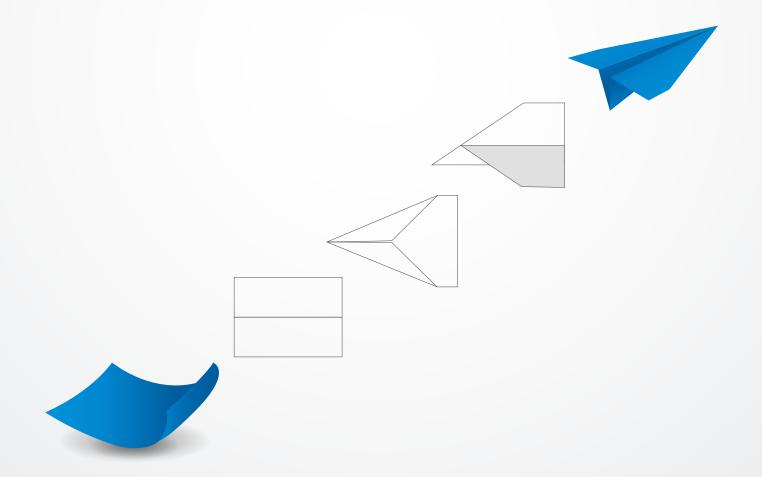
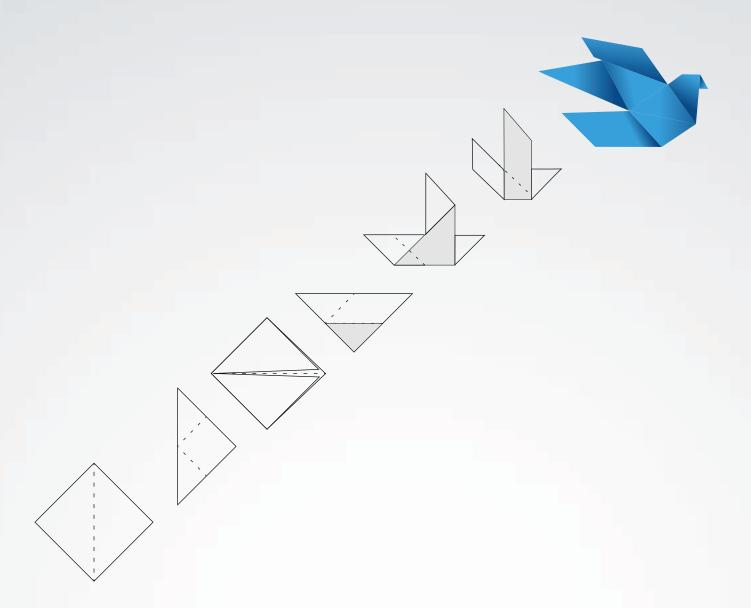
TRANSFORMING TOGETHER





TRANSFORMING TOGETHER





At **SANASA Development Bank,** we have watched our customers grow stronger, reach higher and plan for a brighter future. With the unerring support of the Bank, they have successfully chartered their course from Micro finance to SME (Small to Medium Enterprises).

Our pride is our customers' achievements and as we helped this flight to progress, we realized that in order to continue with our valued customers and service their new requirements, we ourselves needed to transform. Transform to further progress ourselves to cater to the ever growing SME sector in the country.

Today, as we continue working with professionalism, integrity and commitment, SANASA Development Bank is now able to **transform together** with our valued customers and esteemed shareholders to think beyond micro finance and envision a future filled with the promise of new accomplishments and further growth.

Index







Cover Story	01
Vision Mission & Values	06
Annual Report Progress	07
Vital Statistics	
Financial Highlights	10
Non-Financial Highlights	12
Bank Overview	14
Our Journey	16
Events Calendar	18
Awards	20
SDB in Print Media	22
About this Report	
GRI G4 Index table	27
Aspects Material to Us	33
Chairperson's Review	36
GM / CEO's Review	40
Economic Indicators	48
Operational Review	50
Financial Review	54
Product Profile & Marketing Review	58
Sustainability Report	
Economic Contributions	66
Engaging Our Stakeholders	68
Contributing to Social Capital	75
Building Human Capital	85
Responsible Services	90
Board of Directors	96
Corporate Management Team	100
Senior Management Team	102
Governance System	106
Chairperson's Statement on Corporate Governance	110
Investor Relations	111
Compliance Status	
Compliance with the Provision of the Banking Act Direction No. 12 of 2007	
of the Central Bank of Sri Lanka	120
Compliance with the Code of Best Practices on Corporate Governance	136
Risk Management System	150
Report of the Board Integrated Risk Management Committee	158
Report of the Board Audit Committee	159
Report of the Board Human Resources and Remuneration Committee	163
Report of the Board Selection and Nomination Committee	165
Report of the Board Related Party Transactions Committee	167
Report of the Board Strategic Planning & Business Development Committee	168
Report of the Board Credit Committee	169





Financial Calendar	173
Annual Report of the Board of Directors on the Affairs of the Company	174
Directors' Statement on Internal Control over Financial Reporting	182
Independent Assurance Report	184
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	185
Statement of Directors' Responsibility for Financial Reporting	187
Independent Auditors' Report	189
Statement of Comprehensive Income	190
Statement of Financial Position	191
Statement of Changes in Equity	192
Statement of Cash Flows	193
Notes to the Financial Statements	194
Capital Adequacy	241
Sources & Utilisation of Income	242
Statement of Value Addition	243
Last Decade at a Glance	244



Branch Network	248
Last Five Years Financial Summary	254
Quarterly Summary	256
Quarterly Ratios Analysis	258
Glossary of Terms	259
Abbreviations	264
Ratio Formula	267
19th Annual General Meeting - Agenda	269
Feedback Form	275
Corporate Information	Inner Back Cover

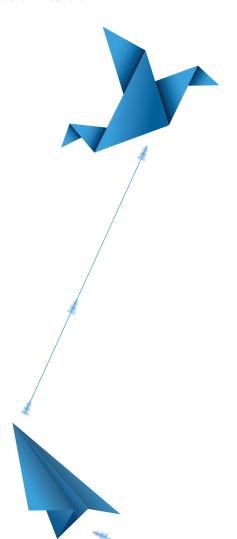




Cover Story	01
Vision & Mission & Values	06
Annual Report Progress	07
Vital Statistics	
Financial Highlights	10
Non-Financial Highlights	12
Bank Overview	14
Our Journey	16
Events Calendar	18
Awards	20
SDB in Print Media	22
About this Report	
GRI G4 Index table	27
Aspects Material to Us	33
Chairperson's Review	36
GM / CFO's Review	40



ABOUT US



Our Values

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

To be innovative and demand-driven in providing financial services.

To be courteous and professional in all business dealings. To avoid discrimination on the grounds of religion, sex, ethnicity, social status and language.

To refrain from extending financial services for unethical and illegal pursuits.

Our Mission

By providing high quality innovative and competitive financial products and services, offered through the best customer friendly channels, assisted by cutting edge technologies, with a team of diverse talents working in synergy to provide a total solution to our stake holders and operating in a culture of learning and continuous value creation, we strive to become the most responsible financial institution in Sri Lanka.



Our Vision

SDB PLC will be the apex bank of the co-operative sector and a leading partner of national development with a global focus.

Annual Report Progress





2015

- This Annual Report is SDB's second integrated Annual Report
- It has been compiled 'In Accordance' with the Global Reporting Index (GRI) G4,'Comprehensive' reporting standards
- This Annual Report is limited to the period of 1st January 2015 to 31st December 2015
- It Includes a Sustainability Report covering the following areas of SDB:
 - Economic contributions
 - Engaging stakeholders
 - Contributing to social capital
 - · Building human capital
 - Responsible services
- This Report contains 53 Graphs, 59 Tables, 12 Illustrations & 276 Pages.



2014

- This Annual Report is SDB's first ever integrated Annual Report
- It has been compiled 'In Accordance' with the Global Reporting Index (GRI) G4,'Comprehensive' reporting standards
- This Annual Report is limited to the period of 1st January 2014 to 31st December 2014
- No external assurance on sustainability reporting has been obtained for this report
- Number of pages 188



2013

- · Standalone Annual Report
- This Annual Report is limited to the period of 1st January 2013 to 31st December 2013
- Number of pages 150



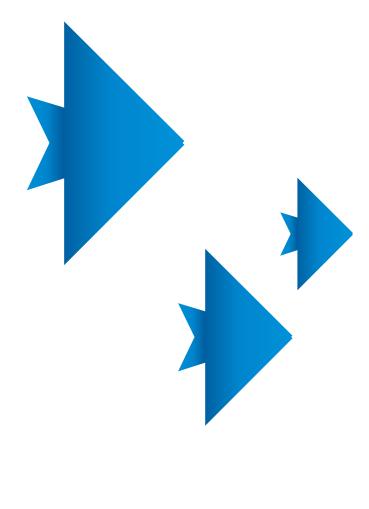
2012

- · Standalone Annual Report
- This Annual Report is limited to the period of 1st January 2012 to 31st December 2012
- · Number of pages 146



Vital Statistics

Financial Highlights	10
Non-Financial Highlights	12
Bank Overview	14





Financial Highlights

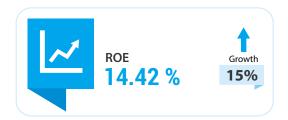




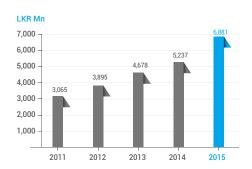




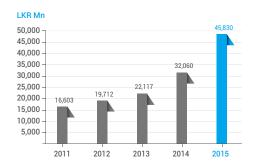




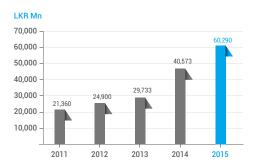
Total Income



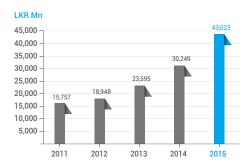
Advances



Total Assets



Deposits



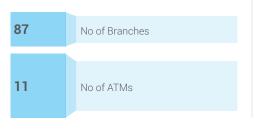


	2015 LKR Mn	2014 LKR Mn	Change
Profitability			
Gross Income	6609	4,850	36%
Net Income	3368	2,449	38%
Operational Profit before Provisions & Taxes	1,434	1,145	25%
Profit Before Tax	1,110	751	48%
Income Tax Provision	390	247	58%
Profit After Tax	720	504	43%
Position at Year End			
Deposits	43,023	30,249	42%
Loans & Advances	45,830	32,060	43%
Shareholders Fund	5297	4,695	13%
Total Assets	60,290	40,572	49%
Borrowings	10,579	4,602	130%
Investors Ratio			
Net Asset value per share - (LKR)	131.62	124.35	6%
Market value per share at the year end - (LKR)	157.1	90.9	-
Highest price per share for the period - (LKR)	176.0	124.00	-
Lowest price per share for the period - (LKR)	91.0	73.50	-
Earinig per share-Basis - (LKR)	17.9	13.36	-
*Divident per share - (LKR)	10.00	10.00	-
Divident Payout ratio - %	55.85	74.86	-
Quick Assets Ratio - %	55.16	78.10	-
Statutory Ratio			
Tier I - (Minimum Requirement -5%) - %	12.07	14.89	-
Tier I & II - (Minimum Requirement -10%) - %	12.51	15.33	-
Statutory Liquid Asset Ratio (Minimum 20%) - %	22.16	21.61	-
Key Indicators - Ratio - (%)			
Return on Average Assets	2.20	2.14	3%
Return on Average shareholders funds	14.42	12.49	15%
Non performing Advances Ratio (Gross)	2.37	3.76	(37%)

^{*1}st and final dividend of LKR 10/- per share to be paid, LKR 2.50 in the form of cash dividend and balance LKR 7.50 in the form of scrip dividend, which is to be approved at the Annual General Meeting.

Non-Financial Highlights

Customers' Perspective





No of customers	1,068,345
Credit Ratings	
Fitchratings Lanka	BB+ (lka)/Stable

ICRA Lanka Limited.

[SL] BBB-/Positive

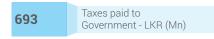
Employees' Perspective





97.5%	Employee retention Ratio - (%)
	Investment in Training &
11.6	Development LKR (Mn)
27	No of Training hours per employee
927,010	Profit per employee LKR

Government Perspective





Investment in Government securities - LKR (Mn)

4,085

Social & Environment

1,819	Electricity consumption (H/O) per employee per annum - kWh
18.9	Water Consumption Per employee per annum - m3
376	Fuel consumption per Employee per Annum - Litres



No of University / Other
Students Trained



	2015	2014	Change
Customers' Perspective			
No of Branches	87	82	6%
No of Accounts	1,068,345	992,782	8%
Credit Ratings - Fitch Ratings	BB+ (lka)/Stable	BB+ (lka)/Stable	-
Credit Ratings - ICRA Lanka Limited	[SL] BBB-/Positive	-	-
Employees' Perspective			
No of Employees	1,198	1,004	19%
No of Employees Promoted	200	142	41%
No of New Recruits	263	227	16%
Employees Salary & Benefits (LKR Mn)	1,098	767	43%
Employee Retention Ratio - (%)	97.5%	93.50%	-
Investment in Training & Development (LKR Mn)	11.6	5.0	132%
No of Training Hours per Employee	27.3	24.23	13%
Profit per Employee LKR	927,010	748,156	24%
Government Perspective			
Taxes paid to Government (LKR Mn)	693	443	56%
Investment in Government Securities (LKR Mn)	4,085	3,042	34%
Social & Environment			
Electricity Consumption (H/O) per Employee per Annum - kWh	1819	1,958	(7%)
Water Consumption per Employee per Annum - Cubic meter	18.9	18	5%
Fuel Consumption per Employee per Annum - Litres	376	457	(18%)
No of University / Other Students Trained	57	59	(3%)
Waste Paper Recycled (kg)	7,994	2,691	197%

Bank Overview

G4-3, G4-5 to G4-11, G4-14 to G4-16

Name of organisation

G4-3

SANASA Development Bank PLC (SDB)

Company Registration Number

PB 62 PQ

Location of Head Office G4-5,6

No.12, Edmonton Road, Kirulapone, Colombo 06, SRI LANKA.

Tele: +94-11-2832500 Fax: +94-11-2514256 Web: www.sdb.lk

Nature of ownership and legal form **G4-7**

A public quoted company with limited liability, incorporated under the Companies Act No. 17 of 1982 and re-registered under Companies Act No.07 of 2007 and registered as a Licensed Specialised Bank by the Central Bank of Sri Lanka, under the Banking Act No. 30 of 1988 (as amended by the Banking Amendment Act of 1995) and an approved Credit Agency under the Mortgage Act No. 06 of 1949 as amended by the Mortgage (amendment) Act No. 53 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

Top 5 shareholders as at 31st December 2015

- Seylan Bank PLC/
 Thirugnanasambandar Senthilverl 10.44%
- 2. Global Rubber Industries Private Limited - 6.94%
- 3. Peoples Leasing & Finance PLC 4.64%
- 4. Dr. T. Senthilverl 3.66%
- 5. Seemasahitha Sanasa Rakshana Samagama (General) - 2.57%

Markets Served G4-8

SDB has island-wide coverage through a network of 87 branches and mobile banking services with 43 field officers.

Our market segments include:

- Co-operative sector
- Micro entrepreneurs
- SMEs
- Businesses enterprises

Please refer page "Branch Network" on page 248 for map of SDB branches.

Scale of the Organisation G4-9-11

Measure (Year) - 2015

Total number of employees - 1,198

Total number of operations - SDB is a single operation based in

Sri Lanka

Net revenue - LKR 6,884 Mn

Total capitalisation equity - LKR 5,297 Mn

Quantity of products or services provided - Development banking, personal

banking, loans, remittance services, leasing and other associated activities such as fixed

deposits and savings.

Total number of employees by employment contract

Male		-	603
Female		-	595
Number of pern	nanent employees	-	709
Corporate Mana	agement	-	11
Senior Manager	ment	-	22
Executive office	rs	_	461



Significant changes during reporting period G4-13

All significant changes to the organisation have been discussed by the Chairperson and the GM/CEO in their respective reviews.

Precautionary approach G4-14

As a Bank SDB has minimum environmental impacts and the commitments to the SANASA philosophy of coexistence with the environment supports environmental mindfulness. At present the natural environment does not constitute an aspect of SDB's overall risk management system due to the almost non-existent environmental impact caused by our activities. However, we are mindful of potential environmental impacts due to human activities and climate change.

Membership in external initiatives G4-15

We are part of Sri Lanka's SANASA Movement

Membership in associations G4-16

SDB is a member of following associations.

- Institute of Bankers of Sri Lanka
- Leasing Association of Sri Lanka
- Association of Professional Bankers of Sri Lanka
- Ceylon Chamber of Commerce
- Employees Federation of Ceylon
- The Association of Banking Sector Risk Professionals SL
- Association of Compliance Officers of Banks Sri Lanka
- Sri Lanka Bank's Association (Guarantee) Ltd.
- The Financial Ombudsman Sri Lanka (Guarantee) Ltd (Participating)

The Bank also works with a number of external agencies for technical assistance and financial assistance. These include:

Rabobank

Netherlands' Rabobank is a bank by and for customers. Today, Rabobank is an international financial services provider with activities in banking, asset management, leasing, insurance and real estate. They are a leading bank in the field of food & agree worldwide.

The International Finance Corporation (IFC)

The International Finance Corporation is an international financial institution that offers investment, advisory, and asset management services to encourage private sector development in developing countries. The IFC is a member of the World Bank Group and is headquartered in Washington, D.C., United States.

Canadian International Development Agency (CIDA)

The Canadian International Development Agency was an organisation that administered foreign aid programmes in developing countries, and operated in partnership with other Canadian organisations in the public and private sectors as well as other international organisations.

Our Journey



1985 - 1990

Five year Planning project of SANASA Group Alternative bank for SANASA Group



1990 - 1997

Appointing a committee for banking operations of SANASA Federation Discussion between Dr. P.A. Kiriwandeniya and the President Her Excellency Chandrika Bandaranaike, who was then the Minister of Finance Granted banking license Established the bank with an initial capital of LKR 123 Mn, mainly contributed by primary SANASA Societies Opened the 1st City branch in the Red Cross building



1998

10th branch opened in Kandy



1999

Record total assets of over LKR 100 Mn



2004

Tsunami relief and recovery activities
Built houses in the Northern and Western provinces



2006

Proceeded with the 10 year development plan



2007

Celebrated 10 years of Excellence Expanded branch network to 25







2014 Increased staff to 1000 Oversubscribed 1st Rights Issue of SANASA Development Bank Issued share capital exceeds LKR 3 Bn



Increased total assets to LKR 25 Bn

2012 Introduced debit cards and ATM facilities Listed on the main board of Colombo Stock Exchange



2010 Relocated the Head Office to a new building

Ranked the 2nd best microfinance institution in the World, by Mix Market Global – USA

Expanded branch network to 75



2009

Introduced the SANASA Group loan scheme Increased share capital to LKR 1 bn, from LKR 123 mn Expanded branch network to 50



2008

Winner of the National Excellence Award Increased total assets to LKR 10 Bn Increased staff to 500



Events Calendar





News & Events

Nelum Mal Pooja (Lotus Flower offering to Sacred Bo Tree of Anuradhapura)





News & Events CSR

Blood Donation -18th February 2015

SDB Galenbidunuwewa shifted to a new location -23rd February 2015





News & Events

Celebrates International Women's Day -08th March 2015

SDB Chilaw was refurbished -12th March 2015





News & Events

SDB Sahasapura relocated to Dematagoda - 09th April 2015

SDB Awards Night -25th April 2015



News & Events

SDB opens its new branch at Malabe -20th May 2015

Vesak Dansal - Vesak Poya Day







News & Events

SDB Mawanella shifted to a new location -29th June 2015 AGM - 2014 -31st June 2015







News & Events CSR

SDB Lakdaru Mehewara - Pahan Pooja -21st August 2015

SDB opens its 84th branch at Mahabage -27th August 2015



News & Events

SDB Siyabalanduwa shifted to a new location -08th July 2015



September

News & Events SDB opens its 85th branch at Dehiwala -16th September 2015





October

News & Events

SDB launches SMS Banking facility for its customers -14th October 2015

SDB goes to doorstep -16th October 2015

CSR

SDB Celebrates Worlds Children's Day -01st October 2015

National Pensioners' Day Symposium -08th October 2015 SDB Celebrates World's Thrift Day 31st October 2015





lovember

News & Events

SDB Dehiattakandiya shifted to a new location -11th November 2015

Get Together 2015 -21st November 2015

Head Office - Staff

SDB Killinochchi shifted to a new location -23rd November 2015



December

News & Events

Customer Get Together 2015 -Nuwara Eliya -08th December 2015 SDB opens its 87th new branch at Ekala -21st December 2015

SDB opens its 86th new branch at Nuwara Eliya -16th December 2015



Awards

SANASA Development Bank's commitment to excellence is portrayed in the numerous awards the Bank has won over the years. The most recent of these are:

Annual Reports Awards 2014

The Bank was presented the "Financial Institutions Certificate of Compliance" award by The Institute of Chartered Accountants of Sri Lanka at the 50th Annual Report Awards 2014.



Annual Reports Awards 2013

The Bank was presented the "Financial Institutions Compliance Award" by The Institute of Chartered Accountants of Sri Lanka at the Chartered Accountants Annual Report Awards – 2013.





Annual Reports Awards 2011



The Bank was presented the Bronze Award in the "Financial Institutions Sector" category by The Institute of Chartered Accountants of Sri Lanka at the Chartered Accountants Annual Report Awards - 2011.

Other awards won include the following:

Year 2010



Ranked the 2nd Best Microfinance Institution in the World by Mix Market Global - USA.

Year 2009

Runner-up in the "Specialised Banking and Financial Business Sector" category at the National Business Excellence Awards – 2009 organised by the National Chamber of Commerce of Sri Lanka

Certificate of Compliance in the "Sector Financial Institutions" category at the Chartered Accountants Annual Report Awards 2009 organised by The Institute of Chartered Accountants of Sri Lanka.



Year 2008

o Winner in the "Specialised Banking and Financial Service Sector" category at the National Business Excellence Awards 2008 organised by the National Chamber of Commerce

Award Certificate in the "Financial Institutions" category at the Chartered Accountants Annual Report Awards 2008 organised by The Institute of Chartered Accountants of Sri Lanka.

Year 2006

o Merit Certificate in the "Financial Institutions" category at the Chartered Accountants Annual Report Awards 2006 organised by The Institute of Chartered Accountants of Sri Lanka.

Year 2005

o Certificate of Recognition for "Excellence in Annual Reports" presented by The Institute of Chartered Accountants of Sri Lanka.

Year 2004

Certificate of Recognition for "Excellence in Annual Reports" presented by The Institute of Chartered Accountants of Sri Lanka (Financial statements for the year ended 31st December 2003/31st March 2004).

Certificate of Recognition for "Excellence in Annual Reports" presented by The Institute of Chartered Accountants of Sri Lanka (Financial statements for the year ended 31st December 2002/31st March 2003).

SDB in Print Media

IFC to help SANASA Development Bank reach small rural biz, cooperatives



සණස සංවර්ධන බැංකුව

2015 පසුමු කාර්තුවේ ඉහළම පුතිවල අත්කර හනි



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Mawanella SDB shifted to a new location

SDB opens 84th new branch at Mahabage







Mayanella SDB shifted to a new location











SANASA DEVELOPMENT



කහරවියානු ජාතනන්තර සංවර්ධන සංවිධානය පණය සංවර්ධන මැංකුව සහ සකය මහා සංගමය අවබෝධතා හිවිසුමහට

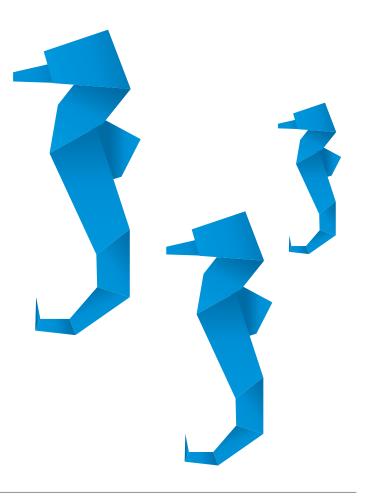






About This Report

GRI G4 Index table	27
Aspects material to us	33



About This Report

G4-17 to G4-21, G4-28 to G4-32

This is the second integrated Annual Report of SANASA Development Bank (SDB) and has been compiled "In Accordance" with the Global Reporting Index (GRI) G4 "Comprehensive" reporting standards.

SDB understands that the long-term sustainability of the Bank depends on maintaining successful relationships and constructively engaging with key stakeholders that include regulators, SANASA societies, investors, employees, customers, auditors, international agencies, suppliers and society. This approach is the foundation for the integrated thinking and reporting of the Bank.

Scope of the Annual Report G4-28 to 30

This integrated Annual Report of SDB presents both financial and non-financial information of the Bank for the financial year ended 31st December 2015. It has been compiled based on the economic, social and environmental performance of the Banking during the said period.

The financial statements of the Bank for the year ended 31st December 2015 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs), Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto, the Listing Rules of the CSE and the Corporate Governance Code for Licensed Specialised Banks issued by the Central Bank of Sri Lanka (CBSL). The financial statements of the Bank have been duly signed by the Assistant General Manager-Finance, General Manager/Chief Executive Officer, two of the Directors of the Bank and the Company Secretary.

The Annual Report this year comprises various reports covering the Company's operations spanning the Head Office and the network of 87 branches for the financial year ended 31st December 2015. Wherever relevant, the previous year's performance and indicators have been taken into consideration for comparative analysis.

External Assurance

The Financial Statements together with related notes are audited by M/s. Ernst & Young Chartered Accountants, Sri Lanka and their assurance is given in the "Independent Auditors Report" on page 189 of this Annual Report. Additionally, the external assurance given by M/s. Ernst & Young for sustainability initiatives and measures included in the Annual Report is given in the "Independent Assurance Report" on page 184.

Presentation of the Annual Report

In order to keep in line with the Bank's commitment to reduce its carbon footprint, printed copies of this Annual Report will be posted to only those who request in writing. The complete Annual Report will be made available in the form of a CD and will be posted to all shareholders. The Annual Report will also be made available in PDF format on the corporate website of the Bank – www.sdb.lk.

Stakeholder Feedback

SDB understands the importance of obtaining stakeholder feedback as part of its approach to continuously improve the Annual Report. In order to obtain a formal feedback, a feedback form is provided in the Annual Report.



Contact Person G4-31

All queries about this Integrated Annual Report and information presented therein should be directed to:

Assistant General Manager - Finance SANASA Development Bank PLC

No.12, Edmonton Road, Kirulapone, Colombo 06.

Tele: +94-11-2513476 Fax : +94-11-2513529 Email: terrance.k@sdb.lk Web: www.sdb.lk

GRI G4 Index Table

General Standard Disclosures	Description	Annual Report Section	Page Number	Reason(s) for Omission(s)
Strategy and Ar	nalysis			
G4-1	Statement from the most senior decision-maker of the organisation	Chairperson's Review	36	
G4-2	Description of key impacts, risk and opportunities	Chairperson's Review GM/CEO's Review Risk Management System	36 40 150	
Organisational	Profile			
G4-3	Name of the organisation	Bank Overview	10	
G4-4	Primary brands, products, and services	Product Profile & Marketing Review	58	
G4-5	Location of the organisation's headquarters	Bank Overview	10	
G4-6	Number of countries where the organisation operates	Bank Overview	10	
G4-7	Nature of ownership and legal form	Bank Overview	10	
G4-8	Markets served	Bank Overview Branch Network	10 256	
G4-9	Scale of the organisation	Bank Overview	10	
G4-10	Employee profile	Bank Overview	10	
G4-11	Percentage of employees covered by collective bargaining agreements	Bank Overview	10	
G4-12	Organisation's supply chain	-	-	Not applicable
G4-13	Significant changes during the year	Chairperson's Review GM/CEO's Review Bank Overview	36 40 10	
G4-14	Precautionary approach or principle	Bank Overview	10	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Bank Overview	10	
G4-16	Memberships of associations	Bank Overview	10	

About This Report Contd.

General Standard Disclosures	Description	Annual Report Section	Page Number	Reason(s) for Omission(s)
Identified Mate	rial Aspects and Boundaries			
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	About this report: Aspects material to us	33	
G4-18	Define the report content and the aspect boundaries	About this report: Aspects material to us	33	
G4-19	Material aspects identified	About this report: Aspects material to us	33	
G4-20	Aspect boundary with the organisation	About this report: Aspects material to us	33	
G4-21	Aspect boundary outside the organisation	About this report: Aspects material to us	33	
G4-22	Effect of any restatements of information provided in previous reports	-	-	Not applicable
G4-23	Significant changes from previous reporting periods	-	-	Not applicable
Stakeholder En	gagement			
G4-24	Stakeholder groups engaged by the organisation	Engaging our stakeholders	68	
G4-25	Basis for identification and selection of stakeholders	Engaging our stakeholders	68	
G4-26	Organisation's approach to stakeholder engagement	Engaging our stakeholders	68	
G4-27	Key topics and concerns raised through stakeholder engagement	Engaging our stakeholders	68	
Report Profile				
G4-28	Reporting period for information provided	About this report	26	
G4-29	Date of most recent previous post	About this report	26	
G4-30	Reporting cycle	About this report	26	
G4-31	Contact point for questions regarding the report or its contents	About this report	26	
G4-32	The "in accordance" option the organisation has chosen	About this report	26	
G4-33	External assurance	-	-	Not applicable



General Standard Disclosures	Description	Annual Report Section	Page Number	Reason(s) for Omission(s)
Governance				
G4-34	Governance structure of the organisation	Governance System	106	
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Governance System	106	
G4-36	Appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	Governance System	106	
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Engaging Our Stakeholders	68	
G4-38	Composition of the highest governance body and its committees	Governance System	106	
G4-39	Whether the Chair of the highest governance body is also an executive officer	Governance System	106	
G4-40	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Governance System	106	
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	Governance System	106	
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Governance System	106	
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Governance System	106	
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	Governance System	106	
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	Chairperson's Review	36	

About This Report Contd.

General Standard Disclosures	Description	Annual Report Section	Page Number	Reason(s) for Omission(s)
Governance Conf	<u> </u>	•		
G4-46	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Risk Management System	150	
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Risk Management System	150	
G4-48	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered	Governance System	106	
G4-49	Process for communicating critical concerns to the highest governance body	Compliance with the Code of Best Practices on Corporate Governance	136	
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	Governance System	106	
G4-51	Remuneration policies for the highest governance body and senior executives	Governance System	106	
G4-52	Process for determining remuneration	Governance System	106	
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	-	-	Not applicable
G4-54	Ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees in the same country	-	-	Not applicable
G4-55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees in the same country	-	-	
Ethics and Integ	prity			
G4-56	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Governance System	106	
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.	Governance System	106	
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Governance System	106	



Specific Standard Disclosures

Category : Economic

Specific Standard Disclosures	Description	Annual Report Section	Page Number	Reason(s) for Omission(s)
	t: Economic Performance	,		(-)
G4-EC1	Direct economic value generated and distributed	Economic Contributions	66	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Financial Review, Risks and Opportunities Posed by Climate Change		
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Economic Contributions, Contribution to Employees Provident Fund and Employees Trust Fund	67	
Material Aspec	t: Indirect Economic Impacts			
G4-DMA		Indirect Economic Impacts		
Category : E	nvironmental			
G4-DMA		Responsible Services: Environmental Accountability	91	
Category : S	ocial			
Material Aspec	t: Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Building Human Capital: Employment Related Attributes	88	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Building Human Capital: Employment Related Attributes	88	
G4-LA3	Return to work and retention rates after parental leave, by gender	Building Human Capital: Employment Related Attributes.	88	
Material Aspec	t: Labour/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Building Human Capital: Performance of the Human Resource Function	87	
Material Aspec	t: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Building Human Capital: Training and Development	89	
G4-LA10	Programmes for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings	Building Human Capital: Training and Development	89	

About This Report Contd.

