Reduced profitability due to cost escalations and higher expected credit cost
18. Rating downgrades over concerns about sovereign debt sustainability
19. Increased risk due to people using informal channels (Hawala channels) to transfer funds

Opportunities

20. CBSL provided incentives to remit foreign earnings through formal channels
21. Opportunities to expand local products and businesses, especially businesses engaged in import substitution
22. Positive impact on local exporters, as exports become more competitive in the international market

Impact on CDB

- Impact on Company's profits due to higher loan provisioning requirement
- Impact on Company's credit rating
- Impact on customers due to weakening of their credit worthiness
- Higher vehicle prices due to import restrictions have reduced the new business generation.
- High vehicle prices have a positive impact on LTV and collection of existing portfolio.
- High prices of gold impact positively on existing gold portfolio

Our response

- Refocus lending products to gold related lending to capture the demand under the current context
- Redesign process to be more cost efficient
- Refocus credit evaluation and recovery strategy to capture current challenges
- Redesign the lending strategy to capture the current credit demand

Tightening Monetary Policy stance by the CBSL

The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were both increased by 50 basis points in August 2021, by 150 basis points each in total in January and March 2022 and by 700 basis points in April 2022. This affects our net interest margin and profitability.

Challenges

23. Compressing of the net interest margin
24. Impact to profitability due to mark to market adjustment of financial instruments
25. Decline in new lending
26. Increase in cost of funds negatively affecting the profitability

Opportunities

27. Invest excess liquidity in high yielding government securities
28. Increase in customer willingness to place deposits due to high interest rates

Impact on CDB

- Increase in rates increase cost of funding and reduce profitability
- Contraction in the loan portfolio due to reduction in new lending
- Pressure on net interest margin impact profitability and capitalisation

Our response

- Refocus lending strategy towards less rate sensitive asset classes
- Redeploy excess resources to negotiate solutions with lending customers
- Capture new markets to substitute the reduction in vehicle related lending
- Focus on low cost funding products such as savings accounts
- More stringent approach for cost optimisation.

Increasing governance, social and environmental aspects

Social and climate change risk impacts our Company, our customers and the operating environment. There is an increasing regulatory, political and societal focus on the transition risks associated with climate change with tightened regulatory measures for non-compliance and increased social expectations.

Challenges

29. The increasing pace and evolving complexity of regulatory and statutory requirements across the financial services industry
30. Customers becoming increasingly socially conscious and the increased requirement for solutions that aid the transition to a low-carbon economy
31. Increasing severity of penalties and regulatory sanctions for non-compliance
32. Requirement for improved governance and transparency in business conduct
33. Health and safety
34. Failure to meet ESG commitments and related social expectations could lead to customer and community impacts and reduced shareholder value impacts

Opportunities

35. A strong and stable financial services sector
36. Opportunities to create sustainable financial solutions
37. Opportunities to create social entrepreneurship to solve societal challenges
38. Opportunities to support small and medium businesses who are the backbone of the Sri Lankan economy
39. Commitment to sustainable development goals

Impact on CDB

- Need to embed climate change considerations into business strategies to mitigate risks
- Proactively seek opportunities to support a transition to a low-carbon economy
- Need to create new channels and customised products intended to uplift society
- Need for a coordinated, comprehensive and forward-looking approach to evaluate, respond to, and monitor regulatory change
- Need to incur increased costs to implement and manage regulatory changes and impacts on financial measures

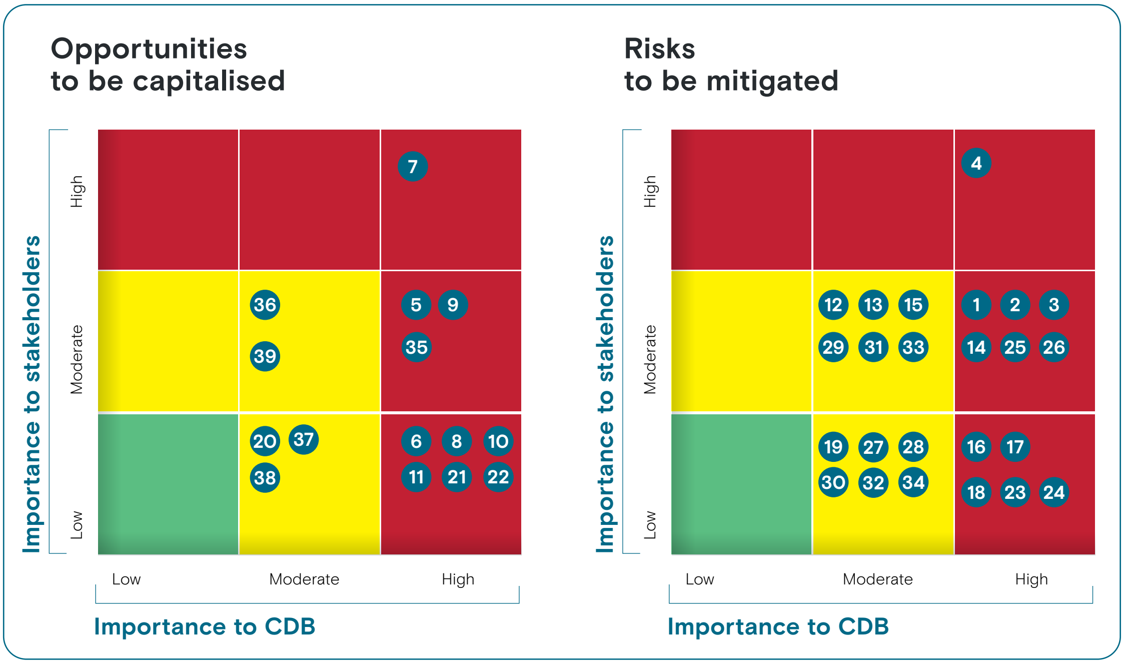
Our response

- By embedding sustainability aspects to our cooperate strategy, we provide sustainable finance products and services that drive the transition to a low carbon economy
- Strengthening our policies, processes, products and services to manage the risks and opportunities associated with climate change
- Ongoing investment in people, processes and systems across the Company
- Participating in regulatory and statutory advocacy groups across the industry
- Engaging with communities and supporting initiatives as part of the Company's commitment to uplift the society
- Supporting our customers, employees and the community through the pandemic and the ensuing recovery period

Materiality

GRI 103-1, 103-2, 103-3, 203-1, 203-2, 203-3

We view value creation in the needs and priorities of our stakeholders in the context of the constantly changing environment within which we operate. Accordingly, the material matters have the most impact on our ability to create value over the short, medium and long-term. These matters influence our stakeholders and our Company to varying degrees. The materiality of each matter is determined based on three aspects - its relevance, the magnitude of its impact, and the probability of occurrence. Even as the above market drivers create trends that present risks, opportunities, or both, the matrices that follow, illustrate the material topics according to their impact on our stakeholders and organisation.



Our management approach

GRI 102-47

We manage the material topics through our strategic planning process. As indicated in the table below, each material topic is linked to one or several strategic imperatives. To achieve the relevant strategic imperatives of each material topic, we have assigned responsibilities to the respective heads of divisions and allocated the necessary resources based on the significance of each material topic. To ensure achievement of the material topics, goals and targets have been embedded in the relevant KPIs with close monitoring and review at regular intervals.

Policies have been formulated to manage the material topics and to guide our people to conduct activities in a responsible, ethical, and transparent manner. These policies are duly adopted by the Board of Directors and are reviewed at predetermined intervals to stay current with the changing environment.

We have instituted formal grievance mechanisms to address and resolve grievances. Furthermore, lending to our customers and dealings with our business partners are screened for social and environmental aspects and all our internal controls, policies and procedures which are laid down to achieve the objectives of material topics are subject to internal and external auditing and verification to ensure adherence. The findings are reported to the Board and/or the Management Committees periodically for information and for corrective action where necessary. The numerous awards and accolades received by our Company over the years demonstrate the effectiveness of the management approach we have adopted.

Material aspects

GRI 102-47

Material topic	GRI disclosure	Stakeholder	Strategic imperative
1. Process automation and adoption of AI		CUST	ECA EII
2. Customers increasingly adopting digital products		CUST	ECA EII
3. Slowdown in the economy	GRI 201: Economic performance	INVS	EOG
4. Import restrictions	GRI 201: Economic performance	CUST INVS	ECA EOG
5. Declining worker remittances	GRI 201: Economic performance	CUST	ECA EOG
6. Declining global competitiveness of Sri Lanka	GRI 201: Economic performance	INVS	EOG
7. Increased credit risk defaults and lower recoveries		CUST INVS	ECA EOG
8. Relief measures introduced by the CBSL and injection of liquidity to the system		CUST INVS	EOG ECA
9. Rapid innovations from fintechs		CUST	EII ECA

Material topic	GRI disclosure	Stakeholder	Strategic imperative
10. The complexity of managing technology, information and cyber risks	GRI 418: Customer privacy	REGU CUST	ECA EOG
11. Increased competition for specialised skills	GRI 404: Training and education	EMPL	ED
12. Customer behaviour influenced by disruption through fintechs		CUST	ECA
13. Grow the lending portfolio	GRI 201: Economic performance	CUST INVS	EOG ECA
14. Expand fee and commission income	GRI 201: Economic performance	CUST INVS	EOG ECA
15. Health and safety	GRI 403: Occupational health and safety GRI 416: Customer health and safety	COMU EMPL CUST	ESD ED ECA
16. Create sustainable financial solutions	GRI 307: Environmental compliance GRI 308: Supplier environmental assessment GRI 419: Socio-economic compliance	CUST ENV COMU BUS.P	ECA ESD
17. Create social entrepreneurship to solve societal challenges	GRI 413: Local communities	COMU CUST	ECA ESD
18. A strong and stable financial services sector		REGU	EOG
19. Commitment to sustainable development goals	GRI 307: Environmental compliance GRI 419: Socio-economic compliance	COMU ENV CUST EMPL	ESD ECA ED
20. Support small and medium businesses that are the backbone of the Sri Lankan economy	GRI 413: Local communities	COMU CUST	ESD

Please refer Engaging with our stakeholders on page 41 and Our strategy on page 44 for the guide on icon used above.

Our stakeholders

Our principal stakeholder groups are those who potentially have the most significant impact on our value creation process and those who are affected most by our activities. Accordingly, the key stakeholders of CDB are investors, customers, business partners, regulators, employees, the community and the environment.

The unprecedented conditions that prevailed during the year, created a need for a deeper engagement with our stakeholders to clearly identify their concerns during these challenging times.

By maintaining continuous and open engagement through multiple platforms, we continued to strengthen the engagement with our stakeholders during the year. Furthermore, we are ready to play our part in rebuilding our nation offering unflagging support and empowerment to our stakeholders as a premier financial services institution.

Read more on
stakeholder mapping

Engaging with our stakeholders

GRI 102-40, 102-42, 102-43, 102-44

INVS

Their concerns	How we engage	Our response and responsibilities	Method of engagement
• Return on Investment • Financial strength and resilience • Risk management • Sustainability management performance • Sustainable profitability • Increased share value • The integrity of the Board and Management • Goodwill of the Company • Safeguard asset quality • Reinvest earnings	• Annual Reports and forums – Annually • Annual General Meeting – Annually • Interim financial statements - Quarterly • Corporate website – Ongoing • Announcements to the CSE - As and when needed • Media releases - As and when needed	• Ensure optimal returns on investment • Strengthen risk assessment and mitigation and adhere to the Company's Code of Conduct • Public affairs management and prompt response • Reinvest earnings to support the future growth potential • Public affairs management • Balance profitability in the short-term and sustainable profitable growth in the long-term	• Open dialogue channels to clarify and get updated information • Discussions and reviews on business performance, targets, forecasts and industry benchmarks • Identify performance drivers, industry trends, opportunities and realign with business plans • Provide assurance on all regulatory and statutory compliance requirements

CUST

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

EMPL

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

ENV

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

COMU

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

BUS.P

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

REGU

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

Our approach to sustainable value creation

Our strategy

To build a strong, stable and resilient organisation, we are bringing our purpose to life by integrating our values and culture into our strategy. **Our purpose is to empower the aspirations of our stakeholders, by making luxury affordable and bringing prestige and recognition.** Our strategic journey is closely aligned with the green recovery which includes our social sustainability and environmental stewardship.

We will achieve our purpose through three strategic priorities...

Transforming into a techfin company

To drive a digital economy by converting our conventional business into transaction business and by building a digital platform to grow our loan book and increase our customer base

Growing our customer base to one million

By onboarding all customers and empowering their aspirations through provision of financial solutions via digital platforms

These strategic priorities are based on **five strategic imperatives** driven by **key material focus areas...**

Q-TAB: Expanding our balance sheet to Rs. 250 Bn. by 2030

By expanding our loan book, driving transaction volumes, fulfilling the financial aspirations of all customers and offering both conventional and check-in products

ECA

Elevate customer aspirations

By elevating customer emotions and enhancing convenience

EII

Expand inspired innovations

Through sustained innovations and disruptive innovations

ED

Employee development

Through an inspiring culture and elevating employee aspirations

EOG

Emphasise organic growth

Through balance sheet growth, strong governance and compliance, expanding customer touchpoints, optimising asset mix and product development

ESD

Endorse sustainable development

Through community led sustainability and environment led sustainability

Our material focus areas are achieved by the following strategies...

ECA – Elevate customer aspirations

Emotions
- Premium service
- Customer segmentation

Convenience
- Digital and physical touchpoints
- Customer Care
- Customised solutions

Assurance
- Privacy and data protection

EII – Expand inspired innovations

Sustained innovations
- Digital platforms
- Customer convenience
- Employee productivity

Disruptive innovation
- Onboard customers
- Digital products and services

ED – Employee development

Culture
- Elevate employee emotions, passions and spirit
- Diversity and equality
- Recruitment and integration

Elevate aspirations
- Family bond
- Performance management
- Training and development
- Rewards and recognitions

EOG – Emphasise organic growth

Balance sheet growth
- Strong and stable financial position

Governance and compliance
- Strong and stable organisation

Growth in customer touchpoints
- Physical touchpoints
- Virtual touchpoints

Asset mix
- Optimal asset mix

Product development
- Tailor-made solutions

ESD – Endorse sustainable development

Community and sustainability
- Accelerating sustainable mobility solutions
- Financial inclusion
- Community impact

Environment and sustainability
- Conservation and biodiversity
- Extraordinary results through ordinary people
- Responsible and sustainable brand

Business model

We have grown exponentially over the last decade by recording a ten-fold growth in our asset base, from Rs. 10 Bn. in 2010, to surpassing Rs. 100 Bn.

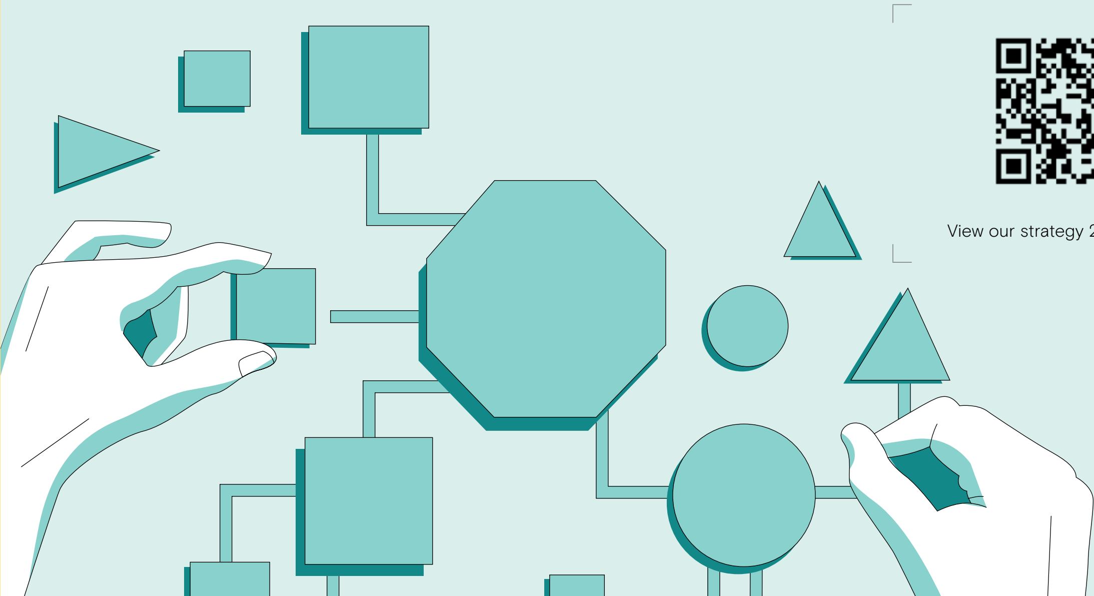
In the current decade, we aspire to become a quarter trillion asset base (Q-TAB) company enabled by our sustainability agenda and tech disruption. In this journey, our purpose is to empower the aspirations of our stakeholders by making luxury affordable and bringing prestige and recognition.

In achieving our purpose, we have continued to adopt a socially, environmentally and economically inclusive approach – which has led sustainability to becoming an inseparable element in our business model. Our sustainability agenda encompasses both social and environmental dimensions. We are committed to leaving behind the least carbon footprint and continuing our carbon neutral status on our journey towards a quarter trillion asset base company.

As a socially impacting organisation, we reach out to the most remote, vulnerable, rural, and base of the pyramid market segments, to ensure financial inclusion, whilst contributing towards a greener economy. Our positioning as a conscientious leader in the financial services industry is strengthened by combining urban funding and rural lending, and being recognised as a net lender to the rural economy. The key verticals under the CDB sustainability agenda are renewable energy-based mobility and household solutions, enabling a shared economy, contribution to biodiversity and conservation, financial inclusion, community impacting initiatives and engaged team members.

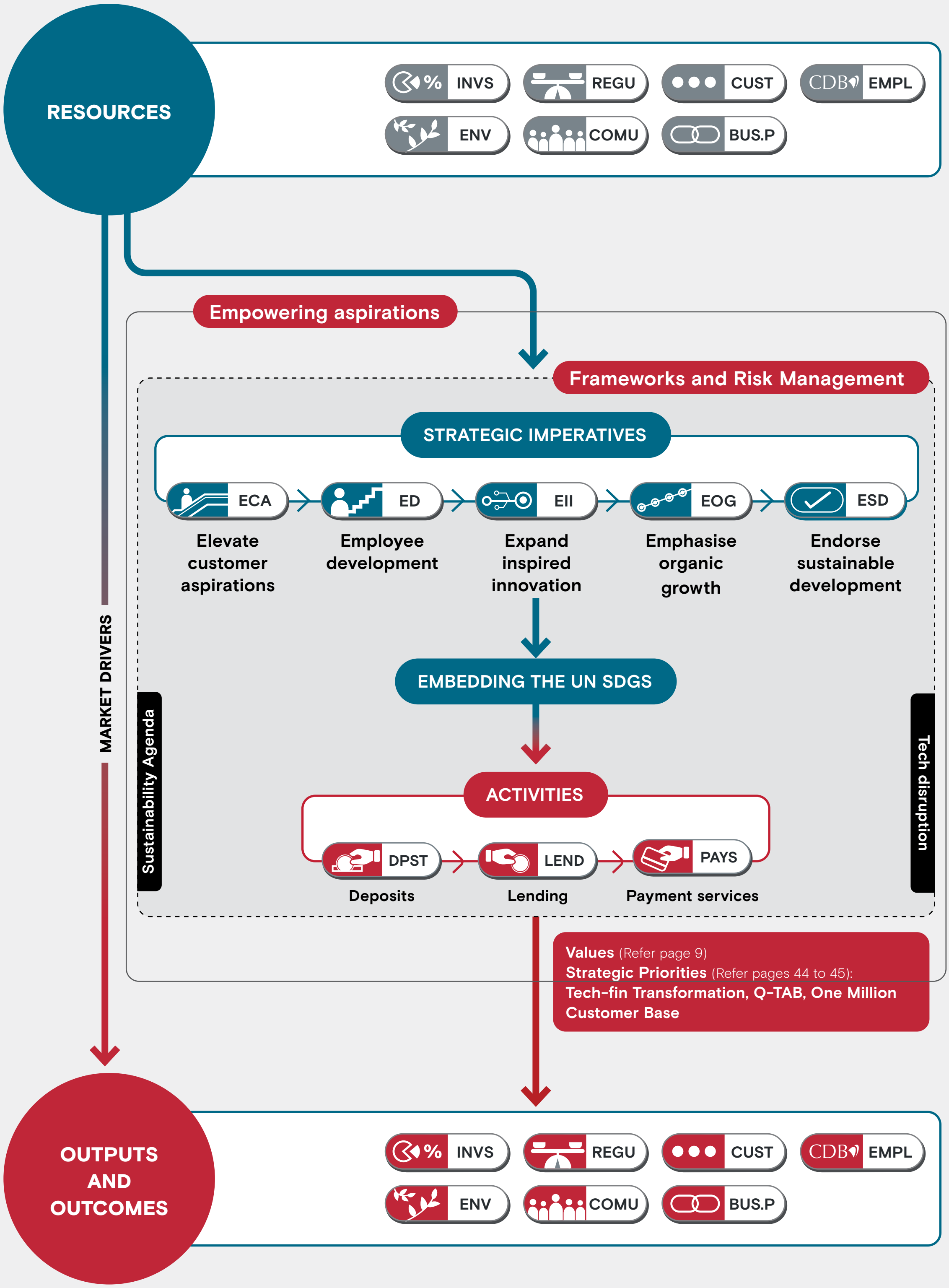
Our tech disruption strategy that also encompasses both social and environmental dimensions, complements the CDB sustainability agenda. This enables us to be more resource-efficient by integrating more digital channels and be less dependent on brick-and-mortar distribution.

Our overall strategy and framework position us as a responsible corporate citizen "Empowering Aspirations" across diverse social and geographic boundaries, whilst being true to our purpose and shared values. Our value creation model outlines how we create value for our key stakeholders through our business activities, and the inputs that we rely on to deliver value and meet our strategic objectives.



View our strategy 2021 - 2030

Business Model



Supporting Sustainable Development

We believe that business has an important role to play in the achievement of the United Nations Sustainable Development Goals (UN SDGs) and we remain committed to supporting sustainable development. We understand the long-term sustainability of our Organisation is closely intertwined with the futures of stakeholders.

All aspects of our business are entrenched with sustainability principles and our sustainable value creation model remains at the core of our growth strategy. Based on our business model and the stakeholders who are most relevant to us, our sustainability targets support 7 of the 17 SDGs.

Good health and well-being

3 GOOD HEALTH AND WELL-BEING

Provide health-care options, encourage healthy lifestyles and provide decent working conditions.

Healthcare options

- Invested Rs. 62.9 Mn. in CDB Suwasampatha facility to extend healthcare facilities to 279 team members.
- Extended leave in the event of an illness or complication or risk of complications, provided facilities and flexible working hours and developed appropriate family-friendly facilities for team members, which extend beyond compliance.

Decent working conditions

- Maintained zero occupational diseases and work-related fatalities by promoting safe and a conducive work environment.
- Invested Rs. 31.4 Mn. to implement the necessary COVID-19 safety protocols to ensure the health and well-being of our team members.

Healthy lifestyles

- Child health and well-being "Act early for Autism" Programme

  To promote early detection and timely intervention, the Autism Awareness project was launched in collaboration with Sri Lanka Association for Child Development (SLACD) in 2016. A therapeutic play area was constructed in the Ampara District General Hospital and a state-of-the-art *"Pragathi"* children's intervention centre was established at the Teaching Hospital, Anuradhapura to promote child health and well-being.
- 26 specialist discussions were held to spread awareness on Autism Specialist Disorder (ASD).
- Invested Rs. 45.4 Mn. to treat and manage severe and critical cases of COVID-19 in Sri Lanka requiring oxygen therapy, ICU admission, and ventilator support.
- "Active Ninja" – In collaboration with the Health and Wellness Unit of the University of Colombo, the employee health and well-being educational programme was continued to provide free medical services, resources and information to raise awareness about health issues and available services.

Quality education

4 QUALITY EDUCATION

- Provided learning opportunities to all our team members to enhance their knowledge and skills for sustainable development and pursue sustainable lifestyles. The process which is encouraged from the beginning of their journey at CDB is further supported through the e-learning platform and library facilities.
- Rs. 5.5 Mn. was invested in training and development to hone the skills and capabilities of our team members. An average of 52.9 hours of training were given to the team members.
- Rs. 2.1 Mn. was spent on education reimbursements of team members.
- Youth were provided employment opportunities with education support and training opportunities to increase their employability. 324 youth were recruited from outside the Western Province.
- A total of 100 scholarships were granted through Season 13 of the CDB *"Sisu Diri"* scholarship programme. 709 scholarships have been granted since its launch in 2008.
- Under the CDB Smart Computer Lab project, 13 state-of-the-art smart computer labs were donated to disadvantaged schools, to provide digital education to students in remote areas.

Clean water and sanitation

6 CLEAN WATER AND SANITATION

- Improved water performance and promoted reusing of freshwater through a rainwater harvesting system.
- Shared smart solutions with peers and created awareness of water conservation among team members.
- Created team member awareness on water conservation.

Affordable and clean energy

- As of 31 March 2022, the energy-efficient vehicle lending portfolio of CDB was increased to 22% of the total vehicle portfolio.
- Energy consumption during FY 2021/22 was reduced by 2.3% YoY.
- Created employee awareness on energy reduction and improved energy efficiency in households through competitions.
- Introduced the green branch concept and aims to convert our branches to renewable energy backed locations. We aim to convert six branches to green branches in FY 2022/23 and install roof solar in 16 branches across the island.
- 105 CDB Advance roof solar facilities were approved in the first year of operations.
- Launched a mid-term plan to engage responsibly with the public sector to support the development of well-designed, stable policy frameworks and financing mechanisms to tackle market barriers including providing financial assistance to generate affordable, energy-efficient vehicle technologies in Sri Lanka.

Responsible Consumption and Production

- With our commitment to take decisive steps to achieve climate neutrality and address climate change, we have been a signatory to the UNFCCC Climate Neutral Now Pledge for the fourth consecutive year.
- We continued the carbon footprint calculation, verification and neutralization. This included tracking and reporting waste generated and disposed, energy and water consumption and the GHG calculation through the annual Carbon Footprint analysis. For the seventh consecutive year, we maintained our carbon neutral status by investing in a clean energy project registered under Sri Lanka Carbon Crediting Scheme.
- Created understanding of sustainable management in all operations through the Environment and Social Management System (ESMS).
- The purchasing policy was revamped with sustainable sourcing principles.
- Adoption of UN SDGs through our business model, sustainability strategies, and agenda focused on low carbon growth.
- Raised customer awareness on responsible consumption.
- Invested in improving environmental performance.
- Used tech disruption to complement the sustainability agenda of the Company.
- Our team members were educated on reducing waste and a mindset of responsible waste management was instilled to reduce our environmental footprint.

Life on land

- CDB Green Ninja Ambassadors of the CDB Advance Green Ninja Club conducted activities across the CDB network and the communities to connect people to nature.
- Commemorated important international days and conducted Green Ninja Quiz competition to enhance environmental literacy and create awareness in team members.
- Completed 4th year of the LIFE project, which is a collaboration with Biodiversity Sri Lanka (BSL), International Union for Conservation of Nature (IUCN), the Sri Lanka Forest Department and nine private sector partners to restore rainforest land adjacent to Kanneliya forest reserve.
- Partnered the “Life to Our Mangroves” Project to conserve 25 ha of land in Anawilundawa wetland sanctuary which is one of the 6 RAMSAR wetlands.
- Partnered to conserve 10 acres of Ittapana – Horawala mangrove forest which is one of the most threatened landscapes in Sri Lanka.
- Annual tree planting project, “Plant a tree, plant a life” project was conducted at Horana in partnership with “Reforest Sri Lanka”- One of the largest Non-profit reforesting organisation and the Sri Lanka Institute of Information Technology (SLIIT).
- We continued the paper and e-waste recycling programmes and initiated the CDB Advance Recycling Corner in the head office.

Partnership for the goals

- Please refer page 95 of this annual report for the sustainability business partners of CDB.

We collaborate with diverse organisations to advance our sustainability commitments and achieve the UN SDGs.

Read about the Sustainability Steering Committee Responsibilities

A multi-award-winning institution

Demonstrating our commitment to excellence and maintaining our position as a premier financial institution in Sri Lanka, we have garnered multiple accolades, both local and global, over our 26-year journey. These awards reflect our leadership in the digital solutions that simplify cutting-edge technology to benefit all people of our Nation, commitment to sustainability, adoption of global best practices, and excellence in Human Resource Management.

We remain grateful to our stakeholders for being a true partner on our journey of mutual success.

View more details on the awards won

3.0

OUR VALUE CREATION STORY

By leveraging our digital technologies and embedding ourselves seamlessly into our customers' lives, we deliver differentiated customer experiences by managing through journeys and ensuring our products and services are accessible and inclusive to all people.

We are ready to play our part in rejuvenating our economy, by empowering our customers to actively engage in the recovery process.

We create customer value by providing financial solutions to elevate their aspirations in an innovative, easily accessible and responsible way. By leveraging our digital technologies and embedding ourselves seamlessly into our customers' lives, we deliver differentiated customer experiences by managing through journeys and ensuring our products and services are accessible and inclusive to all people. This enables us to build long-lasting customer relationships and maintain trust by safeguarding our customers' data and information as we operate with high standards of conduct.

Related strategic imperatives and material focus areas

ECA

Elevate customer aspirations

Emotions
Convenience
Assurance

EII

Expand inspired innovations

Disruptive and sustained innovation

EOG

Emphasise organic growth

Product development

ESD

Endorse sustainable development

Environment and sustainability

Contribution to UN Sustainable Development Goals

Delivering excellent customer service is an ethos that we will carry forward as we continue to be deliberate in adopting a customer-centric approach in every process across our Organisation.

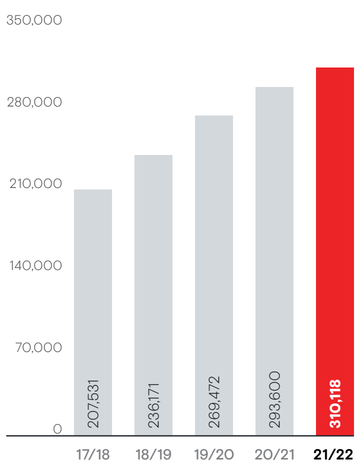
Customer experience focus

We remain committed to ensuring that all decisions that are taken and systems implemented within our Company are fixated on customer experience. Delivering excellent customer service is an ethos that we will carry forward as we continue to be deliberate in adopting a customer-centric approach in every process across our Organisation.

Giving high priority to customers' emotional connection with our brand, we continued to spur customer activity, elevate our brand and strengthen customer loyalty. Our interaction with customers was focused on simplicity, transparency, clarity and empathy to fulfill their diverse aspirations. The steady growth in our customer base over the years bears witness to the effectiveness of our customer-centric strategy.

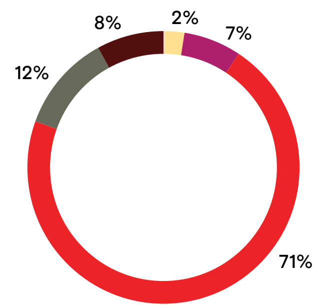
GROWTH IN OUR CUSTOMER BASE

Nos.



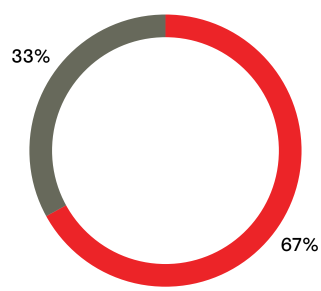
An analysis of our customer base for 2021/22

CUSTOMER PROFILE BY AGE -2021/22



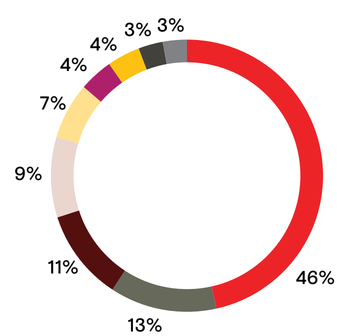
- 0-14 years
- 15-24 years
- 25-54 years
- 55-64 years
- Over 65 years

CUSTOMER PROFILE BY GENDER - 2021/22



- Male
- Female

CUSTOMER PROFILE BY REGION



- Western
- North Western
- Sabaragamuwa
- Central
- Southern
- North Central
- Uva
- Northern
- Eastern

Your Friend

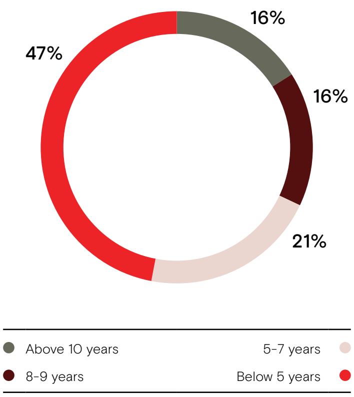
Our insight-driven customer value proposition is focused on customer lifecycle management. Even as the journey of the customer keeps evolving, we strive to forge deep relationships through a customer life cycle approach, enhance our product suite and improve access to financial services through our network combining physical and digital platforms. Whilst developing new technology-based solutions that elevate customer convenience, we also focus on strengthening customer security and privacy through state-of-the-art technology and data governance.

During the year, we made several enhancements to our processes and delivery channels to improve customer experience.

- We operated the "Doorstep" service to serve our customers at their doorstep. A range of services including delivery and collection of documents, delivery of FD certificates and savings passbooks were extended through this service, increasing customer convenience and value.
- The account manager concept was rolled out to the premier segment to provide customised service, create positive customer experiences and strengthen customer relationships. We will introduce this concept to other customer segments as well in the ensuing year.
- The CDB Flexi Capture App, which is one of the most revolutionised apps in the industry to update customer information using a smartphone in a secure environment was fully operationalised to process loan and lease facilities remotely.
- A loyalty rewards programme was launched to strengthen customer relationships further by rewarding customers for their long years of relationship with CDB. A Customers Lifetime Value (CLV) model was developed to facilitate the loyalty rewards programme.
- Customer Relationship Management (CRM) harnessed customer data to upsell and cross sell products by identifying potential business leads, converting them into sales, monitoring the progress and following up.
- To improve customer retention and loyalty, the CRM conducted several events focused on external customer satisfaction and internal customer development.
- Under the service standardisation program we have initiated the CRM set service level standards to improve customer service. This programme will include staff grooming and training to deliver an outstanding customer service.
- During the year, in addition to the Call Centre, a Service Management Unit (SMU) was set up to handle customer feedback and inquiries. This centralised unit redirects customer feedback and inquiries to the relevant department or branch, ensuring its resolution within the stipulated Service-Level Agreements (SLAs). In addition, the SMU implemented preventive measures by analysing customer feedback. Furthermore, the SMU conducts Mystery Caller programmes periodically to ascertain customer perception about the Company and service standards. The findings have helped to improve customer service levels.
- We have strengthened our customer relationships through the "Affiniti" sales app, which facilitates customer engagement in a structured and efficient manner.

The outcome of the numerous efforts undertaken over the years to improve customer experience has resulted in long-standing customer relationships. Close to 53% of our customer relationships extend over five years.

LENGTH OF CUSTOMER RELATIONSHIPS



Digital transition increasing customer acquisition

GRI 102-6

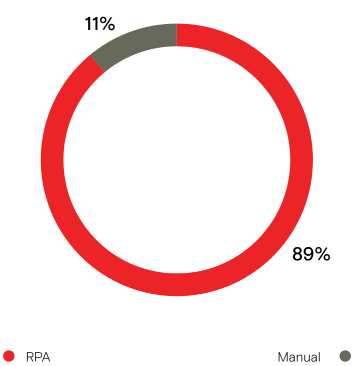
We provide pioneering solutions that make transacting simpler for all segments of the population. Customers continued to use digital solutions increasingly for simple transactions, saving time and reducing unnecessary visits to a branch or calls to the contact centre. We further enhanced the value by making customer onboarding process more simplified and efficient through the CDB Flexi Capture App given to our field-based marketing staff facilitating mobile phone enabled document submission and Robotic Process Automation (RPA) based data entry through the Optical Character Recognition (OCR) and Intelligent Character Recognition (ICR) options. The entire process of granting credit facilities to customers has been automated, reducing the credit process lead time significantly from approximately four days to one day. The end-to-end automation includes customer onboarding, savings account opening, issuance of debit cards, Application Programming Interface (API) based checking of CRIB reports, file submission through CDB Flexi Capture App, Enterprise Resource Planning (ERP) based credit facility approval and delivery of digital delivery order to the customer real time.

Almost fourteen thousand customers are now using our digital self-service channels, including the CDB iNet App and CDB iControl App, with over 9,000 new registrations in 2021/22. Further, during the year, more than 50,000 clients have been digitally onboarded and more than 10,000 savings account openings were done using our RPA technology. Furthermore, more than 77,000 Know Your Customer (KYC) was conducted during the year, while onboarding new customers and existing customers based on the transaction criteria whilst assuring privacy of data and adhering to all required regulations.

Digital onboarding and account opening statistics

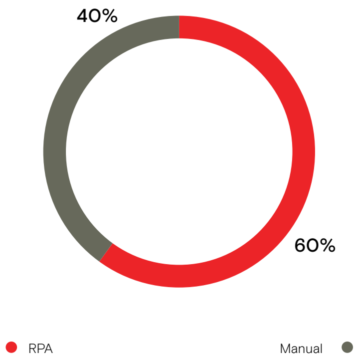
- Average credit card requests – 865 per month
- Average credit file request – 3,513 per month

CLIENT CREATION



Channel	2021/22 Number of client codes	%
RPA	50,417	89
Manual	6,417	11
Grand total	56,834	100

SAVINGS ACCOUNTS OPENING



Channel	2021/22 Number of client codes	%
RPA	10,995	60
Manual	7,339	40
Grand total	18,334	100

Key automations during the year

Lending process automation

Overview

In tandem with CDB's strategic pillars of tech disruption and sustainability, we initiated an end-to-end lending process automation project to enhance accuracy, timeliness of customer deliverables, capacity improvement optimum resource utilisation and compliance. CDB pioneered this initiative among the financial institutions in Sri Lanka, where an automated system was introduced for the credit approval process which is executed with minimal human intervention. An initial investment of Rs. 30 Mn. was made in 2019/20 on this project and it included the automation of the entire credit process including CRIB report automation, insurance debit entry automation, automated credit scoring and automated data entry process.

A cross functional team was deployed to provide oversight to the process comprising business operations, information technology, compliance, risk and credit evaluation.

Areas of improvement

- Marketing officers were enabled to check and download CRIB reports through any electronic and smart device
- Digital customer onboarding
- Credit file submission through any electronic and smart device
- Data digitalisation through OCR/ICR
- Automated credit decisions for facility approval via any electronic and smart device
- Robotic Process based data entry/facility sanctioning
- Queue management system for supplier payments

The outcome

A comprehensive Robotic Process Automation (RPA) integrated scanned image process is used for all operational functions related to credit facilities. The process which requires minimal human intervention, facilitates the sales force to work from anywhere, anytime 24x7, 365 days of the year. This process has facilitated customer onboarding from any location, and the approvals for facilities and credit cards are given through the ERP process, minimising the need for customers to visit a branch. This enables us to expand our reach beyond our physical presence specially in the rural areas with untapped markets.

The automated credit decision system which provides instant credit decisions for small ticket financing and on branch managers capacity of up to Rs. 2 Mn. which account for nearly 70% of our portfolio, has expedited the credit execution process, reducing the lead-time.

Benefits

- Initiated a paperless working environment for credit facility approval process
- Offering a timely and faster customer service anytime anywhere

- Established 45 virtual operations units during the year. As per the strategic distribution blue print, the number of channels are being increased annually with the contribution from virtual operations improving to a level in excess of Rs. 350 Mn. per month by the year end.
- Redeployed 50 team members to attend on key processes within the Organisation

Insurance debit placement and process automation

Overview

Our Insurance Division safeguards the financial interest through active insurance policies that cover every active auto finance and property finance facility. The key deliverables include accuracy, timeliness and compliance, and the main functions of the division are insurance debit placement, policy renewal and premium settlement. Placing the insurance debit is crucial to issuing a delivery order to the customer promptly and settling the supplier payment in a timely manner.

The outcome

The Insurance Division is in the forefront of our sustainability and tech disruption strategy. The Division is fully automated, 100% paperless and fully integrated with RPA with minimal human intervention. Our sales force is empowered to work from anywhere, anytime, 365 days of the year. The renewal entry process of insurance policies are fully automated as well.

Benefits

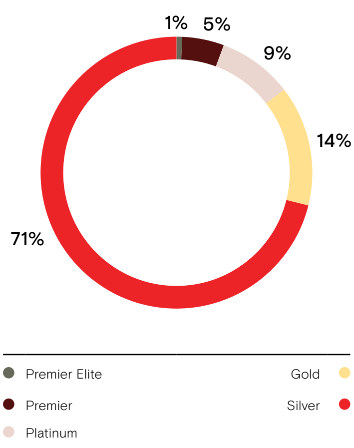
- Created a paperless working environment
- Contributed towards our sustainability strategy through cost savings
- Offering a timely and faster customer service anytime anywhere
- Redeployed team from non-value adding functions

Function	Manual	New
New debit entry automation	(23,263*4 Min = 93,052 Min) 1,551 Man hours	Fully automated
Renewal placements	(64,119*4 Min = 256,476 Min) 4,275 Man hours	Fully automated
Payment entries	(93,112*3 Min = 279,336 Min) 4,655 Man hours	Fully automated
New debit paper usage (number of papers printed)	23,263*3 = 69,789 paper copies	100% paperless
Renewal debit paper usage (number of papers printed)	64,119*3 = 192,357 paper copies	100% paperless

Customer segmentation

We segment our customers to gain deep knowledge and understanding of the customer and align our product and service offering to suit their unique requirements. Our telesales unit liaises with potential customers, to convert a lead into a sale.

CUSTOMER SEGMENTATION 2021/22



Catering to the life cycle of customers

We strive to enhance customer satisfaction and experience through ongoing innovation and expansion of our products and services. Our legacy systems have been replaced with next-generation platforms to reduce inefficiencies in resource utilisation to improve our customer service standards and increase customer satisfaction and loyalty. Interactions with our customers, through numerous touchpoints, provide us information to understand customers and meet their specific requirements. Our products cater to every life stage of our customers. Using technological disruption and smart financial engineering, we use our digital capabilities to create tailored customer value propositions. We also facilitate customers to evaluate real-life options, and make their lifestyle decisions through the customer life cycle.

During the year under review, we continued to integrate the sustainability agenda to the business strategy and we rolled the CDB Advance Roof Solar product to encourage customers to adopt sustainable living habits.

Our product portfolio

GRI 102-2

Our conventional and check-in product portfolio

Check-in products

Savings | CDB Credit cards | CDB Debit cards

- CDB Savings
- CDB Salary Plus
- CDB Rankati
- CDB Platinum saver
- CDB Deegayu

CDB Credit cards

CDB Debit card

Core products

Fixed deposits

- CDB *Dhana Surekum*
- CDB *Deegayu*

Core products

Leasing and loans

- CDB Leasing
- CDB Personal Loans
- Home Loans
- CDB *Ran Naya*
- Business Loans
- Aspire Lease
- Cash Lease
- Tractor Lease
- CDB Advance Roof Solar

Omni channels

- CDB iNet
- CDB iDeposit
- CDB iTransfer

Other services

- CDB Margin Trading
- CDB Money Exchange
- Fast Cash
- CDB Meezan

Products catering to different life cycles of customers

Minor

CDB *Ranketi* Savings

Young Adults

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

Adults

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

Senior

CDB *Deegayu* Savings
CDB Margin Trading
CDB *Deegayu* FD

Service based on the future potential of customers

We meet the aspirations of lower and middle-income segments and thereby elevate their living standards, giving them a feeling of prestige and recognition by empowering their aspirations. The "Account Manager" concept, helps to create long lasting customer relationships, offering a personalised service, meticulously attending to their financial needs and providing the best financial solutions to cater to their requirements.

Expanding customer touchpoints

We extend financial services to our customers through a multichannel approach. There are multiple customer engagement platforms ranging from digital solutions to the call centre and face-to-face engagements through branches and relationship managers. Over the last two years, there has been an acceleration in migration to digital channels and services, by both consumers and businesses, especially following social distancing that created a surge in demand for online commerce, contactless payments and digital cash transfers. Our value proposition, "Tech with a touch" encompasses people-enabled technology. We have not opened brick-and-mortar branches over the past four years. We have continued to expand our reach through virtual operations.

ADOPTION OF OUR DIGITAL PRODUCTS BY CUSTOMERS

Number of iDeposits placed

2021/22
5,301

2020/21: **3,236**

2019/20: **774**

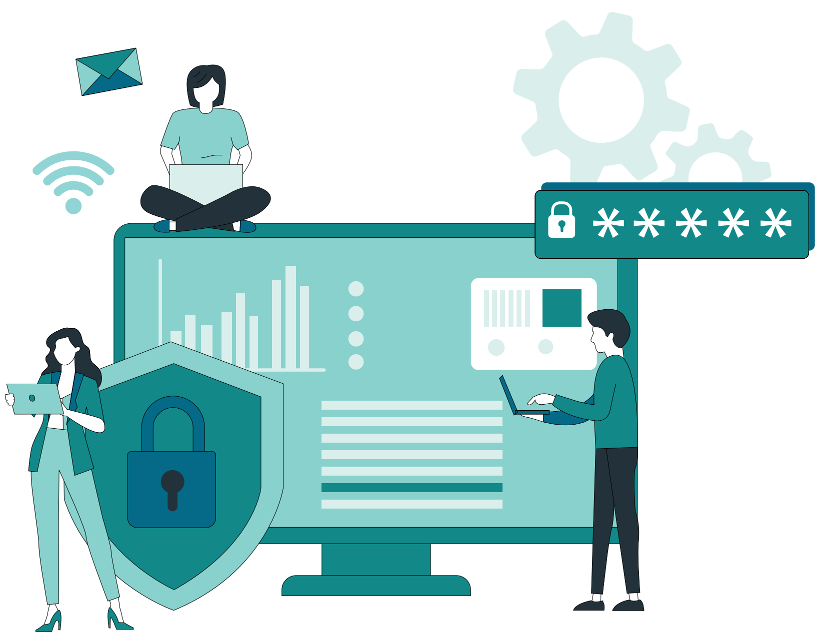
Value of iDeposits placed (Rs. Mn.)

2021/22
989

2020/21: **375**

2019/20: **107**

We aim to convert our entire deposit portfolio to iDeposits in the long term.



The CDB iControl app empowers CDB cardholders to take complete control of their credit card spend, facilitating tracking of the credit card spend with graphical data presentation, setting sublimits on spend categories to manage finances better, blocking a lost or stolen card instantly and selecting countries and merchant categories for secure payments.

Number of downloads

2021/22
6,547

2020/21: **3,064**

2019/20: **1,635**

The number of customers engaging with us on social media and through our corporate website has increased over the years.

Number of visitors to the CDB website	Number of followers on the CDB Facebook page	Number of followers on the CDB LinkedIn page
2021/22 794,318	2021/22 92,077	2021/22 6,777
2020/21: **555,454**	2020/21: **83,154**	2020/21: **5,606**
2019/20: **274,737**	2019/20: **75,073**	2019/20: **2,832**

View our customer physical touchpoint reach

An efficient call centre

GRI 418-1

The call centre which is the focal point of customer contact enables customers to make inquiries, requests, complaints, and provide feedback. The centre operates 24x7, 365 days a year, handling inbound and outbound calls and other functions.
Even during the pandemic-related lockdowns, the call centre continued uninterrupted operations by working extended shifts and by working remotely, with strict compliance to safety protocols.

During the year, several enhancements were effected to augment customer experience.

- A toll-free "Missed Call Service" was initiated at branches enabling customers to contact the CDB contact centre through a dedicated hotline. A contact centre agent would contact the customer directly for a missed call given.

View the call centre missed calls statistics

- The Customer Data Retrieval Solution was modified enabling call center agents to view the summary of customer portfolio in one interface. This enabled a more efficient and speedy response to customer inquiries through easy customer verification, reduction of customer handling time and prioritising of customer segments.
- The call centre enabled lending customers to check their outstanding balance by giving a missed call to the dedicated number and receiving the outstanding balance via a SMS.
- Dedicated agents were appointed to cater to the needs of high net-worth segments to deliver specialised services.

OUR CALL CENTRE STATISTICS FOR 2021/22

Total Offered Calls

Total
316,937

Sinhala: **285,242**

English: **10,852**

Tamil: **20,843**

Total Answered Calls

Total
274,342

Sinhala: **247,387**

English: **9,480**

Tamil: **17,475**

Answered Within Threshold

Total
205,483

Sinhala: **185,961**

English: **7,078**

Tamil: **12,444**

During the year under review, a total of 316,937 calls were received by the call centre of which 274,342 calls were answered and 13% of the calls were abandoned. All these abandoned calls were called back by a contact agent of the call centre as per the call-back service. A total of 205,483 calls were answered within the threshold.

Improving our brand equity

Our brand strategy is to position CDB as an innovative and sustainable brand in the banking and financial services industry. We achieve this by embracing the mindset of a disruptor and offering tech-infused smart product solutions that are environmentally sustainable whilst focusing on financial inclusion and community impact. Hence our brand intent is to "Empower a smart and sustainable Sri Lanka".

Exemplifying the quintessence of our purpose of empowering aspirations, we etched yet another milestone by being ranked among the Top 50 of Sri Lanka's Most Valuable Consumer Brands in 2021. We have consistently improved our brand equity through the application of the fundamentals of our core values of perseverance, empathy, reliability and innovation into our customer engagement.

Marketing campaigns, promotions, and marketing communications

GRI 206-1

Our social media strategy broadly encompasses a platform-driven content strategy that involves three strategic pillars –

- **Influencer-based marketing strategy** – To reach new audiences and create a greater impact on the message/ campaign.
- **Product-driven content strategy** – To create innovative and audience-based content to improve reach and engagement.
- **Customer engagement** – Keep the audience engaged through numerous activities including competition.

We support our customers to make informed decisions by implementing a clear marketing and branding strategy. All our communications are conducted in a transparent manner maintaining ethical marketing practices. All relevant information in terms of products and services are disclosed in three languages (English, Sinhala and Tamil).

During the year, we improved our reach via digital marketing. Our product-focused content strategy helped to augment customer reach via social media and improve web traffic as well. We also increased our propaganda vehicle fleet from three to 10 vehicles to create more awareness of our products and services among customers.

The following campaigns were conducted during the year to promote our products among customers:

- A campaign was conducted to promote CDB Advance Roof Solar to encourage people to embrace sustainable living.

- Focused on the digital fixed deposit feature of CDB iNet, a campaign was conducted as an extension to the "Be Smart & Stay Safe" campaign to encourage people to open digital deposits with just Rs. 5,000. This campaign was to encourage youth to save for their future, in a hassle-free manner using their mobile phone or any other smart device. The content was created on Instagram and Facebook creating product appeal to the youth lifestyle as well.

- The EMI feature was introduced to our “Break free from Limits” campaign for CDB Mastercard Credit Cards, enabling customers to purchase anything from any merchant up to 60 months instalments at 0% interest.

- Continuation of the CDB Leasing with Cash Lease and Aspired Lease campaign. As Sri Lanka is now gearing towards supporting local business and encouraging self-startups allowing especially youth of Sri Lanka to actively contribute to national GDP. By understanding the need, CDB Leasing communications were given an innovative twist in terms of bringing the national interests in supporting entrepreneurial innovation and SME support.

  Especially through CDB Cash Lease campaign we encourage people to use their vehicle as an asset to finance their business or education etc. without selling their vehicle.

- Sponsoring the first ever National Cricket tournament as the Title Sponsor for Sri Lanka vs. West Indies test series in order to improve brand visibility and also to create association for the CDB corporate brand. This sponsorship was amplified through digital communications, print communications, public relations and employee engagement initiatives.

Customer privacy

GRI 418-1

We take the security of our Company, our customers and our customers' information very seriously. Even as cybersecurity threats continue to be significant, our approach to mitigating cybersecurity risk involves a range of controls relying on people, technology and process. We have invested in state-of-the-art technology and training our team members on protecting customer information under the CBSL guidelines. Stringent information security measures are in place including, limited access, passwords, segregation of duties, data backup systems, signing of non-disclosure agreements, limited outbound mail access, and firewalls. Customer privacy has been further strengthened through the stringent purview of our Risk Management Committee, Compliance Department, and Internal Auditors. No complaints were reported with regard to breach of customer privacy or misuse of customer information during the year under review.

As a responsible business entity, our information security is ISO 27001:2013 certified for four consecutive years via TUV NORD, one of the world's largest inspection, certification and testing organisation. Our IT operations and systems comply with the highest international standards. Establishing strong data protection and IT security environment is inbuilt in to our overall strategy. Furthermore, we have set early target timelines and action plans to be compliant with regulatory compliance, including Finance Business Act (Technology Risk Management and Resilience) Direction 01 of 2022 that addresses customer data and protection.

Mystery customer survey

The mystery customer market research technique is implemented to evaluate the level of customer service, quality, and consistency extended by the front office staff of our branch network. This qualitative research is undertaken through an observation tracker for each branch. Individual performance is assessed based on customer care, selling skills, knowledge, and interpersonal skills while Company performance is assessed based on facilities, documentation, branch ambiance, and overall aspect of CDB. During the year two separate mystery surveys were conducted at all CDB branches and the contact centre. The results were updated to an online dashboard within 24 hours for employee education, training and speedy decision-making.

Compliance

GRI 206-1, 416-2, 417-2, 417-3

The rights of our customers are protected by the CDB customer charter. During the period under review, there were no instances of non-compliance related to product and service labelling or marketing communication guidelines. Neither were any incidents of non-compliance pertaining to anti-competitive behaviour, anti-trust, and monopoly practices as well. Further, there were no substantiated complaints pertaining to breaches of customer privacy and losses of customer data.

No incidents of non-compliance concerning the health and safety impacts of products and services were recorded.

Priorities for 2022/23

With the sharp surge in demand for remote identification services, we will integrate the video KYC solution with our website, call centre, CDB iNet app to minimise the exchange of physical documents, and serve customers from the comfort of their homes. This will also reduce branch traffic and eliminate the need for customers to visit a branch to open an account or obtain a facility. Furthermore, to enhance the quality of customer experience, we will introduce a self-service automation services to enable our credit card customers to make billing inquiries through a simple missed call. The customers will have 24/7 access to this service with no hold time and no interaction with contact centre agents. The appraisal form of lending files will be automated, and we will strive to provide better solutions to the customers through tech disruption and innovation while reducing our carbon footprint and resource usage.

CDB team

We believe that our long-term success largely depends on the contributions of our team members. They are central to executing our strategy, driving earnings, productivity and value creation. We strive to deliver an excellent employee experience by creating a work environment where our team members are engaged and inspired to be at their best. This helps us to deliver a differentiated customer experience, drive business strategy, create long-term shareholder value and strengthen the sustainability of our Company.

We are honoured to have been recognised as a "Great Place to Work" in 2021.

Related strategic imperatives and material focus areas

ECA	EII	ED	EOG	ESD
Elevate customer aspirations	**Expand inspired innovations**	**Employee development**	**Emphasise organic growth**	**Endorse sustainable development**
Emotions	Sustained innovations	Culture	Balance sheet growth	Community led sustainability
	Disruptive innovation	Elevate aspirations	Governance and compliance	Environment and sustainability

Contribution to UN Sustainable Development Goals

CDB – "A Great Place to Work"

CDB was certified as a Great Place to Work having met the required global assessment standards to be a Great Place to Work - certified in Sri Lanka, for the period March 2021 to February 2022. This credential was earned based on extensive ratings provided by our team members in an anonymous survey conducted by Great Place to Work®. The certification showcases our commitment to building a high level of employee trust, engagement, pride and camaraderie to shape great workplace culture. The survey results reflect our success in creating positive employee experiences of trust in the leaders, team spirit, and having pride in what they do. Furthermore, this also reflects that CDB is a workplace that fosters respect, trust and fairness.

CDB team

GRI 102-8, 103-1, 103-2, 103-3

Our team members are central to delivering our vision, strategy and transformation. Our workforce comprised 1,966 team members as of 31 March 2022; 45% permanent and 55% contract and on probation. Of the workforce, 26% were female team members. We recruited 590 team members during the year under review and our employee retention rate stood at 80%, reflecting the effectiveness of our HR policies and our employee value proposition. Over 10% of the workforce have served the Organisation for over 11 years, which is a testament to the trust and loyalty of our team members.

View service analysis of our team members

Diversity and inclusivity

GRI 401-3, 405-1, 406-1

Inclusion is a key aspect of our Human Resource strategy. Therefore, we strive to create a workplace where everyone feels they belong. At CDB we are proud of our commitment and we continue to focus on creating a place where people can be themselves. We believe that a diverse workforce broadens perspectives and enhances resilience and performance. To ensure all team members are treated fairly without any bias towards race, religion, gender, age, and disability, among others, we have an anti-discrimination policy in place.

During the year, we recruited two differently-abled team members increasing our differently able staff pool to four. We aim to increase this pool to 30 team members in coming years. Furthermore, we continued to focus on increasing the women cadre of our Organisation. To ensure non-discrimination in employment, we have implemented gender-sensitive recruitment policies, including recruiting women, promoting women to managerial and executive positions, and welcoming women to the corporate Board of Directors. The success of our efforts in empowering women at our workplace was showcased when, Ms Nadee De Silva, our Deputy General Manager - Sales and Business Development was recognised at the Sirasa-NDB *Wanitha Abimana* Awards 2021 as the Sri Lankan female achiever in the Sales and Marketing category.

During the year, out of the 519 female team members, 20 team members took maternity leave, with 18 team members returning to work in the reporting period after their maternity leave ended. The retention rate for team members who took maternity leave was 90%. Furthermore, we extend leave in the event of an illness or risk of complications and provide facilities and flexible working hours for team members to take care of their children and have developed family-friendly facilities for our team members that go beyond compliance.

All team members received regular performance and career development reviews during the period. No incidents of discrimination were reported during the period under review.

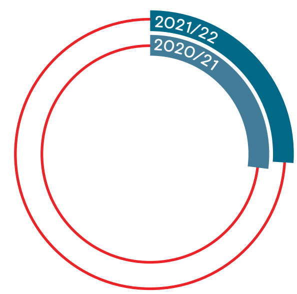
Women representation

All team members (Nos.)

Female
26%

Female
519

Male
1,447

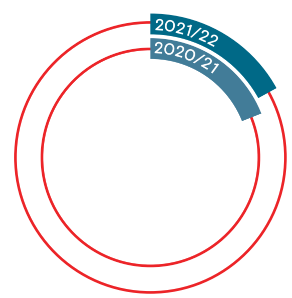


Management (Nos.)

Female
17%

Female
11

Male
71



Recruits (Nos.)

Female

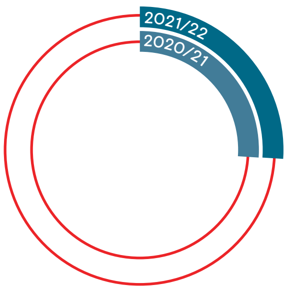
26%

Female

151

Male

439



Service over 11 years (Nos.)

Female

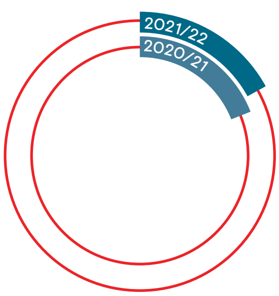
17%

Female

36

Male

176



View our team member profile

GRI 405-2

Talent attraction

GRI 202-2, 401-1

Despite the pandemic, we continued to attract fresh talent with our management trainee programme playing a big part. This year, 26% of the recruits were women. All new recruits are provided comprehensive learning and development opportunities throughout their career at CDB. All our recruitments are based on merit through fair and transparent competition without favouritism or discrimination. We take in raw talent at grass-root level, groom them and make them employable. Out of the 590 recruited team members during the year, 313 (53%) were from outside the Western Province.

View our talent acquisition strategy, process and statistics

Team member engagement

GRI 402-1

Team member engagement is a strategic priority for our Organisation, which stems from the belief that a great customer experience is driven by a great employee experience. An agile and engaged workforce enables us to be nimble and respond to changes in the environment quickly. By offering a range of benefits and wellness support, we enable our team members to manage their professional and personal commitments and achieve a healthy work-life balance. We strive to create an environment that is open and stress-free with an enhanced perception of employee wellness and satisfaction. This helps team members to give their best and be motivated to achieve organisational goals. An efficient communication process facilitates the smooth exchange of information between the Company and team members. There are many channels of communication with our team members, including the intranet, emails, meetings, announcements, events, SMS, WhatsApp groups, and Microsoft Teams. With the ongoing pandemic, digital engagement platforms became increasingly important.

We have implemented a robust set of systems and processes to foster an environment which champions diversity and innovation and creates a productive atmosphere through new technologies, workspace management, and systems. The annual theme launch was conducted, engaging every team member of the Organisation at the beginning of the financial year. Several team member engagement activities were organised virtually, including a virtual Christmas Carols programme and the CDB awards ceremony. Our staff engaged in several charity programmes as well during the year.

Performance management and succession planning

GRI 404-3

As part of the performance management process, all our team members undergo regular performance appraisals, which is a key component of employee engagement that helps to align team members with the corporate strategy. The performance management system helps to enhance productivity, improve profitability, and reduce employee turnover. We recognise the performance level of each employee and provide feedback for improvement with training requirement being informed to HR division. As a result of the performance appraisal process we give promotions and identify top performers to be a part of the succession planning process.

During the year, a total of 608 team members were promoted to numerous positions. Of the total promotions, 30% were female. Further, 38% of our female staff members and 24% of our male team members were recognised with promotions based on beginning of the period staff carder.

Through the succession planning programme that was launched in the financial year 2020/21, we have identified multiple talent pools targeted for development. These talent pools form a part of our robust succession planning process to ensure a bunch of internal candidates to fill leadership positions. The talent pool includes a selection of potential successors who are earmarked for key positions in the Organisation. They are groomed with the necessary skills and knowledge to take on higher levels of responsibility in the future. CDB Challengers is the development programme of the first talent pool that was initiated in January 2022.

Learning and development

GRI 404-1, 404-2

We continue to invest in the skills and capabilities of our people through the provision of training and development programmes, to make people employable and generate extraordinary results through ordinary people. From the time a team member is recruited, a range of learning opportunities is provided to enhance the knowledge and skills necessary for sustainable development and lifestyles.

In particular, our transformation to a TechFin company requires us to ensure we have the required critical skills in our Organisation now and in the future. The rapid development of technologies requires a focus on continuous learning for team members through high-quality and curated learning journeys. Following COVID-19, we adapted to new normal practices to safeguard the health and safety of our team members. As a result, online and e-learning methods were launched to conduct our training programmes. New team member onboarding and orientation programmes were conducted virtually on Microsoft Teams.

Our e-learning system provides a continuous learning journey with predefined timelines and assessments. We aim to have a training delivery mix on 80/20 of which 80% is online. Over 17,500 hours of learning were delivered through our online e-learning platforms in 2021/22.

We provide a range of learning opportunities tailored so our people can learn how, when and where they choose. Our learning offering focuses not only on technical skills but also on broader key behavioural competencies and areas such as sustainability. Multiple talent development programmes were executed during the period under review:

- Sustainable sales performance improvement programme - Following a comprehensive sales performance analysis, our sales staff were segregated into three groups based on their level of performance. The senior category comprising high-performing sales staff was directed to the Branch Head Development programme to be groomed to the position of Branch Head in the future. The high-performing sales staff in the junior category were directed to follow the certificate course in Financial Product Marketing in collaboration with the Sri Lanka Institute of Marketing (SLIM), which commenced in January 2022. To develop the performance of low-performing marketing staff, a Field Based Coaching and Mentoring programme was launched. Under Phase 1 of this programme, all Branch Heads have been trained on conducting a coaching session, systematically. Each Branch Head has been assigned a maximum of two marketing staff to mentor and coach.
- Game Changer programme - Groomed high-performing experienced Tellers and front officers to move to the next level in the corporate hierarchy.
- Executed cross-functional training programmes to train gold loan officers for the Teller function.
- Developed the professional knowledge of the senior-level branch operations staff by developing the Certificate in Branch Operations Management programme in collaboration with the Institute of Bankers of Sri Lanka (IBSL).

During the period under review, we spent Rs. 2.1 Mn. on education reimbursements. Team members received an average of 52.9 hours of training with a total investment in employee training and development reaching Rs. 5.5 Mn.

View our team member training related information for FY 2021/22

View more details on the CDB Academy

Compensation, rewards and recognition

GRI 401-2

We regularly review our remuneration and benefits to make sure they are competitive, sustainable and fair. Our team members are offered an extensive range of medical, financial, and educational benefits apart from the remuneration. As a part of our high performance culture, we recognise our team members on their achievements in both academic and organisational performance at the Annual Awards ceremony. During the year, we recognised 288 high performing staff members for their achievements at the CDB Infinity Awards 2020/21. To incentivize our team members, we introduced Spot Rewards, which is an instant recognition scheme that includes performance-based rewards and other monetary and non-monetary benefits. The new Hi5 awards were launched to reward the exceptional performance of team members.

View the list of benefits given to our team members

Safe working environment

GRI 102-41, 403-2, 403-9, 403-10, 407-1, 408-1, 409-1

We focus on updating and improving the range of physical, mental and emotional support we provide to our colleagues to facilitate the highest levels of team member well-being. During the year, we ensured our team members remain engaged wherever they may be working. A centralised operation system was established to monitor the health of all our team members. Through ongoing communications, we created a positive mindset in our team members which helped to record a commendable performance during the year despite the challenges. We also launched a mandatory health screening process for team members on completion of the probation period before they are absorbed into the permanent cadre.

The head office and branch premises are equipped with fire protection safeguards and all team members undergo emergency preparedness training. No accidents were reported within our business premises during the reporting period.

The comprehensive range of health and safety protocols helped to ensure the safety of our team members and customers at our premises. Measures included maintaining physical distancing, temperature checks, shoe disinfectant rubber mats at entrances, transparent counter separators for customer interactions, providing personal protective equipment (PPE) for security officers, wash basins for regular hand washing, disinfecting branch premises, and providing private transportation facilities to team members. An investment of Rs. 31.4 Mn. was made to implement the necessary safety protocols, and ensure the well-being of our team members during FY 2021/22.

Rs. 8.6 Mn.
Disinfectant materials
(Disinfection Machines/ Spray chemicals/ Table separators)

Rs. 5.8 Mn.
COVID Hospitalisation advances

Rs. 5.2 Mn.
PCR Cost

Rs. 2.4 Mn.
Personal Protective Equipments
(Face Masks, Face shields, Sanitizers)

Rs. 4 Mn.
Dry Rations for the team members

Rs. 5.4 Mn.
Travelling reimbursement

A total of – Rs. 31.4 Mn. for our Team members

A grievance handling policy is in place to address grievances raised by team members. Our HR team is committed to solving any reported grievance as quickly as possible. We do not have collective bargaining agreements in our Company. As a responsible corporate citizen, we do not condone forced or child labour and do not engage with business partners who engage in such practices.

Our team members are provided with healthcare options, and decent working conditions and we encourage them to adopt healthy lifestyles.

Occupational disease rate

Zero

Work-related fatalities

Zero

Investment in COVID-19 safety protocols

Rs. 31.4 Mn.

Team members received health screening

76

Supporting our team members through the pandemic

Our response to the COVID-19 pandemic has prioritised the safety and well-being of our people first from the outset, through a variety of initiatives deployed across our network and tightly coordinated by the Business Continuity Plan. As the pandemic continued, we took steps to ensure our team members are equipped with practical resilience strategies to help them prioritise health and well-being. We continued to maintain clear, consistent communication with all team members during the year. Frequent communications were maintained especially with those team members who became COVID-19 positive, to assure them that CDB family is with them through the challenging time.

All meetings were shifted to virtual channels and regular updates of management decisions were provided through internal communications and WhatsApp. All staff queries were attended 24 hours a day, 7 days a week to ensure that our team members remained psychologically fit to face the strain of the lockdown. Work-from-home and flexi-working arrangements were made available to our team members in the new normal. We also commenced communicating through e-letters carrying e-signatures, processing staff loans and vehicle loans through the Enterprise Resource Planning (ERP) system and issuing e-pay slips to our team members. Even staff attendance was marked via the ERP system.

Priorities for 2022/23

Our focus for the next decade continues to be embracing the sustainability agenda coupled with the tech transformation. This focus enfolds the entire workplace ecosystem, driven by the personal needs and aspirations of existing and prospective team members, technological advancements and broader societal and economic trends. We will continue to shape capabilities of our workforce to be future-ready and deliver an exceptional employee value proposition.

Environment

GRI 103-1, 103-2, 103-3 ENVI

In our journey towards reaching a quarter trillion asset base, we are committed to leaving behind the least carbon footprint and strengthening our carbon neutral status. We collaborate with our stakeholders including team members, customers, business partners and private/public institutions to achieve sustainable development and safeguard the environment. Our tech disruption strategy which complements the sustainability agenda encompassing both social and environmental dimensions, enables us to be a more resource-efficient Organisation.
The CDB Advance Sustainable Financing Vertical was initiated in FY 2020/21, in our endeavour to become the leader in sustainable finance by advancing the Green Economy by 2030. We focused on turning challenges into opportunities by continuing to adopt a people-based environmental approach to carbon management, biodiversity conservation and creating environmental awareness.

Related strategic imperatives and material focus areas

ECA

Elevate customer aspirations

Convenience

EII

Expand inspired innovations

Sustained innovations

Disruptive innovation

EOG

Emphasise organic growth

Growth in customer touchpoints

Product development

ESD

Endorse sustainable development

Community and sustainability

Environment and sustainability

Contribution to UN Sustainable Development Goals

Accelerating sustainable financing

GRI 307-1

Environmental, Social and Governance (ESG) considerations are embedded into our credit and risk assessment processes for our lending activities through the Environment and Social Management System (ESMS). All our credit files are inspected through the ESMS system, which is subject to an annual review by a committee comprising representatives from Sustainability, Risk Management, Credit Operation and Evaluations, Finance, and Corporate Finance.

Our credit evaluation officers are well trained in the ESMS and all credit facilities are checked for compliance with the exclusion list, project categorisation and risk assessment. This also includes increasing customer awareness and engaging with customers to minimise the negative environmental effects of their business operations.

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

Our team members work closely with customers to help fund their transition to a low carbon operation. The CDB Advance Roof Solar product was introduced under the Green Financing segment as a sustainable financing and investment solution. The product which promotes an intelligent and self-sufficient lifestyle paves the way for customers to upgrade to a smarter, renewable energy source with an additional income and zero electricity bills. Customers receive a comprehensive solution inclusive of the latest solar technology and after-sales service, and a convenient financing facility from CDB. We provide a total roof solar solution to the customers at their doorstep, offering competitive interest rate in the market. Our solution includes technical guidance, an easy payment scheme and convenient installation. Our target is to provide 300 rooftop solar facilities in the ensuing year, targeting a capacity of approximately 2.5Mw.

- 105 CDB Advance Roof Solar facilities approved during the year
- Approximately 633Kw capacity was achieved through 105 facilities approved during the year
- Partnered with two suppliers registered with Sri Lanka Sustainable Energy Authority

Promoting responsible financing

Furthermore, to accelerate responsible financing, we established a Sustainable Purchasing Policy to minimise our environmental impact and deliver community benefits through the responsible selection of products and services. To strengthen the sustainability of the supply chain, our suppliers are encouraged to adopt sustainable practices that minimise environmental impact and deliver community benefits. We expect the policy to foster innovation in our supply markets to enhance the effectiveness of sustainable behaviour in the procurement process. We have stopped the use of single use plastic within our office premises as well.

Accelerating sustainable mobility solutions

We aim to increase our energy-efficient vehicle portfolio to 50% of the total vehicle lending portfolio by 2025 from 22% as of 31 March 2022. We encourage our customers to adopt environmentally conscious practices by promoting environmentally friendly products and encouraging customers to reduce their carbon footprint.

Digital transition to promote green living

As we progress towards becoming a TechFin company, we continued to use our tech capabilities and strategy to advance our sustainability agenda and reduce our dependence on brick-and-mortar distribution channels. We aim to be a resource-efficient and carbon neutral organisation, leaving the least carbon footprint as we pursue our aspired targets during this decade. We have expanded our capacity to achieve our targets through tech disruption without opening any physical branches over the past four years. This has resulted in lowering our carbon footprint, saving on capital expenditure, and less resource utilisation with no impact to our business process. Due to the automation of processes, our team members who were engaged in manual processes were redeployed to value-adding job roles by making a centralised team to accommodate branch operations while increasing the efficiency and productivity. Our salespersons have been empowered to onboard customers remotely and process credit facilities through the Flexi capture app with the use of RPA technology.

Our investments in automation and initiatives to accelerate customers migrating to digital platforms have contributed to less paper consumption and a reduction of the carbon footprint. During the year under review, 2,576 customers converted to digital transaction platforms by downloading the CDB iNet app. The increased adoption of digital channels and products by customers has resulted in enhanced efficiency, reduced energy consumption, low waste generation, low emission levels, and optimised resource utilisation within the Company. Our investments and adoption of technologies such as Robotic Process Automation, the in-house built ERP system, SmartOps and digital platforms including CDB iNet and iControl app have augmented our green productivity and digital platforms.

Furthermore, the pandemic accelerated our transformation of the way we work, manage, develop and engage our employees. We leveraged our technological capabilities to drive efficiency, support innovative ways of working and enhance convenience and simplicity while reducing the carbon footprint from our operations. We have designed processes and built security controls to enable remote working. There was a significant reduction in resource consumption across our network and a consequent reduction in our environmental footprint, as a considerable percentage of our team members worked from home.

Embracing Green branches concept

Embracing the "Green Branches" concept, we aim to convert our branches to green branches that are energy and resource-efficient and drive a sense of affinity towards the environment in our team members through education and engagement and an eco-friendly ambiance. Beyond installing solar panels, our aim is to develop team members who are mindful about the environment, through these branches. We aim to convert six branches to Green branches in FY 2022/23 and install solar energy in 16 branches across the island.

Educating our employees

CDB Advance internalisation strategy enables us to create employee awareness of the triple bottom line concepts, and green economy and engages our team members to adopt green practices. The four pillars of internalisation, include educating all employees, eliminating all forms of waste, sustainable energy and transport and employees walking the talk.

CDB Green Ninja ambassadors

Sustainability is a way of life at CDB. Our employees are instilled with a sense of responsibility and affinity towards the environment and they act as green ambassadors to champion green initiatives. The CDB G-Squared – Go Green Club, which is the most important platform to educate and engage our team members was initiated in 2017 to connect people to nature. This platform was revamped and relaunched during the financial year 2020/21 as CDB Advance Green Ninja Club. The Club, which is a part of CDB Advance internalisation strategy has continued to gather momentum over the years and successfully launched several campaigns including the Green Ninja quiz, the green family event and the single use plastic-free pledge.

The Club aims to educate its members to be more conscious of prevalent environmental issues, find proactive solutions and ultimately create national interest in environmental challenges. In turn, the Club members, acting as Green Ambassadors of CDB, educate their colleagues, family members and associates about championing green efforts.

Pillar 1

Educate all employees

on "Triple Bottom Line" and CDB Advance Strategy

Pillar 2

Eliminate all forms of waste

Zero use of single use plastic

Zero waste

Pillar 3

Sustainable Energy and Transport

Driven by 100% renewable energy (Green Branch concept)

Company fleet to be 100% EV or Hybrid

Pillar 4

Employees walk the talk

Employee conversion to sustainable energy and transport

CDB Advance Green Ninja Club has 110 members who act as agents of change. New office bearers were appointed during the year with representation across all branches and divisions. A Branch Green Ninja Champion was appointed for every branch to coordinate all green initiatives across the branch network. A recognition ceremony was held during the year under review to recognise the contributions made by Green Ninjas.

Enhancing the engagement of team members

The following measures were implemented during the year under review to advance the CDB internalisation strategy.

- With the aim of promoting sustainable consumption, “Seed Your Future” project was conducted for the second consecutive year by distributing 100% biodegradable seed pods to all our team members. Through this we encourage our team members to grow organic food and be engaged with the environment. This project not only engaged our team members and their families in sustainable home gardening, but provided the opportunity to learn about organic food consumption while protecting the environment.
- Conducted virtual engagement activities such as the Environment Day quiz, the nature crafting competition, World Water Day competition and decorating our branches with eco-friendly christmas decorations.
- The annual “Plant a Tree Plant a Life” programme was held to commemorate Environmental Health Day and World River Day in 2021 in partnership with “Reforest Sri Lanka”- one of the largest non-profit reforesting organisation and the Sri Lanka Institute of Information Technology (SLIIT). The tree-planting project was launched to plant 1,000 saplings to conserve the water catchment areas alongside the *Kalu Ganga* in Horana and Ingiriya.
- To commemorate the Global Recycling Day 2022, a knowledge-sharing campaign was held to create awareness on recycling. Furthermore, a recycling corner was established at the head office to provide a responsible platform to dispose plastic, paper, and electronic waste which are subsequently sent to a registered recycling partner.
- The Green HRM Scorecard was introduced to complement the CDB Advance project in developing a green workforce with a deep understanding and appreciation for the green culture within the Company. This has become an important employee engagement initiative to drive the green culture within CDB.

Creating Green awareness

We understand the importance of creating employee awareness about global environmental challenges. Our team members are educated on issues of concern, promote action by creating awareness and encourage to be a part of the solution by understanding the problem.

We believe environmental literacy is essential to tackle climate change and build resilient communities. Sustaining the momentum, keen interest was shown by our team members. Sustainability bulletins and e-flyers were circulated to all employees through internal communication, Green Ninja FB Group and WhatsApp groups to raise awareness, encourage green communication, and capacity building through knowledge sharing while ensuring our team members remain upto-date on latest important environmental issues. We also continued to commemorate important international days by sharing posts, educational videos, documentaries, statistics and facts through our Green Ninja FB group. E-flyers of these celebrations are circulated through CDB announcements to all team members.

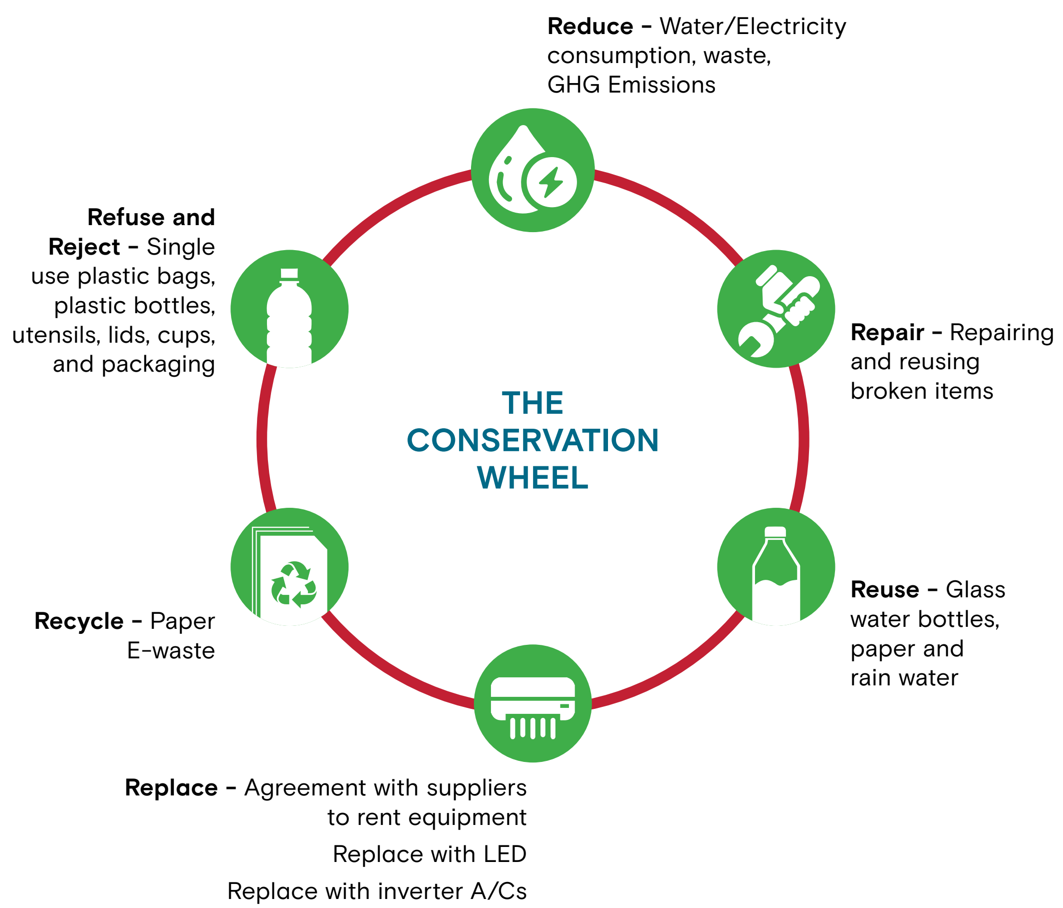
Sustainability is a core aspect of the induction programme to ensure all recruits are aligned with the Company's sustainability initiatives and to inculcate sustainability-led culture and mindset. The comprehensive e-learning module on sustainability is being finalised to provide an in-depth understanding of sustainability. The module provides the basics of the CDB Advance Strategy, application to the work environment and spurs innovation.

Furthermore, we encourage our team members to initiate a dialogue and share their ideas and suggestions through our private FB/WhatsApp groups. The convergence of ideas helps to select feasible ideas and to implement them in the Organisation, and create the culture needed to achieve our sustainability goals.

The conservation wheel at CDB

GRI 306-2

The conservation wheel indicates the environmentally friendly measures implemented across our Organisation to reduce our carbon footprint, waste generation and water and energy consumption by applying the concepts – of reduce, reuse, repair, replace, recycle and refuse and reject.



In FY 2021/22, we became a Carbon verified company for the seventh consecutive year and was certified as a Carbon Neutral business entity.

Carbon footprint management at CDB

GRI 305-4, 305-5

We embarked on the carbon footprint calculation journey in the year 2015 to become a carbon neutral entity, and in 2015/16, we were recognised as the first ISO 14064-1 carbon verified financial institution in South Asia by the Sri Lanka Carbon Fund. In FY 2021/22, we became a Carbon verified company for the seventh consecutive year and was certified as a Carbon Neutral business entity. We have invested in Sri Lankan Certified Emission Reductions (SCER+) of Kirkoswald Small Scale Hydropower project registered under Sri Lanka Carbon Crediting Scheme (SLCCS).

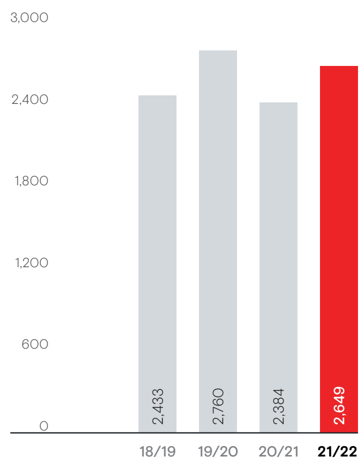
Our pledge to the UNFCCC Climate Neutral Now Pledge, which represents a global community of organisations committing to becoming climate neutral by the second half of the 21st century, represents our commitment to reduce emissions and accelerate the global journey to a climate-neutral future. Under the pledge we remain committed to measuring and reporting our greenhouse gas emissions for an agreed-upon period, reducing our greenhouse gas emissions as much as possible and offsetting remaining emissions with Certified Emission Reductions (CERs).

View our carbon emission calculation for 2020/21 and 2021/22

View our branch-wise GHG emissions 2021/22

Our carbon footprint

CARBON FOOTPRINT tCO_2e



CLIMATE NEUTRAL NOW

ACHIEVEMENT 2021

MEASURE GOLD

REDUCE BRONZE

CONTRIBUTE GOLD

JOINED 2018

Carbon reporting enables us to analyse, assess and manage all resulting greenhouse gas (GHG) emissions consequent to our business operations, track the progress of energy reduction schemes and optimise our energy consumption. Our total carbon emission for the FY 2021/22 was 2,649 compared to 2,384 in the previous year.

Direct emissions

GRI 305-1

Direct emissions occur from sources that are controllable by our Organisation and they made the least contribution of 431.59 (tCO_2e) which amounts to 16.29% of the total emissions. These emissions include emissions from onsite diesel generators, refrigerant leakage, fire extinguishers, company-owned vehicles fuel paid by the Company and employee transport paid by the Company.

Total distribution of carbon footprint by direct sources (2021/22)

	GHG emissions tCO_2e	%
On-site diesel generators	10.13	0.38
Refrigerant leakages	99.73	3.76
Fire extinguishers	0.02	0.00
Company-owned vehicles	92.79	3.50
Employee transport, paid by the Company	228.92	8.64
Total Direct Emissions	**431.59**	**16.29**

Indirect emissions

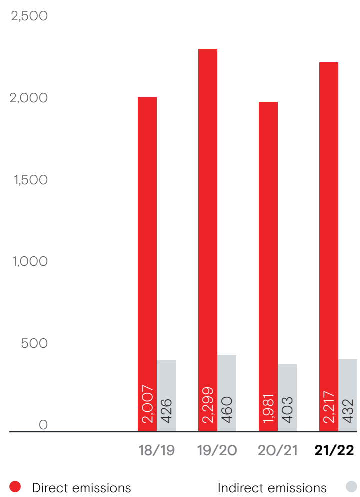
GRI 305-2, 305-3

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

Total distribution of carbon footprint by indirect sources (2021/22)

	GHG emissions tCO_2e	%
Grid-connected electricity	1,185.89	44.78
Business air travels	–	0.00
Employee commuting not paid by the Company	907.81	34.28
Municipal water	4.44	0.17
Waste disposal	0.10	0.00
Transmission & Distribution Loss	118.45	4.47
Waste transportation	0.04	0.00
Transport of locally purchased items	0.09	0.00
Total Indirect Emissions	**2,216.82**	**83.70**

DIRECT AND INDIRECT EMISSIONS



Energy management

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

As per the annual carbon footprint analysis, we continued to monitor and report the amount of energy produced, purchased and consumed according to the source. The energy consumption for FY 2021/22 was 2.19 Mn. kWh., 2.3% less than the previous year's energy consumption.

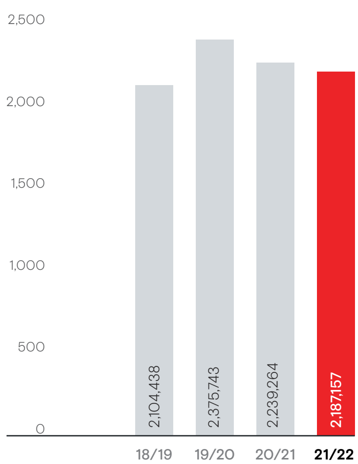
We have adopted the following measures to reduce our energy consumption:

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

As per the annual carbon footprint analysis, we continued to monitor and report the amount of energy produced, purchased and consumed according to the source.

- Integrating the investment and promotion of household renewable energy and renewable energy consumption into our medium-term business strategy.

ELECTRICITY CONSUMPTION '000 kWh



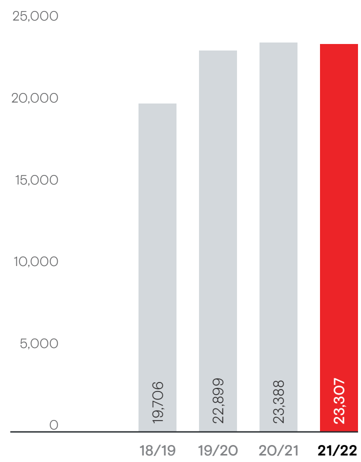
Water management

GRI 303-5, 306-5

Respecting the right to safe drinking water and sanitation through availability, accessibility, acceptability and quality of water, we adopted the following measures to manage our water consumption:

- Improving water performance and promoting the reuse of freshwater through a rainwater harvesting system for gardening.
- Sharing smart solutions with peers and creating awareness of water conservation among employees.
- Organising competitions to create team member awareness in commemoration of the World Water Day.
- Providing safe and hygienic gender separate washroom facilities to employees.
- Responsible for disposal of sanitary products and medical waste, responsible for the storage of cleaning equipment and providing sanitation and hygiene training to employees.

WATER CONSUMPTION M^3



Waste management

GRI 306-1, 306-2, 306-5

We strive to eliminate all forms of waste within our Company. For efficient management and disposal of waste, we maintain waste disposal records at the head office. Our team members are educated on reducing waste in general, including food waste and paper waste to instill a mindset of responsible waste management, which is crucial to reducing our environmental footprint. The following measures were adopted to efficiently manage the waste generated in our Company.

- Initiated the CDB Advance Recycling Corner in our head office in commemoration of the Global Recycling Day 2022 to encourage our team members to dispose their paper, plastic, and electronic waste responsibly. We aim to replicate the recycling corner in our branch network as well.
- All our team members remain committed to the CDB single-use plastic free pledge which was initiated in 2019/20 in commemoration of the World Environment Day. In the next phase, we are looking at alternatives to plastic items used within the Organisation.

- CDB e-waste and paper waste recycling programmes are in place to create responsibility in recycling waste in our operations and assess and prevent the actual or potential negative impact on soil, wildlife, ecosystems and the food chain.
- Using colour-coded bins to separate waste and maintain waste disposal records at the head office for better waste management.
- Initiated a pen recycling programme to collect and recycle used pens across the branch network.
- Encouraging team members to reduce food waste and contribute towards a sustainable environment.
- Improving environmental literacy to build a grassroots level movement to achieve sustainable development goals by sharing e-flyers and videos among all team members.

Waste disposal during the year 2021/22

Type of waste item	Disposal frequency	Weight (Kg)	Disposal method
Paper waste	As and when required	934	Waste collected from the head office is stored in the basement and sent for recycling through Green Links (Pvt) Ltd.
E-waste	As and when required	722	Collected as and when required and disposed of through Green Links (Pvt) Ltd.
Food waste	Once in two days	3,142	Collected by the owner of a farm
Damaged office equipment	Upon request by the respective division/branch	Not weighed	Collected at a single location in the head office and disposed of through a registered supplier
Polythene	Daily	Not weighed	Disposed of through CMC garbage disposal method

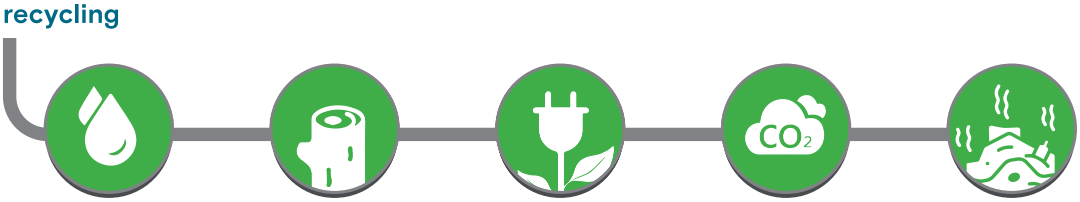
Impact through recycling E-waste

Saving 327 fully grown trees

5,618 litres of petrol saved

13,130 plastic bottles recycled

Paper waste recycling



32,241 litres of water conserved

1,856 Kg of wood preserved

3,165 kWh of energy saved

159 Kg of GHGs reduced

1,138 Kg of landfill avoided

Conservation of biodiversity through collaborations

GRI 304-3

The LIFE Project

A landmark public-private initiative to restore one hectare of degraded land in Halgahawala, Opatha, adjacent to Kanneliya rainforest. The project was expected to take place over five years and completed its fourth year recently. However, the project is a lifetime project which is expected in bring more value additions in the future.

Aim To restore a 10 ha block of degraded rainforest land in the Kanneliya forest reserve and the development of a replicable model for the restoration of degraded forest landscapes in the wet zone of Sri Lanka. This project also aims to develop a biodiversity credit accrual system in par with international standards which would enable biodiversity conservation project owners to generate accruable non-carbon credits.

Partners The project is executed in partnership with Biodiversity Sri Lanka, the Forest Department and the International Union for Conservation of Nature (IUCN) Sri Lanka together with nine private sector partners.

Achievements and Impacts

- An additional two hectares of degraded land area were annexed to the existing site and restoration activities were initiated.
- The intensive restoration approach was practiced by applying several adaptive methodologies, such as partial removal of the *Kekilla* vegetation, increasing the planting pit size, on-site nursery management, application of organic fertilisers, introduction of soil conservation and improvement methods, and the introduction of plant protection methodologies.
- The partners visited the site on 3 February 2022.
- Five monitoring visits were carried out during the reporting period.
- The action was taken during the reporting period to finalise the Forest Ecosystem Restoration: Field Verification Standard with NEPCon – an international accreditation agency.

The Life to Our Mangroves Project

The project focuses on proposing to implement a Mangrove Restoration Project as a Nature-based Solution (NbS) that will generate multiple environmental as well as socio-economic benefits. Overall, the intervention will enhance the resilience of the mangrove ecosystem, its capacity for renewal, and the provision of ecosystem services, whilst contributing to the socio-economic development of local communities. The project will focus on conserving 25 ha of land in Anawilundawa wetland sanctuary which is one of the six RAMSAR wetlands.

Aim To enhance resilience, and ecosystem services by the identified mangroves along with demonstrating the value of mangrove restoration as a nature based solutions to address the impacts of climate change, and socio-economic development challenges, building resilience and community readiness. This further aims to showcase the value of building a partnership to contribute towards the reduction of Sri Lanka's climate change vulnerability.

Partners The project will be done in collaboration with Biodiversity Sri Lanka, the Department of Wildlife Conservation and ten corporates.

Key activities This is a five-year project that will focus on the following key activities in the ensuing years;

- Baseline survey and stakeholder mapping
- Planning of restoration processes, procurement and allocation of resources
- Ground implementation of ecological restoration process including the setting up of mangrove nurseries
- Setting up of monitoring criteria and record-keeping and reporting mechanisms
- Continuous monitoring and evaluation of data gathered periodically.

The Ittapana Mangrove Conservation Project

The Ittapana mangrove conservation project conducted in partnership with the Centre for Sustainability of the University of Sri Jayewardenepura, conserves 10 acres of Ittapana – Horawala mangrove forest which is one of the most threatened landscapes in Sri Lanka. A mangrove research centre will be established for mangrove ecosystem studies.

Aim To establish a demonstrative model for sustainable mangrove management which can be adopted for other mangrove ecosystem conservation in Sri Lanka.

Partners This project is done in partnership with Centre for Sustainability of the University of Sri Jayewardenepura.

Key activities This is a two-year project that will focus on the following key activities in the ensuing years;

- Establish a Mangrove Education and Research Center to improve knowledge of Mangrove Ecosystem
- Eradicate invasive species on the site
- Create a free growing open mangrove arboretum including native, threatened, and rare mangrove and mangrove associated plant species
- Establish a mangrove plant nursery to propagate mangrove plants for restoration and conservation purposes.

Investments in environmental initiatives in 2021/22

Description	2021/22 Rs. Mn.
Biodiversity conservation and ecosystem restoration	3.3
Tree planting	0.4
CDB Haritha	5.3
Education and engagement	1.3
Carbon footprint management	1.0
Other	0.7
Total	12.0

Achieve goals through collaboration

Over the years, we have continued to build partnerships that add value to our conservation efforts, resource efficiency agenda, and creating awareness on conservation. Our efforts include collaboration with energy providers and relevant companies to scale up both supply and demand of renewable energy and develop a district energy system. Furthermore, we collaborate with suppliers to procure clean energy, increase the share of renewable energy and support new business models to deliver sustainable and renewable energy.

We became a participant to the Global Compact, undertaking to observe the 10 principles based on universally recognised UN Standards in 2020. To ensure that these principles are anchored in our business operations, we are now in the process of developing guidelines, policies and action plans considering all aspects of our business.

WE SUPPORT

Please refer to the Business partner section on page 95 for the list of our sustainability partners.

Priorities for 2022/23

In our efforts to be the leader in sustainable finance in Sri Lanka, advancing the green economy by 2030, we will continue to prioritise green financing, offer renewable energy-based bundled products suite and accelerate affordable electric and hybrid mobility solutions. Under conservation and biodiversity, we advance sustainable financing, forest conservation and preservation and landscape restoration by 2030. We will create Green Ambassadors who will be a part of the solution, by creating awareness of current sustainability issues among our team members, their families, our customers, and other stakeholders. The Life to Our Beaches project will continue during the year. After a lapse of a year due to the pandemic we will resume the Green Family projects in FY 2022/23. We will continue to monitor the mangrove conservation projects as well.

Our long-term success is intrinsically linked with the communities of which we are a part of. Guided by our sustainability policy, we are dedicated to uplifting marginalised communities in thick rural areas through our outreach community development projects, which extend beyond inclusive finance. Our sustainability initiatives that include child health and well-being, child education and literacy, employee volunteerism, and empowerment of youth, women, and entrepreneurs, are designed to benefit our communities and add value to society. By addressing the grassroot-level issues that exist in our communities through our sustainability initiatives, we continue to be a role model for community-led sustainability, enhancing the quality of life of communities, building capacity, resilience and sharing knowledge which helped to turn challenges into opportunities, generating value for all.

Related strategic imperatives and material focus areas

ESD

Endorse sustainable development

Community and sustainability

Contribution to UN Sustainable Development Goals

3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 17 PARTNERSHIPS FOR THE GOALS

Financial inclusion

Our business model combines urban funding and rural lending and is fused with sustainable practices. Combined with our net lending position to the rural economy, we are placed as a conscientious and formidable leader in the financial services industry, enriching the lives of the poorest and marginalised people in thick rural areas.
We use our digital capabilities to drive community-led sustainability, encourage rural entrepreneurship and build capacity and resilience in rural communities. This helps us to address the inequalities, social exclusion, and marginalisation of various societal groups. We have developed our internal tech capabilities and digital platforms to promote financial inclusion. We have increased the number of virtual operations to 69. They have become a conduit to reach remote communities and seamlessly serve customers in remote areas. Our marketing officers have been empowered to onboard customers digitally and deliver a range of financial services at the customer's doorstep.

Promoting employability of rural youth

Our recruitment policy is to recruit youth from humble backgrounds at the grassroot level and groom them to take on higher positions in the Company. We provide learning and career development opportunities to passionate and dynamic young people who have the aspiration to succeed through our internship and management trainee programmes. During the period under review, internship and management trainee opportunities were extended to youth outside the Western Province and 53% of new hires were from outside the Western Province.

Empowering entrepreneurship

Through the CDB SMB Friday initiative we have promoted small and medium scale businesses by featuring them in our social media platforms in addition to providing them a digital marketplace via patpat marketplace.

Net lending position of CDB outside the Western Province

	2021/22 Rs. Mn.	2020/21 Rs. Mn.	2019/20 Rs. Mn.	2018/19 Rs. Mn.	2017/18 Rs. Mn.
Lending portfolio	37,489	31,286	28,744	28,822	24,444
Deposit portfolio	10,158	10,119	10,931	13,302	10,113
Net lending	27,331	21,167	17,813	15,520	14,331

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

Empowering women entrepreneurs

We believe women empowerment is crucial for inclusive economic growth, gender equality, and the eradication of poverty in Sri Lanka. We support and empower women through our core business of extending financial services, including loans to start new businesses, expand existing ventures, and reinvest returns to spur the development of small businesses.

Furthermore, in commemoration of the International Women's Day 2022, we introduced CDB SMB Friday and patpat marketplace to women entrepreneurs of the Sri Lanka Army for Corps of Agriculture and Livestock. This was conducted in collaboration with patpat.lk to demonstrate the services offered by CDB SMB Friday and patpat marketplace to uplift their businesses by creating a digital marketplace to promote their businesses via digital platforms in order to successfully approach their target market. The *"Viru Liya"* web page of the patpat website was officially launched to create a digital marketplace for these respective women entrepreneurs.

During the period under review, 34% of our lending was extended to women entrepreneurs.

Promoting child health and well-being

As per 2009 statistics, one out of 93 children born in Sri Lanka were diagnosed with the Autism Spectrum Disorder (ASD). Therefore, in 2015, we launched the Autism Awareness project in collaboration with the Sri Lanka Association for Child Development (SLACD) to promote early detection and timely intervention. Furthermore, in addition to raising public awareness about the condition, we established a hotline at the CDB Customer Care Centre from which interested parties can obtain information and assistance. A therapeutic play area was constructed in the Ampara District General Hospital and a state-of-the-art *"Pragathi"* children's intervention centre was established at the Teaching Hospital, Anuradhapura.

During the year under review, we made progress in terms of both intervention and awareness. In collaboration with the SLACD, we committed to construct two Autism Intervention Centres in Badulla and Karapitiya Teaching Hospitals. A total of 26 specialist discussions were held to spread awareness on ASD, including a special *"Doramadalawa"* session on national television and radio channels at an investment on airtime worth of Rs. 52 Mn. Furthermore, these specialist discussion materials (off air clips) were made available to the SLACD to further spread awareness on ASD. These specialist discussion clips were posted on the SLACD social media (Youtube) channel and also played on the television screens at the clinics.

A special video series on success stories of children with Autism of the *Pragathi* Childrens' Intervention Centre in Anuradhapura was streamed via social media platforms to spread awareness on the importance of early detection and intervention. Moreover, an exclusive bilingual specialist discussion on ASD was streamed on social media to further enhance awareness on Autism. Further, we established a financial assistance scheme for needy families with children with ASD through a contribution scheme from our staff members and customers.

Elevating child education and literacy

Sisu Diri Scholarship Programme

We strive to create an equitable society by supporting the human capital development needs of Sri Lanka. We believe that access to quality education, which is a fundamental right of every child is the solution to many economic and social problems in our Nation.

To uplift the Children's education, we have been continuing the CDB *Sisu Diri* scholarship programme for the past 13 years and season 13 of the scholarship programme was successfully concluded in December 2021. A total of 100 scholarships were awarded to deserving students for their academic excellence through a virtual event. 60 scholarship recipients who had excelled at the Grade 5 scholarship examinations received scholarships for 5 years and 40 achievers of the General Certificate of Education Ordinary Level were granted scholarships for 2 years. Since its launch in 2008, we have been committed to empower the future aspirations of the younger generation by ensuring the continuation of their education devoid of disruption due to financial challenges. Over 700 students have been enabled to pursue their education through this scholarship programme.

CDB Smart Computer Lab Project

With the objective of empowering Sri Lanka's youth with the necessary skills and competencies to become powerful global citizens, we have ensured access to state-of-the-art IT facility through our 'Smart Computer Lab' project. We believe IT is a great enabler to empower our young generation to optimise on opportunities in the world around them. Therefore, when we celebrated our 25th anniversary in 2020, we envisioned to provide 20 Smart Computer Labs to disadvantaged schools across the country. As the first step of the project, a fully equipped Smart Computer Lab inclusive of 10 computers and a smart board was provided to the WP/Jaya St. Josephs' College, Kolonnawa in December 2021 to enhance access to quality education. Over the years we have already donated 12 Smart Computer Labs to disadvantaged schools in remote areas.

Team member volunteerism

We aim to inculcate a spirit of volunteerism and empathy in our team members towards the needy people in our communities by promoting community development and deploying social sustainability representatives across the island through CDB *Hithawathkam*. During the year, our employees distributed 1,500 essential packs to needy families during the pandemic worth Rs. 8 Mn.

Supporting our communities in time of need

We have continued to work closely with the communities in which we live and work to support them during the COVID-19 pandemic. As part of our continued assistance to strengthen the COVID-19 response in Sri Lanka, we donated essential medical supplies to the Ministry of Health and several hospitals in critical need. The medicines and equipment were donated at a time when our Nation was beginning to see a rise in number of cases and an increase in hospitalisation of COVID-19 patients. Our donations helped to treat and manage severe and critical cases of COVID-19 in Sri Lanka requiring oxygen therapy, ICU admission, and ventilator support. The total value of donations surpassed Rs. 50 Mn.

Our COVID-19 support included:

- Donation of 5 oxygen concentrators worth Rs. 12.5 Mn. to the Ministry of Health.
- Provided monetary support worth Rs. 10 Mn. to the National Operations Centre for the Prevention of COVID-19 Outbreak (NOCPCO) to construct a Quarantine Centre in Maduru Oya.
- Donation of HDU beds, multi-parameters and a wall oxygen piping system to the Boossa Naval Base worth Rs. 8.8 Mn.
- Donation of an ICU monitor and ventilator worth Rs. 10.2 Mn. to the District General Hospital Gampaha.
- Donation of HDU beds and a wall oxygen piping system valued Rs. 1.25 Mn. to the District Hospital, Kandana.
- Donation of a wall oxygen pipeline to the Colombo East Base Hospital Mulleriyawa worth Rs. 2.85 Mn.

INVESTMENTS IN SOCIAL INITIATIVES IN 2021/22

Description	2021/22 Rs. Mn.
"Act Early for Autism" Communication Campaign	4.9
SMB Friday	1
Sisu Diri Scholarship Programme	5.3
CDB Smart Computer Lab Programme	2.1
Total	11.8

Priorities for 2022/23

We will continue to contribute towards the United Nations Sustainable Development Goals through our social sustainability initiatives.
In our endeavours to empower women, we will launch an exclusive women's product in the ensuing year.

Aligning with UN SDG 3, Good Health and Well-being, we are committed to uplift child health and well-being in Sri Lanka through our "Act Early for Autism" project. Under this programme, we intend to further increase awareness on ASD and also facilitate timely intervention by establishing an Autism Intervention Centre in Kandy covering the Central Province in the ensuing year. Moreover, we aim to continuously create awareness through traditional as well as digital channels by way of specialist discussions.

Aligning with UN SDG 4, Quality Education, we will continue to uplift child education and literacy in Sri Lanka through the CDB *Sisu Diri* Scholarship Programme and the Smart Computer Lab Project.
We will launch Season 14 of the CDB *Sisu Diri* Scholarship Programme in the ensuing year whilst making progress in the Smart Computer Lab project. We will continue to encourage employee volunteerism by facilitating more employee volunteerism opportunities and establish new partnerships to achieve the goals.

Regulators

REGU

Regulators facilitate a sound financial services system by providing a stable legal and regulatory framework. We engage with relevant authorities to support the effective functioning of the financial system and the broader economy. Compliance with regulatory requirements and the adoption of sound governance practices have strengthened the resilience and integrity of our Company, improved the public trust in our institution. Our governance framework provides stability, prudence and effective oversight to create value for our stakeholders.

Related strategic imperatives and material focus areas

ECA	EII	ED	EOG	ESD
Elevate customer aspirations	**Expand inspired innovations**	**Employee development**	**Emphasise organic growth**	**Endorse sustainable development**
Assurance	Sustained innovations	Culture	Governance and compliance	Community led sustainability
	Disruptive innovation		Balance sheet growth	Environment and sustainability

Contribution to UN Sustainable Development Goals

17 PARTNERSHIPS FOR THE GOALS

The key regulators

Central Bank of Sri Lanka (CBSL)

The CBSL plays a vital role in the financial sector of Sri Lanka, to achieve and maintain a healthy and stable economic and financial system while utilising resources effectively. There are several departments that provide oversight to the financial sector including the Department of Supervision of Non-Banking Financial Institutions of Central Bank of Sri Lanka (DSNBFI) and the Financial Intelligence Unit of Sri Lanka (FIU) which are the main departments, and the Forex Department and the Payment and Settlement Division that function within the administration of the CBSL.

DSNBFI supervises Non-Banking Financial Institutions through examinations, continuous surveillance, granting regulatory approvals, issuance of directions and prudential requirements, and investigations to ensure the establishment and maintenance of a sound financial system.

FIU functions to combat money laundering, terrorist financing and other related crimes in Sri Lanka in line with international recommendations and standards.

The proposed Corporate Governance Direction effective from 1 July 2022, will further strengthen the corporate governance culture across the NBFI sector.

Securities and Exchange Commission of Sri Lanka (SEC)

SEC acts to create and maintain a market where securities can be fairly traded and to protect investors.

Colombo Stock Exchange (CSE)

CSE aims to facilitate investors to raise capital by trading corporate and Government Securities while extending regulations to maintain market integrity and investor confidence.

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)

To monitor compliance with the Sri Lanka Accounting Standards and the Sri Lanka Auditing Standards in the preparation, presentation, and audit of financial statements of specified business entities.

Inland Revenue Department (IRD)

IRD administers the various taxes which fall under its authority intending to secure decent tax revenue to be utilised for the sustainable development of Sri Lanka.

Our team members are given ongoing training through the CDB e-learning platform to enhance their knowledge of regulatory aspects and compliance with a special emphasis on anti-money laundering.

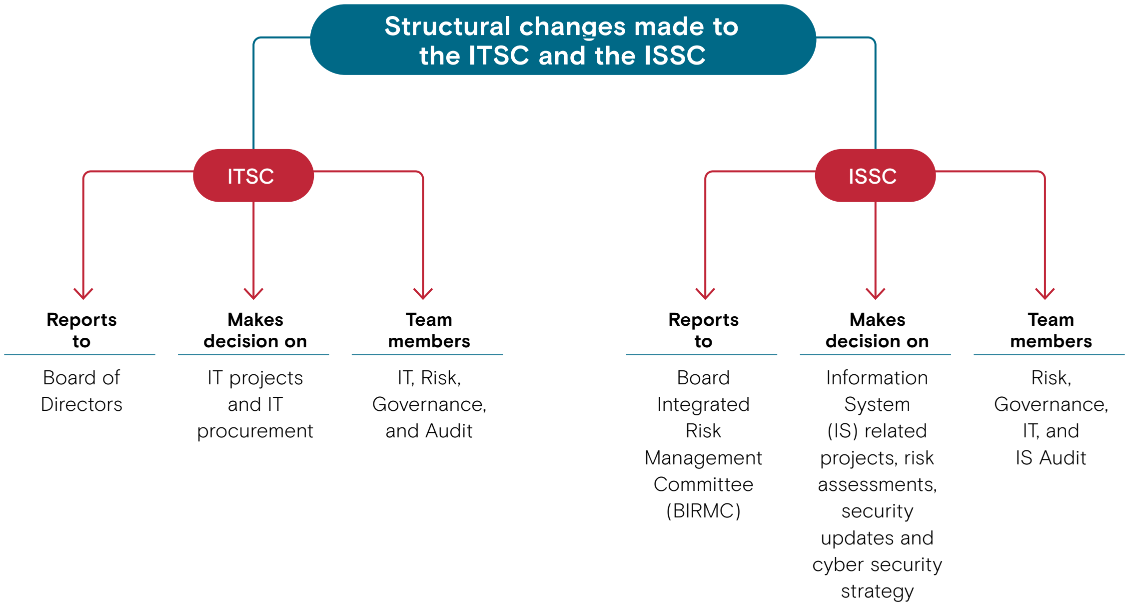
A culture of compliance

Good governance is a fundamental element of driving improvement in culture, business practices and decision making. It is also critical in being able to respond effectively to crises. Following the stringent scrutiny of non-bank financial institutions, and the increased digitalisation of financial services, we have continued to strengthen the compliance and governance framework across our business. Our employees are given ongoing training through the CDB e-learning platform to enhance their knowledge of regulatory aspects and compliance with a special emphasis on anti-money laundering. The compliance culture is reinforced through the appointment of compliance representatives for each branch and department and the communication of new directions through regular meetings. The feedback of the employees on compliance aspects is reported to the management team and the Board regularly for review and action. This enables us to be proactive in being compliant with the new regulations when they come into effect. We have also integrated ethical behaviour and good conduct across our Organisation, maintained open and transparent communications with regulators and engaged constructively in inspections and investigations. During the year, the periodic information related to the Company's operations was submitted to the CBSL on time.

Strengthening our IT Governance and cybersecurity

The highest priority is accorded to minimising our vulnerability to cybercrimes, loss of information and maintenance of uninterrupted data services for our stakeholders, whilst ensuring preparedness for the future. As we remain vigilant against external and internal cybersecurity threats, we ensure our security measures are working as optimally as possible. Our transparent, compliant, and ethical collection and use of data is key to earning and maintaining the trust of our customers and colleagues. Our focus is on keeping data secure protecting our customer systems and providing our employees with the right tools and processes to respond to security incidents when they occur.

With the increased investment in technology and digital capabilities to build scale and offer best-in-class experiences to our stakeholders, we have established strong IT Governance framework. We follow the Three Lines of Defence framework for IT governance. Our Information Technology Steering Committee (ITSC) and Information Security Steering Committee (ISSC) promotes and supports the effective use of technology, information and information security across the Organisation. The Committee improves the alignment between IT and business strategy, accountability for IT decision and finally value generation through ongoing evaluation of IT value and performance of IT services. We are an ISO/IEC 27001:2013 certified organisation for our IT Services. We have continued the certification for the last five consecutive years. The certification is a testament to our commitment to ensuring the highest levels of customer information security through conformance to the highest information systems, practices and protocols, in accordance with global standards. Moreover, we implement a comprehensive firewall and security policy management solution (for multi-vendor), to combat cybersecurity and enhance the security architecture of the Organisation. ICT shared services have implemented a web application firewall to protect the application systems in tandem with the increasing use of web-based applications and the resulting increase in exposure to the Internet. Furthermore, we conduct regular security assessments to identify and assess system and application vulnerabilities and take appropriate remedial action.



Regular pursuits

- Conducting regular VAPTs to ensure the security of the CDB internal network and external accesses.
- Providing regular training to team members on specialised areas for performance improvement and career advancement.
- Participating in annual audits of the membership body including KPMG and FinCSIRT. This is in addition to the ISO 27001:2013 audit.
- Conducting awareness sessions on cybersecurity for customers and colleagues, alerting and assessing cyberthreats and conducting simulation analysis at regular intervals with management support.
- Supporting the IT Disaster Recovery site through engaging in drills to strengthen resilience.

Our RegTech and FinTech security measures

ISO 27001:2013 certification for the fifth consecutive year	Highest levels of customer information security to adherence to advance the information systems, processes, and protocols in line with international standards. In addition, having high availability and readiness using the disaster recovery site.
Compliance with regulatory requirements before the regulations takes effect. Implemented a Technology Risk Resilience Framework.	Established SIEM and SOC initiatives for ensuring Information Security.
Data classification is implemented as the first stage in efforts to adhere to the new data protection act.	Fully covered VAPT assessments.
Complied with regulatory-driven mobile application minimum guidelines.	Implementing digital initiatives to enable customers to transact through digital platforms. Establishing Information Technology and Information Security Steering Committees. Etching a clear cyber security path by formulating a three-year cyber strategy.

Ensuring a sustainable organisation

GRI 409-1

The CDB Sustainability Steering Committee oversees the sustainability policy of the Company and the promotion of financial inclusion. The Committee closely monitors the business conduct to ensure accountability, fairness and ethical behaviour whilst assuring the privacy of customer data. We maintain a zero-tolerance policy towards financial crime, bribery and corruption, whilst ensuring no slavery, or forced or bonded labour is undertaken within CDB operations and supplier operations through the Environment and Social Management System (ESMS), Procurement Policy and Supplier Codes of Conduct.

Satisfied customers can drive the organisation towards a sustained competitive advantage. Therefore, we are committed to providing quality and convenient financial services, fuelled by our business model and the "urban funding rural lending" concept. Our customers experience the most convenient and differentiated financial services, 24/7, through a disciplined and well-trained workforce as well as FinTech innovations. Furthermore, as a socially responsible organisation, we are committed to resolving customer complaints efficiently and speedily, whilst attending to customer needs swiftly and fairly.

We respect human rights and the universal right to work. Therefore, we provide equal opportunity to earn a living through work, with freedom of choice and space to safeguard the rights of employees. Information about human rights, gender equality and sustainable development are included in our corporate internal policies, such as the Employee Code of Conduct and HR Policy. By increasing awareness and application, we have ensured that these policies are comprehensively shared and understood by all employees.

A zero-tolerance policy has been established towards all forms of violence in the workplace including sexual harassment. Appropriate policies, procedures, grievance mechanisms and support structures have been established for employees to report incidences or suspected incidences of violence, exploitation or harassment anonymously. Best practices are in place to safeguard whistleblowers against potential retaliation. Our commitment to reducing gender-based violence has been communicated both internally and externally. We have also raised awareness among employees about what constitutes harassment, trafficking, or exploitation, and provided training on how to manage and prevent it.

Ethics and integrity

Ethical leadership is of paramount importance to CDB. Ethical behaviour has been internalised through the Company's Code of Ethics which is central to how we operate and grow sustainably, refuting unethical behaviour, fraud and corruption. Ethical business practices are supported by the top management and are guided by our values-driven culture and are cascaded to the team members in carrying out day-to-day business.

Supporting regulators through the pandemic

We have continued to coordinate with the regulators and established communication protocols to respond to their urgent and ad hoc queries to safeguard the interest of the stakeholders and the industry. We continue to be fully compliant with all regulations, especially pertaining to operations during the pandemic. Most of our Board meetings were held virtually.

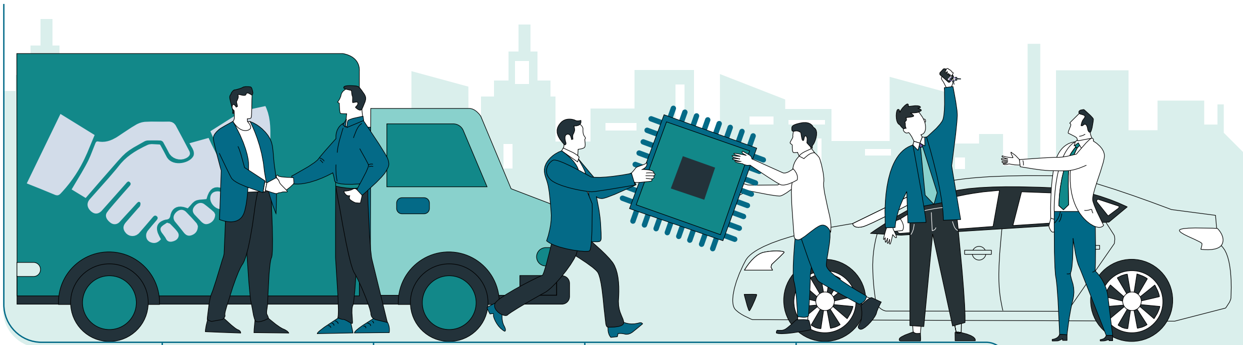
Priorities for 2022/23

As a responsible and ethical corporate entity, we will continue to strengthen our governance and regulatory compliance aspects that create and sustain shareholder value and ensure sustainable value creation for all stakeholders. We will proactively establish the required protocols to comply with the new regulations, especially with the proposed Corporate Governance Direction No. 05 of 2021 which will come into effect from 1 July 2022.

Business partners

Our relationships with business partners are essential for our business continuity and the execution of our strategy. These relationships are built on the tenets of meeting expectations, improved trust and responsible behaviour. The value we ultimately provide depends on business partners setting the proper standard for quality, competitiveness, timeliness, availability and cost savings. We have continued to deliver value to our business partners by honouring all our commitments to suppliers, offering flexible delivery terms and timely payments to support their commercial sustainability.

Related strategic imperatives and material focus areas



ECA	EII	ED	EOG	ESD
Elevate customer aspirations	**Expand inspired innovations**	**Employee development**	**Emphasise organic growth**	**Endorse sustainable development**
Convenience	Sustained innovations Disruptive innovation	Elevate aspirations	Balance sheet growth Governance and compliance Growth in customer touchpoints Asset mix Product development	Community led sustainability Environment and sustainability

Contribution to UN Sustainable Development Goals

17 PARTNERSHIPS FOR THE GOALS

Our business partners

Utility Providers and Others

Ensure smooth business operations

Funding Partners

Support business growth

Sustainability Partners

Promote environmental and social sustainability

Our business partners

Technological Partners

Support efficiency, business disruption and uninterrupted customer service

Regulators

Strengthen the governance framework

Dealers

Provide customer connectivity

View our business partner selection process and how we maintain a sustainable supply chain

GRI 102-9, 102-10, 308-1

Collaborating to advance responsible and sustainable financing

GRI 307-1

Collaboration is a key in achieving our long term strategy of becoming a techfin company. Our agility to collaborate with many business partners will be a definite competitive advantage in our journey towards Q-TAB. We adopt standard best practices to ensure our ability to connect with various business partners.

Whilst managing the environmental and social risks when promoting new business opportunities, we extend responsible and inclusive financial services to facilitate positive social and environmental development. We collaborate to advance environmental protection, social justice, and economic prosperity and we stand ahead of the curve with a considerable net lending position to the rural economy. We have nurtured long-term relationships with the following sustainability partners to make a positive contribution to the society and environment.

Partner	Project
Biodiversity Sri Lanka	Environment conservation efforts
Centre for Sustainability of University of Sri Jayawardenapura	Mangrove conservation efforts
Green Links (Pvt) Ltd.	Paper and e-waste management
Sri Lanka Climate Fund	ISO 14064-1 2018 GHG verification
Sri Lanka Association for Child Development	Act Early for Autism project
Sustainable Energy Authority Ceylon Electricity Board	CDB Advance roof solar

Funding partners supporting growth and expansion

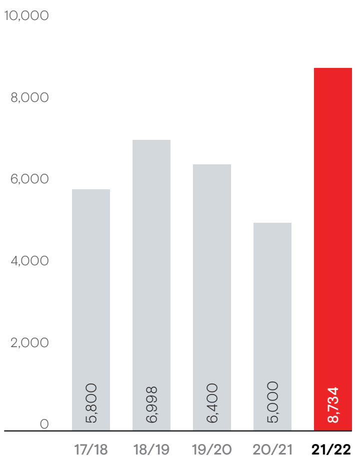
We work in collaboration with funding partners who provide the required finances to expand our business, grow our balance sheet and elevate the aspirations of our stakeholders. Over the years, we have maintained long-standing relationships with both local and international funding partners by maintaining their trust through the delivery of obligations on respective due dates on time.

Local funding partners

Our local funding partners include banks and intermediary fund arrangers that support our balance sheet growth by extending funds as per our funding requirements. Over 60% of our total funding comes from local banks, and they remain an important value-adding partner.

Funding secured through our banking relationships with local funding partners.

TOTAL FUNDING Rs. Mn.



Foreign funding partners

We have continued to build trust and confidence of our foreign funding partners in our institution through stringent compliance, commitment to transparency, discharging of debt obligations in a timely manner and following ethical business practices. We have channeled the funds according to the respective mandates, contributing towards green financing that combats climate change, empowering women, rural and SME development, and expansion of agriculture. Although we did not obtain any new funding lines during the year under review, we continued to strengthen our relationships with our foreign funding partners.