Specific Standard Disclosures	Description	Annual Report Section	Page Number	Reason(s) for Omission(s)
	t: Diversity and Equal Opportunity	Allitual Nepolt Section	r age Number	Offission(s)
Material Aspect	t. Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Building Human Capital: Equal Employment Opportunities	88	
Material Aspect	t: Labour Practices Grievance Mechanisms			
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Building Human Capital: Employment Related Attributes	88	
Sub-Category: S	Society			
Material Aspect	t: Diversity and Equal Opportunity			
G4-DMA		Contributing to Social Capital	76	
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Contributing to Social Capital	76	
Sub-Category: I	Product Responsibility			
Material Aspect	t: Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Responsible Services	91	
Material Aspect	t: Compliance			
G4-PR9	Monetary value of significant fines for non- compliance with laws and regulations concerning the provision and use of products and services	Responsible Services	91	



Aspects material to us G4-17 to 21

Entities listed in the financial statements can be viewed in the consolidated financial statements of this report. All these entities have been covered by this report.

Process of defining content and aspect boundaries

Content and aspect boundaries of the report were identified by the Senior Management, including the CEO/GM of SDB. This process involved:

- 1. As required by the G4 guidelines, the entities listed in the financial statements were identified
- 2. These entities were grouped as 'external entities' and 'internal entities.'

Internal entities

- Board of Directors
- Employees (includes management)

External entities

- Shareholders
- Government
- Regulatory bodies
- Customers
- Auditors
- · Janitorial services provider
- International agencies

About This Report Contd.

3. The aspects that would be deemed material for each entity were listed together with the reasons for materiality (Refer table below). The aspects were selected from the GRI G4 list of topics and aspects.

Material aspects covered by this report and aspect boundaries

Indicator	Material Aspect	Aspect Boundary	Reasons for Materiality
EC1, EC2, EC3	Economic performance	Material to all entities	Any financial and economic instability would have direct negative impacts on both external and internal entities
EC8	Indirect economic impacts	Material to government and international agencies	Indirect impacts include developing rural economies, encouraging savings, supporting business growth, enhancing household quality of life
EN29	Environment	Material to all internal entities, government, customers and international agencies	High energy costs impacts profitability, impacting all internal entities. High energy consumption increases national energy costs impacting the government. International agencies are concerned about minimising environmental impacts.
LA1, LA2, LA3	Labour practices and decent work	Material to all entities	Poor labour practices result in labour unrest, work stoppage, instability, and poor quality of services, which impact all entities.
LA4	Labour management/ relations	Material to all entities	Same as above
LA9, LA10	Training and education	Material to all internal entities and customers	Training leads to employee development, better services and supports profitability
LA12	Diversity and equal opportunity	Material to employees, government and international agencies	Discrimination de-motivates employees. Government and international agencies require that human rights are safeguarded
DMA	Equal remuneration for women and men	Material to employees, government	Government is impacted due to human and labour rights requirements. Employees are motivated through fair pay
LA16	Labour practices grievance mechanisms	Material to employees, government	Relevant to government due to ensuring labour rights. Relevant to employees for happy/conflict-free work environment
S01	Local communities	Material to shareholders, government and international agencies	Our shareholders represent the local community through SANASA Societies. Government ministries and international agencies are interested in supporting community development.
PR8	Customer privacy	Customer privacy Material to customers and regulators	Lack of customer confidentiality is a regulatory breach and also impacts customer privacy
PR9	Compliance (in ensuring customer privacy)	Material to employees, customers and regulators	Relevant to employees and regulators due to legal impacts. Customers are harmed by breach of privacy.



4. Finally, these aspects were located on a chart, indicating each aspect's relative level of materiality (low, medium or high), for internal and external entities. As this process was a purely qualitative exercise, the level of materiality is an estimation.

Extent of aspect materiality to internal and external entities

Materiality {Economic performance} {Indirect economic impacts} {Local community} {Customer privacy & compliance) {Labour practices/relations, (Non discrimination) {Environment protection} М grievance handling} External entities {Training} L M Н Materiality Internal entities

Chairperson's Review



8,000 CO-OPERATIVE SOCIETIES

Representing the needs and aspirations of nearly

ONE MILLION MEMBERS

The biggest challenge the Board of Directors faced in the year 2013 was migrating the Bank's focus from microfinance to SME finance in line with the strategic plan laid out. To aid in this regard, it was imperative that the Bank gradually moves away from customer loan programmes and maps out a mechanism to attract new customer segments.

Advances

LKR Bn 50% 50 -45% 45 45% 40 40% 32 35 35% 20 20% 15 15% 10% 10 5% 5 2013 2014 2015 - Growth %

SME Loan Growth



Chairperson's Review Contd

G4-1, 2, 45

Dear shareholders

It is a well-known fact that SANASA Development Bank is a bank that has won the hearts and minds of all by providing strength to the rural economy and lending a helping hand to the less fortunate entities of our society. Using the capital sourced from the network of nearly 8,000 Co-operative societies that represent the needs and aspirations of nearly one Million members, SANASA Development Bank was created in 1997 under the dynamic leadership of Dr. P. A. Kiriwandeniya. Today, the Bank continues to make significant strides in a journey of determination and is reaping the rewards of such efforts.

Strategic Plan

This year marks the third year that your Bank is undergoing the strategic restructuring required of it since being listed on the Main Board of Colombo Stock Exchange (CSE) under the directions of the Central Bank of Sri Lanka's (CBSL) Road Map. This restructuring was necessary for the Bank to better cope with the changes faced in the internal setup and in the shareholders as well as the challenges in the fast-changing, highly-competitive financial markets. During the year, the Board of Directors gave their fullest cooperation to the General Manager/ Chief Executive Officer to bolster the top management. It is evident that such moves have been instrumental in ensuring that the Bank is well on its way on the path to progress.

Challenges

The biggest challenge the Board of Directors faced in the year 2013 was migrating the Bank's focus from microfinance to SME finance in line with the strategic plan laid out. To aid in this regard, it was imperative that the Bank gradually moves away from customer loan programmes and maps out a mechanism to attract new customer segments.

It was clear that this shift from smallscale loan programmes and customer loan products and migrating towards

business loans required a significant change in the operations of the Bank. In order to assist in the technical processes of the internal restructuring, the Bank obtained the advisory services of the International Finance Corporation (IFC). Undoubtedly, the IFC has considerable knowledge and experience in the systems and processes utilised by organisations such as SDB that have started off as microfinance-oriented banks and have later migrated to an SME-focussed approach and hence their advisory services to the top management and directors of your Bank has been invaluable. Based on this advice. the changes made by the Bank's management will enable us to provide an enhanced service level to our valued customers during the coming year. The Board of Directors are buoyant that such customer service excellence will further boost the trust and confidence in the Bank.

Policy Creation for Bank's Sustainability

In the year 2014, the Board of Directors paid special attention to strengthening the organisation's management structure while also outlining procedures for risk management. In 2015, based on the Bank's procedures, costs, financial tools and strategic plan, the Board of Directors was able to clearly identify and provide services to the Bank's customers by properly understanding their needs and mapping out ways to bring them to a successful level. If an organisation is to remain stable and successful in today's complex and highlycompetitive market, the productivity of the organisation's employees and the confidence the customer has in it are two vital factors. During the year, special communication channels for customers to bring forward their concerns and queries as well as the preparation and fine tuning of policies in order to upgrade financial tools to better suit customers' changing needs, were some of the steps taken to bring about sustainable organisational systems and processes.

In a fast-paced economic environment, human capital has the potential to be the most valuable asset or the biggest stumbling block to continuous, sustainable growth of an organisation. Your Bank's workforce is a young, educated team that has a thorough understanding and a special inclination towards the rural economy and community development. With the aim of converting their natural talents into professional skills, the Board Human Resources Committee implemented several initiatives during the year. Among them, the most important ones included a new performance appraisal framework, a comprehensive training evaluation model, creation of a management layer that can guide employees based on their understanding of the Bank's Vision and an advisory process for employees.

Social Responsibility

SDB's constant focus on being a responsible corporate entity makes the Bank stand out from other organisations in the industry. The early days of the Bank takes us back 30 years when volunteer leaders conceptualised the SANASA brand and brought to life a sustained development movement to address a much-needed requirement of the time. This meant a sustainable, fair development movement that helped boost both the national and rural economy and played a key role in assisting lowincome families to minimise debt, paving the way for them to strengthen their income generation and secure their future. This underscores the fact that corporate business activities and being a responsible corporate entity are not separate aspects but are intertwined with each other. As a result, when developing our systems and when conducting business development activities, our attention is drawn towards reaching sustainable development by encouraging customers to pursue environmentallyfriendly approaches, giving our customers the opportunities to ensure their financial security by maximising the use of the economy, and promoting



companies and activities that achieve personal development, strengthen civil society and create social capital.

Our Bank strongly believes in the concept that we must all grow as a community. We understand that the environment is closely linked to the society we live in. That is why we initiated moves during the year to introduce several environmentallyfriendly products.

There is no doubt that the SANASA Movement has played a key role in enhancing the SANASA brand in society in order to bolster such efforts. We continue to take numerous constructive steps together with Cooperative societies, got closer to our customers, uplifted their lives, and managed to get organisations and nonorganisational groups on to the correct path, thereby creating acceptance in society for all.

Corporate Governance

When developing the corporate governance policies of an organisation it is crucial that there is perfect harmony with the Corporate Management. The General Manager of the Bank formed several subcommittees with the cooperation of members of the Board of Directors. As shareholders, you will be pleased to know that these sub-committees had a clear understanding of the direction and policies of the Board and were therefore able to provide their fullest support to the Board's efforts to maintain the Bank's sustainability, boost business development and ensure good corporate governance.

Board Committees where Independent Directors are in greater numbers such as the Board Audit Committee, Disciplinary Committee and Integrated Risk Management Committee - have played a vital role in strengthening the Bank's corporate governance. The contributions made by these Independent Directors and the commitment they have portrayed

towards the growth and development of the Bank are noteworthy.

During the year, we successfully carried out the following notable activities in terms of corporate governance:

- Formulated policies for corporate management and Directors' remuneration and bonuses
- Created a procedure to bring about sustainability to the corporate leadership
- Ensured that business procedures adhered to the rules and regulations set out by the Central Bank of Sri Lanka and the Colombo Stock Exchange while also being aligned to the values of the international Co-operative movement

The Future

We are in the process of laying out plans to ensure that when SANASA Development Bank commences its third decade of operation in 2017, it will be known as a bank that has made a difference in the banking landscape of Sri Lanka. This process involves focussing our attention on a wide range of areas, such as, upgrading the knowledge, skills and training of our human capital, changing the structure of the organisation to meet future challenges, increasing focus on the ever-changing requirements of the customer, enhancing service to customers, maximising the use of technology, building a closer relationship with the shareholders and driving up the share price.

It is our objective to introduce new products and services that are based on Information Technology, together with a high level of human capital performance and service excellence that brings customers closer to the Bank. When promoting the Bank to our customers as one that is built on a solid IT platform, it is imperative that the management of the Bank make certain adjustments in the way they

manage the customer relationships. While providing comprehensive financial solutions to our valued customers, we must ensure that our management works towards distancing ourselves from the concept of "bankers" and embrace the concept of "partners". During the coming years, we have a firm belief that your Bank can go beyond providing customers what they need, to a level where we are able to give them a complete solution for their banking requirements. Through such methods, we are confident that we will be able to increase not only your share value but also other significant aspects such as the financial stability of your Bank and the value it brings to society.

Appreciations

I would like to convey my heartfelt gratitude to the SANASA Movement, the founding leader of the SANASA brand and all volunteer leaders, our dear shareholders who always work responsibly towards the betterment of the SANASA brand and our loyal customers who continue to patronize us. On behalf of the Board of Directors, I would like to convey my appreciation to the auditors and regulators for their invaluable advice and guidance at all times.

It is clear that we are on the threshold of a promising year. We are confident that the strong foundation that has been put in place during the preceding years will enable us to continue our success in the year 2016 and beyond.

Muditha Samadanie Kiriwandeniya Chairperson

03rd March 2016 Colombo, Sri Lanka

GM/CEO's Review



Proÿt after Tax YoY Growth is



Compared to 2014, and resulted in a post-tax

Proÿt of

LKR 720 MILLION FOR THE YEAR

"I am also pleased to announce that despite the various challenges faced by the Bank during the year under review, we were able to record a ground-breaking performance as the Bank's net Profit Before Tax surpassed the LKR 1 billion mark for the first time in our history."

Profit before Tax



Profit after Tax



GM/CEO's Review Contd

G4-2

This is a remarkable 48% growth when compared to 2014 and resulted in a post-tax profit of LKR 720 Million for the year.

We have come to the end of another financial year and it can truly be classified as a year of transformation. The strength we gained, by way of the innovative plans we laid out over the past two years, means that we are better geared to face the hurdles that we as a Bank will invariably come across in the future. In keeping with our "Mission" statement we have continued to use modern technology in the banking sector and worked meticulously towards transforming the lives of rural communities across the island.

The systems and processes we mapped out in 2014 enabled the Bank to make 2015 a year of success and have set the tone for us to achieve more in the year 2016. In fact, we consider the year 2015 as the beginning of a revolution where we intend to use the success of the year to catapult the Bank to greater heights in the years 2016 and 2017. As a highly respected bank in the traditional Co-operative sector with microcredit focus, this year marked the transformation of the Bank to a more Small and Medium-scale Enterprises (SME)-oriented focus.

Key Challenges

Being a bank that has been created with a special focus on the Co-operative sector, our responsibility has always been towards the rural communities. Over the years, the Bank has done an exceptional job, not only to these communities but also to the nation as a whole. However, it is clear that in this journey of

transformation, the biggest of many hurdles facing the Bank is posed by the network of commercial banks that operates throughout the island. The way to overcome these challenges is by reducing cost across all levels, increasing operational efficiencies and thereby maintaining the profitability of the Bank.

One drawback that the Bank is facing is the lack of modern facilities offered by SDB - for instance, internet banking which are considered standard offerings of most commercial banks in the country. Given such a scenario where it may seem difficult to compete with commercial banks while primarily being a development bank, we are confident that the process of laying the groundwork for such a challenge is well under way. The resultant objectives that were set in 2014 were further consolidated in 2015 and the approach was further intensified during the year. In order to draw up our long-term plans for transformation, we were able to successfully obtain the services of a highly-respected international team of industry specialist.

Our long-term partner International Finance Corporation (IFC), an arm of the World Bank that promotes private sector development, played a crucial role by providing us their expertise in this regard. This long-term plan has now been set in motion with the objective of transforming your Bank into a new-look bank by the end of 2017.

We live in an era where new, advanced technologies have entered the banking industry like never before. As part of our transformation process, there has been an increased focus on maximising the use of Information Technology by introducing digital banking to our valued customers. Your Bank has been able to take new technology to the rural economy that primarily encompasses small businesses, Co-operatives, agriculture and retail, thereby playing a key role in increasing their quality of life. Such new technology has also brought the Bank closer to the lives of our customers in a way which has not been witnessed before in the history of SDB. We continue to look at all possible ways to fine tune our existing array of products and services and to introduce new ones, where necessary, in order to better satisfy the needs of our growing customer base.

While there has been a greater-thanexpected demand for credit among our customers, your Bank has had to come up with various innovative mechanisms in order to raise capital for such demand. In order to overcome such hurdles, by utilising Co-operative societies, the Bank has organised numerous programmes at rural community-level to increase deposits. This ensures that there will be no delays in disbursing loans and is just one of the many steps that we as a responsible, respected bank takes to guarantee that the customers' positive outlook of our organisation is not harmed in any way.

Financial Performance

I am proud to state that, even in such trying circumstances, the Bank has been successful in maintaining a robust financial performance during the year under review.

Asset Base

Our asset base increased to LKR 60 Billion at the end of the year - a significant increase over what we achieved in 2014 and well above



the average industry growth rate of 15.9% reported in December 2015 primarily due to an increase in credit disbursement. While this highlights the fact that the Bank is popular amongst the SME sector, it must be pointed out that the Co-operative sector played a crucial role in this increase in the asset hase

Capital Base

Based on the progress made by the Bank in previous years, the Central Bank of Sri Lanka (CBSL) setup a target of LKR 5 Billion for the Bank for year 2015. However, as a capital base of LKR 5 Billion ensuring a growth in asset base might pose a threat to the stability of the Bank, to navigate around this hurdle, the Bank set in motion several calculated steps for fresh capital injection. Accordingly, we intend to boost this capital base by LKR 1 to 1.5 Billion in the first quarter of 2016. In addition, in order to minimize the mismatch in the assets and liabilities, the Bank went ahead with a LKR 4 Billion debenture issue where LKR 2 Billion will reach maturity in 3 years while the balance LKR 2 Billion will reach maturity in 5 years.

Credit Growth & Quality

The Bank's credit disbursements reached LKR 45.8 Billion by December 2015, a significant 43% growth from the LKR 32.1 Billion achieved in 2014. This increase was primarily driven the term loan portfolio which witnessed an impressive growth during the year while other loan products - leasing, hire purchase, pawning and cash margin loans - grew moderately during the year.

The Bank continued the trend of consistently maintaining NPL ratio that is well below the industry average. This year's NPL ratio of 2.37% is significantly better than the 3.76% achieved in the

previous year and underscores the Bank's impactful recovery efforts, prudent credit policies and consistent credit evaluation process.

Deposit Growth

Our deposit base showed a robust increase of 42.2% to reach LKR 43 Billion by end 2015 as a result of increased efforts to attract new deposits and marketing drives that highlighted the Bank's services.

Profitability

I am also pleased to announce that despite the various challenges faced by the Bank during the year under review, we were able to record a groundbreaking performance as the Bank's net Profit Before Tax surpassed the LKR 1 Billion mark for the first time in our history. This is a remarkable 48% growth when compared to 2014 and resulted in a post-tax profit of LKR 720 Million for the year.

Non-Financial Performance

The overall perception of the general public about the Bank is showing a more positive outlook than in previous years. The fact that SANASA Development Bank is no longer just a Co-operative financial service provider but is more geared towards providing a helping hand to SMEs is a notion that is spreading among them. This is indeed a huge success for the Bank.

Social Service

Your Bank has been created by the capital of the Co-operative sector and it is therefore imperative that we always contribute significantly towards this segment of society. Over the years, the Bank has been able to take various steps to improve the lives of the people in this segment. Among those serving in the Co-operative sector, children who have successfully passed the G.C.E.

(A/L) examination but were unable to enter university were handpicked for a special diploma programme that we organized. Additionally, we also put together numerous development programmes, training sessions and advisory services targeting SMEs on a regular basis. In short, whenever the Bank makes positive strides in any endeavour, we have ensured that we take our valued customers along with us, while helping them to enhance their quality of life.

Marketing Efforts

As the focus on the SME sector increased, during the year, the Bank setup the necessary systems and processes that will ensure a smooth functioning of SME-related activities in 2016. As a result, a separate SME Department was established with an online approval system and documentation was made available in all three languages. Additionally, while we have introduced new products and services to our customers, we have also made it a point to add value and relaunch some existing products, both of which have been notable nonfinancial achievements during the year.

During the year, the Marketing Department of the Bank boosted deposits and advances by focussing on segments of society that had the potential to contribute significantly to the economic development of the country. These included the ageing population, individuals who had retired from the armed forces after serving their mandatory period, individuals affected by the war as well as those in corperative societies with the means to commence their own business ventures

The Bank's drive to better connect with the customer was given a timely boost with the establishment of the state-ofthe-art Customer Call Centre manned

GM/CEO's Review Contd.

by a highly-professional team of call centre agents. Towards the latter part of the year, we successfully launched our very first SMS Banking facility opening the doors for all customers to enjoy the convenience of 24-hour accessibility to their accounts through their mobile phones. The Bank's digital footprint was further enhanced as the new corporate website was launched together with popular social media tools such as Facebook page, Twitter account and YouTube channel. I am sure all this will enable us to establish stronger connections with the new generation of customers, most of whom are very comfortable with such technologies.

The new financial year will witness concerted efforts by the Bank's marketing team to further enhance the corporate image of the Bank and build on brand visibility by carrying out effective campaigns across traditional and new media. This effort will go hand-in-hand with the Bank's transition from being a largely microfinance focus approach to one that has a broader SME focus. I am confident that we will be able to create a unique positioning for SDB in the minds of existing and potential customers as the Bank that offers products and services to the SME sector.

Enhancing Our Human Capital

Several strategic human resource initiatives were implemented in order to ensure effective use of the Bank's human capital with a focus on striking a balance between corporate and personal objectives. These included an emphasis on alleviating "overstaff" or "understaff" situations, streamlining the promotion mechanism, methodically profiling corporate managers and regional managers, revamping the performance appraisal framework and introducing a comprehensive training evaluation model. Additionally,

numerous special projects - e-learning, process documentation and employee engagement - were also initiated during the year. All-in-all, I am pleased to announce that the Bank's streamlined, transparent and effective human resource management policies have yielded outstanding results across the board when it comes to the HR KPIs that our HR Department has mapped out.

Branch Expansion

During the year, we were able to add five more branches to our branch network. Our valued customers can now do their banking from 87 branches spread island-wide. During 2016, the Bank intends to expand this further by adding another five branches as we surge towards that magical 100 branch mark. Numerous branches were refurbished and/or relocated, adding greater convenience to our customers to interact with the Bank.

Conclusion

Looking back at the Bank's journey, it is clear that it has been notable success. Prudent management measures have played a key role in overcoming the obstacles that lay in the Bank's path from time-to-time.

In 2015, we have been able to establish a professional and experienced management team at the Bank while we have been able to successfully implement the plans we laid out for the year. With such a foundation, the Bank is well-positioned to forge ahead by increasing efficiencies, reducing costs and boosting profitability, thereby taking the Bank to the next level of transformation during the coming three years.

Appreciations

At this juncture, I would like to state that this ongoing journey of transformation would not have

been possible without the continued support of all our various stakeholders, especially our employees, Board of Directors, shareholders, the SANASA Movement, the SANASA Federation, and the regulators. Therefore, my warmest appreciations go out to all of them and I hope we will continue to enjoy their trust and confidence into the future. I would also like to express my gratitude to our international business partners including the International Finance Corporation, Rabobank and the Canadian International Development Agency (CIDA), for their invaluable guidance and understanding during the year under review.

Sincerely,

Nimal C. Hapuarachchi

General Manager/CEO

03rd March 2016 Colombo, Sri Lanka.



Success Story 1

Inupa Jewelcrafts - Galle



Started by Mr. Amila Wijewardana together with his wife and younger brother, Inupa Jewelcrafts is a gold jewellery-making business based in Galle. As the demand for their products grew, Wijewardana decided to obtain a loan to modernise the equipment and expand the business. His initial discussions with several financial institutions turned out to be a disappointment as none of them were able to offer him a reasonable solution that had his interests in mind. At this juncture, he turned to SANASA Development Bank, where he approached the Manager of the Galle Branch for assistance.

The Manager spoke positively to Mr. Wijewardana and

promised to do his best to help him grow the business. Within a short period, a loan of LKR.300,000 was provided for this purpose. The injection of funds meant that the business grew rapidly and soon Mr. Wijewardana returned to SDB to obtain a second loan, this time amounting to LKR.1 Million. The Branch Manager visited the business to get a first-hand look of the progress and soon granted the LKR.1 Million loan.





Today

These days, the business provides special services to several customers who manufacture gold jewellery, customers that include some of Sri Lanka's most prestigious jewellery houses. The use of technology, acquired primarily through SDB funding, means that work happens much faster than traditional methods, leading to faster delivery, better quality and higher profits.



"As the number of employees increased and the business expanded, the Branch Manager showed genuine interest in our operations and regularly visited our premises. He went beyond the call of duty and eventually became a personal friend of the family. It is clear that our business is thriving today because of such assistance given to us by SANASA Development Bank."



Economic Indicators	48
Operational Review	50
Financial Review	54
Product Profile & Marketing Review	58
Sustainability Report	
Economic Contributions	66
Engaging Our Stakeholders	68
Contributing to Social Capital	75
Building Human Capital	85
Responsible Services	90

MANAGEMENT DISCUSSION & ANALYSIS

Economic Indicators

Macro Economic Indicators

	2015	2014	2013	2012	2011	2010
GDP-Growth -%	4.8	4.9	3.4	9.1	8.4	8.0
Per capita GDP at Current Price - LKR	533,398	503,032	466,112	427,559	345,925	310,214
Per capita GDP at Current Price - US \$	3,925	3,853	3,610	3,351	3,129	2,744
Inflation rate - CCPI - Annual Average	0.9	3.3	6.9	7.6	6.7	6.2
Overall Deficit - As % of GDP	-7.4	-5.7	-5.4	-5.6	-6.2	-7.0
GDP at Current Price - LKR Bn	11,183	10,448	9,592	8,732	7,219	6,413
GDP at Current Price - US \$ Bn	82.3	80.0	74.3	68.4	65.3	56.7
Government Debt as % to the GDP	76.0	70.7	70.8	68.7	71.1	71.6

Trends and Future Prospects

	2016/2015-%	2016-E	2015	2014	2013	2012	2011	2010
GDP at Current Prices -LKR Bn	8.5	12,130	11,183	10,448	9,592	8,732	7,219	6,414
Per capita GNI at Current								
Price - LKR	8	560,588	521,412	491,638	455,126	419,975	342,473	306,839
Per capita GNI - US\$	8	4,125	3,837	3,764	3,525	3,291	3,097	2,714

Sources - Department of Census Website Central Bank Annual Reports

Sri Lankan Economy

GDP

During 2015, Sri Lanka implemented a new methodology of measuring GDP, based on which the country recorded a GDP growth of 4.8 which was marginally lower than the 4.9% achieved in 2014. This consistent showing was largely due to an enhanced performance in Agriculture, Industry and Services sectors. While paddy was the main driver in the growth in Agriculture sector, overall growth in the sector was inhibited by the drop in global commodity prices. Industry sector growth was restricted during the year as a majority of the large infrastructure projects were on hold for various reasons. The Services sector remained upbeat as both trade

and financial services boosted growth during the year. Leasing and personal loan portfolios were instrumental in driving up growth in the financial services industry while real estate and ownership of dwellings also made a positive impact in the Services sector during the year.

GDP Per Capita

With Sri Lanka's economy stabilising over the past five years, the per capita GDP has continued to show an upward trend. The per capita GDP reached LKR 533,398 (US\$ 3,925) by end-2015, up from the LKR 503,032 (US\$ 3,853) achieved as at 31st December 2014. While Agriculture has long been one of the traditional sectors fuelling the economy, in recent years Industry and

Services sectors have become key drivers of economic growth. Today, the country is heading towards a middle-income economy status and is expected to continue to record higher per capita income in the coming years.

Inflation

For the seventh successive year, inflation in Sri Lanka remained at single digit levels, subsequently ending the year at 0.9%. Several factors contributed to this decline namely prudent policies of the Central Bank of Sri Lanka, low international commodity prices, reduced prices of both food and fuel as well as improved domestic supply conditions.



Trade Deficit

During the year, the trade deficit widened primarily due to weakening global demand and a higher demand domestically for imported goods. This led to a drop in earnings from exports by 4.4% year-on-year. Expenditure on imports also showed a downward trend of 2.1% driven mainly by the drop in global fuel prices.

Looking Ahead

While 2015 will go down as a year of political uncertainty in the country, the year 2016 is expected to bring more political stability which in turn should translate into a better economic performance. The country is now focussing on new challenges that lie ahead, especially in the mid-term and long-term, as it transforms into an upper middle-income country. The Service sector is expected to lead the way in recording better economic growth in 2016, primarily through higher tourism earnings thanks to increasing arrivals as well as the construction sector. Agriculture and Industry sectors will most likely show moderate growth during the year.

Sri Lanka's Banking Sector

Overall Performance

The financial sector continued to demonstrate stability during the year while recording improved performances in all major sectors. Both banks and Non-Bank Financial Institutions (NBFIs) regulated by the Central Bank of Sri Lanka (CBSL) recorded an increase in assets and profitability while the organisation continued to introduce new policies and measures to enhance the soundness of the banking industry. Expansion of branch and ATM networks across all banks as well as NBFIs meant that customers were given greater opportunities to liaise with the organisation of their choice for banking needs.

The Banking sector was able to demonstrate an increase in profits primarily as a result of increased lending, higher margins, business expansions as well as investment activities. The asset base of the banking sector surpassed LKR 8.077 trillion during the year, a 15.9% increase from the LKR 6.971 trillion recorded during 2014. This growth was driven by increased credit demand by both the private and public sector. Gross Loans and Advances showed a 21.1% growth year-on-year and registered LKR 4.715 trillion. As per the trend in recent years, deposits continued to be the main source of funds for lending activities as total deposits grew to LKR 5.403 trillion. However, the decline in global gold prices translated into a drop in pawning advances. Banks showed an increased willingness to look beyond traditional banking channels and move into technology-based channels such as Internet banking and SMS banking, providing customers the convenience of banking 24/7 from any location.

The performance of the Bankin sector key performance indicators as against the key performance indicators of the bank is given below.

KPIs	Banking Sector	SDB
Asset Growth	15.90%	48.60%
Advances Growth	21.10%	42.90%
Deposit Growth	15.30%	42.20%
NPL	3.20%	2.37%
Returm on Assets	1.30%	2.20%
Return on Equity	16.10%	14.42%

Source - Central Bank Annual Report

Licensed Specialised Banks

Licensed Specialised Banks (LSBs') asset base increased marginally to LKR 1.103 trillion, a 1.4% increase vear-on-vear. However, LSBs accounted for 13.7% of market share of the

Banking sector, a drop of 12.4% from the corresponding figure of 2014. Gross Loans and Advances increased marginally to LKR 456 billion from LKR 440 billion registered in 2014 while Deposits increased to LKR 764 billion from the LKR 709 billion recorded in 2014.

Looking Ahead

It is clear that 2016 will be another challenging year for the banking sector. Announced budgetary proposals are expected to have a direct impact on the bank performances and profitability. Credit growth is expected to continue while positive macroeconomic situations will help drive deposit growth as well. As always, banks will continue to expand their branch and ATM networks while focussing more on e-banking facilities.

Operational Review

Credit Portfolio Growth

SDB's credit portfolio outstanding recorded a figure of LKR 46.312 Billion against a budgeted target of LKR 42.343 Billion as at 31st December 2015 indicating a YOY credit growth rate of 42.8% vis-a-vis 2014. This strong portfolio growth is considered to be one of the best growth rates amongst all banks in Sri Lanka despite the slowing down of GDP growth rate in 2015. Major share of these loan funds i.e. 74.9% was disbursed outside the Western Province, in the rural sector, known to be the Bank's traditional stronghold. As far as the number of customers is concerned, 79.9% of the Bank's loan customers are domiciled outside the Western Province. It is a testimony to the Bank's commitment to provide capital funds to uplift the economic well-being of rural population in contrast to the loan funds concentration in the Western Province by other financial institutions. Furthermore, the highest YOY growth rates in loan portfolio are recorded in the Northern and Eastern Provinces during the year 2015.