Uninterrupted service through our technological partners

Technology performance has become critical to our business success. Our technological partners play a vital role in our strategic priority of transformation from a conventional base financial solutions provider to a digital/ technology base services provider.

Technological partnerships enable us to scale up our customer base by enabling us to increase our delivery channels without increasing the physical presence.

Our partners enables efficiency improvement and enrich the customer experience. They provide us the flexibility to connect with our customers to amplify value, successfully innovate new products and services, and build scale to our operations. Our technological partners have enhanced different aspects of our Company including risk and regulatory technology, digital transformation, analytics and areas such as IT Governance, IT Cost & Value Management, IT Sourcing, Cloud, IT Operations & Service Management. We have continued to work closely with a wide range of partners for our tech support and strengthened the onboarding process of business partners. A stringent selection process is in place to select the best partners who would complement the execution of our strategy. This includes evaluation by a Board steering committee. Criteria such as endorsements, testimonials, service standards, after-sales support and relationship with our trusted partners are taken into consideration to achieve the service level standards (SLA).

During the year, we kept the expected SLA across all services. This includes transparent decisions, the continuation of the annual maintenance contract (AMC), carrying out the required system upgrades, establishing relevant date security standards and patch upgrades, and accommodating requests for technology changes to meet changing customer requirements. Our strong and long-standing relationships with our technological partners enabled us to provide an uninterrupted service and meet the increase demand for digital services.

FUNDING RECEIVED FROM FOREIGN FUNDING PARTNERS

Funding partner	Year	Volume of funding
Belgian Investment Company for Developing Countries	2013/14	USD 6 Mn.
	2018/19	USD 10 Mn.
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	2018/19	USD 25 Mn.
BlueOrchard Micro Finance Fund	2018/19	USD 25 Mn.
Triodos Fair Share Fund & Triodos SICAV II	2020/21	EUR 5 Mn.

Our key technology partners

Technology

Millennium IT ESP	Intellect	John Keells	Mastercard / Visa	Worldline	Epic
Datacenter/Core infrastructure solutions	Core Banking Application	Robotic Process Automation and Digital Transformation	Payment card networks	Credit card embossing and card management solutions	Digital and agency banking solutions

Network and data communication

SLTMobitel	Dialog
Data communications/ Data centre	Data communications/ API Services

Information Security Services

TechCERT	FinCSIRT
Security Reviews and Assessments	CORE and ISOC services

Assurance and Advisory Services

EY
Information system audits and system reviews

Our strategic partnerships

Motor vehicle leasing is a key segment of our business, which constitute a major portion of our lending business portfolio. The vehicle leasing market was impacted due to vehicle import restrictions imposed by the Central Bank over the past years. Nevertheless, we continued to nurture long-standing, cordial relationships with several vehicle suppliers across the country, who remain an important strategic partner of our Company.

Support services ensuring smooth operations

Several international and local business partners are vital for the smooth operations of our business. Services such as security, janitorial, logistics, document archiving, courier, waste management, maintenance of office equipment and machine servicing have been outsourced to specialist companies. Most of these service providers are local and we engage with them regularly, recognising their efforts and services. We have secured cordial relationships and maintained uninterrupted services through prompt payment for services such as electricity, water, telephone and internet services. Rs. 99.9 Mn. was paid to utility service providers during the year 2021/22.

View details on our membership in associations

GRI 102-13

Supporting our business partners

We have continued to support our business partners by activating timely payments, remaining strongly committed to all our partner agreements, and working diligently with our suppliers and external parties to continue our business operations. Arrangements were made to ensure all general payments were made without a delay for all the services received.

Future priorities 2022/23

We will continue to maintain strong relationships with our business partners securing mutual benefits to increase the value delivered to our stakeholders. We aim to launch a new digital banking product on multiple platforms including internet banking, mobile banking and wallet banking, that would create a merchant ecosystem. All CEFT payments will be launched on the new digital banking platform. Furthermore, we aim to become a member of the National Credit Guarantee Institution once it is operationalised.

Investors

INVS

Our investors are a key stakeholder in our value creation process and they constitute individuals and groups. Investors provide the required financial capital for investments and development, and play an integral role in shaping the corporate behaviour on socio-environmental and governance aspects. We create shareholder value by managing our risk effectively and delivering sustainable growth and returns. We strive to provide sufficient information to our investors, by nurturing relationships through regular engagement, mutual trust and accountability. This enables them to value our Company appropriately by making an informed assessment of the year under review and of future prospects.

Related strategic imperatives and material focus areas

ECA – **Elevate customer aspirations**
- Emotions
- Convenience

EII – **Expand inspired innovations**
- Sustained innovations
- Disruptive innovation

ED – **Employee development**
- Culture
- Elevate aspirations

EOG – **Emphasise organic growth**
- Balance sheet growth
- Governance and compliance
- Growth in customer touchpoints
- Asset mix
- Product development

ESD – **Endorse sustainable development**
- Community led sustainability
- Environment and sustainability

Contribution to UN Sustainable Development Goals

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

A resilient performance

Capital market performance

The Colombo Stock Exchange (CSE) has 296 companies with a market capitalisation of Rs. 3,826.50 Bn. as at 31 March 2022. All Share Price Index (ASPI) and S&P Sri Lanka 20 Index (S&P SL 20) stood at 8,904 and 3,031 respectively.

During the financial year, prices of ordinary voting and ordinary non-voting shares of CDB generated a capital appreciation of 109.77% and 19.75% respectively. The performance of the ASPI was 25.03% YoY as of 31 March 2022.

CDB.N was trading between Rs. 100.25 - Rs. 275.00 and CDB.X was trading between Rs. 70.00 - Rs. 135.00. Overall, CDB stock market capitalisation has appreciated by 100.78% YoY, increasing the Rs. 7.28 Bn. market capitalisation in 2020/21 to Rs. 14.62 Bn. in FY 2021/22.

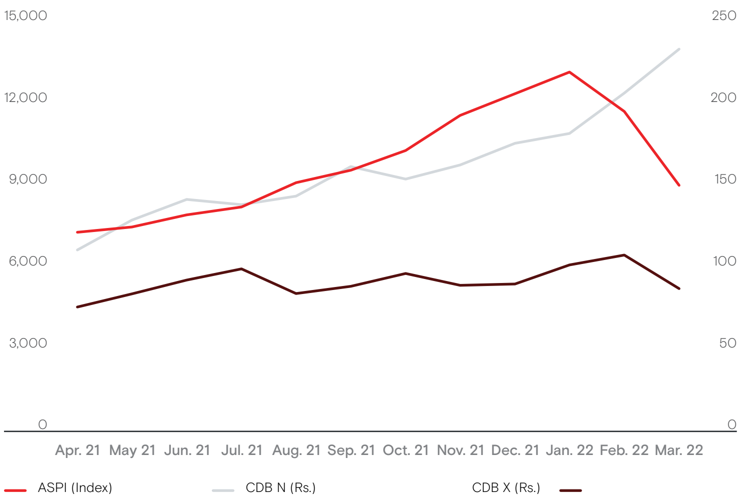
We have continued to maintain a positive and effective communication with investors and shareholders over the period, leading to enhanced relationships and performance of the Organisation. In order to ensure fair and timely disclosures, and provide relevant information, we connected with the investors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

Stock Exchange Listing

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

The unaudited Interim Financial Statements for the three quarters in the FY 2021/22 have been submitted to the CSE within the stipulated 45-day period. The unaudited Interim Financial Statements for the final quarter was submitted to the CSE within the stated 60 days from the Statement of Financial Position date.

COMPARISON OF CDB SHARE MOVEMENT WITH ASPI



Overall share market

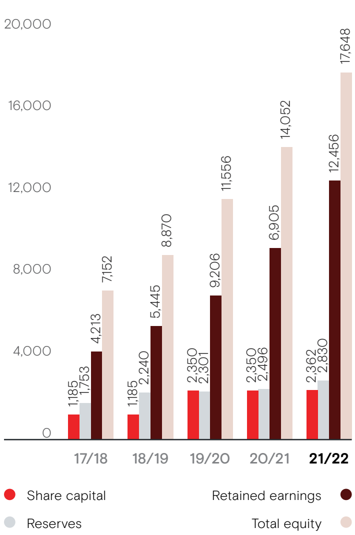
As at 31 March 2022 the 296 companies were listed in the CSE with a market capitalisation of Rs. 3,826.50 Bn. reflecting an increase of 23% compared to Rs. 3,111 Bn. in the previous year.

	31 March 2022	31 March 2021
All Share Price Index (ASPI)	8,904	7,121
S&P Sri Lanka 20 Index (S&P SL 20)	3,031	2,580
Market capitalisation (Rs. Bn.)	3,827	3,111

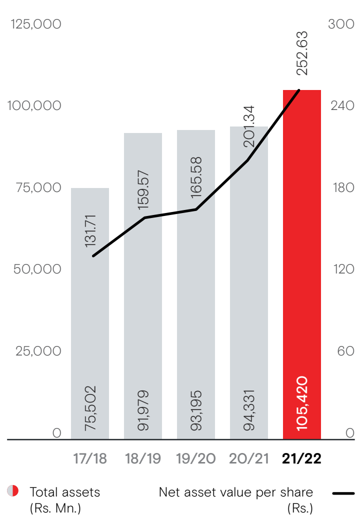
Financial information

Operating in a complex and ambiguous operating context, we recorded a commendable performance in FY 2021/22 recording a 41% YoY growth in profit after tax and a 12% expansion in the balance sheet. The net assets value per share increased to Rs. 252.63 for the financial year.

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



TOTAL ASSETS AND NET ASSET VALUE PER SHARE

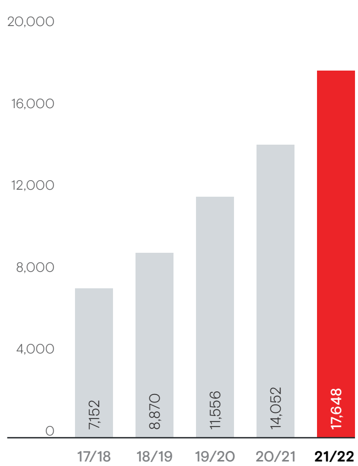


During the financial year, prices of ordinary voting and ordinary non-voting shares of CDB generated a capital appreciation of 109.77% and 19.75% respectively.

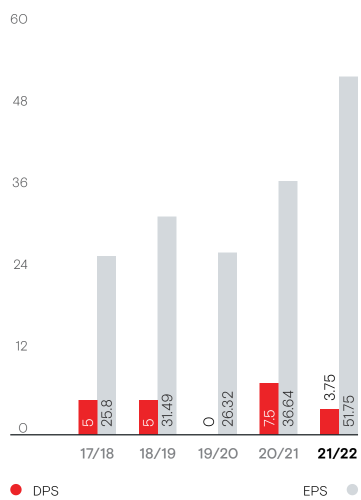
HIGHLIGHTS

	2021/22	2020/21
Price earnings ratio (Times)	4.46	3.00
Earnings per share (Rs.)	51.75	36.64
Net assets value per share (Rs.)	252.63	201.34
Price to book value (Times)	0.91	0.55
Return on equity (%)	22.79	19.97
Return on assets (%)	3.62	2.73
Earnings yield (%)	22.43	33.31
Dividend yield (%)	1.63	6.82
Dividend pay-out (%)	7.25	20.47
Dividend cover (Times)	13.80	4.89
Net interest margin (%)	9.05	8.10
Debt/Equity ratio (Times)	4.97	5.45
Quick assets ratio (Times)	0.95	0.94
Interest cover (Times)	1.86	1.48

TOTAL EQUITY Rs. Mn.



DIVIDEND PER SHARE AND EARNINGS PER SHARE Rs.



Dividends

For the financial year ended 31 March 2022, CDB declared a cash dividend of Rs. 3.75 per share for both voting and non-voting shares of Rs. 223,171,406 and Rs. 38,788,755 respectively, which aggregated to a sum of Rs. 261,960,161.

Share price information

Prices (Rs.)	Voting		Non-voting	
	2021/22	2020/21	2021/22	2020/21
	Rs.	Rs.	Rs.	Rs.
High	275.00	140.00	135.00	100.00
Low	100.25	60.10	70.00	38.50
Last traded	230.75	110.00	86.10	71.90

View share volume and turnover of CDB voting and non-voting shares

Share trading information

ANNUAL TRANSACTION INFORMATION – ORDINARY VOTING SHARES

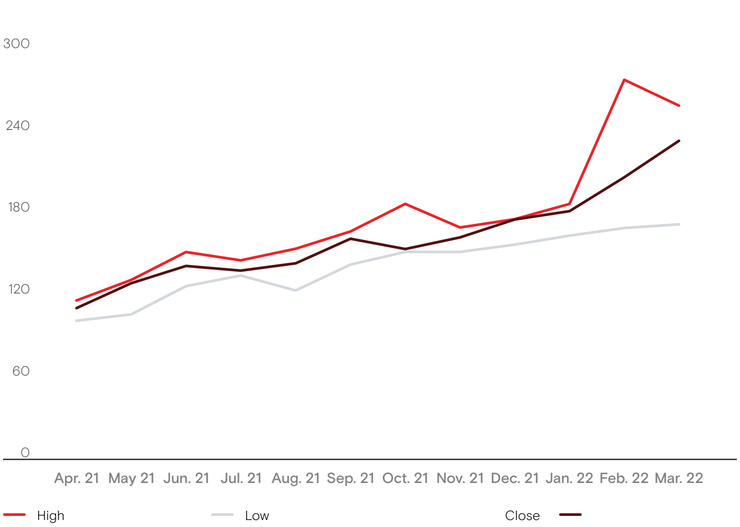
	2021/22	2020/21	2019/20	2018/19	2017/18
Number of transactions	2,703	1,556	1,401	1,970	3,330
Number of shares traded	1,928,617	2,497,879	5,647,980	2,735,334	7,354,042
Value of shares traded (Rs.)	282,060,873	240,347,905	500,892,517	229,888,715	508,655,792

ANNUAL TRANSACTION INFORMATION – ORDINARY NON-VOTING SHARES

	2021/22	2020/21	2019/20	2018/19	2017/18
Number of transactions	10,459	3,341	1,267	789	1,261
Number of shares traded	5,905,811	4,322,586	1,175,929	755,533	1,172,546
Value of shares traded (Rs.)	564,400,919	306,053,238	76,157,195	55,384,111	70,699,527

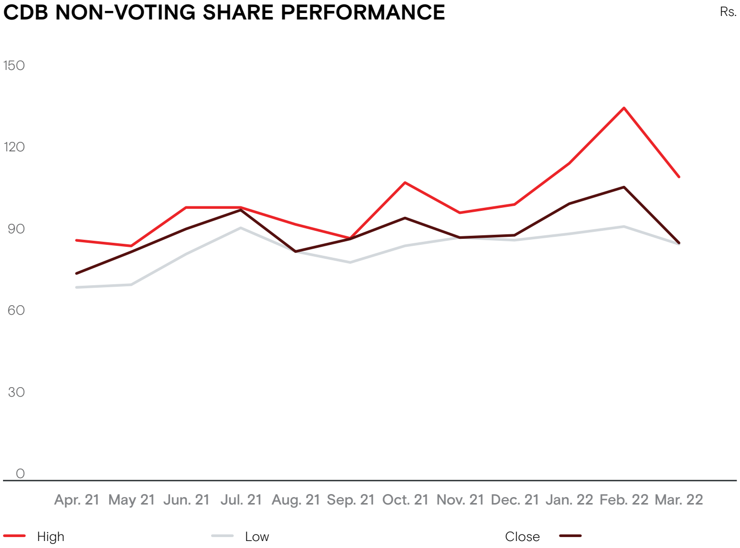
View share performance of CDB voting and non-voting shares

CDB VOTING SHARE PERFORMANCE



View quarterly performance of CDB voting and non-voting shares

CDB NON-VOTING SHARE PERFORMANCE



MARKET CAPITALISATION

	Number of shares	MPS	2021/22	Number of shares	MPS	2020/21
Voting	59,512,375	230.75	13,732,480,531	59,449,080	110.00	6,539,398,800
Non-voting	10,343,668	86.10	890,589,815	10,343,668	71.90	743,709,729
Total	69,856,043		14,623,070,346			7,283,108,529

FLOATING ADJUSTED MARKET CAPITALISATION

	Number of shares	MPS	Market capitalisation Rs.	Percentage of public holders %	Floating adjusted market capitalisation Rs.
Voting	59,512,375	230.75	13,732,480,531	44.20	6,069,756,395
Non-voting	10,343,668	86.10	890,589,815	84.22	750,054,742
Total	69,856,043		14,623,070,346		6,819,811,137

The float adjusted market capitalisation of the Company falls under Option 5 of Rule 7. 13. 1 (a) of the Listing Rules of the Colombo Stock Exchange, and the Company has complied with the minimum public holding requirement applicable under the said option.

Shareholder analysis

ORDINARY VOTING – COMPOSITION ACCORDING TO SHAREHOLDING

Shareholdings	Resident			Non-resident					
	Number of shareholders	Number of shares	Percentage %	Number of shareholders	Number of shares	Percentage %	Number of shareholders	Number of shares	Percentage %
1 to 1,000	1,021	178,368	0.31	4	510	0	1,025	178,878	0.31
1,001 to 10,000	442	1,151,292	1.93	2	7,230	0.01	444	1,158,522	1.94
10,001 to 100,000	127	3,755,747	6.31	1	15,685	0.03	128	3,771,432	6.34
100,001 to 1,000,000	26	6,273,240	10.54	0	0	0	26	6,273,240	10.54
Over 1,000,000	13	48,130,303	80.87	0	0	0	13	48,130,303	80.87
	1,629	59,488,950	99.96	7	23,425	0.04	1,636	59,512,375	100.00

COMPOSITION OF VOTING SHAREHOLDERS

Categories of shareholders	2021/22			2020/21		
	Number of shareholders	Number of shares	Holding %	Number of shareholders	Number of shares	Holding %
Individual	1,561	7,184,617	12.07	1,662	8,163,576	13.73
Institutional	75	52,327,758	87.93	88	51,285,504	86.27
	1,636	59,512,375	100.00	1,750	59,449,080	100.00

ORDINARY NON-VOTING - COMPOSITION ACCORDING TO SHAREHOLDING

Shareholdings	Resident			Non-resident					
	Number of shareholders	Number of shares	Percentage %	Number of shareholders	Number of shares	Percentage %	Number of shareholders	Number of shares	Percentage %
1 to 1,000	1,677	241,617	2.33	4	916	0.01	1,681	242,533	2.34
1,001 to 10,000	239	843,886	8.16	1	7,046	0.07	240	850,932	8.23
10,001 to 100,000	76	2,404,992	23.25	2	99,500	0.96	78	2,504,492	24.21
100,001 to 1,000,000	14	3,655,503	35.34	2	216,018	2.09	16	3,871,521	37.43
Over 1,000,000	2	2,874,190	27.79	0	0	0.00	2	2,874,190	27.79
	2,008	10,020,188	96.87	9	323,480	3.13	2,017	10,343,668	100.00

COMPOSITION OF NON-VOTING SHAREHOLDERS

Categories of shareholders	2021/22			2020/21		
	Number of shareholders	Number of shares	Holding %	Number of shareholders	Number of shares	Holding %
Individual	1,918	5,329,186	51.52	1,656	4,693,084	45.37
Institutional	99	5,014,482	48.48	86	5,650,584	54.63
	2,017	10,343,668	100.00	1,742	10,343,668	100.00

View information on share capital movement

Establishment of an Employee Share Option Plan (ESOP 2021)

In terms of rule 5.6.6 (b) of the Listing Rules of the CSE, we are pleased to inform you that the Board of Directors Business Finance PLC has duly resolved to establish an ESOP on the basis outline below.

Employee Share Option Plan (ESOP 2021)

1. The total number of options to be granted for the period commencing from 1 September 2021 to 1 September 2023 is 2,972,454 ordinary voting shares
2. The number of shares to be issued under ordinary voting shares represents 2.13% (ESOP voting shares issued)
3. The stated capital as at 31 March 2022 is Rs. 2,362 Mn.
4. The number of shares representing the stated capital as at 31 March 2022:
   - Ordinary voting shares 59,512,375
   - Ordinary non-voting shares 10,343,668

The granting of options under the proposed ESOP is in compliance with the Listing Rules of the CSE. It was approved by the shareholders through a special resolution at the Extraordinary General Meeting held on 30 July 2021. 63,295 options under the ESOP schemes are being exercised during the financial year 2021/22.

List of 20 major shareholders based on their shareholdings as at 31 March 2022

ORDINARY VOTING SHARES

No.	Name	Shareholding	Percentage %
1.	Ceylinco Life Insurance Limited Account No. 3	19,120,225	32.13
2.	Janashakthi Insurance PLC - Shareholders	6,022,308	10.12
3.	Asia Management Consultancy (Private) Limited	3,143,360	5.28
4.	Janashakthi Limited Account No. 1	2,800,000	4.70
5.	People's Leasing & Finance PLC/ Mr W P C M Nanayakkara	2,449,957	4.12
6.	Cargills Bank Limited/Asia Management Consultancy (Private) Limited	2,444,169	4.11
7.	Ceylinco Insurance PLC A/C No. 2 (General Fund)	2,379,654	4.00
8.	Commercial Bank of Ceylon PLC/ Janashakthi Limited	2,334,010	3.92
9.	Citizens Development Business Finance PLC A/C 02 (CDB Employee Gratuity Fund)	2,194,152	3.69
10.	Ceylinco Life Insurance Limited Account No. 1	1,423,548	2.39
11.	People's Leasing & Finance PLC/ Mr S V Munasinghe	1,316,247	2.21
12.	People's Leasing & Finance PLC/ Mr R H & Mrs V F Abeygoonewardena	1,301,785	2.19
13.	Seylan Bank PLC/Tennakoon Mudiyanselage Damith Prasanna Tennakoon	1,200,888	2.02
14.	Ceylinco Life Insurance Limited Account No. 2	954,323	1.60
15.	Mr K Elangovan	551,486	0.93
16.	People's Leasing & Finance PLC/ Mrs N D Kodagoda	503,972	0.85
17.	Patton Investments Private Limited	354,680	0.60
18.	People's Leasing & Finance PLC/ Mr H K Dassanayake	349,115	0.59
19.	People's Leasing & Finance PLC/ Mr I M Kotigala	327798	0.55
20.	National Development Bank PLC/ Asia Management Consultancy	325,000	0.55
	Subtotal of top 20 shareholders	51,496,677	86.55
	Other shareholders	8,015,698	13.45
	Total shareholders	59,512,375	100

The percentage of shares held by the public as at 31 March 2022 was 44.20% (with 1,620 public shareholders)

ORDINARY NON-VOTING SHARES

No.	Name	Shareholding	Percentage %
1.	J B Cocoshell (Pvt) Ltd.	1,492,697	14.43
2.	Deutsche Bank AG as Trustee for J B Vantage Value Equity Fund	1,381,493	13.36
3.	Mr A M Weerasinghe	635,095	6.14
4.	Mr Y H Abdulhussein	415,000	4.01
5.	Mr M A Jafferjee	356,380	3.45
6.	Ms R H Abdulhussein	334,947	3.24
7.	Askold (Private) Limited	320,000	3.09
8.	People's Leasing & Finance PLC/Mr H M Abdulhussein	300,402	2.90
9.	Essajee Carimjee Insurance Brokers (Pvt) Ltd.	263,520	2.55
10.	Mr A N Esufally	217,551	2.10
11.	Mr A Sithampalam	196,509	1.90
12.	Mrs A M Moonesinghe	165,375	1.60
13.	Mr S M P L Jayaratne	133,966	1.30
14.	Gold Investment Limited	108,009	1.04
15.	Jafferjees Investments (Pvt) Ltd.	108,009	1.04
16.	Mr M A Valabhji	108,009	1.04
17.	Commercial Bank of Ceylon PLC A/C No. 04	105,390	1.02
18.	Lakdhanavi Limited	103,359	1.00
19.	Mr W P A D Gunathilaka	100,000	0.97
20.	Mr K Sabaratnam	100,000	0.97
	Subtotal of top 20 shareholders	6,945,711	67.15
	Other shareholders	3,397,957	32.85
	Total shareholders	10,343,668	100

The percentage of shares held by the public as at 31 March 2022 84.22% in non-voting shares (with 2,010 shareholders)

Directors' and Chief Executive Officer's Shareholding as at 31 March 2022

ORDINARY VOTING SHARES

Name	Shareholding
Mr J R A Corera	1,027
People's Leasing & Finance PLC/Mr J R A Corera	21,622
Mr W P C M Nanayakkara	1,283
People's Leasing & Finance PLC/Mr W P C M Nanayakkara	2,449,957
Mr T M D P Tennakoon	–
People's Leasing & Finance PLC/Mr T M D P Tennakoon	170,151
Seylan Bank PLC/Tennakoon Mudiyanselage Damith Prasanna Tennakoon	1,200,888
Mr S V Munasinghe	–
People's Leasing & Finance PLC/Mr S V Munasinghe	1,316,247
Mr R H Abeygoonewardena/Mrs V F Abeygoonewardena	5,652
People's Leasing & Finance PLC/Mr R H & Mrs V F Abeygoonewardena	1,301,785
Mr D A De Silva	–
Dialog Finance PLC/D A De Silva	117,550
Mr K Elangovan	551,486
Mr J P Abhayaratne	–
Mr S P P Amaratunge	–
Mrs P R W Perera	–
Mr E R S G S Hemachandra	–
Mr S Kumarapperuma	–
Prof P N Gamage	–
Total	7,137,648

ORDINARY NON-VOTING SHARES

No.	Name	Shareholding
1.	Mr J R A Corera	10,335
2.	Mr W P C M Nanayakkara	56
5.	Mr R H Abeygoonewardena (Joint with Mrs V F Abeygoonewardena)	82,842
8.	People's Leasing & Finance PLC/ Mr R H & Mrs V F Abeygoonewardena	37,850
	Total	131,083

View information on CDB listed debentures

Market prices for the year ended 31 March 2022

SUBORDINATED LISTED RATED UNSECURED REDEEMABLE DEBENTURES MARCH 2018 - MARCH 2023

Debenture type	Highest price Rs.	Lowest price Rs.	Last traded Rs.	Current yield %	Yield to maturity %
Type A	108.79	108.44	108.44	13.18	14.81
Type B				Not traded	–

SUBORDINATED LISTED RATED UNSECURED REDEEMABLE DEBENTURES JANUARY 2019 - JANUARY 2024

Debenture type	Highest price Rs.	Lowest price Rs.	Last traded Rs.	Current yield %	Yield to maturity %
Type A				Not traded	–
Type B				Not traded	–

SUBORDINATED LISTED RATED UNSECURED REDEEMABLE DEBENTURES DECEMBER 2019 - DECEMBER 2024

Debenture type	Highest price Rs.	Lowest price Rs.	Last traded Rs.	Current yield %	Yield to maturity %
Type A				Not traded	–
Type B				Not traded	–

View disclosure on utilisation of funds via capital market from 1 January 2015 - 30 March 2016

Credit rating

Instrument	Rated amount Rs. Mn.	Rating action
Issuer rating	N/A	[SL]BBB+; Outlook revised to Stable from Negative
Subordinated, unsecured, listed redeemable debentures programme	1,075	[SL]BBB; Outlook revised to Stable from Negative
Subordinated, unsecured, listed redeemable debentures programme	928	[SL]BBB; Outlook revised to Stable from Negative
Trust certificates programme of Citizens Development Business Finance PLC Trust-03	628	[SL]A-(SO); Negative Outlook; Withdrawn
Subordinated, unsecured, listed redeemable debentures programme	2,000	[SL]BBB; Outlook revised to Stable from Negative
Subordinated guaranteed listed redeemable debentures	1,000	[SL]A-(SO) (Stable); Withdrawn

Report on compliance with the rules on the content of the Annual Report according to section 7.6 of the Listing Rules of the Colombo Stock Exchange (Listing rules)

Colombo Stock Exchange (CSE) Listing Rules aim to boost the confidence of investors of the companies by requiring the companies to publish accurate information on a timely basis to evaluate companies and help investors to make wise decisions on investing. These rules also depict governance rules, which should be adhered to by all listed companies. Level of compliance by CDB with such rules is highlighted in the following table:

Rule number	Disclosure requirement	Section reference	Page reference
7.6 (i)	Name of persons who held the positions of Directors during the financial year		141 to 143
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Notes to the Financial Statements – Reporting Entity	184 to 276
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentages of such shares held	Investor Capital	103 to 104
7.6 (iv)	The public holding percentage	Investor Capital	99 to 109
7.6 (v)	A statement of each Director's and Chief Executive Officer's shareholding and the percentage of such shares held	Investor Capital	99 to 109
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Risk Management Report	111 to 120
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	N/A	N/A
7.6 (viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	Notes to the Financial Statements	184 to 276
7.6 (ix)	Number of shares representing the Entity's stated capital	Investor Capital	99 to 109
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Investor Capital	99 to 109
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	Investor Capital	99 to 109
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Notes to the Financial Statements	184 to 276
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	Investor Capital	99 to 109

Rule number	Disclosure requirement	Section reference	Page reference
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	Investor Capital	99 to 109
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 07 of the Rules	Investor Capital	99 to 109
7.6 (xvi)	Disclosure on Related Party Transaction exceeding 10% of the equity or 5% of the total assets whichever is lower of the entity as per the latest Audited Financial Statements.	Refer Notes to the Financial Statements in relation to Related Party Transactions. Further, refer page 109 for compliance with section 09.	184 to 276

Compliance Requirements on Corporate Governance Rule 7.10 of the Listing Rules

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange (CSE) mandates companies listed on the Colombo Stock Exchange to publish a table in the Annual Report, confirming that as at the date of the Annual Report they comply with the Corporate Governance rules. The rule addresses the following areas:

A. Non-Executive Directors,

B. Independent Directors,

C. Disclosures relating to Directors,

D. Remuneration Committee,

E. Audit Committee.

Rule reference	Disclosure requirement	Page reference	Section reference
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	For FY 2021/22, 7 of the 13 Directors were Non-Executives (NED), which is more than the requirement of the rule.
7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Compliant	For FY 2021/22, 5 out of 7 Non-Executive Directors are Independent.
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format	Compliant	All Non-Executive Directors submitted the requisite declarations during the year under review.
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer Corporate Governance section on pages 121 to 166.
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	N/A	No such determination was required to be made by the Board, as all the Independent Directors of the Company met the specified criteria.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Compliant	Please refer pages 141 to 143 for Directors profiles.

Rule reference	Disclosure requirement	Page reference	Section reference
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Compliant	During the FY 2021/22 new appointments were not made to the Board.
7.10.5	A listed company shall have a Remuneration Committee	Compliant	Refer the Remuneration Committee Report on pages 156 to 157 for disclosure on the names of the Remuneration Committee members and the Remuneration policy of the Company.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	Refer the Remuneration Committee Report on pages 156 to 157 for disclosure on the names of the Remuneration Committee members.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	Refer the Remuneration Committee Report on pages 156 to 157 for disclosure on the names of the Remuneration Committee members and the Remuneration policy of the Company.
7.10.5 (c)	The Annual Report shall set out:		
	(i) The names of the Directors that comprise the Remuneration Committee	Compliant	Refer the Remuneration Committee Report on pages 156 to 157 for disclosure on the names of the Remuneration Committee members.
	(ii) A statement of Remuneration policy	Compliant	Refer the Remuneration Committee Report on pages 156 to 157 for disclosure on the names of the Remuneration Committee members and the Remuneration policy of the Company.
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer pages 241 on Key Management Personnel (KMP) compensation.
7.10.6	A listed company shall have an Audit Committee	Compliant	Refer Board Audit Committee Report on pages 150 to 152.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	The Audit Committee comprised of three Non-Executive Directors and out of those three, two Directors are Independent.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	Both the Chief Executive Officer and the Chief Financial Officer attended the Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Compliant	The Chairman of the Committee is a Fellow member of The Institute of Chartered Accountants of Sri Lanka.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in Section 7.10 of the Listing Rules.	Compliant	Refer Board Audit Committee Report on pages 150 to 152.

Rule reference	Disclosure requirement	Page reference	Section reference
7.10.6 (c)	The Annual Report shall set out; The names of the Directors who comprise the Audit Committee	Compliant	Refer Board Audit Committee Report on pages 150 to 152.
	The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Refer Board Audit Committee Report on pages 150 to 152.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules	Compliant	Refer Board Audit Committee Report on pages 150 to 152.

Report on compliance with the rules on the content of the Annual Report in section 9.3.2 of the listing rules of the Colombo Stock Exchange (Related Party Transactions)

With the compulsory adoption of the Code of Best Practices on Related Party Transactions (RPT) – since January 2016 ('the Code') issued by the Securities and Exchange Commission of Sri Lanka, the Related Party Transactions Review Committee (RPTR) was established with the approval of the Board of Directors of CDB to ensure strict compliance with the rules and regulations governing related party transactions for Listed Entities.

Rule number	Disclosure requirement	Section reference	Page reference
9.3.2 (a)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity according to the latest Audited Financial Statements.	Related Party Transaction Note in the Financial Statements	241
9.3.2 (b)	In the case of Recurrent Related Party Transactions, if the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the net revenue/income as per the latest Audited Financial Statements	Related Party Transaction Note in the Financial Statements	241
9.3.2 (c)	Annual Report shall contain a report compiled by the RPTR Committee including followings: • Names of the Directors who are in the committee • Statement with regard to Related Party Transactions reviewed during the financial year • Number of times the committee has met during the financial year • Policies and procedures adopted by the RPT Committee	BRPT Review Committee Report.	160-161

4.0

LEADERSHIP, GOVERNANCE, AND RISK MANAGEMENT

We strive for agility by ensuring that a responsible, accountable and effective governance and risk management framework is in place, whilst managing risks associated with our evolving external environment.

Risk management

We enabled an effective risk management process from identification to mitigation, following an integrated approach across all the business processes. Our risk management culture across all parts of the organisation creates the basis for the robust risk management framework.

In 2020, a black swan event created about an economic, health, and social crisis that far exceeded the 2008-2010 global financial crisis in scope and impact. Several risks, namely, the credit risk, liquidity risk, market risk and capital risk became prominent risks during the crisis. The unprecedented adverse implications increased our strategic execution risk and the level of financial risks. The overall state of our risk management, balance sheet management, internal control environment and risk culture had remained sound and robust. We strive for agility by ensuring that a responsible, accountable and effective governance and risk management framework is in place, whilst managing risks associated with our evolving external environment.

In the recent years, CDB's risk universe and risk management focus expanded greatly to include emerging risks such as cybersecurity, data loss and privacy to ensure that our tech initiatives and investments provide a greater value and a return in terms of efficiency and reliability without exposing the Organisation to any severe risk. Stringent adherence to rapidly evolving regulatory requirements had been given priority in achieving our strategic objectives.

How our key risks evolved during the year under review

Business risk was elevated in our risk universe and was driven by external factors such as COVID-19 pandemic, domestic macroeconomic and political risks, and the unprecedented level of change underpinned by the country's reserve position and FOREX liquidity position. This has heightened inherent risk across the entire risk universe applicable to financial institutions, with high levels of stress during Q4 2021/22 across operational, liquidity, market (interest rate risk, equity price risk, currency exchange rate risk) and

Amidst the external challenges, CDB was able to record an exceptional performance and risk metrics throughout the year in review.

credit risk. However, residual risk, or the net risk outcomes were well managed within our risk appetite ensuring the CDB's resilience and sustainable growth. We ended FY 2021/22 with a much improved outlook than FY 2020/21.

Amidst the external challenges, CDB was able to record an exceptional performance and risk metrics throughout the year in review. CDB being an Entity that is technologically-driven we continually aim to strengthen our systems and controls in order to ensure protection against cyber risks. Anti-money laundering and compliance risks have been areas of emphasis and we implemented the necessary measures to successfully combat compliance and AML risks as a responsible public deposit taking institution.

Our ERM approach and governance

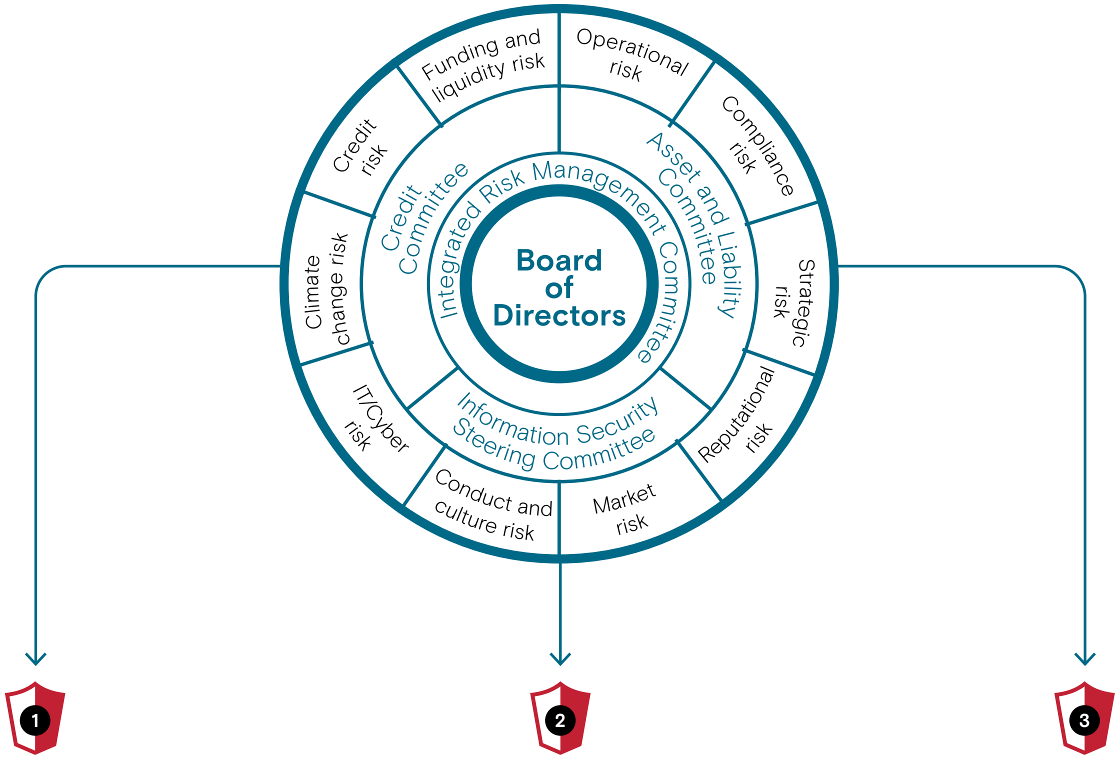
Our Enterprise Risk Management Framework (ERMF) provides the governance structure and approach for our risk management disciplines and guides us to embed a sound risk culture. It defines our risk management universe, structure, policies and processes. No material changes were made to the framework this year and we remained committed to ensure compliance to ERMF across the Organisation, whilst internalising the same. Through the framework, we created higher levels of assurance and visibility about potential risks and provided clarity on risk identification and mitigation. We enabled an effective risk management process from identification to mitigation, following an integrated approach across all the business processes. Employees have become more aware of potential risks and are reporting risks more frequently following frequent risk awareness campaigns. We continued to strengthen our business continuity plans and further improved our resilience to adverse risk events.

Our ERMF has been established in line with CDB's entity wide strategic objectives and values with an ultimate objective of enhanced value creation. It ensures that risk management at CDB helps to harness opportunities arising from the evolving environment, ensuring optimum balance between risk and return. This future focused approach and robust governing structure (Three Lines of Defence model) ensures CDB's resilience amidst different categories of risks through key risk management enablers which are integrated with high level strategies as well as mid and bottom level operations.

We continue to strengthen the use of information technology for the risk management framework and its application to effectively respond to the rapidly evolving economic context.

CDB's Three Lines of Defence model defines the roles and responsibilities in managing risks within the risk appetite. This emphasises the fundamental concept that risk ownership and management is everyone's responsibility across all the levels of the hierarchy.

WE HAVE ESTABLISHED AN EXTENSIVE, MULTI-LAYERED STRUCTURE TO GOVERN RISK



Line of Defence
Every team member at all levels continually participate in the risk management process. Everyone is expected to manage the risks associated with the environment in which we operate, including the risks that prevent CDB from achieving its strategic objectives.

Line of Defence
Risk function provides an integrated view and validation of risks at all levels of the business on an ongoing basis. This includes providing structures and frameworks to ensure CDB's key risks are identified, and evaluated in a standardised way and the treatment plans are within the risk appetite and tolerance levels.

Line of Defence
Internal audit provides an independent reasonable assurance and reviews risk management and compliance processes at all levels on an ongoing basis. This function provides an assurance on the adequacy and effectiveness of controls, including risk management practices.

Combined assurance

Combined assurance enhances risk management

CDB combined assurance model
- Creates a single view of the key risks for all assurance providers, enabling an alignment of efforts.
- Provides oversight, structure and guidance for the identification, evaluation and treatment of risks.
- Improves the overall assurance provided to Senior Management and the Board.
- Provides role clarity to all assurance providers regarding their responsibilities.

Our risk culture

Managing risk is integral to how we create long-term value for our customers and stakeholders. Our risk culture is built on four principles: enforcing robust risk governance; balancing growth with stability; ensuring accountability for all our risk-based decisions and actions; and encouraging awareness, engagement and consistent behaviour in every team member. Each of these principles is based on our distinctive set of values that guides every action we take.

Our risk culture impact

Safeguarding our reputation in creating long-term value for our stakeholders

- Financial safety and soundness
- Fair outcomes and appropriate support for all stakeholders
- Sustainable and prudent approach to business
- Performance based on integrity, ethics, and discipline

Maintaining a sound risk culture across our operations

Our risk principles

Governance	Balance	Accountability	Consistency
Enforce robust governance of risk	Balance growth with stability in taking risk	Ensure accountability for risk	Encourage consistency in risk focused behaviour

Our risk culture components

Governance
- Comprehensive risk management framework, policies and process
- Well defined risk appetite
- Pre-emptive supervision
- Independent control functions

Balance
- Open communication and collaboration
- Regular risk reviews and continual improvements

Accountability
- Clear ownership and escalation through Three Lines of Defence
- Balanced risk-reward remuneration
- Established consequences
- Individual accountability

Consistency
- Tone at the top
- Leadership oversight and responsibility
- Clear articulation of principles and desired outcomes
- Frequent and regular sharing
- Ongoing training

Demonstrating our unique set of values through consistent behaviour

Our values

Perseverance | Empathy | Reliable | Innovation

In addition, we expect all our team members to demonstrate a high awareness of risk and control by self-identifying issues and managing them in a manner that will deliver lasting change. What is unique about CDB is how we have carved the importance of risk identification and risk management into our team members' mind set. We reward our team members who identify and report on critical risk areas on a quarterly basis and we have embedded a risk identification attitude into all our members' performance assessment scorecards as well. The "Risk Reporting Champions" are recognised from among our team members and they are rewarded with monetary rewards at the Company's annual award ceremony.

Risk management process

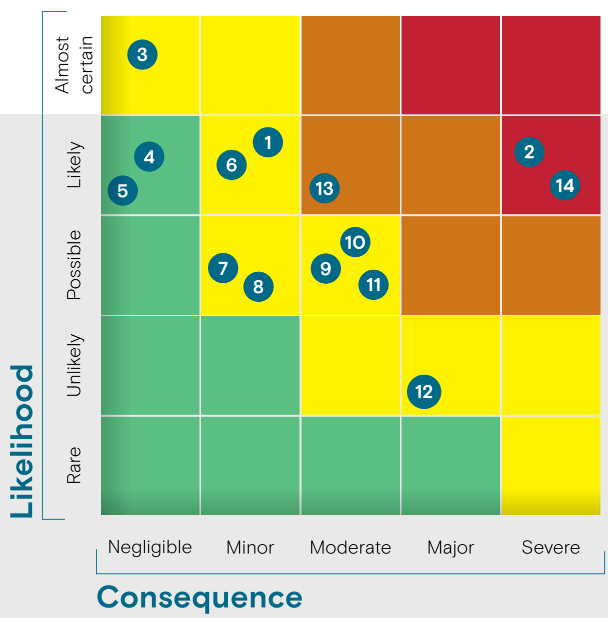
Update for 2021/22

Risk Identification	There was an increased number of team members who actively participated in reporting risks through the risk identification system via ERP. Rewarded 33 team members for reporting high risk areas. Conducted 7 process risk analysis and continued portfolio assessments.
Risk Assessment	Risk areas identified via the process risk analysis/risk identification system were assessed, considering the likelihood and the consequence.
Risk Treatment	Risk areas which were recognised were treated with adequate risk mitigation actions in order to bring down the residual risk level while enhancing efficiency of operations bringing industry best and emerging practices.
Risk Monitoring	Agreed risk mitigation actions were continuously monitored in order to measure residual risks are within the risk appetite, and to further strengthen the mitigation actions. Integrated dashboards, stress testing assessments and forecasts.
Risk Reporting	A dashboard covering key risk indicators is assessed against set trigger points which are determined based on the risk appetite. A summary of the identified risks, assessments, and strategies employed to minimise risks and monitoring mechanism is presented at the quarterly IRMC meetings. Stress testing embedded risk heat map which consists of overall risk status of CDB helped management level committees to access the risk status. IT and cyber risk reviews are conducted at Information Security Steering Committee meetings.

Future outlook

Despite the heightened external risk environment, the outcomes and state of risk and capital management continued to be well controlled throughout FY 2021/22, confirming CDB's agility, effectiveness, and the strong risk culture. The Risk Heat Map below shows the key risk drivers that could affect CDB in FY 2022/23 (over a one-year horizon) along the dimensions of probability and impact based on the residual risk outcome. The risk drivers are not to be seen in isolation as they may trigger or reinforce each other.

Moderate stress



Low Medium High Extreme

1. Credit risk	8. External/Internal fraud
2. Interest rate risk	9. Strategic risk
3. Commodity price risk	10. HR risk
4. Currency exchange risk	11. Process/Execution risk
5. Equity price risk	12. Compliance risk
6. Liquidity risk	13. Counterparty risk
7. Reputational risk	14. Acc. Financial risks

Snapshot of key risks and mitigation strategies

Credit risk

Credit risk triggers when obligors fail to meet their financial or contractual obligations towards CDB when due. This comprise two components namely Default risk and Concentration risk. Concentration risk refers to the potential loss resulting from undue exposure to a particular customer segment, geographical location or a portfolio subsegment.

Key highlights in 2021/22	Risk exposure	Future focus
NPL ratio was maintained at 5.89% compared to previous year's 7.00% and the industry ratio was at 8.99% under challenging operating conditions. This reflects the efficiency of the recovery strategies which were in place to maintain healthy collection ratios especially amid the pandemic. The cumulative collection ratio stood at 98.39% compared to 95.86% in the previous financial year. Yard stocks were reduced by approx. 84mn within FY by disposing a higher number of vehicles on a daily/weekly basis through tenders, dealer points and car points and by promoting via patpat.lk (online platform) to generate sales leads. Continuous dialogue is maintained with customers to provide optimum solutions addressing repayment and settlement related concerns. NPL ratio and the movement of the age basket under different criteria were monitored closely. This was significantly improved through successful recovery campaigns and strategies. Broadened collection channels enhancing customer convenience apart of conventional methods of cash collection.		Portfolio NPL levels and age movement to be closely monitored giving special focus to specific products, sectors, geographical areas etc. to identify contracts which are vulnerable to default. Improve data analytic capabilities via BI team to design optimum follow up strategies based on customer behaviour and early warning signals. Continuous revision and review of credit evaluation criteria based on evolving external market environment variables and in line with the risk appetite of the Company. Automated credit decision via BOT process to be implemented to all the lending products i.e. auto loans, credit cards with the objective of increasing the quality of the credit decision and enhancing the credit granting process efficiency and transparency.

Funding and liquidity risk

Refers to the risk that the Company is unable to meet short-term financial obligations as they fall due without incurring major losses due to insufficient liquid assets.

Key highlights in 2021/22	Risk exposure	Future focus
A strong liquid assets position was maintained throughout the year and the liquidity ratio stood at 14.14% as of FY end. All the contractual obligations were met/ honoured including foreign borrowing payments on time. Maturity mismatch was maintained around -2.64% level (one year gap) and was managed at tolerable levels. Liquidity stress testing was carried out based on different worst-case scenarios and liquidity contingency plans were prepared and discussed at the monthly ALCO forums. Continuous cash flow predictions were carried out to ensure that all the short-term obligations were met ensuring optimum return on investments and liquid assets.		Ensuring smooth management of liquid assets and investment portfolio via the newly installed treasury system along with a robust monitoring mechanism. Continuous improvement in cash flow predictions, forecasts and development of contingency funding mechanisms including pre-negotiated facilities with lenders.

Market risk

Changes in equity prices, interest rates, exchange rates, and commodity prices can possibly cause a financial loss to CDB due to our exposure to such market variables.

Key highlights in 2021/22	Risk exposure	Future focus
Improved internal forecasts and stress testing analyses facilitated the ALCO and Senior Management to make sound decisions minimising adverse implications from market risks. Optimum pricing decisions and strategies executed in line with dynamic market variables helped CDB to record a strong top line performance ensuring a greater consistency in our income generation. 12 months cumulative maturity gap was prevailing around -2.64% level and this improved maturity mismatch position supports the organization in minimizing repricing risk deriving from interest rate sensitive assets and liabilities. Prudent and continuous reviews, predictions and impact assessments ensured that the gold loan exposures are managed at optimum levels, within the risk appetite under sufficient LTV while advancing our competitive position. Due to the efficiency of hedging arrangements to minimise foreign currency risk, the impact of LKR depreciation was minimal during the FY from CDB's exposure to foreign borrowings.		Continue to conduct forecast based interest rate stress testing analyses under different scenarios to better react to unforeseen economic conditions in terms of market interest rates Prudent measures to minimise the implications from stressed scenarios based on the outcome from future focused assessments.

Operational risk

An unforeseen external or internal event can cause a potential loss to the Organisation. Internal frauds, external fraud, employment practices and workplace safety, clients, products, and business practice, damage to physical assets, business disruption and systems failures, execution, delivery, and process management are the main categories of operational risk.

Key highlights in 2021/22	Risk exposure	Future focus
New ways and means of onboarding customers, immediate credit approvals, opening of savings accounts and fixed deposits and customer servicing though automated processes were initiated while complying with the regulatory requirements and guidelines. Continuous investment in IT infrastructure facilities to improve the efficiency and effectiveness of internal business processes while minimising bottlenecks and limiting the likelihood of risk occurrence. Proactively assessed and managed IT risk related concerns prior to enabling IT platforms and systems during process automations. Improved BCP and DR planning to ensure our operational resilience against unforeseen incidents. Cyber drills and comprehensive trainings covering BCP and fire fighting were carried out to enhance awareness among team members to immediately respond in emergencies. Conducted vulnerability assessments through third parties. Strengthened 1st Level (Functional Division), 2nd Level (Risk and Compliance) and 3rd Level (Internal Audit) monitoring on transactions and internal work flow execution enhancing the reliability of the processes.		AI based models and data analytics to monitor client behaviour and further enhance our prediction, prevention, detection and response capabilities in the fraud identification and reaction. Continuously promote a risk reporting culture by appointing risk representatives for each division. Continue to proactively recognise and address the cyber risks and IT risks stemming from IT platforms. Operational risk tracking and monitoring through different operational risk indicators through an integrated dashboard.

Strategic risk

Strategic risks are those risks that are most consequential to the Entity's ability to execute its strategies and achieve its objectives, and these can ultimately affect shareholder value or the viability of the entity.

Key highlights in 2021/22	Risk exposure	Future focus
Achieved a bottom line growth of 41% compared to the previous FY amidst challenging market conditions. Various projects including process automations were initiated and executed and the risks were proactively accessed and addressed prior to implementation in order to minimise unforeseen risks and ensure alignment with our strategic objectives. Dashboards with key KPIs and KRIs are reviewed on an ongoing basis at management level committees to ensure immediate measures are obtained to minimise the variances while ensuring KRIs are within the risk appetite.		Continue to align Business Strategy and Enterprise Risk Management Strategy from top to bottom to proactively identify and address risks while creating value to our stakeholders. Further streamline and integrate business operations via Robotic Process Automation projects enhancing process integrity and efficiency. Use of big data and data analytics to support business decision making under prevailing dynamic business context.

Reputational risk

Reputational risk refers to the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on an entity's reputation, thereby affecting its earnings.

Key highlights in 2021/22	Risk exposure	Future focus
Introduced a customer convenience initiative; a self-service automation project. With the implementation of the project, our customers are now able to inquire on the arrears status of lending facilities through a simple missed call (via system registered number). The customers have 24/7 access to this service with no hold time or interaction with contact centre agents. Mystery Caller programmes were carried out periodically and the results helped to ascertain customer perceptions and experience. The findings have been an invaluable source of information to deliver a better first impression to customers and enhance phone etiquette. Implemented the "Work from Home" contingency plan following the pandemic, and maintained 24×7 operations in trilingual languages. Implemented "Customer Information Retrieve Solution" which allows the agents to provide a better and a speedy solution to client inquiries. Social listening reviews were carried out on an ongoing basis to capture the public reaction and feedback on social media. This initiative helped to address customer concerns while improving service quality and standards.		Advance IVR development to automate frequently asked questions. Enable the customer portfolio summary to pop up on the agent's desktop through a CRM pop up screen when a customer contacts the customer hotline through a system registered number. This will further enhance service quality and efficiency. The Service Management Unit will be a centralised section that handles all customer complaints and inquiries, which it directs through multiple channels. The Unit is tasked with redirecting complaints and inquiries to the appropriate department or branch, and ensuring their resolution within the stipulated Service-Level Agreements (SLAs).

Compliance risk

GRI 205-1, 205-2, 205-3

The risk of legal or regulatory sanction, financial loss or reputational damage to the entity as a result of its failure to comply with laws, regulations, codes of conduct and standards.

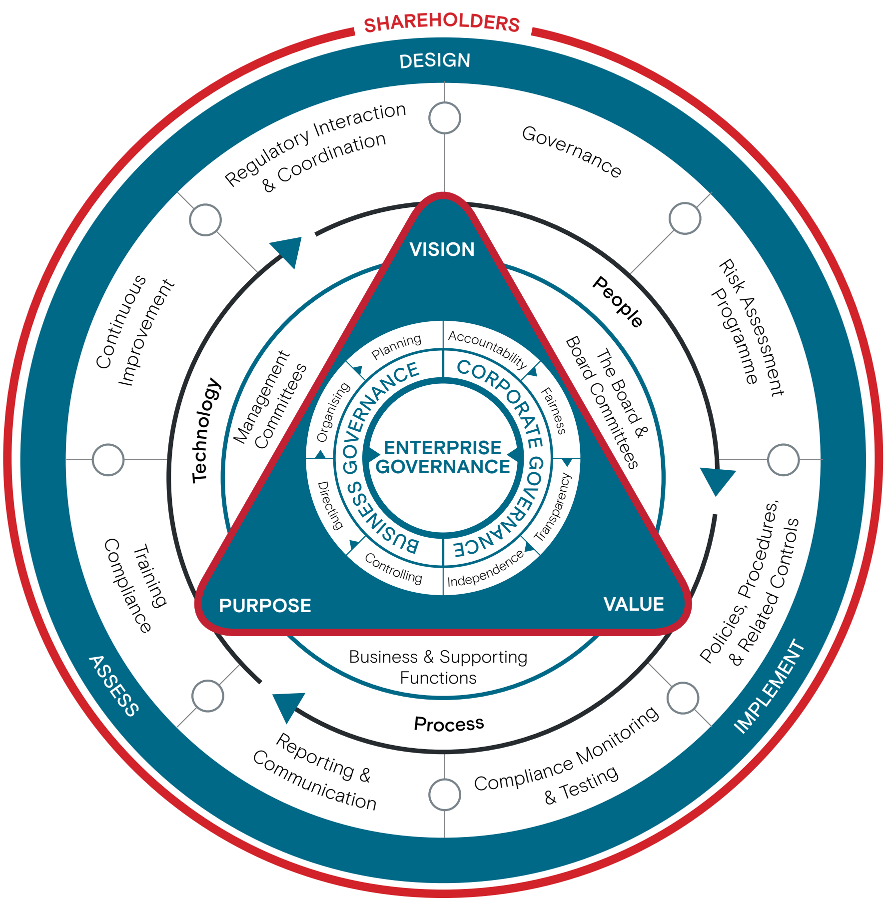
Key highlights in 2021/22	Risk exposure	Future focus
Adopted a rigorous and proactive approach when complying with various regulatory authorities. On a monthly basis Compliance meetings held with the Senior Management to review the compliance status of the Organization along with the Compliance dashboard which covers regulatory ratios, compliance initiatives, New Directions/Guidelines etc. Strengthen the processes with regard to anti-money laundering aspects and appointed compliance representatives among operational divisions as a part of the compliance culture at CDB.		To further enhance our efforts to capture and report suspicious transactions in tandem with the guidelines set by the Financial Intelligence Unit (FIU) of the CBSL. Continue to conduct company-wide awareness training on anti-money laundering especially among front office team members.

Corporate governance

GRI 102-18, 102-19, 102-22

CDB enterprise governance

Navigating the business operations through an extremely complex environment and creating value to our stakeholders is challenging in the absence of a proper enterprise governance framework. As a responsible corporate citizen, CDB considers “Enterprise Governance” as one of the most critical components to achieving stakeholder value creation. Thus, CDB continuously strives to implement the right processes, structures, and related mechanisms to achieve the set objectives of the Organisation.



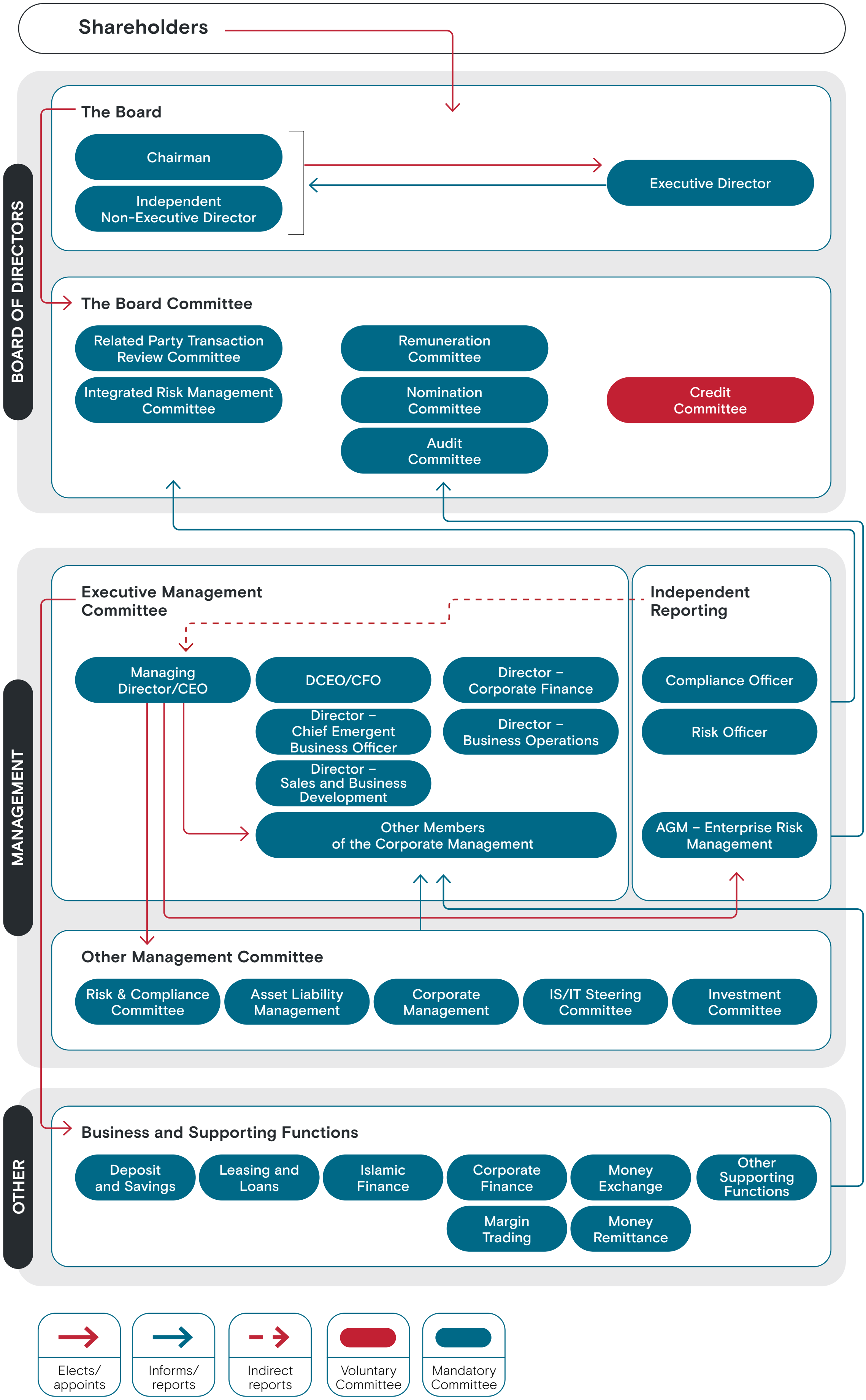
CDB corporate governance

Sound and effective corporate governance practices are the basis of smooth, effective and transparent operations of CDB, which ensures attracting investments, protecting shareholders’ and other stakeholders’ rights, and enhancing shareholder value. Accordingly, good corporate governance practices aid in maintaining healthy relationship between stakeholders and the Management.

As we are required to comply with the external/internal and mandatory/voluntary practices for continuous improvement to compliance, the Board is always committed to bolster the effectiveness of the organisation governance models through responsible conduct, deepening competitive advantage through adding value, effective leadership, robust risk management, clear performance management, greater transparency and a sound ethical culture.

Given below is the current Governance Structure of CDB:

GRI 102-23



CDB Your Friend

Business governance at CDB

Business governance contributes towards value creation through effective allocation of resources. Sustainable shared value creation emanates from accelerating the strategies and managing constraints in terms of operations, finance, human resources and information technology in an ever-changing world.

Value creation by the Departments for FY 2021/22

Operational

- Automation of Customer Due Diligence (CDD) process which cover screening, risk grading and KYC data gathering
- Introduction of credit scoring model

Financial

- Achieved Rs. 3.6 Bn. PAT
- Achieved a capital adequacy ratio of 17.07%
- Maintained a NPA ratio of 5.89%

Human Resources

- Introduction of new HR System (MintHR)
- Introduction of E-Pay slips for all staff

Information Technology

- Automation of customer due diligence process
- ISO 27001 certification

Board committees

IRMC

Integrated Risk Management Committee

Oversight responsibility for all areas of risk management including credit, market, operational, liquidity, cyber/IT and strategic risks and ensures compliance with the entirety of the risk management policy framework and compliance with laws and regulations (page 153)

RC

Remuneration Committee

Monitors, evaluates and addresses remuneration related issues

AC

Audit Committee

Identifies any deficiencies in routines and the Organisation in terms of governance, risk management, internal control, internal and external auditing and financial reporting

RPTRC

Related Party Transactions Review Committee

Reviews in advance all proposed related party transactions of the Company to ensure related parties are treated on par with other shareholders and constituents of CDB

NC

Nomination Committee

The shareholders' governing body that nominates Board members and the Auditors and proposes their fees

CC

Credit Committee

Formulates, reviews and revises policies and procedures for granting credit facilities, to be submitted for the approval of the Board of Directors whilst ensuring compliance with all statutory and regulatory requirements

Management committees

CMC

Corporate Management Committee

This is the highest management level committee in CDB. This Committee reviews the entire performance of CDB, with a view to formulating strategies and issuing directions to manage deviations

ITSC

Information Technology Steering Committee

Directs, reviews and approves IT strategic plans

RCC

Risk and Compliance Committee

Reviews overall risk and compliance at CDB

ISSC

Information Security Steering Committee

Review and approve information security strategic activities

ALMC

Asset-Liability Management Committee

Reviews the funding strategy, liquidity management, assets mismatch as well as market risk exposures, management of liquidity risk and interest rate risks as primary objectives, and manages various financial risks of the Company

IC

Investment Committee

Assists the Board of Directors to discharge its statutory duties and its oversight responsibilities in relation to investment activities

Highlights for the year 2021/22 of the robust regulatory-compliance risk management programme

CDB as a leading financial service provider, requires ensuring zero non-compliance to protect the stakeholders, the customers in particular and the Organisation as a whole. Since compliance in financial institutions is becoming increasingly sophisticated with the growing regulatory demands, CDB has devoted substantial resources to ensure adherence to all regulatory requirements.

1

Governance

Compliance Division headed by a member of the Corporate Management team and overall Organisation's compliance is secured with Compliance Representatives who are responsible for the external and internal benchmarks of governance. In addition to that, Compliance Division holds monthly Compliance Committee meetings with Directors to update the status of compliance.

Voluntary and mandatory corporate governance disclosures: pages 128 to 138.

2

Risk assessment programme

As a part of creating a "Compliance Culture", which was initiated in 2019/20, the Compliance Division independently carries out compliance reviews on all the departments and branches. Further, it assesses the risk through certain exceptional reports and takes corrective measures accordingly.

Annual audit, which conducted by the Internal Audit Department, aids in identifying areas needing further improvements.

6

Compliance training

Officers engaged in the functions of Branch Operations, Deposit Operations, Credit Operations as well as the officers at the Compliance Division were provided with proper training on Anti-Money Laundering and Counter Terrorist Financing conducted by the CBSL. At the same time, a compliance training session has been incorporated in to the Induction Programme of the Organisation. Further, Compliance Division has conducted several training programmes to branch operation team members, marketing staff and verification staff in order to build an effective compliance culture within CDB. The insights that we received through such training programmes help in undertaking further developments to maintaining a sound compliance culture. Compliance department shares training materials such as videos and reading materials via the CDB E-learning platforms. Furthermore, the staff knowledge was assessed through an questionnaire and a reward mechanism was introduced.

7

Regulatory interactions and coordination

Compliance Division proactively monitors the external regulatory developments introduced and circulated by the CBSL Non-Bank Financial Institution Division, FIU, SEC and CSE etc.

3

Policies, procedures, and related controls

The Compliance Division is committed to streamline the process. Therefore, frequent reviews and updates on AML policy and other policies/procedures are carried out.

AML related guidelines were drafted and made available to all the operational team members, safeguarding CDB against financial crime risk.

4

Compliance monitoring and testing

In order to facilitate a smooth customer screening process, Acuity – the online screening tool, and PEPs.lk were incorporated into robotic process automation (RPA) ensuring 100% compliance with CDD rules. Technology is consistently changing and evolving and affiliated risks are increasing along with the rapid technological developments. We, as a financial service provider, are highly vulnerable to AML/CFT risk. Therefore, we have invested on transaction monitoring system in order to detect suspicious transactions. Further, we also have an in-house develop mechanism to report, monitor and test such unusual transactions. The Compliance Division monitors daily and ensures continuous compliance with regulatory requirements.

5

Reporting and communication

The Compliance Division pioneered in creating a compliance culture within the Organisation by appointing Compliance Representatives across all the departments. Two-way communication has been built between the Compliance Division and Compliance Representatives. We always keep close relationship with branch team members since we believe proper training and communication helps in creating a sound compliance culture.

8

Continuous improvement

Compliance Division always strives to improve the existing mechanism, by persuading all team members to engage in an effective compliance culture ensuring zero non-compliance and a financial crime risk-free environment at CDB. Therefore, in the financial year under review, we have improved the existing risk scorecard incorporating all AML related risk areas to evaluate more effectively the risk level of customers. Furthermore, the compliance and business operations team introduced a customer due diligence (CDD) automation project developed by CDB which include real-time customer screening, risk scorecard and KYC data gathering.

To encourage team members to build an effective compliance culture, the Compliance Division gives due recognition to well-performed team members. QR code embedded Eflyers were shared among all team members to create awareness on AML.

The Board

Board composition

6	2	5
Executive	Non-Executive	Independent Non-Executive

Tenure

7	6
0-5 years	Over 5 years

Age Group

3	8	2
40-50 years	51-55 years	56-60 years

Professional experience

Management accounting	General management	HR and administration	Accounting and finance	Economics
46%	23%	15%	8%	8%

Mr J R A Corera
Independent Non-Executive Director

IRM
NC

12/12

Mr W P C M Nanayakkara
Executive Director

IRM
CC

12/12

Snr Prof S P P Amaratunge
Independent Non-Executive Director

NC
RC

12/12

Mr T M D P Tennakoon
Executive Director

IRM
CC
RPTRC

12/12

Mr R H Abeygoonewardena
Executive Director

IRM
CC
RPTRC

12/12

Mr S V Munasinghe
Executive Director

IRM
CC

12/12

Mr D A De silva
Executive Director

IRM
CC

12
12

Mr E Karthik
Executive Director

IRM
CC

12
12

Mr J P Abhayaratne
Non-Executive Director

AC

12
12

Ms P R W Perera
Independent Non-Executive Director

AC
RC

12
12

Mr E R S G S Hemachandra
Non-Executive Director

NC
RC
RPTRC

12
12

Mr S Kumarapperuma
Independent Non-Executive Director

IRM
NC

12
12

Prof P N Gamage
Independent Non-Executive Director

AC
RPTRC

12
12

Board committees

IRM	Integrated Risk Management Committee
RC	Remuneration Committee
AC	Audit Committee
CC	Credit Committee
RPTRC	Related Party Transactions Review Committee
NC	Nomination Committee

During the FY (i.e. 2021/22), 6 Board meetings were held online and the balance 6 Board meetings were held physically, due to the pandemic.

Chairman's Responsibilities

- To keep abreast of the activities of the Company and its management in general
- To develop and set the agendas for meetings of the Board in collaboration with the CEO
- To assess and make recommendation to the Board, annually, regarding the effectiveness of the Board as a whole, the Committee of the Board and individual Directors
- To call special meetings of the Board where appropriate
- To sit on other Committees of the Board where appropriate, as determined by the Board
- To ensure that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements

MD/CEO's Responsibilities

- Monitor and report to the Board about the performance of CDB and its compliance with applicable legal and regulatory obligations
- Develop CDB's strategy for consideration and approval by the Board and its implementation thereafter
- Develop and recommend budgets to the Board to support CDB's mid and long-term strategy
- Ensure proper succession planning of the Executive Team and assess their performance
- Ensure CDB operates within the approved risk appetite

Corporate governance disclosures

GRI 419-1

In our endeavour to strengthen governance at CDB for the year ended 31 March 2022, we complied with the provisions of all applicable codes and directions on corporate governance. Accordingly, CDB has adopted and is in compliance with voluntary requirements outlined in the "Code of Best Practice on Corporate Governance 2017", issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) along with the mandatory requirements of Direction No. 03 of 2008 (Corporate Governance) and subsequent amendments issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011. Further, CDB is in the process of adopting the proposed Corporate Governance Direction No. 05 of 2021, which is effective from 1 July 2022 onwards.

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
The Board				
Board meetings	A.1.1	3 (1)/3 (3) and 3 (4)	Board meetings are held monthly with proper notice, mainly to review the performance of the Company and other matters referred to the Board by the heads of respective divisions, while special Board meetings are convened whenever necessary. These meetings ensure that prompt action is taken to align the business processes to achieve the expectations of all stakeholders. All the Directors have attended to all the meetings that they were eligible for. (Attendance of Board meetings: pages 126 to 127).	✓

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Responsibilities of the Board	A.1.2	2 (1)	The Board is collectively responsible for the success of the Company. The Board formulates the business strategy and ensures that MD/CEO and Management Team possess the skills, experience and knowledge to implement the strategy. It also ensures that effective systems are in place to secure integrity of the information, internal controls and risk management and compliance with all applicable laws and regulations. The Independent Directors are responsible for bringing independent judgement to decisions made by the Board.	✓
Compliance with laws and access to independent professional advice	A.1.3	2 (3)	A procedure has been put in place for Directors to seek independent professional advice, in furtherance of their duties, at the Company's expense. This will be coordinated through the Board Secretary, as and when it is required. In addition, the Board is assisted by several Board subcommittees on various matters.	✓
Advice and services of the Company Secretary	A.1.4	3 (5) and 3 (7)	All secretarial matters for which clarification is needed by the Board are referred to the Company Secretary who has the required qualifications as set out in the Companies Act. The Company Secretary provides all information after obtaining necessary professional advice, whenever required to do so. All Board members have access to the Company Secretary to ensure that proper Board procedures are followed and that all applicable rules and regulations are complied with. Consent of all Board members is required for the removal of the Company Secretary.	✓
Independent judgement of Directors	A.1.5	2.4	None of the Directors have held executive responsibilities in their capacity as Non-Executive Directors. The Non-Executive Directors do not have any business interests that could materially interfere with the exercise of their independent judgement. Directors are required to disclose all transactions with the Company, including those of their close family members as required by the relevant Sri Lanka Accounting Standards and the Companies Act. The Board has taken steps to ensure that conflicts and potential conflicts of interest of Directors are disclosed to the Board.	✓
Dedication of adequate time and effort for matters of the Board	A.1.6	2.5	The Board members dedicate adequate time and effort to fulfil their duties as Directors of the Company (both before and after the Board meetings) to ensure that the duties and responsibilities owed to the Company are discharged accordingly. In addition to attending Board meetings, they have attended Board subcommittee meetings and also have made decisions via circular resolutions, where necessary. The Board subcommittees include: • Audit Committee • Integrated Risk Management Committee • Credit Committee • Remuneration Committee • Nomination Committee • Related Party Transactions Review Committee Further, additional meetings and discussions are held with the Management whenever the need arises.	✓
Resolutions to be presented	A.1.7		One-third of Directors can call for a resolution to be presented to the Board.	✓

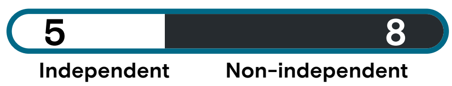
Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Training for new and existing Directors	A.1.8		Both new and existing Directors of the Company are provided guidelines on general aspects of directorship and industry specific matters. During the year, presentations were made to the Board/Board subcommittees by the Company from time to time on industry specific matters and regulatory updates and the Directors have attended a number of meetings with the Corporate Management Teams to familiarise themselves with the Company strategy, operation and internal control. Director training focus areas for 2021/22 were: • Anti-Money Laundering (AML) • Economic developments • Governance • Resilient leadership	✓
Situation of insolvency		2 (6)	No such situation arose during the year.	✓
Inclusion of proposals by all Directors in the agenda		3 (2)	The Company Secretary facilitates any request made by the Directors at a meeting or otherwise and ensures that the said matters and proposals are included in the agenda for the next meeting for discussion.	✓
Management function delegated by the Board		6 (1) and 6 (2)	The Board annually evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.	✓
Chairman and Chief Executive Officer (CEO)				
Division of responsibilities of the Chairman and MD/CEO	A.2.1	2 (2) and 7 (1)/7 (11)	The roles of the Chairman and the MD/ Chief Executive Officer are functioning separately in the Company. The Chairman is a Independent Non-Executive Director while the Managing Director serves as an Executive Director of the Company. This is to ensure a balance of power in strategic and operational decisions authority such that no one possesses unfettered powers of decisions. The Chairman is responsible for leading, directing, and managing the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The MD/CEO's role is primarily to conduct the business operations of the Company with the help of the Corporate Management.	✓
Chairman's Role				
Role of the Chairman	A.3.1	7 (4) - 7 (10)	The Chairman's main role is to lead and manage the Board and ensure effectiveness in all aspects of its role. The Chairman of the CDB is a Independent Non-Executive Director. The Chairman's role encompasses that; • The views of Directors on issues under consideration are ascertained • The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders • All Directors are encouraged to make an effective contribution within their respective capabilities, for the benefit of the Company • A balance of power between Executive and Non-Executive Directors is maintained • Representing the views of the Board to the public	✓

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Financial Acumen				
Availability of sufficient financial acumen and knowledge	A.4.1		The Chairman is a Chartered Financial Analyst and a Fellow Member of the Institute of Chartered Management Accountants in UK while MD/CEO is a member of the Chartered Institute of Management Accountants of UK. In addition, the Board includes one member of The Institute of Chartered Accountants of Sri Lanka and three members of the Chartered Institute of Management Accountants of UK. Directors' profiles are given on pages 139 to 141.	✓
Balance of the Board				
Presence of Non-Executive Directors	A.5.1	4 (1)/4 (6) and 4 (7)	During the FY 2021/22, seven of the thirteen Directors were Non-Executives (NED) which is well above the minimum prescribed by this Code which is two NEDs or equivalent to one third of the total number of Directors, whichever is higher. This ensures that the views of NEDs carry a significant weight in the decisions made by the Board.	✓

Executive Vs. Non-Executive

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Independent Directors	A.5.2	4 (4)	During the FY 2021/22, five out of the seven Non-Executive Directors were independent as defined by the Code.	✓

Independent Vs. Non-independent



Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Independence evaluation review	A.5.3		All five Independent Directors are independent of management and free of any business or other relationship that could impair their independence.	✓
Signed declaration of independence	A.5.4		All Non-Executive Directors of the Company have made written submissions as regards their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule K of the Code.	✓
Determination of independence of the Directors by the Board	A.5.5		The Board has determined the independence of Directors based on the declarations submitted by the NEDs, as to their independence, as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code.	✓
Appointment of an Alternative Director	A.5.6	4 (5)	Where an alternative Director is appointed, requirements of the Code are met. However, such a situation has not arisen.	✓
Senior Independent Director	A.5.7	7 (2)	N/A	✓
Confidential discussion with the Senior Independent Director	A.5.8		N/A	✓

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Meeting of Non-Executive Directors	A.5.9		Chairman meets with the Non-Executive Directors without the presence of MD/CEO and other Executive Directors, on a need basis.	✓
Recording of concern in Board minutes	A.5.10	3 (9)	Minutes of all meetings are duly recorded in sufficient detail and retained by the Company Secretary under the supervision of the Chairman. However, there were no concerns raised by the Directors during the year, which needed to be recorded in the Board meeting minutes.	✓
Supply of Information				
Information to the Board by the Management	A.6.1		The Board was provided with timely and appropriate information by the Management by way of Board Papers and proposals. The Board sought additional information as and when required. Corporate and Senior Management made presentations on issues of importance. The Chairman ensured that all Directors were briefed on matters arising from Board meetings. The Directors have free and open contact with Corporate and Senior Management of the Company.	✓
Adequate time for effective Board meetings	A.6.2	3 (6) and 3 (8)	Board was provided with timely and appropriate information by the Management by way of Board Papers and proposals. The Board sought additional information as and when necessary. The Company Secretary prepares the agenda and keeps the minutes of meetings. Further, refer pages 126 to 127 for Board meeting write up.	✓
Appointments to the Board				
Nomination Committee and assessment of Board composition	A.7.1 and A.7.2	4 (9)	Board as a whole annually assesses Board-composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election. Refer page 155 for the details of Nomination Committee and its composition. During the financial year 2021/22, there were no new appointments to the Board. However, Mr Sujeewa Kumarapperuma was redesignated as an Independent Non-Executive Director.	✓
Disclosure of details of new Directors to shareholders	A.7.3		When the new Directors were appointed to the Board, a brief résumé of each such Director including the nature of his/her experience, the names of companies in which the Director holds directorship, and membership in the Board subcommittees etc., are informed to the Central Bank of Sri Lanka and the Colombo Stock Exchange in addition to disclosing this information in the annual report.	✓
Appointment of an employee as a Director		4 (3)	Not applicable for the FY 2021/22.	✓
Appointment to fill a casual vacancy		4 (10)	No such event occurred during the financial year 2021/22.	✓
Holding in office in more than 20 companies		5 (2)	No Director holds such positions.	✓

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Re-election				
Appointment of Non-Executive Directors	A.8.1		Articles of Association of the Company requires, each Non-Executive Director to retire by rotation once in every three years and is required to stand for re-election by the shareholders at the Annual General Meeting. The proposed re-election of Directors is subject to prior review by the full Board.	✓
Re-election by the shareholders	A.8.2		Refer comment above.	✓
Resignation of a Director	A.8.3	4 (2)/4 (11) and 5 (1)	Not applicable for FY 2021/22	✓
Appraisal of Board Performance				
Annual appraisal of Board performance and that of its committees	A.9.1 and A.9.2	2 (8)	The Board annually evaluated its performance against the annual objectives set at the beginning of the year. The performance of Board subcommittees was also evaluated against the objectives of the respective subcommittees.	✓
Level of contribution, engagement of each Director at the time of re-election	A.9.3		Board already has a robust process to review the participation, contribution and engagement of each Director at the time of re-election.	✓
Disclosure of criteria used for the performance evaluation	A.9.4		Refer pages 156 to 157 for the "Report of the Remuneration Committee" in the Annual Report for details of the criteria considered for performance evaluation of the Board.	✓
Disclosure of Information in respect of Directors				
Details in respect of Directors	A.10.1	4 (8)	Details of Directors are given in this Annual Report (Refer pages 139 to 141).	✓
Relationship between Chairman and CEO and other Directors		7 (3)	There are no material relationships between the Chairman/ the CEO and/or other members of the Board which will impair their respective roles.	✓
Appraisal of CEO				
Financial and non-financial targets for CEO	A.11.1		MD/CEO's performance objectives are aligned with the business sustainability of the Company. The performance targets for the MD/CEO are set at the commencement of every financial year by the full Board which are in line with, medium and long-term objectives of the Company.	✓
Annual evaluation of the performance of CEO	A.11.2		There is an ongoing process to evaluate the performance of MD/CEO against the financial and non-financial targets set as described above which is followed by a formal annual review by the Board at the end of each financial year.	✓

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Directors' Remuneration Procedures				
Remuneration Committee	B.1.1		The Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for the Executive Directors and the members of the Corporate Management, and for making all relevant disclosures. The Committee determines and agrees with the Board, the Broad policy framework for the remuneration of the MD/CEO. The MD/CEO participates in meetings by invitation in deciding the remuneration of the Corporate Management in order to recruit, retain and motivate the Corporate Management Team.	✓
Composition of the Remuneration Committee	B.1.2 and B.1.3		The following Non-Executive Directors served on the Remuneration Committee during the financial year. • Snr Prof S P P Amaratunge – Chairman/ Non-Executive Independent Director • Mrs P R W Perera – Member/Independent Non-Executive Director • Mr E R S G S Hemachandra – Member/ Non-Executive Director	✓
Remuneration of Non-Executive Directors	B.1.4		The Board as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and additional fee for either chairing or being a member of a committee, working on special committees and/or serving on subsidiary Boards. They do not receive any performance-related incentive payments.	✓
Consultation of the Chairman and access to professional advice	B.1.5		Inputs of the Chairman are obtained by his involvement as a member of the said subcommittee. External professional advice is sought by the Remuneration Committee, on a need basis through the Board Secretary.	✓
The Level and Make up of Remuneration				
Level and make up of remuneration	B.2.1 - B.2.9		The Board is mindful of the fact that the remuneration of Executive and the Non-Executive Directors should reflect the expectation of the Company and sufficient enough to attract and retain the quality of Directors needed to run the Company. The remuneration package of the MD/CEO is structured to link rewards to corporate and individual performance. The Company's remuneration framework for the CEO is designed to create and enhance value for all CDB's stakeholders and to ensure that there is strong alignment between the short-term and long-term interests of the Company.	✓
Remuneration of the Non-Executive Directors	B.2.10		Non-Executive Directors receive a nominal fee in line with the market practices as disclosed in this Annual Report. Non-Executive Directors do not participate in performance-related incentive schemes.	✓
Disclosure of remuneration				
Disclosure of Directors' remuneration in the Annual Report	B.3.1		Refer the Remuneration Committee Report on pages 156 to 157 for disclosure on the names of the Remuneration Committee members and the remuneration policy of the Company. Also refer the Note 45 to the Financial Statements on page 241 for the aggregate remuneration paid to Executive and Non-Executive Directors.	✓

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Relations with Shareholders				
Arranging Notice of AGM and related papers to be sent to shareholders	C.1.1		Company ensures that all the notices relevant for the AGM are disseminated well before the meeting and as per the stipulated regulatory timelines.	✓
Separate resolution for all separate issues	C.1.2		Separate resolutions are proposed for all substantially separate issues to provide shareholders with the opportunity to deal with each significant matter separately. This mechanism promotes better stewardship while assuring the transparency in all activities of the Company.	✓
Use of proxy votes	C.1.3		The Company has an effective mechanism to record all proxy votes and proxy votes lodged for each resolution prior to the General Meeting.	✓
Availability of all Chairmen of Board subcommittees at the AGM	C.1.4		Chairman of the Company ensures that the Chairmen of all Board appointed subcommittees are present at the AGM to answer the questions under their purview.	✓
Adequate Notice of the AGM to shareholders together with the summary of the procedure	C.1.5		A Form of Proxy dispatched to all shareholders together with the Notice of Meeting (including a QR code embedded annual report) giving a summary of the procedure as per legal requirements giving adequate notice to shareholders. This provides opportunity to all shareholders to attend the AGM based on their voting status and obtain clarifications for the matters of interest to them.	✓
Communication with shareholders	C.2.1 - C.2.7		The Company has implemented the relevant communication channels, disclosed the policy and methodology and other requirements of the Code for communication with shareholders.	✓
Major and material transactions	C.3.1 - C.3.2		During the year there were no major transactions as defined by Section 185 of the Companies Act No. 7 of 2007 which materially affected CDB's net assets base. Transactions, if any, which materially affect the net assets of the Company, will be disclosed in the quarterly/annual Financial Statements. Further, all these transactions (if any, during the financial year) are reviewed by the Board Related Party Transactions Review Committee headed by an Independent Non-Executive Director of CDB.	✓
Financial and Business Reporting				
Reports to public and regulatory and statutory reporting	D.1.1 - D.1.3	10 (1)	CDB has reported a true and fair view of its financial position and performance for the year ended 31 March 2022 and at end of each Quarter of 2021/22. In the preparation of Financial Statements, CDB had strictly complied with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto. They are prepared and presented in conformity with Sri Lanka Accounting Standards. CDB has complied with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange, the Securities and the Exchange Commission of Sri Lanka. Financial statements are published in newspapers in all three languages, on 29 June 2022.	✓
Directors report in the Annual Report	D.1.4		The Directors' Report given in this Annual Report covers all areas of this section as required by the direction. Please refer pages 4 to 7 for the Directors' Report.	✓

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Statement of Directors and Auditors responsibility for the financial statements, Report/ statement on internal controls	D.1.5		The Statement of Directors' Responsibility for Financial Reporting is given in this Annual Report as required by the direction, and Auditor's reporting responsibility is given in their audit report on the Financial Statements in this Annual Report.	✓
Management Discussion and Analysis	D.1.6		The Management Discussion and Analysis Report is given in this Annual Report as required by the direction.	✓
Declaration by the Board that the business is a going concern and summoning an EGM to notify serious loss of capital	D.1.7		This is given in the Directors' Report. Further, likelihood of such occurrence is remote. However, should the situation arise, an EGM will be called for and shareholders will be notified.	✓
Disclosure of related party transactions	D.1.8	9 (2) – 9 (4)	Relevant related party transactions are adequately and accurately disclosed in the Annual Report. Further, all the related party transactions are reviewed by the BRPTR Committee.	✓
Minimal disclosures		10 (2)	All required disclosures have been made in the Annual Report. Please refer pages 121 to 168.	✓
Board Appointed Committees				
Board appointed two subcommittees		8 - 8 (3)	Audit Committee and Integrated Risk Management Committee are functioning as per the requirements of this direction.	✓
Risk Management and Internal Control				
Review of risks facing the Company and evaluation of the Internal Control System	D.2.1 and D.2.5		The Company has established a comprehensive framework of policies and procedures for risk management and internal controls, which are regularly reviewed and updated. The Company's Audit Committee ensures that there is an effective internal control and financial reporting system by adopting the following measures: (i) Audits are conducted by the Internal Audit Department, in areas involving high risks as identified in the annual internal audit plan. (ii) A structured process is in place for loss reporting, control exception reporting and compliance breach reporting. (iii) A comprehensive checklist is used for following up on the status of implementation of all audit recommendations. (iv) Periodic Branch Audits are performed on the Company's branch operations. The Company obtained the External Auditor's certification on the effectiveness of the internal control mechanism on financial reporting.	✓
Internal audit function	D.2.3		The Company already has its own in-house Internal Audit Department, which is responsible for the internal audit function.	✓

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Reviews of the process and effectiveness of risk management and internal controls	D.2.4		The Audit Committee carries out reviews of the process and effectiveness of risk management, internal controls and reports to the Board on a regular basis.	✓
Audit Committee				
Composition of the Audit Committee	D.3.1		The Company's Audit Committee consists of three members, all of whom are Non-Executive Directors. The Committee operates within clearly defined terms of reference. Details of the members, invitees and the Secretary of the Committee are found in the Audit Committee Report in this Annual Report. Please refer pages 150 to 152 for the Audit Committee Report.	✓
Duties of Audit Committee – Ensuring the objectivity and independence of External Auditors and Terms of Reference of the Audit Committee	D.3.2		The Committee maintains an appropriate relationship with the External Auditors, KPMG (Chartered Accountants) to ensure their objectivity and independence. The payments to External Auditors for Audit and Non-Audit services are disclosed in the Directors' Report of this Annual Report. In addition, the Company has established an internal audit function which operates independently and has direct access to the Audit Committee. The External Auditors do not have any relationship (other than that of Auditor) or any other interest in the Company.	✓
Disclosure of the Audit Committee	D.3.3		Names of the members of the Audit Committee and the scope of the Committee are given in this Annual Report under the Audit Committee Report.	✓
Related Party Transactions Review Committee				
Related Party Transactions Review Committee	D.4.1 - D.4.3		Please refer the BRPTRC note on pages 160 to 161 and the related party transactions on pages 241 to 243.	✓
Code of Business Conduct and Ethics				
Code of Business Conduct and Ethics	D.5.1 - D.5.3		Company has developed a Code of Business Conduct and Ethics for all employees, which addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protecting and proper use of the Company's assets, compliance with applicable laws and regulations and encouraging the reporting of any illegal or unethical behaviour etc.	✓
Affirmation by the Chairman that there is no violation of the Code of Conduct and Ethics	D.5.4		Refer the Chairman's Statement in the Annual Report for details.	✓

Caption	CA Sri Lanka reference	CBSL section	Principle, compliance and implementation	Status of compliance
Corporate Governance Disclosure				
Disclosure of corporate governance	D.6.1	2 (7)	This requirement is met through the presentation of this Report.	✓
Institutional investors				
Shareholder voting	E.1		Institutional shareholders are required to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice. Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership.	✓
Evaluation of governance disclosures	E.2		Institutional investors are encouraged to give due weight to all relevant factors in the Board structure and composition.	✓
Other investors				
Investing/ Divesting decisions	F.1		Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.	✓
Shareholder voting	F.2		Individual shareholders are encouraged to participate in General Meetings and exercise their voting rights.	✓
Internet of Things and Cybersecurity				
Process of mitigating cybersecurity threats	G.1		During the financial year, CDB carried out internal and external IT vulnerability testing with the assistance of external parties in order to mitigate cybersecurity threats. Further, these external parties made several Board presentations on the findings and on local/global best practices.	✓
Environment, Society and Governance (ESG)				
ESG Reporting	H.1 - H.1.1	Compliant	Please refer Report on the Natural Capital on pages 71 to 88.	✓
Environmental Factors	H.1.2 - H.1.2.1		Please refer Report on the Natural Capital on pages 71 to 82.	✓
Social Factors	H.1.3 - H.1.3.1		Please refer Report on the Society section on pages 83 to 88.	✓
Governance	H.1.4 - H.1.4.1		Please refer Report on the Regulator section on pages 89 to 93.	✓
Board Role on ESG Factors	H.1.5 - H.1.5.1		Please refer Key Framework and Compliance Report on pages 71 to 88.	✓
Sustainability Reporting				
Principles of sustainability reporting	G.1.1 - 1.7		The Company has adopted the relevant principles and procedures of the Code to develop a sustainable business environment and disclosures are made in the Annual Report.	✓
Transitional Provisions				
Transitional and other general provisions		11 (1) - 11 (6)	The Company has complied with transitional provisions when applicable.	✓

Board of Directors

Mr Alastair Corera
Chairman/
Non-Executive Independent Director

Mr Corera is an Executive Director of Orion Fund Management (Pvt) Ltd. A firm managing long-term investment portfolios for corporates and individuals and regulated by the Securities and Exchange Commission of Sri Lanka. Previously, he was at Fitch Ratings Lanka Ltd. where he headed the Financial Institutions rating team and was its Country Head from 2004 to 2006. Prior to that Mr Corera was the General Manager at Forbes ABN AMRO Securities (Pvt) Ltd. Mr Corera is a Chartered Financial Analyst, USA and a Fellow of the Chartered Institute of Management Accountants, UK.

Mr Mahesh Nanayakkara
Managing Director/
Chief Executive Officer/Executive Director

Mr Nanayakkara joined CDB in 2001 and counts over 30 years experience in financial services. Over the last two decades he successfully spearheaded a dynamic team of young professionals who were instrumental in transforming CDB from a negative net worth company to the dynamic entity it is today. He was instrumental in establishing the Autism Trust Fund, a collaboration between CDB and the Sri Lanka Association for Child Development (SLACD) which focuses on the early detection and intervention of autism in Sri Lanka.

Senior Prof Sampath Amaratunge
Non-Executive Independent Director

Prof Amaratunge was appointed to the Board in 2016. He is an expert in the field of Economics with special reference to rural development and draws from three decades of service as a leading academic in Sri Lanka. He is the current Chairman of University Grants Commission (UGC).

He holds Directorships at Citizens Development Business Finance PLC, Laugfs Gas PLC, Raigam Wayamba Salterns PLC, Southern Salt Company (Pvt) Ltd. and Raigam Wayamba Cereals (Pvt) Ltd. Prof Amaratunge has published over 75 Articles in international and national refereed journals and proceedings. He has won several local and international awards, including the prestigious Research Excellence Award in 2002, awarded by Kyushu Society of Rural Economics, Japan. In 2021, Prof Amaratunge was the recipient of "The Order of the Rising Sun" conferred by His Majesty the Emperor of Japan, on foreign nationals who have made distinguished contributions to enhancing friendly relations with Japan. Prof Amaratunge holds a BA (Hons.) in Economics from the University of Sri Jayewardenepura, MA in Economics from the University of Colombo, MSc in Economics of Rural Development from the Saga National University and a PhD from Kogoshima National University in Japan.

He was the former Vice-Chancellor of the University of Sri Jayewardenepura and former Chairman of the Federation of University Teachers Association (FUTA).

Mr Damith Tennakoon
Deputy CEO/Chief Financial Officer/
Executive Director

Mr Tennakoon counts over 26 years experience in Finance, Treasury, Risk Management, Compliance, Recovery and Strategic Planning. He is a Fellow of the Chartered Institute of Management Accountants, UK and a Chartered Global Management Accountant.

Mr Roshan Abeygoonewardena
Director –
Corporate Finance

Mr Abeygoonewardena was appointed to the Board in 2011. He counts over 28 years experience in the financial services industry and three years in the manufacturing industry. He is the Past Chairman of The Finance Houses Association of Sri Lanka (FHASL), the apex body for the finance companies in Sri Lanka. He is a Fellow of the Chartered Institute of Management Accountants, UK, a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka and a Fellow Member of the Sri Lanka Institute of Credit Management.

Mr Sasindra Munasinghe
Director –
Sales and Business Development

Mr Munasinghe was appointed to the Board in April 2011. He counts over 30 years experience in the Leasing Industry. He was instrumental in setting up the leasing operations at CDB including credit evaluations, recoveries, operations and marketing. He holds an MBA from the Federation University of Australia.

Mr Dave De Silva
Director –
Business Operations

Mr De Silva was appointed to the Board on 1 January 2012 as an Independent Non-Executive Director and thereafter appointed as an Executive Director – Business Operations in October 2016. He counts 20 years experience in the financial services sector. He holds a BSc (Business Administration) special degree from the University of Sri Jayewardenepura and is an Associate Member of the Chartered Institute of Management Accountants (UK).

Mr Karthik Elangovan
Director –
Chief Emergent Business Officer

Mr Elangovan was appointed to the Board with effect from 1 July 2020. He was the President of Sri Lankan Institute of Marketing (SLIM) in 2017/18 and the Director/CEO of a subsidiary of CDB consequent to its amalgamation. He is a Chartered Marketer, a Fellow of the Chartered Institute of Marketing (UK) and a Fellow of the Sri Lanka Institute of Marketing. He holds a BSc in Management from the University of Sri Jayewardenepura and an MBA from the Postgraduate Institute of Management (PIM). Mr Elangovan was conferred the Honorary Fellow of the Institute of Marketing of Malaysia. He has attended Executive Development Programmes at Harvard Business School (HBS) Boston, USA. He also holds a National Diploma in Human Resource Management (IPM) and is a Chartered Global Management Accountant (CGMA).

Mr Jagath Abhayaratne
Non-Executive Director

Mr Abhayaratne is the General Manager Operations at Ceylinco Life Insurance PLC, where he has been serving for over 16 years. He counts over 30 years experience in the Insurance Industry. Mr Abhayaratne holds an MBA (UK) and a Bachelor's degree in Business Administration (USA), a Certificate in Insurance Chartered Insurance Institute (UK) and a Diploma in Business Administration (UK).

Ms Rajitha Perera
Non-Executive Independent Director

Ms Perera serves as a partner at Gomes & Company, Chartered Accountants. She was a Senior Manager of the Assurance Division at Ernst & Young, Chartered Accountants, and Chief Financial Officer (CFO) of a diversified group of Companies. Ms Perera was an Independent Non-Executive Director of Unisons Capital Leasing Limited (UCL), which was a subsidiary of Citizens Development Business Finance PLC (CDB) till UCL was amalgamated with CDB. She is a Fellow of The Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

Mr Samitha Hemachandra
Non-Executive Director

Mr Hemachandra is the General Manager – Marketing at Ceylinco Life. He counts over 22 years of work experience in Brand Management, Customer Relationship Management, Marketing Management and Strategic Planning. Mr Hemachandra has been directly involved in designing, developing and implementing many integrated marketing campaigns for Ceylinco Life to date. He was a past Chairman of the Marketing and Sales Forum of Insurance Association of Sri Lanka and a member of the panel of judges of the SLIM Brand Excellence for many years. He is also a Director for Ceylinco Healthcare Services Ltd. which is a fully owned subsidiary of Ceylinco Life. Mr Hemachandra is a Fellow (FCIM) and Chartered Marketer of CIM (UK), Certified Management Accountants (CMA) – Australia and holds an MBA from the University of Western Sydney – Australia.

Mr Sujeewa Kumarapperuma
Non-Executive Independent Director

Mr Kumarapperuma counts over 28 years of experience in the actuarial field. He is a founder member/associate of the Actuarial Association of Sri Lanka and a life member of the MBA Alumni Association of the University of Colombo. He holds a BSc degree in Physical Science with a Second Class Upper and an MBA, both from the University of Colombo and a Postgraduate Diploma in Actuarial Science from the City University (UK).

Prof Prasadini Gamage
Non-Executive Independent Director

Prof Gamage is attached to the Department of Human Resource Management of the University of Kelaniya. She has over 25 years experience as a lecturer and has published more than 100 research papers in local and international journals. Her research work has been presented at many international and local conferences including the University of Harvard (USA). She was a Member of the Governing Council of Chartered Institute of Personnel Management of Sri Lanka and was the Chairman of the Committee on Applied Research and Knowledge Centre.

Prof Gamage is the recipient of several awards including the T Sinnadore Scholarship for the Best Student, Werakoon Gold Medal for the highest marks obtained at the University of Sri Jayewardenepura, Award for the best results obtained at the Intermediate level by the Sri Lanka Law College, the Gold Medal awarded by the Women in Management Institute, Sri Lanka, in recognition of her contributions made to the field of HR, the Most Outstanding Researcher's Award for the year 2015 by the University of Kelaniya and the Academic Excellence Award from the Management & Science University, Malaysia in 2020.

She completed her PhD in HRM at the Management and Science University (MSU) in Malaysia. She holds a BSc (Business Administration) Special degree with a first-class honours and a MSc (Management) degree, from the University of Sri Jayewardenepura. She is an Attorney-at-Law of the Supreme Court of Sri Lanka and also a Member of the Chartered Institute of Personnel Management Sri Lanka Inc.

Corporate management team

Mahesh Nanayakkara
Managing Director/
Chief Executive Officer

Please refer profile on page 139.

Damith Tennakoon
Executive Director/Deputy Chief
Executive Officer/Chief Financial Officer

Please refer profile on page 140.

Roshan Abeygoonewardena
Director –
Corporate Finance

Please refer profile on page 140.

Sasindra Munasinghe
Executive Director –
Sales and Business Development

Please refer profile on page 140.

Dave De Silva
Director –
Business Operations

Please refer profile on page 140.

Karthik Elangovan
Director –
Chief Emergent Business Officer

Please refer profile on page 140.

Nayanthi Kodagoda
Senior General Manager –
HR and Administration

Ms Kodagoda holds an Executive MBA from the University of Colombo and she is an Associate Member of the Sri Lanka Institute of Credit Management. She counts over 25 years experience in the Finance Business Industry and is an expert in the operational aspects of Finance, Human Resources, Credit Administration and Branch Operations. Ms Kodagoda has served CDB for 25 years.

Hasitha Dassanayake
Senior General Manager -
Emergent Business and Business Intelligence

Mr Dassanayake holds a Bachelor of Commerce (Honours) degree from the University of Colombo and an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is an Associate Member of the Chartered Institute of Management Accountants (UK) and a Chartered Global Management Accountant (CGMA). He counts over 16 years experience at CDB.

Senaka Attygalle
Chief Information Officer

Mr Attygalle holds an MBA from the University of Lincoln (UK). He is a Member of the British Computer Society (UK), Member of the Institute of Management Information Systems (UK) and a Member of the Australian Computer Society. Mr Attygalle counts over 35 years experience in the field of Information Technology.

Chaminda Jayawardana
General Manager –
Recoveries

Mr Jayawardana holds an MBA from Open University of Malaysia and an Intermediate Diploma in Banking. He counts over 30 years experience in the Banking and Finance Business Industry.

Isanka Kotigala
General Manager –
Sales and Business Development

Mr Kotigala holds an MBA from the University of Wales. He has gained both local and international experience prior to joining CDB. He counts over eight years experience in leading multinationals. Mr Kotigala has served CDB for over 16 years.

Sudath Fernando
General Manager –
Leasing/Credit

Mr Fernando counts 31 years experience in the Banking and Finance Business Industry. He has served CDB for over 13 years.

Ranjith Gunasinghe
General Manager –
Risk

Mr Gunasinghe holds an Master of Financial Economics (MFE) from the University of Colombo, an MBA from the University of Southern Queensland (Australia), and a Postgraduate Diploma in Business and Financial Administration from The Institute of Chartered Accountants of Sri Lanka. He is a Certified Professional Marketer of the Asia Marketing Federation and holds a Postgraduate Diploma in Marketing from Sri Lanka Institute of Marketing (SLIM). He counts over 23 years experience in the Finance Business Industry and has served CDB for over 20 years.

Ruwan Chandrajith
Senior Deputy General Manager –
Finance and Planning

Mr Chandrajith holds a BSc (Accountancy) (Sp) from the University of Sri Jayawardenepura. He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka. He counts 19 years experience in Financial Management and Auditing and has served CDB for over 12 years.

Darshana Jayasinghe
Senior Deputy General Manager –
Marketing

Mr Jayasinghe is a professional Marketer with over 16 years experience in Strategic Marketing, Marketing Communications, Sales Management and Digital Marketing in local and International markets. He is a Chartered Marketer of the Chartered Institute of Marketing (UK), MCIM and Doctoral candidate of Business Administration of the University of Kelaniya. He is the President of Marketing Alumni of the University of Sri Jayawardenepura. He holds a Master's in Business Studies from the University of Colombo and a First-Class Bachelor's degree in Marketing Management from the University of Sri Jayawardenepura.

Herath Dharmadasa
Deputy General Manager –
Business Development

Mr Dharmadasa holds an MBA from Cardiff Metropolitan University UK and a Bachelor of Arts degree from the University of Peradeniya. He counts over 26 years experience in Sales, Marketing and Financial Services Industry.

Aruni Panagoda
Deputy General Manager –
Business Operations

Ms Panagoda hold an MBA from Cardiff Metropolitan University (UK) and is an Associate Member of the Sri Lanka Institute of Credit Management. She counts 22 years experience in the fields of Credit Operations, Insurance Operations and Deposit Operations at CDB.

Sanjeewa Ranathunga
Deputy General Manager –
Post Disbursement Follow-up

Mr Ranathunga is an Associate Member of the Sri Lanka Institute of Credit Management, the Institute of Certified Professional Manager and the United Kingdom Association of Professionals. He holds a Diploma in Agriculture from Aquinas College of Higher Education Mr Ranathunga joined CDB in 1998 and has 23 years experience at CDB in Post Disbursement follow-up.

Prasad Ranasinghe
Deputy General Manager –
Gold Loan Portfolio Sales

Mr Ranasinghe is an experienced and well-known professional in Sales in the Finance sector. He counts 18 years of experience in Sales for lending and deposit products. He holds a Bachelor of Commerce degree from the University of Sri Jayawardenapura and a Master's degree in Business Management (Australia).

J L Priyantha
Deputy General Manager –
Asset Portfolio Sales

Mr Priyantha holds a BSc (special) degree from the faculty of Agriculture, University of Peradeniya and an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He was awarded the Gold Award in supervisor category of financial services and products at the NASCO awards, 2013 organised by the Sri Lanka Institute of Marketing and a Silver Award in Territory Manager category in 2015. He joined CDB in February, 2005 as a sales trainee.
Mr Priyantha has 17 years experience in Sales and Marketing with an specialised expertise in leasing and lending sales strategy.

Nadee Silva
Deputy General Manager -
Business Development

Ms Silva has been associated with CDB since 1998. She counts over 24 years experience in sales and marketing in the Financial Services Industry and over 11 years experience in Business Development Management. She was awarded the "Best Female Sales Person of the Year" and the "Territory Manager" Silver award in the Finance Sector category at the SLIM- NASCO 2013 Awards. She emerged as the" National Champion" of the Sales and Marketing category of the Corporate and Professional Sector at the Sri Lanka *Vanithabhimana* Awards 2021.

Lalith Peiris
Deputy General Manager –
Liability Portfolio Sales

Mr Peiris holds an MBA Marketing (sp) from the Cardiff Metropolitan University of UK. He is a Member of the Chartered Institute of Marketing (UK) and a Member of the Sri Lanka Institute of Marketing. He counts over 16 years experience in Sales and Marketing and Liability Sales Strategy in the Financial Service Industry. Mr Peiris was awarded the Gold award in the Territory Manager Category of Financial Services and Products at the NASCO Awards in 2017 organised by the Sri Lanka Institute of Marketing. Mr Peiris has 16 years of experience at CDB since joining in 2005 as a Sales Trainee.

Management team

Dassana Chandrananda
Senior Assistant General Manager - Business Development

Sarath Kumara
Senior Assistant General Manager - Branch Operations

Aravinda Perera
Assistant General Manager - Business Development

Ashad Weerabangsa
Assistant General Manager - Operations

Darshana Amarasinghe
Assistant General Manager - Compliance

Kushan Tantrige
Assistant General Manager - EBIT

Mahesh Pathmalal
Assistant General Manager - Internal Audit

Rizvi Kareem
Assistant General Manager - Information System

Steve Gabriel
Assistant General Manager - Credit Cards/Merchant Networks

Bandula Kumara
Senior Manager -
Business Development

Chamath Siriwardana
Senior Manager -
Finance Reporting and Planning

Chamil Silva
Senior Manager -
Business Development

Chamith Samarasena
Senior Manager - Leasing/Credit

Dilruk Abeydiwakara
Senior Manager - IT Operations

Garry Reith
Senior Manager -
Business Development

Kathiravel Sivagar
Senior Manager - Credit Evaluation

Laavanya Paheerathan
Senior Manager - Legal

Lahiru Thrikawala
Senior Manager -
Post Disbursement Follow-Up

Mihiri Senaratne
Company Secretary

Nuwan De Silva
Senior Manager - Finance Operations

Priyangani Wickramage
Senior Manager -
Post Disbursement Follow-up

Rangana Pragnarathna
Senior Manager - Business Development

Ravindran Subashkumar
Senior Manager -
Business Development

Suneth Senadheera
Senior Manager -
Emerging Digital Business

Tharanga Suraweera
Senior Manager -
Business Development

Tharanga Udawaththa
Senior Manager -
Network and Security

Tharindu De Silva
Senior Manager - IT Infrastructure

Yenara Udayanga
Senior Manager -
Business Development

Asenath Wijeratne
Manager - Business Development

Charitha Warnakulasooriya
Manager - Marketing

Dhanushka De Silva
Manager - Risk

Duminda Pinto
Manager - Business operations

Gunanga Samanthilake
Manager - Legal

Hansika Nawarathna
Manager - Branch Operations

Jagath Dissanayake
Manager - Credit Evaluation

Janani Philip
Manager - Card Centre

Nadarajah Sasigar
Manager - Business Development

Nadun Sooriyaarachchi
Manager – Branch Operations

Pandaram Pradeepkumar
Manager – Credit Evaluation

Priyantha Kumara
Manager – Procurement

Sampath Jayasinghe
Manager – Administration

Shabni Mohideen
Manager – Business operations

Shavindra Fernando
Manager – IT Risk

Thilini Jayasuriya
Manager – Human Resources

Thurailingam Thirumakan
Manager – Internal Audit

Board Committee reports

Report of the Board Audit Committee

Composition of the Board Audit Committee

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

The Committee members as at 31 March 2022

- Ms P R W Perera: Independent Non-Executive Director
- Prof P N Gamage: Independent Non-Executive Director
- Mr J P Abhayaratne: Non-Executive Director

Terms of Reference of the Committee

The scope and responsibilities of the Board Audit Committee emanates from its Terms of Reference which was last reviewed and approved by the Board in March 2022. The process ensures that new developments and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly. The Board Audit Committee also assists the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

Role and responsibilities

The main objective of the Board Audit Committee is to assist the Board of Directors in exercising its fiduciary responsibilities towards its stakeholders. The Committee is empowered by the Board to:

i. Ensure that the financial reporting system in place is effective and well managed in order to provide accurate, appropriate and timely information to the Board, Regulatory Authorities and other stakeholders.

ii. Review the Annual Financial Statements and Interim Financial Statements prior to publication to ensure compliance with statutory and regulatory requirements, accounting standards and accounting policies which are consistently applied.

iii. Evaluate the adequacy, effectiveness of Risk Management Systems and Internal Controls of the Company.

iv. Assess the independence and review adequacy of the scope, functions and resources of the Internal Audit Department.

v. Review and monitor the External Auditors' independence, objectivity and effectiveness of the audit process.

vi. Ensure that sound Corporate Governance practices are upheld within the Company.

Meetings

The Board Audit Committee held 9 meetings during the period under review which included two meetings with the External Auditors without the presence of the Executive Directors and Management. The quorum for a meeting of the Committee is two Board Audit Committee members.

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and other Directors attend meetings of the Committee by standing invitation. The Committee also invited members of the Senior Management of the Company to participate in the meetings from time to time on a need basis. The External Auditors also attend meetings whenever they are invited to be present.

The Head of Internal Audit functions as the Secretary to the Board Audit Committee. Proceedings of these meetings with adequate details of matters discussed are regularly reported to the Board.

Activities in the financial year 2021/2022

The Committee carried out the following activities:

Financial Reporting

The Committee reviewed the interim and year-end financial statements and obtained the approval of the Board, prior to their publication. These reviews facilitated the Committee to monitor compliance with SLFRS/ LKAS and the other regulations and also to ensure the integrity of the information provided to the Company's stakeholders. The Committee encourages to continuously strengthen the processes, internal controls, management information system, risk management and reports required for validation and compliance in line with SLFRS 9 on "Financial Instruments".

The attendance of the Committee members at the meetings was as follows:

Name of the Director	Eligibility	Attendance
Ms P R W Perera Independent Non-Executive Director	9	9
Prof P N Gamage Independent Non-Executive Director	9	9
Mr J P Abhayaratne Non-Executive Director	9	9

Reporting to the Board

The Minutes of the Committee meetings are tabled at Board Meetings at least every quarter, enabling all Board members to have access to them.

Internal Control over Financial Reporting

In line with the Section 10 (2) (b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013, the Company is required to comply the said direction and assess the effectiveness of the Internal Control over Financial Reporting as at 31 March 2022.

Internal Audit Department of the Company carried out a series of walk through tests to establish their adequacy of documented processes and made appropriate recommendations where necessary. Based on the Internal Auditors' assessments, the Board has concluded that as at 31 March 2022, the Company's Internal Control over Financial Reporting was effective.

Internal Audit

The Committee approved the Internal Audit Plan for the financial year and also monitored and reviewed the scope, extent and effectiveness of the activities of the Internal Audit Department. The Committee also reviewed and monitored the progress of the Internal Audit Plan during the financial year, along with its resource requirements. The Committee has had sufficient interaction with the Head of Internal Audit throughout the year.

The Committee continuously reviewed to ensure that appropriate measures and actions have been taken to manage the risks identified during lockdowns, and curtailed business operations due to the Covid-19 pandemic. A centralised monitoring process was continued on selected high risk areas of the business operations by the Internal Audit Department.

During the year the Committee also reviewed the audit reports covering matters pertaining to Financial Reporting, Branches, Departments, Information System Audits and Special Investigations and also followed up the implementation of audit recommendations. Audit findings presented in the reports were prioritised based on the level of risk involved. The Board Audit Committee advised the Corporate Management to take precautionary measures on significant audit findings. Internal Audit reports were made available to the External Auditors as well.

External Auditors

The Board Audit Committee assisted the Board in engaging the External Auditors for the audit service in compliance with regulatory provisions. The Committee also reviewed the non-audit services provided by the External Auditors to ensure that they do not lead to impairment of the External Auditors' independence and objectivity.

The Management letter issued by the External Auditors in respect of the financial year ended 31 March 2021 was considered by the Committee and corrective action is being pursued wherever such action is warranted.

Prior to commencement of the annual audit, the Committee discussed with the External Auditors, their audit plan, audit approach, and matters relating to the nature and scope of the audit.

The Committee met the External Auditors on two occasions during the financial year without the Executive Directors and the Management being present, to ensure that there was no limitation of scope in relation to the Audit and to allow for full disclosure of any matters, which could have had a negative impact on the effectiveness of the external audit. The Committee concluded that there was no such cause for concern.

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

The Audit Committee having considered the independence and performance of the External Auditors KPMG (Chartered Accountants) recommend that they be re-appointed as the Company's statutory auditors for the financial year ending 31 March 2023, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Statutory and Regulatory Compliance

The Committee reviewed the procedures established by management for compliance with the requirements of the regulatory bodies. The Compliance Officer submitted a report to the Board Audit Committee on a quarterly basis, indicating the extent to which the Company was in compliance with mandatory statutory requirements. Due compliance with all requirements are monitored through this process. Further, Internal Audit Department of the Company performs the independent test checks on regulatory compliance requirements.

The Committee reviewed and monitored the progress on implementation of the recommendations made in the Statutory Examination Report of the Central Bank of Sri Lanka (CBSL) during the financial year 2021/2022.

Whistleblowing Policy

The Company's Whistleblowing Policy was put in place and all members of staff were educated and encouraged to resort to whistleblowing if they had reasonable grounds to believe that there were wrong doings or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through this process or if identified through other means. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. Even anonymous complaints are investigated. This process is monitored by the Board Audit Committee.

Board Audit Committee evaluation

An independent evaluation of the effectiveness of the Committee was carried out by the members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been rated as highly effective.

Conclusion

Based on the review of reports submitted by the External and Internal auditors, the information obtained by the Committee and after examination of the adequacy and effectiveness of the internal controls which have been designed to provide a reasonable assurance to Directors that the assets of the Company are safeguarded, the Board Audit Committee is satisfied that the financial position of the Company is regularly monitored and that steps are being taken to continuously improve the control environment in which the Company operates.

P R W Perera
Chairperson
Board Audit Committee

17 June 2022
Colombo

Report of the Integrated Risk Management Committee

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

Composition of the Board Integrated Risk Management Committee

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

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

Terms of reference of the Board Integrated Risk Management Committee

The Integrated Risk Management Committee was established as a sub-committee of the Board in compliance with Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka.

Governance of IRMC

The IRMC's governance structure comprises of representatives from the Board, IRMC, Risk Management Division, Internal Audit and Compliance Division (refer page 122 for the Governance structure).

Committee meetings and methodology

Four meetings were held during the financial year under review both physically and via online. Key risks such as credit, operational, market, liquidity and strategic risks were assessed through the Risk Heat Map at the committee meetings held in each quarter. The Risk Heat Map and the Risk dashboard together with meeting minutes were referred to the Board on a quarterly basis.

Attendance

Name of the member	Meetings held			
	25.06.2021	30.09.2021	23.12.2021	24.03.2022
Mr Sujeewa Kumarapperuma	✓	✓	✗	✓
Mr Alastair Corera	✓	✓	✓	✓
Mr Mahesh Nanayakkara	✓	✓	✓	✓
Mr Damith Tennekoon	✓	✓	✓	✓
Mr Roshan Abeygoonewardena	✓	✓	✓	✓
Mr Sasindra Munasinghe	✓	✓	✓	✓
Mr Dave de Silva	✓	✓	✓	✓
Mr Karthik Elangovan	✓	✓	✓	✓

Committee activities during the financial year

Trigger points

Trigger points were reviewed and changed to reflect the prevailing context.

Reporting risks

During the year under review, 169 risk areas including forged documents and suspicious transactions were identified and reported to the Risk Management Division via the ERP system through the well-established risk reporting mechanism combined with a rewards framework. 33 members of the staff were recognised as Risk Identification Champions. All reported risks were analysed and necessary actions were taken.

Risk Heat Map

Risk Heat Map was further improved by introducing stress testing to the risk events to depict the risk exposure changes, to assess the appropriateness of the trigger points and their impact to the organisation and it was reported to the committee and the Board to utilise in decision making.

Risk monitoring

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

Business Continuity Plan (BCP) & Disaster Recovery (DR)

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

Updates from committees

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

Board reporting

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

Committee evaluation

The Committee evaluates its performance annually and is satisfied that it has functioned effectively in the past year.

Sujeewa Kumarapperuma
Chairman
Integrated Risk Management Committee

17 June 2022
Colombo

Report of the Nomination Committee

GRI 102-24

Composition of the Committee

The Board appointed Nomination Committee consists of a majority of Non-Executive Directors and is chaired by a Non-Executive Independent Director. The members of the Committee have wide range of experience and knowledge of the business acumen.

Committee members are:

- **Mr J R A Corera** (Independent Non-Executive Director)
- **Snr Prof S P P Amaratunge** (Member/Independent Non-Executive Director)
- **Mr S Kumarapperuma** (Member/Independent Non-Executive Director)
- **Mr E R S G S Hemachandra** (Member/Non-Executive Director)

Independence of the Committee

The Committee is independent of the Management and is totally free from any business, personnel or any other relationships that may interfere in making independent judgements.

Terms of reference of the Committee

Identify and recommend suitable candidates as Directors to the Board considering succession plan and requirement of the Board and its subsidiary companies. Regularly review the structure, size and composition of the Board. Ensure the Board consists of persons possessing a good knowledge, experience and entrepreneurial skills to advance the effectiveness of the Board. Review the Charter for the appointment and reappointment of Directors to the Board and recommend amendments wherever necessary.

Key functions performed during the year under review

Considered the re-designation of Non-Executive Director Mr S Kumarapperuma as an Independent Non-Executive Director and made a recommendation to the Board regarding same.

Meetings

The Committee formally met once during the year under review.

The year ahead

The Committee would continue to propose policies and best practices to attract and retain the best talent to the Company by providing them with fair and equal opportunities.

J R A Corera
Chairman
Nomination Committee

17 June 2022
Colombo

1.0 OVERVIEW
2.0 OUR BUSINESS AND CONTEXT
3.0 OUR VALUE CREATION STORY
4.0 LEADERSHIP, GOVERNANCE, AND RISK MANAGEMENT
5.0 FINANCIAL REPORTS
6.0 SUPPLEMENTARY REPORTS
4.1 RISK MANAGEMENT
4.2 CORPORATE GOVERNANCE
4.3 BOARD OF DIRECTORS
4.4 CORPORATE MANAGEMENT TEAM
4.5 MANAGEMENT TEAM
4.6 BOARD COMMITTEE REPORTS
4.7 STATEMENT OF DIRECTORS' RESPONSIBILITY
4.8 DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
4.9 AUDITOR'S ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

Report of the Remuneration Committee

GRI 102-35, 102-36

Composition of the Committee

The Board appointed Remuneration Committee consists of a majority of Independent Non-Executive Directors and is chaired by an Independent Non Executive Director. The members of the Committee have a range of experience and knowledge of the business and industry.

Committee members are:

- **Snr Prof S P P Amaratunge –** Chairman/Non-Executive Independent Director
- **Mrs P R W Perera –** Member/Independent Non-Executive Director
- **Mr E R S G S Hemachandra –** Member/Non-Executive Director

Independence of the Committee

The Committee is independent of the Management and is totally free from any business, personnel or any other relationships that may interfere in making independent judgements.

Company remuneration policy

The Company's remuneration policy aims to recruit, retain and motivate high calibre personnel at Board and Executive levels who possess appropriate professional, managerial and operational expertise required to achieve the Company's short-term and long-term objectives. The remuneration policy attempts to guarantee that the total remuneration package is sufficiently competitive to attract the best spirit for the Company.

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

Purpose

The Remuneration Committee recommends adoption of a market oriented remuneration policy for its team members and ensure the selection of the best talent and create incentives for team members for their performance and loyalty. The Committee also reviews the recruitment, evaluation of employee performance, incentive schemes, bonus policy of the Company, rewarding and promotions policy of the Senior Management and Executive Officers of the Company. The succession plan policy in place and its effectiveness is critically evaluated by the Committee. The Committee evaluates the performance of the CEO and Key Management Personnel against predetermined set targets and goals to determine the basis for recommending the basis for rewarding, increments and other benefits.

It considers such other matters relating to remuneration policies or practices as the Board, may from time to time bring to its attention of the Committee.