Geographic Dispersion of Total Loan Portfolio

	(LKR Mn)		(LKR Mn)	
Province	As at 31.12.15	No. of Loans	As at 31.12.14	YOY Growth (%)
Western	11,635	27,787	7,767	49.8
Southern	7,173	19,380	5,069	41.5
Central	4,053	12,525	3,220	25.9
Sabaragamuwa	4,188	16,640	3,001	39.6
Wayamba	5,396	14,650	3,799	42.0
Uva	1,990	6,490	1,520	30.9
North-Central	5,143	16,564	3,781	36.0
Eastern	4,899	16,574	3,044	60.9
Northern	1,835	7,791	1,224	49.9
Total	46,312	137,901	32,425	42.8

The sector exposure of total loan portfolio as at 31.12.2015 is as follows:

Sector	(LKR Mn) Outstanding	%	No. of Loans
Agriculture & Fishing	4,787	10.30	26,105
Commercial	2,994	6.50	12,368
Tourism	6	0.01	21
Transport	3,439	7.50	9,360
Construction	10,973	23.70	25,492
Housing	12,381	26.70	34,993
Infrastructure, Financial, Personal & Other Services	11,732	25.30	29,562
Total	46,312	100.00	137,901

The Bank made a strategic initiative to project itself as a bank for SMEs recognising the potential the SME sector possesses for the overall economic development of the country which was emphasised by the new Government's Budget proposals for the year 2016 as well. The Bank will continue to engage with microfinance funding and Co-operative sector funding in the future as well to ensure that rural masses are continuously supported with capital fund infusion to uplift their livelihoods.



Accordingly, SDB managed to improve on the average loan ticket size of both Microfinance loans and SME loans compared with the previous year.

Year	2015	2014
Avg. Loan Ticket Size (Micro)	465,165	311,945
Avg. Loan Ticket Size (SME)	849,162	742,290

The Bank firmly maintains its resolve to make available the subsidised credit to priority sectors through various refinance schemes and interest subsidy schemes in collaboration with CBSL and Government ministries. The sector exposures of re-finance funding as at 31.12.2015 are as given below

Sector	(LKR Mn) Outstanding	%
Agriculture & Fishing	848.733	44.79
Commercial	944.641	49.85
Tourism	2.398	0.13
Transport	0.527	0.03
Construction	25.260	1.33
Housing	0.408	0.02
Infrastructure, Financial, Personal & Other Services	72.921	3.85
Total	1,894.888	100.00

Geographical Dispersion of Re-Finance Funds

	Disbursements	in 2015	Outstanding as at	31.12.15
Province	LKR Mn.	No. of Loans	LKR Mn.	No. of Loans
Western	129.137	72	294.698	272
Southern	403.630	127	716.293	526
Central	46.680	22	76.625	82
Sabaragamuwa	45.720	29	135.056	171
Wayamba	129.662	66	276.583	289
Uva	23.098	114	39.970	297
North-Central	13.860	22	37.020	149
Eastern	35.284	134	282.039	555
Northern	5.002	26	36.604	792
Total	832.073	612	1,894.888	3,133

Credit Growth over the last five years

Year	2015	2014	2013	2012	2011
Balance Outstanding (LKR Bn)	45.830	30.060	22.116	19.712	16.602
Growth Rate (YOY)	42.82%	46.61%	12.20%	18.73%	32.67%

Operational Review Contd.

Asset Quality Improvement:

SDB has spared no efforts to ensure the quality of its credit portfolio despite its significant rural exposure and sluggish economic conditions during the past year. The NPL ratio was recorded at 2.37% as at end 2015 while it stood at 3.76% as at end 2014. The most salient achievement in NPL reduction is the decreasing of NPL value as at 31st December 2015 to LKR 1,090.56 Million as against NPL value as at 31st December 2014 of LKR 1,228.99 (a reduction of LKR 138.43 Million in absolute terms) while recording the industry-best credit growth rate of 42.8% in 2015. SDB's stringent, yet pragmatic credit appraisal approach, constant post-disbursement monitoring and the wealth of expertise in credit recovery process have been the contributory factors to record this below industry average NPL position in 2015.

Year	2015	2014
Total Loans (LKR Mn)	46,312.00	32,425.00
NPL position (LKR Mn)	1,090.56	1,228.99
Impairment for Credit losses (LKR Mn)	1,030	1,019
Provision Cover (Against Total NPLs) (%)	60.36	56.02

Deposit Portfolio Growth

SDB continues to operate as an apex bank in the co-operative sector. The present deposit portfolio contributes 25% from cooperative sector, mainly SANASA Societies and Co-operative Societies island-wide. These numbers reveal the significant impact and the direct contribution made by SDB towards the development of the country.

SDB was the pioneer financial institution behind the introduction of savings mechanism through groups in villages of low-income families. Since inception the Bank has constantly carried out awareness programmes to encourage the savings habit among lowincome families thereby paving the way for them to uplift their living standards and ensure a better, brighter future, especially for the children of the household.

Performance during the year

Deposits are the main funding source of SDB contributing 71% to the asset base of the Bank. As a result, attracting higher deposits from our customer base amidst ever-increasing competition takes a concerted, focused effort from the team throughout the year.

The total number of accounts rose as follows during 2015:

 Savings Accounts - 590,632

• Fixed Deposits - 39,032

During the year under review, SDB was successful in mobilising higher deposits from the customer base. Total deposits reached a remarkable LKR 43 Billion by end-2015, a significant LKR 12 Billion (42%) increase over the amount achieved in 2014.

Deposits	2015	2014	2013
	LKR Mn	LKR Mn	LKR Mn
By product			
Savings deposits	8,093	7,326	5,100
Fixed deposits	34,930	22,922	18,494
Total	43,023	30,248	23,594



Year	Total Deposits	Growth
	(LKR Mn)	(%)
2013	23,594	25%
2014	30,248	28%
2015	43,023	42%

(LKR Mn)

23,594

2013

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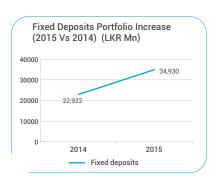
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The above graph shows how the total deposits of the Bank registered a healthy growth over the corresponding period despite the challenges faced in a highly-competitive environment. SDB is proud to maintain a higher growth of deposits than the industrial trend. While geographically Southern, Western and North Western provinces were the top three contributors of deposits during the year, a notable fact is that women contribute 60% of the deposit portfolio.

Fixed Deposits

During the year, the fixed deposits increased rapidly by 52% as customers moved their savings into fixed deposits to take advantage of the rising interest rates. Total fixed deposits as at 31st December 2015 totalled LKR 34.9 billion. Currently, the Bank's Deposit portfolio shows 19% as savings, and the balance as fixed deposits.



Savings Deposits

The Bank carried out a number of savings promotional campaigns which focused on creating a maximum impact amongst the target market. The most successful of such campaigns was the "Ithurum Themasa" campaign launched to promote savings and contain the impact of the Bank's interest margins due to the rising of interest rates. This campaign yielded excellent results mobilising LKR 211 million within a short period of three months.

The Uththamavi Plus, a savings scheme designed exclusively for women and offering higher interest rates and loan facilities against savings, contributed LKR 700 million to the savings portfolio during the year. It continues to be a very popular savings scheme among the women of both rural and urban parts of the island.

The Lakdaru Account of the Bank has been introduced mainly with the aim of nurturing the savings habit among children from their childhood years. The Lakdaru Account, which offers a range of special benefits to its account holders, increased the product portfolio up to LKR 220 million with a net increase of 2.069 new accountholders.

The Upahara product of the Bank, a savings deposit scheme for senior citizens over 55 years of age, maintained its consistently high showing for yet another year.



Financial Review

Overview

SDB posted an outstanding financial performance in 2015. The Bank's overall progress as compared to the results posted in the preceding year was sound and encouraging. All of the key indicators in terms of profitability and financial position marked notable improvements. Profitability margins were sustained with solid returns whilst ensuring robust financial position as at the year-end. 2015, being a year with several political and regulatory postures being changed, which had mixed impact on the financial services sector. Achieving a phenomenal growth amidst such macroeconomic challenges, affirming SDB's position as a resilient financial institution in the market. Detailed analysis of the financial performance along with key indicators is set out below.

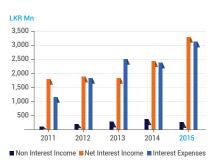
Financial Perfromance at a Glance

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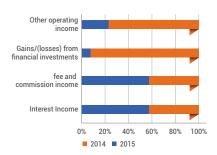
	2015	2014	2013	2012	2011
Net Interest Income	3,368.37	2,449.41	1,863.81	1,902.88	1,817.09
Net Fee and Commission Income	214.51	162.34	120.15	71.27	73.65
Net Operating Income	3,590.41	2,629.73	1,825.07	1,954.63	1,836.87
Profit Before Tax	1,110.56	751.18	333.36	516.50	581.49
Profit After Tax	720.57	504.45	248.18	340.72	382.04
Loans and Receivables	45,830.50	32,060.50	22,116.64	19,712.03	16,602.74
Customer Deposits	43,023.39	30,249.43	23,594.77	18,947.51	15,756.92
Total Assets	60,289.99	40,572.55	29,732.60	24,899.56	21,359.72
Total Liabilities	54,992.64	35,876.57	26,352.36	21,639.66	18,170.33
Total Equity	5,297.35	4,695.97	3,380.25	3,259.90	3,189.39
NPL Ratio (%)	2.37%	3.76%	5.08%	4.59%	4.93%
ROA (%)	2.20%	2.14%	1.22%	2.11%	3.50%
ROE (%)	14.42%	12.49%	7.42%	7.74%	13.14%

Interest Income

During the year, the Bank increased its interest income by 36.2% and interest expense increased by only 34.9%. This resulted in the net interest income of the Bank growing by 37.5% to LKR 3.3 Billion, despite the banking sector margins continuing to drop in 2015. The net interest income contributed 93% to the total operating income during the year as against 86% contribution during 2014. The contribution made by each income category to the total operating income as compared with 2014 is given below.



Gross income, comprising of interest income, net fee and commission income, net gains/(losses) from financial assets held through fair value through profit and loss and other operating income recorded a 31% increase to reach LKR 6.8 Billion for the year. The contribution made by each income category to the total operating income as compared with 2014 is given below.



Operating Expenses

Operating expenses, which comprises personnel cost, depreciation and amortisation and other operating

expenses increased by 30.6% and posts LKR 2.2 Billion compared to the level of LKR 1.6 Billion posted in the previous financial year. The primary drivers for this growth were personnel costs and office administration and establishment expenses accounting for 46% and 21% respectively of the total operating expenses. The growth in personnel cost was driven largely by the increased head count, taken for future expansions as well as the periodic salary revision made in June 2015. These changes have been made amidst the expected aggressive business transformation across the Bank, the benefits of which will accrue over the coming years.

Although the overall operating expenses reflected an increasing trend, it is noteworthy that the cost to income ratio was controlled at 60.4% from 62.6% in the financial year 2014, demonstrating the Bank's shrewd management of expenses.





Impairment for Loans and Receivables

The Bank continued the adoption of the Sri Lanka Accounting Standards LKAS 32 – Financial Instruments and LKAS 39 - Financial Instruments: Recognition and Measurement. The computation of the impairment provision of the Bank is governed by a Board-approved impairment policy. The Risk Management Framework in place ensures an effective risk assessment process for individually significant loans and loans that are considered on a collective basis. This assessment takes into account past due status, loss data and the economic factors relevant to the portfolio.

Impairment charge for Loans and Receivables of the Bank was LKR 49.5 Million and compares with a charge of LKR 204.3 Million in 2014, a decrease of 75.7% over 2014. This substantial decline represents the Bank's sound judgment in assessing the fair value of the impaired loans, based on objective evidence of future recoveries and is in accordance with the Bank's stringent risk management policies. The Bank continuously makes improvement to the methodology adopted for the impairment computation process and there were no significant adjustments to the provisions as a result of such changes or improvements during the vear.

Further, no additional impairment charges have been made for loans and advances granted to staff members, which are recovered through the payroll.

The impairment allowances as a percentage of Loans and Receivables are given below.

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	2015	2014	Change	%
Individual Impairment	13.79	23.71	(9.92)	-41.84%
Collective Impairment	35.81	180.68	(144.88)	-80.18%
Total Impairment Charge	49.59	204.39	(154.80)	-75.74%

Profitability

The Bank had a strong year in terms of profitability. Despite a challenging macroeconomic and regulatory environment, SDB has recorded an impressive performance with the Bank's net Profit Before Tax surpassing the LKR 1 Billion mark for the first time in the history. This is an exceptional 48% growth compared to the previous year and ended up with a post-tax profit of LKR 720 Million for the financial year ended 31st December 2015. This growth was led by interest income coupled with the responsible interest expenses management. This healthy profitability performance was recorded under challenging market conditions and it demonstrates the Bank's prudent management policies in managing external forces.



Taxation

Income tax including deferred tax expense was LKR 389.9 Million for the twelve months ended 31 December 2015, reflecting 58% increase over the previous year's corporate income tax expense. Thus, this accounted for a 35.1% effective tax rate, a rate above the corporate tax rate of 28%. This mainly resulted from the disallowed expenses such as VAT on Financial

Services (VAT on FS) and NBT. Due to the change in law applicable on VAT on FS, total VAT on FS charge for the year amounted to LKR 229.9 Million revealing 40.9% increment over the previous year's charge. Following the aforesaid change, leases became liable for VAT on FS and exempted from normal VAT with the removal of the exemption applied on banking and finance business, NBT expenses for the year accounted to LKR 43.7 Million as against the LKR 27.1 Million recorded in the previous year.

Total Assets

The Bank recorded a growth of 48.6% in total assets as at the year-end over the corresponding year end. Accordingly, the total asset base reached to LKR 60 Billion mark at the end of December 2015. This growth rate is well above the average industry growth rate which is reported at December 2015 as 15.9%.



Loans and Receivables

Loans and Receivables net of impairment allowance grew by 43% during the year under review to reach LKR 45.8 Billion from LKR 32.1 Billion as at December 2015. The term

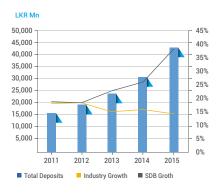
Financial Review Contd.

loan portfolio saw an impressive growth during the year, representing 49.1% compared LKR 25.9 Billion in the previous year, whilst other loan products, which includes leasing, hire purchase, pawning and cash margin loans grew moderately during the year under review. Total loans and receivables accounts for 76% of the total asset base of the Bank. However, the highlight of the year was the above industry average growth in loan portfolio, which is a strong affirmation of the Bank's commitment in nourishing and nurturing the country's growing and demanding economy.



Customer Deposits and Borrowings

During the year, the Bank's total deposit base stood at LKR 43 Billion, representing a growth of 42.2% as against the position of Rs. 30 Billion as at December 2014. The total deposit base contributed to 80.2% of the total funding base and 71.4% of the total balance sheet value.



Debt Securities Issued and Other Borrowings

Short-term bank borrowings stood at LKR 693.8 Million as at 31st December 2015 compared to LKR 2.9 Billion in 31st December 2014 whilst long-term loans increased to LKR 5.9 Billion and the debenture outstanding balance increased by 100% to LKR 3.9 Billion due to LKR 4 Billion debenture issue effected in December 2015. These steps have been taken mainly due to the measures taken to reduce maturity mismatch in assets and liabilities.

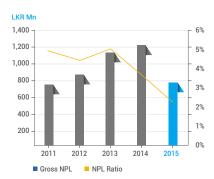
Shareholders' Funds

Though there was no issue of new shares, shareholder funds increased by 12.8% during the year and ended up with Rs. 5.2 Billion as at December 2015. Increased profitability triggered a notable increase in retained earnings, even after paying dividends and transfers to reserves. During the year in compliance to the minimum capital requirement specified by the Central Bank of Sri Lanka for Licensed Specialised Banks, the bank fulfills the minimum capital base requirement of LKR 5 Billion.

Asset Quality

Non-Performing Loan ratio of the Bank improved to 2.37% as at 31 December 2015 from 3.76% as at the previous year end. The Bank has consistently maintained its NPL ratio well below the industry average and the improvement in the NPL ratio over the preceding year is a clear reflection of rigorous recovery efforts, the prudent credit policies adopted and the continuous and consistent credit evaluation process. The NPL cover, which is a percentage of provisions made as per provisions mandated by the Central Bank of Sri Lanka over gross non-performing loans of the Bank, was 63.36% by the end

of December 2015. Movement of NPL coverage and gross NPL values over past five years are depicted below.



Capital Adequacy

The Bank has long benefitted from a strong bedrock of capital which has provided much stimulus in achieving solid business growth and resilience. The Tier 1 capital base of the Bank was LKR 5.22 Billion, while the Tier 1 capital ratio was 12.07%. The total (Tier 1 & Tier 2) capital base of the Bank was LKR 5.41 Billion as at 31 December 2015. The total capital adequacy ratio of the Bank as at 31st December 2015 was 12.51%.

Liquidity

The Bank's statutory Liquid Asset Ratio as at 31st December 2015 was at 22.16%, which is well above the statutory minimum ratio of 20%

Financial Value Added

The Bank aims to create sustainable financial value over time. The value so created is distributed to stakeholders, while a portion is retained in the business for growth. The two year analysis of the Bank's value addition and distribution is given below.

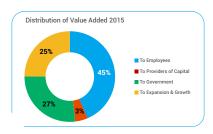


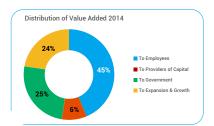
VALUE ADDED STATEMENT

Economic Value Added

Economic Value Added (EVA) is an estimate of the Bank's economic profit, as distinct from financial profit. It is value created in excess of the required return to the Bank's investors, who comprise shareholders and debt holders. Given the importance the Bank places on creating superior shareholder value, the Bank's EVA computation is given below for the past two years.

ECONOMIC VALUE ADDED STATEMENT





Risks and Opportunities Posed by Climate Change G4-EC2

SDB faces a risk from climate change, through impacts on overall credit quality, from credit extended to the agriculture and fisheries sectors. Loans to agriculture and fisheries sectors are mainly micro credit, extended to co-operative society members. These loans have a higher risk of default, due to extreme weather phenomenon that destroy crops and reduce fisheries outputs. Currently agricultural and fisheries loans account for 10% of SDB's total lending portfolio. As at 31 December 2015, the default rate of this sector was 4%, compared to the default rate of 7% in 2014. The higher default rate in 2014 was mainly due to severe drought in the North Central region, which negatively affected loan repayment capabilities of farmers.

Having recognised climate change as a risk, SDB has introduced a mechanism to manage this risk.

- 1. Rationalised overall lending portfolio to balance the heightened risk
- 2. Strengthened loan granting criteria, with stronger screening process, which includes repayment and savings patterns.
- 3. Introduced a 'seasonal payment' loan system which takes into account the seasonal income fluctuations of farmers. These seasonal loans have been structured to enable loan payments during harvest times.

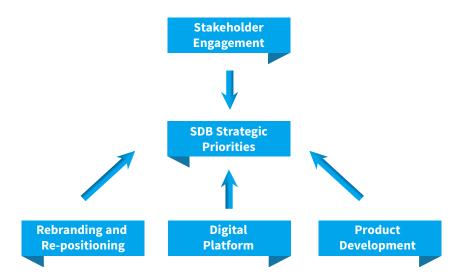
Product Profile & Marketing Review

The Marketing Department spearheaded the transformation campaign of the SANASA Development Bank from microfinance to SME-focus through a wide range of marketing initiatives with the support of all other departments.

The Bank has island-wide coverage through a network of 87 branches with 52 field officers including 19 Co-operative liaison officers.

The Bank's market segments include:

- SMEs
- Co-operative sector
- Businesses
- Micro entrepreneurs
- General public



SDB Product Profile G4-4

- Savings products and fixed deposits
- Loans
- Leasing
- Pawning
- Foreign currency services

- Refinance schemes/subsidised credit schemes and grants
- e Channelling
- SMS Banking
- ATM Services

Savings Products

SDB provides a full range of savings products from standard savings accounts to special savings accounts for specific groups. SDB also provides an island-wide palmtop banking service. The Bank's 43 palmtop bankers go to the customer's doorsteps in order to provide them the convenience of transferring money into their savings accounts.

 SDB savings accounts for Co-operatives: These savings offer higher interest rates for Co-operative savings.

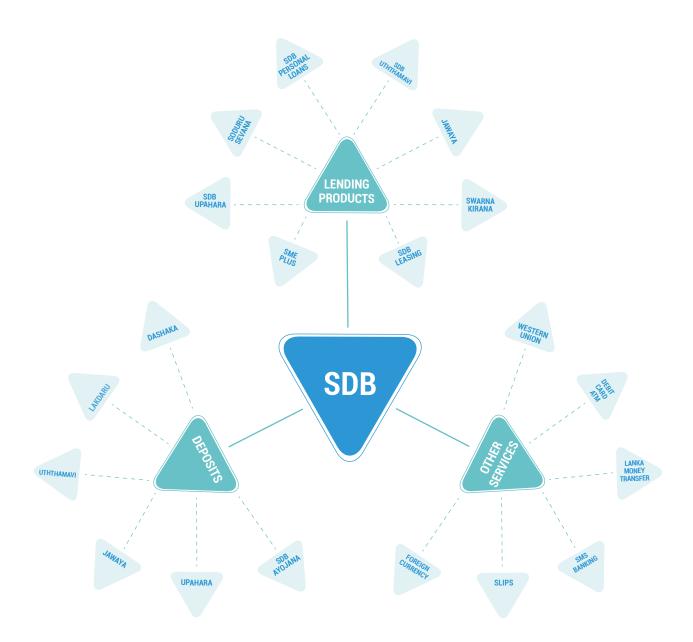
Other savings products under the Bank's deposit portfolio are listed below:

SDB Standard Savings Scheme)



The SDB Standard Savings Scheme offers attractive rates of interest while retaining the facility of withdrawing the money wherever and whenever the customer wants. Its sole purpose is to foster the habit of thrift in the customer. The personalised SDB VISA Debit card can be used at any SDB ATM or any other ATM with the VISA logo around the country.





Lakdaru)



Lakdaru is a children's savings account offering attractive gifts, insurance scheme and scholarships, with a higher rate of interest.

Jawaya)



Jawaya is a savings account for young professionals and entrepreneurs. The Jawaya account also conducts youth development programmes to empower young people.

Uththamavi)



Uththamavi is a savings scheme exclusively designed for women, with higher interest rates and loan facilities.

Uththamavi loans are designed for women to start a business, expand a business, for working capital needs and/or build up assets.

Product Profile & Marketing Review Contd.

Dashaka)



Dashaka is a savings scheme to celebrate SDB's first decade of success in the Sri Lankan banking arena.

Upahara)

Upahara is a savings deposit scheme



especially designed for senior citizens to provide financial care and convenience.

SDB Ayojana)

SDB Ayojana is a unique savings scheme to deposit a monthly amount,



at a high interest rate, for a specific period of time. This account allows depositors to plan their long term investments.

Loans

The Bank's loan facilities cater to different economic segments of the country ranging from micro credit to special credit facilities and from members of the armed forces to the country's elderly.

- SANASA micro credit for micro entrepreneurs: Mainly in the rural sector who have limited access to institutional credit facilities across the country, to start and develop cottage industries and micro enterprises.
- SANASA Co-operative society loans for Co-operatives registered with the Co-operative Department. These include other Co-operatives as well as SANASA societies.

Other products under our credit portfolio are listed below:

SME Plus



Our SME loan scheme is used to fund small and medium-sized enterprises, and represents the future goals of SDB's general business finance market - in which capital for different types of firms are supplied.

Ranmini)



Ranmini is a loan facility to purchase gold jewellery from SDB authorised jewellery shops.

SDB Upahara



This is a tailor-made loan scheme especially designed for government pensioners, CEB and Central Bank pensioners. The ultimate objective is to re-join these segments back to the workforce and to get their contribution towards the country's economic development.

SDB Personal Loan



Personal loans can be obtained by permanent employees of Government / Semi-Government institutions and private sector institutions.

Sonduru Sevana



Sonduru Sevana is a housing loan to construct or purchase a home, to purchase a block of land and construct a residential house, to complete a partly constructed house and for extensions, alterations, repairs of an existing residential house.



Uththamachara)



Uththamachara is a loan facility specially designed for families of heroic pensioned soldiers, to support income generating activities. Categories that are eligible: disabled forces personnel, widow/spouse of demised forces personnel, father/mother of demised unmarried forces personnel, unmarried/unemployed siblings of demised, unmarried forces personnel

Jawaya)



The Jawaya loan scheme is designed to support economic activities of youth over the age of 18 years. The loan can be used to start a business, expand a business, for working capital needs and/or build up assets.

Swarna Kirana



Swarna Kirana is a pawning facility which can be taken as a loan to meet urgent cash requirement by pawning gold or gold jewellery.

SDB Leasing



SDB Leasing is a leasing facility for vehicles, equipment and machinery for the agricultural sector, businesses, passenger transport, commercial sector and construction sector.

Foreign Currency Services

SDB offers money remittance facilities for Sri Lankan migrants and is authorised to deal in foreign currency notes.

Foreign Currency Transactions



SDB is permitted to make current account payments relating to foreign exchange and has got approval from the Central Bank of Sri Lanka to buy and sell the following foreign currency notes:

- US Dollars
- Sterling Pounds
- Australian Dollars
- Euros
- Singapore Dollars
- Japanese Yen

Western Union



SDB is a sub agent of MMBL. Sri Lankans working abroad remit their earnings through Western Union. The receiver of funds can go to any SDB branch and obtain the funds by producing an identity and the MTC number given by the sender.

Lanka Money Transfer



Customers of SANASA Development Bank could get their foreign remittances directly to the account instantly through Lanka Money Transfer.

Having the remittance in their account they could withdraw according to their need and earn an interest for the balance.

Refinance Schemes / Subsidised Credit Schemes and Grants

SDB operates re-finance schemes (subsidised credit schemes) and grants to channel development support and enterprise capacity building into rural parts of the country. Currently the Bank has eight re-finance schemes and one grant programme in operation.

Product Profile & Marketing Review Contd.

Marketing Review

Activities Carried Out in 2015 Focus on SME Sector

With the greater emphasis on the SME sector, during the year, the Bank put in place all necessary processes to ensure a smooth functioning of SME related activities in 2016. A separate SME Department was established with a complete online approval system that fast-tracks customer approvals while SME-related printed material and documentation were made available in all three languages. The Bank has established connections with the Small Enterprises Development Division -Ministry of Youth Affairs by supporting the bi-annual SME Exhibition & Award Ceremony, District progress review meetings 2015. Further it has tied up with the Central Bank of Sri Lanka and the Ministry of Industry & Commerce on re-finance projects. The ministry has allowed to use the Government emblem along with their ministry name for SME related products and materials, emphasising the level of confidence that it has in the significant strides made by SDB when it comes to financing the SME sector.

Developing Deposits and Advances

During the year, the Bank continued to develop deposits and advances by focussing on segments of society that had the potential to contribute significantly to the economic development of the country.

By 2050, it is projected that more than 25% of the population will be over 60, up from 13.4% in 2015*. However, it is very evident that a majority of such individuals have the energy, capability and motivation to contribute positively to the economy of the country. Hence, the Bank targeted these individuals by offering SME loans in order to encourage them to start their own business ventures.

- Individuals who retire from the armed forces after serving their mandatory period were also looked at as having the potential to contribute to the country's economy as they embark on the next phase of their lives. With most of them being in their 40s, they are more than capable of starting their own business ventures to which the Bank contributed by offering SME loans tailor-made for them.
- The Bank also focused its marketing efforts on those affected by the war. These included widows, parents, children or siblings of war heroes reported as "killed" or "missing" as well as those who were permanently disabled from the ravages of war. With these individuals receiving reasonably high income for their sacrifices, the Bank encouraged them to divert some of those funds to commence new business ventures that would generate additional income and secure a brighter future for them.
- The Bank also encouraged individuals of Co-operative societies to start their own businesses by tapping into the Bank's SME loan facilities. Ventures that have a positive impact on the economy – such as agriculture, solar projects and wind projects – were given special preference.

Customer Call Centre

A Customer Call Centre with state-of-the-art facilities and manned by a professional team of call centre agents was setup during the year. While handling all incoming customer inquiries regarding SDB products and services, the call centre also monitored the efficiency and effectiveness of the Bank's media campaigns and generated new leads. Timely reports are generated allowing respective RMs, managers and departments to

take prompt action to follow up on the extensive range of information produced by the call centre.

SMS Banking

In October 2015, the Bank launched the highly-anticipated SMS Banking facility which allows customers to enjoy the convenience of 24-hour accessibility to their accounts in a cost effective, accurate and transparent manner. Key features of this facility include:

- Balance inquiry of savings account
- Mini statement
- Transaction alerts
- Transaction decline alerts
- Information on new SDB products and services
- Products and services promotions

This facility is guaranteed to minimise the possibility of fraud transactions and save customers' valuable time.

Lakdaru Relaunch

The Lakdaru Children's Savings Account of the Bank was relaunched during the year with a range of special benefits to its account holders.

Special features of the Lakdaru account include attractive gifts scheme, higher rate of interest, educational reward scheme and free hospitalisation insurance cover.

Lakdaru gifts scheme is very popular among children which offers based on savings balance. One of the attractive gifts is the world map enriched with a bundle of information about the world in a very simple format. This is in high demand among children as well as their parents.

^{*} LBO - Lanka Business Online



Moreover, SDB Lakdaru offers an attractive 1% additional rate of interest than normal savings.

Free hospitalisation cover up to LKR 50, 000/- is popular especially among parents, which assists in taking care of their children's health. In this process, Cashless card is provided to the customer in order to make use from both in government and private hospitals. In addition, customer can claim the insurance even with other existing insurances.

Similarly, SDB offers up to LKR 50, 000/- worth of cash rewards for children who qualify with higher marks in their educational exams -Grade 5 scholarships exam, O/L and A/L examinations.

Branding Guidelines

The Bank finalised branding guidelines for consistent communications across the Bank and its branches. These will be implemented in 2016.

Brand Visibility

A systematic, well-thought-out plan was put into action during the year to enhance SDB's brand visibility across the country. Among these activities numerous CSR projects were carried out. Some of them include:

- SDB Lakdaru Mehewara Grade 5 Scholarship Seminar Series held in district wise across the country
- Blood donation campaign at Head Office
- Vesak Dansal organised at regional level in different cities across the country

Consistence in Branding

- A streamlined approach was put in place in order to improve consistency in branding materials of the Bank. The design team ensured that all branding guidelines were strictly met.
- The interior and exterior appearance of all SDB branches was designed to provide a dynamic and consistent ambiance to customers. All new branches automatically met these standards while existing branches were refurbished to bring them up to the required standards.

Media Campaigns

Several media campaigns were successfully carried out during the year supported by a media buying strategy and media monitoring.