Further the Committee consciously evaluates the appropriateness of the current remuneration policy adopted by the Company for its suitability and appropriateness.

Key functions performed during the year under review

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

Meetings

The Committee formally met twice during the year under review. The Managing Director and Director Corporate Finance attend meetings by invitation and assist in there by providing relevant information. However, they were not involved in their own compensation packages or other matters relating to them reviewed.

The year ahead

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

Senior Prof Sampath Amaratunge
Chairman
Remuneration Committee

17 June 2022
Colombo

Report of the Credit Committee

The Credit Committee of the Company will direct the Company's credit strategy, credit policy and other lending guidelines in order to achieve the Company's overall corporate strategy.

Composition of the committee

The Board-appointed Credit Committee consists of Executive Directors chaired by MD/CEO. The members of the Committee have a wide range of expertise and knowledge in credit management. The Committee consists of the following members.

- **Mr Mahesh Nanayakkara –** Managing Director/Chief Executive Officer
- **Mr Damith Tennakoon –** Executive Director/Deputy Chief Executive Director/Chief Financial Officer
- **Mr Dave De Silva –** Executive Director – Business Operations
- **Mr Roshan Abeygoonewardena –** Executive Director – Corporate Finance
- **Mr Sasindra Munasinghe –** Executive Director – Sales and Business Development
- **Mr Karthik Elangovan –** Executive Director – Chief Emergent Business Officer

Company credit policy

The Board of Directors have approved the credit policy of the Company, where all product guidelines and exposure limits have been highlighted. The credit policy of the Company is the communication tool of the Company's credit strategy and the objective of which is to ensure the credit quality of the Company's credit portfolio is at its highest.

Main responsibilities of the Credit Committee

- Overseeing the credit management of the Company including reviewing of internal credit policies.
- Analysis and review of credit control techniques and external risks associated with credit policies of the Company.
- Provide credit guidance and conduct a more intensive and comprehensive credit analysis when necessary.
- Review and approve credit proposals in line with Board approved credit policies and standards, where required recommended credit requests for Board approval.
- Ensure compliance of all regulatory and statutory requirements prescribed by regulatory and supervisory authorities.
- Set lending directions based on the current economic environment.
- Ensure post credit monitoring and post reviews are performed where necessary.

Accountability of the Credit Committee

Accountability of Credit Committee can be delivered through the minutes of Credit Committee meeting, circulated decision-memorandum, and periodic Credit Committee reports.

Methodology used by the Credit Committee

- The Committee approves credit proposals based on limits set by the Board. Credit proposals and other credit reports intended for Board approval are examined.
- Credit proposals are evaluated in line with the Company's risk appetite and credit policies.

- Members of the Corporate Management of the Company are invited to participate at the meetings as and when required.
- Monitor the resulting shifts in the composition and the quality of the portfolio and recommended new exposure limits for each sectors/product lines as appropriate.

Committee meetings

Meetings are taken up quarterly to review overall credit strategy of the Company. All other meetings were conducted to review and approve credit proposals recommended by the Management.

Activities during 2021/22

The Committee approved the credit proposals and other specific reports which prerequisite the approval of the Board in line with the credit policies and credit risk appetite of the Company in order to ensure the efficient and effective performance over the credit direction of the Company.

Focus for 2022/23

- Maintaining a healthy credit book while enabling the risk appetite.
- Proactive risk management, strengthen internal controls and management information systems with respect to credit aspects of the Company.
- Continuous monitoring on the adherence to Board approved credit policy.

W P C M Nanayakkara
Chairman
Credit Committee

17 June 2022
Colombo

Report of The Board Related Party Transactions Review Committee

GRI 102-25

The Board established the Board Related Party Transactions Review Committee (BRPTRC) in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules"). The Board Related Party Transactions Review Committee comprises of 1 Independent Non-Executive Director, 1 Non-Executive Director and 2 Executive Directors.

The Committee as at the end of the financial year 2021/22 consisted of the following members:

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

The above composition is in compliance with the provisions of the Code regarding the composition of the Board Related Party Transactions Review Committee.

Objectives

This Committee's primary objectives are to:

- Consider, review, evaluate and provide oversight of related party transactions of all types (excluding section 9.5 exempted transactions) and to approve, ratify, disapprove or reject a related party transaction.
- Determine whether the related party transaction is fair and in the best interest of CDB.
- Review, revise, formulate and approve policies on related party transactions.
- At least once a year conduct a review of all related party transactions concluded during the financial year.

In carrying out its mandate the BRPTRC must at least consider the following matters:

Transaction and Transacting Parties: the nature and scope and identity of all the parties involved in the transaction or relationship in order to determine whether it is a related party transaction or not.

Related Party: a full description of the nature, extent and scope of the related party's interest in the transaction including the related party's position or relationship with, or ownership in, a company, partnership or other legal entity that is party to or has an interest in the transaction.

Terms and Conditions: whether the terms of the transaction or relationship are not less favourable than terms generally offered to an unrelated third party given the same facts and circumstances.

Purpose & Rationale: consideration must be given to the business purpose, timing, rationale and benefits of the transaction or relationship.

Value: the monetary value of the related party's interest in the transaction must be accurately ascertained.

Valuation Method: the method used to determine the value of the transaction.

Scope of the Committee Includes:

- Adopting policies and procedures to review related party transactions of the Company and reviewing and overseeing existing policies and procedures;
- Reviewing in advance all proposed related party transactions of the Company except those explicitly exempted in the code under rule 27;
- Determining whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;

- If related party transactions are "recurrent in nature" the Committee establishes set of guidelines for Senior Management as explain in the code to follow in its ongoing dealings with the relevant related party;
- Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee;
- If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee (including independent consultant if necessary) to review and approve the proposed related party transaction;
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the code are made in a timely and detailed manner.

Meetings

During 2021/2022 the committee held 4 meetings.

Review of Transactions for the Financial Year 2021/22

All related party transactions that had taken place during 2021/2022 were reviewed by the BRPTR. There were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. Further, all the related party transactions which occurred during the financial year are disclosed in the audited financial statements and reported to Board on 28 June 2022. Please refer pages 241 to 243 for RPTs published in the Note 45 to the Financial Statements.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2021/22 is given on page 6 of the Annual Report.

Prof P N Gamage
Chairperson
Board Related Party Transactions Review Committee

17 June 2022
Colombo

Committee meetings

The attendance of the members of the Committee was as follows for the FY 2021/22:

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

Statement of Directors' responsibility

The responsibility of the Directors in relation to the Financial Statements of the Citizens Development Business Finance PLC (Company) is set out in the following statement. The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on pages 174 to 177.

These Financial Statements are prepared in compliance with the requirements of the following rules, regulations, and guidelines.

- Companies Act No. 07 of 2007;
- Finance Business Act No. 42 of 2011;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka; and
- Directions, Rules, Determinations, Notices, and Guidelines issued under the Finance Business Act No. 42 of 2011 by the Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka.

In preparing these Financial Statements, the Directors are required to ensure that –
The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any have been disclosed and explained;

- The Financial Statements are presented in accordance with
- Sri Lanka Accounting Standards (SLFRSs/LKASs);
- Reasonable and prudent judgements and estimates have been used so that the form and substance of transactions are appropriately reflected;
- These Financial Statements provide the information required by and otherwise comply with the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

In terms of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keep proper books of accounts and prepare Financial Statements that give true and fair view of the state of affairs of the Company as at the end of each Financial year and of the Statement of Income of the Company for each financial year and place them before the General Meeting.

The Financial Statements comprise the Statement of Financial Position, Statement of Comprehensive Income, and Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements. The Directors have taken reasonable measures to safeguard the assets of the Company to prevent and detect frauds and other irregularities. Accordingly, the Directors have taken steps to establish appropriate systems of internal controls comprising of internal audit reviews, risk assessment tests and financial and other controls to mitigate, prevent and detect fraud and other irregularities.

Further, the Board of Directors wishes to confirm that the Company has met requirements under the Section 7 of the continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange where applicable.

The Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders in each category have been treated equitably in accordance with the original terms of issue.

The Company's External Auditors Messrs KPMG were reappointed, in terms of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting. They carried out reviews, and sample checks on the system of internal controls as they considered required and appropriate and necessary for expressing an opinion on the Financial Statements and internal controls. They were provided with every opportunity to undertake the inspections they considered appropriate.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or where relevant, provided.

The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors, reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operation for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the Financial Statements.

By Order of the Board,

J R A Corera
Chairman

W P C M Nanayakkara
Managing Director/CEO

17 June 2022
Colombo

Directors' statement on internal control over financial reporting

Requirement

In line with the Section 10 (2) (b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013, and principle D1.5 of Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this report on Internal Control mechanisms of Citizens Development Business Finance PLC ('the Company') over Financial Reporting.

Responsibility

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the Internal Controls in place at Citizens Development Business Finance PLC. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of Internal Controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board in accordance with the guidance for Directors of the Company on the "Directors Statement on Internal Control" issued by The Institute of Chartered Accountants of Sri Lanka. As per the said guidance, significant processes affecting significant accounts of the Company were assessed along with the key areas of the Company.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in applying and reviewing the design and effectiveness of the Internal Control System over Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Establishment of Board Subcommittees to assist the Board in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well and the policies and business directions that have been approved.
- Policies/Procedures are developed covering all functional areas of the Company and these are approved by the Board or Board-approved committees. Such policies and procedures are reviewed and approved periodically.
- Internal Audit Department of the Company checks for compliance with policies and procedures and the effectiveness of the Internal Control system on an on-going basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. The annual audit plan is reviewed and approved by the Board Audit Committee. Audits are carried out on majority of departments, functions, branches including IT General Controls, IT Application Controls and Cyber Security Reviews. Further, off site audits introduced during the previous financial year were continued in the current financial year for selected business operations of the Company. The frequency of these audits are determined by the level of risk assessed. The findings of the audits are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the Company reviews Internal Control issues identified by the Internal Audit Department, the External Auditors, Regulatory Authorities and the Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The Board Audit Committee reviews the effectiveness of internal audit functions with particular emphasis on the scope of audits and the quality of the same. The minutes of the Board Audit Committee meetings are forwarded to the Board on a quarterly basis. Further, details of the activities undertaken by the Board Audit Committee are set out in the Board Audit Committee Report of this Annual Report.
- The Board Integrated Risk Management Committee (BIRMC) is established to assist the Board to oversee the overall management of principal areas of risk of the Company.
- Operational Committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of the business operations. These Committees include the Assets and Liability Management Committee, Credit Committee, Treasury Committee, Information Technology Steering Committee and Information Security Steering Committee.

In assessing the Internal Control System over Financial Reporting, identified officers of the Company were assigned to collate all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn were observed and checked by the Internal Audit Department for suitability of design and effectiveness on an ongoing basis.

The Company has early adopted SLFRS 9 – "Financial Instruments" which issued in 2014 with a date of initial application of 01 April 2017. Since adoption of this standard, progressive improvements on processes to comply with new requirements of classification, estimation of expected credit losses and disclosure were made whilst, further strengthening of processes will take place pertaining to expected credit loss estimation and financial statement disclosures.

The Comments made by the External Auditors in connection with internal control system over financial reporting in previous financial year were reviewed during the year and appropriate steps have been taken to implement the recommendations.

Confirmation

Backed by the Internal Audit, Information System Audit, and Risk Management Division's continued review and verification of the suitability and effectiveness of pre-existing procedures and controls, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance of the reliability of financial reporting system and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards, and comply with regulatory requirements including the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

Review of the statement by external auditors

The External Auditor, Messrs KPMG, has reviewed the above Directors' Statement on Internal Control over Financial Reporting for the year ended 31 March 2022 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control System over Financial Reporting of the Company. Their Independent Assurance Report on the "Directors' Statement on Internal Control over Financial Reporting" is given on page 167 of this Annual Report.

By order of the Board

J R A Corera
Chairman

P R W Perera
Chairperson - Board Audit Committee

W P C M Nanayakkara
Managing Director/CEO

T M D P Tennakoon
Director/Deputy CEO/
Chief Financial Officer

17 June 2022
Colombo

Auditors' assurance report on the Directors' statement on internal control

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Internet : www.kpmg.com/lk

To the Board of Directors of Citizens Development Business Finance PLC

Report on the Directors' statement on internal control

We were engaged by the Board of Directors of Citizens Development Business Finance PLC ("the Company") to provide assurance on the Directors' Statement on Internal Control ("Statement") included in the annual report for the year ended 31st March 2022.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company on the Directors' Statement on Internal Control" issued in compliance with the section 10 (2) (b) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008, by the Institute of Chartered Accountants of Sri Lanka.

Our independence and quality control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the License Finance Company.

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

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

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the system of internal control for the Company.

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

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

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

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

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

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

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

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

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

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

Auditor's conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process, the Board of Directors have adopted in the review of the design and effectiveness of internal control of the License Finance Company

Chartered Accountants

17 June 2022
Colombo, Sri Lanka

5.0 FINANCIAL REPORTS

Financial calendar

Unaudited Financial Statements	Audited Financial Statements	Audited Financial Statements to be published on Newspapers	Annual General Meeting
Monday, 30 May 2022	Friday, 17 June 2022	Thursday, 30 June 2022	Friday, 29 July 2022
Quarterly Financial Statements	**Quarterly Financial Statements**	**Quarterly Financial Statements**	**Quarterly Financial Statements**
Wednesday, 10 August 2022	Friday, 11 November 2022	Friday, 10 February 2023	Tuesday, 30 May 2023

Dividend payments

Final dividend for the year ended 31 March 2022 to be paid on*

Friday, 18 August 2022

*Subject to confirmation by shareholders at Annual General Meeting

Audited Financial Statements and Annual General Meeting (AGM)

Audited Financial Statements

Friday, 17 June 2022

2022/23 (Proposed)
Thursday, 1 June 2023

Annual General Meeting

Friday, 29 July 2022

2022/23 (Proposed)
Friday, 30 June 2023

Interim Financial Statements to CSE*

Quarter ended 30 June

Wednesday, 11 August 2021

2022/23 (Proposed)
Wednesday, 10 August 2022

Quarter ended 30 September

Tuesday, 26 October 2021

2022/23 (Proposed)
Friday, 11 November 2022

Quarter ended 31 December

Thursday, 3 February 2022

2022/23 (Proposed)
Friday, 10 February 2023

Quarter ended 31 March

Monday, 30 May 2022

2022/23 (Proposed)
Tuesday, 30 May 2023

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

Six months Financial Statements**

Year ended 31 March (Audited)	Six months ended 30 September (Unaudited)
Newspaper **Lankadeepa**	Newspaper **Lankadeepa**
Wednesday, 29 June 2022	**Saturday, 27 November 2021**
2022/23 (Proposed) **Thursday, 29 June 2023**	2022/23 (Proposed) **Friday, 25 November 2022**
Newspaper **Virakesari**	Newspaper **Virakesari**
Wednesday, 29 June 2022	**Saturday, 27 November 2021**
2022/23 (Proposed) **Thursday, 29 June 2023**	2022/23 (Proposed) **Friday, 25 November 2022**
Newspaper **DailyFT**	Newspaper **DailyFT**
Wednesday, 29 June 2022	**Saturday, 27 November 2021**
2022/23 (Proposed) **Thursday, 29 June 2023**	2022/23 (Proposed) **Friday, 25 November 2022**

** In terms of the requirements in Direction No. 02 of 2006, Central Bank of Sri Lanka.

Financial Statements – Table of contents

Financial highlights

Revenue

Rs. 17.6 Bn.

Net Profit after tax

Rs. 3.6 Bn.

Earning per Share

Rs. 51.75

Total assets

Rs. 105.4 Bn.

Loan book

Rs. 78.7 Bn.

Net annual value

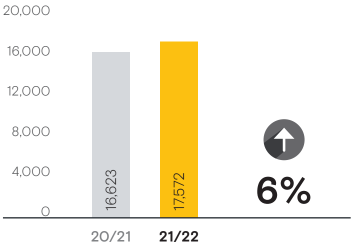
Rs. 252.63

Key performance indicators	2021/22	2020/21	%
Financial performance (Rs. Mn.)			
Gross revenue	17,572	16,623	6
Net interest income	9,038	7,595	19
Net operating income	10,220	7,919	29
Profit before tax	5,268	3,467	52
Profit after tax	3,612	2,557	41
Position as at the year end (Rs. Mn.)			
Loans and receivables to customers	78,725	75,058	5
Total assets	105,420	94,331	12
Total equity	17,648	14,052	26
Deposits from customers	52,217	48,999	7
Financial ratios (%)			
Profitability perspective (%)			
Operating profit margin	33.05	24.60	
Net interest margin	9.05	8.10	
Cost to income ratio (Excluding taxes on financial services)	38.65	41.00	
Return on average assets (ROA) – after tax	3.62	2.73	
Investor perspective			
Earnings per share (Rs.)	51.75	36.64	
Earnings yield (%)	22.43	33.31	
Return on equity (ROE) (%) – after tax	22.79	19.97	
Dividend per share	3.75*	7.50	
Dividend yield (%)	1.63	6.82	
Dividend cover (Times)	13.80	4.89	
Dividend payout (%)	7.25	20.47	
Net assets value per share (Rs.)	252.63	201.34	
Market value per share – closing – voting (Rs.)	230.75	110.00	
Market value per share – closing – non-voting (Rs.)	86.10	71.90	
Market capitalisation (Rs. Mn.)	14,623	7,283	
Price to earnings (Times)	4.46	3.00	
Statutory ratios (%)			
Capital adequacy			
Tier I (minimum requirement – 8%)	15.16	12.10	
Tier I and II (minimum requirement – 12%)	17.07	15.34	
Statutory liquidity ratio	14.14	14.19	
Non-performing advances ratio (%)			
Gross NPL (Net of IIS)	5.89	7.00	
Net non-performing loans (Net of IIS and provisions)	0.11	2.21	

* Proposed

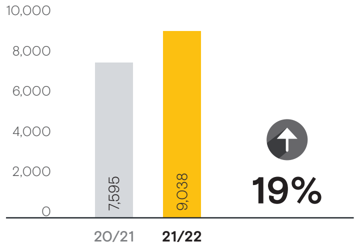
REVENUE

Rs. Mn.



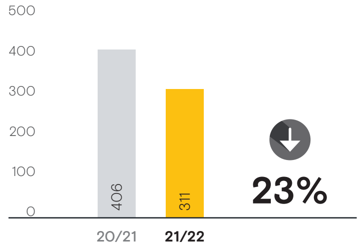
NET INTEREST INCOME

Rs. Mn.



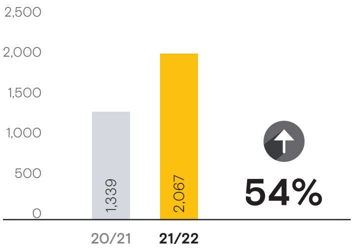
FEE AND COMMISSION INCOME

Rs. Mn.



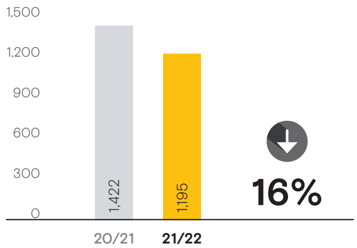
OTHER OPERATING INCOME

Rs. Mn.



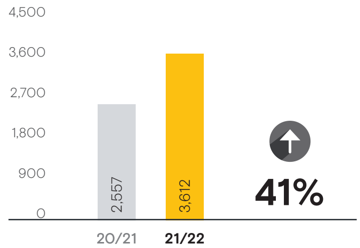
IMPAIRMENT CHARGES

Rs. Mn.



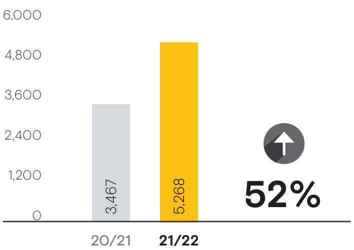
PROFIT AFTER TAX

Rs. Mn.



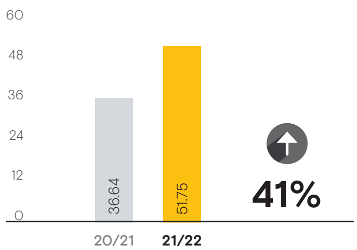
PROFIT BEFORE TAX

Rs. Mn.



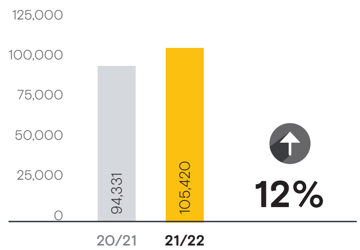
BASIC EARNINGS PER SHARE

Rs.



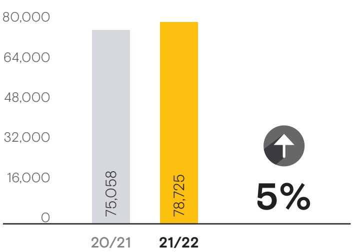
TOTAL ASSETS

Rs. Mn.



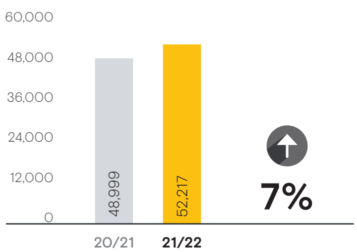
LOANS AND ADVANCES TO CUSTOMERS

Rs. Mn.



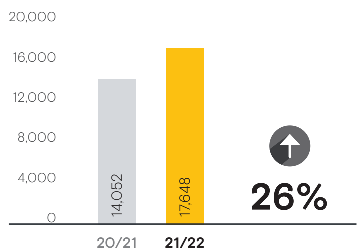
DEPOSITS FROM CUSTOMERS

Rs. Mn.

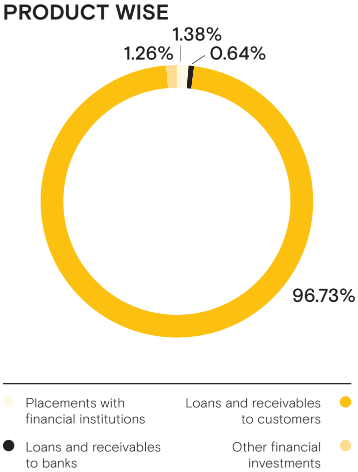


EQUITY

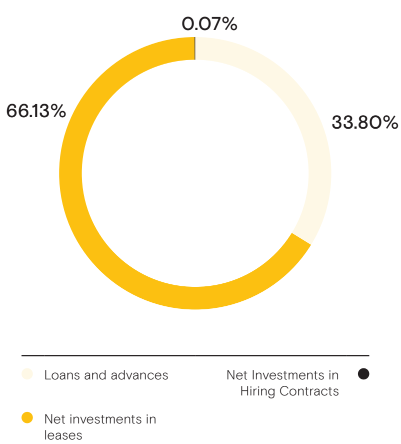
Rs. Mn.



INTEREST INCOME – PRODUCT WISE



LOANS AND RECEIVABLES PRODUCT WISE



Independent Auditors' report

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To the Shareholders of Citizens Development Business Finance PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Citizens Development Business Finance PLC (the "Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

01. Allowance for impairment of loans and receivables to customers

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

Risk description	Our response
As at 31 March 2022, 75% of its total assets of the Company consisted of loan and receivables to customers totaling to Rs. 78.7 Bn., net of impairment allowance of Rs. 4.73 Bn. Impairment of loans and receivables to customers is a subjective area due to the level of judgment applied by management in determining impairment allowances.	Our audit procedures included: Obtaining and understanding of an assessing the design, implementation and operating effectiveness of management's key internal controls over the approval of new lending facilities against the Company lending policies, recording, monitoring of counter party credit quality and restructuring of loans and receivables to customers, the process of the measurement of impairment allowances for loans and receivables to customers;

Risk description	Our response
From the Company's perspective, the portfolios which gave rise to the greatest uncertainty in determining impairment allowances for loans and receivables to customers were those where impairments were derived from internally developed statistical models, where the loans and receivables to customers were unsecured or where the loans and receivables to customers were subject to potential collateral shortfalls. The determination of the allowance for expected credit losses is heavily dependent on the external macro environment and reliant on data and a number of estimates related to statistical models. The Company's expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information. The prevailing uncertain and volatile macro-economic environment in the country meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk. The disclosures regarding the Company's application of SLFRS 9 and SLFRS 7 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results. We identified assessing impairment of loans and receivables to customers as a key audit matter because there is a high degree of complexity and judgment involved for the Company in estimating individual and collective credit impairment provisions against these loans. These features resulted in significant audit effort to address the risks around loan recoverability and the determination of related provisions.	Challenging the validity of the models used and assumptions adopted in Company calculation of the impairment allowances by critically assessing: - Input parameters involving management judgment; - the overdue statistical data for the loan and receivable portfolios; and - Historical loss parameters used. Considering, as part of the procedures above, the nature of and reasons for any revisions to the key assumptions and input parameters in the models, the consistency of judgment applied in the use of economic factors and forward looking information and assessing key internal controls over the input of underlying data into the models; Assessing the economic factors used in the models to market information to assess whether they were aligned with market and economic development; Assessing the ongoing effectiveness of the significant increase in credit risk criteria and independently calculated the loans' stage; Working with KPMG specialists, we assessed the reasonability of the adjustments made by the Company to the forward-looking macroeconomic factors and assumptions used in the ECL model; Assessing the completeness and reasonableness of additional allowance overlays by checking the consistency of risks we identified in the portfolios against the Company's assessment. Evaluating the appropriateness of the accounting policies based on the requirements of the accounting standards, our business understanding and industry practice; Assessing the appropriateness of the Company's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the Sri Lanka Accounting Standards.

02. IT systems and controls over financial reporting

Risk description	Our response
Automated accounting procedures and IT environment controls, which include IT governance, controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Key areas of importance are system calculations, logic regarding significant accounts, including interest calculations, interfaces between business management systems and accounting systems. We identified IT systems and controls over financial reporting as a key audit matter because the Company's financial accounting and reporting systems are fundamentally reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base.	Our audit procedures included: We worked with KPMG IT specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included: Assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting; Examining the framework of governance over the Company's IT organisation and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required;

Risk description	Our response
	Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT process controls by assessing the operating effectiveness of IT Application Controls, assessing the operating effectiveness of certain automated controls and system calculations which are relevant to the Company's compliance activities and assessing the consistency of data transmission and data migration; Assessing the availability and stability of key operating systems, taking into consideration the rapid development of businesses types and transactions volumes as well as IT projects that have a significant impact on business continuity; Testing the access rights given to staff by checking them to approved records, and inspecting the reports over the granting and removal of access rights; Testing preventative controls designed to enforce segregation of duties between users within particular systems.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to communicate that fact. We have nothing to report in this regard.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272 (FCA).

CHARTERED ACCOUNTANTS

17 June 2022

Colombo, Sri Lanka

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	2022 Rs. '000	2021 Rs. '000
Revenue	8	17,572,154	16,622,791
Interest income	9.1	15,194,413	14,877,242
Interest expense	9.2	6,156,858	7,282,499
Net interest income	9	9,037,555	7,594,743
Fee and commission income	10	311,128	406,234
Other operating income	11	2,066,613	1,339,315
Total operating income		11,415,296	9,340,292
Less: Impairment charges and other credit losses	12	1,195,145	1,421,500
Net operating income		10,220,151	7,918,792
Less: Operating expenses			
Personnel expenses	13.1	1,772,596	1,402,328
Premises, equipment and establishment expenses	13.2	2,103,505	1,896,625
Other expenses	13.3	536,362	530,885
Total operating expenses	13	4,412,463	3,829,838
Operating profit before taxes on financial services		5,807,688	4,088,954
Less: Taxes on financial services	14	539,744	622,001
Profit before tax		5,267,944	3,466,953
Less: Income tax expense	15	1,655,864	909,999
Profit for the year		3,612,080	2,556,954
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Fair value changes in hedge reserve		(145,759)	(74,806)
Items that will not be reclassified to profit or loss			
Change in deferred tax on revaluation due to rate change		–	32,087
Increase in revaluation surplus		284,076	–
Less: Deferred tax on revaluation		(68,178)	–
Equity investments at FVOCI - net change in fair value		75,240	68,116
Net actuarial gain/(loss) on defined benefit plan		319,405	(74,806)
Total other comprehensive income		464,784	25,397
Total comprehensive income for the year		4,076,864	2,582,351
Earnings per share			
Basic earnings per share (Rs.)	16	51.75	36.64
Diluted earnings per share (Rs.)	16	51.14	36.20

The Notes to the Financial Statements on pages 184 to 276 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 March	Note	2022 Rs. '000	2021 Rs. '000
Assets			
Cash and cash equivalents	20	2,023,974	2,090,509
Financial assets measured at fair value through profit or loss (FVTPL)	21	148,685	160,639
Derivative financial assets	32	1,121,320	198,046
Loans and receivables to banks	22	240,435	2,966,711
Deposits with financial institutions	23	8,292,576	3,003,275
Loans and receivables to customers	24	78,725,310	75,058,331
Other investment securities	25	6,576,030	2,669,959
Investment property	26	–	20,198
Property, plant and equipment	27	3,351,990	3,090,338
Intangible assets	28	136,078	116,476
Goodwill on amalgamation	29	156,489	244,180
Retirement benefit assets	38	407,807	–
Right-of-use assets	30	768,480	797,001
Other assets	31	3,470,809	3,915,306
Total assets		105,419,983	94,330,969
Liabilities			
Derivative financial liabilities	32	–	13,142
Deposits from customers	33	52,216,802	48,999,341
Debt securities issued and subordinated debt	34	5,726,897	6,273,163
Other interest-bearing borrowings	35	24,709,737	20,536,662
Lease liabilities	30	802,503	810,682
Current tax liabilities	36	1,400,532	1,220,992
Deferred tax liabilities	37	630,110	376,460
Retirement benefit obligation	38	–	9,098
Other liabilities	39	2,285,327	2,039,209
Total liabilities		87,771,908	80,278,749
Equity			
Stated capital	40	2,361,947	2,350,363
Reserves	41	2,829,785	2,495,581
Retained earnings	42	12,456,343	9,206,276
Total equity		17,648,075	14,052,220
Total liabilities and equity		105,419,983	94,330,969
Net assets value per share (Rs.)	43	252.63	201.34
Contingencies and commitments	44	3,466,696	2,704,783

The Notes to the Financial Statements on pages 184 to 276 form an integral part of these Financial Statements.

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011.

Damith Tennakoon
Deputy CEO/Director/CFO

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.

J R Alastair Corera
Chairman

C M Nanayakkara
Managing Director/CEO

17 June 2022
Colombo

Statement of Changes in Equity

	Stated capital Rs. '000
Balance as at 1 April 2020	2,350,363
Impact of Amalgamation *	
Total comprehensive income for the year 2020/21	
Profit for the year	
Other comprehensive income for the year	
Change in Deferred tax on revaluation due to rate change	
Equity investments at FVOCI – net change in fair value	
Net actuarial loss on defined benefit plan (Refer Note 38)	
Total comprehensive income for the year 2020/21	–
Transactions with equity holders of the Company	
Transfers during the year (Refer Note 41.3)	
Total transactions with equity holders	–
Balance as at 31 March 2021	2,350,363
Balance as at 1 April 2021	2,350,363
Total comprehensive income for the year 2021/22	
Profit for the year	
Other comprehensive income for the year	
Fair value changes in hedge reserve	
Increase in revaluation surplus	
Less: Deferred tax on revaluation	
Equity investments at FVOCI – net change in fair value	
Net actuarial loss on defined benefit plan (Refer Note 38)	
Total comprehensive income for the year 2021/22	–
Transactions with equity holders of the Company	
Employee share option plan	
Exercise of share options	11,584
Dividend to equity holders for the year - 2020/21	
Transfers during the year (Refer Note 41.3 and 41.5)	
Total transactions with equity holders	11,584
Balance as at 31 March 2022	2,361,947

The Notes to the Financial Statements on pages 184 to 276 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

* Unisons Capital Leasing Limited (w.e.f. 18 May 2020) and Fortune Properties Limited (w.e.f. 31 December 2020) have been amalgamated with Citizens Development Business Finance PLC.

Reserves						
Other capital reserve Rs. '000	Revaluation reserve Rs. '000	Fair value reserve	Hedge reserve	Statutory reserve fund Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
–	577,574	(30,405)	–	1,754,148	6,904,680	11,556,360
					(86,491)	(86,491)
					2,556,954	2,556,954
	32,087					32,087
		68,116				68,116
					(74,806)	(74,806)
–	32,087	68,116	–	–	2,482,148	2,582,351
		(33,787)		127,848	(94,061)	–
–	–	(33,787)	–	127,848	(94,061)	–
–	609,661	3,924	–	1,881,996	9,206,276	14,052,220
–	609,661	3,924	–	1,881,996	9,206,276	14,052,220
					3,612,080	3,612,080
			(145,759)			(145,759)
	284,076					284,076
	(68,178)					(68,178)
		75,240				75,240
					319,405	319,405
	215,898	75,240	(145,759)	–	3,931,485	4,076,864
33,211						33,211
(2,357)						9,227
					(523,447)	(523,447)
		(22,633)		180,604	(157,971)	–
30,854	–	(22,633)		180,604	(681,418)	(481,009)
30,854	825,559	56,531	(145,759)	2,062,600	12,456,343	17,648,075

Statement of Cash Flows

ACCOUNTING POLICY

In accordance with LKAS 7 – "Statement of Cash Flows". The Statement of cash flows has been prepared using the "Direct Method". Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The cash and cash equivalents include cash in hand, balances with banks, money at call and money market funds.

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Cash flow from operating activities		
Interest receipts	15,053,780	12,529,193
Commission receipts	353,404	68,839
Other income receipts	1,751,759	1,606,503
Interest payments	(6,405,376)	(7,479,942)
Fee and business promotion expenses	(404,044)	(387,487)
Employee related payments	(1,770,097)	(1,328,968)
Supplier payments	(3,780,757)	(2,979,723)
Financial expenses	(30,059)	(35,968)
Operating profit before changes in operating assets	4,768,610	1,992,447
(Increase)/Decrease in operating assets		
Investments in financial institutions	(2,563,025)	2,108,852
Investments in Government securities	935	(102,320)
Net funds advanced to customers	(4,807,633)	(1,708,955)
Changes in other short-term assets	443,525	1,326,438
Changes in inventories	(79,660)	(170,055)
	(7,005,858)	1,453,960
Increase/(Decrease) in operating liabilities		
Net borrowings	5,212,611	(6,366,190)
Net deposits from customers	3,457,741	5,882,777
	8,670,352	(483,413)
Net cash generated from/(used in) operating activities	6,433,104	2,962,994
Contribution to plan asset	(100,000)	(168,000)
Taxation	(1,329,853)	(1,105,094)
	5,003,251	1,689,900
Cash flow from investing activities		
Dividend receipts	32,852	31,548
Proceed from employee share options	9,227	–
Investment in other investment securities	(3,906,072)	(307,765)
Purchase of property, plant and equipment and intangible assets	(251,032)	(413,675)
Proceeds from sale of property, plant and equipment and investment property	36,000	41,342
Net cash from/(used in) investing activities	(4,079,025)	(648,550)

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Cash flow from financing activities		
Dividend paid	(523,446)	–
Payment to NCI on amalgamation	–	(42,645)
Net change in debentures and subordinated debt	(546,266)	(2,257)
Net cash inflows/(outflows) from financing activities	(1,069,712)	(44,902)
Net increase/(decrease) in cash and cash equivalents	(145,486)	996,448
Cash and cash equivalents at the beginning of the year	1,914,569	918,121
Cash and cash equivalents at the end of the year	1,769,083	1,914,569
Cash and cash equivalents at the beginning of the year		
Cash at bank and cash in hand	2,090,509	1,391,919
Bank overdrafts	(175,940)	(473,798)
	1,914,569	918,121
Cash and cash equivalents at the end of the year		
Cash at bank and cash in hand	2,023,974	2,090,509
Bank overdrafts	(254,891)	(175,940)
	1,769,083	1,914,569

The Notes to the Financial Statements on pages 184 to 276 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Notes to the Financial Statement

1. Reporting entity

1.1 Corporate information

GRI 102-5

Citizens Development Business Finance PLC ("CDB") is a public limited liability company listed on the Main Board of the Colombo Stock Exchange, incorporated on 7 September 1995 (Domiciled) in Sri Lanka. The Registered Office is situated at No. 123, Orabipasha Mawatha, Colombo 10. The Company was re-registered under the new Companies Act No. 07 of 2007.

CDB is licensed by Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011, and also registered under the Finance Leasing Act No. 56 of 2000 and Consumer Credit Act No. 29 of 1982.

CDB is an approved credit agency under Mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947. The staff strength of the Company as at 31 March 2022 – 2,073 (2021 – 1,758).

2. Basis of preparation

2.1 Financial Statements

The Company does not have an identifiable parent/subsidiary of its own and accordingly the Financial Statements are only prepared for the Company.

2.2 Statement of compliance

The Financial Statements of the Company which comprise Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011 and amendments thereto and provides appropriate disclosures required by the Listing Rules of the Colombo Stock Exchange.

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges this responsibility as set out in the Report of the Directors under "Directors' Responsibility for Financial Statements".

1.2 Principal activities and nature of operation

Entity	Principal business activities	Holding percentage 2021/22	Holding percentage 2020/21
Company			
Citizens Development Business Finance PLC	Company provides a vast range of financial services which includes accepting term and savings deposits, leasing, hire purchase, loan facilities, gold loan, foreign exchange, foreign remittances, and issuance of international debit cards, credit cards, margin trading, Islamic finance products and other financial services.		
Subsidiaries			
Fortune Properties Limited (formerly known as CDB Micro Finance Limited)	Company provides financial services for property development.	N/A*	N/A*
Unisons Capital Leasing Limited	Company provides financial services including leasing, personal loan and term-loan.	N/A*	N/A*

* Unisons Capital Leasing Limited (18 May 2020) and Fortune Properties Limited (31 December 2020) have been amalgamated with Citizens Development Business Finance PLC.

Financial Statements include the following components:

- Information on the financial performance of the Company for the year under review.
- Information on the financial position of the Company as at the year end.
- Information showing all changes in shareholders' equity during the year under review of the Company.
- Information to the users on the movement of the cash and cash equivalents of the Company.
- Notes to the Financial Statements including the Accounting Policies and other explanatory Notes.

2.4 Approval of Financial Statements by Directors

The Company's Financial Statements for the year ended 31 March 2022 were authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on 17 June 2022.

2.5 Basis of measurement

The Financial Statements have been prepared on a historical cost basis except for the following material items:

Item	Basis of measurement	Note
Retirement benefit obligation	Fair value of plan assets less the present value of the defined benefit obligation	38
Freehold land	Fair value	27
Financial assets measured at fair value through profit or loss (FVTPL)	Fair value	21
Debt investments measured at fair value through other comprehensive income (FVOCI)	Fair value	25
Equity investments measured at fair value through other comprehensive income (FVOCI)	Fair value	25

2.6 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates. Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. There was no change in the Company's presentation and functional currency during the year under review.

2.7 Presentation of Financial Statements

The assets and liabilities of the Company presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss and Other Comprehensive Income unless required or permitted by an Accounting Standard or interpretation, and as specifically disclosed in the Accounting Policies of the Company.

2.8 Materiality and aggregation

Each material class of similar items are presented separately in the Financial Statement. Items which dissimilar in nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 – "Presentation of Financial Statements".

2.9 Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by accounting standards.

2.10 Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the Statement of Financial Position only where there is a legal right to set-off the recognised amounts and it intents either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated.

2.12 Use of estimate and judgement

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKAS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amount may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in Notes below.

Assumptions and estimation uncertainties

(a) Going concern

In light of ongoing economic crisis of the country the Company has assessed its going concern and a detailed disclosure of its assessment are provided in the financial statements. In preparing the financial statements for the year ended 31 March 2022, the management has assessed the possible effects of the ongoing economic crisis of the country on the businesses of the Company to determine their ability to continue as a going concern. Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, accessibility to funds and costs, the Company would continue as a going concern. Consequent to giving due consideration to the presentations by management, the Directors are satisfied that the Company have adequate resources to continue as a going concern for a foreseeable future. The Company had positive net asset, and positive working capital and cash flow positions for the next twelve months. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis. Please refer Note 51 for more details.

(b) Fair value of financial instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The valuation of financial instruments are described in more detail in Note 19. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

(c) Useful Life of property, plant and equipment

The Company reviews the residual values, useful life and method of depreciation for property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rate, methods and hence subject to uncertainty.

(d) Impairment on cash-generating unit

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the "value in use" of such individual assets or the cash-generating units. Estimating value in use requires Management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate which reflects the current market assessment of the rate of money and risk specific to the assets in order to calculate the present value of the relevant cash flows.

This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

(e) Deferred tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Significant management judgements are required to determine the amount of deferred tax assets/ liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Revaluation of property, plant and equipment

The Company measures land at revalued amounts with changes in fair value being recognised in equity through other comprehensive income. The Company engages independent professional valuer to assess fair value of land. The key assumptions used to determine fair value is provided in Note 27.1.

(g) Contingencies and commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

Summary of legal cases against the Company have been disclosed in the Notes to the Financial Statements. However, based on the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

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

(h) Provision for employee defined benefit obligation

The provision for defined benefits obligations and the related charge for the year is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, future salary increase, mortality rate etc. All the assumption are reviewed at each reporting date. Due to the long-term nature of such obligation, these estimates are subject to significant uncertainty.

(i) Expected Credit Losses (ECL) on financial assets

The Company measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL Company determines whether the credit risk of a financial asset has increased significantly since initial recognition. For this the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and including forward-looking information.

(j) Expected Credit Losses (ECL) on other financial assets measured at amortised cost

The ECL applies to other financial assets measured at amortised cost as well. Company measures loss allowance at an amount equal to life time ECL, except those investments that are determined to have low credit risk at the reporting date. The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". The Company uses information from external credit agencies as inputs to the ECL calculation and adjust to reflect forward looking information and economic scenarios.

(k) Goodwill on amalgamation

For the purpose of impairment, testing acquire was considered as a separate Cash-Generating Unit (CGU) and the recoverable amounts of the CGU have been calculated based on its value in use. The value in use is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU.

3. Changes in accounting policies

The Company has consistently applied the Accounting Policies as set out in these Financial Statements, except for changes set out below:

Interest Rate Benchmark Reform Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7 and SLFRS 16)

Amendments became effective on 1 January 2021 and the entity has no other transactions that are affected by newly effective requirements

Hedge Accounting

The Company has applied hedge accounting for the forward contracts with financial institutions to cover the exchange rate risk exposed from the foreign borrowings with effect from 1 August 2021 where the conditions for hedge accounting ware met as per the SLFRS 9.

4. Accounting Impact of COVID-19 relief measures

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

5. New accounting standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, except as stated in Note 3, the Company has not early adopted the new and amended standards in preparing these Financial Statements.

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

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Company accounts for deferred tax on leases applying the "integrally linked" approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the Statement of Financial Position.

Under the amendments, the Company will recognise a separate deferred tax asset and a deferred tax liability. As at 31 March 2022, the taxable temporary difference in relation to the right-of-use asset is Rs. 768 Mn. (Note 30) and the deductible temporary difference in relation to the lease liability is Rs. 803 Mn. (Note 30), resulting in a net deferred tax asset of Rs. 8.2 Mn. (Note 37). Under the amendments, the Company will present a separate deferred tax liability of Rs. 184 Mn. and a deferred tax asset of Rs. 193 Mn. There will be no impact on retained earnings on adoption of the amendments.

The following new and amended standards are not expected to have a significant impact on the Company's Financial Statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37).
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to SLFRS 16).
- Annual Improvements to SLFRS Standards 2018-2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).
- Reference to Conceptual Framework (Amendments to SLFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1).
- SLFRS 17 Insurance Contracts and amendments to SLFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to LKAS 8).

6. General accounting policies

6.1 Basis of consolidation

6.1.1 Subsidiaries

"Subsidiaries" are investees controlled by the Parent. As per the SLFRS 10 – "Consolidated Financial Statements", the Parent "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g., those resulting from a lending relationship) become substantive and lead to the Parent having power over an investee.
The Financial Statements of subsidiaries are included in the Financial Statements from the date that control effectively commences until the date that control effectively ceases.

6.1.2 Acquisition method and goodwill

As per the SLFRS 3 – "Business Combinations" acquisition date is the date on which it obtains control of the acquiree. As at this date identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree, are recognised separately from goodwill in the Group's Financial Statements. All assets acquired and liabilities assumed in a business combination are measured at acquisition date fair value.

Goodwill is measured as the difference between the aggregate value of the consideration transferred, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously-held equity interest in the acquiree, and the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

6.1.3 Transactions eliminated on consolidation

All intra-group balances and transactions and any unrealised gains arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

6.1.4 Non-controlling interest

Non-controlling interest is measured at their proportionate share of acquirer's identifiable net assets at the date of acquisition. Changes in the Company's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

6.1.5 Loss of control

When the Group loses control over a Subsidiary, it derecognises the assets and liabilities of the Subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost and is accounted depending on the level of control retained.

6.2 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. All differences arising on non-trading activities are taken to "Other Operating Income" in the Statement of Profit or Loss. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Unrealised gains and losses are dealt under "Other Operating Income" in the Statement of Profit or Loss.

7. Specific accounting policies

Set out below is an index of the specific accounting policies, the details of which are available on the pages that follow:

8. Revenue

ACCOUNTING POLICY

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Interest income (Refer Note 9.1)	15,194,413	14,877,242
Fee and commission income (Refer Note 10)	311,128	406,234
Other operating income (Refer Note 11)	2,066,613	1,339,315
Total revenue	17,572,154	16,622,791

9. Net interest income

ACCOUNTING POLICY

Interest income and expense are recognised in Statement of Profit or Loss using the effective interest rate (EIR) method.

Effective Interest Rate (EIR)

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to: the gross carrying amount of the financial asset; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For credit-impaired financial assets (Stage three) Interest income is calculated on the net carrying amount that is reduced for expected credit losses. For information on when financial assets are credit-impaired, see Note 12.

Presentation

Interest income and expense presented in the statement of profit or loss include

- Interest on financial assets and financial liabilities measured at amortised cost
- Interest income and expense on all assets and liabilities measured at fair value

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Interest income (Refer Note 9.1)	15,194,413	14,877,242
Less: Interest expense (Refer Note 9.2)	(6,156,858)	(7,282,499)
Net interest income	9,037,555	7,594,743

9.1 Interest income

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Placements with financial institutions	208,934	348,514
Loans and receivables to banks	96,603	152,512
Loans and receivables to customers (Refer Note 9.1.1)	14,697,345	14,310,192
Other financial investments (Refer Note 9.1.2)	191,531	66,024
Total interest income	15,194,413	14,877,242

9.1.1 Interest on loans and receivables to customers

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Finance leases	9,934,738	10,171,601
Loans and advances, and stock out on hire	4,199,616	3,571,247
Ijara profit income	358,580	288,319
Murabaha profit income	204,411	279,025
Total interest income from loans and receivables to customers	14,697,345	14,310,192

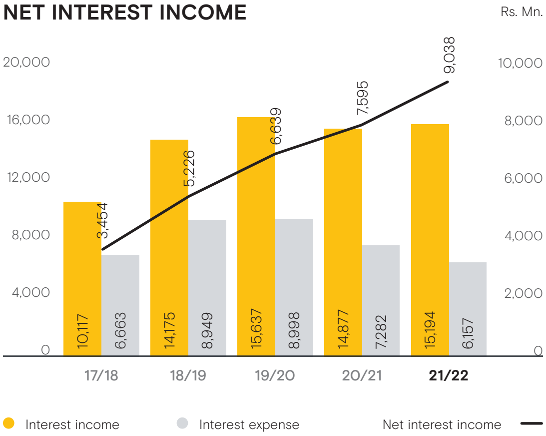
9.1.2 Interest on other financial investments

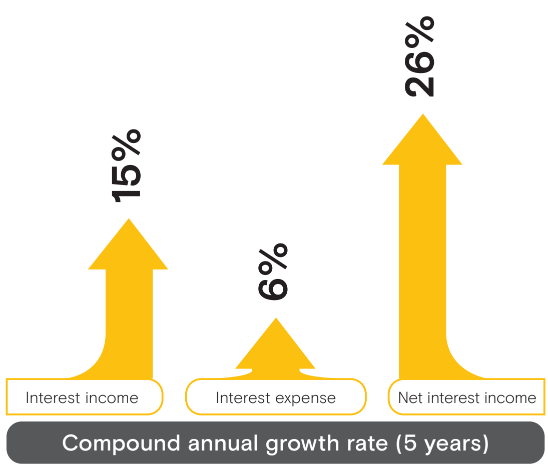
For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Government Treasury Bond investments	13,196	10,882
Government Treasury Bill investments	166,668	33,626
Other investments	11,667	21,516
Total interest income from other financial investments	191,531	66,024

9.2 Interest expense

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Term deposits from customers	3,708,957	4,163,532
Savings deposits from customers	100,343	95,441
Mudharaba investments from customers	18,188	23,786
Debentures	603,061	707,341
Foreign borrowings	557,602	624,157
Other borrowings	1,168,707	1,668,242
Total interest expenses	6,156,858	7,282,499

NET INTEREST INCOME





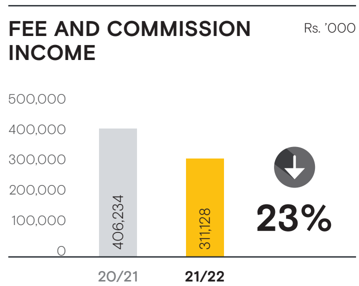
10. Fee and commission income

ACCOUNTING POLICY

Fees and commission that are integral to the effective interest rate on financial asset or liability are included in the effective interest rate of respective asset or liability. Fees and commission income, including commission, service fees are recognised as the related services are performed.

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

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Insurance incentive income	304,376	401,583
Guarantee/lending-related commission income	919	644
Commission on money remittances	134	214
Commission on debit card transactions	5,699	3,793
Total fee and commission income	311,128	406,234



11. Other operating income

ACCOUNTING POLICY

Profit/loss from sale of fixed assets is recognised in the period in which the sale occurs and is classified as other income/expense.

Income from early settlement of lending contracts and other income is recognised once the contract is derecognised due to closure.

Dividend income from equity investments at FVTPL is recognised in the Statement of Profit or Loss on an accrual basis when the Company's right to receive the dividend is established.

Foreign exchange gain/loss includes gain and losses from foreign transactions and fair value changes in the derivative contracts and gains/losses of settlement and translation of monetary items.

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Dividend income from quoted equity investments	32,852	31,548
Other net income from trading portfolio (Refer Note 11.1)	(1,151)	10,195
Profit on sale of fixed assets	81,572	41,342
Other income	507,378	539,897
Income from credit cards	122,709	29,252
Income from early settlement of lending facilities	1,108,057	1,029,036
Foreign exchange income/loss (Refer Note 11.2)	215,196	(341,955)
Total other operating income	2,066,613	1,339,315

11.1 Other net income from trading portfolio

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Trading income – Treasury Bonds	9,867	8,318
Mark to market adjustment		
Treasury Bonds (Refer Note 21.1)	(11,018)	1,877
Total net income from trading portfolio	(1,151)	10,195

11.2 Foreign exchange gain/(loss)

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Foreign exchange gain/(loss) on transactions*	(355,073)	(6,259)
Exchange gain/loss on foreign borrowings	570,269	(335,696)
Total foreign exchange gain/(loss)	215,196	(341,955)

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

12. Impairment charges and other credit losses

ACCOUNTING POLICY

ACCOUNTING POLICY

The Company recognises loss allowances for ECL on loans and receivables, other financial assets measured at amortised cost and debt investments at FVOCI.

Accordingly this note covers expected loss and impairment allowances for

- Loans and receivables to customers
- Other financial assets measured at amortised cost
- Other non-financial assets

No impairment loss is recognised on investments in equity instruments classified under FVTPL.

Loans and receivables to customers

The Company measures loss allowances using both lifetime ECL and 12 months ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 150 days past due.

12 months ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

As per the direction issued by Central Bank of Sri Lanka on 14 February 2020 and 7 July 2021 in classifying for special mention category LFCs shall adopt 120 past due date with effect from 1 April 2022 for 12 months and required to adopt 90 past due date for classification with effect from 1 April 2023.

Measurement of ECLs

ECL are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECL are discounted at the effective interest rate of the respective financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 150 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

ACCOUNTING POLICY

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Other financial assets measured at amortised cost and debt investments at FVOCI

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12 months ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". This policy is applicable to loans and receivables to banks, deposits with licensed commercial banks and other investment securities measured at amortised cost as well.

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

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

Expected Credit Losses (ECL) as per SLFRS 9 – "Financial instruments"

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Expected credit losses (ECL) loans and receivables to customers		
Finance leases receivables	818,832	835,536
Hiring contracts	496	(4,818)
Loans and advances	172,494	243,238
	991,822	1,073,956
Other financial assets measured at amortised cost	66,855	47,124
Net deficit from disposal of leased assets	48,777	300,420
Impairment of goodwill (Refer Note 29)	87,691	–
Total impairment charges on assets	1,195,145	1,421,500

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

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

13. Operating expenses

ACCOUNTING POLICY

All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged in arriving at the profit for the year.

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Personnel expenses (Refer Note 13.1)	1,772,596	1,402,328
Premises, equipment and establishment expenses (Refer Note 13.2)	2,103,505	1,896,625
Other expenses (Refer Note 13.3)	536,362	530,885
Total operating expense	4,412,463	3,829,838

13.1 Personnel expenses

GRI 201-3

ACCOUNTING POLICY

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

The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term benefits as a result of past service provided and where the Company has legal or constructive obligation to pay.

Defined benefit plans – Retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.
The defined benefit obligation is calculated annually using the Projected Unit Credit method as specified by the Sri Lanka Accounting Standard LKAS 19 – "Employee Benefits" and valuation of the defined benefit obligation is carried out by a qualified actuary. The key assumptions used in determining the defined benefit obligations are given in Note 38. Actuarial gains or losses are recognised in the Other Comprehensive Income in the period in which they arise. The defined benefit obligation recognised in the Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. When the benefits of a plan are changed, the portion of the changed benefit relating to past service by employees is recognised in the Statement of Profit or Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in Statement of Profit or Loss.

Gratuity payments are being made by the Company according to the Payment of Gratuity Act No. 12 of 1983. As per the present policy of the Company the employees are entitled to payment of gratuity as follows:

5-10 years service	– ½ month basic salary for each year of service
10-15 years service	– 1 month basic salary for each year of service
15-20 years service	– 1 ½ months basic salary for each year of service
Over 20 years service	– 2 months basic salary for each year of service

Defined contribution plan Employees' Provident Fund:

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Employees' Provident Fund.

Employees' Trust Fund:

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

Share based payment plans

Board of Directors of the Company has duly resolved to establish an employee share option plan to grant total number of share options of 2,972,454 ordinary voting shares for the period commencing from 1 September 2021 to 1 September 2023. The scheme was approved by shareholders at the Extraordinary General Meeting held on 30 July 2021.

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

Shares under the scheme will be offered to the qualified employees at a volume weighted average price of all share transactions during the thirty market days immediately preceding the grant date and the Company has used Binominal Option Pricing Model to value the share options as at 1 September 2021 under the requirements of SLFRS 2 - "Share Based Payments". Accordingly the Company has recognised an employee cost of Rs. 33 Mn. arising from the above in Financial Statements.

Personnel expenses includes the following significant items:

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Salary and bonus	1,339,456	995,920
Employees' defined benefit plan service expenses (Refer Note 38)	2,500	73,361
Contribution to employees' provident fund and trust fund	138,660	121,421
Directors' emoluments	255,968	209,045

13.2 Premises, equipment and establishment expenses

ACCOUNTING POLICY

Depreciation of property, plant and equipment

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation is determined separately for each significant component of an item of property, plant and equipment. Management reviews the assets residual value, useful life and depreciation method at each reporting date. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Freehold buildings – 2.5%
Motor vehicles – 20%
Computer equipment – 20%
Office equipment – 20%
Furniture and fittings – 20%

Depreciation is not provided for freehold lands.

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Changes in estimates

Useful lives and residual values of the assets are reassessed at each reporting date and adjust if appropriate. During the year Company conducted an operational review and no estimates were revised.

Premises, equipment and establishment expenses includes the following significant items:

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Depreciation and amortisation	438,930	421,062
Contribution to deposit insurance scheme of CBSL	74,363	66,252
Legal expense and professional charges	72,839	74,181
Auditor's remuneration		
Audit fees and expenses	7,715	7,661
Audit-related fees and expenses	4,588	1,576
Non-audit services	980	1,663

13.3 Other expenses

Other expenses includes the following significant items:

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Advertising and communication	314,453	316,596
Activities on corporate social responsibility	25,384	22,613
Interest cost for lease liabilities	102,027	107,432

14. Taxes on financial services

ACCOUNTING POLICY

Value Added Tax (VAT) on financial services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on financial services is the accounting profit before VAT on financial services, and Income Tax adjusted for economic depreciation and emoluments to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits.

VAT on financial services rates applied for the current financial year are 15% for the period from 1 April 2021 to 31 December 2021 and 18% with effect from 1 January 2022 onwards.

Crop Insurance Levy (CIL)

As per the provisions of the section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the Crop Insurance Levy is payable at 1% of profit after tax.

For the year ended 31 March	2022	2021
	Rs. '000	Rs. '000
Value Added Tax on financial services (VAT)	496,815	600,401
Crop Insurance Levy (CIL)	42,929	21,600
Total taxes on financial services	539,744	622,001

15. Income tax expense

ACCOUNTING POLICY

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of previous years.

The Company has determined that interest and penalties related to income taxes including uncertain tax treatments, do not meet the definition of income taxes and therefore accounted them under LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

Deferred tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted as at the reporting date.

The initial recognition of assets and liabilities in a transaction that is not business combination and that affects neither accounting nor taxable profit nor differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Temporary differences in relation to the right-of-use assets and lease liability for a specific lease are regarded as a net package (rights-of-use assets) for the purpose of recording differed taxes.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

For the year ended 31 March	2022	2021
	Rs. '000	Rs. '000
Current income tax expense (Refer Note 15.2)	1,430,758	1,169,987
Changes in provision estimates of prior periods	39,634	(18,134)
Deferred tax expense (Refer Note 37.2)	185,472	(241,854)
Income tax charge for the year	1,655,864	909,999

15.1 Tax provisions based on Inland Revenue Act No. 24 of 2017 and amendment thereto

Income tax rate applicable for the financial year 2020/21 and 2021/22 is 24% according to the Inland Revenue Act No. 24 of 2017 and amendment thereto.

15.2 Reconciliation between income tax expenses and the accounting profit

A reconciliation between taxable income and the accounting profit multiplied by the statutory tax rate is given below:

For the year ended 31 March	2022	2021
	Rs. '000	Rs. '000
Accounting profit before tax	5,267,944	3,466,953
Tax expenses as per accounting profit	1,264,307	832,069
Tax expenses for the year (dividend at applicable tax rate)	4,599	4,417
Adjustments		
Tax effect of capital portion of lease rentals	299,229	655,529
Income from non-taxable sources	(46,367)	(45,689)
Tax effect of disallowed expenses	555,232	611,576
Tax effect of deductible expenses and tax losses	(646,243)	(887,915)
Tax on business profit (Based on taxable profit)	1,430,758	1,169,987
Prior period under/(over) provision (Refer Note 36.1)	39,634	(18,134)
Deferred tax expenses (Refer Note 37.2)	185,472	(241,854)
Income tax expense	1,655,864	909,999

15.3 Summary of the taxes paid during the year

We have paid following direct and indirect taxes to the Government of Sri Lanka during the financial year:

For the year ended 31 March	2022	2021
	Rs. '000	Rs. '000
Direct taxes		
Value added tax on financial services	472,321	586,629
Crop insurance levy	31,531	17,136
Income tax	1,329,853	1,105,094
Indirect taxes (Collected and paid)		
Value added tax	32,157	30,383
Stamp duty	235,007	161,210
PAYE tax	41,659	21,542
Total taxes paid during the financial year	2,142,528	1,921,994

16. Earnings Per Share (EPS)

ACCOUNTING POLICY

The Company computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

Diluted EPS is computed by dividing the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

Basic earnings per share

For the year ended 31 March	2022	2021
Amount used as numerator:		
Net profit attributable to equity holders of parent (Rs.)	3,612,079,799	2,556,953,517
Amount used as denominator:		
Weighted average number of ordinary shares	69,798,023*	69,792,748
Basic earnings per ordinary share (Rs.)	51.75	36.64

*63,295 ordinary shares were listed during March 2022, consequent to the exercising of options under employee share option schemes.

Diluted Earnings Per Share (EPS)

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

For the year ended 31 March	2022	2021
Amount used as numerator:		
Net profit attributable to equity holders (Rs.)	3,612,079,799	2,556,953,517
Amount used as denominator:		
Average weighted average number of ordinary shares	70,636,684	70,636,684
Diluted earnings per ordinary share (Rs.)	51.14	36.20

17. Dividend Per Share (DPS)

ACCOUNTING POLICY

Provision for dividend is recognised at the time the dividend is recommended and declared by the Board of Directors, and approved by the shareholders. However interim cash dividend is recognised when the Board approves such dividend in accordance with Companies Act No. 07 of 2007.

For the year ended 31 March	2022	2021
Gross dividend per share (Rs.)	3.75	7.50
Dividend payout ratio (%)	7.25	20.47

The Board has proposed a first and final cash dividend of Rs. 3.75 per share for its voting and non-voting shares for the year ended 31 March 2022.

In accordance with the provisions of LKAS 10 – “Events after the reporting period” this proposed dividend has not been recognised as a liability in the Financial Statements for the year ended 31 March 2022.

18. Classification of financial assets and financial liabilities

ACCOUNTING POLICY

i. Recognition and initial measurement

The Company initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item at FVTPL, transaction costs that are directly attributable to its acquisition or issue charge to Profit or Loss.

Subsequent measurement of financial assets depends on their classification.

ii. Classification

Financial assets

SLFRS 9 – "Financial Instruments" contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under SLFRS 9 – "Financial Instruments" is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under SLFRS 9 – "Financial Instruments", derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated –
- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ACCOUNTING POLICY

Equity instruments

Investments in equity instruments are always measured at fair value. Equity instruments are those that meet the definition of "equity" from the perspective of the issuer as defined in LKAS 32 – "Financial instrument: Presentation". For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. There is no recycling of amounts from OCI to profit and loss (for example, on sale of an equity investment), nor are there any impairment requirements. However, the entity might transfer the cumulative gain or loss within equity.

- All the equity instrument for which the irrecoverable option is not made should be measured at fair value through profit or loss.

Other

All other financial assets are classified as financial assets measured at FVTPL.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

iii. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. An entity shall not reclassify any financial liability.

iv. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 April 2017 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities . Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and- repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

v. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

ACCOUNTING POLICY

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

vi. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Classification of financial assets and liabilities

As at 31 March 2022	Note	Classification of financial assets: Fair value through profit or loss	Classification of financial assets: Fair value through OCI	Classification of financial assets: Amortised cost	Classification of financial liabilities: Fair value through profit or loss	Classification of financial liabilities: Amortised cost	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	20			2,023,974			2,023,974
Financial assets measured at FVTPL	21	148,685					148,685
Derivative financial assets	32	1,121,320					1,121,320
Loans and receivables to banks	22			240,435			240,435
Deposits with financial institutions	23			8,292,576			8,292,576
Loans and receivables to customers	24			78,725,310			78,725,310
Other investment securities	25		2,243,001	4,333,029			6,576,030
Total financial assets		1,270,005	2,243,001	93,615,324			97,128,330
Other non-financial assets							8,291,653
Total assets							105,419,983
Deposits from customers	33					52,216,802	52,216,802
Debt securities issued and subordinated debt	34					5,726,897	5,726,897
Other interest-bearing borrowings	35					24,709,737	24,709,737
Lease liabilities	30					802,503	802,503
Total financial liabilities						83,455,939	83,455,939
Other non-financial liabilities							4,315,969
Total liabilities							87,771,908

As at 31 March 2021	Note	Classification of financial assets Fair value through profit or loss Rs. '000	Fair value through OCI Rs. '000	Amortised cost Rs. '000	Classification of financial liabilities Fair value through profit or loss Rs. '000	Amortised cost Rs. '000	Total Rs. '000
Cash and cash equivalents	20			2,090,509			2,090,509
Financial assets measured at FVTPL	21	160,639					160,639
Derivative financial assets	32	198,046					198,046
Loans and receivables to banks	22			2,966,711			2,966,711
Deposits with financial institutions	23			3,003,275			3,003,275
Loans and receivables to customers	24			75,058,331			75,058,331
Other investment securities	25		1,630,090	1,039,869			2,669,959
Total financial assets		358,685	1,630,090	84,158,695			86,147,470
Other non-financial assets							8,183,499
Total assets							94,330,969
Derivative financial liabilities	32				13,142		13,142
Deposits from customers	33					48,999,341	48,999,341
Debt securities issued and subordinated debt	34					6,273,163	6,273,163
Other interest-bearing borrowings	35					20,536,662	20,536,662
Lease liabilities	30					810,682	810,682
Total financial liabilities					13,142	76,619,848	76,632,990
Other non-financial liabilities							3,645,759
Total liabilities							80,278,749

19. Fair value measurement of financial instruments

ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants' would take into account in pricing a transaction.

The best evidence of the fair value of financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only date from observable markets, then the financial instrument is initially measured at a fair value, adjusted to defer the deference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. These portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfer between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Accounting estimates

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

19.c Valuation summary

ACCOUNTING POLICY

19.a Valuation models

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premier used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company uses widely recognised valuation models for determining the fair value of common and simple financial instruments. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value and management uses judgement to select the most appropriate point in the range.

The Company's methodology for valuing asset-backed securities uses a discounted cash flow technique that takes into account the probability of default and loss severity by considering the original underwriting criteria, vintage borrower attributes, LTV ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the "waterfall" applicable to the security and discounted at a risk-adjusted rate.

The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

19.b Valuation control framework

The Company has established a control framework with respect to the measurement of fair value which is independent from the Treasury Division and followings are the some specific controls exists:

- verification of observable pricing;
- re performance of model valuations;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value of measurement of Level 3 instruments compared with the previous month.

ACCOUNTING POLICY

When third party information, such as broker quotes or pricing services, is used to measure fair value and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price is an active market for an identical instrument;
- when prices of similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Any significant valuation issues are reported to the Board Audit Committee.

19.c Valuation summary

As at 31 March	2022 Rs. '000	2021 Rs. '000
Assets disclosed at fair value – Fair value hierarchy (Refer Note 19.d)	5,697,257	3,888,950
Assets not disclosed at fair value – Fair value hierarchy (Refer Note 19.f)	99,722,726	90,442,019
Total assets	105,419,983	94,330,969
Liabilities disclosed at fair value – Fair value hierarchy (Refer Note 19.d)	–	13,142
Liabilities not disclosed at fair value – Fair value hierarchy (Refer Note 19.f)	87,771,908	80,265,607
Total liabilities	87,771,908	80,278,749

19.d Financial instruments disclosed at fair value – Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

As at 31 March	Note	2022 Level 1 Rs. '000	2022 Level 2 Rs. '000	2022 Level 3 Rs. '000	2022 Total	2021 Level 1 Rs. '000	2021 Level 2 Rs. '000	2021 Level 3 Rs. '000	2021 Total
Financial assets									
Financial assets measured at FVTPL	21								
– Government securities – Treasury Bonds		148,685			148,685	160,639			160,639
Derivative financial assets	32		1,121,320		1,121,320		198,046		198,046
Other investment securities measured at FVOCI	25								
– Equity instruments – Quoted shares		1,681,150			1,681,150	1,629,966			1,629,966
– Equity Instruments – Unquoted Shares				124	124			124	124
– Debt instruments – Treasury Bonds		561,727			561,727				
Total financial assets disclosed at fair value		2,391,562	1,121,320	124	3,513,006	1,790,605	198,046	124	1,988,775
Other non-financial assets									
Property, plant and equipment – Freehold land	27			2,184,251	2,184,251			1,900,175	1,900,175
Total non-financial assets at fair value		–	–	2,184,251	2,184,251	–	–	1,900,175	1,900,175
Total assets at fair value		2,391,562	1,121,320	2,184,375	5,697,257	1,790,605	198,046	1,900,299	3,888,950
Financial liabilities									
Derivative financial liabilities	32						13,142		13,142
Total financial liabilities disclosed at fair value						–	13,142	–	13,142

19.e Level 3 fair value measurements

19.e.i Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Property, plant and equipment – freehold land Rs. '000
Balance as at 1 April 2020	1,868,867
Purchases/Additions	31,308
Disposals during the year	–
Revaluation surplus	–
Balance as at 31 March 2021	1,900,175
Balance as at 1 April 2021	1,900,175
Purchases/Additions	–
Disposals during the year	–
Revaluation surplus	284,076
Balance as at 31 March 2022	2,184,251

19.e.ii Unobservable inputs used in measuring fair value

Refer Note 27.1 for information about significant unobservable inputs used in 31 March 2022 to measure the fair value of freehold lands categorised under Level 3 in the fair value hierarchy.

19.e.iii The effect of unobservable inputs on fair value measurement

Table below shows the effect of changes in assumptions used above for fair value determination:

	Effect on total comprehensive income	
	Favourable 1% increase in fair value Rs. '000	Unfavourable 1% decrease in fair value Rs. '000
2022	21,843	(21,843)
2021	19,002	(19,002)

19.e.iv Recurring and non-recurring basis valuation

The Company is using recurring basis valuation for assets categorised under Level 3 and details relating to fair valuation is given in Note 27.1.

19.f Assets and liabilities not disclosed at fair value – Fair value hierarchy

The following table sets out the fair values of financial instruments not measured at fair value and analysed them by the level in the fair value hierarchy into which each fair value measurement is categorised. The fair values in the table below are stated as at 31 March and may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument:

As at 31 March 2022	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets						
Cash and cash equivalents	20	2,023,974			2,023,974	2,023,974
Loans and receivables to banks	22			240,435	240,435	242,988
Deposits with financial institutions	23			8,292,576	8,292,576	8,388,764
Loans and receivables to customers	24			78,725,310	78,725,310	80,235,255
Other investment securities	25					
– Treasury bills		4,263,197			4,263,197	4,241,659
– Treasury bonds		44,665			44,665	44,037
– Unit trusts				25,167	25,167	25,167
Other assets					6,107,401	6,107,401
Total assets not disclosed at fair value		6,331,836		87,283,488	99,722,726	101,347,602
Liabilities						
Deposits from customers	33			52,216,802	52,216,802	50,756,882
Debt securities issued & subordinated debt	34			5,726,897	5,726,897	5,726,897
Other interest-bearing borrowings	35			24,709,737	24,709,737	24,709,737
Lease liabilities				802,503	802,503	802,503
Other liabilities					4,315,969	4,315,969
Total liabilities not disclosed at fair value		–		83,455,939	87,771,908	86,311,988

As at 31 March 2021	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets						
Cash and cash equivalents	20	2,090,509			2,090,509	2,090,509
Loans and receivables to banks	22			2,966,711	2,966,711	2,948,577
Deposits with financial institutions	23			3,003,275	3,003,275	3,041,468
Loans and receivables to customers	24			75,058,331	75,058,331	76,017,155
Other investment securities	25					
– Treasury bonds		113,660			113,660	111,615
– Unit trusts				926,209	926,209	926,209
Investment property	27			20,198	20,198	54,000
Other assets					6,263,126	6,263,126
Total assets not disclosed at fair value		2,204,169	–	81,974,724	90,442,019	91,452,659
Liabilities						
Deposits from customers	33			48,999,341	48,999,341	48,977,738
Debt securities issued & subordinated debt	34			6,273,163	6,273,163	6,273,163
Other interest-bearing borrowings	35			20,536,662	20,536,662	20,536,662
Lease liabilities				810,682	810,682	810,682
Other liabilities					3,645,759	3,645,759
Total liabilities not disclosed at fair value		–	–	76,619,848	80,265,607	80,244,004

19.f.i Methodology

The fair value calculated in this section are only for disclosure purposes and do not have any impact on the Company's reported financial position and performance. The following section consist with the methodologies and assumptions used in determining fair value for financial instruments not disclosed at fair value in the face of Financial Statements:

Asset/Liability	Methodology and assumptions
Cash and cash equivalents	Carrying value of the financial instruments which are typically short-term in nature and which are repriced to current market rates frequently are considered reasonable approximation to fair value.
Loans and receivables to banks	Carrying value of the financial instruments which are typically short-term in nature and which are repriced to current market rates frequently are considered reasonable approximation to fair value.
Deposits with financial institutions	The fair value of deposits with banks is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.
Loans and receivables to customers	Where available, fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes incurred credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates and default probability.
Investment securities at amortised cost	The fair value of investment securities at amortised cost is estimated by applying the active market prices for similar or identical instruments. Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.
Investment property	Fair value has been determined by using market comparable method which considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location condition of specific property.
Deposits from customers	The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.
Debt securities issued	Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.
Other interest-bearing borrowings	Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.

20. Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand and balance with banks. They are brought to account at the face value or the gross value where appropriate.

Bank overdraft that is repayable on demand and forms an integral part of the Company's cash resources and it is only included as a component of cash equivalents for the purpose of the Cash Flow Statements.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Local currency in hand	882,591	827,722
Foreign currency in hand	34,951	62,499
Demand/savings deposit balances with Banks	1,106,432	1,200,288
Total cash and cash equivalents	2,023,974	2,090,509

Maturity analysis of cash and cash equivalents is given in Note 49.

21. Financial assets measured at Fair Value Through Profit or Loss (FVTPL)

ACCOUNTING POLICY

Financial assets measured at FVTPL are those assets that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets are those assets that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Recognition

Financial assets measured at FVTPL are measured initially at fair value and transaction costs that are directly attributable to its acquisition or issue is charge to profit or loss.

Measurement

Financial assets measured at FVTPL are subsequently recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss.

Interest income are recorded in "Interest income" net gains/(losses) from trading recorded in the income statement.

Classification of financial asset are given in Note 18.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Government securities (Refer Note 21.1)	148,685	160,639
Total financial assets measured at FVTPL	148,685	160,639

Maturity analysis of financial assets measured at FVTPL is given in Note 49.

21.1 Government securities

As at 31 March	2022 Rs. '000	2021 Rs. '000
Amortised cost	159,703	158,762
Gain from mark to market valuation (Refer Note 11.1)	(11,018)	1,877
Fair value	148,685	160,639

* Government securities include treasury bonds.

22. Loans and receivables to banks

ACCOUNTING POLICY

Company classifies non-derivative financial assets with fixed or determinable payments that are not quoted in an active market under loans and receivables to banks. Accordingly, Loans and receivables to banks comprise repurchase agreements with banks.

Recognition

Loans and receivables to banks are measured initially at fair value plus transaction costs.

Measurement

Loans and receivables to banks are subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and other fees and cost that are an integral part of EIR.

Expected credit losses

The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date.

Classification of financial assets are given in Note 18.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Securities purchased under resale agreements – Treasury bills	240,435	2,966,711
Total loans and receivables to banks	240,435	2,966,711

No expected credit losses (ECL) were recognised for Government securities since those are rated as risk free investments.

Maturity analysis of loans and receivables to banks is given in Note 49.

23. Deposits with financial institutions

ACCOUNTING POLICY

Deposits with financial institutions comprises the fixed deposits with licensed commercial banks and other financial institutions.

Recognition

Deposits with financial institutions are measured initially at fair value plus transaction costs.

Measurement

Deposits with licensed financial institutions subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and other fees and cost that are an integral part of EIR.

Expected credit losses

The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date.

Classification of financial assets are given in Note 18.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Term deposits with financial institutions	8,321,335	3,003,536
Less: Allowance for expected credit losses	(28,759)	(261)
Total deposits with financial institutions	8,292,576	3,003,275

Maturity analysis of deposits with financial institutions is given in Note 49.

24. Loans and receivables to customers

ACCOUNTING POLICY

Amount receivable under finance lease, hire purchase and loans net of prepaid rentals, unearned lease income and allowance for expected credit losses are presented in the loans and receivable to customers.

Recognition

Loans and receivables to customers are measured initially at fair value plus transaction costs.

Measurement

After initial recognition loans and receivables from customers are subsequently measured at amortised cost using the effective interest rate less loss allowance based on expected credit losses. Amortised cost is calculated by taking into account any fee and cost that are integral part of EIR. The amortisation is included in interest income in the Statement of Profit or Loss.

Expected credit losses

Refer Note 12 for impairment policy based on Expected Credit Losses (ECL).

Classification of financial assets are given in Note 18.

Loans and receivables from customers are carried at amortised cost in the Statement of Financial Position.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Gross loans and receivables to customers	83,458,267	78,799,466
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	(4,732,957)	(3,741,135)
Net loans and receivables to customers (Refer Note 24.1)	78,725,310	75,058,331

Maturity analysis of loans and receivables from customers is given in Note 49 and pre terminations may cause actual maturities differ from contractual maturities.

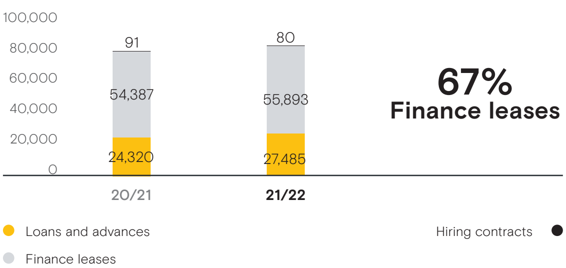
24.1 Analysis

Product-wise analysis

As at 31 March	2022 Rs. '000	2021 Rs. '000
Loans and advances to customers (Refer Note 24.1.1)	27,484,911	24,320,163
Finance lease receivables (Refer Note 24.1.2)	55,893,015	54,387,448
Hiring contracts (Refer Note 24.1.3)	80,341	91,855
Gross loans and receivables to customers	83,458,267	78,799,466
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	(4,732,957)	(3,741,135)
Net loans and advances to customers	78,725,310	75,058,331

Rs. Mn.

PRODUCT-WISE ANALYSIS OF LOAN PORTFOLIO



Further analysis on loans and receivables to customers is given in Note 51 (Financial Risk Management).

24.1.1 Loans and advances to customers

As at 31 March	2022 Rs. '000	2021 Rs. '000
Short-term loans	2,411,213	2,128,601
Term and vehicle loans	12,917,205	14,415,473
Staff loans	504,959	569,461
Gold-related lending	10,773,585	6,893,299
Credit card	877,949	313,329
Gross loans and advances to customers	27,484,911	24,320,163
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	(878,705)	(706,211)
Net loans and advances to customers	26,606,206	23,613,952

24.1.2 Finance lease receivables

As at 31 March	2022 Rs. '000	2021 Rs. '000
Gross investment in finance leases		
Receivable within one year	26,670,464	27,330,665
Receivable after one year before five years	45,591,084	39,563,971
Receivable after five years	1,140,280	5,398,654
Total finance lease receivables	73,401,828	72,293,290
Unearned finance income	(17,508,813)	(17,905,842)
Gross finance lease receivables	55,893,015	54,387,448
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	(3,832,936)	(3,014,104)
Net finance lease receivables	52,060,079	51,373,344

24.1.3 Hiring contracts

As at 31 March	2022 Rs. '000	2021 Rs. '000
Gross investment in hiring contracts	80,341	91,855
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	(21,316)	(20,820)
Net investment in hiring contract	59,025	71,035

24.2 Allowance for impairment and other credit losses

Provision for Expected Credit Losses (ECL) as per SLFRS 9 – "Financial instruments"

As at 31 March	2022			
	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year	706,211	3,014,104	20,820	3,741,135
Charge/(Reversal) for the year	172,494	818,832	496	991,822
Balance as at the end of the year	878,705	3,832,936	21,316	4,732,957

As at 31 March	2021			
	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year	462,973	2,178,568	25,638	2,667,179
Charge/(Reversal) for the year	243,238	835,536	(4,818)	1,073,956
Balance as at the end of the year	706,211	3,014,104	20,820	3,741,135

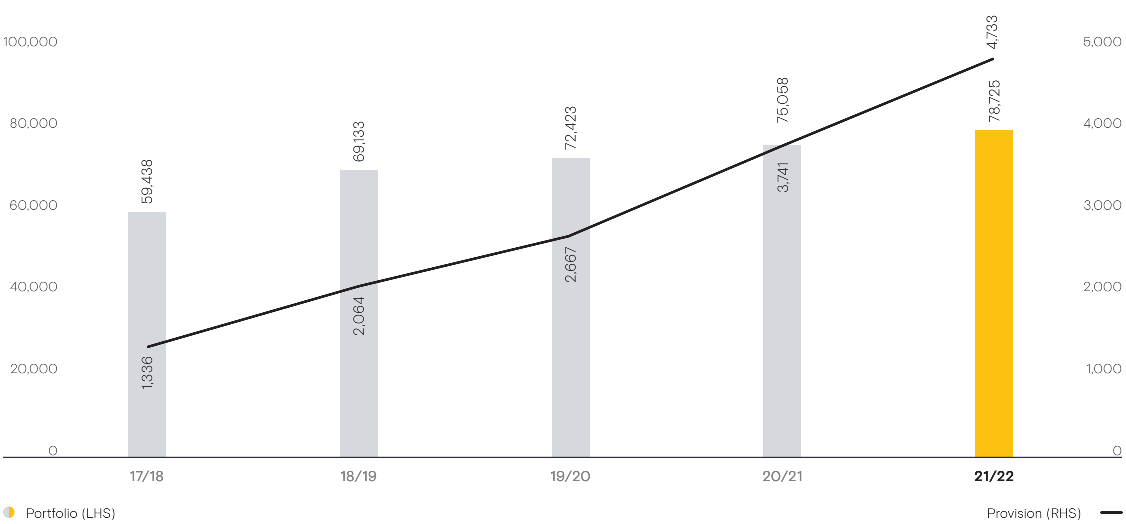
Refer Note 51.A.I for more details on inputs, assumptions and techniques used for estimating ECL.

Movements in allowance for expected credit losses (stage transition)

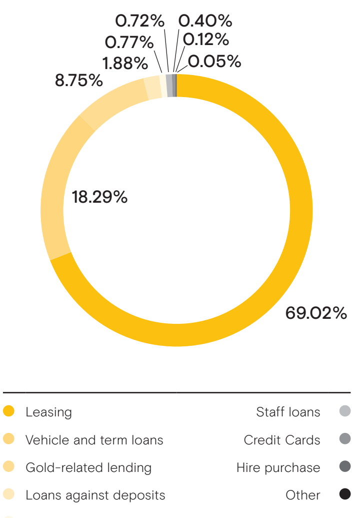
As at 31 March	2022			
	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit-impaired Rs. '000	Stage 3: lifetime ECL credit-impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	394,184	560,481	2,786,470	3,741,135
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(36,685)	32,271	4,414	–
Transferred from lifetime ECL not credit-impaired	199,056	(231,914)	32,858	–
Transferred from lifetime ECL credit-impaired	256,463	162,976	(419,439)	–
Net remeasurement of loss allowance	522,013	178,275	291,534	991,822
Balance as at the end of the year	1,335,031	702,089	2,695,837	4,732,957

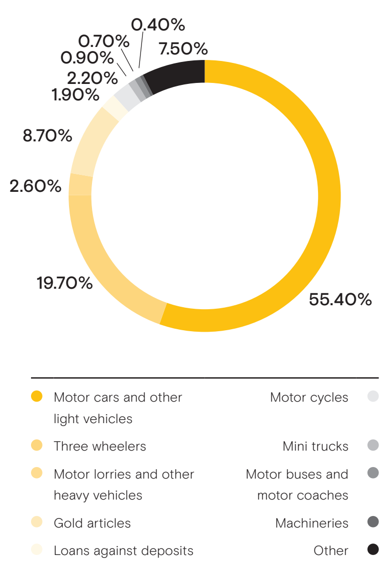
As at 31 March	2021			
	Stage 1: 12 months ECL	Stage 2: lifetime ECL not credit-impaired	Stage 3: lifetime ECL credit-impaired	Total ECL
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the beginning of the year	557,606	457,235	1,652,338	2,667,179
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(160,232)	87,116	18,893	–
Transferred from lifetime ECL not credit-impaired	102,833	(216,467)	21,868	–
Transferred from lifetime ECL credit-impaired	57,399	129,351	(40,761)	–
Net remeasurement of loss allowance	(163,422)	103,246	1,134,132	1,073,956
Balance as at the end of the year	394,184	560,481	2,786,470	3,741,135

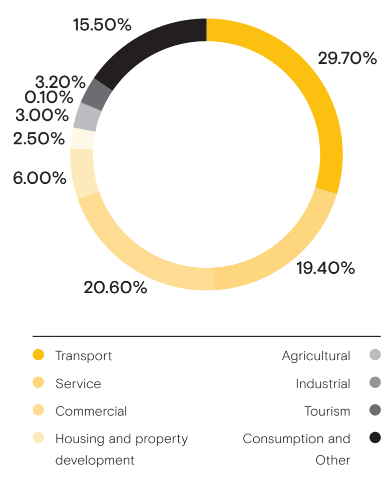
24.3 Allowance for impairment against loan portfolio



24.3 Allowance for impairment against loan portfolio







25. Other investment securities

ACCOUNTING POLICY

Other investment securities comprise with debt investments measured at amortised cost and equity investments measured at FVOCI.

Recognition

Debt investment securities measured at amortised cost

Debt investments measured at amortised cost are initially measured at fair value plus incremental direct transaction costs.

Debt investment securities measured at FVOCI

Debt investments measured at FVOCI are initially measured at fair value plus incremental direct transaction costs.

Measurement

Debt investments measured at amortised cost

Debt investments subsequently measured at their amortised cost using the effective interest method.

The Company recognises loss allowances for ECLs on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date. Refer Note 12 for further details on ECL policy.

Debt investments measured at FVOCI

For debt investments measured at FVOCI, gains and losses are recognised in OCI except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method
- ECL and reversals
- Foreign exchange gains and losses

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Equity investments at FVOCI

The Company elects to present in OCI changes in the fair value of certain investments in equity instruments that are not FVTPL. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Classification of financial assets is given in Note 18.

No impairment loss is recognised on equity investments classified quoted under FVOCI.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Debt investments measured at amortised cost (Refer Note 25.1)	4,333,029	1,039,869
Debt investments measured at FVOCI (Refer Note 25.2)	561,727	–
Unquoted equity investments measured at FVOCI (Refer Note 25.3)	124	124
Quoted equity investments measured at FVOCI (Refer Note 25.4)	1,681,150	1,629,966
Total other investment securities	6,576,030	2,669,959

Maturity analysis of other investment securities is given in Note 49.

25.1 Debt investments measured at amortised cost

As at 31 March	2022 Rs. '000	2021 Rs. '000
Treasury Bills	4,263,197	–
Treasury Bonds	44,665	113,660
Unit trusts	25,167	926,209
Debt investments measured at amortised cost	4,333,029	1,039,869

25.2 Debt investments measured at FVOCI

As at 31 March	2022 Rs. '000	2021 Rs. '000
Treasury Bills	561,727	–
Debt investments measured at amortised cost	561,727	–

25.3 Unquoted equity investments measured as at FVOCI

As at 31 March	2022				
	Number of shares	Cost at acquisition	Cost	Carrying amount	Fair value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unquoted shares					
Middleway Limited – Ordinary shares*	416,455	4,165	4,165	–	–
Middleway Limited – Preference shares*	2,050,000	20,500	20,500	–	–
Credit Information Bureau of Sri Lanka (CRIB)	100	124	124	124	124
Total unquoted equity investments			24,789	124	124

*These unquoted investments were fully impaired.

25.4 Quoted equity investments measured as at FVOCI

As at 31 March 2022	Sector as per CSE classification		Market price	Market value	Cost of the investment	Mark to market gain/(loss)
			Rs.	Rs. '000	Rs. '000	Rs. '000
Ceylinco Insurance PLC – Voting	Bank, Finance and Insurance	682,464	2,300	1,569,667	1,423,625	146,042
Pan Asia Banking Corporation PLC – Voting	Bank, Finance and Insurance	150,000	11	1,620	2,100	(480)
Sampath Bank PLC – Voting	Bank, Finance and Insurance	75,000	46	3,435	4,035	(600)
Vallibel One PLC – Voting	Bank, Finance and Insurance	100,000	40	4,020	7,786	(3,766)
Hemas Holdings PLC – Voting	Diversified Holdings	83,134	46	3,841	6,464	(2,623)
Sunshine Holdings PLC – Voting	Diversified Holdings	60,000	37	2,196	3,112	(916)
Hayleys PLC – Voting	Diversified Holdings	50,000	77	3,845	6,167	(2,322)
Expolanka Holdings PLC – Voting	Diversified Holdings	100,000	208	20,775	29,578	(8,803)
CIC Holdings PLC – Voting	Manufacturing	215,533	38	8,212	11,778	(3,566)
CIC Holdings PLC – Non-Voting	Manufacturing	176,956	25	4,424	8,000	(3,576)
Ceylon Grain Elevators PLC – Voting	Manufacturing	44,998	61	2,745	6,438	(3,694)
Royal Ceramics Lanka PLC – Voting	Manufacturing	85,000	41	3,460	4,811	(1,351)
ACL Cables PLC – Voting	Manufacturing	144,684	57	8,247	15,067	(6,820)
Dipped Products PLC – Voting	Manufacturing	116,610	33	3,790	6,621	(2,831)
Tokyo Cement Company (Lanka) PLC – Non-Voting	Manufacturing	200,198	26	5,265	14,395	(9,130)
Tokyo Cement Company (Lanka) PLC – Voting	Manufacturing	411,450	34	13,948	29,061	(15,113)
Haycarb PLC – Voting	Manufacturing	263,990	50	13,252	26,811	(13,559)
Hayleys Fabric PLC – Voting	Manufacturing	100,000	29	2,910	3,650	(740)
Ex-pack Corrugated Cartons PLC - Voting	Manufacturing	100,000	10	990	1,805	(815)
Overseas Realty (Ceylon) PLC – Voting	Land and property	27,007	16	421	419	2
Lion Brewery PLC – Voting	Beverage, food and tobacco	451	525	237	141	96
Lanka IOC PLC – Voting	Energy	125,000	31	3,850	8,231	(4,381)
Total equity investments				1,681,150	1,620,096	61,053

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As at 31 March 2021	Sector as per CSE classification		Market price	Market value	Cost of the investment	Mark to market gain/ (loss)
			Rs.	Rs. '000	Rs. '000	Rs. '000
Ceylinco Insurance PLC – Voting	Bank, Finance and Insurance	682,464	2,087	1,424,473	268,250	1,156,223
Pan Asia Banking Corporation PLC – Voting	Bank, Finance and Insurance	200,000	14	2,800	3,580	(780)
Sampath Bank PLC – Voting	Bank, Finance and Insurance	75,000	54	4,035	4,986	(951)
Vallibel One PLC – Voting	Bank, Finance and Insurance	347,999	47	16,391	22,387	(5,996)
John Keells Holdings PLC – Voting	Diversified Holdings	50,000	149	7,425	7,597	(172)
Aitken Spence PLC – Voting	Diversified Holdings	50,415	56	2,798	3,310	(512)
Expolanka Holdings PLC – Voting	Diversified Holdings	450,000	45	20,115	23,313	(3,198)
Teejay Lanka PLC – Voting	Manufacturing	62,862	40	2,514	2,507	7
Alumex PLC – Voting	Manufacturing	300,000	11	3,240	4,277	(1,037)
CIC Holdings PLC – Voting	Manufacturing	75,000	51	3,818	4,411	(594)
CIC Holdings PLC – Non-Voting	Manufacturing	213,435	42	9,050	10,486	(1,436)
Ceylon Grain Elevators PLC – Voting	Manufacturing	54,555	118	6,437	6,915	(478)
Royal Ceramics Lanka PLC – Voting	Manufacturing	52,551	257	13,506	16,008	(2,502)
ACL Cables PLC – Voting	Manufacturing	50,000	36	1,795	2,275	(480)
Dipped Products PLC – Voting	Manufacturing	712,523	46	33,061	44,247	(11,186)
Tokyo Cement Company (Lanka) PLC – Non-Voting	Manufacturing	50,405	61	3,055	2,959	96
Tokyo Cement Company (Lanka) PLC – Voting	Manufacturing	286,450	67	19,106	22,467	(3,361)
Haycarb PLC – Voting	Manufacturing	160,000	93	14,880	21,463	(6,583)
Hayleys PLC – Voting	Manufacturing	309,390	61	18,811	19,402	(591)
Kalani Cables PLC – Voting	Manufacturing	92,809	112	10,371	15,736	(5,365)
Overseas Realty (Ceylon) PLC – Voting	Land and property	27,007	16	419	586	(167)
Lion Brewery PLC – Voting	Beverage, food and tobacco	12,064	569	6,864	6,513	351
Lanka Milk Foods (CWE) PLC – Voting	Beverage, food and tobacco	15,000	150	2,254	2,295	(41)
Lanka Walltiles PLC – Voting	Capital Goods	72,920	38	2,749	2,661	88
Total equity investments				1,629,966	518,631	1,111,335

The Company designated the investments shown above as equity securities of FVOCI because these equity securities represent investments that the Company intends to hold for a long term for a strategic purpose. The cumulative gain amounted to Rs. 22 Mn. from the disposal of investments has been transferred to retain earnings as disclosed in the changes in equity.

26. Investment property

ACCOUNTING POLICY

Recognition

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

Measurement

Investment properties are initially measured at its cost and transaction costs shall be included in the initial measurement. Subsequent to the initial recognition the investment properties are stated at cost model which is in accordance with LKAS 16 – "Property, Plant and Equipment".

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. The land is non-depreciated. Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses.

However entity measure the fair value of investment property for the purpose of disclosure and the Company obtain a valuation by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Transfers to/from investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by commencement of owner occupation, for a transfer from investment property to owner occupied property, commencement of development with a view to sale, for a transfer from investment property to inventories, end of owner occupation, for a transfer from owner-occupied property to investment property; or commencement of an operating lease to another party, for a transfer from inventories to investment property.

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

Any gain arising on remeasurement is recognised in Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

Derecognition

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Balance as at the beginning of the year	20,198	20,198
Acquisitions during the year	–	–
Disposals during the year	(20,198)	–
	–	20,198
Less: Provision for impairment	–	–
Balance as at the end of the year	–	20,198

Investment property comprises land acquired by the Company and held for capital appreciation purpose. The Company has sold its investment property during the year for consideration of Rs. 36 Mn. and resulting a disposal profit of Rs. 14.7 Mn. has been recognised in the profit or loss.

27. Property, plant and equipment

ACCOUNTING POLICY

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Cost model

The Company applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation model

The Company applies the revaluation model to the freehold land. Revaluation is performed frequently and if material value difference is observed such difference is taken to revaluation reserve. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land of the Company is revalued to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves.

Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset. Company revalued all of its free hold land as at 31 March 2022. Method and significant assumptions including unobservable market inputs employed in estimating fair value is given in Note 27.1.

Subsequent cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognised. The costs of day-to-day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in Statement of Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation is determined separately for each significant component of an item of property, plant and equipment. Management reviews the assets residual value, useful life and depreciation method at each reporting date. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Freehold buildings	2.5%
Motor vehicles	20%
Computer equipment	20%
Office equipment	20%
Furniture and fittings	20%

Depreciation is not provided for freehold land.

Useful lifetime of property, plant and equipment

The Company reviews the residual values, useful lives and method of depreciation of property, plant and equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

ACCOUNTING POLICY

Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard 23. (LKAS 23) – "Borrowing Costs". A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Impairment of individual assets

The carrying amounts of the Company's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU subject to an operating segment ceiling test. The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate asset is allocated. Impairment losses are recognised in Statement of Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Assets impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

	Land	Buildings	Furniture and fittings	Computer equipment	Office equipment	Motor vehicles	Capital work-in-progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation								
Balance as at 1 April 2021	1,900,175	655,133	929,723	641,762	260,404	275,418	68,476	4,731,091
Additions during the year			18,203	31,948	17,870	80,039	58,465	206,525
Revaluation gains	284,076							284,076
Balance as at 31 March 2021	2,184,251	655,133	947,926	673,710	278,274	355,457	126,941	5,221,692
Accumulated depreciation								
Balance as at 1 April 2021	–	103,084	712,294	452,109	222,465	150,801	–	1,640,753
Charged during the year		16,378	88,465	72,973	11,774	39,359		228,949
Disposal during the year								
Balance as at 31 March 2022	–	119,462	800,759	525,082	234,239	190,160	–	1,869,702
Carrying value								
Balance as at 31 March 2022	2,184,251	535,671	147,167	148,628	44,035	165,297	126,941	3,351,990

	Land	Buildings	Furniture and fittings	Computer equipment	Office equipment	Motor vehicles	Capital work-in-progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation								
Balance as at 1 April 2020	1,868,867	655,133	859,630	517,888	250,683	253,066	14,737	4,420,004
Additions during the year	31,308		70,093	123,874	9,721	77,921	53,739	366,656
Disposal during the year						(55,569)		(55,569)
Balance as at 31 March 2021	1,900,175	655,133	929,723	641,762	260,404	275,418	68,476	4,731,091
Accumulated depreciation								
Balance as at 1 April 2020	–	86,706	618,289	387,167	212,116	165,172	–	1,469,450
Charged during the year		16,378	94,005	64,942	10,349	41,198		226,872
Disposal during the year						(55,569)		(55,569)
Balance as at 31 March 2021	–	103,084	712,294	452,109	222,465	150,801	–	1,640,753
Carrying value								
Balance as at 31 March 2021	1,900,175	552,049	217,429	189,653	37,939	124,617	68,476	3,090,338

Maturity analysis of property, plant and equipment given in Note 49.

27.1 Revalued properties

The fair values of property, plant and equipment were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

Details of the revalued properties is as follows:

Property as at 31 March 2022	Extent (Perches)	Date of valuation	Rs. '000
Land – No. 123, Orabipasha Mawatha, Colombo 10	85.2	Saturday, 23 April 2022	979,800
Land – No. 40, Sri Sangaraja Mawatha, Colombo 10	4	Wednesday, 27 April 2022	44,000
Land – No. 377/2, Kandy Road, Mahara, Kadawatha	39	Saturday, 23 April 2022	136,500
Land – No. 79, Mihindu Mawatha, Kadawatha	76	Saturday, 23 April 2022	114,000
Land – Madapatha, Piliyandala Lot 1A	11.85	Tuesday, 26 April 2022	14,220
Land – Madapatha, Piliyandala Lot X	11	Tuesday, 26 April 2022	10,450
Land – No. 119, Galle Road, Moratuwa	5.2	Tuesday, 17 May 2022	20,800
Land – No. 79, Colombo Road, Kurunegala – Front	23	Sunday, 15 May 2022	218,500
Land – No. 79, Colombo Road, Kurunegala – Rear	2.1	Sunday, 15 May 2022	7,981
Land – No. 63, Ananda Coomaraswamy Mawatha, Colombo 03	29	Thursday, 28 April 2022	638,000
			2,184,251

Valuer	Valuation technique	Significant unobservable inputs	Sensitivity
Land – No. 123, Orabipasha Mawatha, Colombo 10			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 11,000,000/- to Rs. 12,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 40, Sri Sangaraja Mawatha, Colombo 10			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 10,000,000/- to Rs. 13,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 377/2, Kandy Road, Mahara, Kadawatha			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 3,200,000/- to Rs. 3,800,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 79, Mihindu Mawatha, Kadawatha			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 1,200,000/- to Rs. 1,700,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – Madapatha Lot 1A, Piliyandala			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 1,000,000/- to Rs. 1,200,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – Madapatha Lot X, Piliyandala			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 900,000/- to Rs. 950,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 119, Galle Road, Moratuwa			
K T Nihal, BSc (sp) Estate Management and Valuation, Former Assistant District Valuer	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 3,500,000/- to Rs. 4,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 79, Colombo Road, Kurunegala – Front			
K T Nihal, BSc (sp) Estate Management and Valuation, Former Assistant District Valuer	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 9,000,000/- to Rs. 10,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 79, Colombo Road, Kurunegala – Rear			
K T Nihal, BSc (sp) Estate Management and Valuation, Former Assistant District Valuer	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 3,500,000/- to Rs. 4,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 63, Ananda Coomaraswamy Mawatha, Colombo 03			
K T Nihal, BSc (sp) Estate Management and Valuation, Former Assistant District Valuer	Market Comparable Method*	The reference range of value for the properties in the area range from Rs. 18,000,000/- to Rs. 22,500,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.

*Market Comparable Method - Valuation of the property have been arrived at with reference prevailing land sales and in the area adjusted for the specific conditions of the above property.

Valuer has been selected with reference to the "guideline on property, plant and equipment and biological assets valuation" for the purpose of financial reporting issued by CA Sri Lanka.

27.2 Cost of the revalued properties

Property as at 31 March 2022	Cost Rs. '000
Land - No. 123, Orabipasha Mawatha, Colombo 10	196,628
Land - No. 40, Sri Sangaraja Mawatha, Colombo 10	31,308
Land - No. 377/2, Kandy Road, Mahara, Kadawatha.	15,234
Land - No. 79, Mihindu Mawatha, Kadawatha.	23,000
Land - Madapatha, Piliyandala Lot 1A	1,635
Land - Madapatha, Piliyandala Lot X	1,528
Land - No. 119, Galle Road, Moratuwa	15,600
Land - No. 79, Colombo Road, Kurunegala	181,999
Land - No. 63, Ananda Coomaraswamy Mawatha, Colombo 03	634,467
Total cost of the revalued properties	1,101,399

Above table includes the original cost of the properties which carries at revalued amounts as at 31 March 2022.

27.3 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.

27.4 Compensation from third parties for property, plant and equipment

There were no compensation received or pending for property plant and equipment as at the reporting date.

27.5 Fully depreciated property, plant and equipment

The Company is having Rs. 107 Mn. fully depreciated assets available within the Company as at the reporting date.

27.6 Temporary idle property, plant and equipment

There were no any temporary idle property, plant and equipment as at the reporting date.

27.7 Property, plant and equipment retired from active use

There were no property, plant and equipment retired from active use as at the reporting date.

27.8 Borrowing cost

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year.

27.9 Number of buildings in lands held by the Company

There are four buildings in the following lands, held by the Company

- Land - No. 123, Orabipasha Mawatha, Colombo 10
- Land - No. 79, Mihindu Mawatha, Kadawatha
- Land - No. 377/2, Kandy Road, Mahara, Kadawatha
- Land - No. 119, Galle Road, Moratuwa

27.10 Property, plant and equipment pledged as securities

Lot X in Plan No. 4359 located in No. 63, Ananda Kumaraswamy Mawatha, Kollupitiya purchased during the year 2019/20 for a value of Rs. 634 Mn. has pledged as a security for bank borrowings. Other than that there were no any properties pledge as a security as at 31 March 2022.

28. Intangible assets

ACCOUNTING POLICY

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

Computer software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category Intangible Assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

(a) Subsequent expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

(b) Amortisation

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Derecognition

An intangible asset shall be derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Cost		
Balance as at the beginning of the year	273,565	226,546
Additions during the year	44,507	47,019
Disposals during the year	-	-
Balance as at the end of the year	318,072	273,565
Accumulated amortisation		
Balance as at the beginning of the year	157,089	133,709
Charge during the year	24,905	23,380
Disposals during the year	-	-
Balance as at the end of the year	181,994	157,089
Carrying value		
Balance as at the end of the year	136,078	116,476

Intangible assets comprise computer software and licenses acquired by the Company to be used in its operation.

There is no restrictions on the title of the intangible assets of the Company as at the reporting date. Further, there were no items pledged as securities. There were no capitalised borrowing cost during the financial year.

As at the reporting date, the Company does not have development costs capitalised as an internally-generated intangible assets and no software under development.

Maturity analysis of intangible assets is given in Note 49.

29. Goodwill on amalgamation

ACCOUNTING POLICY

Goodwill on amalgamation

The results of amalgamation of three entities under common control are economically the same before and after the amalgamation as the amalgamated entity will have identical net assets. Accordingly Citizens Development Business Finance PLC continues to record carrying values including the remaining goodwill that resulted from the original acquisition of subsidiaries that has been consolidated since its acquisition.

Goodwill on consolidation

Goodwill is initially measured being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable asset acquired and liabilities assumed. Subsequent to initial recognition, Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is allocated to each of the Company's cash-generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment test for goodwill on amalgamation

Goodwill shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount. If the recoverable amount exceeds the carrying amount, the goodwill shall be regarded as not impaired. If the carrying amount exceeds the recoverable amount, the entity shall recognise the impairment loss.

As at 31 March	2022	2021
	Rs. '000	Rs. '000
Balance as at the beginning of the year	244,180	244,180
Additions during the year	–	–
Disposal during the year	–	–
Write-off during the year	(87,691)	–
Balance as at the end of the year	156,489	244,180

29.1 Impairment test on goodwill

Goodwill acquired through business combination is tested for impairment annually as at the reporting date. For the purpose of impairment testing amalgamated companies were considered as a separate Cash-Generating Unit (CGU) and the recoverable amounts of the CGU have been calculated based on its value in use. The value in use is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. Impairment loss of Rs. 88 Mn. recognised during 2021/22 the recoverable amount of this CGUs was determined to be lower than its carrying amount. Expected cash flows and discount rates of the underline performing lease portfolio are the unobservable inputs. Expected cash flows has a negative correlation whereas discount rates has a positive correlation with the caring value of the CGU.

30. Right-of-use assets and lease liabilities

ACCOUNTING POLICY

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand alone prices. However, for the leases of property the Company has elected not to separate non lease components and account for the lease and non lease components as a single lease component.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Presentation

As per SLFRS 16 Right-of-use assets are either presented separately from other assets on the balance sheet or disclosed separately in the notes. Similarly, lease liabilities are either presented separately from other liabilities on the balance sheet or disclosed separately in the Notes.

The Company has elected to present right-of-use assets separately from other assets on the Statement of Financial Position. Similarly, lease liabilities are presented separately from other liabilities on the Statement of Financial Position. Depreciation expense and interest expense cannot be combined in the income statement. In the cash flow statement, principal payments on the lease liability are presented within financing activities; interest payments are presented based on an accounting policy election in accordance with LKAS 7 Statement of Cash Flows.

30.1 Right-of-use assets movement during the year

As at 31 March	2022 Rs. '000	2021 Rs. '000
Right-of-use asset		
Balance as at 1 April	1,132,893	1,005,950
Additions and improvements during the year	156,554	153,410
Disposals during the year	–	(26,467)
Balance as at 31 March	1,289,447	1,132,893
Accumulated depreciation		
Balance as at 1 April	335,892	165,082
Charge during the year	185,075	170,810
Balance as at 31 March	520,967	335,892
Carrying value		
Balance as at 31 March	768,480	797,001

30.2 Lease liabilities movement during the year

As at 31 March	2022 Rs. '000	2021 Rs. '000
Lease liabilities		
Balance as at 1 April	810,682	804,390
Additions and improvements during the year	114,442	128,910
Disposals during the year		(26,467)
Accretion of interest during the year	102,027	107,432
Payments during the year	(224,648)	(203,583)
Balance as at 31 March	802,503	810,682

30.3 Amounts recognised in profit or loss

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Depreciation of right-of-use assets	185,075	170,810
Interest on lease liabilities	102,027	107,432
Total cost recognised in profit or loss	287,102	278,242

30.4 Amounts recognised in Statement of Cash Flows

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Total cash outflow for leases	(224,648)	(203,583)

30.5 Maturity analysis – Contractual undiscounted cash flows

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Less than one year	240,384	249,424
Between one and five years	667,611	710,399
More than five years	374,312	403,803
Total undiscounted cash flows	1,282,307	1,363,626

31. Other assets

ACCOUNTING POLICY

Other assets mainly comprise insurance premium receivable, insurance commission receivable, advance payments and inventory carried at historical cost.

Inventories

Inventories include mainly the gift items purchased for the savings value added scheme. Those inventories are valued at cost or net realisable value whichever is lower. The cost of an inventory is the purchase price. Net realisable value is the estimated realisable value less estimated cost necessary to make the sale.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Insurance premium receivable and capitalised charges	2,755,306	3,197,402
Insurance referral income receivable	80,182	90,195
Unamortised cost on staff loans	111,587	139,395
Gift stock	8,293	9,126
Other stocks	264,153	183,654
Other receivables and advances	336,769	342,658
Gross other assets	3,556,290	3,962,430
Less : Allowance for impairment	(85,481)	(47,124)
Net other assets	3,470,809	3,915,306

Maturity analysis of other assets is given in Note 49.

32. Derivative financial instruments

ACCOUNTING POLICY

Derivative contract is a financial instrument or other contract with all three of the following characteristics.

(a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying").

(b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

(c) It is settled at a future date.

A derivative usually has a notional amount, which is an amount of currency, a number of shares, a number of units of weight or volume or other units specified in the contract. However, a derivative instrument does not require the holder or writer to invest or receive the notional amount at the inception of the contract. Alternatively, a derivative could require a fixed payment or payment of an amount that can change (but not proportionally with a change in the underlying) as a result of some future event that is unrelated to a notional amount.

Derivatives are recorded at fair value with corresponding gains or losses are recognised in net gains/(losses) on trading in the Income Statement.

Derivative financial instruments are classified as fair value through profit or loss if they are acquired principally for the purpose of selling or repurchasing it in the near term.

Derivative financial instruments are subject to hedge accounting if those instruments are satisfying the hedge effectiveness criteria.

Hedge Accounting

The Company designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%.

Currently, the Company has only cash flow hedging relationships. The Company normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

ACCOUNTING POLICY

Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affected profit or loss, and in the same line item in the Statement of Profit or Loss and Other Comprehensive Income.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is notated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Company immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Company reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

The Company's Risk Management Division closely monitors the hedging activities that are been carried out by the Treasury Front Office for their compliance and effectiveness, as a Risk Management Strategy. The Company enters into hedging transactions for exposures that pose a material risk to the Company's financial health or threaten the strategic decisions. These hedging transactions are entered within the Bank's approved limits such as Per Transaction Limits Counter Party Limits, Currency Exposure Limits and Gap Limits, and always study the Market Outlook prior to entering into such transactions.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Forward exchange contracts - Financial liabilities	-	13,142
Forward exchange contracts - Financial assets	1,121,320	198,046

Maturity analysis of derivative financial instruments is given in Note 49.

Company has entered into forward contracts to cover the exchange rate risk exposed from the foreign borrowings obtained from Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V. (FMO) as at 31 March 2022 and these are designated as Cash Flow Hedges.

Refer Note 35.2 for more details on foreign borrowings.

Hedging instrument	Line item in the Statement of Financial Position	As at 31 March 2022 Carrying amount (Rs. '000)	Amount Set off/charged in the income statement (Rs. '000)
Hedge of foreign exchange risk arising from foreign currency denominated long-term liabilities using currency SWAP	Derivative financial asset	1,121,320	(1,237,500)
Hedge Item			
Foreign currency borrowings	Other interest bearing borrowings (Note 35.2)	3,711,268	1,237,500
Impact on Income statement			
Amortisation of hedge reserve			29,578

33. Deposits from customers

ACCOUNTING POLICY

These include savings deposits and term deposits. Customer deposits are initially recognised at fair value net of transaction cost. Subsequent to initial recognition deposits are measured at their amortised cost using the effective interest rate (EIR) method. Interest paid/payable on these deposits is recognised in the Statement of Profit or Loss.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Term deposits	48,843,572	45,647,851
Savings deposits	3,004,145	2,915,167
Mudharabah	369,085	436,323
Total deposits from customers	52,216,802	48,999,341

Maturity analysis of deposits from customers is given in Note 49 and pre-termination of fixed deposits and renewal of fixed deposits may cause actual maturities differ from contractual maturities.

Deposit insurance scheme

As per the Direction No. 01 of 2010, Sri Lanka Deposit Insurance Scheme, which was effected from 1 October 2010 all licensed finance companies are required to pay an insurance premium calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month. Eligible deposits includes all the time deposits held by CDB except for –

a. Deposit liabilities to member institutions

b. Deposit liabilities to the Government of Sri Lanka inclusive of Ministries, Departments and Local Governments.

c. Deposit liabilities to Directors, Key Management Personnel and other related parties as defined by the Finance Companies Act (Corporate Governance) Direction No. 03 of 2008.

d. Deposit liabilities held as collateral against any accommodation granted.

e. Deposits falling within the meaning of abandoned property in terms of the Finance Companies Act, Funds which have been transferred to the Central Bank of Sri Lanka in terms of the relevant directions issued by the Monetary Board.

34. Debt securities issued and subordinated debt

ACCOUNTING POLICY

Debt securities issued include debentures issued by the Company. Subsequent to the initial recognition these are measured at amortised cost using EIR method in the Statement of Financial Position. Interest paid/payable (Effective interest rate method) on debt securities is recognised in the Statement of Profit or Loss.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Listed debentures (Refer Note 34.1)	4,056,765	5,089,839
Subordinated Debt	1,670,132	1,183,324
Total debt securities issued	5,726,897	6,273,163

Debt securities issued would be subordinated to the claims of depositors and all other creditors of the issuer in the event of the winding-up of the issuer.

* Subordinated Debt of Rs. 1,183 held as at 31 March 2021 has been reclassified out of other interest-bearing borrowings to Debt securities issued and subordinated debt during the financial year 2020/22. This consist with EURO 5 Mn. in subordinate debt from Triodos IM received on 12 March 2021.

The Company has not had any defaults of principal or interest or other breaches with respect to any subordinated liability during the year ended 31 March 2022. (2021 – Nil)

Maturity analysis of debt securities issued is given in Note 49.

34.1 Details of listed debentures issued

Debenture issue – 2016

Ten million (10,000,000) Subordinated, Listed, Rated (A-), Guaranteed, Redeemable debentures at a price of Rs. 100/- each.

Debenture issue – 2018

Initial issue of ten million (10,000,000) Subordinated, Listed, Rated (BBB), Unsecured, Redeemable debentures at a price of Rs. 100/- each with an option to issue up to a further ten million (10,000,000) debentures in the event of an oversubscription of the initial issue.

Debenture issue – 2019 January

Five million (5,000,000) Subordinated, Listed, Rated (BBB), Unsecured, Redeemable debentures at a price of Rs. 100/- each with the option to increase by a further five million (5,000,000) debentures in the event of an over subscription with a further option to issue two million five hundred thousand (2,500,000) debentures.

Debenture issue – 2019 December

Initial issue of five million (5,000,000) Subordinated, Unsecured, Listed, Redeemable, Rated (BBB) debentures at a price of Rs. 100/- each with the option to issue two million five hundred thousand (2,500,000) debentures in the event of an over subscription of the initial issue.

Description	Face value	Amortised cost		Allotment date	Maturity date	Term	Interest rate	Repayment term
		2022	2021					
	Rs. '000	Rs. '000	Rs. '000			Years	%	
Issued in 2016								
Type A	998,370	–	1,039,544	3 June 2016	2 June 2021	5	12.75	Semi-annually
Type B	1,630	–	1,709	3 June 2016	2 June 2021	5	6-months Net T-Bill Rate (net of tax) plus 1.50% Floor rate of 10.00% per annum	Semi-annually
	1,000,000		1,041,253					
Issued in 2018								
Type A	1,066,990	1,067,765	1,066,633	28 March 2018	27 March 2023	5	13.75	Semi-annually
Type B	933,010	933,722	933,386	28 March 2018	27 March 2023	5	14.20	Annually
	2,000,000	2,001,487	2,000,019					
Issued in 2019								
Type A	259,180	263,497	262,695	31 January 2019	30 January 2024	5	15.00	Semi-annually
Type B	668,590	680,267	677,166	31 January 2019	30 January 2024	5	15.50	Annually
	927,770	943,764	939,461					
Issued in 2019 (December)								
Type A	387,900	400,661	399,793	10 December 2019	9 December 2024	5	13.43	Semi-annually
Type B	687,300	710,853	709,313	10 December 2019	9 December 2024	5	13.88	Annually
	1,075,200	1,111,514	1,109,106					
Total debt securities issued		4,056,765	5,089,839					

34.2 Utilisation of funds raised via capital market

Objective as per prospectus	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in (A) Rs	Total proceeds %	Amounts utilised in (B) Rs.	Utilisation against Allocation (B/A) %
Issued in 2018						
Supporting the general business growth opportunities of the Company	2 Bn.	Within the next 12 months from the date of allotment	2 Bn.	100	2 Bn.	100
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base						
Issued in 2019 (January)						
Supporting the general business growth opportunities of the Company	927.77 Mn.	Within the next 12 months from the date of allotment	927.77 Mn.	100	927.77 Mn.	100
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base						
Issued in 2019 (December)						
Supporting the general business growth opportunities of the Company	1,075.2 Mn.	Within the next 12 months from the date of allotment	1,075.2 Mn.	100	1,075.2 Mn.	100
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base						

35. Other interest-bearing borrowings

ACCOUNTING POLICY

These represent borrowings from financial institutions, due to foreign institutions, securitisation, commercial papers and other borrowings. These facilities are initially recognised at fair value net of transaction cost. Subsequent to initial recognition borrowings are measured at their amortised cost using the effective interest method. Amortised cost is computed by taking into account any discount or premium identified at initial recognition which are an integral part of EIR. Interest paid/payable on these borrowings are recognised in profit or loss.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Due to banks (Refer Note 35.1)	16,758,507	11,447,414
Due to foreign institutional lenders (Refer Note 35.2)	7,751,544	8,126,602
Securitisation (Refer Note 35.3)	199,686	957,258
Other borrowings	–	5,388
Total other interest-bearing borrowings	24,709,737	20,536,662

* Subordinated debt of Rs. 1,183 held as at 31 March 2021 has been reclassified out of other interest-bearing borrowings to debt securities issued and subordinated debt during the financial year 2020/22. This consist with EUR 5 Mn. in subordinate debt from Triodos IM received on 12 March 2021.

35.1 Due to banks

As at 31 March	Loan obtained Rs. '000	2022 Rs. '000	2021 Rs. '000
DFCC Bank PLC – Term Loan 1	500,000	12,580	135,480
DFCC Bank PLC – Term Loan 2	750,000	672,836	–
Hatton National Bank PLC – Term Loan 4	1,000,000	–	27,849
Hatton National Bank PLC – Term Loan 5	1,000,000	156,056	475,170
Hatton National Bank PLC – Term Loan 6	1,500,000	904,734	1,222,523
Hatton National Bank PLC – Term Loan 7	1,500,000	1,302,552	–
Hatton National Bank PLC – Term Loan 8	1,500,000	1,452,020	–
Hatton National Bank PLC – Short-term Loan	300,000	301,805	–
National Savings Bank – Term Loan 2	500,000	152,783	306,306
Nations Trust Bank PLC – Term Loan 2	750,000	118,159	354,762
Nations Trust Bank PLC – Term Loan 4	1,000,000	996,446	–
Nations Trust Bank PLC – Short-term Loan	200,00	201,007	–
Sampath Bank PLC – Term Loan 1	1,100,000	–	207,510
Sampath Bank PLC – Term Loan 2	1,500,000	306,009	625,714
Sampath Bank PLC – Term Loan 3	1,000,000	315,640	608,069
Sampath Bank PLC – Term Loan 4	500,000	500,000	527,597
Seylan Bank PLC – Term Loan 2	2,000,000	–	33,335
Seylan Bank PLC – Term Loan 3	1,000,000	–	134,569
Seylan Bank PLC – Term Loan 4	500,000	112,061	192,573
Seylan Bank PLC – Term Loan 5	1,000,000	323,040	466,468
Seylan Bank PLC – Term Loan 6	400,000	206,735	260,139
Seylan Bank PLC – Term Loan 7	1,500,000	864,787	1,079,087
Seylan Bank PLC – Term Loan 8	1,500,000	446,366	753,714
Seylan Bank PLC – Term Loan 9	1,500,000	1,417,450	–
Union Bank PLC – Term Loan 1	500,000	–	156,204
Nations Development Bank PLC – Term Loan 2	1,000,000	891,782	1,163,726
Nations Development Bank PLC – Term Loan 3	1,000,000	960,901	1,215,626
Nations Development Bank PLC – Term Loan 4	1,500,000	1,604,874	1,500,993
Nations Development Bank PLC – Term Loan 5	2,534,375	2,537,884	–
Total due to banks		16,758,507	11,447,414

35.2 Due to foreign institutional lenders

As at 31 March	Loan obtained Rs. '000	2022 Rs. '000	2021 Rs. '000
Belgian Investment Company for Developing Countries (BIO)	1,597,500	324,077	648,142
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V. (FMO)	4,562,500	3,711,268	3,752,535
BlueOrchard Microfinance Fund	4,487,500	3,716,199	3,725,925
Total due to foreign institutional lenders	11,827,490	7,751,544	8,126,602

35.3 Securitisation

Details of securitisation as at 31 March 2022 is as follows:

Issue No.	Face value Rs. '000	Maximum period Months	Trustee	Balance as at 31 March 2022 Rs. '000	Security
D29	750,000	28	HNB	199,686	Mortgage over lease and hire purchase receivables
Total securitisation				199,686	

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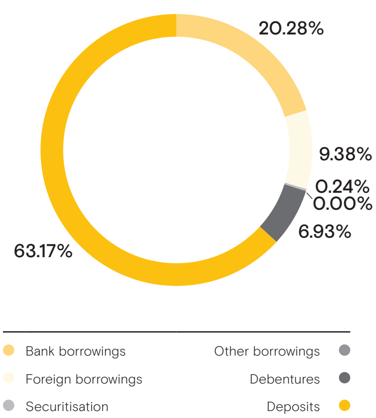
Details of securitisation as at 31 March 2021 is as follows:

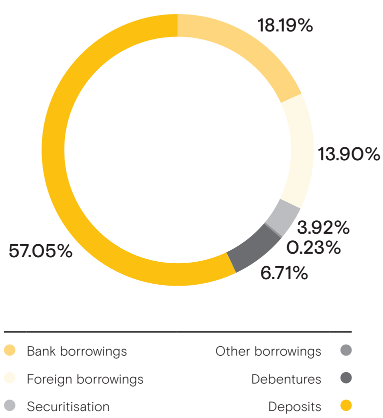
Issue No.	Face value Rs. '000	Maximum period Months	Trustee	Balance as at 31 March 2021 Rs. '000	Security
D19	628,000	36	HNB	71,958	Mortgage over lease and hire purchase receivables
D21	290,000	36	HNB	278,210	Mortgage over lease and hire purchase receivables
D28	500,000	20	HNB	82,168	Mortgage over lease and hire purchase receivables
D29	750,000	28	HNB	453,305	Mortgage over lease and hire purchase receivables
D30	200,000	35	HNB	50,373	Mortgage over lease and hire purchase receivables
D 31	300,000	36	HNB	21,244	Mortgage over lease and hire purchase receivables
Total securitisation				957,258	

35.4 Analysis of interest-bearing funding mix

FUNDING MIX 2022



FUNDING MIX 2021



36. Current tax liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Refer Note 15 for more details on taxation.

The Company is subject to income taxes and other taxes including VAT on financial services.