In order to ensure SDB's presence throughout the year on print, radio and TV, Marketing Department has proposed a Media Buying Strategy, which was implemented through a reputed media scheduling agency. This was safeguarded by reserving prominent media spaces in advance and being a barrier for competitors to enter the same. It's a strategy to maintain SDB's presence throughout the year and obtain cost advantage with bulk booking.

Market Penetration

The Bank continued to expand the share of SME market with overall figures showing better than expected results during the year under review.

Digital Marketing

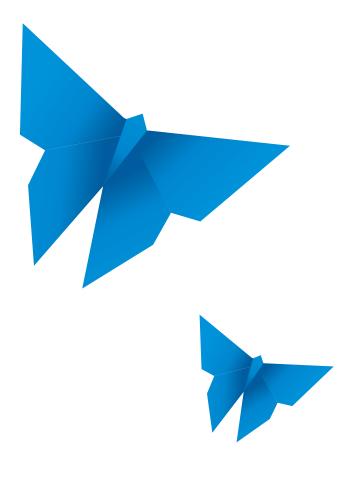
SDB website was relaunched and a SDB Facebook Official Page was launched along with other social media such as Twitter and YouTube, to have a better bridge between consumers and the digital platform, since they are very cost effective tools.

Email campaigns and SMS campaigns have been conducted throughout the year in order to engage with customers in product promotions, Avurudu season and provide awareness for FD rates. Online advertisements related to product promotions on festive seasons have been published in several popular websites. Moreover, advertised on digital screens across the country to make use of product awareness and brand visibility.



Sustainability Report

Economic Contributions	66
Engaging Our Stakeholders	68
Contributing to Social Capital	75
Building Human Capital	85
Responsible Services	90



Economic Contributions

Economic Value Creation G4-EC1

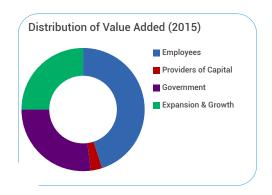
Economic Value Added (EVA) is an estimate of the Bank's economic profit, as distinct from financial profit. It is value created in excess of the required return to the Bank's investors, who comprises shareholders and debt holders. Given the importance the Bank places on creating superior shareholder value, the Bank's EVA computation is given below for the past two years.

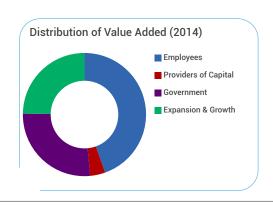
Economic Value Added Statement

	2015	2014
	LKR 000	LKR 000
Value Added		
Gross Interest Income	6,609,248	4,850,170
Other Income	274,596	386,996
Cost of Borrowing & Other Services	(4,335,297)	(3,323,474)
Provision for Credit Losses & Investments	(49,594)	(204,390)
Total	2,498,953	1,709,302

Economic Value Added Statement

	2015	2014		014	
	LKR 000	%	LKR 000	%	
Distribution of Value Added					
To Employees	1,114,754	45%	767,848	45%	
To Providers of Capital					
Dividends to Shareholders	100,617	3%	94,407	4%	
To Government					
Income Tax on Profits & VAT on FS	663,625	27%	437,007	27%	
To Expansion & Growth					
Retained Income	619,958	25%	410,040	25%	
	2,498,953		1,709,302	-	







Contribution to Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF)

SDB contributes to the statutory Employees' Provident Fund (ETF) and Employees Trust Fund (ETF). The Bank contributes 14% of the employee's basic salary as EPF payments, which is above the statutory requirement of 12%. The Bank also contributes 3% of the employee's basic salary as ETF payments. While individual employees contribute 8% of their salary to the EPF they do not contribute to the ETF.

Contribution	2015 (LKR)	2014 (LKR)
Bank EPF contribution	91,715,439	66,704,179
Bank ETF contribution	19,654,168	14,262,661

Indirect Economic Impacts

SDB has widespread indirect economic impacts through its operations due to its close links with the community development principle. Primary indirect economic impacts are:

- 1. Contributions to rural poverty alleviation through micro credit
- 2. Supporting the development and formalisation of informal sector enterprises that are traditionally not catered to by banks
- 3. Empowering rural women through micro credit
- 4. Reintegrating senior citizens into the formal economy through the provision of credit to start income generating activities
- 5. Presenting individuals who retire from the armed forces after serving their mandatory period as well as their families, the opportunity to contribute to the country's economy
- 6. Acting as a conduit to channel international development aid into rural societies
- 7. Enhancing community economic capacities through training for cooperatives

Further details on the above activities can be found in the 'Contributing to Social Capital' section of this Annual Report.

Engaging Our Stakeholders

G4-24 to 27, 37

SDB places great emphasis on the accurate identification and timely engagement of key stakeholders of the Bank who significantly contribute towards the value creation process of the Bank. Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the Bank's activities, products and services; and whose actions can reasonably be expected to affect the ability of the Bank to successfully implement strategies to achieve its objectives. The Bank's stakeholders have been impacted in different ways by the changes within the Bank and in the business model.

The table below lists the various stakeholders of the Bank and the reasons for engagement with each stakeholder group. The table also lists concerns raised by each stakeholder group, if any, during the financial year, and the Bank's response to these issues.

Creating Value

By responding to what is 'value' for the Bank's stakeholders, SDB has been able to add value to the value chain. This involved expanding assets, brand building to increase brand value/equity, increasing customer value and enhancing employee value. These activities have all contributed towards creating value for shareholders of the Bank. Shareholders of SDB are:

- 1. SANASA societies that are shareholders
- 2. Investors -
 - Institutional
 - Individual

This differentiation is due to the two groups having different expectations, requiring different engagement processes. Prior to public listing of SDB in 2012 as a regulatory requirement, SANASA societies were the sole shareholders of SANASA Development Bank. However, currently, the Bank's shareholders include SANASA societies as well as other investors.

Stakeholder	Reason for Engagement with the Stakeholder Group	Issues Raised by the Stakeholder Group	SDB Response to Stakeholder Concerns/Expectations
Regulators	The Bank engages closely with regulators as they:	The financial sector regulator, the Central Bank, required that SDB:	SDB responded to regulatory requirements as below.
	• Influence the Bank's operations and continuity	• Increase its capital to LKR 5 Bn by December 2015	 Increased capital base of the Bank to LKR 5 bn by December 2015
	Can influence market credibility of the Bank	• Increase asset base to LKR 100 Bn by 2017	• As part of the three year strategic plan formulated in 2014 (to gradually bring the total asset base to stipulated LKR 100 bn mark by 2017), increased the asset base of the Bank to LKR 100 Bn.
		Strengthen Governance structure	 Put in place a comprehensive core banking system which facilitates and ensures accurate and timely regulatory reporting
		Adhere and comply with all applicable regulations of Colombo Stock Exchange, Central Bank of Sri Lanka, Department of Inland Revenue and other regulatory bodies	



Stakeholder	Reason for Engagement with the Stakeholder Group	Issues Raised by the Stakeholder Group	SDB Response to Stakeholder Concerns/Expectations
			 Functions with a comprehensive compliance and Risk Management framework, overseen by dedicated Compliance and Risk Management Departments
			In addition, SDB engages with regulators through:
			 Industry forums/meetings with Central Bank.
			 Interaction with regulatory bodies to ensure compliance
			 Submission of returns/ information
			 Directions/circulars and guidelines
			Onsite surveillance visits
			• Announcements to Colombo Stock Exchange
SANASA Societies	SDB engages closely with SANASA societies as they represent a majority of the shareholders, collectively accounting for approximately 41% of SDB share capital.	SANASA societies raise concerns over:	SDB responds with:
		Share price and dividends	 Dividend of LKR 402 Mn declared for 2015 (subject to approval at the AGM)
		• Return on investment	
ca	They also mobilise working capital through special deposit programmes.	 SDB moving away from the SANASA movement and the Co-operative sector, due to 	 Dedicated Co-operative Development Department to cater to SANASA society needs
		public listing.	 Provide technical awareness or share trading
		Dilution of Co-operative holdings of SDB, due to other investors buying SANASA shares.	 Develope special seasonal product and gift schemes to mobilise cash from primary membership
			The Bank also engaged them through:
			Annual Report
			Annual General Meetings

Engaging Our Stakeholders Contd.

Stakeholder	Reason for Engagement with the Stakeholder Group	Issues Raised by the Stakeholder Group	SDB Response to Stakeholder Concerns/Expectations
			• Extra Ordinary General Meetings
			 Quarterly one-to-one financial presentation meetings
			Participation of SANASA society consultation meetings
Investors	They influence Bank strategy	Capital Appreciation and Dividends	• Dividend of LKR 402 Mn declared for 2015 (subject to approval at the AGM)
		• Business growth targets and sources of growth	• Development of shareholder communication channels
		Return on Investments	 Maintain high level of accessibility to the Senior Management of the Bank
		• Asset quality of the Bank	Annual General MeetingsExtra Ordinary General Meetings
			Annual Reports
			Interim Financial Statements
			 Announcements made to Colombo Stock Exchange
Employees	SDB engages with employees to create two-way relationships that inculcate team spirit, to share information about the Bank's vision and strategies, to understand the needs and aspirations of staff, and to enhance employees' skills and competencies through training and inspired leadership.	Topics raised by employees are:	The Bank responds to employee needs through:
		• Long term job security.	 Continous training to develop their skills, talents, productivity and future potential to shoulder up greater responsibilities in future.
		Unethical and non-transparant practices.	 High level of accessibility via an open-door policy where the employees may communicate with the Senior Management on any area of importance
		• Fair remuneration package.	• Employees can write directly to the Grievance Committee. The Committee conducts a fair and transparent inquiry process in order to resolve matters in a fair manner to all concerned.
		Career path and development opportunities	• Introduction of performance- based incentive scheme to recognise special achievements
		Job rotation opportunities	• Establish a whistleblowing channel
		• Rewards and recognitions for significant achievements.	 The Bank has offered the employees a fair deal in their remeneration in keeping with the industry norms.



Stakeholder	Reason for Engagement with the Stakeholder Group	Issues Raised by the Stakeholder Group	SDB Response to Stakeholder Concerns/Expectations	
			The Bank also engages with employees through:	
			• Employee induction and training programmes	
			• Frequent staff meetings	
			• The Annual Awards Night and Branch Managers' Conference	
			• Monthly regional meetings	
			• The staff SANASA society	
			 Monthly corporate management meetings, and quarterly strategic plan review meetings 	
			 Circulars and daily email communication 	
			• Exit interviews on resignation	
Customers	Vital for the Bank's growth and sustainability	Customer expectations are	• Six SDB branches were relocated during the year, to increase customer accessibility and improve service standards.	
	SDB engages with customers to:	• Convenient access to branches and ATM network	New products were added to cater to customer needs	
	 Understand customer needs and expectations 	Competitive products and services	 New technologies were introduced to further enhance customer convenience 	
	 To provide financial services and products for mutual benefits. 	Efficiency and professionalism of relationship staff	New expertise was added through new recruits	
	 Obtain feedback on the Bank's products, service quality, reach and brand perception 	Product pricing	• Regular participation in seminars/exhibitions to raise awareness about SDB products and services	
	• Obtain information for "Know Your Customer" requirements	Efficient delivery channels	• Employees were given rigorous training to meet customer needs better	
		Efficient grievance handling	• Provided inclusive banking, including even under served segments, such as the informal businesses, retired persons and rural women.	
			A Compliance Officer is available to conduct independent inquiries on customer complaints	

Engaging Our Stakeholders Contd.

Stakeholder	Reason for Engagement with the Stakeholder Group	Issues Raised by the Stakeholder Group	SDB Response to Stakeholder Concerns/Expectations	
			In addition, the Bank established contact through: • Customer surveys and site visits • Expanding branch and ATM network • Customer get-togethers • Formal complaint management process and a centralised dedicated unit to manage and resolve customer complaints • Suggestion boxes at every branch • Print and electronic media	
External Auditors	They monitor compliance with regulations. Their opinion can influence the market and regulators. They add validity and credibility to the Bank's overall performance.	Timely, accurate reporting	IT system improvements have made reporting more efficient	
International Agencies	These agencies are important to SDB for reasons of funding and technical assistance	Transparency and good governance	 The Bank co-operates with periodic fact finding visits and annual reviews The Bank engages with these agencies for consultancy services and technical assistance 	
Suppliers	To focus on mutually beneficial, long-lasting relationships and to foster mutual trust, transparency and accountability	Support and guidance to become sustainable businesses	Procurement policies and tender committees are in place to ensure that the Bank sources from the most preferred suppliers Annual registration of suppliers Supplier feedback evaluations Procurement meetings	

Suppliers Information

		2015	2014
No.	Description	(LKR Mn)	(LKR Mn)
1	Vehicle suppliers	46.21	16.78
2	Electricity-H/O	10.22	10.36
3	Water-H/O	0.38	0.38
4	Telephone	13.24	11.92
5	Maintenance of primises	6.05	4.52
6	Security	6.41	6.73
7	Stationary	6.31	4.72
8	Fuel-H/O	3.59	4.44
9	Rent	22.25	19.57
10	Insurance	10.27	6.20
_11	Equipment maitenance	15.25	46.17
12	Advertising & promotion	198.76	40.21



Stakeholder	Reason for Engagement with the Stakeholder Group	Issues Raised by the Stakeholder Group	SDB Response to Stakeholder Concerns/Expectations
Society	 To create sustainable, self-sufficient communities through education, micro financing and entrepreneurial assistance. To contribute to national affairs to enhance the standard of living of all people. 	Financial awareness and access to funds	 "Uththamavi" and "Jawaya" schemes are designed to encourage the savings habit among youth The Bank conducts CSR activities and sponsorships
	• To help preserve the environment.		 Our employees get involved in local community projects of the SANASA Movement Conduct relief programmes in crisis situations in the country.
			Water conservation
			• Energy conservation
			Paper recycling
			Green loan products

Consultations with Shareholders

The Bank's AGM is a key mode of communicating with shareholders. During the year, the AGM was held on 29th May 2015 at SANASA Campus, Kegalla. The event was attended by the Chairperson of SDB, the Board of Directors of SDB, management and staff of SDB and shareholders.

Branch Network

The following new branches were opened during the year under review, taking the total number of branches to 87.

- Malabe
- Mahabage
- Dehiwela
- Nuwara Eliya
- Ekala

In addition, the following branches were shifted to new locations, providing greater customer convenience.

- Galenbidunuwewa
- Dematagoda
- Mawanella
- Siyambalanduwa
- Kilinochchi
- Dehiattakandiya

The Chilaw Branch was also fully refurbished during the year.

New Product Launches

The Lakdaru Account of the Bank was relaunched during the year with a range of special benefits to its account holders. Special features of the Lakdaru account include attractive gift schemes and a free hospitalisation cover.

Engaging Our Stakeholders Contd.

Supporting Social Welfare

The Bank played an active role in the following events that were carried out during the year.

- Annual lotus flower offering and Kiri Ahara Pooja at the sacred sites of the Sri Maha Bodhi and Ruwanweli Stupa.
- Blood Donation Campaign and donation of essential drugs to the National Cancer Institute in Maharagama
- SANASA Sathiya at the BMICH
- "International Women's Day" celebrations at the "Uththamavi Hall", SANASA Campus, Kegalle.
- Ice cream Dansalas at regional level in different cities across the country on Vesak Poya day
- Poson Bhakthi Gee and ice cream dansala at Head Office premises
- "SDB Lakdaru Mehewara" Grade 5 Scholarship Seminar Series in several cities and towns across the island
- "Lakdaru Mehewara Pahan Pooja" ceremony at the Raja Maha Vihara, Kotte
- National Literature Festival at the Buddhist Cultural Center
- World's Children's Day at Embilipitiya
- National Pensioners Day Official Programme and Symposium at the Sri Lanka Foundation Institute (SLFI)
- 60th Anniversary Celebrations of the Sri Lanka Press Association
- World Thrift Day celebrations at the Magam Ruhunupura International Conference Centre, Hambanthota
- Katina Pinkama at the historic Seruwavila Mangala Rajamaha Viharaya
- Lakdaru Awards Ceremony at the Grand Oriental Hotel

Contributing to Social Capital



G4-SO1, G4-DMA Social

Over the years, SANASA Development Bank has maintained a reputation as being a socially responsible bank that conducts many social engagement programmes across the country. A significant share of SDB's banking services is provided to grassroot communities, channelled through Co-operative societies, including SANASA Societies, a process which not only supports formal enterprises but also supports the many grassroot informal enterprises that are not served by the formal financial sector. Such invaluable support for informal economic activities directly contributes to social capital through value creation and wealth creation, at grassroot level.

SDB's fast-growing branch network across the island, which currently stands at 87 branches, helps the Bank to engage meaningfully with local communities. The Bank's mobile banking officers work tirelessly as they interact with the grassroot communities and Co-operative members, on a daily basis. Feedback from these direct interactions are taken into account by channeling through to branch managers and regional managers at regular management meetings. This feedback is then taken into consideration when developing new products and services and fine tuning existing ones, in credit disbursements and also in designing community support programmes.

Minimising Negative Impacts

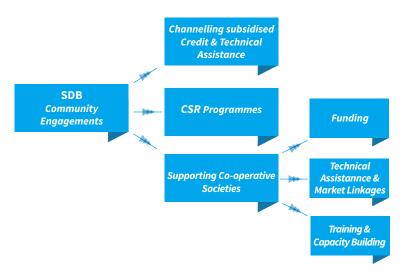
SDB's activities are guided by the principles of the SANASA Movement. Therefore, the Bank does not engage in transactions that could result in damage to the environment, or society. For instance, SDB's credit policy guidelines stipulate that the Bank does not finance activities that are considered socially and environmentally harmful, such as

manufacture of alcohol, enterprises that destroy forest cover and businesses who are engaged with animal slaughter, sale of liquer and drugs, propagating social ills like bettings etc.

SDB's Local Community Engagement Channels

The Bank engages with society through three main routes:

- 1. By supporting Co-operative societies, including SANASA Societies
- 2. By channeling subsidised credit for poverty alleviation and rural development
- 3. By conducting CSR programmes



Supporting Co-operative Societies (including SANASA Societies)

Percentage of operations implemented with local community engagement (as at 31st December 2015)

	2015	2014
Co-operative shareholding of SDB	36.08%	40%
No. of Co-operatives transacting with SDB	3,780	4,000
No. of SANASA societies transacting with SDB	3,739	3,600
Co-operatives' share of SDB's deposit portfolio	35.8%	38%
SANASA Societies' share of SDB's deposit portfolio	33.6%	30%
Co-operatives' share of SDB's credit portfolio	7.8%	7.7%
SANASA Societies' share of SDB's credit portfolio	7.05%	7.05%

Contributing to Social Capital Contd.

Engaging with SANASA Societies

SDB ensures regular engagement with SANASA societies through annual events commencing with the 'Lotus Flower offering' that is traditionally carried out in January every year. In 2015, the Bank conducted 08 national level and 46 regional/branch level events in total with SANASA societies, which translates into approximately one event targeted for every month of the year.

The Bank's training programmes for SANASA societies covered the following areas:

- Financial management
- National budget
- SME projects
- Leadership training
- Product development for Co-operatives
- Training to computerise SANASA societies

Growing with the Community

SDB continues to be actively engaged in encouraging Co-operative societies to venture beyond their traditional micro credit domain, into large-scale public projects. The Bank supports this transition by providing not only financial assistance but also technical assistance by establishing linkages with specialised national institutions such as the Industrial Development Board, the Export Development Board and others.

SME Loans for Co-operatives

In 2015, the Bank disbursed LKR 335.6 Mn to Co-operative societies, as SME loans, which is about .13% of total SME disbursements. These funds were used

for construction activities and services mainly in public projects. Some of these projects are described below:

- Kotikawatta Arena and Grand Arena LKR 139 Mn
- Galle Co-operative Hospital LKR 55 Mn
- Ukuwela Sobadaham Govipola LKR 10 Mn

Channelling Subsidised Credit for Poverty Alleviation and Rural Development

Interest Subsidised Loan Schemes

SDB is a Participatory Financial Institution to disburse interest subsidised credit for rural development and poverty alleviation. These credit programmes support micro enterprises and SMEs mainly located outside the Western Province. During 2015, SDB channelled funds for subsidised credit through the credit schemes listed below.

Refinance Scheme

		Total Disbursement		
Loan scheme	Funding Agency	During 2015 (LKR)	Project Period	Purpose/Target Segmant
Awakinging North	CBSL	1,102,000	05 Years	Income generating projects
Dasuna Phase	NDB	5,400,000	03 Years	Income generating projects
Loan Pool	CCA	304,228,012	05 Years	Agriculture related projects only
Saubagya	CBSL	248,891,102	05 Years	Income generating projects
SMILE III	MIC	137,250	10 Years	SME projects
PAPM II/ Probodhini/ Jayatha	CBSL	126,455,000	03 Years	Income generating projects
Small Plantation Enterpreneurs Development Project	CBSL	450,000	05 Years	Income generating projects

Canadian Government-funded Project

SDB continued to discharge its obligations and commitment to uplift the living standard of rural communities through SANASA primary Co-operative societies by continually providing assistance in capacity building, training and development.

The Bank exchanged the signed Memorandum Of Understanding (MOU) with SANASA Federation on the 15th July 2015 at SANASA Campus, Kegalle for another project funded by Canadian Government. The project consists of two elements



- Research and Training. Under the Research category, a survey was conducted to ascertain the current situation of SANASA society's gaps which need to be addressed. Training sessions focused on key areas such as formulating an investment plan, business plan and technical training to improve financial and management skills required to take the viable projects to the SME platform.

Arrangements have been made to include 600 SANASA societies in the first round and establish provincial coordinating units, through which the objectives of the MoU are to be achieved. While the funds granted by the Canadian Government is being used to develop primary societies, SANASA Society as a community-based organisation is planning to increase the contribution towards the national economic development.

Her Excellency the High Commissioner of Canada Ms. Shelley Whiting and Dr. Jennifer Lalonde, Counsellor (Development) were present at the occasion representing the Canadian Government. Ms. Samadanie Kiriwandeniya, Chairperson of SDB, Mr. Nimal C. Hapuarachchi, General Manager/CEO of SDB were present on behalf of SDB. Dr. P. A. Kiriwandeniya, Leader of SANASA movement and General Manager/CEO of SANASA Federation, Mr. Navindra Liyanaarachchi represented SANASA Federation at the signing of the agreement. Prof. W. D. Lakshman, Vice Chancellor of SANASA Campus, Mr. D. M. Rathnayake, Registrar of SANASA Campus, Directors and Corporate Management of SDB were present at this occasion. Representatives from a large number of SANASA primary societies were also present.





SANASA Development Bank exchanged the signed Memorandum Of Understanding (MOU) with SANASA Federation

SDB Strengthens Partnership with IFC



SDB's partnership with IFC reached new heights in 2015 as the organisation agreed to provide advisory services to the Bank as it expands to include more micro and small businesses, Co-operatives, and retail clients. SDB's growth strategy involves longterm sustainable growth in three important sectors - SME, retail, and Co-operative - to make financing more accessible to a larger number of people.

Contributing to Social Capital Contd.

Micro, small, and medium enterprises play a critical role in Sri Lanka's economic development. However, access to finance remains a key constraint to the development of small businesses. With this new development, the Bank will now reach more rural small businesses across the country, boosting financial inclusion.

IFC has been a long-term advisory partner of SDB since 2010, and also invested in its equity in 2012. During the course of the next two years, IFC's assistance will strengthen the Bank's overall operational capabilities and risk management framework. Sri Lanka is a priority country for IFC. IFC's committed portfolio in Sri Lanka is now US \$419 Million and covers projects across a range of sectors, including infrastructure, tourism, renewable energy, finance, and healthcare. IFC also provides advisory services to promote sustainable growth among small and medium enterprises by facilitating access to finance, and by offering capacitybuilding and training opportunities.

Supporting Social Welfare





Nelum Mal Pooja (Lotus Flower Offering)

Every year on the first weekend of January, SDB starts off the new year with the annual Lotus Flower Offering and Kiri Ahara Pooja at the sacred sites of Sri Maha Bodhi and Ruwanweli Stupa. This event, organised by the SANASA Federation, brings together a large number of people including SANASA employees from all branches, members of SANASA societies and the general public.

Blood Donation Campaign





The annual blood donation campaign for year 2015 was held on 18th February 2015 with the participation of staff members, customers, general public as well as the armed forces personnel. Donation of essential drugs to the National Cancer Institute in Maharagama was also conducted along with the blood donation campaign.



Celebrating "International Women's Day"





SDB celebrated "International Women's Day" on 8th March 2015 at the "Uththamavi Hall", SANASA Campus, Kegalle. The programme was organised with the collaboration of Uththamawi (Guarantee) Ltd, the women's wing of the SANASA movement. The theme for this year's "International Women's Day" was "There's a tomorrow yet to be born, there is a world waiting to be created - LET'S MAKE IT HAPPEN". The key-note address was made by Professor Sarath Wijesooriya, Head of the Department of Sinhala at The University of Colombo. A special trade fair and exhibition was organised by SANASA women societies from around the island at the premises with flowers, traditional sweets, cottage industries and beautiful hand loom sarees. The event was enriched by music and other dancing items.

The main objective of this year's event was to educate women who are in the ages between 35-55 on how to overcome challenges in day-to-day life and also in the business environment. The inspiring speech made by Professor Wijesooriya provided practical solutions for the numerous issues faced by Sri Lankan women.

SDB Vesak Commemorations





SDB organised several ice cream Dansalas at regional level in different cities across the country on Vesak Full Moon Poya day of 2015. These Dansalas were successfully organized by several branches in North Province, North Central Province, Southern Province, Sabaragamuwa Province and Western Province under the guidance and supervision of their respective Regional Managers.

Contributing to Social Capital Contd.

Poson Bhakthi Gee





The annual bhakthi gee event was held on 2nd June 2015 with the voluntary participation of the Bank's staff members on Poson Poya Day at Head Office premises. An ice cream Dansala was also run parallel to the Bhakthi Gee event.

"SDB Lakdaru Mehewara" Grade 5 Scholarship Seminar Series





A series of seminar for students who were to sit for the grade 5 scholarship examination in 2015 was organised with the sponsorship of Lakdaru Account of SDB. The seminars were held in Dehiwala, Embilipitiya, Kegalle, Matara, Tangalle, Kandy, Anuradhapura, Ampara, Chilaw, Kurunegala, Maharagama in Sinhala medium and the Tamil medium seminars were held in Jaffna, Trincomalee and Batticaloa.

Model exam papers, which were designed by a panel of expert lecturers targeting the grade 5 scholarship exam, were discussed with the students who attended these seminars. In parallel to the seminar, an awareness programme for the parents was also organised at the same location, focussing on attitudes and child philosophy.



SDB Lakdaru Mehewara - Pahan Pooja





SDB organised a Bodhi Pooja on 21st August 2015 at the Raja Maha Vihara, Kotte as a blessing for the children who were to sit for the grade 5 scholarship examination later during the year.

SANASA National Literature Festival





SANASA Literature Festival was held on 26th September 2015 at the Sambuddhathwa Jayanthi Mandiraya. There were 350 participants at the event. SANASA Literature Festival was organized by the SANASA Federation and sponsored by SDB and SANASA Insurance.

Contributing to Social Capital Contd.

SDB Celebrates World's Children Day





SDB Embilipitiya branch together with the Jenilro Institute, Embilipitiya successfully organised a carnival at Mahaweli Circle, Embilipitiya to celebrate World's Children's Day on 01st October 2015. Many entertainment activities were arranged and valuable gifts were offered to all the participants.

National Pensioners' Day Symposium





SDB has sponsored the National Pensioners Day Official Programme and Symposium organised by Department of Pensions. It was held successfully on 8th October 2015 at the Sri Lanka Foundation Institute (SLFI) with the participation and elite group of ministers, government heads of institutions, private sector, pensioners and other well-wishers. Positive strides were made during this event towards a National Pension Framework.



60th Anniversary Celebrations of Sri Lanka Press Association



The 60th anniversary celebrations of the Sri Lanka Press Association were held at the BMICH with His Excellency President Maithripala Sirisena gracing the occasion as the Chief Guest. Minister of Mass Media Hon. Gayantha Karunathilaka, officials and journalists were among those present for the event. Awards were presented to 10 veteran journalists while SDB sponsorship was awarded to Ms. Sriya Rathnakara, the first female in Sri Lankan journalism and the first female editor of the first Sri Lankan women's magazine named "Sri Magazine". She is one of the leading and noteworthy female journalists in Sri Lanka's journalism history and most of today's senior journalists are known to be her disciples.

World Thrift Day





SDB sponsored World Thrift Day at the Magam Ruhunupura International Conference Centre, Hambanthota, on the 31st October 2015. With the participation of Dr. P.A. Kiriwandeniya as the chief quest, many distinguished invitees were present including directors and members of SANASA District Unions and island-wide SANASA Societies.

Contributing to Social Capital Contd.

Katina Pinkama in Seruwavila





In November 2015, SDB was a sponsor for the Katina offerings, at the historic Seruwavila Mangala Rajamaha Viharaya. This event was organised by SDB and SANASA Group. Dr. P.A. Kiriwandeniya, Mrs. Kiriwandeniya and Mr. Nimal C. Hapuarachchi, General Manager/CEO of SDB participated in this event with the staff of SDB and SANASA Group.

SDB Lakdaru Awards Ceremony





SDB rewarded grade 5 scholarship examination winners and top branches who have performed well in 'Lakdaru One to One' offer at the Grand Oriental Hotel in Colombo on 22nd December 2015.

SANASA Sathiya





SANASA Sathiya was held at 22nd to 28th February 2015 at the BMICH. This was organized by the SANASA Federation and sponsored by SDB bank. The objective of this was "Praagdanayen Swayanposhitha Wemu". There were 673 participants at the event.

Building Human Capital



SANASA Development Bank considers its human resource to be a strategic sustainability pillar in the Bank's mission towards realising corporate objectives. As a result, the Bank recognises its human resource as a major stakeholder which plays a pivotal role in contributing towards the wealth maximisation of investors while being amply and fairly rewarded for such contribution. Given the distinct social development obligations of the Bank, the team should be one that is committed and service-oriented together with the development mind-set that supports social capital development, as well as balance sheet growth.

Strategic HR Initiatives

With the comprehension of the unique characteristics of human resources and its complicated nature of implications to the business settings, the Bank has adopted viable strategies to ensure effective utilisation of human resources, balancing both personal and corporate aspects. Some of these strategic initiatives carried out in 2015 are given below:

1. Alleviating "overstaff" or "understaff" circumstances by allocating staff to branches and Head Office in a rational manner

All branches were graded based on business volume, namely, Premium Grade, Super Grade, A Grade, B Grade, C Grade and D Grade. The staff allocation for branches depends on their respective branch grade. Thus, branches are allocated with a sufficient number of staff to carry out their business activities in a smooth manner. Furthermore, the staff requirement for Head Office departments is determind by logically and systematically identifying the main tasks and deliverables of the department.

2. Streamlining the promotion scheme

Career advancement is one major expectation of employees at any organisation. The Bank believes that career advancement should be on merit basis thus performance and qualifications of employees are given prime consideration for promoting employees. Based on this principle, the promotion scheme for all employee grades (except for Corporate Management category) was revised during 2015 and employees who possessed academic/professional qualifications and exceeded performance standards were facilitated with accelerated career advancement. This new scheme has also induced employees to be equiped with acadamic/professional qualifications and perform more effectively towards the Bank's business objectives.