As at 31 March	2022 Rs. '000	2021 Rs. '000
VAT on financial services	187,835	163,426
Withholding tax payable	196	114
Provision for income tax (Refer Note 36.1)	1,128,982	988,442
Other taxes on financial services	83,519	69,010
Total current tax liabilities	1,400,532	1,220,992

Maturity analysis of current tax liabilities is given in Note 49.

36.1 Provision for income tax

As at 31 March	2022 Rs. '000	2021 Rs. '000
Balance as at the beginning of the year	988,442	1,385,377
Current tax for the year (Refer Note 15)	1,430,758	1,169,987
Over provision in respect of prior periods (Refer Note 15)	39,634	(18,134)
Self-assessment payment of tax	(1,329,852)	(1,548,788)
Balance as at the end of the year	1,128,982	988,442

37. Deferred tax assets and liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Management judgements are required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Refer Note 15 for more details on taxation.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Deferred tax liabilities	695,761	376,460
Deferred tax assets	(65,651)	–
Total net deferred tax liabilities	630,110	376,460

Net deferred tax assets/liabilities of one entity cannot be set-off against another entity's assets/liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

Maturity analysis of deferred tax asset and liabilities are given in Note 49.

As at 31 March	2022		2021	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Deferred tax liabilities on:				
Accelerated depreciation for tax purposes – Owned assets	574,661	137,919	649,000	155,760
Accelerated depreciation for tax purposes – Leased assets	1,238,078	297,139	117,399	28,176
Deferred tax on revaluation surplus	1,086,261	260,703	802,185	192,524
Deferred tax assets on:				
Right of use assets	(34,023)	(8,166)	–	–
Expected credit losses on loans and receivables from customers	(239,520)	(57,485)	–	–
Net deferred tax liability	2,625,457	630,110	1,568,584	376,460

37.2 Movement of net deferred tax liability

As at 31 March	2022 Total movement Rs. '000	2022 Effect on income statement Rs. '000	2022 Effect on other comprehensive income Rs. '000	2021 Total movement Rs. '000	2021 Effect on income statement Rs. '000	2021 Effect on other comprehensive income Rs. '000
Net deferred tax liability as at 1 April	376,460			609,271		
Impact of amalgamation	–			41,131		
Changes in net liability:						
Accelerated depreciation for tax purposes – Owned assets	(17,841)	(17,841)	–	5,065	5,065	
Accelerated depreciation for tax purposes – Leased assets	268,964	268,964	–	(246,919)	(246,919)	
Right of use assets	(8,166)	(8,166)	–	–	–	
Expected credit losses on loans and receivables from customers	(57,485)	(57,485)	–	–	–	
Change in deferred tax on revaluation	68,178	–	68,178	–		–
Change in deferred tax on revaluation due to rate change				(32,087)		(32,087)
Total effect on total comprehensive income	253,650	185,472	68,178	(273,941)	(241,854)	(32,087)
Net deferred tax liability as at 31 March	630,110			376,460		

38. Retirement benefit obligation

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Plan asset comprises the assets held by a long-term employee benefit fund that is legally separate from the reporting entity and exists solely to pay or fund employee benefits.

Refer Note 13.1 for Company's policy on retirement benefit obligation.

As at 31 March	2022 Defined benefit obligation Rs. '000	2022 Fair value of plan asset Rs. '000	2022 Net defined benefit liability/ (Asset) Rs. '000	2021 Defined benefit obligation Rs. '000	2021 Fair value of plan asset Rs. '000	2021 Net defined benefit liability/ (Asset) Rs. '000
Balance as at the beginning of the year	837,788	828,690	9,098	643,002	614,071	28,931
Recognised in profit or loss						
Current service cost	60,890		60,890	70,467		70,467
Past service cost*	(59,072)		(59,072)			–
Interest cost/income	62,834	62,152	682	64,300	61,406	2,894
	64,652	62,152	2,500	134,767	61,406	73,361
Recognised in other comprehensive income						
Actuarial gain/loss	(88,689)	230,716	(319,405)	79,988	5,182	74,806
	(88,689)	230,716	(319,405)	79,988	5,182	74,806
Others						
Contributions made during the year		100,000	(100,000)		168,000	(168,000)
Benefits paid by the plan asset	(15,183)	(15,183)	–	(19,969)	(19,969)	–
Total net defined benefit obligation as at end of the year	798,568	1,206,375	(407,807)	837,788	828,690	9,098

* The Company reassessed defined benefit obligation taking into consideration the retirement age revision under the "Minimum retirement age of workers Act No. 28 of 2021". This reassessment resulted in a net reversal of liability which was immediately reversed to the statement of Profit or Loss as it is considered as a change to the plan in compliance with the Sri Lanka Accounting Standard "LKAS 19 – Employee Benefits"

Maturity analysis of retirement benefit obligation is given in Note 49.

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38.1 Plan assets

As at 31 March	2022 Rs. '000	2021 Rs. '000
Cash and cash equivalents	13,223	47,667
Quoted equity securities	506,301	241,357
Term deposits	546,070	539,666
Other financial assets	140,781	–
Total plan assets	1,206,375	828,690

38.2 Actuarial valuation

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2022 by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries is the "Projected Unit Credit Method", the method recommended by LKAS 19 – "Employee Benefits".

38.3 Asset ceiling

As per LKAS 19 – "Employee Benefits" if a plan is in surplus, recognised amount recognised as an asset in the Statement of Financial Position is limited to the "asset ceiling". The asset ceiling is the present value of any economic benefits available to the entity in the form of a refund or a reduction in future contributions. By analysing all the future economic benefits available to the plan asset, it was estimated there is no asset ceiling requirement as at 31 March 2022.

Actuarial assumptions

Assumption	Description		2022	2021
Non-financial assumptions				
Mortality	A 1967/70 mortality table issued by the Institute of Actuaries, London		A 67/70	A 67/70
Staff turnover	The probability of employee leaving the organisation other than death, illness and normal retirement	Permanent	6%	6%
		Contract	54%	54%
Normal retirement age	Age which employee is normally retired		60 years	55 years
Duration	Weighted average duration of defined benefit obligation		8.17 years	8.28 years
Financial assumptions				
Discount rate	Determined based on the long-term Government Bond rate and expected inflation in long-term		15%	7.5%
Future salary growth	Normal annual salary increment rate per employee was considered		10%	6%

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions (financial), holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Assumption	Change	Adjusted present value of net defined benefit liability ('000)	Net Effect on present value of defined benefit liability ('000)
Discount rate	1% increase	745,027	(53,541)
	1% decrease	859,459	60,891
Future salary growth	1% increase	865,480	66,912
	1% decrease	739,070	(59,498)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

Expected benefits to be paid out in future years

As at 31 March	2022 Rs. '000	2021 Rs. '000
Within next year	52,478	31,986
Between 2 and 5 years	350,882	399,918
Beyond 5 years	395,208	405,884
Total benefits	798,568	837,788

39. Other liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Other liabilities mainly comprise accrued expenses, supplier payable, insurance premium payable, bank overdrafts, rental received in advance and etc.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Accrued expenses	244,569	252,443
Supplier payable	391,456	377,034
Insurance premium payable	326,560	372,312
Bank overdrafts	254,891	175,940
Rentals received in advance from loans and advances to customers	629,081	645,364
Other liabilities	438,770	216,116
Total other liabilities	2,285,327	2,039,209

Maturity analysis of other liabilities is given in Note 49.

40. Stated capital

Ordinary shares

Ordinary shares of the Company are recognised at the amount paid per ordinary shares net of directly attributable issue cost.

	2022		2021	
	Number of shares	Value Rs. '000	Number of shares	Value Rs. '000
Balance as at the beginning of the year	69,792,748	2,350,363	69,792,748	2,350,363
Issued during the year				
Exercise of share options - Voting	63,295	11,584		
Balance as at the end of the year	69,856,043	2,361,947	69,792,748	2,350,363
Composition of number of shares				
Voting	59,512,375	1,887,116	59,449,080	1,875,532
Non-voting	10,343,668	474,831	10,343,668	474,831
Total stated capital	69,856,043	2,361,947	69,792,748	2,350,363

Rights, preferences and restrictions of ordinary shares

The shares of the Citizens Development Business Finance PLC are quoted on the Main Board of Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividend paid during the year

The Company has paid a first and final cash dividend of Rs. 7.50 per share for its ordinary voting and non-voting shares for the year ended 31 March 2021.

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The board has proposed a first and final dividend of Rs. 3.75 per share for its voting and non-voting share holders for the financial year ended 31 March 2022.

41. Reserves

As at 31 March	2022 Rs. '000	2021 Rs. '000
Other capital reserve (Refer Note 41.1)	30,584	-
Revaluation reserve (Refer Note 41.2)	825,559	609,661
Fair value reserve (Refer Note 41.3)	56,531	3,924
Hedge reserve (Refer Note 41.4)	(145,759)	-
Statutory reserve fund (Refer Note 41.5)	2,062,600	1,881,996
Total reserves	2,829,785	2,495,581

41.1 Other capital reserve

The other capital reserve is used to recognise the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Balance as at the beginning of the year	-	-
Employee share options granted during the year	33,211	-
Employee share options exercised during the year	(2,357)	-
Balance as at the end of the year	30,854	-

Board of Directors of the Company has duly resolved to establish an employee share option plan to grant total number of share options of 2,972,454 ordinary voting shares for the period commencing from 1 September 2021 to 1 September 2023. The scheme was approved by shareholders at the Extraordinary General Meeting held on 30 July 2021.

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

Shares under the scheme will be offered to the qualified employees at a volume weighted average price of all share transactions during the thirty market days immediately preceding the grant date and the Company has used Binominal Option Pricing Model to value the share options as at 1 September 2021 under the requirements of SLFRS 2 - "Share Based Payments".

Accordingly the Company has recognised an employee cost of Rs. 33 Mn. arising from the above in the year ended 31 March 2022.

63,295 ordinary shares were listed during the March 2022, consequent to the exercising of options under employee share option schemes.

41.2 Revaluation reserve

This revaluation reserve relates to revaluation of freehold land and represent the fair value changes as at the reporting date.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Balance as at the beginning of the year	609,661	577,574
Surplus on revaluation of lands during the year	284,076	-
Deferred tax on revaluation of lands during the year	(68,178)	
Change in deferred tax on revaluation*	-	32,087
Balance as at the end of the year	825,559	609,661

41.3 Fair value reserve

This fair value reserve relates to fair value adjustments of equity investments measured at fair value through other comprehensive income.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Balance as at the beginning of the year	3,924	(30,405)
Net change in fair value during the year	75,240	68,116
Net transfers during the year	(22,633)	(33,787)
Balance as at the end of the year	56,531	3,924

41.4 Hedge reserve

The effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Balance as at the beginning of the year	–	–
Net change in fair value during the year	(145,759)	–
Balance as at the end of the year	(145,759)	–

41.5 Statutory reserve fund

Statutory reserve fund is maintained by the Company in order to meet the legal requirements.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Balance as at the beginning of the year	1,881,996	1,754,148
Transfers during the year	180,604	127,848
Balance as at the end of the year	2,062,600	1,881,996

The reserve fund is maintained in compliance with Direction No. 01 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to finance companies.

As per the said Direction, every licensed finance company shall maintain a reserve fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis:

Capital funds to deposit liabilities	Percentage of transfer to reserve fund (%)
Not less than 25%	5
Less than 25% and not less than 10%	20
Less than 10%	50

Accordingly, the Company has transferred 5% of its net profit after taxation to the reserve fund as Company's capital funds to deposit liabilities, belongs to not less than 25% category.

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42. Retained earnings

As at 31 March	2022 Rs. '000	2021 Rs. '000
Balance as at the beginning of the year	9,206,276	6,904,680
Changes in capital structure due to amalgamation	–	–
Impact of amalgamation	–	(86,491)
Profit for the period	3,612,080	2,556,954
Remeasurement of defined benefit liability/(asset)	319,405	(74,806)
Dividends to equity holders	(523,447)	–
Net Transfers during the period	(157,971)	(94,061)
Balance as at the end of the year	12,456,343	9,206,276

43. Net assets value per share

As at 31 March	2022	2021
Numerator		
Total equity attributable to equity holders (Rs.)	17,648,075,000	14,052,220,000
Denominator		
Total number of shares	69,856,043	69,792,748
Net assets value per share (Rs.)	252.63	201.34

44. Contingencies and commitments

ACCOUNTING POLICY

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

Summary cases against the Company have been disclosed in the Notes to the Financial Statements. However, based on the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Contingencies		
– Contingent liabilities/(assets)	–	–
Commitments		
– Undrawn commitments (Refer Note 44.1)	1,665,156	1,004,757
– Capital commitments (Refer Note 44.2)	1,801,540	1,700,026
Total contingencies and commitments	3,466,696	2,704,783

Refer Note 46 for litigations against the Company.

44.1 Undrawn commitments

As at 31 March	2022 Rs. '000	2021 Rs. '000
Direct credit facilities*	1,665,156	1,004,757
Total undrawn commitments	1,665,156	1,004,757

*This includes undrawn credit card balances as at the reporting date.

44.2 Capital commitments

As at 31 March	2022 Rs. '000	2021 Rs. '000
Commitments in relation to property, plant and equipment		
– Approved and contracted for	170,707	119,259
– Approved but not contracted for	1,503,751	1,485,433
Commitments in relation to intangible assets		
– Approved and contracted for	127,082	6,632
– Approved but not contracted for	–	88,702
Total capital commitments	1,801,540	1,700,026

44.3 Tax assessment received

The Company have received notice of assessment in corporate income tax and value added tax on financial services for the period 2018/19 amounting to Rs. 552 Mn. and Rs. 166 Mn. respectively. The Company is in the process of appealing against the above assessments.

45. Related party disclosures

45.1 Parent and ultimate controlling party

The Company (CDB) does not have an identifiable parent of its own.

45.2 Transactions with Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company	The Board of Directors (Including Executive Directors and Non-Executive Directors) of the Company has been classified as KMP of the Company

45.2.1 Compensation of KMP

As at 31 March	2022 Rs. '000	2021 Rs. '000
Short-term employment benefits	237,764	209,045
Post-employment benefits	–	–
Other long-term benefits	–	–
Termination benefits; and	–	–
Share-based payment	18,204	–
Total compensation	255,968	209,045

45.2.2 Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

CFM of KMP are those family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner. CFM are related party to the Company. Aggregate value of the transactions with KMPs and their CFMs are described below:

As at 31 March	Year-end balance 2022 Rs. '000	2021 Rs. '000
Assets		
Loans and receivables	–	–
Other credit facilities	–	–
Total assets	–	–
Liabilities		
Deposits placed by KMP and CFM	89,301	67,368
Other credit facilities	–	–
Total liabilities	89,301	67,368
Commitments and contingencies	–	–
Total outstanding balance	89,301	67,368

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000
Interest income	–	–
Interest expense	4,333	2,905
Total transactions during the year	4,333	2,905

No losses have been recorded against loan balances outstanding with KMP during the period and no provisions have been made for impairment losses against such balances as at the reporting date.

Dividend paid to KMP and CFM

For the year ended 31 March	2022	2021
Number of ordinary shares (Voting) held	7,137,648	7,087,648
Number of ordinary shares (Non-voting) held	123,757	147,894
Cash dividends paid (Rs. '000)	54,085	–

Above figures were computed considering the KMPs and CFMs of the Company as at 31 March 2022.

45.3 Transactions with other related entities

Other related entities include significant investors that have nominated Board members or having common directorships with CDB and their respective entity.

Related company	Holding %	Common Directors	Nature of transaction	2022 Rs. '000	2021 Rs. '000
Ceylinco Life Insurance Limited	34.66	Mr S R Abenayake (Retired with effect from 31 December 2020)	As at 31 March		
			Loans and receivables	–	–
			Deposits	500,000	500,000
			Debentures	–	–
			Other liabilities	–	–
			Commitments and contingencies	–	–
			Total	500,000	500,000

Transactions, arrangements and agreements involving with entities which are controlled and/or jointly controlled by the KMPs and their CFMs.

Related company	Nature of relationship	Nature of transaction	2022 Rs. '000	2021 Rs. '000
Asset Capital Venture (Private) Limited	Other related party	As at 31 March		
		Cost of services obtained	50,905	15,748
		Other liabilities	5,284	1,853
		Total	56,189	17,601

46. Litigation against the Company

ACCOUNTING POLICY

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. Provision for legal matters typically require a higher degree of judgement. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty involved. Company has established a formal controls and policies for managing legal claims. Once the professional advice has been obtained and the amount of loss reasonably estimated Company make adjustments to the accounts for any adverse effect, if any, which the claim may have on Company's financial position. As at the reporting date Company had unresolved legal claim as explained below. The significant unresolved legal claims against the Company for which legal advisor of the Company is of the opinion that there is a probability that the action will not succeed. Accordingly no provision has been made in these Financial Statements.

A. Court action has been filed by a customer in Anuradhapura District Court bearing no 26288/M for the amount of Rs. 16,952,175/- citing CDB as the second and third defendant. The case is fixed for Trial on 26 July 2022.

B. Court action has been filed by a customer in Commercial High Court bearing No. CHC505/15/MR for the amount of Rs. 8,000,000/- citing CDB as the defendant. The case is fixed for Trial on 20 May 2022.

C. Court action has been filed by a customer in Commercial High Court bearing No. CHC 88/16/MR for the amount of Rs. 10,400,000/- citing CDB as the defendant. The case is fixed for trial on 25 July 2022

D. Court action has been filed by a customer in Anuradhapura District Court bearing No. 27744/M for the amount of Rs. 2,000,000/- citing CDB as the second defendant. The case is fixed for Trial on 25 May 2022.

E. Court action has been filed by a customer in Commercial High Court bearing No. CHC 136/2016/MR for the amount of Rs. 20,000,000/- citing CDB as the defendant. The case is fixed for trial on 20 May 2022.

F. Court action has been filed by two customers jointly in Anuradhapura District Court bearing No. 27815/M for the amount of Rs. 6,600,000/- citing CDB as the fifth defendant. The case is fixed for Trial on 25 May 2022.

G. Court action has been filed by a customer in Anuradhapura District Court bearing No. 27816/M for the amount of Rs. 4,700,000/- citing CDB as the fifth defendant. The case is fixed for Trial on 25 May 2022.

H. Court action has been filled by a third party in Colombo District Court bearing No. CLM156/15 for the amount of Rs. 45 Mn. in relation to a land purchased by CDB requiring to restore the purchase transaction in to its original position. This case is laid by until a decision is arrived in Case No. WP/HCCA/COL/128/2017/LA.

I. There are 10 pending cases bearing DSP37/13 and DSP 14/16 in the District Court of Kandy, DSP 513/15 and DSP 59/21 in the District Court of Colombo, 597/17M in the District Court of Jaffna, 28947M in the District Court of Anuradhapura, 2371/19/Claim in the District Court of Horana, SPL 68/21 in the District Court of Gampaha, CL/148 in the District Court of Chilaw and MISU 30/2022 in the District Court of Pothuvil relating to lending facilities claiming a total sum of Rs. 34,782,000/- which are at the hearing stage.

J. There is a case bearing No. SPL/4725 in the District Court of Kalutara and Cases bearing Nos. 8389/M/20 and 8388/M/20 in the District Court of Mount Lavinia in which CDB has been made a Defendant due to an accident caused by a vehicle leased by CDB claiming a sum of Rs. 25 Mn. and in Case No. HCR/21/2019 in the High Court of Kurunegala, CDB has been cited as the third Defendant for transportation of illegal goods in the vehicle leased by CDB.

K. In Case No. DTR/08/2018 in the District Court of Colombo settlement terms have been entered and in HCR/18/2019 in the High Court of Kurunegala which has been filed for transportation of illegal goods in the vehicle leased by CDB, we do not have any interest in the matter, as the lending facility is settled in full.

Other than matters disclosed above there were no material capital commitments and contingent liabilities that require adjustment to or disclosure in the Financial Statements as at the reporting date.

47. Events that occurred after the reporting date

ACCOUNTING POLICY

Events after the reporting date are those favourable and unfavourable events that occur between the reporting date and the date when Financial Statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate adjustments to/or disclosures have been made in the respective Notes to the Financial Statements.

Dividend payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the Reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard 10 – (LKAS 10) "Events after the Reporting Period".

Proposed dividend

The Board has proposed a first and final dividend of Rs. 3.75 per share for its voting and non-voting share holders for the Financial Year ended 31 March 2022.

Surcharge Tax

The Government of Sri Lanka in its Budget for 2022 proposed a one-time surcharge tax, at a rate of 25% to be imposed on companies that have earned a taxable income in excess of Rs. 2 Bn. for the year of assessment 2020/21. The tax was imposed by No. 14 of 2022 Surcharge Tax Act which was passed by the Parliament of Sri Lanka on 7 April 2022. As the law imposing the surcharge tax was enacted after the end of the reporting period, the Financial Statements ended 31 March 2022 do not reflect the tax liability that would arise in consequences. The estimated tax liability is amounting to Rs. 715,053,464/- and the Company has paid its first instalment of Rs. 357,526,733/- on 20 April 2022.

48. Segmental analysis

ACCOUNTING POLICY

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Reportable segments

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

its reported revenue, from both external customers and inter segment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or

the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or its assets are 10% or more of the combined assets of all operating segments.

Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principles of the standard, the segments have similar economic characteristics and are similar in various prescribed respects.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the entity's revenue is included in reportable segments.

For the Management purposes, the Group has identified four operating segments based on products and services, as follows:

- Leasing and stock out on hire
- Loans and advances
- Others

Operating segment	Type of the product and services offered
Leasing and stock out on hire	Finance lease business and hire purchases of the Company.
Loans and advances	Loans and advances given to customers other than leasing and hire purchases of the Company.
Others	Other products and services which is not included in above two segments included here.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the financial Statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

The following tables presents the income, profit, asset and liability information on the Company's strategic business divisions for the year ended 31 March 2022 and comparative figures.

As at 31 March	Lease and stock out on hire 2022 Rs. '000	Lease and stock out on hire 2021 Rs. '000	Loans and advances 2022 Rs. '000	Loans and advances 2021 Rs. '000	Other 2022 Rs. '000	Other 2021 Rs. '000	Total 2022 Rs. '000	Total 2021 Rs. '000
Interest income	10,426,526	10,476,518	4,270,818	3,833,674	497,069	567,049	15,194,413	14,877,242
Non-interest income							2,377,741	1,745,549
Segmented revenue	10,426,526	10,476,518	4,270,818	3,833,674	497,069	567,049	17,572,154	16,622,791
Interest cost							6,156,858	7,282,499
Charges for impairment and other credit losses							1,195,145	1,421,500
Segment contribution							10,220,151	7,918,792
Depreciation and amortisation	301,197	296,511	123,373	108,502	14,350	16,049	438,920	421,062
Unallocated expenses							3,973,543	3,408,775
Taxes on financial services							539,744	622,001
Profit from before tax							5,267,944	3,466,953
Income tax expenses							1,655,864	909,999
Profit for the year							3,612,080	2,556,954
Segment assets	53,823,094	51,224,920	27,944,779	23,513,216	15,363,852	10,844,632	97,131,725	85,582,768
Additions of property, plant and equipment during the year	141,720	219,459	58,050	100,736	6,756	46,461	206,526	366,656
Unallocated assets							8,081,732	8,381,545
Total assets	53,964,814	51,444,379	28,002,829	23,613,952	15,370,608	10,891,093	105,419,983	94,330,969

49. Maturity analysis

ACCOUNTING POLICY

The Company has disclosed an analysis of assets and liabilities in to relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date.

Remaining contractual period to maturity as at the date of Statement of Financial Position of the assets, liabilities and share holders' funds is detailed below:

Maturity analysis as at 31 March 2022

Assets/Liabilities	Note	Maturity period Up to 1 month Rs. '000	2-3 months Rs. '000	4-6 months Rs. '000	7-12 months Rs. '000
Assets					
Cash and cash equivalents	20	2,023,974			
Financial assets measured at FVTPL	21	148,685			
Derivative financial assets	32	1,121,320			
Loans and receivables to banks	22	240,435			
Deposits with financial institutions	23	3,151,339	1,426,197	3,715,040	
Loans and receivables to customers	24	19,422,851	4,012,362	4,932,808	9,792,219
Other investment securities	25	4,283,124	44,665		
Property, plant and equipment	27				
Intangible assets	28				
Goodwill on amalgamation	29				
Right of use asset	30	14,617	28,922	41,140	76,886
Retirement benefit asset			407,807		
Other assets	31	750,629	1,287,569	980,158	452,453
Total assets		31,156,974	7,207,522	9,669,146	10,321,558
Percentage of total assets (%)		29.56	6.84	9.17	9.79
Cumulative percentage (%)		29.56	36.39	45.56	55.35
Liabilities					
Deposits from customers	33	12,727,352	7,107,803	5,659,078	16,079,382
Debt securities issued	34				
Other interest-bearing borrowings	35	1,852,241	4,860,403	2,780,362	5,901,188
Lease liabilities	30	15,264	30,203	42,961	80,290
Current tax liabilities	36		1,400,532		
Deferred tax liabilities	37	155,528	32,116	39,480	78,369
Other liabilities	39	561,154	207,440	894,410	622,323
Total liabilities		15,311,539	13,638,497	9,416,291	22,761,552
Shareholders' funds					
Stated capital	40				
Reserves	41				
Retained earnings	42				
Total equity					
Total equity and liabilities		15,311,539	13,638,497	9,416,291	22,761,552
Percentage of total liabilities and equity (%)		14.52	12.94	8.93	21.59
Cumulative percentage (%)		14.52	27.46	36.39	57.99
Maturity gap		15,845,435	(6,430,975)	252,855	(12,439,994)
Cumulative gap		15,845,435	9,414,460	9,667,315	(2,772,679)
Asset/Liability gap – Cumulative percentage (%)		15.04	8.93	9.17	-2.64

13-24 months Rs. '000	25-36 months Rs. '000	37-60 months Rs. '000	More than 60 months Rs. '000	Unclassified Rs. '000	Total Rs. '000
					2,023,974
					148,685
					1,121,320
					240,435
					8,292,576
14,653,645	11,771,411	12,790,710	1,349,304		78,725,310
		561,727		1,686,514	6,576,030
				3,351,990	3,351,990
				136,078	136,078
				156,489	156,489
128,984	107,208	169,907	200,816		768,480
					407,807
					3,470,809
14,782,629	11,878,619	13,522,344	1,550,120	5,331,071	105,419,983
14.02	11.27	12.83	1.47	5.06	
69.38	80.65	93.47	94.94	100.00	
6,070,504	2,853,346	1,691,545	27,792		52,216,802
3,235,031	1,188,039	1,303,827			5,726,897
6,565,264	2,028,750	721,529			24,709,737
134,694	111,954	177,429	209,708		802,503
					1,400,532
117,266	94,197	102,354	10,800		630,110
					2,285,327
16,122,759	6,276,286	3,996,684	248,300		87,771,908
				2,361,947	2,361,947
				2,829,785	2,829,785
				12,456,343	12,456,343
				17,648,075	17,648,075
16,122,759	6,276,286	3,996,684	248,300	17,648,075	105,419,983
15.29	5.95	3.79	0.24	16.74	
73.28	79.23	83.02	83.26	100.00	
(1,340,130)	5,602,333	9,525,660	1,301,820	(12,317,004)	
(4,112,809)	1,489,524	11,015,184	12,317,004	–	
-3.90	1.42	10.45	11.68	0.00	

Maturity analysis as at 31 March 2021

Assets/Liabilities	Note	Maturity period Up to 1 month Rs. '000	2-3 months Rs. '000	4-6 months Rs. '000	7-12 months Rs. '000
Assets					
Cash and cash equivalents	20	2,090,509			
Financial assets measured at FVTPL	21	160,639			
Derivative financial assets	32	198,046			
Loans and receivables to banks	22	2,966,711			
Deposits with financial institutions	23	260,701	234,789	2,230,923	276,861
Loans and receivables to customers	24	14,381,577	4,490,600	5,763,313	9,550,898
Other investment securities	25	985,553			
Investment property	26				
Property, plant and equipment	27				
Intangible assets	28				
Goodwill on amalgamation	29				
Right of use asset	30	15,350	30,181	44,644	88,874
Other assets	31	830,671	1,364,354	1,160,599	559,682
Total assets		21,889,757	6,119,925	9,199,478	10,476,315
Percentage of total assets (%)		23.21	6.49%	9.75%	11.11%
Cumulative percentage (%)		23.21	29.69%	39.45%	50.55%
Liabilities					
Derivative financial liabilities	32	13,142			
Deposits from customers	33	7,252,673	6,991,270	9,253,133	14,167,801
Debt securities issued	34		1,017,363		
Other interest-bearing borrowings	35	942,102	2,403,442	1,898,359	3,196,861
Lease liabilities	30	15,613	30,699	45,410	90,399
Current tax liabilities	36		1,220,992		
Deferred tax liabilities	37	55,029	18,732	26,742	50,623
Retirement benefit obligation	38		9,098		
Other liabilities	39	546,132	163,574	838,779	490,724
Total liabilities		8,824,692	11,855,171	12,062,423	17,996,408
Shareholders' funds					
Stated capital	40				
Reserves	41				
Retained earnings	42				
Total equity					
Total equity and liabilities		8,824,692	11,855,170	12,062,423	17,996,406
Percentage of total liabilities and equity (%)		9.36	12.57	12.79	19.08
Cumulative percentage (%)		9.36	21.92	34.71	53.79
Maturity gap		13,065,066	(5,735,245)	(2,862,945)	(7,520,091)
Cumulative gap		13,065,066	7,329,820	4,466,875	(3,053,216)
Asset/Liability gap – Cumulative percentage (%)		13.85	7.77	4.74	-3.24

		Maturity period			
13-24 months	25-36 months	37-60 months	More than 60 months	Unclassified	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
					2,090,509
					160,639
					198,046
					2,966,711
					3,003,275
16,052,420	11,839,046	7,758,121	5,222,356	–	75,058,331
				1,630,090	2,669,959
				20,198	20,198
				3,090,338	3,090,338
				116,476	116,476
				244,180	244,180
159,212	131,908	159,903	166,930	–	797,001
					3,915,306
16,265,947	11,970,954	7,918,024	5,389,286	5,101,281	94,330,969
17.24%	12.69	8.39	5.71	5.41	
67.79%	80.49	88.88	94.59	100.00	
					13,142
6,047,317	2,408,926	2,801,848	76,373		48,999,341
	2,978,606	1,093,869			5,089,839
6,840,204	4,399,028	826,667	1,213,323		21,719,986
161,945	134,172	162,648	169,795		810,682
					1,220,992
88,474	65,288	42,787	28,787		376,460
					9,098
					2,039,209
13,137,939	9,986,020	4,927,818	1,488,279		80,278,749
				2,350,363	2,350,363
				2,495,581	2,495,581
				9,206,276	9,206,276
				14,052,220	14,052,220
13,137,939	9,986,020	4,927,818	1,488,279	14,052,220	94,330,969
13.93	10.59	5.22	1.58	14.90	
67.72	78.30	83.53	85.10	100.00%	
3,128,008	1,984,934	2,990,205	3,901,007	(8,950,939)	
74,792	2,059,726	5,049,931	8,950,939	–	
0.08	2.18	5.35	9.49	0.00	

50. Comparative information

ACCOUNTING POLICY

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous periods for all the amounts reported in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

Comparative information is reclassified whenever necessary to conform with the current year's classification in order to provide better presentation.

Statement of Financial Position

Subordinated Debt of Rs. 1,183 Mn has been reclassified out of other interest-bearing borrowings to debt securities issued and subordinated debt during the financial year 2021/22.

Other than mentioned above there were no any other significant reclassifications have been made during the reporting periods of 2021/22 and 2020/21.

	As previously reported	Reclassification	As per statement of financial position
Debt securities issued and subordinated debt	5,089,839	1,183,324	6,273,163
Other interest-bearing borrowings	21,719,986	(1,183,324)	20,536,662

51. Financial risk management

FINANCIAL RISK MANAGEMENT FRAMEWORK

Introduction and overview

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Company Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring Company's risk management policies.

The Company's board risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how Management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Board Audit Committee is assisted in its oversight role by internal audit division. Internal audit division undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company Board Audit Committee.

The Company has exposure to the following risks from the financial instruments:

A. Credit risk

B. Liquidity risk

C. Market risk

D. Operational risk

This Note presents the information about the Company's objectives, policies and processes for measuring and managing risk.

Probable impact of ongoing economic crisis

The country's severing grade downgrade, diminishing forex reserves, significant devaluation of the currency, Default of government's external debts and inflationary pressure have been adversely affected to economy of the Country. This crisis got further worsened by the power cuts, scarcity of gas and fuel which almost crippled the economy affecting all the sectors. Increasing inflationary pressures coupled with disturbed economic activities affected the buying power and the repayment capacity of the citizens as a whole. This may put pressure on Company's credit risk profile and the management is closely monitoring the developments to take prompt risk mitigating actions. Further the increase of policy rates and subsequent increase in treasury bills rates compelled the market rates to increase significantly. As a result the interest rate risk is on the rise for all financial institutions of the country including the Company. The impact of rising interest rate risk did not materialise in the current financial year. The Company is currently implementing the risk mitigation strategies to reduce the impact of interest rate risk. Moreover the current economic crisis of the country may result in negative atmospheres on funding and liquidity. The Company has always maintained its capital and liquidity buffers over and above the regulatory minimum levels. Hence the Company's ability to withstand the shocks, stands at a higher level.

Future outlook and going concern

The ongoing economic crisis in the country has increased the estimation uncertainty in the preparation of Financial Statements. The estimation uncertainty is associated with the extent and duration of the expected economic downturn (i.e forecasts for key economic factors including GDP, interest rate and unemployment). This includes the disruption to capital markets, deteriorating credit quality, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

FINANCIAL RISK MANAGEMENT FRAMEWORK

During the preparation of Financial Statements for the year ended 31 March 2022 Management has made an assessment of an entity's ability to continue as a going concern using the all available information about the future and capturing the current economic uncertainties and market volatility. During this exercise Management has paid special attention to below factors

- Management has used best estimates to identify the risk factors in different possible outcomes in current economic uncertainty and market volatility caused by prevailing economic and political condition
- Evaluation of plans to mitigate events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Assessment of the availability of finance and ensure these plans are achievable and realistic despite of having difficulties in collections of dues and the difficulties in getting funding lines from banks and other financial institutions. Based on the assessment conducted it was concluded that the Company was able to maintain a stable liquidity position and safeguard the interest of the stakeholders.

Further the Company has made the assessment of going concern considering a wide range of factors in multiple scenarios such as best case, most likely and worst case. The major factors include retention and renewal of deposits, relaxation of regulatory aspects, profitability based on income and cost management projections, excess liquidity, strengthening recovery actions, undrawn loan facilities and potential funding lines.

Having evaluated the above by the Management concludes that the Company has adequate resources to continue as a going concern.

A. CREDIT RISK

"Credit risk" is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and receivables to customers and other banks, and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk including contingent or potential credit exposure (such as individual obligor default risk, country and sector risk).

The market risk in respect of changes in value in trading assets arising from changes in market credit spreads is managed as a component of market risk; for further details, see (C) below.

i. Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to the failure of an entity to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from the Company risk committee.

ii. Management of credit risk

The principal objective of risk management is to maintain strong risk culture across the Company which is responsible for leading and robust risk policies and control framework to reinforcement and challenge in defining, implementing and controlling evaluating our risk appetite under both actual and simulated scenarios and to establish independent evaluation of cost and their mitigation.

In order to achieve this the Board of Directors has delegated responsibility for the oversight of credit risk of the Company to Delegated Credit Committee (DCC).

A separate credit evaluation department, reporting to the Company Credit Committee, is responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Company credit, the Head of Company credit, the Company Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Company Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and receivables, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Company Credit Committee, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Company is required to implement Company credit policies and procedures, with credit approval authorities delegated from the Company Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to local management and the Company Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Company credit processes are undertaken by internal audit.

B. LIQUIDITY RISK

"Liquidity risk" is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

i. Management of liquidity risk

The objective of the Company's liquidity risk management framework is to ensure that the Company can fulfill its payment obligations at all times and can manage liquidity and funding risk within risk appetite.

The Company's Board of Directors sets the Company's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to Asset and Liability Committee (ALCO). ALCO approves the Company's liquidity policies and procedures. Treasury manages the Company's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Company and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The key elements of the Company's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Company's financial assets and financial liabilities, and the extent to which the Company's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Company's liquidity position.

Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Company as a whole. The liquidity requirements of business units and subsidiaries are met through loans from Central Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

If an operating subsidiary or branch is subject to a liquidity limit imposed by its local regulator, then the subsidiary or branch is responsible for managing its overall liquidity within the regulatory limit in coordination with Central Treasury. Central Treasury monitors compliance of all operating subsidiaries with local regulatory limits on daily basis.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Company specific events (e.g., a rating downgrade) and market-related events (e.g., prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes).

C. MARKET RISK

"Market risk" is the risk that changes in market prices – such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Company's income or the value of its holdings of financial instruments.

i. Management of market risk

The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Company's solvency while optimising the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risking aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Company Market Risk Committee is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

ii . Exposure to market risk

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities. Equity price risk is subject to regular monitoring by Company market risk, but is not currently significant in relation to the overall results and financial position of the Company. In respect of foreign currency, the Company monitors any concentration risk in relation to any individual currency with regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Company.

D. OPERATIONAL RISK

"Operational risk" is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to its Company Risk Committee, which is responsible for the development and implementation of controls to address operational risk.

FINANCIAL RISK MANAGEMENT FRAMEWORK

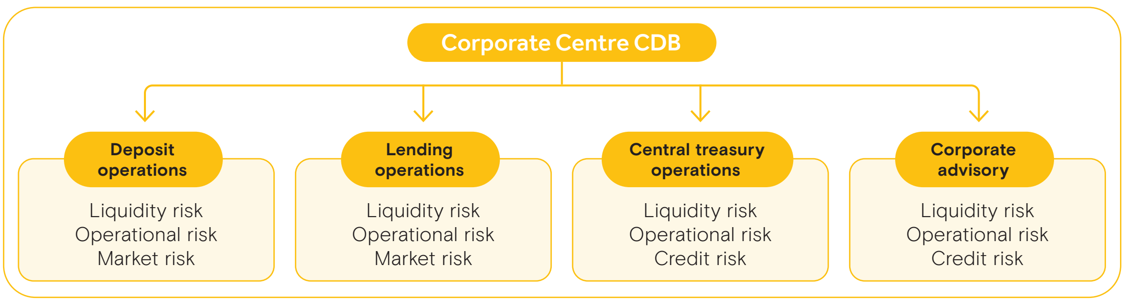
This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is cost effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Company Operational Risk Committee, with summaries submitted to the Audit Committee and Senior Management of the Company.

Integrated risk management division

Primarily, business divisions and respective risk owners are responsible for risk management. The risk management division acts as the Second Line of Defence in managing the risks faced by the Company. Division has taken leadership in building a strong risk culture which is embedded through clear and consistent communication and appropriate training for all employees. Chief Risk Officer reports risk identified through robust risk reporting tool, risk measurement techniques, stress testing and other risk measures to the Corporate Management Team.



Financial risk review of the Company

This presents information about the Company's exposure to financial risks and the Company's management of capital.

A. Credit risk

A.I Credit quality analysis

The tables below sets out information about the credit quality of financial assets held by Company net of allowance for expected credit losses against those assets.

Expected Credit Losses (ECL)

As per SLFRS 9 – "Financial Instruments" the Company manages credit quality using a three stage approach.

Stage One : 12 months Expected Credit Losses (ECL)
Stage Two : Life time Expected Credit Losses (ECL) – Not credit impaired
Stage Three : Lifetime Expected Credit Losses (ECL) – Credit impaired

Stage 1:12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months from the reporting date is recognised.

Stage 2: Lifetime ECL – Not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

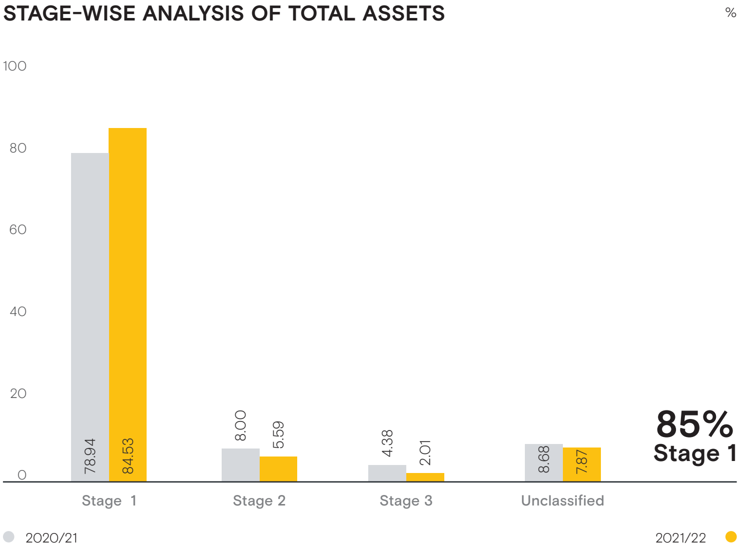
Stage 3: Lifetime ECL – Credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Table below shows the classification of assets and liabilities based on the above-mentioned three stage model:

	Note	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Unclassified Rs. '000	Total Rs. '000
As at 31 March 2022						
Cash and cash equivalents	20	2,023,974				2,023,974
Financial assets measured at FVTPL	21	148,685				148,685
Derivative financial assets		1,121,320				1,121,320
Loans and receivables to banks	22	240,435				240,435
Deposits with financial institutions	23	8,292,576				8,292,576
Loans and receivables to customers	24	70,714,837	5,892,168	2,118,305		78,725,310
Other investment securities	25	6,576,030				6,576,030
Other non-financial assets					8,291,653	8,291,653
Total assets		89,117,857	5,892,168	2,118,305	8,291,653	105,419,983
As at 31 March 2021						
Cash and cash equivalents	20	2,090,509				2,090,509
Financial assets measured at FVTPL	21	160,639				160,639
Derivative financial assets		198,046				198,046
Loans and receivables to banks	22	2,966,711				2,966,711
Deposits with financial institutions	23	3,003,275				3,003,275
Loans and receivables to customers	24	63,385,093	7,545,029	4,128,209		75,058,331
Other investment securities	25	2,669,959				2,669,959
Other non-financial assets					8,183,499	8,183,499
Total assets		74,474,232	7,545,029	4,128,209	8,183,499	94,330,969

STAGE-WISE ANALYSIS OF TOTAL ASSETS



Amounts arising from Expected Credit Losses (ECL)

This note highlights inputs, assumptions, and techniques used for estimating expected credit losses (ECL) as per SLFRS 9 – "Financial Instruments".

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company historical experience and expert credit assessment and including forward-looking information.

Credit risk

Assessment of credit risk is based on a variety of data by applying experienced credit judgement. Credit risk is evaluated using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is assessed at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade based on 3-stage model. The monitoring typically involves use of the following data:

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.	Internally collected data on customer behaviour	Payment record – this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies, press articles, changes in external credit ratings	Affordability metrics	Requests for and granting of forbearance
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	External data from credit reference agencies including industry-standard credit scores	Existing and forecast changes in business, financial and economic conditions

Due to the implications of moratorium/debt concessionary schemes on PDs and LDGs (due to limited movements to Stage 2 and 3), adjustments have been made as overlays based on stress testing and historic patters to better reflect the adequacy of ECL.

Generating the term structure of Probability of Default (PD)

Days past due has taken as the primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by the type of product and the borrower. For some portfolios, information gathered from external credit agencies is also used. (Debt Investments)

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macroeconomic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default.

Using variety of external actual and forecasted information, the Company formulates a "base case" view of the future direction of relevant economic variables (GDP growth, inflation, interest rates and unemployment, with lag effect of these variables) as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios. The Company then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements used in expected credit loss model prescribed in SLFRS 9 – "Financial Instruments". The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully-reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 60 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk
by regular reviews.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly by analysing both qualitative and based on the delinquency status before the modification of terms of the contract.

The Company renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Company Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default.

Definition of default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the borrower is past due more than 150 days on any material credit obligation to the Company. In determination of default the Company largely aligns with the regulatory definition of default.
- In assessing whether a borrower is in default, the Company considers indicators that are:
  - qualitative – e.g., breaches of covenant;
  - quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
  - based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Using variety of external actual and forecasted information, the Company formulates a “base case” view of the future direction of relevant economic variables as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The Economic variables used by the Company based on the statistical significance include the followings:

Unemployment rate	Base case scenario along with two other scenarios has been used (Best Case and Worst Case)
Interest rate	
GDP Growth rate	
Inflation rate	

As at 31 March 2022, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to current economic condition of the country by using the economic forecast. In addition to the base case forecast which reflects the negative economic consequences, greater weighting has been applied to the worst scenario given the Company’s assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to the company’s lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into the current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised.

The uncertainty associated with the current economic crisis, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure At Default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, product category and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at Default (EAD)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. For some financial assets, EAD is determined by considering contractual cash flows, prepayments and other factors.

As described above, and subject to using a maximum of a 12-months PD for financial assets for which credit risk has not significantly increased, the

Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular company remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

Movements in allowance for expected credit losses (Stage transition)

	2022			
	Stage 1: 12-months ECL Rs. '000	Stage 2: Lifetime ECL not credit impaired Rs. '000	Stage 3: Lifetime ECL credit impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	394,184	560,481	2,786,470	3,741,135
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(36,685)	32,271	4,414	–
Transferred from lifetime ECL not credit-impaired	199,056	(231,914)	32,858	–
Transferred from lifetime ECL credit-impaired	256,463	162,976	(419,439)	–
Net remeasurement of loss allowance	522,013	178,275	291,534	991,822
Balance as at the end of the year	1,335,031	702,089	2,695,837	4,732,957

	2021			
	Stage 1: 12-months ECL Rs. '000	Stage 2: Lifetime ECL not credit impaired Rs. '000	Stage 3: Lifetime ECL credit impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	557,606	457,235	1,652,338	2,667,179
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(160,232)	87,116	18,893	–
Transferred from lifetime ECL not credit-impaired	102,833	(216,467)	21,868	–
Transferred from lifetime ECL credit-impaired	57,399	129,351	(40,761)	–
Net remeasurement of loss allowance	(163,422)	103,246	1,134,132	1,073,956
Balance as at the end of the year	394,184	560,481	2,786,470	3,741,135

Loans and receivables to customers – Credit grade based on delinquency

The following table shows the loans and receivables to customers based on delinquency and expected credit losses for each stage of loss allowances:

As at 31 March 2022	12-months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Grade 1 – Low risk	48,516,870			48,516,870
Grade 2 – Low risk	9,492,425			9,492,425
Grade 3 – Low risk	9,080,763			9,080,763
Grade 4 – Low risk	4,959,810			4,959,810
Grade 5 – Watch list		2,752,230		2,752,230
Grade 6 – Watch list		2,293,487		2,293,487
Grade 7 – Watch list		1,548,540		1,548,540
Grade 8 – Default			4,814,142	4,814,142
Gross loans and receivables to customers	72,049,868	6,594,257	4,814,142	83,458,267
Expected credit loss allowance	(1,335,031)	(702,089)	(2,695,837)	(4,732,957)
Net loans and receivables to customers	70,714,837	5,892,168	2,118,305	78,725,310

As at 31 March 2021	12-months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Grade 1 – Low risk	35,384,588			35,384,588
Grade 2 – Low risk	11,316,907			11,316,907
Grade 3 – Low risk	10,998,609			10,998,609
Grade 4 – Low risk	6,079,173			6,079,173
Grade 5 – Watch list		4,054,254		4,054,254
Grade 6 – Watch list		2,204,201		2,204,201
Grade 7 – Watch list		1,847,055		1,847,055
Grade 8 – Default			6,914,679	6,914,679
Gross loans and receivables to customers	63,779,277	8,105,510	6,914,679	78,799,466
Expected credit loss allowance	(394,184)	(560,481)	(2,786,470)	(3,741,135)
Net loans and receivables to customers	63,385,093	7,545,029	4,128,209	75,058,331

Stage transition on loans and receivables to customers

The following table shows the net loans and receivables to customers based on 3-stage approach:

As at 31 March 2022	12-months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Loans and receivables to customer				
Balance as at 1 April 2021	63,385,093	7,545,029	4,128,209	75,058,331
Changes due to loans and receivables recognised in opening balance that have –				
Transferred from 12-months ECL	(3,475,680)	3,071,132	404,548	–
Transferred from lifetime ECL not credit impaired	3,399,920	(3,881,519)	481,599	–
Transferred from lifetime ECL credit impaired	1,253,179	799,393	(2,052,572)	–
Financial assets that have been derecognised	(14,841,451)	(3,737,760)	(3,734,286)	(22,313,497)
Net change in expected credit loss allowance	(522,013)	(178,275)	(291,534)	(991,822)
Other net changes in portfolio	21,515,789	2,274,168	3,182,341	26,972,298
Balance as at 31 March 2022	70,714,837	5,892,168	2,118,305	78,725,310

As at 31 March 2021	12-months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Loans and receivables to customer				
Balance as at 1 April 2020	62,197,923	6,093,805	4,131,099	72,422,827
Changes due to loans and receivables recognised in opening balance that have –				
Transferred from 12-months ECL	(10,749,182)	7,032,373	3,716,809	–
Transferred from lifetime ECL not credit impaired	1,150,825	(2,766,090)	1,615,265	–
Transferred from lifetime ECL credit impaired	92,107	105,637	(197,744)	–
Financial assets that have been derecognised	(12,425,520)	(1,449,116)	(896,304)	(14,770,940)
Net change in expected credit loss allowance	163,422	(103,246)	(1,134,132)	(1,073,956)
Other net changes in portfolio	22,955,518	(1,368,334)	(3,106,784)	22,955,518
Balance as at 31 March 2021	63,385,093	7,545,029	4,128,209	75,058,331

Maximum exposure to credit risk – based on aging

Table below shows the maximum exposure to credit risk based on the aging of each instrument:

As at 31 March	Loans and receivables to customers 2022 Rs. '000	2021 Rs. '000
Financial assets measured at amortised cost		
0-30 days	58,009,295	46,701,495
31-60 days	9,080,763	10,998,609
61-90 days	4,959,810	6,079,173
91-120 days	2,752,230	4,054,254
121-150 days	2,293,487	2,204,201
Above 150 days	1,548,540	1,847,055
Above 180 Days	4,814,142	6,914,679
Total gross amount	83,458,267	78,799,466
Allowance for impairment	(4,732,957)	(3,741,135)
Net carrying amount	78,725,310	75,058,331
Financial assets measured at FTVPL		
0 days		
Total gross amount		
Allowance for impairment		
Net carrying amount		
Maximum exposure	78,729,310	75,058,331

Age represents the period in days which any amount uncollected or due beyond their contractual due date. For rescheduled loans age is calculate based on the initial due date of the original contract.

A.II Impaired financial instruments

Impaired loans and receivables and other financial instruments

The Company regards a loan and receivable or a other financial instrument impaired when there is an objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s). As per SLFRS 9 – "Financial Instruments" stage three assets are considered as credit impaired.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

As at 31 March	2022 Rs. '000	2021 Rs. '000
Impaired financial instruments		
Loans and receivables to customers	2,118,305	4,128,209
Total credit impaired value	2,118,305	4,128,209

	Loans and receivables to banks		Deposits with financial institutions		Other investment securities and financial assets measured at FVTPL	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
	240,435	2,966,711	8,321,335	3,003,536	6,576,031	2,669,960
	240,435	2,966,711	8,321,335	3,003,536	6,576,031	2,669,960
	–	–	(28,759)	(261)	(1)	(1)
	240,435	2,966,711	8,292,576	3,003,274	6,576,030	2,669,959
					148,685	160,639
					148,685	160,639
					–	–
					148,685	160,639
	2,966,711	2,966,711	3,003,275	3,003,275	6,724,715	2,830,598

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Loans and receivables with renegotiated terms and the Company's forbearance policy

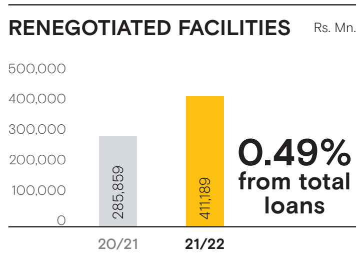
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default, there is evidence that the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

The table below set out information about the loans and receivables with renegotiated terms:

As at 31 March	2022	2021
	Rs. '000	Rs. '000
Gross carrying amount	411,189	285,859
Total gross loans and receivables	83,458,267	78,799,466
Percentage of renegotiated loans (%)	0.49	0.36



Write-off policy

The Company writes-off a loan or an investment debt/equity security balance and any related allowances for impairment losses, when it determines that the loans security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. The Company's policy is to pursue timely realisation of the collateral in an orderly manner.

A.III Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against types of loans and receivables.

Collateral held

	Note	Percentage of exposure that is subject to collateral requirements 2022 %	2021 %	Type of collateral held
Loans and receivables to banks				
Securities purchased under resale agreements	22	100	100	Marketable securities
Loans and receivable to customers				
Lease and hiring contracts	24	100	100	Vehicles
Mortgage loans	24	100	100	Property and equipment
Personal loans and staff loans	24	–	–	Vehicles and guarantors
Loans against deposits	24	100	100	Lien deposits
Gold loans	24	100	100	Pawning articles
Margin trading	24	100	100	Equity securities

A.IV Concentration of credit risk

Company reviews on regular basis its concentration of credit granted in each of the products offered. The diversification was made to ensure that an acceptable level of risk in line with the risk appetite of the Company is maintained. The diversification decisions are made at the ALCO, where it sets targets and present strategies to the Management in optimising the diversification. The product development team of the Company is advised on the strategic decisions taken to diversify the portfolio to align their product development activities accordingly.

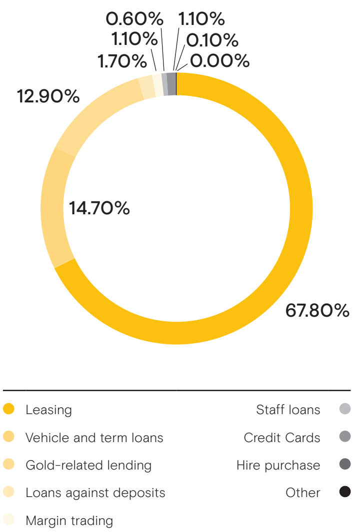
The Company monitors concentration of credit risk by product, by sector and by geographical location. An analysis of concentrations of credit risk of loan and receivable to customers and other financial investments is shown below:

Product concentration

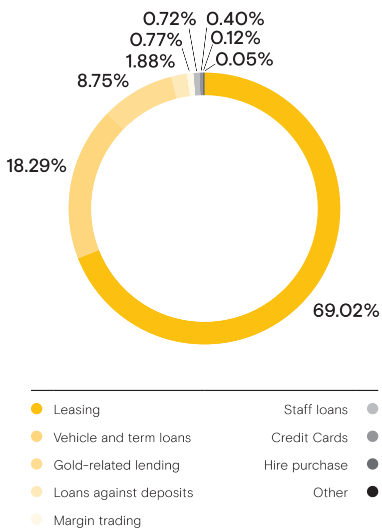
The Company monitors concentration of credit risk by product categories and analysis is shown below:

As at 31 March	2022		2021	
	Rs. '000	%	Rs. '000	%
Leasing	55,893,015	67.7	54,387,452	69.0
Vehicle and term loans	12,917,205	14.7	14,415,477	18.3
Gold-related lending	10,773,585	12.9	6,893,299	8.7
Loans against deposits	1,455,057	1.7	1,482,835	1.9
Margin trading	918,999	1.1	608,609	0.8
Staff loans	504,959	0.6	569,461	0.7
Credit cards	877,949	1.1	313,329	0.4
Hire purchase	80,341	0.1	91,855	0.1
Other	37,157	0.0	37,149	0.0
Gross loans and receivables to customers	83,458,267		78,799,466	

PRODUCT CONCENTRATION 2021/22



PRODUCT CONCENTRATION 2020/21

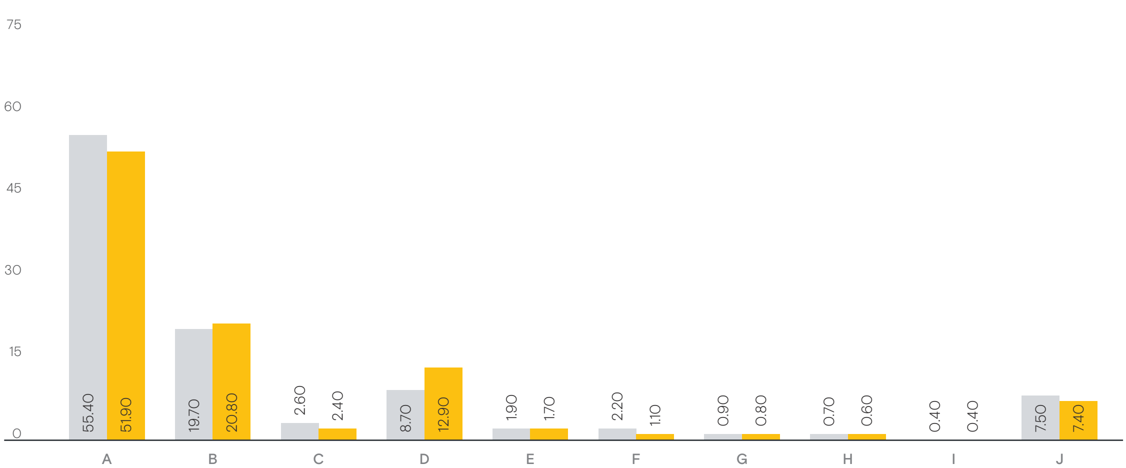


Asset concentration

The Company monitors concentration of credit risk by asset categories and an analysis is shown below:

As at 31 March	2022		2021	
	Rs. '000	%	Rs. '000	%
Motor cars and other light vehicles	43,302,048	51.9	43,635,257	55.4
Three wheelers	17,302,346	20.7	15,513,782	19.7
Motor lorries and other heavy vehicles	2,030,207	2.4	2,066,940	2.6
Gold articles	10,773,585	12.9	6,893,299	8.7
Loans against deposits	1,455,057	1.7	1,482,835	1.9
Motor cycle	877,247	1.1	1,751,245	2.2
Mini trucks	688,193	0.8	681,294	0.9
Motor buses and motor coach	514,785	0.6	527,387	0.7
Machineries	349,763	0.4	333,112	0.4
Other	6,165,036	7.4	5,914,315	7.5
Gross loans and receivables to customers	83,458,267		78,799,466	

ASSET CONCENTRATION



A - Motor cars and other light vehicles
B - Three wheelers
C - Motor lorries and other heavy vehicles
D - Gold articles
E - Loans against deposits
F - Motor cycles
G - Mini trucks
H - Motor buses and motor coaches
I - Machineries
J - Other

2021/22 2020/21

Geographical concentration

Company reviews its geographical diversification on regular basis at the ALCO and sets long-term target in achieving a geographically well-diversified credit portfolio. Company's strategy on geographical diversification was executed through the establishment of a distribution network for the Company. The geographical concentration is considered when selecting prospective locations for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

As at 31 March	2022		2021	
	Rs. '000	%	Rs. '000	%
Western Province	35,496,546	42.5	36,645,005	46.5
North Western Province	12,182,684	14.6	10,990,642	13.9
Central Province	10,288,597	12.3	9,332,493	11.8
Sabaragamuwa Province	8,643,617	10.4	7,373,340	9.4
Southern Province	6,282,289	7.5	5,632,252	7.1
Uva Province	3,915,542	4.7	3,165,408	4.0
North Central Province	3,803,171	4.6	3,175,664	4.0
Eastern Province	2,006,965	2.4	1,702,590	2.2
Northern Province	838,856	1.0	782,072	1.0
Gross loans and receivables to customers	83,458,267		78,799,466	

Sector-wise analysis of credit exposures

Company manages its credit exposure to a single industry by regularly reviewing the portfolio. As there is more concentration on the vehicle-related financing of the Company there is an inherent concentration on the transportation sector.

Company has set targets to bring down the exposures to each industry to a level accepted by the Company based on its risk appetite.

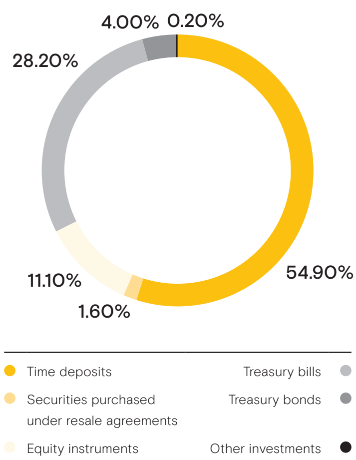
As at 31 March	2022		2021	
	Rs. '000	%	Rs. '000	%
Transport	18,846,717	22.6	23,369,112	29.7
Service	16,086,462	19.3	15,295,888	19.4
Commercial	18,404,843	22.1	16,210,104	20.6
Housing and property development	5,185,657	6.2	4,702,654	6.0
Financial services	2,336,811	2.8	2,005,287	2.5
Agricultural	3,008,338	3.6	2,385,341	3.0
Industrial	55,593	0.1	66,893	0.1
Tourism	2,301,393	2.8	2,525,585	3.2
Consumption and other	17,232,453	20.6	12,238,602	15.5
Gross loans and receivables to customers	83,458,267		78,799,466	

Concentration of other financial investments

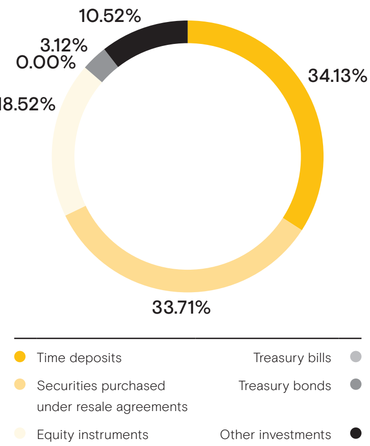
Company manages its credit exposure to a single investment security by regularly reviewing the investment portfolio. This analysis includes all the financial investments classified under financial assets measured at FVTPL, loans and receivables to banks, deposits with financial institutions and other investment securities.

As at 31 March	2022		2021	
	Rs. '000	%	Rs. '000	%
Time deposits	8,292,576	54.9	3,003,275	34.1
Securities purchased under resale agreements	240,435	1.6	2,966,711	33.7
Equity instruments	1,681,274	11.1	1,631,090	18.5
Treasury bills	4,263,197	28.2	–	0.0
Treasury bonds	755,077	4.0	274,299	3.1
Other investments	25,167	0.2	926,209	10.5
Total other financial investments	15,257,726		8,800,584	

INVESTMENT CONCENTRATION 2021/22



INVESTMENT CONCENTRATION 2020/21



A.V Offsetting financial assets and liabilities

The disclosure set out in the table below include financial assets and liabilities that are offset in the Company's Statement of Financial Position or that are subject to an enforceable master netting arrangement or similar financial agreements. Similar financial agreements include sale and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

Master netting arrangements do not meet the criteria for offsetting in the Statement of Financial Position until event of default is occurred. Table below shows financial assets subject to offsetting, enforceable master netting agreements and similar agreements:

As at 31 March 2022	Gross amount recognised in financial assets	Gross amount recognised in financial liabilities		Net exposure	Underlying security
		Offset in Statement of Financial Position	Not offset in Statement of Financial Position		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Types of financial assets					
Securities purchased under resale agreements	240,435		240,435		Treasury bills
Loans and receivables to customers	1,455,057		1,455,057		Term deposits

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As at 31 March 2021	Gross amount recognised in financial assets	Gross amount recognised in financial liabilities		Net exposure	Underlying security
		Offset in Statement of Financial Position	Not offset in Statement of Financial Position		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Types of financial assets					
Securities purchased under resale agreements	2,966,711		2,966,711		Treasury bills
Loans and receivables to customers	1,482,835		1,482,835		Term deposits

B. Liquidity risk

B.I Exposure to liquidity risk

The key ratio used by the Company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, "net liquid assets" includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market. Details of the reported Company ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

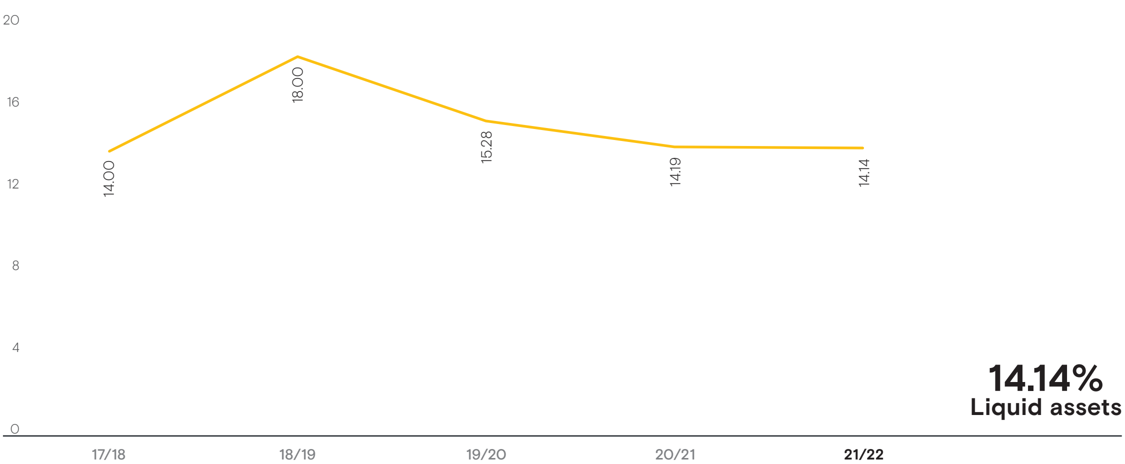
	2022	2021
	%	%
As at 31 March	14.14	14.19
Average for the period	14.49	14.96
Maximum for the period	16.63	18.49
Minimum for the period	12.85	12.66

Minimum liquidity requirement

As per the Direction 4 of 2013 of Central Bank of Sri Lanka, every finance company shall maintain minimum holding of liquid assets. The table below sets out the components of the Company's holding of liquid assets:

As at 31 March	2022	2021
	Rs. '000	Rs. '000
Required minimum amount of liquid assets	6,426,391	3,201,119
Total liquid assets	8,874,907	7,361,866
Excess liquidity	2,448,516	4,160,747

LIQUIDITY RATIO %



B.II Maturity analysis for financial liabilities and financial assets

Detailed maturity analysis is given in Note 49.

The amounts shown in the maturity analysis above have been compiled by applying discounted cash flows which exclude future interest which is applicable. Some estimated maturities will be vary due to changes in contractual cashflows such as early repayment option of loans and receivables. As a part of the management of liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and debt securities which can be readily sold to meet liquidity requirements.

The table below sets out the carrying amounts of Company's non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12-months after the reporting date:

As at 31 March	Note	More than 12 months 2022 Rs. '000	2021 Rs. '000
Financial assets			
Loans and receivables to customers	24	40,565,070	40,871,943
Other investment securities	25	2,248,241	1,684,405
Total financial assets		42,813,311	42,556,348
Financial liabilities			
Deposits from customers	33	10,643,187	11,334,464
Debt securities issued	34	5,726,897	4,072,475
Other interest-bearing liabilities	35	9,315,543	13,279,221
Total financial liabilities		25,685,627	28,686,160

B.III Liquidity reserves

The table below sets out the components of the Company's liquidity reserves:

As at 31 March	2022 Rs. '000	2022 %	2021 Rs. '000	2021 %
Cash and balances with other banks	1,625,744	1.9	1,833,978	2.3
Other cash and cash equivalents	2,271,755	2.7	2,295,664	2.9
Investments in Government securities	4,977,408	6.0	3,232,224	4.1
Total liquidity reserves	8,874,907		7,361,866	

B.IV Financial assets available for future funding

The table below sets out the availability of the Company's financial assets to support future funding.

As at 31 March 2022	Note	Encumbered Pledged as a collateral Rs. '000	Encumbered Other* Rs. '000	Unencumbered Available as collateral Rs. '000	Unencumbered Other** Rs. '000	Total Rs. '000
Cash and cash equivalents	20				2,023,974	2,023,974
Financial assets measured at FVTPL	21				148,685	148,685
Derivative financial assets					1,121,320	1,121,320
Loans and receivables to banks	22				240,435	240,435
Deposits with financial institutions	23	6,034,580		2,257,996		8,292,576
Loans and receivables to customers	24	199,686		65,955,091	12,570,533	78,725,310
Other investment securities	25			-	6,576,030	6,576,030
Non-financial assets				8,291,653		8,291,653
Total assets		6,234,266		76,504,740	22,680,977	105,419,983

* Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.

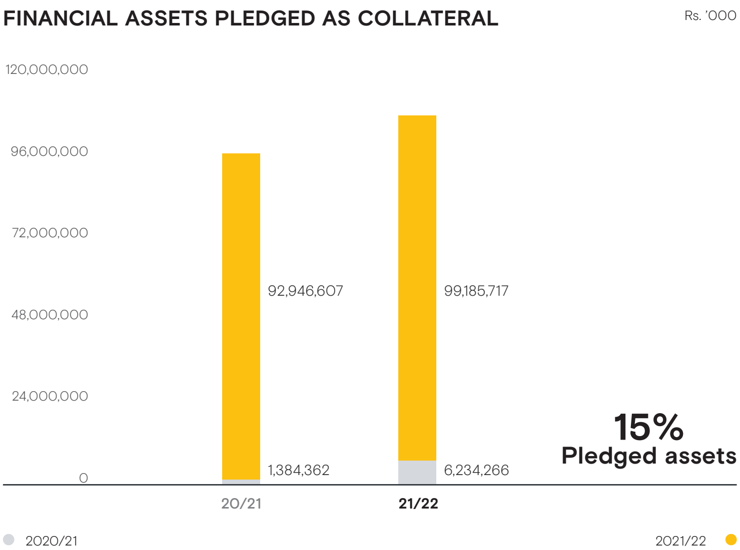
** Represents assets that are not restricted for use as collateral, but the Company would not consider them as readily available to secure funding in the normal course of business.

As at 31 March 2021	Note	Encumbered Pledged as a collateral Rs. '000	Encumbered Other* Rs. '000	Unencumbered Available as collateral Rs. '000	Unencumbered Other** Rs. '000	Total Rs. '000
Cash and cash equivalents	20				2,090,509	2,090,509
Financial assets measured at FVTPL	21				160,639	160,639
Derivative financial assets					198,046	198,046
Loans and receivables to banks	22				2,966,711	2,966,711
Deposits with financial institutions	23	707,611		2,295,664		3,003,275
Loans and receivables to customers	24	676,751		66,605,498	7,776,090	75,058,331
Other investment securities	25				2,669,959	2,669,959
Non-financial assets				8,183,499		8,183,499
Total assets		1,384,362		77,084,661	15,861,946	94,330,969

* Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.

** Represents assets that are not restricted for use as collateral, but the Company would not consider them as readily available to secure funding in the normal course of business.

FINANCIAL ASSETS PLEDGED AS COLLATERAL



C. Market risk

C.I Exposure to market risk

The table below sets out the allocation of Company's assets and liabilities subject to market risk between trading and non-trading assets.

As at 31 March 2022	Note	Carrying amount	Market risk measure	
			Trading assets	Non-trading assets
		Rs. '000	Rs. '000	Rs. '000
Assets subject to market risk				
Cash and cash equivalents	20	2,023,974		2,023,974
Financial assets measured at FVTPL	21	148,685	148,685	
Derivative financial assets		1,121,320	1,121,320	
Loans and receivables to banks	22	240,435		240,435
Deposits with financial institutions	23	8,292,576		8,292,576
Loans and receivables to customers	24	78,725,310		78,725,310
Other investment securities	25	6,576,030		6,576,030
Total assets subject to market risk		97,128,330	1,270,005	95,858,325
Liabilities subject to market risk				
Deposits from customers	33	52,216,802		52,216,802
Debt securities issued	34	5,726,897		5,726,897
Other interest-bearing liabilities	35	24,709,737		24,709,737
Total liabilities subject to market risk		82,653,436		82,653,436

As at 31 March 2021	Note	Carrying amount	Market risk measure	
			Trading assets	Non-trading assets
		Rs. '000	Rs. '000	Rs. '000
Assets subject to market risk				
Cash and cash equivalents	20	2,090,509		2,090,509
Financial assets measured at FVTPL	21	160,639	160,639	
Derivative financial assets	32	198,046	198,046	
Loans and receivables to banks	22	2,966,711		2,966,711
Deposits with financial institutions	23	3,003,275		3,003,275
Loans and receivables to customers	24	75,058,331		75,058,331
Other investment securities	25	2,669,959		2,669,959
Total assets subject to market risk		86,147,470	358,685	85,788,785
Liabilities subject to market risk				
Derivative financial liabilities	32	13,142	13,142	
Deposits from customers	33	48,999,341		48,999,341
Debt securities issued	34	5,089,839		5,089,839
Other interest-bearing liabilities	35	21,719,986		21,719,986
Total liabilities subject to market risk		75,822,308	13,142	75,809,166

C.II Value at Risk (VaR)

Value at Risk (VaR) is a statistical technique used to quantify the level of financial risk within a company or investment portfolio over a specific time period. It estimates how much a set of investments might lose in given normal market conditions.

VaR has been implemented in the Company to measure the market risk exposure of our trading assets on monthly basis. Company calculates VaR monthly using 95% confidential level and one month holding period. Our VaR Model is based on variance-covariance method which calculates portfolio's maximum loss by analysing historic market prices.

A summary of VaR positions as at 31 March 2021 and 2020 is given below:

As at 31 March 2022	2022			
	Carrying amount Rs. '000	Portfolio value Rs. '000	Risk adjusted portfolio value Rs. '000	Value at risk Rs. '000
Financial assets measured at FVTPL				
Government securities	148,685	150,000	170,227	20,227
Total financial assets measured at FVTPL	148,685	150,000	170,227	20,227

As at 31 March 2021	2021			
	Carrying amount Rs. '000	Portfolio value Rs. '000	Risk adjusted portfolio value Rs. '000	Value at risk Rs. '000
Financial assets measured at FVTPL				
Government securities	160,639	150,000	163,091	13,091
Total financial assets measured at FVTPL	160,639	150,000	163,091	13,091

C.III Exposure to interest rate risk

Interest rate risk exists in interest-bearing assets and liabilities, due to the possibility of a change in the asset's value resulting from the variability of interest rates. Since interest rate risk management has become imperative, CDB takes proactive measures to manage the exposure by forecasting the rate fluctuations. We perform scenario analysis in the course of observing liquidity position, market movements and reprise products-based thereon.

The following table exhibits the gap between the interest-earning financial assets and interest-bearing financial liabilities of the Company:

As at 31 March 2022	Note	Carrying amount Rs. '000	Market risk measure Less than 12 months Rs. '000	1-2 years	2-5 years	More than 5 years Rs. '000
Interest-bearing assets						
Financial assets measured at FVTPL	21	148,685	148,685			
Derivative financial assets	32	1,121,320	1,121,320			
Loans and receivables to banks	22	240,435	240,435			
Deposits with financial institutions	23	8,292,576	8,292,576			
Loans and receivables to customers	24	78,725,310	38,160,243	14,653,645	24,562,121	1,349,301
Other investment securities	25	6,576,030	4,327,788		561,727	1,686,515
Total interest-bearing assets		95,104,356	52,291,047	14,653,645	25,123,848	3,035,816
Interest-bearing liabilities						
Deposits from customers	33	52,216,802	41,573,615	6,070,504	4,544,891	27,792
Debt securities issued	34	5,726,897		3,235,032	2,491,865	–
Other interest-bearing borrowings	35	24,709,737	15,394,195	6,565,264	2,750,278	–
Total interest-bearing liabilities		82,653,436	56,967,810	15,870,800	9,787,034	27,792
Net interest-bearing assets gap		12,450,920	(4,676,763)	(1,217,155)	15,336,814	3,008,024

As at 31 March 2021	Note	Carrying amount Rs. '000	Market risk measure: Less than 12 months Rs. '000	1-2 years	2-5 years	More than 5 years Rs. '000
Interest-bearing assets						
Financial assets measured at FVTPL	21	160,639	160,639			
Derivative financial assets	32	198,046	198,046			
Loans and receivables to banks	22	2,966,711	2,966,711			
Deposits with financial institutions	23	3,003,275	3,003,275			
Loans and receivables to customers	24	75,058,331	34,186,388	16,052,420	19,597,167	5,222,356
Other investment securities	25	2,669,959	985,554	54,315		1,630,090
Total interest-bearing assets		84,056,961	41,500,613	16,106,735	19,597,167	6,852,446
Interest-bearing liabilities						
Derivative financial liabilities	32	13,142	13,142			
Deposits from customers	33	48,999,341	37,664,876	6,047,317	5,210,774	76,374
Debt securities issued	34	5,089,839	1,017,363		4,072,476	
Other interest-bearing borrowings	35	21,719,986	8,440,762	6,840,204	5,225,694	1,213,326
Total interest-bearing liabilities		75,822,308	47,136,143	12,887,521	14,508,944	1,289,700
Net interest-bearing assets gap		8,234,653	(5,635,530)	3,219,214	5,088,223	5,562,746

Subsequent to the reporting date, the Government's policy rates were significantly increased and the impact of rising interest rate risk did not materialise in the current financial year but the tremors of the interest rate shocks would have a significant impact in next financial year.

Interest rate sensitivity

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that considered are increase and decrease in interest rate by 100 basis points. This analysis assumes the financial position and performance is constant over the remaining financial year and movement of interest rate is immediate.

	2022		2021	
	100 bp		100 bp	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Sensitivity of projected net interest income	124,509	(124,509)	82,347	(82,347)
Sensitivity of reported net assets	124,509	(124,509)	82,347	(82,347)

C.IV Exposure to currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. Intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. CDB oversees the exposure by co-ordinating and being in line with the rates of forex dealing unit. We take initiatives to control the currency stocks in different currencies by exchanging and converting them in the best and a more profitable manner to compose a gain. Future forex market movements and trends are considered when deciding rates to offer the customers and always intend to maintain in sequence with the Central Bank rate predictions to make the business more competitive.

There is no significant impact from the depreciation of the foreign exchange rates after the reporting date on the Company's exposure from the foreign currency denominated loans as the Company holds a currency SWAP and equivalent foreign currency deposits for the serving the said loans.

Foreign currency exposures of the Company is shown below:

As at 31 March	2022 Amount	2022 Exchange rate	2022 Value LKR '000	2021 Amount	2021 Exchange rate	2021 Value LKR '000	Net exposure Increase/decrease (%)
USD	3,004	288.75	867	198,467	197.62	39,221	(98)
SGD	6,418	214.26	1,375	6,415	145.62	934	47
GBP	6,984	379.84	2,653	6,488	269.88	1,751	52
EUR	55,131	325.73	17,958	54,140	229.87	12,445	44
CAD	14,356	230.81	3,314	14,331	155.33	2,226	49
AUD	40,671	215.96	8,783	39,618	149.43	5,920	48

The Company has obtained foreign borrowings from Belgian Investment Company for Developing Countries (BIO), Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), BlueOrchard Microfinance Fund and Triodos IM. However the Company has entered into forward contracts to cover the exchange rate risk exposed from the above borrowings. (Refer Note 32 and 35)

There is no significant impact from the depreciation of the foreign exchange rates after the reporting date on the Company's exposure from the foreign currency denominated loans as the Company holds a currency SWAP and equivalent foreign currency deposits for serving the said loans.

Exchange rate sensitivity

The management of exchange rate risk by monitoring the sensitivity of the Company's financial performance to various standard and non-standard exchange rate scenarios. Standard scenarios that considered are increased and decreased in exchange rate by 1% to 5%. This analysis assumes the exchange reserve position is constant over the remaining financial year as well.

Subsequent sensitivity analysis shows changes in LKR, against foreign currencies which would have increased/(decreased) impact to Company's financial performance.

As at 31 March	Shock (%)	2022 Strengthening Rs. '000	2022 Weakening Rs. '000	2021 Strengthening Rs. '000	2021 Weakening Rs. '000
USD	1	9	(9)	392	(392)
EUR	1	14	(14)	9	(9)
USD	3	27	(27)	18	(18)
EUR	3	180	(180)	124	(124)
USD	5	33	(33)	22	(22)
EUR	5	88	(88)	59	(59)

C.V Exposure to equity price risk

Equity price risks arises as a result of fluctuations in market prices of individual equities and management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

The following table exhibits the impact on financial performance and net assets due to a shock of 10% on equity price.

As at 31 March	2022 Financial assets measured at FVTPL/ FVOCI Rs. '000	2022 Total Rs. '000	2021 Financial assets measured at FVTPL Rs. '000	2021 Total Rs. '000
Market value of quoted equity instruments as at 31 March	1,686,514	1,686,514	1,629,966	1,629,966

Equity price sensitivity

The management of equity price risk is done by monitoring various standard and non-standard equity price scenarios and analysis is given below:

As at 31 March Shock levels	2022 Impact on profit Rs. '000	2022 Impact on OCI Rs. '000	2022 Impact on net assets Rs. '000	2021 Impact on profit Rs. '000	2021 Impact on OCI Rs. '000	2021 Impact on net assets Rs. '000
10% shock (Increase)	–	168,651	168,651	–	162,996	162,996
10% shock (Decrease)	–	(168,651)	(168,651)	–	(162,996)	(162,996)

C.VI Exposure to gold price risk

Gold price risks arises as a result of fluctuations in market gold prices and Management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

As at 31 March	Total net weight of pawning articles (in grams)	Market price per gram*	Total market value Rs. '000	Gold loan receivable amount Rs. '000	Value excess Rs. '000
2022	1,017,132	18,523	18,840,619	10,773,585	8,067,034
2021	835,309	10,758	8,986,660	6,893,299	2,093,361

* Gold prices were extracted from Central Bank of Sri Lanka

Gold price sensitivity

The following table exhibits the impact on market value of the gold stock held due to a shock of 10% on gold price:

As at 31 March Shock levels	2022 Impact on market value Rs. '000	2022 Impact on value excess Rs. '000	2021 Impact on market value Rs. '000	2021 Impact on value excess Rs. '000
10% shock (Increase)	1,884,062	1,884,062	898,666	898,666
10% shock (Decrease)	(1,884,062)	(1,884,062)	(898,666)	(898,666)

C.VII Exposure to Government security price risk

Government Security price risks arises as a result of fluctuations in market prices of Government securities and Management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

The following table exhibits the impact on financial performance and net assets due to a shock of 10% on Government Security Price.

As at 31 March	2022 Financial Assets measured at (FVTPL) Rs. '000	2022 Other financial assets Rs. '000	2022 Total Rs. '000	2021 Financial Assets measured at (FVTPL) Rs. '000	2021 Other financial assets Rs. '000	2021 Total Rs. '000
Government securities	148,685	4,864,350	5,013,035	160,639	113,660	274,299

Government security price sensitivity

The following table exhibits the impact on market value of the Government securities held due to a shock of 10% on market price:

As at 31 March Shock levels	2022 Impact on profit Rs. '000	2022 Impact on OCI Rs. '000	2022 Impact on net assets Rs. '000	2021 Impact on profit Rs. '000	2021 Impact on OCI Rs. '000	2021 Impact on net assets Rs. '000
10% shock (Increase)	43,112	–	43,112	2,359	–	2,359
10% shock (Decrease)	(43,112)	–	(43,112)	(2,359)	–	(2,359)

Rates on Government securities as per Central Bank of Sri Lanka 2021/22 – during the year

Shock levels	Last traded rate as at 31 March 2022 %	Minimum rate %	Maximum rate %	Last traded rate as at 31 March 2022 %
Treasury bills				
91 days	8.61	5.05	8.63	5.04
181 days	8.53	5.10	8.55	5.08
364 days	8.53	5.15	8.59	5.11
Treasury bonds				
5 years	11.92	7.05	11.92	7.08
8 years	11.63	11.63	11.63	7.39

C.VIII Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some Interbank Offered Rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Company has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.

The main risks to which the Company has been exposed as a result of IBOR reform are operational. There are some foreign currency denominated loans obtained from foreign borrowers and thus financial risk is predominantly limited to interest rate risk. Company Risk Committee identify operational and regulatory risks arising from IBOR reform.

As at 31 March 2022, the IBOR reform in respect of currencies to which the Company has exposure is in the process of reforming. The table below sets out the IBOR rates that the Company had exposure to, the new benchmark rates to which these exposures have or are being transitioned.

Currency	Benchmark before reform	Benchmark after reform	Status
USD	USD LIBOR	SOFR	In progress

The Company's exposure to interest rate benchmarks subject to IBOR reform is limited to USD LIBOR rates and foreign currency denominated loans of Rs. 9.4 Bn. is exposed to this as at 31 March 2022.

D. Capital management

Central Bank of Sri Lanka (CBSL) has introduce a New Capital Adequacy Framework intended to foster a strong emphasis on risk management and to encourage improvements in LFC's risk assessment capabilities by repealing the earlier Direction No. 02 of 2006.

Under the earlier Direction risk confined only to credit risk and no capital requirements for other risks such as market and operational risk. With the introduction of new capital Adequacy Direction No. 03 of 2018, it provides for maintenance of capital adequacy ratios on a more risk sensitive focus covering credit risk and operational risks under basic approach available in Basel II accord.

The minimum requirement for core capital adequacy ratio and total capital adequacy ratio are 8 % and 12% respectively for assets more than Rs. 100 Bn. LFCs.

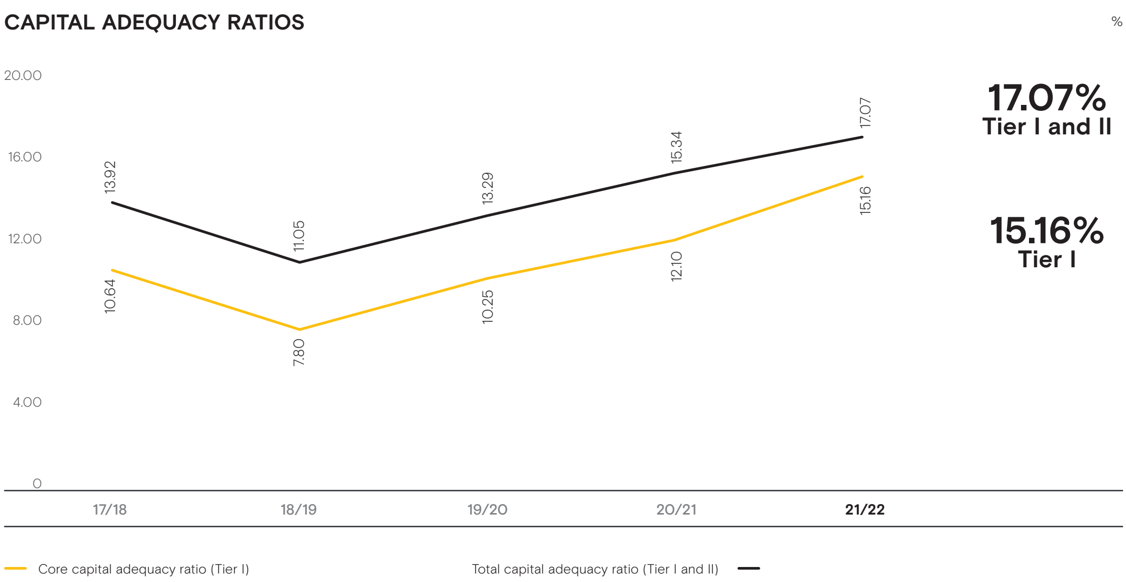
The core capital represents the permanent shareholders equity and reserves created or increased by appropriations of retained earnings or other surpluses and the total capital includes in addition to the core capital the revaluation reserves, general provisions/impairment allowances and unsecured subordinated debts.

The risk-weighted assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka for credit risk and the basic indicator approach is used for operational risk.

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company and its individually-regulated operations have complied with all externally imposed capital requirements.

D.I Capital adequacy ratio

			2022 %	2021 %
Core capital adequacy ratio (Tier I)	Core capital / Risk-weighted assets	*100%	15.16	12.10
Total capital adequacy ratio (Tier I and II)	Core capital / Risk-weighted assets	*100%	17.07	15.34



D.II Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be fixed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Company risk and Company credit and is subject to review by the Company ALCO.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities, it is not the sole basis used for decision-making and also taken account of synergies with other operations and activities, the availability of Management and other resources, and the fit of the activity with the Company's longer-term strategic objectives. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

6.0 SUPPLEMENTARY REPORTS

Quarterly statistics

	2021/22				2020/21			
	30.06.2021	30.09.2021	31.12.2021	31.03.2022	30.06.2020	30.09.2020	31.12.2020	31.03.2021
Statement of profit or loss								
Revenue	3,762,157	4,382,100	4,427,919	4,999,978	3,921,422	4,379,258	4,147,743	4,211,546
Net interest income	1,801,362	2,070,984	2,381,676	2,783,533	1,665,186	1,738,769	1,865,640	2,342,039
Total operating income	2,208,761	2,910,322	2,951,984	3,344,229	1,888,262	2,410,018	2,339,045	2,724,895
Net operating income	1,780,908	2,625,464	2,810,014	3,003,765	1,657,842	1,877,650	1,869,867	2,523,067
Non-interest expenses	1,160,806	1,321,566	1,399,862	1,069,973	978,544	1,144,765	1,109,284	1,231,181
Profit before tax	620,102	1,303,898	1,410,152	1,933,792	679,298	732,885	760,583	1,291,886
Income tax expense	175,000	360,000	348,550	772,314	191,416	221,753	225,000	272,644
Profit for the period	445,102	943,898	1,061,602	1,161,478	487,882	511,132	535,583	1,019,242
Statement of financial position								
Total assets	93,586,498	92,684,007	96,873,639	105,419,983	96,669,015	94,216,586	95,441,532	94,330,969
Loans and advances to customers	73,963,677	74,080,553	76,520,471	78,686,953	73,694,970	74,778,363	75,085,313	75,058,331
Deposits and borrowings	74,434,597	74,285,543	76,964,147	83,455,939	78,981,160	77,280,915	77,204,882	75,822,308
Shareholder's funds	14,416,737	15,066,677	16,317,239	17,648,075	11,702,083	12,181,335	12,756,909	14,020,133
Key ratios								
Net assets value per share (Rs.)	206.56	215.88	233.80	252.63	167.67	174.54	182.78	200.88
Return on average shareholders' equity (Annualised) (%)	12.51	19.08	21.52	22.79	17.08	17.12	17.10	19.99
Non-performing loans ratio (Net of IIS and impairment charges) (%)	2.86	1.80	1.34	0.11	4.27	2.04	3.72	2.21
Capital adequacy								
Tier I (%)	11.70	12.88	13.68	15.16	10.14	10.79	11.09	12.10
Tier II (%)	14.72	15.90	16.40	17.07	12.87	13.53	13.59	15.34

Economic value added statement

GRI 201-1

Economic value added aim to provide a value creation and distribution analysis of the Company among its key stakeholders.

	2021/22 Rs. '000	2020/21 Rs. '000	Increase %
Value created			
Interest income	15,194,413	14,877,242	
Fee commission income	311,128	406,234	
Other operating income	2,066,613	1,339,315	
Total direct economic value generated	17,572,154	16,622,791	6
Value distributed			
Operating costs	3,809,628	3,826,397	
To the employees as salaries wages and other benefits	1,772,596	1,402,328	
To the Government as income tax and taxes on financial services	2,195,608	1,532,000	
To providers of capital as dividend	261,960	523,446	
To society as corporate social responsibility	25,384	22,613	
To depositors and lenders as interest payments	6,156,858	7,282,499	
Total economic value distributed	14,222,034	14,589,283	-2
Economic value retained	3,350,120	2,033,508	65

Ten year statistical summary

	2021/22 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000	2018/19 Rs. '000
Operating results				
Income	17,572,154	16,622,791	17,362,985	16,240,520
Interest income	15,194,413	14,877,242	15,636,833	14,174,517
Interest expenses	6,156,858	7,282,499	8,998,331	8,949,018
Non-interest income	2,377,741	1,745,549	1,726,152	2,066,003
Operating expenses (Including VAT)	6,147,352	5,873,339	6,092,731	5,180,136
Profit/(loss) before income tax	5,267,944	3,466,953	2,271,923	2,111,366
Income tax on profit	1,655,864	909,999	434,873	401,173
Profit/loss after taxation	3,612,080	2,556,954	1,837,050	1,710,193
Liabilities and shareholders' funds				
Customer deposits	52,216,802	48,999,341	43,305,775	47,222,578
Borrowings	31,239,137	26,822,967	32,657,672	30,817,488
Other liabilities	3,685,859	4,079,981	5,066,071	3,732,225
Deferred taxation	630,110	376,460	609,271	1,336,061
Shareholders' funds	17,648,075	14,052,220	11,556,360	8,870,269
Total liabilities and shareholders' funds	105,419,983	94,330,969	93,195,149	91,978,621
Assets				
Loans and receivables to customers (Net)	78,725,310	75,058,331	72,422,827	71,582,081
Cash and short term funds	18,403,020	11,089,139	11,889,393	14,150,350
Property, plant and equipment	4,256,548	3,090,338	2,950,554	2,384,016
Other assets	4,035,105	5,093,161	5,932,375	3,862,174
Total assets	105,419,983	94,330,969	93,195,149	91,978,621
Ratios				
Growth in income (%)	6	(4)	7	38
Growth in interest expenses (%)	(15)	(19)	1	34
Growth in other expenses (%)	5	(4)	(10)	51
Growth in profit after tax (%)	41.26	39.19	7.42	22
Growth in total assets (%)	12	1	1	22
Earnings per share (Rs.)	51.75	36.64	26.32	30.05
Return on average assets (%)	3.62	2.73	1.98	2.04
Dividend per share (Rs.)	3.75*	7.50	–	5.00

* Proposed

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	11,784,862	8,591,218	7,486,004	6,907,077	6,267,086	4,311,850
	10,117,149	7,587,180	6,647,024	6,251,533	5,895,604	4,087,387
	6,662,828	4,699,482	3,588,413	3,381,455	3,553,403	2,386,570
	1,667,713	1,004,038	838,980	655,544	481,482	302,206
	3,435,217	2,664,235	2,643,648	2,574,201	2,093,715	1,378,740
	1,686,817	1,227,501	1,253,944	951,420	729,968	624,282
	285,629	220,986	248,790	249,686	168,755	135,118
	1,401,188	1,006,515	1,005,154	701,734	561,213	489,164
	44,709,832	32,601,836	30,887,693	27,079,134	24,518,193	17,771,173
	19,195,517	13,032,648	12,345,820	4,824,245	4,314,338	2,763,083
	3,583,543	1,429,915	1,861,067	1,526,248	1,213,714	922,665
	860,819	628,721	479,764	282,079	145,383	31,912
	7,152,399	6,241,165	5,051,968	4,302,003	3,576,914	2,965,098
	75,502,110	53,934,285	50,626,312	38,013,709	33,768,542	24,453,931
	59,438,349	43,189,010	38,538,920	29,378,799	25,724,945	19,450,587
	10,749,272	5,695,608	7,765,844	4,734,541	3,168,727	1,540,598
	2,029,222	1,839,091	1,606,958	1,421,343	1,004,471	657,718
	3,285,267	3,210,576	2,714,590	2,479,026	3,870,400	2,805,028
	75,502,110	53,934,285	50,626,312	38,013,709	33,768,542	24,453,931
	37	15	8	8	45	52
	42	31	6	5	49	82
	29	1	3	23	52	32
	39	1	43	25	15	(6)
	40	7	33	13	38	47
	25.80	18.53	18.51	12.92	10.33	9.99
	2.17	1.93	2.27	1.96	1.93	2.38
	5.00	3.50	3.50	3.50	3.00	2.75

USD accounts

Given below are the set of Financial Statements of the Company and the Group presented using USD denomination as at the reporting date based on the guidelines stated in LKAS 21 – "The effect of changes in foreign exchange rates".

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	2022 USD Rs. '000	2021 USD Rs. '000
Revenue	58,770	55,595
Interest income	50,817	49,757
Interest expense	20,591	24,356
Net interest income	30,226	25,401
Fee and commission income	1,041	1,359
Other operating income	6,912	4,479
Total operating income	38,179	31,239
Less: Impairment charges and other credit losses	3,997	4,754
Net operating income	34,182	26,485
Less: Operating expenses		
Personnel expenses	5,928	4,690
Premises, equipment and establishment expenses	7,035	6,343
Other expenses	1,794	1,776
Total operating expenses	14,757	12,809
Operating profit before taxes on financial services	19,425	13,676
Less: Taxes on financial services	1,805	2,080
Profit before tax	17,620	11,596
Less: Income tax expense	5,538	3,043
Profit for the year	12,082	8,553
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Fair value changes in hedge reserve	(487)	(250)
Items that will not be reclassified to profit or loss		
Change in deferred tax on revaluation due to rate change	–	107
Increase in revaluation surplus	950	–
Less: Deferred tax on revaluation	(228)	–
Equity investments at FVOCI – net change in fair value	252	228
Net actuarial gain/(loss) on defined benefit plan	1,068	(250)
Total other comprehensive income	1,555	85
Total comprehensive income for the year	13,637	8,638
Earnings per share		
Basic earnings per share (USD)	0.173	0.123

Statement of Financial Position

As at 31 March

	2022 USD Rs. '000	2021 USD Rs. '000
Assets		
Cash and cash equivalents	6,769	6,992
Financial assets measured at fair value through profit or loss (FVTPL)	497	537
Derivative financial assets	3,750	662
Loans and receivables to banks	804	9,922
Deposits with financial institutions	27,734	10,044
Loans and receivables to customers	263,295	251,031
Other investment securities	21,993	8,930
Investment property	–	68
Property, plant and equipment	11,211	10,336
Intangible assets	455	390
Goodwill on amalgamation	523	817
Retirement benefit assets	1,364	–
Right-of-use assets	2,570	2,666
Other assets	11,608	13,095
Total assets	352,573	315,490
Liabilities		
Derivative financial liabilities	–	44
Deposits from customers	174,638	163,877
Debt securities issued and subordinated debt	19,154	20,980
Other interest-bearing borrowings	82,641	68,684
Lease liabilities	2,684	2,711
Current tax liabilities	4,684	4,084
Deferred tax liabilities	2,107	1,259
Retirement benefit obligation	–	30
Other liabilities	7,642	6,824
Total liabilities	293,550	268,493
Equity		
Stated capital	7,899	7,861
Reserves	9,464	8,346
Retained earnings	41,660	30,790
Total equity	59,023	46,997
Total liabilities and equity	352,573	315,490
Net assets value per share (USD)	0.84	0.67
Contingencies and commitments	11,594	9,046

Sustainability assurance report

GRI 102-56

KPMG
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INDEPENDENT ASSURANCE REPORT TO CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

We have been engaged by the Directors of Citizens Development Business Finance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2022. The Sustainability Indicators are included in the Citizens Development Business Finance PLC's Integrated Annual Report for the year ended 31 March 2022 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	172 to 173

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Information provided on following	
Customers	53 to 64
CDB Team	65 to 70
Environment	71 to 82
Society	83 to 88
Regulators	89 to 93
Business Partners	94 to 97
Investors	98 to 105

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2022 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2022, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Control (SLSQC) 1 and 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.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;

- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

kpmg

CHARTERED ACCOUNTANTS

17 June 2022
Colombo, Sri Lanka

GRI content index

GRI 102-55

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
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General disclosures			
GRI 102: General Disclosures 2016			
Organisational profile			
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Disclosure 102-2	Activities brands, products and services	58	Our product portfolio
Disclosure 102-3	Location of headquarters	7	Queries
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Disclosure 102-5	Ownership and legal form	184	Corporate information
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Disclosure 102-11	Precautionary principle or approach	6	Precautionary principle
Disclosure 102-12	External initiatives	83	Society
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Governance			
Disclosure 102-18	Governance structure	121	Corporate Governance
Disclosure 102-19	Delegating authority	121	Corporate Governance
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GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
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Disclosure 102-41	Collective bargaining agreements	69	Safe working environment
Disclosure 102-42	Identifying and selecting stakeholders	41-43	Engaging with our stakeholders
Disclosure 102-43	Approach to stakeholder engagement	41-43	Engaging with our stakeholders
Disclosure 102-44	Key topics and concerns raised	41-43	Engaging with our stakeholders
Disclosure 102-45	Entities included in the Consolidated Financial Statements	5	Reporting period and boundary
Reporting practice			
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Disclosure 102-47	List of material topics	4, 38-39	Annual Report of the Board of Directors 2020/21, Our Management Approach
Disclosure 102-48	Restatements of information	4	Annual Report of the Board of Directors 2020/21
Disclosure 102-49	Changes in reporting	4	Annual Report of the Board of Directors 2020/21
Disclosure 102-50	Reporting period	5	Reporting period and boundary
Disclosure 102-51	Date of most recent report	5	Reporting period and boundary
Disclosure 102-52	Reporting cycle	5	Reporting period and boundary
Disclosure 102-53	Contact point for questions regarding the report	7	Queries
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GRI 103: Management approach 2016

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Disclosure 103-2	The management approach and its components	37-39	Materiality
Disclosure 103-3	Evaluation of the management approach	37-39	Materiality
GRI 201: Economic performance 2016			
Disclosure 201-1	Direct economic value generated and distributed	279	Economic value added statement
Disclosure 201-3	Define benefit plan obligations and other retirement plans	195	Personnel expenses
Disclosure 201-4	Financial assistance received from Government	-	No financial assistance received from the Government

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 103: Management approach 2016			
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Disclosure 103-2	The management approach and its components	37-39	Materiality
Disclosure 103-3	Evaluation of the management approach	37-39	Materiality
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Disclosure 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	No minimum wage levels
Disclosure 202-2	Proportion of senior management hired form the local community	67	Talent attraction
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Disclosure 305-4	GHG emission intensity	76	Carbon footprint management at CDB

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
Disclosure 305-5	Reduction of GHG emissions	76	Carbon footprint management at CDB
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	71	Environment
Disclosure 103-2	The management approach and its components	71	Environment
Disclosure 103-3	Evaluation of the management approach	71	Environment
GRI 306: Waste 2020			
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Disclosure 306 - 2	Waste by type and disposal method	78	Waste management
Disclosure 306 - 5	Water bodies affected by water discharge and/ or run off	78	Waste management
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	71	Environment
Disclosure 103-2	The management approach and its components	71	Environment
Disclosure 103-3	Evaluation of the management approach	71	Environment
GRI 307: Environmental compliance 2016			
Disclosure 307-1	Non-compliance with environmental laws and regulations	72	Accelerating sustainable financing
GRI 308: Supplier environmental assessment 2016			
Disclosure 308-1	New suppliers that were screened using environmental criteria	95	Sustainable supply chain - Online
GRI 400: Social			
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	65	CDB Team
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Disclosure 103-3	Evaluation of the management approach	65	CDB Team
GRI 401: Employment 2016			
Disclosure 401-1	New employee hires	67	Talent attraction
Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	68	Rewards compensation and recognition
Disclosure 401-3	Parental leave	66	Diversity and inclusivity
GRI 103: Management approach 2016			
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Disclosure 103-3	Evaluation of the management approach	65	CDB Team
GRI 402: Labour/management relations 2016			
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GRI 403: Occupational health and safety 2018			
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Disclosure 403-9	Work related injuries	69	Safe working environment
Disclosure 403-10	Work related ill health	69	Safe working environment
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	65	CDB Team
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Disclosure 103-3	Evaluation of the management approach	65	CDB Team

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 404: Training and education 2016			
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Disclosure 404-2	Programmes for upgrading employee skills and transition assistance programmes	68	Learning and development
Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews	67	Performance management and succession planning
GRI 103: Management approach 2016			
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GRI 405: Diversity and equal opportunity 2016			
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Disclosure 405-2	Ratio of basic salary and remuneration of women to men	67	View our employee profile - Online
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	65, 83	CDB Team, Society
Disclosure 103-2	The management approach and its components	65, 83	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	65, 83	CDB Team, Society
GRI 406: Non-discrimination 2016			
Disclosure 406-1	Incidents of discrimination and corrective actions taken	66	Diversity and inclusivity
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	65, 83	CDB Team, Society
Disclosure 103-2	The management approach and its components	65, 83	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	65, 83	CDB Team, Society
GRI 407: Freedom of Association and collective bargaining - 2016			
Disclosure 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	69	Safe working environment
GRI 408: Child labour 2016			
Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labour	69	Safe working environment
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	65, 83	CDB Team, Society
Disclosure 103-2	The management approach and its components	65, 83	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	65, 83	CDB Team, Society
GRI 409: Forced or compulsory labour 2016			
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GRI 103: Management approach 2016			
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GRI 413: Local communities 2016			
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GRI 103: Management approach 2016			
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Disclosure 103-2	The management approach and its components	65. 83	CDB Team, Society

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
Disclosure 103-3	Evaluation of the management approach	65, 83	CDB Team, Society
GRI 416: Customer health and safety 2016			
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GRI 417: Marketing and labelling 2016			
Disclosure 417-2	Incidents of non-compliance concerning product and service information and labelling	64	Customers - Compliance
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GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	53	Customers
Disclosure 103-2	The management approach and its components	53	Customers
Disclosure 103-3	Evaluation of the management approach	53	Customers
GRI 418: Customer privacy 2016			
Disclosure 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	64	Customer privacy
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	65, 83	CDB Team, Society
Disclosure 103-2	The management approach and its components	65, 83	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	65, 83	CDB Team, Society
GRI 419: Socio-economic compliance 2016			
Disclosure 419-1	Non-compliance with laws and regulations in the social and economic area	128	Corporate governance disclosures

Branch network

No.	Branch	Address	Phone No.
1.	Aluthgama	No. 377, Galle Road, Aluthgama	034-229 1136
2.	Ambalangoda	No. 61, New Road, Ambalangoda	091-225 4271
3.	Ampara	No. 66, D S Senanayake Street, Ampara	063-222 2150
4.	Anuradhapura	No. 521/20, Maithripala Senanayake Mawatha, New Town, Anuradhapura	025-223 4000/025-222 6609
5.	Avissawella	No. 23, Colombo Road, Avissawella	036-223 5220
6.	Badulla	No. 22, Bank Road, Badulla	055-222 5533
7.	Bandarawela	No. 344, Badulla Road, Bandarawela	057-222 1484
8.	Battaramulla	No. 97/1, Main Street, Battaramulla	011-286 9944/011-286 9949
9.	Batticaloa	No. 96, 98, 100, Bar Road, Batticaloa	065-222 8490
10.	Boralesgamuwa	No. 28 A, Maharagama Road, Boralesgamuwa	011-250 9306
11.	Chilaw	No. 80, Colombo Road, Chilaw	032-222 0646
12.	Dambulla	No. 687, Anuradhapura Road, Dambulla	066-228 4088/066- 228 4188
13.	Dehiwala	No. 119, Galle Road, Dehiwala	011-276 1443/011-276 1442
14.	Eheliyagoda	No. 114, Main Road, Eheliyagoda	036-225 9951
15.	Elakanda	No. 30, Hendala Road, Elakanda	011-293 0986
16.	Embilipitiya	No. 21, Main Street, Embilipitiya	047-226 1961/047-226 1962
17.	Galle	No. 99, Sea Street, Galle	091-222 7501/091-222 7502
18.	Gampaha	No. 114, Colombo Road, Gampaha	033-223 3774/033-222 3637
19.	Giriulla	No. 52, Negombo Road, Giriulla	037-228 8183
20.	Horana	No. 119/A, Panadura Road, Horana	034-226 6188/034-226 6177
21.	Ja-Ela	No. 195/A, Negambo Road, Ja-Ela	011-222 8228
22.	Jaffna	No. 208, Stanley Road, Jaffna	021-222 1585/021-222 1586
23.	Kaduruwela	No. 300/2, Sawmill Junction, Kaduruwela	027-222 6710/027-222 6720
24.	Kaduwela	No. 102, Colombo Road, Kaduwela	011-253 8888
25.	Kalutara	No. 296, Main Street, Kalutara	034-222 4400
26.	Kandana	No. 37/1, Negombo Road, Kandana	011-223 7645
27.	Kandy	No. 32, Cross Street, Kandy	081-220 4600/081-220 4246
28.	Katugastota	No. 468, Katugastota Road, Kandy	081-221 2517
29.	Kegalle	No. 227, Kandy Road, Kagalle	035-222 2442/035-222 2599
30.	Kelaniya	No. 159, Kandy Road, Kiribathgoda	011-291 0202/011-291 350 1502
31.	Kochchikade	No. 176, Chilaw Road, Kochchikade	031-227 8695
32.	Kotahena	No. 30, Sri Ramanadan Mawatha, Kotahena	011-242 2465/011-242 2466
33.	Kuliyapitiya	No. 259, Madampe Road, Kuliyapitiya	037-228 1825
34.	Kurunegala	No. 54, Colombo Road, Kurunegala	037-222 1625/037-223 4444
35.	Kuruvita	No. 85, Colombo Road, Kuruvita	045-226 3371
36.	Mahara	No. 337/2, Mahara Kadawatha	011-292 5000
37.	Maharagama	No. 181, High Level Road, Maharagama	011-284 5945
38.	Mahiyanganaya	No. 01, Padiyathalawa Road, Mahiyanganaya	055 225 8322
39.	Malabe	No. 838/04, New Kandy Road, Malabe	011-207 8651/011-207 8652
40.	Maradana (HO)	No. 123 Orabipasha Mawatha Colombo 10	011-242 9800/011-738 8388

No.	Branch	Address	Phone No.
41.	Marawila	No. 69, Horagolla, Marawila	032-225 0930
42.	Matale	No. 115/117, Trincomalee Street, Matale	066-222 6545
43.	Matara	No. 06, Station Road, Matara	041-222 6655/041-222 9955
44.	Matugama	No. 190, Aluthgama Road, Mathugama	034-224 8888
45.	Mawathagama	No. 58, Kandy Road, Mawathagama	037-229 6470
46.	Minuwangoda	No. 18/A, Siriwardena Mawatha, Minuwangoda	011-229 8864
47.	Moratuwa	No. 760, Galle Road, Moratuwa	011-264 2309/011-264 2310
48.	Narammala	No. 95, Kurunegala Road, Narammala	037-224 9525
49.	Negombo	No. 129, St. Joseph's Street, Negombo	031-223 1391/031-222 4040
50.	Nikaweratiya	No. 113, Puttalam Road, Nikaweratiya	037-226 0387
51.	Nittambuwa	No. 2/1, Colombo Road, Nittambuwa	033-229 6969
52.	Nugegoda	No. 70 A, Stanley Thilakarathna Mawatha, Nugegoda	011-282 8312/011-282 8313
53.	Nuwara-Eliya	No. 120, Kandy Road, Nuwara-Eliya	052-222 4728
54.	Panadura	No. 383, Galle Road, Panadura	038-223 7327
55.	Pelmadulla	No. 11, Main Street, Pelmadulla	045-227 4428
56.	Piliyandala	No. 92, Moratuwa Road, Piliyandala	011-261 4425
57.	Premier Centre	No. 101, Darmapala Mawatha, Colombo 7	011-233 2150
58.	Ragama	No. 26/05 & 26/06, Kadawatha Road, Ragama	011-295 2492
59.	Rajagiriya	No. 340, 340 1/1 & 340 2/1, Kotte Road, Welikada, Rajagiriya	011-207 8216/011-207 8218
60.	Ratmalana	No. 105, Galle Road, Mount Lavinia	011-271 0056
61.	Ratnapura	No. 89, Bandaranaike Mawatha Ratnapura	045-222 6636
62.	Thalawathugoda	No. 706, Madiwela Road, Thalawathugoda	011-277 3718
63.	Tissamaharama	No. 47, Hambantota Road, Tissamaharama	047-223 9655
64.	Trincomalee	No. 266, 268 Central Road, Trincomalee	026-222 6945/026-222 6946
65.	Vavuniya	No. 11, Horowapathana Road, Vavuniya	024-222 5862
66.	Warakapola	No. 09, Main Street, Warakapola	035-226 8281
67.	Wariyapola	No. 77, Puttalama Road, Wariyapola	037-205 7708
68.	Wattala	No. 237, Negombo Road, Wattala	011-298 1133
69.	Wellawatta	No. 288, Galle Road, Wellawatta	011-236 4699
70.	Wennappuwa	Sterling Building, Chilaw Road, Wennappuwa	031-224 5245
Service Centre			
71.	Kottawa	No. 35/1, High Level Road, Kottawa	011-278 2706

Notice of meeting

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC – P B 232 PQ

Notice is hereby given that the Twenty-Sixth Annual General Meeting of Citizens Development Business Finance PLC will be held as a virtual meeting at the CDB Corporate Office, No. 123, Orabipasha Mawatha, Colombo 10, on Friday, 29 July 2022 at 10.00 a.m.

AGENDA

1. To receive the Annual Report of the Board of Directors on the Affairs of the Company and the Audited Financial Statements for the year ended 31 March 2022 with the Report of the Auditors thereon.
2. To declare a Final Dividend of Rs. 3.75 per share for the financial year ended 31 March 2022 as recommended by the Directors.
3. To re-elect Independent Non-Executive Director Snr Prof S P P Amaratunge, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.
4. To re-elect Non-Executive Director Mr J P Abhayaratne, who in terms of Article 24 (6) and 24 (7) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
5. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.
6. To re-appoint Messrs KPMG, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS OF
CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

Mihiri Senaratne
Company Secretary
28 June 2022

Note:

- A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Company, addressed to Company Secretary No. 123, Orabipasha Mawatha, Colombo 10 not less than 48 hours before the time fixed for the holding of the AGM.
- Please refer the "Circular to Shareholders" published and follow the instructions to join the meeting virtually.

Form of proxy
(Voting shareholders)

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC - P B 232 PQ

I/We,..(NIC No..) of ....

.... being a member/members of Citizens Development

Business Finance PLC hereby appoint Mr/Mrs/Ms...

(NIC No. ....) of.. whom failing,

Mr Joseph Rene Alastair Corera	whom failing
Mr Weligama Palliyaguruge Claud Mahesh Nanayakkara	whom failing
Mr Tennakoon Mudiyanselage Damith Prasanna Tennakoon	whom failing
Mr Roshan Hasantha Abeygoonewardena	whom failing
Mr Sasindra Virajith Munasinghe	whom failing
Mr Dave Anthony De Silva	whom failing
Snr Prof Sampath Priyantha Perera Amaratunge	whom failing
Mr Jagath Priyantha Abhayaratne	whom failing
Mr Elangovan Karthik	whom failing
Mrs Pandithasundara Rajitha Wajirangani Perera	whom failing
Mr Elabadagama Ralalage Samitha Gomie Sudheera Hemachandra	whom failing
Mr Sujeewa Kumarapperuma	whom failing
Prof Prasadani Naganika Gamage	

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held as a virtual meeting on the 29 July 2022 and at any adjournment there of.

		For	Against
1.	To receive the Annual Report of the Board of Directors on the Affairs of the Company and the Audited Financial Statements for the year ended 31 March 2022 with the Report of the Auditors thereon		
2.	To declare a Final Dividend of Rs. 3.75 per share for the financial year ended 31 March 2022 as recommended by the Directors		
3.	To re-elect Independent Non-Executive Director Snr Prof S P P Amaratunge, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director		
4.	To re-elect Non-Executive Director Mr J P Abhayaratne, who in terms of Article 24 (6) and 24 (7) of the Articles of Association of the Company retires at the Annual General Meeting as a Director		
5.	To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year		
6.	To re-appoint Messrs KPMG, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration		

Signed this...day of ....
Two Thousand and Twenty-Two.

....
Signature/s of Shareholder/s

Please provide the following details

Name of the Shareholder : ....

Email address of the Shareholder : ....

CDS A/C No./NIC No./Company Registration No. : ....

Folio No./No. of shares held : ....

Name of the Proxyholder : ....

Email address of the Proxyholder : ....

Proxyholder's NIC No. (if not a Director) : ....

INSTRUCTIONS AS TO COMPLETION:

1. The Full name, address and the NIC No. of the Proxyholder and the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.
2. Please indicate with a "X" in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the proxy in his/her discretion may vote as he/she thinks fit.
3. Every alteration or addition to the Proxy Form must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company addressed to Company Secretary, No. 123, Orabipasha Mawatha, Colombo 10 not less than 48 hours before the time fixed for the holding of the AGM.
5. If the Form of Proxy is signed by an Attorney, the respective Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Company.
6. If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal (if any), or signed by its Attorney or by an officer on behalf of the company/corporate body in accordance with its Articles of Association/statute.
7. In case of Margin Trading Accounts (Slash Accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

Form of proxy
(Non-voting shareholders)

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC - P B 232 PQ

I/We,..(NIC No..) of ....

.... being a member/members of Citizens Development

Business Finance PLC hereby appoint Mr/Mrs/Ms..

(NIC No. ....) of.. whom failing,

Mr Joseph Rene Alastair Corera	whom failing
Mr Weligama Palliyaguruge Claud Mahesh Nanayakkara	whom failing
Mr Tennakoon Mudiyanselage Damith Prasanna Tennakoon	whom failing
Mr Roshan Hasantha Abeygoonewardena	whom failing
Mr Sasindra Virajith Munasinghe	whom failing
Mr Dave Anthony De Silva	whom failing
Snr Prof Sampath Priyantha Perera Amaratunge	whom failing
Mr Jagath Priyantha Abhayaratne	whom failing
Mr Elangovan Karthik	whom failing
Mrs Pandithasundara Rajitha Wajirangani Perera	whom failing
Mr Elabadagama Ralalage Samitha Gomie Sudheera Hemachandra	whom failing
Mr Sujeewa Kumarapperuma	whom failing
Prof Prasadani Naganika Gamage	

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held as a virtual meeting on the 29 July 2022 and at any adjournment thereof.

Signed this...day of .... Two Thousand and Twenty-Two.

....

Signature/s of Shareholder/s

Please provide the following details

Name of the Shareholder	: ....
Email address of the Shareholder	: ....
CDS A/C No./NIC No./Company Registration No.	: ....
Folio No/No. of shares held	: ....
Name of the Proxyholder	: ....
Email address of the Proxyholder	: ....
Proxyholder's NIC No. (if not a Director)	: ....

INSTRUCTIONS AS TO COMPLETION:

1. The full name, address and the NIC No. of the Proxyholder and the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.
2. Every alteration or addition to the Proxy Form must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company addressed to Company Secretary, No. 123, Orabipasha Mawatha, Colombo 10 not less than 48 hours before the time fixed for the holding of the AGM.
4. If the Form of Proxy is signed by an Attorney, the respective Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Company.
5. If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal (if any), or signed by its Attorney or by an officer on behalf of the company/corporate body in accordance with its Articles of Association/statute.
6. In case of Margin Trading Accounts (Slash Accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

Corporate information

Name of the Company

Citizens Development Business Finance PLC

Legal form

A public quoted company incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007.

The Company is licensed under the Finance Business Act No. 42 of 2011. The Company is registered under the Finance Leasing Act No. 56 of 2000 and CDB is an approved credit agency under Mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

Date of incorporation

7 September 1995

Registration number

PB 232 PQ

Accounting year

31 March

Board of Directors

Mr Joseph Rene Alastair Corera
CFA (USA), FCMA (UK)
Chairman/Independent Non-Executive Director

Mr W P C M Nanayakkara
BSc (Mgt), FCMA (UK), MBA (Sri J), CGMA
Managing Director/Chief Executive Officer/Executive Director

Mr T M D P Tennakoon
FCMA (UK), CGMA
Deputy CEO/Chief Financial Officer/Executive Director

Mr R H Abeygoonewardena
FCMA (UK), ACMA (Sri), MCPM, CGMA
Executive Director - Corporate Finance

Mr Jagath Priyantha Abhayaratne
MBA, B.Sc (Admin)
Non-Executive Director

Prof S P P Amaratunge
BA (Econ) (Sp) (SJP), MA Econ (Colombo),
MSc Econ. of Rural Dev. (Saga, Japan); PhD (Kogoshima, Japan)
Independent Non-Executive Director

Mr E R S G S Hemachandra
MBA (Australia), Dip M (UK), FCIM (UK)
Non-Executive Director

Mr D A De Silva
BSc (Hons), ACMA, CGMA
Executive Director – Business Operations

Elangovan Karthik
FCIM, FSLIM, BSc (Mgt), M BA (PIM), CGMA
Executive Director –
Chief Emergent Business Officer

Mr S Kumarapperuma
BSc (Science), MBA (Colombo), Postgraduate Dip (Actuarial Science)
Independent Non-Executive Director

Mr S V Munasinghe
MBA (Fed. Uni. Aus)
Executive Director –
Sales and Business Development

Mrs P R W Perera
FCA, ACMA
Independent Non-Executive Director

Prof Prasadani Naganika Gamage
BSc (Admin), PhD (HRM),
MSc (Management), Attorney-at-Law
Independent Non-Executive Director

Registered address of head office

No. 123, Orabipasha Mawatha,
Colombo 10, Sri Lanka.
Phone : +94 11 738 8388
Fax : +94 11 242 9888
Email : cdb@cdb.lk
Web : www.cdb.lk

Company Secretary
Ms Mihiri Shashikala Senaratne
No. 123, Orabipasha Mawatha,
Colombo 10, Sri Lanka
Phone : +94 11 738 8388
Fax : +94 11 242 9888
Email : mihiri.senaratne@cdb.lk

Company registrars

SSP Corporate Services (Pvt) Limited
101, Inner Flower Road,
Colombo 03, Sri Lanka
Phone : +94 11 257 3894,
+94 11 257 6871
Fax : +94 11 257 3609
Email : sspec@sltnet.lk

Company Auditors

KPMG (Chartered Accountants)
32 A, Sir Mohamed Macan Markar Mawatha,
Colombo 03, Sri Lanka
Phone : +94 11 542 6426

Lawyers of the Company

Nithya Partners
No. 97 A, Galle Road,
Colombo 03, Sri Lanka

Credit rating agency

ICRA Lanka Limited

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank
DFCC Bank PLC
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Union Bank PLC

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Net-zero GHG since 2011

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Your Friend

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