3. Profiling Corporate Managers and **Regional Managers**

Members of the Corporate Management team play a vital role in formulating business strategies of the Bank. Similarly, members of the Regional Management team are vested with the prime responsibility of executing the business strategy at regional level. Hence, it is imperative to properly identify the expectations and attributes of members representing the Corporate Management and Regional Management teams for purposes such as assigning business roles, assessing performance and identifying the training requirements.

4. Revamping the performance appraisal framework

The performance appraisal system was revised with a novel and more objective scheme to accurately assess employees' contribution to the Bank's performance and their personal attributes. The new framework was carefully designed, paying attention to numerous business operational aspects while inputs of business functional heads were also obtained to ensure a more comprehensive coverage of various business aspects. It comprises two schemes for managerial employees and non-managerial employees. It was approved by the Board of Directors and is scheduled to be launched from the year 2016.

5. Introducing a comprehensive training evaluation model

The Bank believes that the implementation of training and development programmes shall be multi-fold and that the impact of those programmes shall be assessed in multiple aspects. Accordingly, the HR Department introduced a comprehensive training evaluation model which assesses the impact of training programmes in four aspects.

- First, it measures the trainee's and trainer's feedback on the training programme
- Next, it assesses the extent of knowledge gained by the employee through that programme.
- Then, it measures the degree of behavioural change of the employee after undergoing the training.
- Finally, it assesses the business results of the training programmes by means of Return On Training Investment (ROTI).

This framework was designed and approved during the year 2015 and is scheduled to implement from year 2016.

Special Projects

The HR Department initiated numerous special projects, of several disciplines having different objectives, during the year 2015. Appended below are brief descriptions of each of them.

Building Human Capital Contd.

1. E-learning project

This project was initiated to make organisation-wide learning available 24/7 in a phased-out and cost-effective manner. Conducting and evaluation of training programmes at reaction and knowledge level will be enabled by this using the Moodle platform. Firstly, the technological infrastructure was developed to facilitate the e-learning platform after which staff members of the HR Department were given comprehensive training on Moodle administration. This project is currently in the phase of obtaining the contribution of internal resource persons who conduct training programmes to develop learning modules.

2. Process documentation

Processes should be reviewed regularly to identify lags and counter measures shall be taken to overcome them. The HR Department has initiated a process documentation project by detailing the processes of the department to identify the lags and processes that can be automated. Several benefits can be derived from this project such as:

- Improved accuracy and speed of deliverables
- More efficient use of human resource information system
- Reduction of staff cost and overhead cost of department

3. Employee engagement project

The objective of this project is to encourage employee engagement and empowerment. It is intended to create and strengthen employees' psychological bond to the Bank.

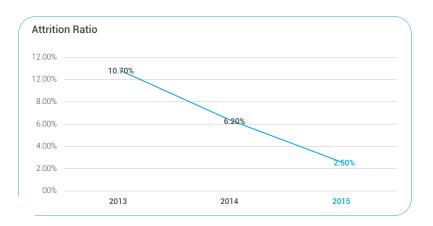
Performance of the Human Resource Function G4-LA4

Performance of the human resource function is assessed using KPIs developed during the year 2014. KPI achievement of the HR department for year 2016 can be depicted as follows:

1. Reducing the attrition ratio

The HR Department has been able to maintain the attrition ration at a healthy level. When analysing Figure 01 (below), it can be derived that the attrition ration is at a downward trend and is at a healthy level. Such achievement can be mainly attributed to initiatives such as offering competitive remuneration packages, attractive fringe benefits, reliable grievance handling mechanism, deployment within the residential regions and attractive career advancement avenues.

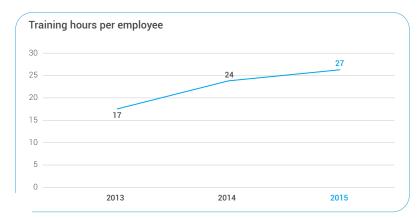
KPI	Accomplishment
Headcount fulfillment ratio (branches)	98.7%
Attrition ratio	2.5%
Average recruitment lead time	33 days
Grievance trend	2.4%
Training calendar coverage	95%
Trained employees rate	2.18 times
No. of training hours per employee p.a.	27 hours
HR policy improvement quotient	2.3 out of 5
Average complaint to inquiry cycle time	36 days
Grievance redress cycle	60 days
Policy execution lead time	20 days
Year-on-year procedure violations identified at audits	8



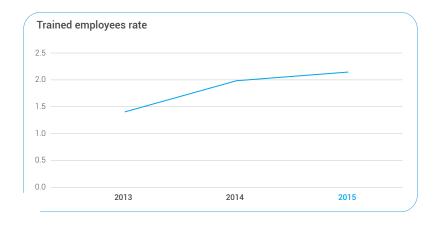
2. Increased training hours per employee

The number of training hours per employee has been on an upward trend during the past three years. This is due to the Bank's unrelenting emphasis placed developing knowledge, skills, attitudes and behaviour of employees. Figure 2 depicts the upward trend of this measurement.





3. Trained employees rate



This ratio measures how many times an employee has been trained within the year. This value is also at an upward trend during the past 3 years (Figure 03).

G4-LA1, LA2, LA3, LA16 **Employment Related Attributes**

264 new recruits joined SDB PLC during the year 2015. As a bank maintaining the highest ethical standards, SDB PLC is committed to sustain ethical and responsible employment practices. The Bank endeavours to surpass the minimum employment standards stipulated by the legislation at most times. Employees are provided with attractive financial and non-financial benefits with the intention of uplifting the quality of work-life, bringing in more work-life balance and ensuring their long-term loyalty and commitment towards the Bank. Given below are some of the benefits provided to our staff members.

- Surpassing the statutory requirements in EPF contributions, the Bank contributes 14% for EPF on behalf of the employees, which is 2% more than the contribution stipulated by statute.
- Employees are granted 21 days of annual leave (7 more than the statutory requirement) and 14 days of medical leave (not required by the statute) for a year. Moreover, special leaves are considered on case-by-case basis for illnesses and educational requirements.
- Medical insurance cover (including critical illness cover) and personal accident cover
- Special staff loan schemes at concessionary rates
- Performance-based bonus and incentive schemes
- Subsistence allowance and distance allowance for outstation work
- Attractive allowance schemes for employees in managerial grades
- Special reward schemes for exceeding targets
- Financial assistance for selected study programmes
- Reimbursement of annual membership subscriptions of professional institutions

Equal Employment Opportunities

G4-LA12

The Bank is an equal opportunity employer which means that all recruitments are based on merit and ensures no discrimination based on gender, ethnic, and religious grounds. The Bank has provided almost equal employment opportunity for both genders. The total cadre comprises 50.2% male employees and 49.8% female employees.

Building Human Capital Contd.

A youthful employee base is another major strength of the Bank. Employees below the age of 35 accounts for 79.2% of the workforce. Young employees can be developed for future leadership positions based on their suitability in the long-term. Furthermore, they can be assigned challenges and varied functional exposures by means of job rotations and assignments. The Bank can be immensely benefitted by their energy, adaptability and enthusiasm.

The training programmes can be identified as internal, external and foreign trainings. During year under review, the Bank conducted 61 internal training programmes (amounting to LKR 4.4 Million), 99 external training programmes (amounting to LKR 5.5 Million) and five foreign training programmes (amounting to LKR 1.7 Million). Therefore, a total of LKR 11.6 Million was spent on training programmes during the year.

Training and Development

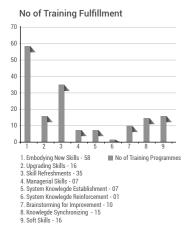
G4-LA9, LA10

Training and development function plays a vital role in instilling knowledge, skills, attitudes and behaviours in employees where they can be empowered to perform up to the expected standards in their current jobs and develop for future positions at the Bank. As the Bank is operating in the highly-competitive and dynamic changing financial services industry, training in various disciplines ranging from elementary banking to strategic planning is provided for staff members as and when required.

The training plan for each year is prepared after thoroughly analysing the training needs based on the industry dynamics and identified competency gaps of employees. HR Department identifies the skill requirements to be fulfilled by training programmes in relation to nine categories:

- Embodying new skills
- Upgrading skills
- Skill refreshment
- Managerial skills
- System knowledge establishment
- System knowledge reinforcement
- Brainstorming for improvement
- Knowledge synchronisation
- Soft skills

Internal training programmes are organized by the Bank and conducted by internal employees who possess relevant qualifications and expertise in the functional field as well as external resource persons who are qualified and reputed for conducting trainings for the relevant functions. The Bank also nominates the employees for relevant training programmes conducted by reputed institutions such as the Center for Banking Studies of Central Bank, Institute of Bankers Sri Lanka, Postgraduate Institute of Management, the Institute of Chartered Accountants of Sri Lanka and Institute of Personnel Management Sri Lanka.



During the year, the HR Department has designed a comprehensive training evaluation model to assess the impact of training programmes in multiple facets ranging from the trainees' opinions on the training programme to its contribution to the financial performance of the Bank.

The e-learning project is another major initiative to strengthen the training and development function of the Bank by making training/learning available 24/7 organisational-wide in an affordable and innovative manner.

Special Events

The HR Department initiated special events ranging from employee engagement and community services. These events were organized to strengthen the harmony among employees and to motivate them further. Brief descriptions of the main events initiated by HR Department during year 2015 are given below:

1. Annual awards ceremony

The annual awards ceremony was successfully held on 25th April 2015 at Grand Monarch reception hall. It was conducted with the objective of recognizing the commitment of branches that have performed excellently during the year 2014 and to motivate the employees for sustained higher performance. Awards were based on several criteria such as profits, advances, deposits and non-performing loan management. Moreover upgrading of branches and best regional performance were also awarded

2. Blood donation campaign

This is an annual event organized by the Head Office staff members of the Bank. The annual blood donation campaign for year 2015 was held on 18th February 2015 with the participation of staff members, customers, general public and most notably armed forces personnel. Donation of essential drugs to the National Cancer Institute in Maharagama was also conducted along with this blood donation campaign.



3. Staff get-together

Staff get-togethers were conducted at regional level and at the Head Office to bring the staff together and promote togetherness. Each of these staff get-togethers were organised with a variety of fun-filled activities. Active participation of the members of the corporate and regional management was a notable feature of such events.

4. Poson Bhakthi Gee

The annual Bhakthi Gee event was held with the voluntary participation of the Bank's staff members on Poson Poya Day at the Head Office premises. An ice-cream Dansela was also held parallel to the Bhakthi Gee event.

5. Peduru party

A peduru party was organised at the Head Office premises for the first time with the intention of providing an entertaining change to the normal work routine of the employees. It was held on 30th December 2015 and all the participants enjoyed a great evening in a relaxed, casual atmosphere.

Responsible Services

G4-PR9

SANASA Development Bank is pleased to announce that there have been zero cases of non-compliance with laws and regulations concerning the provision and use of products and services during the year under review. This is in line with the Bank's objective of being a responsible financial services provider and augurs well for the future outlook of the Bank.

IT Infrastructure and Support

The Bank's dedicated IT Department played a decisive role in ensuring that all aspects related to IT, functioned smoothly throughout the year. With all branches being networked, it is crucial that all data is backed up daily on an island-wide basis, while the Bank maintained a secured Disaster Recovery (DR) site at a separate location. The IT system is designed to support customer privacy while stringent security systems are in place in order to ensure data protection at every level within the Bank. The Bank's new MIS system, a key tool that supports decision making, was made operational during the financial vear.

During the year, the Bank launched SMS Banking services, allowing customers to enjoy 24-hour accessibility to their accounts in a cost effective manner that is also accurate, transparent and environmental-friendly. This new service has minimized the possibility of fraudulent transactions and saves time and money for all customers using the facility. Key features of this facility include balance inquiry of savings accounts, mini statements, transaction alerts, transaction decline alerts and details of new SDB products and bank promotions.

Customer Confidentiality

G4-PR8

As a bank, maintaining a high level of customer confidentiality is of utmost

importance, both from a legal and ethical standpoint. All SDB employees undergo regular training to meet this vital requirement through awareness on the Secrecy Provisions of the Banking Act.

The Customer Mandate is the primary agreement the customer maintains with the Bank and as part of our procedures to protect the privacy of our customers, our employees have restricted access to such customer information. Once the Customer Mandate is duly completed it is handed over to a professional, independent third party for due processing, thereby ensuring confidentiality.

During the year under review, SDB continued to focus on improving the Bank's data protection systems and disaster recovery systems. At the time of writing of this Annual Report, there have been no reports of breaches of customer privacy, data loss, theft or leakages. The Bank's security procedures include the application of the Know Your Client system which provides a clear picture of how funds are derived and utilised across all levels of the Bank

Expanding Branch Network

The Bank's desire to reach out to the ever-expanding customer base meant that the branch network underwent numerous changes during the year. Five new branches - Malabe, Mahabage, Dehiwela, Nuwara Eliya and Ekala - were opened during the year, taking the Bank's branch network to a high of 87 branches. Additionally, several branches were moved to new locations, providing greater convenience to customers. These include Galenbidunuwewa, Sahasapura, Mawanella, Siyambalanduwa, Kilinochchi and Dehiattakandiya.

Foreign Remittances

Migrant workers play a pivotal role in the economy of the country and therefore, during the year, the Bank made positive strides towards providing them with broadened services and added convenience when transferring their hard-earned income to their loved ones in Sri Lanka. The Bank put into action several procedures that have streamlined the process and ensured that the cash is transferred to the relevant recipient in minimum time.

Procurement

The Bank's procurement process has been further refined with an emphasis on transparency and value for money rather than the lowest price. A detailed manual has been developed outlining the procedures to be followed for transparent, fair procuring without any disruptions to the Bank's operational efficiencies. Suppliers are one of the Bank's key stakeholders and therefore get fairly treated at all times, irrespective of the scope of the project they are bidding for.

Environmental Accountability G4-DMA Environment

SDB considers ecological capital to be part of social capital and therefore conducts business in harmony with nature and avoids actions that have a negative impact on the natural environment. Being a financial services provider, the Bank's direct environmental impacts are not significant as the core business does not involve activities that deplete natural resources or harm the environment in a significant manner. The Bank's direct environment impacts are mainly limited to consumption of natural resources and energy while the indirect environmental impacts, primarily through customers, is also greatly restricted as the Bank provides



services to Micro and SME enterprises that have lower environmental impacts than large-scale manufacturing operations.

During the year, the Bank did not have to face any fines or sanctions for non-compliance with environmental regulations in the country.

Energy Consumption

Across all SDB branches, every effort has been made to educate employees about the importance of energy conservation. LED lighting has been deployed at all branches and displays while plans are in the pipeline to introduce solar panels in some branches. The Bank is also drawing up plans to introduce a green SDB branch, run by solar power, in the near future. Greater emphasis has been placed on promoting environmental-friendly technologies amongst existing and new customers. For instance, one such technology has been the use of solar water pumps for agriculture-based customers of the Bank.

Paper Conservation

As a bank that provides a wide range of services to a growing customer base, it is unavoidable that we consume large amounts of paper. However, over the years, positive steps have been taken to increase awareness levels and reduce paper consumption by encouraging employees to reuse paper, print on both sides, print only when absolutely necessary and communicate via email whenever possible.

While these approaches have portrayed positive results in the urban and suburban branches, when it comes to rural areas the progress has been inhibited. This is primarily due to the fact that rural populations have no access to computers and email and thereby rely heavily on printed letters

and other documents. Therefore, it has not been possible to migrate most of the Bank's external communications to a paperless environment. However, the branches in these areas are aware of this situation and are working towards gradually reducing paper consumption when communicating with the customer base in a reasonable manner, whenever possible.

Energy consumption and paper recycling

No.	Description	2015	2014
1	Electricity Consumption H/O - kWh	387,549	338,834
2	Water Consumption H/O - Cubic meters	4,032	3,114
4	Fuel Consumption Fossil - Liters	80,150	79,093
5	Waste Paper recycled - kg	7,994	2,691

Responsible Services contd.



10" March 2015

The General Manager / Chief Executive Officer. SANASA Deviopment Bank PLC. No 12, Edmonton Road. Kirulapone, Colombo 06.

Dear Sir / Madam

Thank You for Shredding Your Confidential Documents with Neptune Recyclers.

We hereby confirm the collection and shredding 931 kg's of Waste Paper / confidential documents Collected between 1" of January 2013 to 31" of December 2015, from "SANASA Development, Bank PLC"

We thank you for using our shredding service to dispose off your waste papers in an environmentally friendly manner which not only saves precious Natural Resources, but also assists your organization in securely disposing your confidential documents at no charge to you. If every company in 5ri Lanka thought as you do, our country would definitely be a better place to live for you and me.

The above paper that was provided by you for re-cycling has approximately saved:

- 16 fully grown Trees
- 1,632 liters of Oil
- 3,720 kwh of Electricity
- 29,555 liters of Water
- 3 cubic meter of Land fill
- & reduce Green House Gas Emission by 931 kg's of Carbon Equivalent.

Whilst thanking you for your generous consideration in saving the environment we assure you of quality service at all times. Should you require further information or clarifications, please feet free to contact ut on 0777-915153 or 011-3038877 at any given time.

Thanking you. Yours Sincerely. **NEPTUNE RECYCLERS**







Success Story 2

Green Garden Nursery - Biyagama

From her younger days, Mrs. Lilie Nansalin dreamt of growing flowers in her own garden. After completing her college education, she found a job and soon settled down to a family life with two wonderful children. As the children started schooling, her thoughts turned to self-employment, and naturally, a flower garden immediately sprang to mind. Soon afterwards, her hobby of growing flowers turned into a full-time business as she quit her job and pursued her dream.

She started off with smaller, cheaper flowers but realised that she must venture into the higher priced orchids in order to earn a better income. However, the lack of funds held her back and soon she decided to talk to SANASA Development Bank's





Kiribathgoda Branch to obtain a loan. The Bank officials promptly took care of the paperwork, visited the nursery and approved a loan of LKR 600,000. With these funds, Mrs. Nansalin was able to run the business smoothly for two years at which point she returned to SDB to request for a second loan.

The Bank immediately obliged with a loan of LKR 800,000, all of which was utilised to develop the business further. With the profits, she was able to buy a block of land to expand the business for which she obtained a third loan, this time amounting to LKR 1 Million.

Today

With two full-time workers under her, Mrs. Nansalin has become a key supplier to several flower sellers who market her products to end consumers. Thus, she has generated direct and indirect employment through her business. Her family life is on an equally sound footing as her two children are excelling in their higher studies.





"I have huge respect for SDB because I strongly believe that SDB helped me to achieve my dream. If SDB hadn't helped me back then, I am certain I won't be in this position today and I probably would not have been able to give my children sure a good education. Therefore, I am grateful to SDF.



Board of Directors	96
Corporate Management Team	100
Senior Management Team	102
Governance System	106
Chairperson's Statement on Corporate Governance	110
Investor Relations	111
Compliance Status	
Compliance with the provision of the Banking Act Direction No. 12 of 2007 of the Central Bank of Sri Lanka	120
Compliance with the Code of Best Practices on Corporate Governance	136
Risk Management System	150
Report of the Board Integrated Risk Management Committee	158
Report of the Board Audit Committee	159
Report of the Board Human Resources and Remuneration Committee	163
Report of the Board Selection and Nomination Committee	165
Report of the Board Related Party Transactions Committee	167
Report of the Board Strategic planning & Business Development Committee	168
Report of the Board Credit Committee	169

CORPORATE STEWARDSHIP

Board of Directors







Board of Directors Contd.



Mrs. M.S. Kiriwandeniya Chairperson / Non-Independent, Non-Executive Director

Mrs. M.S. Kiriwandeniya, appointed as the Chairperson of SDB PLC in 2011, brings to the table extensive senior management experience in the fields of participatory development, gender issues management, microfinance and conflict resolution. She is also the Corporate Leader of SANASA Group. Mrs. M.S. Kiriwandeniya obtained her basic degree from the University of Peradeniya in Sociology and received a masters degree in the same filed from the University of Sakatchewan, Canada



Mr. T. Karunasena Deputy Chairman / Independent, Non-Executive Director

Mr. Karunasena was appointed to the Board of SDBL in 2007 as an Independent Director and as Senior Director / Deputy Chairman in November 2011.

He began his career with People's Bank and has gained experience in all aspects of Banking including Branch Banking, Regional Administration, Development Commercial Lending, International and Corporate Banking. He has headed some of the key

areas of People's Bank in-charging, international, corporate banking, human resource and productivity management.

He has followed an advanced bank management course in Sweden with a follow up course in Manila.

He has over 41 years of experience in banking and possesses a B.A.(Hon.) Degree in Economics.



Mr. D.P. Kumarage Non-Independent, Non-Executive Director

Mr. Kumarage is the Chief Executive Officer of the People's Leasing Finance PLC. He was appointed to the Board of SDB PLC In 2007. He has over 33 years experience in banking and finance. He holds a postgraduate diploma in Modern Banking and is a passed finalist of the Chartered Institute of Management Accountants, UK. He brings invaluable expertise and experience to the Board.



Mr. H.M.G.B. Herath Non-Independent, Non-Executive Director

He has a wide experience in administration and held the position of Acting Assistant Director Administration in the Agricultural Development Authority and was also Assistant Superintendent at Rideegama Estate.

He has 26 years of experience as the Chairman of SANASA Society of Kandapola and has also served as the Executive Director in SANASA Federation of Sri Lanka. He was the Vice Chairman of Kurunegala District Co-operative Council and also held the position of Internal Auditor in a leading private firm in Wariyapola.



Mr. Lakshman Abeysekera Independent, Non-Executive Director

Mr.Lakshman Abeysekare, Chartered Accountant, possess over 21 years experience in the Accounting field. He currently function as a Director / CEO of Janrich (Private) Limited, Director of NovEx Pharmaceuticals Limited and Governing Council Member of AAT Sri Lanka. He has held the positions of Chief Financial Officer at Emerchemie



NB (Ceylion) Limited, Accountant Hoeshst (Ceylon) Limited, and Senior Accountant at Lankem Ceylon Limited.

Mr.Lakshman Abeysekare is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, a Fellow Member of Association of Accounting Technicians of Sri Lanka and has a MBA from Institute of Postgraduate Management, University of Sri Jayawardhanapura.



Mr. Thilak Rajapaksha Non-Independent, Non-Executive Director

Mr. Thilak Rajapaksha is the Chairman of Paradise TCCS Limited and holds a combined degree from the University of Peradeniya. He has been serving as a Senior Head Quarters Inspector, Co-operative Development Department, and currently serves as an Executive Director in the Federation of Thrift & Credit Co-operative Societies Limited in Sri Lanka.



Mr. Madura Duminda Rathnayake Independent, Non-Executive Director

Mr.W.M.Madura Duminda Rathnayake a Chartered Engineer by profession possess over 21 years of experience

in the fields of IT industry, experience in delivery management, project management, solution architecture, customer support, consultancy and general management in UK, USA, Australia, India and Sri Lanka. Delivered multi-Million dollar projects to Fortune 1000 companies with geographically spread software teams. Industry domain expertise in document management, content management, shareholder information management, health care and Internet billing.

Mr.W.M.Madura Duminda Rathnayake holds Senior Vice President and Head of Digital at Virtusa (Pvt) Ltd.

He is the founder Director and Chairman of emeritus of Sri Lanka Association for software and services companies (SLASSCOM) which represents the Sri Lankan IT / BPM industry. He is also Chairman of Sarvodaya Fusion, Co-Chairman of the National Council on ICT and Space Technology for the coordinating secretariat for Science Technology and Innovation (COSTI). Member of the advisory board for ICT at the Export Development Board (EDB) and represents the IT Industry on the boards of several leading Universities. Has sound experience in leading large multi-stakeholder groups from government, industry and academia to develop national strategies on IT and actively involved in directing execution.

Holds an MBA from The Postgraduate Institute of Management, Sri Lanka and a First class honors degree in Software Engineering from City University, London.



Mr. B.R. Abewickrama Bandara Non-Independent, Non-Executive Director

Mr. B.R. Abewickrama Bandara holds a Diploma in Banking & Finance and he holds the position of General Manager Polgahawela SANASA District Union Limited, Director at SANASA Printers & Publishes Limited and Director of SANASA Shareholders Trust Company Limited.

He has been actively involved in SANASA Movement for over 26 years.



Mr. J.A.L. Gamini Jayasinghe Non-Independent, Non-Executive Director

Mr. J.A.L. Gamini Jayasinghe is a Director in Kegalle District SANASA Societies Union Limited, and Vice Chairman of SANASA Printers & Publishes. He has been the Secretary to the Government Service Labour Officers Union since the year 2012.

Mr. J.A.L. Gamini Jayasingha has over 15 years of experience as a Director in SANASA Societies and holds a B.A.(Hons) special second class upper division from the University of Peradeniya.

Corporate Management Team



Mr. Nimal C. Hapuarachchi Genaral Manager/CEO

Mr. Kumar Mayadunne Chief Operating Officer



Mr. S.A. Samarakoon Deputy General Manager - IT

Eng) (Moratuwa), C Eng., MIEEE

Dip. in Bank Mgt (IBSL) MBA (Colombo), B. Sc. Eng (Comp. Sc. &

MBA (Sri J.) Dip. in Bank Mgt (IBSL)



Mr. A.M. Chandrasagara Deputy General Manager - Chief Internal Auditor

FCA, FIB, Dip. in Info. Sys. Cont. & Audit



Mr. Aruna Dayanatha Deputy General Manager - Head of Human Resources

MBA (PIM - Sri. J.), MBCS CITP (UK), Assoc. CIPD (UK), MIPM



Mr. Hemal C. Lokugeegana Deputy General Manager - Chief Risk

MBA, B.B. Mgt. (HR) Sp., AIB, Dbirm (IBSL), AMIPM, MAAT, ACC Dir. SL



Mr. K.L.G. Pradeep Deputy General Manager -Head of Corporate and SME Banking

AIB, PG Dip. in Business & Financial Administration, PG Dip. in Modern Commercial Banking (PIM)



Mrs. Tamarika Rodrigo Assistant General Manager - Company Secretary

Attorney-at-Law, Notary Public, ACC Dir. SL



Mr. S.S.S. Senanayake Assistant General Manager -Compliance Officer

LL.B, Attorney-at-Law, Notary Public, Commissioner of Oaths, AIB, FIB, PG Dip. in Bank Mgt



Mr. Terrance Kumara Assistant General Manager - Head of Finance

MBA (USQ), FCA, ACMA (SL), MAAT



Mr. Sameera D. Liyanage Assistant General Manager - Head of Marketing & Co-operative Development

MCIM (UK), MSLIM, PG Dip. in Marketing (CIM), Chartered Marketer

Senior Management Team



1 Mrs. P.C. Liyanage Head of Legal

> LLB, Attorney-at-Law, Notary Public, Commissioner of Oaths, Company Secretary

3 Mr. K.K.S.U. Kumara Senior Manager - Operations

B.Sc. (Mgt)

5 Mr. E. A. L. S. Edirisuriya Regional Manager - Western

Dip.in Finance & Bank Mgt., Investment Advisor Certified by CSE.

2 Mr. K.A.I.D. Dayananda Chief Manager-Internal Audit

ACCA (UK), FABE (UK), MBA Banking Mgt (Sikkim Manipal India) 4 Miss K. K. C. J. Dassanayake Regional Manager - Sourthern

B.Sc. Agri., MSc (Hons), AIB

6 Mrs. P. Krishani Enoka Senior Manager - Treasury

B.Sc. (Phy.Science) Hons, AIB, Dip.in Treasury Investment and Risk Mgt.



7 Mr. W.T.R. Prabath Senior Manager - Human Resource

Management B.Sc. (Physics - Special) Hons, Higher Dip.

In Advanced Finacial Mgt,Dip. In. Business Mgt., Dip in Financial Mgt, AUKAP(UK)

8 Mr. P. G. Sunil Regional Manager - North Western

B.Sc. Business Administration (Sp)

9 Mr. G. A. S. Wimalarathne Regional Manager - North Central

B.A. (Hons) Business Statistics, Post Graduate Dip. - Business Statistics

11 Mr. K.B. Rathnayake Regional Manager - Uva

B.A. (General), M.A

10 Mr. M. J. H. Perera

Senior Manager - Rikillagaskada Branch

B.Sc. Business Administration (Sp).

12 Mr. B. W. S. Premarathne Regional Manager - Central

MBA (UK),B.Com (Special), MCIM (UK), CMA (Austrailia) MSLIM, MAAT, HNDA, Chartered Marketer.

Senior Management Team Contd.



13 Mr. A.M. Nimal Chandra Senior Manager - Gampaha Branch

В.А.

15 Mrs. M. H. Attanayake Senior Manager - Credit B.Sc. Agri. (Hons) M.Sc. Agri

(Not in Picture)

17 Mrs. M.M.Y.L. Muththunga Senior Manager/ICBS B.Sc. Hons.

14 Mrs. S.N.T. Igalagamage Senior Manager - Inspection & Audit

B.Sc. (Agri - Special) Hons., Dip.in HRM, MIMSL

16 Mrs. K. V. R. Jeewanthi Senior Manager - Research & Development

B.Sc. Business Administration (USJP), PGD in Community Development (Colombo), Micro Finance Facilitator (CGAP)

18 Mr. P. W. K. J. R. Chandrasiri Regional Manager - Sabaragamuwa

B.Sc. (Mgt. & Administration - Special) (USJP)



19 Mr. R.S.A.M.B.Y. Rajakaruna Senior Manager - Human Resource Development

B.A., PGCC (India) , Dip. In Psy, ACGC, National Dip in T&D (SLITAD).

20 Mr. W. H. M. U. B. Welikumbura Senior Manager - Business Development

MBA (Pera), PGDM, MSLIM, BMS

21 Mr. R.A.C.N. Rathnayake Senior Manager - Regional Business Develoment - Central Region

B.Sc. Accountancy & Finance (Sp.) Hons, Registered Trainer & Consultant (Ministry of Public Management Reforms)

22 Ms. P. R. Perinpanayagam Senior Manager - Integrated Risk Management

FCCA (UK), B.Sc.Hons, Applied Accounting (UK)

23 Mr. V.K.L. Sugumar Regional Manager - Nothern B.Com, AIB (SL)

24 Mr. N. S. Ambagahawattage Senior Manager – Marketing

B.Com (Special), Bachelor of Mgt Studies (OUSL), Dip in Marketing (CIM)

Governance System

Ethical Foundation G4-56 to 58

SANASA Development Bank's ethic is expressed by the SANASA Movement's oath, which is based on Co-operative principles of community empowerment. This is a non-discriminatory philosophy that espouses equal opportunities and participation in decision making.

At SDB, ethical integrity is maintained by strictly adhering to the following:

The SDB Code of Conduct

All employees are provided with a copy of the SDB Code of Conduct and are required to sign in agreement. The code sets out the ethical behaviour of employees, administrative procedures and grievance procedures.

SDB's Code of Conduct for Bankers is in line with the Monetary Board's Customer Charter and the Secrecy Provision in the Banking Act.

This is followed in order to protect customer confidentiality at all levels.

Whistleblowing

SDB has a Board-approved whistleblower policy that allows any person, including a member of staff, to report unlawful or unethical behaviour to a pre-appointed group of key individuals who look into all such matters promptly and surreptitiously.

Regulatory Compliance

SDB complies with the provisions of the Banking Act Direction No. 12 of 2007, of the Central Bank of Sri Lanka (CBSL) on corporate governance for licensed banks in Sri Lanka. Please refer section titled 'Compliance Status' on pages 120 to 149 for full details.

SEC and ICASL Code

SDB complies with the Securities and Exchange Commission (SEC) and Institute of Chartered Accountants of Sri Lanka (ICASL) code of best practices.

External methods of seeking advice on ethical and lawful behaviour

SDB consults the Wages Boards Ordinance and labour regulations, as guidance on employee ethical behaviour

Governance Structure

G4-34,35,36,38,39,42

SDB's highest governing body, the Board of Directors, meets every month and is supported by the following sub committees in the planning, decision making and monitoring.

- Board Audit Committee
- Board Integrated Risk Management Committee
- **Board Credit Committee**
- Board Selection and Nomination Committee
- Board Human Resources and Remuneration Committee

The Chairperson, who heads the Board, is a non-executive post. All corporate strategies and plans are developed by the Corporate Management and the Board is also directly involved in the audit, compliance and the Bank's risk management process.

The Executive Integrated Risk Management Committee meets every month and the Board sub committee meets once in three months, the minutes of which are directly sent to the Board for ratification. The Compliance Officer, an independent official reporting directly to the Board, reports due diligence matters to the Board. For further information on the composition and operation of SDB's

governance structure, please refer "Report of the Board Audit Committee" on pages 159 to 162, "Board Human Resources and Remuneration Committee Report" on pages 163 to 164, "Report of the Board Selection and Nomination Committee (BS & NC) on pages 165 to 166 and "Integrated Risk Management Committee Report" on page 158.

Ensuring Good Governance

G4-40,41,42,43,44,48,50,51,52

Nomination and selection to the **Board**

Nominations are made through the Board Nominations Sub Committee. An affidavit of authenticity is required from the nominated person and the details are sent to the Central Bank of Sri Lanka for final approval. SDB has no discriminatory criteria for disqualification of nominees. The nominees are required to be within 'fitness and proprietorship stipulations criteria' of the Central Bank guidelines.

Selection and appointment to Board **Sub Committees**

This is based on the Terms of Reference where the nominee must be suitable for the post in terms of qualification and experience and must have no business dealings with the Bank.

Avoiding conflict of interest

A declaration is obtained from the directors at the appointment to the Board on any material interests in the Bank. In cases of Directors representing shareholders, they must abstain from voting on topics of conflict of interest. Such instances are disclosed in the Board minutes.

Measures are taken to enhance the Board's collective knowledge of economic, environmental and social topics.



Board members regularly participate in training programmes in corporate governance conducted by the Central Bank of Sri Lanka while several internally-organised awareness programmes are also conducted for the benefit of the Board members.

Evaluation of Board Performance

Self-assessments, prepared based on corporate governance requirements issued jointly by Securities and Exchange Commission (SEC) and the Chartered Accountants of Sri Lanka (ICASL), are conducted annually. As the Board is not a permanent body and Directors are not full-time personnel, there are no set criteria for evaluating Board performance.

Review of Sustainability Report

Different sections of the report are reviewed by the relevant senior management to ensure accuracy of reported data.

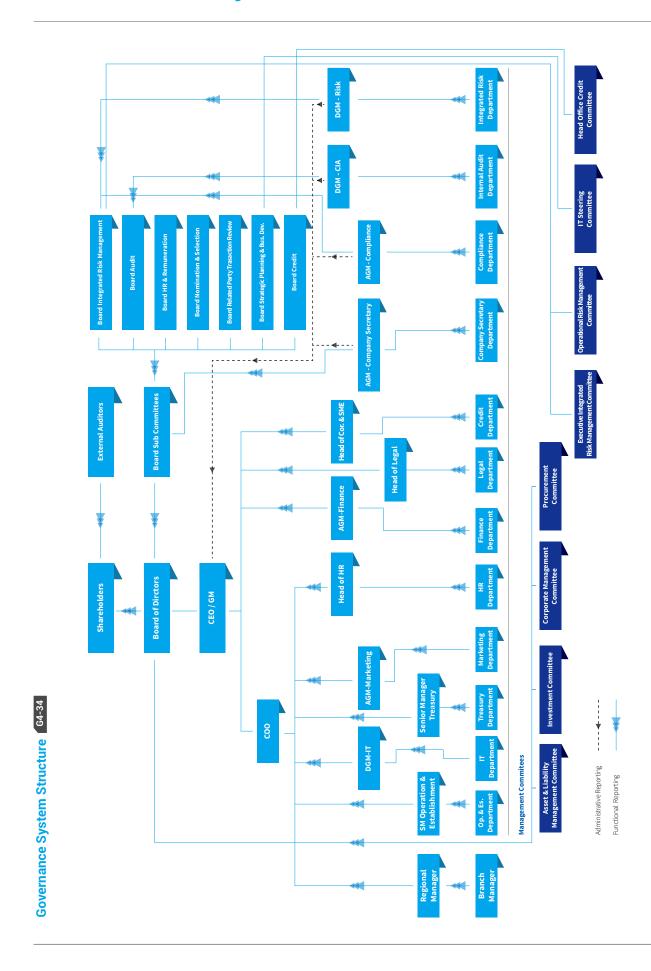
Process for communicating critical concerns to the Board

The Chief Internal Auditor, the Compliance Officer and Chief Risk Officer are mandated to report directly to the Board on any critical issues.

Remuneration policies for Board, senior executives and KMPs

SDB has a formal remuneration policy for Directors, senior executives and KMPs.

Governance System Contd.





Major External Steering Instruments on Governance

- Companies Act No. 07 of 2007
- Banking Act No. 30 of 1988 and amendments thereto
- Banking Act Direction No.12 of 2007
 of the Central Bank of Sri Lanka on
 "Corporate Governance for Licensed
 Specialised Banks in
 Sri Lanka" and amendments thereto
- 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 (a voluntary Code).
- Listing Rules of the Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act No.36 of 1987 and amendments thereto

Major Internal Steering Instruments of Governance

- Articles of Association of the Bank
- Board-approved policies on all major operational aspects
- Policy for secrecy of information, credit and other internal manuals
- Integrated risk management procedures
- Processes for anti-money laundering
- Processes for internal controls
- Bank's code of ethics

- Bank's whistleblower policy
- Internal circulars on ethical/ operational practices
- Communication policy of the Bank
- Customer charter
- Disciplinary code

Chairperson's Statement on Corporate Governance

Dear stakeholders

Good corporate governance remains integral to the way the SANASA Development Bank PLC (SDB) operates. We are committed to operating in an ethical and transparent manner and staying accountable to our stakeholders

The Bank has in place a wellstructured corporate governance framework which plays a pivotal role in maintaining and enhancing sustainable shareholder value. The Board of Directors strongly believes that an organisations long term success depends on both intuitive strategy as well as high quality governance structure. Due to this, the Bank adheres to both regulatory requirements as well as best practices.

Diversity is key to good corporate governance and our commitment to maintaining diverse views is evident in the mix of skills and experience within the Board which includes entrepreneurs, professionals and academics. We also continue to maintain the learning culture within the Board with regular briefings by management participation at director forums and through quest presentations on key topics which provide an outside perspective. We believe that the current board equipped not only with diverse skills and experiences but also with personal qualities required to provide effective stewardship in leading the Bank to its strategic long-term objectives.

Risk management continues to be a key area of focus for the Board and the sub committee tasked with oversight of the risk management function meets quarterly to ensure that sufficient attention is given to this vital area.

The Board has focused on succession planning for Key Management Personnel and the Board Nomination Committee and Board HR & Remuneration Committee have been tasked with addressing the concerns of the Board. Accordingly, a framework for managing talent and a succession plan has been drawn up.

We will continue to revise, review and update our policies and governance structures that facilitate good governance with the objective of ensuring that high standards relevant to the industry are upheld by the SANASA Development Bank in line with our stated values.

I wish to confirm that all the findings of the "Fact Finding Report" of the External Auditors in relation to compliance with Corporate Governance Direction issued by the Central Bank of Sri Lanka (CBSL) have been incorporated to this Report.

I further confirm that all prudential requirements, regulations, laws and internal controls are complied with and measures have been taken to rectify all material non compliances as and when it is identified

This report will highlight the governance framework and the activities carried out during the years to ensure the maintenance of the highest standards of corporate governance and compliance within SANASA Development Bank PLC.

Declaration

I hereby affirm that according to the best of my knowledge the Bank comply with the requirement of the Security Exchange Commission on all relevant matters & no penalties imposed on the bank by the authorities during the year

I further affirm that according to the best of my knowledge no any material misstatements or breach of any of the provision of the Internal Code of business conducts and ethics by any of the directors or KMPs of the Bank.

M.S. Kiriwandeniya Chairperson

SANASA Development Bank PLC

03rd March 2016 Colombo, Sri Lanka

Investor Relations



1. Listing Details

Listed Exchange : Colombo Stock Exchange (CSE)- Main Board

Sector : Banks Finance & Insurance

Quoted Date : 31st May 2012

Ordinary Shares

Code-ISIN : LK0412N00003

Stock Symbol : SDB.N000

Debentures

Type	CODE	ISIN	PAR VALUE	COUPON RATE	Credit Rating
Α	SDB-BD-31/12/18-C2338-9.6	LK0412D23386	100	9.6	A+ (SO)
В	SDB-BD-31/12/20-C2339-10.3	LK0412D23394	100	10.3	A+ (SO)
С	SDB-BD-31/12/18-C2340-9.9	LK0412D23402	100	9.9	A- (SO)
D	SDB-BD-31/12/20-C2337-10	LK0412D23378	100	10	A- (SO)

2. Bank's Ratings

The Bank's Credit ratings are as follows;

- Fitch Ratings Lanka Ltd, BB+ (Stable)
- ICRA Lanka Limited, [SL] BBB Positive outlook

3. Analysis of Ordinary Shareholders

I. Frequency Distribution of Shareholders as at 31st December 2015

Sha	ire Range	No of Shareholders	%	No of Shares	%
1	- 250	32,997	81.91%	2,802,614	6.964
251	- 500	4,534	11.26%	1,481,032	3.680
501	- 1,000	1,204	2.99%	793,555	1.972
1,001	- 2,000	652	1.62%	899,282	2.234
2,001	- 5,000	430	1.07%	1,340,340	3.330
5,001	- 10,000	163	0.40%	1,171,306	2.910
10,001	- 20,000	108	0.27%	1,528,555	3.798
20,001	- 30,000	49	0.12%	1,180,267	2.933
30,001	40,000	26	0.06%	923,901	2.296
40,001	- 50,000	19	0.05%	866,696	2.153
50,001	- 100,000	41	0.10%	2,866,139	7.121
100,001	1,000,000	54	0.13%	11,996,132	29.807
1,000,001	- Over	6	0.01%	12,396,806	30.802
Total		40,283	100.00%	40,246,625	100.000

Investor Relations Contd.

II. Resident/Non Resident Shareholding (As at 31st December 2015)

	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shareholders	%
Shareholding								
Resident	40282	99.998	39,286,944	97.62	45,445	99.998	36,862,983	97.62
Non-Resident	01	0.002	959,681	2.38	01	0.002	900,000	2.38
Total	40,283	100	40,246,625	100	45,446	100	37,762,983	100

III. Individual/Institutional Shareholding (As at 31st December 2015)

Shareholder	No No	Percentage	No of Shares	Percentage
Individual	36,763	91.262	16,740,267	41.58
Institutions	3,520	8.738	23,506,358	58.42

Institutional Sub Information

Shareholder	Quantity	No of Shares	Percentage
Foreign	1	959,681	2.38
Local & Other Institutions	42	8,031,577	19.96
SANASA Federation	1	573,626	1.43
SANASA Societies	3314	4,541,844	11.29
SANASA Unions	33	1,037,404	2.58
MPCCS	20	137,580	0.34
Trust Companies	109	8,224,646	20.44
Total Institution	3,520	23,506,358	58.42

IV. Directors' & CEO's Shareholding

Name	Position	No of shares as at 31.12.2015	No of shares as at 31.12.2014	Debentures
Ms. M.S. Kiriwandeniya	Chairperson	5,158	4,838	No
Mr. B.R.A. Bandara	Director	500	6,450	No



4. Top 20 Shareholders as at 31st December 2015

No	Shareholder Name	31st Dec.20	015	31st Dec.2014	
		No of Sahres	%	No of Shares	%
1	Seylan Bank PLC/Thirugnanasambandar Senthilverl	4,201,346	10.44	3,204,129	8.49
2	Global Rubber Industries Private Limited	2,792,071	6.94	No	
3	People's Leasing & Finance PLC	1,866,047	4.64	1,750,000	4.63
4	Dr. T. Senthilverl	1,473,445	3.66	772,179	2.04
5	Seemasahitha Sanasa Rakshana Samagama (General)	1,036,061	2.57	1,271,630	3.37
6	Dr. S. Yaddehige	1,027,836	2.55	No	
7	CB NY S/A International Finance Corporation	959,681	2.38	900,000	2.38
8	Seemasahitha Sanasa Rakshana Samagama (Life)	811,565	2.01	761,095	2.01
9	Kegalle Sanasa Share Holders Trust Company Limited	718,641	1.78	931,647	2.47
10	Etimos Lanka Private Limited	585,229	1.45	590,229	1.56
11	Sanasa Federation Limited	573,626	1.42	537,953	1.42
12	Warakapola Sanasa Share Holders Trust Company Limited	468,478	1.16	439,344	1.16
13	Hambanthota DTCCS Union Ltd	342,426	0.85	321,131	0.85
14	Mr. D.P. Pieris	314,398	0.78	No	
15	Waldock Mackenzie Ltd/ Mr.S.N.P. Palihena And Mrs. A.S. Palihena	300,000	0.74	No	
16	Deutsche Bank Ag As Trustee To Astrue Alpha Fund	264,685	0.66	No	
17	Polpithigama Sanasa Share Holders Trust Company Limited	257,046	0.64	241,061	0.64
18	Mr. K. Sabaratnam	256,262	0.64	No	
19	Gampaha District Thrift And Credit Co-operative Societies Union Ltd	245,074	0.61	417,396	1.10
20	Kamburupitiya Sanasa Share Holders Trust Company Limited	244,153	0.61	228,970	0.61
	Total	18,738,070	46.53	12,366,764	32.73
	Total No of Shares Registered	31,773,123	78.95	27,545,091	72.94
	Total No of Shares Unregistered	8,473,502	21.05	10,217,892	27.06
	Total No of Shares Issued	40,246,625	100	37,762,983	100
	Shares held by Directors	5,658	0.01	6,388	0.01
	Shares held by Institutions	23,506,358	58.41	21,340,748	56.52
	Balance held by Public	16,734,609	41.58	16,415,847	43.47
	Total no of shares issued	40,246,625	100	37,762,983	100
	% shares held by public	40,239,834	99.98	37,755,462	99.98
	% shares held by Directors and Related Parties	6,791	0.02	7,521	0.02
	Total	40,246,625	100	37,762,983	100

Investor Relations Contd.

5. Information on Share Trading

I. Share Price Movement Trend over the past four years

Year	2015	2014	2013	2012
Highest Price (LKR)	176.00	124.00	90.00	770.00
Lowest Price (LKR)	91.00	73.50	64.10	70.10
Price as at 31st December (LKR)	157.10	90.90	77.40	78.20
Total Number of shares in issue	40,246,625	37,762,983	25,175,322	25,175,322

II. Information on Share Trading

Year	2015	2014	2013	2012
a) Number of transactions	26889	24450	15164	6527
b) Number of share traded	19891297	11631552	3690889	1524615
c) Value of shares traded (LKR Mn)T/O	2,667,278,583.10	1,095,131,572.20	289,231,063.40	127,931,017.40

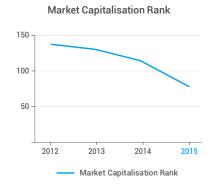
SDB Right issues (2014)

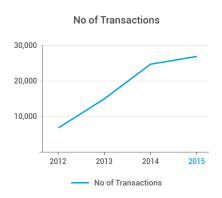
Code	Close(LKR)	Highest (LKR)	Lowest (LKR)	Turn Over (LKR)	No of Shares	Trades
SDB.R0000	15.00	24.00	10.70	31,153,089.00	2,191,458	1,717

SDB Right issues (2014)

Date of P/ Allotment	No. of shares provisionally allotted	Consideration per share (LKR.)	Final allotment of shares (No.)	Amount raised (LKR.)	Amount raised (LKR.)	Proportion	Date listed
18-Nov-14	12,587,661	80.00	12,587,661	1,007,012,880.00	1,007,012,880.00	1:2	30-Dec-14









III. Information on Market Capitalisation and Shareholders' Funds

Year	2015	2014	2013	2012
A. SDB Market Capitalisation (LKR Bn.)	6.32	3.43	1.94	1.96
B. CSE Market Capitalisation (LKR Bn.)	2938.0	3104.9	2459.9	2167.6
C. S & P (31/12)	3625.69	4089.14	3263.87	3085.33
D. All share price Index (31/12)	6894.5	7298.95	5912.78	5643.00
E. Banking Finance	17142.73	18101.25	12926.79	12206.70
F. Rank	78	114	130	136

IV. Dividend Payment Details

Year	Total Dividend Paid (LKR Mn)	Dividend Per Share (LKR)	Profit for the Year (LKR Mn)
2012	251.75		340.72
2013	176.22	7.00	248.18
2014	94.48	10.00	504.45

V. Record of Script

Allotment Date	New Proportion	Old Proportion	No. of Shares Listed	Date Listed
1-Jun-15	1	15.08	2,483,642	12-Jun-15

CSE Market Ratio

Year	2015	2014	2013	2012
Market Price Earning Ratio (PER)	17.98	19.66	15.92	15.93
Market Price to Book Value (PVB)	1.99	2.20	1.97	2.08
Market Dividend Yield (DY)	2.18	2.09	2.90	2.36

Investor Relations contd.

Banking Sector- Market Ratio

Year	2015	2014	2013	2012
Market Price Earnings Ratio (PER)	11.0	13.5	8.5	10.7
Market Price to Book Value (PVB)	1.4	1.8	1.4	1.7
Market Dividend Yield (DY)	3.0	2.6	3.6	3.2

6. Debenture Information

Debenture	2015			
	Type 1	Type 2	Type 3	Type 4
	Α	В	С	D
Tenure	3 Years	5 Years	3 Years	5 Years
Issue Date	31-Dec-2015	31-Dec-2015	31-Dec-2015	31-Dec-2015
Maturity Date	31-Dec-2018	31-Dec-2020	31-Dec-2018	31-Dec-2020
Coupon Rate (%)	9.83	10.25	10.15	10.57
Interest Rate comparable Government Securities (%)	8.65	9.3	8.65	9.3
Frequency of Interest Payable	Semi Annual	Semi Annual	Semi Annual	Semi Annual
Amount (LKR Mn)	1,597,793.00	402,723.00	1,438,450.00	562,113.00
Market value	Not Traded	Not Traded	Not Traded	Not Traded



7. Investors Ratio

	2015	2014	2013	2012
Net Assets Value Per Share (LKR)	131.62	124.35	134.27	129.49
Dividend Per Share (LKR)	10	10	7	10
Market Price Per Share as at 31/12	157.1	90.90	77.40	78.20
Earnings Per Share (LKR)	17.90	13.36	9.39	13.73
Dividend Payout (%)	55.85	74.86	70.99	72.82
Price Earning (Times)	8.78	6.8	8.24	5.7
Price to Book Value (Times)	1.19	0.73	0.58	0.6
Dividend Yield (%)	6.37	11.00	9.04	12.79
No of Shares (Mn)	40.25	37.76	25.18	25.18
Total Equity (LKR Mn)	5,297.35	4,695.97	3,380.25	3,259.90
Stated Capital (LKR Mn)	3,794.09	3,533.55	2,526.53	2,526.53
Debt to Equity (Times)	10.12	7.42	7.54	6.29
Interest Cover (Times)	1.34	1.31	1.13	1.27
Return on Equity (%)	14.42	12.49	7.42	9.97
Earnings Growth (%)	42.84	103.26	(27.16)	(10.82)

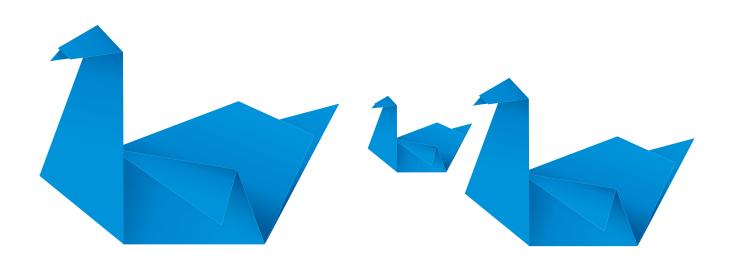
8. Useful links for investors

Information	Link (website)
SDB	www.sdb.lk
Colombo Stock Exchange	www.cse.lk
Fitch Ratings Lanka Ltd.	www.fitchratings.lk
Central Bank of Sri Lanka	www.cbsl.gov.lk



Compliance Status

Compliance with the provision of the Banking Act Direction	
No. 12 of 2007 of the Central Bank of Sri Lanka	120
Compliance with the Code of Best Practices on Corporate	
Governance	136



Bank's compliance with the provision of the Banking Act Direction No. 12 of 2007 of the Central Bank of Sri Lanka on Corporate Governance for licensed banks in Sri Lanka.

The following rules of corporate governance shall be complied by all licensed banks in Sri Lanka and such compliance shall be as provided for in Direction 3 hereof. The following table discloses these rules and the degree of compliance by the Bank. The Bank has obtained separate audit report on the following matters as per guideline issued by the Institute of Chartered Accountants of Sri Lanka.

Guideline	Function of the Board	Level of Compliance	Complied/Not
3(1) (i)	The Board shall strengthen the safety and soundness of the Bank by ensuring the implementation of the following:		
	Ensure that the Board approved strategic objectives and corporate values is communicated throughout the Bank.	Strategic objectives & corporate values are approved by Board of Directors for 2014-2016 and communicated during meetings with corporate & senior managers. Bank is in the process of developing a new strategic	Complied with
		plan for the period 2015 to 2018.	
	b) Overall business strategy including the overall risk policy and risk management procedures and mechanisms with measurable goals.	Bank's current Strategic Plan includes measurable goals and there is a board approved overall risk management policy and a risk management procedures.	Complied with
	c) Identify the principal risk and ensure implementation of appropriate system to manage the risk prudently.	Board has delegated the function to manage risks identified by the Board to a subcommittee namely Board Integrated Risk Management Committee (BIRMC) and its findings are submitted on a quarterly basis to the main Board for their review.	Complied with
		Further, the risks arising out of new strategies are managed by the Board IFC Steering Committee on Transformation and Project Management Office (PMO).	
	d) A policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers.	Board approved Communication Policy is in place and reviews annually.	Complied with
	e) Reviewed the adequacy and the integrity of the Bank's internal control systems and management information system.	Board reviews the adequacy and the integrity of the Bank's internal control system by way of internal audit reports submitted to the board through the Audit Committee on a monthly basis.	Complied with
		Board Audit Committee (BAC) and the Board have reviewed the adequacy and the integrity of the Bank's Management Information Systems which is checked by the external auditors.	
	f) Identified and designated key management personnel, as defined in the Sri Lanka Accounting Standards.	Based on Corporate Governance issued by Central Bank of Sri Lanka (CBSL) and as, defined in the Sri Lanka Accounting Standards, the Board has designated Key Management Personnel (KMP) of the Bank as the Board Members, all Corporate Management members at the grade of Assistant General Manager (AGM) and above together with Head of Legal and Head of Treasury.	Complied with



Guideline	Function of the Board	Level of Compliance	Complied/Not
	g) Defined the areas of authority and key responsibilities for the Board of Directors	Areas of authority and key responsibilities of the KMPs are included in their Job Description (JD).	Complied with
	themselves and for the Key Management Personnel.	Areas of authority and key responsibilities of Board of Directors (BOD) are included in the Articles of Association.	
	h) Ensure that there is appropriate oversight of the affairs of the Bank by Key Management personnel that is consistent with board policy.	Board has exercised appropriate oversight of the affairs of the Bank by KMP through Chief Executive Officer (CEO) and when need arises they are called by the Board to explain matters relating to their areas.	Complied with
	i) Periodically assessed the effectiveness of the Board of Directors own governance policies including.		
	The selection, nomination and election of Directors and Key Management Personnel.	A procedure for selecting and appointing new directors with the recommendation of the Board Selection and Nominations Committee and a Policy of selection, appointment and remuneration of the KMPs are in place.	Complied with
	b. The management of conflicts of interests.	Director's interests are disclosed to the Board and Directors who have a particular interest abstained from voting in such a situation and he/she is not counted for the quorum.	Complied with
	 The determination of weaknesses and implementation of changes where necessary. 	Determination of weaknesses of BODs has been evaluated through self-evaluation process for 2015.	Complied with
	j) Ensure that the Bank has a succession plan for Key Management Personnel.	Committee has developed a succession plan and procedure for appointing Independent Non-Executive Directors in place of retiring Directors of the Bank.	Complied with
		One to one succession plan for KMPs is available with the Board.	
	k) Ensure that the Board has scheduled regular meetings with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	Board meets the KMP at board committees to review policies and monitor progress towards corporate objectives at quarterly performance review meetings and when need arises they are called by Board to explain matters relating to their area.	Complied with
	l) Understand the regulatory environment and that the Bank maintains a relationship with regulators.	All the new regulations and directions issued by regulators and non-compliances are reported to the BODs by the Compliance Officer monthly for their understanding the regulatory environment.	Complied with
		Awareness programmes are conducted on regular intervals.	
	m) Process in place for hiring and oversight of external auditors.	The Board through the BAC select external auditors and oversight their activities.	
3(1) (ii)	The Board has appointed the Chairman and the Chief Executive Officer (CEO) and define the functions and responsibilities of the chairman and the CEO are in line with Direction 3(5).	Appointment of the Chairperson and CEO is done by the Board and functions are defined as per direction no 3(5).	Complied with
3(1) (iii)	The Board has met regularly and held board meetings at least twelve times a year at approximately monthly intervals.	More than 12 meetings were held during the year.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/Not
3(1) (iv)	The Board has a procedure in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the Bank.	A Board approved procedure is in place to enable all Directors to include matters and proposals in the agenda for regular board meetings.	Complied with
3(1) (v)	The Board has given notice of at least 7 days for a regular board meeting to provide all Directors an opportunity to attend. And for all other board meetings, notice has been given.	Notices have been given more than 7 days in advance for all board meetings.	Complied with
3(1) (vi)	The Board has taken required action on Directors who have not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held. Participation at the Directors' meetings through an alternate Director, however, to be acceptable as attendance.	One Director could not attend to three consecutive board meetings due to his involvement with state service and gone abroad. Advice of Central Bank of Sri Lanka is sought and pending.	Not Complied with
3(1) (vii)	The Board has appointed a Company Secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, and whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and carry out other functions specified in the statutes and other regulations.	The Company Secretary is an Attorney-At-Law who satisfies the provisions of Section 43 of the Banking Act No.30 of 1988.	Complied with
3(1) (viii)	All Directors to have access to advice and services of the Company Secretary.	All the Directors are free to access the Company Secretary for her advices and services.	Complied with
3(1) (ix)	The Company Secretary maintains the minutes of board meetings and there is a process for the Directors to inspect such minutes.	Minutes of board meetings are maintained by the Company Secretary and during each board meeting the Board of Directors have approved the minutes of the previous board meeting.	Complied with
3(1) (x)	The minutes of a board meeting contain or refer to the following: a) A summary of data and information used	Minutes of the Board meetings contains all the necessary information required under the direction.	Complied with
	by the Board in its deliberations.		
	 b) The matters considered by the Board. c) The fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; 		
	 d) The matters which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; 		
	e) The understanding of the risks to which the Bank is exposed and an overview of the risk management measures adopted; and		
	f) The decisions and board resolutions.		



Guideline	Function of the Board	Level of Compliance	Complied/Not
3(1) (xi)	There are procedures agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense.	Board approved procedure in place to seek independent professional advice in appropriate circumstances, at the Bank's expense.	Complied with
3(1) (xii)	There is a procedure to determine, report, resolve and to take appropriate action relating to Directors avoiding conflicts of interests, or the appearance of conflicts of interest. A Director has abstained from voting on any board resolution in relation to which he/she or any of his/her close relation or a concern, in which a Director has substantial interest, is interested and he/she shall not be in the quorum for the relevant agenda item at the Board meeting.	There is a provision in the Related Party Transaction Policy to determine, report, resolve and to take appropriate actions relating to Directors to avoid conflicts of interests, or the appearance of conflicts of interest.	Complied with
3(1) (xiii)	The Board has a formal schedule of matters specifically reserved to it for decision to identify the direction and control of the Bank is firmly under its authority.	A formal schedule of matters specifically reserved for the Board is in place.	Complied with
3(1) (xiv)	The Board has forthwith informed the Director of Bank Supervision of the situation of the Bank prior to taking any decision or action, if it considers that the procedures to identify when the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.	No such situation has arisen during the year.	Complied with
3(1) (xv)	The Board shall ensure that the Bank capitalized at levels as required by the Monetary board.	The Bank has been fully complied with the Capital Adequacy Requirements during the year.	Complied with
3(1) (xvi)	The Board shall publish, in the Bank's Annual Report, an Annual Corporate Governance Report setting out the compliance with direction 3 of these directions.	This report serves this purpose.	Complied with
3(1) (xvii)	The Board adopts a scheme of self-assessment to be undertaken by each Director annually, and maintains records of such assessments.	Board has a scheme of self-assessment of Directors and the Company Secretary maintains records of such evaluations.	Complied with
3 (2)	The Board's Composition		
3 (2) (i)	The Board comprise of not less than 7 and not more than 13 Directors.	The Board is comprised with nine Directors as at 31/12/2015.	Complied with
3 (2) (ii)	The total period of service of a Director other than a Director who holds the position of CEO, does not exceed nine years.	None of the Directors who has completed 9 years of service in the Board.	Complied with
3 (2) (iii)	The number of Executive Directors, including the CEO does not exceed one-third of the number of Directors of the Board.	All Directors are Non-Executive and CEO is not a member of the Board.	Complied with
3 (2) (iv)	The Board has at least three independent Non-Executive Directors or one third of the total number of Directors, whichever is higher.	Board comprises of three independent, Non-Executive Directors.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/Not	
3 (2) (v)	In the event an Alternate Director was appointed to represent an Independent Director, the person so appointed meets the criteria that apply to the Independent Director.	No such situation has been arisen during the financial year 2015.	Complied with	
3 (2) (vi)	The Bank has a process for appointing Independent Directors.	A procedure for appointing Independent Directors by the Board with the recommendation of the Board Selection and Nominations Committee is in place.	Complied with	
3 (2) (vii)	The stipulated quorum of the Bank includes more than 50% of the Directors and out of this quorum more than 50% should include Non-Executive Directors.	Every meetings during the year were consists with the required quorum and composition.	Complied with	
3 (2) (viii)	The bank discloses the composition of the board, by category of Directors, including the names of the chairman, executive Directors, Non-Executive Directors and independent Non-Executive Directors in the annual corporate governance report.	Composition of the board has been disclosed under "Annual Report of the Board of Directors on the Affairs of the Company" of this Annual Report.	Complied with	
3 (2) (ix)	There shall be procedure for the appointment of new Directors to the Board.	A procedure for appointing new Directors with the recommendation of the Board Selection and Nomination Committee is in place.	Complied with	
3 (2) (x)	All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.	Appointment of Directors are done according to the Articles of Association of the Bank.	Complied with	
3 (2) (xi) If a Director resigns or is removed from office, the Board: a) announce the Director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director's disagreement with the Bank, if any; and		Directors' resignation/removal and the reason for such resignation are duly informed to the CBSL and Securities and Exchange Commission as well.	Complied with	
	b) Issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.			
3 (2) (xii)	There is a process to identify whether a Director or an employee of a Bank is appointed, elected or nominated as a Director of another Bank.	Annual declaration obtained from Directors indicates their Directorship in other banks and none of the present Directors of the Bank acts as Director of another Bank.	Complied with	
		Letter of appointment issued to the employees have been prevented from accepting any Directorship of other banks without the prior permission from the Bank.		
3 (3)	Criteria to assess the fitness and propriety of Directors			
3 (3) (i)	The age of a person who serves as Director does not exceed 70 years.	Declarations given by Directors at the time of appointing have indicated the date of birth and age of the Directors are monitored accordingly.	Complied with	
3 (3) (ii)	No person shall holds office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.	As per the declaration made by Directors, none of the Directors are holding Directorship of more than 20 companies.	Complied with	



Guideline	Function of the Board	Level of Compliance	Complied/No		
3 (4)	Management Functions delegated by the Boa	ard .			
3 (4) (i)	The delegation arrangements have been approved by the Board.	The Board is empowered by the Article of Association to delegate its powers to the General Manager/CEO upon such terms and conditions and with such restrictions as the Board may think fit.	Complied with		
3 (4) (ii)	The Board has taken responsibility for the matters in 3 (1) (i) even in the instances such actions are delegated.	The Board has delegated its authority to KMPs through CEO subject to final responsibility is retained with them.	Complied with		
3 (4) (iii)	The Board review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Bank.	The delegated powers are reviewed periodically by the Board to ensure that they remain relevant to the needs of the Bank.	Complied with		
3 (5)	The Chairman and CEO				
3 (5) (i)	The roles of Chairman and CEO is separate and not performed by the same individual.	Roles of Chairman and CEO are held by two different individuals and carried out different functions.	Complied with		
3 (5) (ii)	The Chairman is a Non-Executive Director. In the case where the Chairman is not an Independent Director, the Board designate an Independent Director as the Senior Director with suitably documented terms of reference. The designation of the Senior Director is disclosed in the Bank's Annual Report.	The Chairman is a Non-Executive Director. In the case where the Chairman is not an independent Director, the Board designate an independent Director as the Senior Director with suitably documented terms of reference. The Chairperson is Non-Executive and Non-Independent Director and Bank has appointed a Non-Executive independent senior Director as the Deputy Chairman. This is disclosed under the "Annual Report of the Chairperson is Non-Executive and Non-Independent Director and Bank has appointed a Non-Executive independent senior Director as the Deputy Chairman.			
3 (5) (iii)	The Board has a process to identify and disclose in its Corporate Governance Report, which shall be a part of its Annual Report, any relationship, if any, between the Chairman & the CEO and board members and the nature of any relationships including among members of the Board.	Complied with			
3 (5) (iv)	The Board has a Self-evaluation process where the Chairman:	A scheme of self-assessment process for the BODs is in place.	Complied with		
	 a) Provides leadership to the Board; b) Ensures that the Board works effectively and discharges its responsibilities; and c) Ensures that all key and appropriate issues are discussed by the Board in a timely manner. 				
3 (5) (v)	A formal agenda is circulated by the Company Secretary approved by the Chairman.	The Agenda for each Board Meeting is prepared by Company Secretary, which is approved by the Chairperson.	Complied with		
3 (5) (vi)	The Chairman ensures, through timely submission that all Directors are properly briefed on issues arising at board meetings.	The Chairperson ensures that the Directors receive adequate information in a timely manner and Directors are properly briefed on issues arising at the board meeting.	Complied with		
		Always minutes of previous month's board meeting are distributed to the Board members and tabled at the next board meeting for approval.			
3 (5) (vii)	The Board has a self evaluation process that encourages all Directors to make a full and active contribution to the Board's affairs and the Chairman takes the lead to act in the best interest of the Bank.	A scheme of self-assessment process for the BODs is in place which covers the requirement.	Complied with		

Guideline	Function of the Board	Level of Compliance	Complied/Not	
3 (5) (viii)	The Board has a self evaluation process that assesses the contribution of Non-Executive Directors.	Assessment process covers the contribution of Non-Executive Directors as well.	Complied with	
3 (5) (ix)	The Chairman shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Chairperson is a Non-Executive Director and had not engaged in activities involving direct supervision of KMPs or any other executive duties during the financial year 2015.	Complied with	
3 (5) (x)	There is a process to maintain effective communication with shareholders and that the views of shareholders are communicated to the board.	AGM of the Bank is the main forum where the Board maintains effective communication and further the communication policy evidence there is a process in this regard.	Complied with	
3 (5) (xi)	The CEO functions as the apex executive-in charge of the day-to-day management of the bank's operations and business.	The CEO is acting as the apex executive-in charge of the day-to-day management of the Bank's operations and business.	Complied with	
3 (6)	Board appointed committees			
3 (6) (i)	The Bank has established at least four board committees as set out in Directions 3(6) (ii), 3(6) (iii), 3(6) (iv) and 3(6) (v) of these Directions. The committee report is addressed	Following Committees directly report to the Board and minutes of the same are discussed and ratified at the main Board Meeting.	Complied with	
	directly to the Board. The Board presents in its	1) Board Audit Committee (BAC)		
	Annual Report, a report on each committee on its duties, roles and performance.	Board Human Resources and Remuneration Committee (BERRC)		
		3) Board Selection and Nomination Committee (BSNC)		
		4) Board Integrated Risk Management Committee (BIRMC)		
		5) Board Credit Committee (BCC)		
		This is disclosed under the "Report of the Directors".		
3 (6) (ii)	Audit Committee:			
	a) The Chairman of the committee is an Independent Non-Executive Director and possesses qualifications and related experience.	The Chairman is an independent Non-Executive Director who is a qualified Chartered Accountant.	Complied with	
	b) All members of the committee are Non-Executive Directors. All members are Non-Executive Directors.		Complied with	
	c) The committee has made recommendations on matters in connection with:	The Committee always make recommendations regarding those matters.	Complied with	
	 The appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; 			
	 The implementation of the Central Bank guidelines issued to auditors from time to time; 			
	iii) The application of the relevant accounting standards; and			
	iv) The service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.			



Guideline		Function of the Board	Level of Compliance	Complied/Not
	d)	The committee has obtained representations from the external auditor's on their independence, and that the audit is carried out in accordance with SLAuS.	External Auditors are independent since they report directly to the BAC. The Report on the Financial Statements of the Bank for the year 2015 indicates that the audit is carried out in accordance with SLAuS.	Complied with
	e)	The committee has implemented a policy on the engagement of an external auditor to provide non-audit services in accordance with relevant regulations.	Committee has implemented the policy in this regard.	Complied with
	f)	The committee has discussed and finalized the nature and scope of the audit, with the external auditors in accordance with SLAuS before the audit commences.	Committee has discussed and finalized the Audit Plan 2015, nature and scope of the audit and deliverables, with the external auditors in accordance with SLAuS before the audit commences.	Complied with
	g)	The committee has a process to review the Financial Information of the Bank, in order to monitor the integrity of the Financial Statements of the Bank, its Annual Report, accounts and quarterly reports prepared for disclosure, and a process in place to receive from the CFO the following;	BAC reviews the Financial Information of the Bank, in order to monitor the integrity of the Financial Statements of the Bank, when the Annual Financial Statements and other accounts are submitted to the BAC by the Assistant General Manager - Finance.	Complied with
		i) Major judgmental areas;		
		ii) Any changes in accounting policies and practices;		
		iii) The going concern assumption; and		
		 iv) The compliance with relevant accounting standards and other legal requirements, and; 		
		v) In respect of the Annual Financial Statements the significant adjustments arising from the audit.		
	h)	The committee has met the External Auditors relating to any issue in the absence of the executive management with relation to the audit.	Committee has met the External Auditors in the absence of the executive management.	Complied with
	i)	The committee has reviewed the External Auditor's Management Letter and the management's response thereto.	BAC reviews the External Auditors' Management Letter upon receipt.	Complied with
	j)	The committee shall take the following steps with regard to the internal audit function of the Bank:		Complied with
		i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	The Committee reviews the adequacy of the scope, functions and resources of the internal audit department.	Complied with
		ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;	The Committee reviews the internal audit programs and Progress of Internal Audit Function for the year 2015 was discussed at BAC.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/Not
	iii) Review any appraisal or assessment of the performance of the Head and Senior staff members of the internal audit department;	BAC has appraised the performance of the Head of Internal Auditor for the year 2015.	Complied with
	 iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; 	Appointment, termination or transfers of the Head, Senior Staff and outsource service providers of the internal audit function are approved by the BAC.	Complied with
	v) The committee is appraised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	There were no resignation or termination of senior staff or outsourced service providers of the internal audit department during the period.	Complied with
	vi) The internal audit function is independent of the activities it audits.	Internal audit department is independent since they report directly to the BAC and its functions are performed with impartiality, proficiency and due professional care.	Complied with
	k) The minutes to determine whether the committee has considered major findings of internal investigations and management's responses thereto.	Committee has reviewed all the findings and advised the internal investigation officers for appropriate actions.	Complied with
	l) Ensure that whether the committee has had at least two meetings with the External Auditors without the Executive Directors being present.	No Executive Directors of the Board meet more than two occasions with the External Auditors.	Complied with
	m) The terms of reference of the committee to ensure that there is;	The Board approved Terms of Reference (TOR) of the committee addresses all those matters.	Complied with
	 i) Explicit authority to investigate into any matter within its terms of reference; 		
	ii) The resources which it needs to do so;		
	iii) Full access to information; and		
	 iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. 		
	n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties.	During the year 2015, BAC has held more than 12 regular meetings and its minutes are maintained by the Company Secretary.	Complied with
	o) The Board has disclosed in the Annual Report,	These information are disclosed in the Annual Report under "Report of the Board Audit Committee".	Complied with
	 Details of the activities of the Audit Committee; 		
	ii) The number of Audit Committee meetings held in the year; and		
	iii) Details of attendance of each Individual Director at such meetings.		



Guideline	Function of the Board	Level of Compliance	Complied/Not
	p) The secretary of the committee is the Company Secretary or the Head of the internal audit function.	The secretary of the committee was the Company Secretary and presently it is holding by the Chief Internal Auditor.	Complied with
	q) The committee shall review arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the Bank's relations with the external auditors.	This requirement has been documented in the "Whistle Blower" policy and approved by the Board.	Complied with
3 (6) (iii)	The following rules apply in relation to the Human Resources and Remuneration Committee:		
	a) The committee has implemented a policy to determine the remuneration (salaries, allowances and other financial payments) relating to Directors, CEO and	BHRRC "Terms of Reference" speaks about remuneration relating to Directors. Committee has implemented a policy to determine the remuneration relating to KMPs of the Bank.	Complied with
	Key Management Personnel of the Bank by review of the "Terms of reference" and minutes.	Drafting of Policy relating to the remuneration of CEO is under process.	Not complied with
	b) The goals and targets for the Directors, CEO and the Key Management Personnel are documented.	Goals and targets for the Directors are in place approved by the Board. Goals and targets of CEO and KMPs are in their JDs.	Complied with
	c) The committee has considered evaluations of the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determines the basis for revising remuneration, benefits and other payments of performance-based incentives.	Bank has a process to review and evaluate the performance of CEO and KMPs approved by the Board with the recommendation of BHRRC.	Complied with
	d) The CEO shall be present at all meetings of the committee, except when matters relating to the CEO are being discussed.	CEO presents for all meetings other than when matters relating to CEO is discussed.	Complied with
3 (6) (iv)	The following rules apply in relation to the Nomination Committee:		
	a) The committee has implemented a procedure to select/appoint new Directors, CEO and Key Management Personnel.	Board has a Policy and Procedure for the selection, appointment and remuneration of the Directors, CEO and KMPs.	Complied with
	b) The committee has considered and recommended (or not recommended) the re-election of current Directors.	Duly Recommended.	Complied with

Guideline	Function of the Bo	oard	Level of Compliance	Complied/Not	
	c) The committee has set the such as qualifications, expekey attributes required for eto be considered for appoin promotion to the post of CE Management Personnel, by descriptions.	erience and eligibility atment or EO, and the Key	Criteria such as qualifications, experience and key attributes required for eligibility for appointment or promotion to the post of CEO are submitted at the Selection and Nomination committee. Criteria for KMPs are included in their JDs approved by the HRRC committee. These JDs will be submitted at the Nomination	Complied with	
			Committee for their review.		
	d) The committee has obtained Directors, CEO and Key Man Personnel signed declarationare fit and proper persons to specified in the criteria giver 3(3) and as set out in the Sta	agement ns that they hold office as n in Direction	Signed Declarations are obtained from Directors, CEO and KMP that they are fit and proper persons to hold the office.	Complied with	
	e) The committee has conside succession plan for the retir and Key Management Perso	ing Directors	Committee has developed a succession plan and procedure for appointing Independent Non-Executive Directors in place of retiring Directors of the Bank.	Complied with	
			CEO/GM has identified names and positions for further development for long term leadership needs and also to ensure business continuity in an unforeseen situation Bank will initiate action to establish a Board approved one to one succession plan for KMP's at the Bank.		
	f) The committee shall be cha Independent Director and pr constituted with a majority of Directors. The CEO may be p meetings by invitation.	referably be of Independent	The committee is chaired by an Independent Director and consists with two Independent Directors. The CEO participates only on invitation.	Complied with	
3 (6) (v)	The following rules apply in rela Integrated Risk Management C				
	a) The committee shall consist three Non-Executive Directo Key Management Personne broad risk categories, i.e., or liquidity, operational and strand work within the framew authority and responsibility committee.	rs, CEO and I supervising edit, market, ategic risks ork of the	At present BIRMC consists of three Non-Executive Directors. CEO, AGM-Compliance, Chief Risk Officer, Chief Internal Auditor and DGM-Credit and Development and DGM Finance participate at the meetings to assist the committee. Committee will include CEO and KMPs supervising broad risk categories, i.e., credit, market, liquidity,	Complied with	
			operational and strategic risks as members of the committee.		
	 b) The committee has a proces all risks, i.e., credit, market, li operational and strategic ris on a monthly basis through risk indicators and manager information. 	iquidity, ks to the Bank appropriate	Risks on credit, market, operational and strategic are evaluated at the monthly. Executive Risk Management Committee assesses risks on monthly basis and submitted same to the BIRMC on quarterly basis. At present Bank has no any subsidiary or associate.	Complied with	
	In the case of subsidiary cor associate companies, risk m shall be done, both on a ban group basis.	nanagement			
	c) The committee has reviewer quantitative and qualitative all management level committee credit committee and the committees, and report any periodically.	risk limits for hittees such as e asset-liability	Committee has to set specific quantitative and qualitative risk limits for management level committees such as the credit committee and the asset-liability committees. Risk indicators have to be reviewed periodically.	Complied with	



Guideline	Function of the Board	Level of Compliance	Complied/Not
	d) The committee has reviewed and considered all risk indicators which have gone beyond the specified quantitative and qualitative risk limits.	BIRMC reviews risk indicators which are gone beyond certain risk limits.	Complied with
	e) The committee has met at least quarterly.	Committee has met at least once in a quarter.	Complied with
	a formal documented disciplinary raction procedure with regard to officers responsible for failure to identify specific risks. g) The committee submits a risk assessment report within a week of each meeting	Disciplinary actions to be taken against officers responsible for failure to identify specific risk is discussed at the committee and it is incorporated in to the disciplinary procedure manual.	Complied with
		All the risk assessment reports reviewed by the committee and committee will take actions to submit a risk assessment report for the next Board meeting.	Complied with
	h) The committee has established a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business	Compliance function is in place to assess the bank's compliance. A dedicated senior officer has been appointed by the Bank in this regard who has designated as a KMP.	Complied with
	operations and that there is a dedicated compliance officer selected from Key Management Personnel to carry out the compliance function and report to the committee periodically.	The Compliance Officer submits a quarterly compliance report to the BIRMC and Related Party Transaction Report on a monthly basis to the main board.	
	,	This process will be strengthened to cover the compliance with internal controls and approved policies on all areas of business operations.	
	Related Party Transaction		
3 (7) (i)	There is a established and documented process by the Board to avoid any conflicts of interest that may arise from any transaction of the Bank with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:	There is a Board approved "Related Party Transaction Policy" which speaks on related parties as mentioned and that for the Bank to avoid any conflicts of interests with said parties that may arise from such transactions of the Bank. Transactions with related parties are done strictly according to the Board approved Related Party	Complied with
	a) Any of the Bank's subsidiary companies;	Transaction Policy and which are reported to the	
	b) Any of the Bank's associate companies;	Board on monthly basis.	
	c) Any of the Directors of the Bank;	Further there is a Board sub-committee naming Related Party Transactions Review Committee	
	 d) Any of the Bank's Key Management Personnel; 	(RPTRC) which is responsible to make decisions over related party transactions other than day to day	
	e) A close relation of any of the Bank's Directors or Key Management Personnel;	business activities.	
	f) A shareholder owning a material interest in the Bank;		
	g) A concern in which any of the Bank's Directors or a close relation of any of the Bank's Directors or any of its material shareholders has a substantial interest.		

Guideline	Function of the Board	Level of Compliance	Complied/Not
3 (7) (ii)	There is a process to identify and report the following types of transactions been identified as transactions with related parties that are covered by this direction.	There is a Board approved "Related Party Transaction Policy" in place which speaks on related parties and types of related party transactions and for the Bank to avoid any conflicts of interests with said parties that may arise from such transaction of the Bank.	Complied with
	The grant of any type of accommodation, as defined in the monetary board's directions on maximum amount of accommodation.	Bank has started the reporting of related party transactions with regard to related party entities to the Board of Directors on a monthly basis.	
	b) The creation of any liabilities of the Bank in the form of deposits, borrowings and investments.		
	c) The provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank.		
	d) The creation or maintenance of reporting lines and information flows between the Bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties,		
	The board has a process to ensure that the bank does not engage in transactions with related parties as defined in Direction 3(7) (i), in a manner that would grant such parties "more favorable treatment" than that accorded to other constituents of the bank carrying on the same business.	There is a Board approved "Related Party Transaction Policy" in place which speaks on related parties and types of related party transactions and for the bank not to engage in transactions with related parties as defined in Direction 3(7) (i) above, in a manner that would grant such parties "more favorable treatment" than that accorded to other constituents of the bank carrying on the same business.	Complied with
	 a) Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the bank's regulatory capital, as determined by the board. 	Bank has modified the system to enable to identify the related party transactions and to ensure that there are no favorable treatments offered to such related	
	b) Charging of a lower rate of interest than the bank's best lending rate or paying more than the bank's deposit rate for a comparable transaction with an unrelated comparable counterparty.	· ·	
	c) Providing of preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;		
	d) Providing services to or receiving services from a related-party without an evaluation procedure;		
	e) Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.		



Guideline	Function of the Board	Level of Compliance	Complied/Not
3 (7) (iv)	The Bank has a process for granting accommodation to any of its Directors and Key Management Personnel, and that such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favor of such accommodation and that this accommodation be secured by such security as may from time to time be determined by the Monetary board as well.	This requirement is documented in the Board approved Related Party Transaction Policy.	Complied with
3 (7) (v)	The Bank has a process, where any accommodation has been granted by a Bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the Bank, that steps have been taken by the Bank to obtain the necessary security as may be approved for that purpose by the Monetary board, within one year from the date of appointment of the person as a Director.	There was such a situation and should be securitized within the period.	Complied with
	Where such security is not provided by the period as provided in Direction 3(7) (v) (a) above, has the Bank taken steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such Director, whichever is earlier.	Period has not expired during the year 2015.	Complied with
	There is a process to identify any Director who fails to comply with the above sub-directions be deemed to have vacated the office of Director and has the Bank disclose such fact to the public.	Did not occurred such a situation during 2015.	Complied with
	Process in place to ensure clause 3 (7) (v) (c) does not apply to any Director who at the time of the grant of the accommodation was an employee of the Bank and the accommodation was granted under a scheme applicable to all employees of such Bank.		Complied with
3 (7) (vi)	There is a process in place to identify when the Bank grants any accommodation or "more favorable treatment" relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary board in respect of accommodation granted as per Direction 3(7) (v) above.	No favorable treatments are given to the employees under any category other than staff benefit schemes approved by the Board of Directors.	Complied with

Guideline	Function of the Board	Level of Compliance	Complied/No Complied with	
3 (7) (vii)	There is a process to obtain prior approval from the Monetary board for any accommodation granted by the Bank under Direction 3(7) (v) and 3(7) (vi) above, nor any part of such accommodation, nor any interest due thereon been remitted without the prior approval of the Monetary board and any remission without such approval is void and has no effect.	Not applicable due to the reasons mentioned in 3(7) (v) and 3(7) (vi) above.		
	Disclosures			
3 (8) (i)	The Board ensure that the Board has disclosed: a) Annual Audited Financial Statements	Annual Audited Financial Statements including basis of preparation and presentation, statement of compliance is disclosed in the Annual Report 2015 and such Audited Financial Statements and quarterly	Complied with	
	prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Financial Statements have been published in the newspapers in an abridged form, in Sinhala, Tamil and English.		
	 Quarterly Financial Statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English. 			
3 (8) (ii)	The Board has made the following minimum disclosures in the Annual Report:	Specific disclosures are available in the Annual Report under "Statement of Directors" responsibility for Financial Reporting".	Complied with	
	a) The statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.			
	b) The report by the Board on the Bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Specific disclosures are available in the Annual Report under "Directors' Statement on Internal Control over Financial Reporting".	Complied with	
	c) Board has obtained the Assurance Report issued by the auditors under "Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors' Statements on Internal Control" referred to in Direction 3(8)(ii)(b)above.	Board has obtained the Assurance Report issued by the auditors under "Sri Lanka Standard on Assurance Engagements SLSAE 3050 —Assurance Reports for Banks on Directors' Statements on Internal Control" and included in the Annual Report.	Complied with	
	d) Details of Directors, including names, qualifications, age, experience fulfilling the requirements of the guideline fitness and propriety, transactions with the Bank and the total of fees/remuneration paid by the Bank.	Details on the same are disclosed under heading "Board of Directors" and notes to the Financial Statements.	Complied with	



Guideline	Function of the Board		Level o	f Compliance		Com	Complied/Not	
	in 3(7) (iii) granted to each category related parties. The net accommoda granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory			odation outsta elated parties a statements in thations granted ies and its perc	re made under ne Annual to each		olied with	
	Сарітаі.		Category of Related Pa	arty	Balance Li	KR Mn	%	
			Board of Directors			24.41	0.5	
			Corporate Managemer	nt		95.39	1.8	
			Related Companies		1	68.86	3.2	
			Spouses and other fami parties - NIL	ily members of	Related			
	f) The aggregate values of remuneration paid by the Bank to its Key Management Personnel and the aggregate values of the transactions of the Bank with its Key	Disclosure of remunerat KMP and other transact below.				olied with		
	the transactions of the Bank with its Management Personnel, set out by	the transactions of the Bank with its Key Management Personnel, set out by broad		Balance as at (LKR		Remuneration paid		
	categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.	Category of KMP	Deposit	Loan outstanding		durind the year (LKR Mn)		
		Directors	61.25	5.26	19	9.15		
			Corporate Management (AGM grade and above)	22.81	26.23	69	9.16	
	g) Board has confirmed in its Annual Corporate Governance Report that a findings of the "Factual Findings Re of auditors issued under "Sri Lanka Related Services Practice Statemen 4750" have been incorporated in the Annual Corporate Governance Repo	port" nt	Governance Report that Findings Reports' of aud Related Services Practic	Board has confirmed in the Annual Corporate Governance Report that all the findings of the 'Factual Findings Reports' of auditors issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in the Annual Corporate Governance Report.				
	h) A report setting out details of the compliance with prudential requiren regulations, laws and internal control and measures taken to rectify any material non-compliance.					olied with		
	i) A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non compliance with these directions th have been pointed out by the Direct Bank Supervision, if so directed by t Monetary board to be disclosed to t public, together with the measures to the Bank to address such concerns.	at or of he he taken	No such direction is issuduring the Year.	ued by the Mon	etary board	Comp	lied with	

Compliance with the Code of Best **Practices on Corporate Governance**

G4-49

Corporate
Governance
Principle

SEC & ICASL code Reference

Description of the Requirement

SDB's Extent of Compliance in 2015

A. Directors

A.1. The Board

The Bank should be headed by a Board, which should direct, lead and control the Bank

All Directors of the Bank in a Non-Executive capacity. The Board consists of professionals in the fields of Banking, Accounting, Management and Economics. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Bank. The Board's composition reflects sound balance of independence and anchors shareholder commitment

1. Board Meetings	A.1.1	The Board should meet regularly. At least once a quarter.	The Board meets regulary on monthly basis.
2. Board Responsibilities	A.1.2	Board should provide an entrepreneurial leadership within a framework of prudent and effective controls.	The Board is responsible to the shareholders for creating and delivering sustainable shareholder value through the management of business. The Board has provided strategic direction in vision statement, mission statement and the Annual budget.
3.Compliance with laws and access to independent professional advice	A.1.3	The Board collectively and Directors individually must act in accordance with rules and regulations.	The Board collectively as well the Directors individually, recognize their duties to comply with laws of the country which are applicable to the Bank. A procedure has been put in place for Directors to seek independent professional advice, in furtherance of their duties, at the Bank's expense. This will be coordinated through the Board Secretary, as and when it is requested.
4. Board Secretary	A.1.4	All Directors should have access to the advice and services of secretary.	All Directors have access to the Board Secretary. Her service is available to all Directors. Further, she provides the Board with support and advice relating to corporate governance matters, Board procedures and applicable rules and regulations.
5. Independent judgment	A.1.5	All Directors should bring an independent judgment to bear on issues of strategy.	Directors are responsible for bringing independent and objective judgment, and scrutinizing the decisions taken by the Corporate Management led by the GM / CEO, on issues of strategy, performance, resources utilisation and business conduct.
6. Dedication of adequate time and effort by the Board and Board committees	A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and Company.	The Chairperson and members of the Board have dedicated adequate time for fulfillment of their duties as Directors of the Bank. In addition to attending Board meetings, they have attended Sub-committee meetings and also have made decisions via circular resolution where necessary. Papers relating to the board meetings are sent well in advance for them to study same and come preparred for the meeting.
7. Training for new Directors	A.1.7	Every Director should get an appropriate training.	"The Board of Directors recognize the need for continuous training and expansion of knowledge and undertake such professional development as they consider necessary in assisting them to carry out their duties as Directors.



Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
A. 2 Chairman & CEO			
power and authority, in Chief Executive Officer the work of the Board	n such a way tha are functioning to ensure that it	at any individual has no unfettered pow separately at SDBL. The Chairperson's	and Chief Executive Officer to ensure a balance of ers of decisions. The roles of the Chairperson and main responsibility is to lead, direct and manage es its legal and regulatory responsibilities. GM /
Division of responsibilities of the Chairperson and MD/CEO	A.2.1	A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.	The roles of the Chairperson and Chief Executive Officer are done by two different individuals.
A. 3 Chairman's Role			
		age the Board, ensuring that it dischard er and facilitates the effective discharg	ges its legal and regulatory responsibilities e of the Board function.
1. Role of the Chairperson	A.3.1	The chairman should conduct board proceedings in a proper manner and ensure an effective discharge of the Board functions.	The Chairperson is responsible for leadership of the Board and ensuring effectiveness in all aspects of its role. The Chairperson of SDBL is a Non-Executive Director, elected by the Board. The Chairperson's role encompasses: - Ensuring that the new Board members are given appropriate induction, covering terms of appointment, duties and responsibilities.
A.4. Financial Acumer	า		
		ty within it of those with sufficient finar ped with members having sufficient fir	ncial acumen and knowledge to offer guidance on pancial acumen and knowledge.
Availability of sufficient financial acumen and knowledge	A.4.1	The board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	All Directors possess financial acumen and knowledge through the experience gained from leading large private and public enterprises coupled with academic and professional back ground. The details of their qualifications and experiences have been listed in the Annual Report under "Board of Directors".
A.5 Board Balance			
It is preferable for the I			Directors such that no individual or small group
1. Presence of Non-Executive Directors	A.5.1	The Board should include at least 2 Non-Executive Directors or a number equaling to 1/3 of all Directors which ever is higher and in the event of CEO and Chairman is same the majority should be consistent with Non-Executives.	All Directors are Non-Executive Directors. The requirement as per the direction has been complied throughout 2015.
2. Independent Directors	A.5.2	Two or 1/3 of Non-Executive Directors out of all, should be Independent Directors.	Board comprises of three Independent, Non-Executive Directors.

Compliance with the Code of Best Practices on Corporate Governance Contd.

Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
3. Criteria to evaluate Independence of Non-Executive Directors	A.5.3	For a Director to be deemed as 'Independent', such Director should be independent from management and free of any business or other relationships that could materially interfere.	Comply with independency criteria.
4. Signed declaration of independence by the Non-Executive Directors	A.5.4	Each Non-Executive Director should submit a signed and dated declaration annually of his/ her independence.	There is a declaration of independency signed by all Non-Executive Directors.
5. Determination of independence of the Directors by the Board	A.5.5	The Board should make a determination annually as to the independence or Non-Independence of each Non-Executive Directors.	The Board has determined that the submission of declaration/s by the Non-Executive Directors, as to the independence of them, as fair representation and will continue to evaluate their submission annually.
6. Appointment of Alternate Director	A.5.6	If an Alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an executive of the Bank.	No Alternate Director was appointed during the year 2015.
7. Senior Independent Directors	A.5.7	In the event the Chairman and CEO is the same person, the board should appoint one of the Independent Non-Executive directors to be the 'Senior Independent Director' and disclose this appointment in Annual Report.	Chairman and the CEO are two different individuals. However an Independent Director has been appointed as the Senior Director.
8. Confidential discussion with the Senior Independent Director	A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors.	Senior Independent Director is available for discussion of confidential issues by the other Directors at any movement.
9. Meeting of Non-Executive Directors	A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	All Directors are Non-Executive Directors and meet once in every month.
10. Recording of concerns in Board Minutes	A.5.10	Where Directors have concerns about the matters of the company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	Concerns of Directors have been duly recorded in Board Minutes.

A. 6 Supply of Information

Management should provide time bound information in a form and of quality appropriate to enable the Board to discharge its duties.



Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
1. Information to the Board by the Management	A.6.1	Management has the responsibility to provide the information appropriately and timely to the Board. But information volunteered by Management is not always enough and Directors should make further inquiries where necessary.	The Board was provided with timely and appropriate information by the management by way of Board papers and proposals. The Board sought additional information as and when necessary. Members of the Corporate Management made presentations on issues of importance whenever clarification sought by the Board. The Chairperson ensured that all Directors were briefed on issues arising at Board meetings.
2. Adequate time for effective Board meetings	A.6.2	The Minutes, Agenda and Papers required for a board meeting should ordinarily be provided to Directors at least 7 days before.	The Board papers were sent to the Directors at least a week before the respective Board meetings by giving an adequate time for Directors to study the papers and prepare for a meaningful discussion at the meeting.
A.7 Appointments to	The Board		
There should be a for	mal and transpa	rent procedure for the appointment of r	new Directors to the Board.
1.Nomination Committee	A.7.1	A nomination committee should be established to make recommendations to the Board on selection of New Directors. The Chairman and members of the committee should be disclosed in the Annual Report.	The Nomination Committee made recommendations to the Board on all new Board appointments. The Terms of Reference of the Committee was formally approved by the Board and Chairman and members are disclosed in the Annual Report under "Report of the Board Selection and Nomination Committee (BS & NC)".
2. Assessment of Board Composition by the Nomination Committee	A.7.2	The Nomination committee or in the absence of nomination committee, the Board as a whole should annually assess Board composition.	The Nomination Committee carried out continuous review of the structure, size and composition (including the skills, knowledge, experience and independence required for Directors) of the Board to address and challenge adequately key risks and decisions that confront or may confront the Board and makes recommendations to the Board with regard to any changes.
3. Disclosure of details of new Directors to shareholders	A.7.3	Upon the appointment of a new Director, the company should forthwith disclose relevant particulars to shareholders.	New appointments of Directors are disclosed through stock exchange as well as the AGM.
		•	

Compliance with the Code of Best Practices on Corporate Governance contd.

Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
1. Appointment of Non-Executive Directors	A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions of Companies Act relating to the removal of Directors and their re-appointment should not be automatic.	Articles of Association of the Bank requires, each Director other than the CEO and any nominee 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.
2. Election of Directors by the shareholders	A.8.2	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment and re-election thereafter at intervals of no more than three years.	Complied with.
A. 9 Appraisal of Boa			
The Board should per responsibilities are sa			set targets in order to ensure that the Board
1. Appraisal of Board performances	A.9.1	The Board should annually appraise it self on its performance in the discharge of its key responsibilities as set out in A.1.2	Self assessments for Board of Directors were done for the year 2015.
2. Annual Self- Evaluation of the Board and its Committees	A.9.2	The Board also should undertake an annual self evaluation of its own performance and that of its committees.	There is a self performances evaluation procedure for the Board of Directors of the Bank.
3. Disclosure of the method of Appraisal of Board and Board Sub Committee performances	A.9.3	The Board should state how such evaluation was done in the Annual Report.	Refer the "Board of Directors" in the Annual Report.
A. 10 Disclosure of In	formation in res	pect of Directors	
Details in respect of e	ach Director sho	uld be disclosed in the Annual Report f	or the benefit of the shareholders.
1. Details in respect of Directors	A.10.1	The Annual Report of the Company should disclose details regarding Directors.	Details of the Directors are given In the Annual Report under "Board of Directors" and "Annual Report of the Board of Directors on the Affairs of the Company".
A.11. Appraisal of the	e CEO		
The Board of Directors	s should at least	annually assess the performance of th	ne Chief Executive Officer.
1. Targets for MD / CEO	A.11.1	At the commencement of every fiscal year the board in consultation with the CEO should set objectives for Company.	GM/ CEO's performance objectives are aligned with business sustainability of the Bank. The performance targets for the GM/ CEO are set at the commencement of every year by the Board.
2. Evaluation of the performance of the MD /CEO	A.11.2	The performance of CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets have been achieved.	Bank has a process to review and evaluate the performance of CEO at the Board Human Resources and Remuneration Committee.



Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
B. Directors' Remuner	ation		
B.1. Remuneration Pro	ocedures		
		ansparent procedure for developing pol irectors. No Director should be involve	icy on executive remuneration and fixing the dindeciding his / her remuneration.
1. HR & Remuneration Committee	B.1.1	To avoid potential conflicts of interest, the Board of Directors should set up a remuneration committee to make recommendations to the Board.	The HR & Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy of the Directors and Corporate Management, and for making all relevant disclosures.
2. Composition of the HR & Remuneration Committee	B.1.2 & B.1.3	Remuneration committees should consists exclusively of Non-Executive Directors, and should have a Chairman who should be appointed by the Board and the Chairman and members of the committee should be stated in the Annual Report.	All committee members are Non- Executive Directors and the Chairman is appointed by the Board. Composition of the Committee is given in the Annual Report under "Report of the Board Human Resources and Remuneration Committee".
3. Remuneration of the Non-Executive Directors	B.1.4	The Board as a whole or as required by the Articles of Association the shareholders should determine the remuneration of Non-Executive Directors.	Remuneration of Non-Executive Directors are determined by the Board Human Resources and Remuneration Committee.
4. Consultation of the Chairperson and access to professional advice	B.1.5	The Remuneration Committee should consult the chairman and/CEO about its proposals relating to the remuneration of other executive Directors and have access to other professional advice.	Input of the Chairman is obtained by his involvement as a member of the said sub committee and access is available to obtain professional advices if necessary.
B.2. Level and make u	p of Remunerat	· ·	
The level of remunerat	ion of both Exec k successfully. A	cutive and Non-Executive Directors sho A Proportion of Executive Directors rem	uld be sufficient to attract and retain the Directors uneration should be structured to link rewards to
1. Level and make up of the remuneration of Executive Directors	B.2.1	The remuneration committee should provide the packages needed to attract, retain and motivate Executive Directors.	The Board is mindful of the fact that the remuneration of Executive and the Non-Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of Directors needed to run the Bank.
2. Comparison of remuneration with other companies	B.2.2	The remuneration committee should judge where to position the level of remuneration of the Company relative to other companies.	The Remuneration Committee in deciding the remuneration of the Directors (including the compensation package of the GM/CEO) takes into consideration the level of remuneration paid by the other comparable companies, performance and risk factors.

Compliance with the Code of Best Practices on Corporate Governance contd.

Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
3. Comparison of remuneration with other companies in the Group	B.2.3	The remuneration committee should be sensitive to remuneration and employment conditions.	Please refer the above comment under B.2.2
4. Performance related payment to Executive Directors	B.2.4	The performance related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.	No Executive Directors available in the Bank.
5. Executive share options	B.2.5	Executive share options should not be offered at a discount.	Not in practice such a share option scheme in the Bank.
6. Deciding the Executive Directors remuneration	B.2.6	In designing schemes for performance-related remuneration, Remuneration committee should follow the relevant SEC regulations.	No executive directors available in the Bank.
7. Early termination of Directors	B.2.7	Remuneration Committee should consider what compensation commitments, their Directors contracts of service, if any entail in the event of early termination.	Compensation on early termination will be discussed on case by case basis considering the relevant facts.
8. Early termination not included in the initial contract	B.2.8	Where the initial contract does not explicitly provide for compensation commitments, Remuneration committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances.	Compensation on early termination will be discussed on case by case basis by the Remuneration Committee.
9. Remuneration of the Non Executive Directors	B.2.9	Levels of remuneration for Non -Executive Directors should reflect the time commitment and responsibilities of their roles, taking into consideration market practices.	The level of remuneration of Non-Executive Directors reflect the time commitment and responsibility of their role taking into consideration the market practices
B.3. Disclosure of Re			
The Bank should disc	lose the remune	ration policy and the details of remuner	
Disclosure of Remuneration	B.3.1	The Annual Report should set out the names of Directors comprising the remuneration Committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Directors.	Refer the Note to the Financial Statements relating to Related Party Transaction included in the Annual Report for remuneration of Directors, and "Report of the Board Human Resources and Remuneration Committee" For composition of the Remuneration Committee with names.



Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015	
C. Relations with Shar	reholders			
C.1 Constructive use	of the Annual G	eneral Meeting and Conduct of Genera	al Meetings	
Boards should use the	AGM to comm	unicate with shareholders.		
1. Encourage their participation.			The Bank has a mechanism to record all proxy votes and proxy votes lodged on each resolutio	
2. Separate resolution for all separate issues	C.1.2	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular purpose a resolution at the AGM relating to the adoption of the report & accounts.	Bank propose a separate resolution at the AGM on each substantially separate issue.	
3. Availability of all Board Sub Committee Chairmen at the AGM	C.1.3	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration and Nomination committees to be available to answer questions at the AGM if so requested by the Chairman.	The Board which includes the Chairmen of the Audit, Remuneration, Nomination and Integrated Risk Management Committees are present at the AGM to answer any questions.	
4. Adequate notice of the AGM	C.1.4	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Bank gives notice of the AGM and related papers to the shareholders 15 working days prior to the meeting date.	
5. Procedures of voting at General Meetings	C.1.5	Companies should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.	Voting procedures at General Meetings are circulated to the shareholders along with the Annual Report.	
C.2 Communication w	vith Shareholder	rs .		
The Board should imp	lement effective	communication with Shareholders.		
1. Dissemination of timely information	C.2.1	There should be a channel to reach all shareholders of the company in order to disseminate timely information.	All the Financial Information of the Bank are reached through news papers and website to stakeholders.	
2. Policy and Methodology for communication with Shareholders	C.2.2	The Company should disclose the policy and methodology for communication with shareholders.	Communication with shareholders are done through individual letters through inquiries from Company Secretary Department, Annual Report, Bank face book page and Bank website.	
3. Implementation of Communication Policy and Methodology	C.2.3	The Company should disclose how they implement the above policy and methodology.	A Board approved communication policy is in place.	

Compliance with the Code of Best Practices on Corporate Governance contd.

Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
4. Contact person for communication	C.2.4	The Company should disclose the contact person for such communication.	Following are the contact numbers of persons to be contacted in the company Company Secretary - 0112832590 Senior Director - 0112832516
5. Awareness of Directors on major issues and concerns of shareholders	C.2.5	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	Share Holders can discuss with Company Secretary/ Senior Director regarding any matter via above given contact numbers.
6. The Contact person in relation to shareholders' matters	C.2. 6	The Company should decide the person to contact relating to shareholders matters. The relevant person with statutory responsibilities is the Company Secretary or in his/her absence should be a member of the Board of Directors.	Following are the contact numbers of persons to be contacted relating to shareholders matters. Company Secretary - 0112832590 Senior Director - 0112832516
7. The process of responding to shareholder matters	C.2. 7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Answering the shareholders' matters is done by Company Secretary/tSenior Director through the above contact numbers and at the AGM.
C.3 Major and Materi	al Transactions		
Directors should discle of the Bank, if entered		lers all proposed material transactions	which would materially alter the net asset position
1. Major Transactions	C.3.1	Prior to a Company engaging in or committing to a 'Major related party transaction' with a related party, Directors should disclose to shareholders the purpose and all relevant material facts and obtain shareholders' approval by ordinary resolution.	During 2015 there were no major transactions were taken place as defined by Section 185 of the Companies Act No 7 of 2007 which materially affects SDB PLC's net asset base.
D. Accountability and	Audit		
D.1. Financial Reporti	ng		
The Board should pres Prospects.	sent a balanced	and understandable assessment of the	Company's Financial Position, Performance and
1. Statutory and Regulatory Reporting	D.1.1	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators.	SDBL has reported a true and fair view of its position and performance for the year ended 31st December 2015 and at the end of each month of 2015. In the preparation of quarterly and annual financial statements, SDBL had strictly complied with the requirements of the Companies Act No 07 of 2007, the Banking Act No 30 of 1988 and amendments thereto, and are prepared and presented in conformity with Sri Lanka Accounting Standards. SDBL has complied with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission.



Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
2. Directors' Report in the Annual Report	D.1.2	The Directors' Report which forms a part of the Annual Report, should contain a declaration by the directors stating that Bank operations are in line with statutory requirements.	The "Annual Report of the Board of Directors on the Affairs of the Company" given in the Annual Report covers all areas of this section.
3. Statement of Directors' and Auditor's responsibility for the Financial Statements	D.1.3	The Annual Report should contain a statement setting out the responsibilities of the Board on preparation and presentation of Financial Statements and a statement of Internal Control.	This requirement is satisfied by the "Statement of Directors' responsibility for financial reporting" and "Directors' Statement on Internal Control over Financial Reporting" given in the Annual Report Statement of Internal Control is also given in the Annual Report.
4. Management Discussions and analysis	D.1.4	Annual Report should contain a "Management Discussion and Analysis".	The Annual Report contains "Management Discussion and Analysis".
5. Declaration by the Board that the business as a going Concern	D.1.5	The Directors should report that the business is going concern, with supporting assumptions or qualifications as necessary.	This is given in the "Annual Report of the Board of Directors on the affairs of the Company" in the Annual Report.
6. Summoning an EGM to notify serious loss of capital	D.1.6	In the event the net assets of the company fall below 50% of the value of the company's shareholders' funds, the Director shall forthwith summon an EGM of the company to notify shareholders of the position and remedial actions.	No such situation has been arisen during the period.
7. Disclosure of Related Party Transactions	D.1.6	The Board should adequately disclose the Related Party Transactions in its Annual Report.	Related party transaction details are given in the Annual Report.
D.2. Internal Control			
	e a sound syste	m of internal controls to safeguard shar	reholders' investments and the Bank's assets.
1. Annual evaluation of the internal controls system	D.2.1	The Directors should at least annually, conduct a review of the risks facing the Company and the effectiveness of the system of internal control.	The Board is responsible for establishing a sound framework of internal controls and monitoring it's effectiveness on a continuous basis. The system of internal controls is evaluated by the audit committee In the year 2015. Risk has been reviewed by BIRMC quarterly.
			The Board of Directors was satisfied with the effectiveness of the system of internal controls, which is evidenced through the "Independent Assurance Report to the Board of Directors of SANASA Development Bank PLC" given in the Annual Report under "Directors Statement on Internal Control over Financial Reporting".

Compliance with the Code of Best Practices on Corporate Governance Contd.

Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
2. Need for internal audit function	D.2.2	Companies should have an internal audit function.	The Bank has a separate Internal audit department. The Board of Directors reviews the internal control function once a year.
3. Reviews of the process and effectiveness of Risk Management and internal controls	D.2.3	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls and to document to the Board and Board takes the responsibility for the disclosures on internal controls.	Complied with. Directors' certification on effectiveness of Risk management and Internal control given in the Annual Report.
4. Sound system of internal control and its content	D.2.4	Directors should follow the said guidance on responsibilities in maintaining a sound system of internal control.	Complied with. Directors' certification on effectiveness of Risk management and Internal control given in the Annual Report.
D.3. Audit Committee			
			and applying the accounting policies, financial ionship with the Bank's External Auditor.
1. Composition of the Audit committee	D.3.1	The Audit committee should be comprised of a minimum of two independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher.	Complied with. Please refer the composition of Audit committee in the Annual Report.
2. Review of Objectivity of the External Auditor	view of D.3.2 The duties of the Audit Committee should include keeping under review		Audit Committee makes sure the independency and objectivity of External Auditors.
3. Terms of reference of the Audit Committee	D.3.3	The Audit Committee should have a written Terms of Reference.	Bank has written Terms of Reference for Audit Committee which addresses requirements of the code.
4. Disclosures of the Audit committee	Committee 4. Disclosures of the Disclosures of the Directors of Audit		The names of the members of the Audit Committee are given in the Annual Report. The Committee ensures the rotation of External Audit Engagement Partner once in every 5 years. The External Auditor has provided an Independent confirmation in compliance with the "Guidelines for Appointment of Auditors of Listed Companies" issued by SEC.



Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
D.4. Code of Business	Conduct and E	thics	
The Bank should deve	lop a Code of Bu	isiness Conduct and Ethics for Director	rs and Members of the Senior Management Team.
1. Code of Business Conduct and ethics	D.4.1	Companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personnel and if there is such a code, make an affirmative declaration in the Annual Report.	The Bank has developed a code of business conduct & 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 laws and regulations and encouraging the reporting of any illegal or unethical behavior etc.
2. Affirmation by the Chairperson that there is no violation of the code of conduct and ethics	D.4.2	The Chairman must affirm in the Company's Annual Report that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.	Please refer the "Chairperson's Statement on Corporate Governance" for details.
D.5. Corporate Govern	nance Disclosur	es	
The Bank should disc	ose the extent o	f adoption of best practice in Corporate	e Governance.
1. Disclosure of Corporate Governance	D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner in which company has complied with the principles and provisions of this code.	This requirement is met through the presentation of this report from page number 136 to page number 149.
E. Institutional Invest	ors		
E.1. Shareholders vot	ing		
Institutional sharehold are translated into pra		to make considered use of their votes	and encouraged to ensure their voting intentions
1. Institutional shareholders	E.1.1	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and concern.
E.2. Evaluation of Gov	vernance Disclo	sures	
1. Evaluation of Governance Disclosures	E.2.1	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention.	Institutional investors' concerns are addressed as and when raised.

Compliance with the Code of Best Practices on Corporate Governance contd.

Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
F. Other Investors			
F.1. Investing / Dives	ting decision		
1. Individual Shareholders	E1.1	Individual Shareholders, investing directly in shares of companies should be encouraged to carryout adequate analysis or seek independent advice in investing or divesting decisions.	Information are readily available for individual shareholders investing directly in shares of the company to encourage and carryout adequate analysis.
F.2. Shareholder Voti	ng		
2. Individual shareholders voting	F.2.1	Individual Shareholders should be encouraged to participate in General Meetings of Companies and exercise their voting rights.	All individual shareholders are given oppertunity to participate at Annual General Meetings and exercise their voting rights by sending individual invitations and news paper notices.
G. Sustainability Rep	orting		
G.1 Principles of Sus	tainability Repor	rting	
Principle Sustainability	G.1.1	Principle of Economic sustainability governance recognizes how organisations take responsibility for impacts of their strategies, decisions and activities on economic performance and corporate in their sphere of influence and how this is integrated through the organisation.	The Bank consider sphere of geographical influence and their impact when planning their strategies, activities and decisions on economic performances for economic sustainability government.
2. Principle 2 - The G.1.2 Environment		Environmental Governance of an organisation should adopt an integrated approach that takes into consideration economic, social, health and environmental implications of their decisions and activities.	Bank has taken into consideration integrated approach on direct and indirect economic, social health and environmental implications when they are taking decisions on pollution prevention protection of environment and restoration of natural resources.
3. Principle 3 - Labour Practice	G.1.3	Labour practices governance of an organisation encompasses all policies and practices relating to work performed by or on behalf of the organisation.	All practices and policies are formulated to have a present working environment in the organisation.
4. Principle 4 - Society	G.1.4	Society Governance encompasses support for and building a relationship with the community and striving for sustainable development including responsible public policy participation, fair competition and responsible community development.	Development including responsible public policies encompass support for a building for a relationship with the community.



Corporate Governance Principle	SEC & ICASL code Reference	Description of the Requirement	SDB's Extent of Compliance in 2015
5. Principle 5 - Product Responsibility	G.1.5	Product responsibility governance includes manufacturing quality products and distributing them and ensuring that the products safe for the consumers and the environment.	Bank Develops Banking products to ensure the safety and fair contractual practices and its data protection and privacy.
6. Stakeholder G.1.6 identification, engagement and effective communication		Internal and External Stakeholder Groups should be identified in relation to the Company's sphere of influence, impact and implication. Communication should be proactive and transparent.	Communication with the stake holders is cordial and include past performance and existing economic, social and environmental issues.
7. Principle 7 - Formalization of Sustainability Report	G.1.7	Sustainability reporting and disclosure should be formalized as part of the Company's reporting process and take place on a regular basis.	Sustainability reporting is based on local and global standards providing credible accounts of the Bank's economic, social and environmental impact.

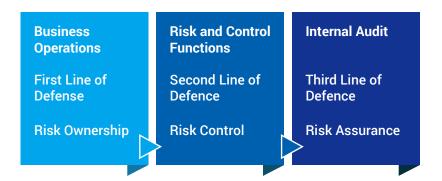
Risk Management System

G4-46, 47, 150

The Bank has established a formal risk management framework enabling the early identification of current and emerging risks and mitigating action to be implemented in a timely manner. The risk management framework of the Bank enables the maximization of return subject to calculated risks.

SDB has adopted the Three Lines of Defence concept in its risk management framework. The concept distinguishes among three lines involved in effective risk management:

The Three Line of Defence Model



The model distinguishes between

- 1. Risk ownership Functions that own and manage risks
- 2. Risk control Functions that oversee risks
- 3. Risk Assurance Functions that provide independent assurance

First Line of Defence - As the first line of defence, operational managers own and manage risks. Operational managers are responsible for implementing correct actions to address process and control deficiencies. Operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Operational management serves as the first line of defence because controls are designed into systems and processes under their guidance of operational management.

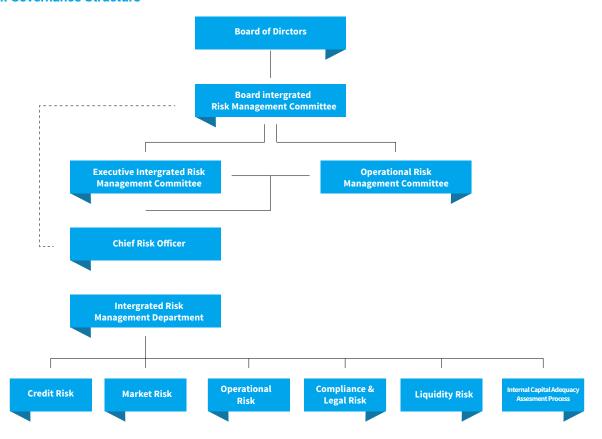
Second Line of Defence - The second line of defence is established through the risk and compliance functions. The risk management function facilitates and monitors the implementation of effective risk management practices by operational management and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organisation. The role of the second line of defence is to:

- 1. Support management policies, defining roles and responsibilities, and setting goals for implementation
- 2. Providing risk management frameworks
- 3. Identifying known and emerging issues
- 4. Identifying shifts in the organisation's implicit risk appetite
- 5. Assisting management in developing processes and controls to manage risks and issues
- 6. Providing guidance and training on risk management processes
- 7. Facilitating and monitoring implementation of effective risk management practices by operational management
- 8. Alerting operational management to emerging issues and changing regulatory and risk scenarios
- 9. Monitoring the adequacy and effectiveness of internal control, accuracy and completeness of reporting, compliance with laws and regulations, and timely remending of deficiencies

Third Line of Defence - The Audit Department represents the third line of defence. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives.



Risk Governance Structure



Board Integrated Risk Management Committee

The Board Integrated Risk
Management Committee is a Board
subcommittee. The committee
consists of three Non-Executive
Directors, Chief Executive Officer and
Key Management Personnel.

The committee is tasked with overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits and monitoring risk levels according to tolerance levels set by the committee or by regulatory requirements and to take decisions on behalf of the Board within its framework of authority & responsibility. The committee is briefed quarterly with a report of comprehensive risk indicators and results of stress tests. The committee met four times during the year.

Executive Integrated Risk Management Committee

The Executive Integrated Risk
Management Committee consists of
Key Management Personnel and is
chaired by the Chief Executive Officer.
The committee meets monthly in order
to monitor key risk indicators, assess
current and emerging risks and its
impact on the Bank, identify breaches
in tolerance limits and mitigating
strategies, and is responsible for
the Bank's internal capital adequacy
assessment process. The committee
met twelve times during the year.

Operational Risk Committee

The Operational Risk Committee was established during the year. The committee consists of Corporate and Senior Management personnel from key departments. The committee is tasked with monitoring operational

losses of the Bank and taking the necessary action to mitigate losses, determine the strategy and general policy & procedures regarding operational risk management and carrying out quarterly review of operational risk losses of the Bank.

Principal Risks

The Bank has identified Credit Risk, Market risk, Liquidity risk, Operational risk, Legal risk and Compliance risk as its principal risks and is committed to managing this through several measures.

Risk Management System Contd.

Implementation of the Basel two requirments



- Address the minimum regulatory capital requirements for the three main risk types that a Bank may face credit risk, market risk and operational risk. The Bank uses the following approach:
- Standardaized approach for credit risk
- Standardized approach to measure Market risk
- Basic Indicator approach to measure Operational risk

Pillar 2

- Address the the impact of risks other than those captured under Pillar 1 through the Internal Capital Adequacy Assessment Process (ICAAP). The impact of the following risks are considered in its ICAAP process:
- Concentration Risk
- Interest rate risk in the banking book
- Reputaion Risk
- Strategic Risk
- Legal Risk

Pillar 3

- Aims to promote market disclosure thereby facilitating the assessment of a Bank by other stakeholders including investors, analysts, customers, other Banks and rating agencies. It sets out the public disclosures that a Bank must make, thereby providing greater insight into the adequacy of its capitalization, busines activities and the controls in place to manage its risk expposures.
- The bank currently discloses in its annual reports Quarterly financial performance with relevant key performance indices are published for public information.

Credit Risk

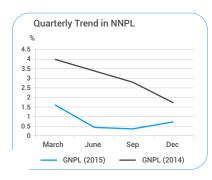
Credit Risk arises due to the loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit Risk is the primary risk faced by the Bank due to the core of its business activities concentrated in lending. The Bank has identified several risk measures in order to monitor the impact of credit risk on its portfolio.

Non-Performing Loan Ratio (NPL Ratio) - Managing the credit quality of the lending portfolio is a key focus area with the objective of minimizing probable losses and maintaining credit risk exposure within acceptable parameters. The Bank's credit portfolio remains well diversified by customer, business segment and sector. The Bank was successful in curtailing NPL ratio well within tolerance limits throughout the year. Gross Non-Performing Loans (GNPL) recorded a decline of 37.4% and Net Non-Performing Loans (NNPL) recorded a decline of 58.9% compared to the previous year.



Pre-sanction review and Post-sanction Loan Review Mechanism (LRM) process:

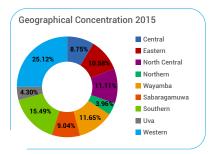
The Bank has in place a pre and post sanction loan review mechanism. Loans above a cumulative threshold of LKR 4 Million are reviewed by the Risk Department. Facilities disbursed above the value of LKR 0.75 Million are covered under the post-sanction review process. The Bank strengthened the LRM review unit with the addition of a dedicated officer during the year. The unit successfully achieved the coverage requirement given by the Central Bank during the year.

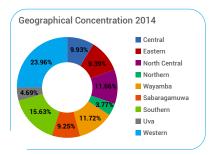


Concentration Risk

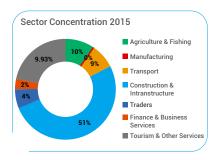
Concentration Risk is the probability of loss arising from heavily concentrated exposure to a particular group of counterparties. The Bank measures Concentration Risk by means of the Herfindahl-Hirschman Index (HHI) for geographical, sector and client-wise exposure. Further stress tests on client and sector concentration with the resulting impact on the Bank's capital adequacy and profitability are carried out during the Bank's internal capital adequacy assessment process. The Bank's portfolio is well-diversified with HHI scores for all type of concentration exposures well within internal tolerance limits.

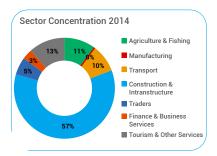






Geographical concentration remained broadly consistent with year 2014 with the Western Region Accounting for 25% of total portfolio concentration.





Sector concentration improved in 2015 with a declining concentration in construction and infrastructure compared to year 2014 and increased tilt towards tourism and other services. Construction and infrastructure

declined by 10.9% and tourism and other services increased by 89.2%.

Market Risk

Market risk is defined as the possibility for the Bank to experience losses due to factors that affect the overall performance of the financial markets such as interest rates, equity and commodity prices. The primary risk that the Bank faces is Interest Rate Risk. The Bank measures the impact of Interest Rate Risk in the banking book and trading portfolio. Interest Rate Risk in the Banking Book (IRRBB) is the risk to interest income arising from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities The Asset & Liability Committee monitors the impact of Interest Rate Risk in the banking book as well as net interest margin, & cumulative rate sensitive gap. Trading exposure is chiefly monitored through the Treasury Middle Office function (TMO) which monitors weekly changes in interest rate and its impact on the trading portfolio.

The Bank applies the earning at risk and economic value of equity approach in order to measure Interest Rate Risk in the banking book during the internal capital adequacy assessment process.

The Bank did not have a trading portfolio during the year due to the volatile conditions prevailing throughout the year. Forex positions were also negligible during the year.

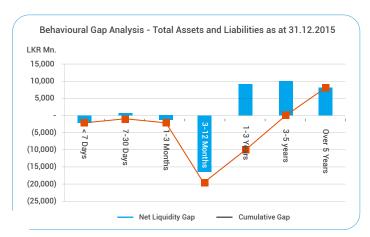
Liquidity Risk

Liquidity Risk arises when the Bank cannot generate sufficient funds to meet its payment obligations as they fall due or can only do so at a material loss. This can arise when counterparties who provide funding to the Bank withdraw or do not roll over a line of funding or as a result of a general disruption in financial markets which lead to normal liquid assets becoming illiquid. Liquidity Risk is primarily managed by the Asset and Liability Committee (ALCO). The Bank's main source of funding lines stems from capital, institutional and retail deposits and interbank and money market borrowings. The Bank also invests in readily marketable securities. The ALCO is responsible for monitoring of Board approved liquidity thresholds on a day to day basis. A contingent fund consisting of emergency funding lines is in place for additional comfort.

The Bank employs the Stock and Flow approach to measure Liquidity. Under the Stock approach, liquidity is measured in terms of key ratios which portray the liquidity stored in the balance sheet. Under the Flow approach, the Liquidity cash flow gaps measure the net cash flow in each major currency over specified time periods. The gaps are measured in each of the currencies within which the Bank transacts, which are then aggregated into a total liquidity gap position in LKR.

The consolidated liquidity gap for the Bank as at 31st December 2015 based on behavioral analysis shows no significant gaps in the long-term (greater than 3 years). However, a maturity mismatch exists in the asset book in the <3 months & 6-12 months maturity brackets.

Risk Management System Contd.



Basel - III

Following the consultation paper issued by the Central Bank of Sri Lanka in 2014 on the implementation of the Basel III Liquidity Coverage Ratio (LCR), the Bank shows comfortable ratios in the observation period for LKR Requirements as per December 2015 reporting.

Liquidity Coverage Ratios (LCR)	Limits	Reported as at 31st Dec 2015
Requirements	Min 60%	139.05

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems or from external events. The Bank currently collects and reports operational loss event data on a quarterly basis according to Basel quidelines as follows

- 1. External fraud
- 2. Internal fraud
- 3. Employment practices and work place safety
- 4. Client, products and business practices
- 5. Damage to physical assets & replacement
- 6. Business disruption and system failure
- 7. Execution, delivery and process management

New Initiatives

The Bank strengthened its risk and control assessment process through the development of a risk-based questionnaire which was administered to several key departments during the year. The results are being continuously reviewed and communicated to the relevant personnel in order to strengthen internal process and minimize operational risks arising from control weaknesses.

Risk Mitigation

The Bank has taken several initiatives to reduce operational risk through the following measures:

- Risk transfer through insurance cover
- 2. Monitoring of system disruptions
- 3. Training and development initiatives
- 4. Review of all new products and processes for significant risks

Business Continuity

The Bank has in place a comprehensive Disaster Recovery Plan (DRP) and Business Contingency Plan (BCP) to handle failures and switch to alternative service providers at short notice to achieve continuity of business operations within SDB. The plan facilitates addressing disruption of services, and maintaining ability to operate on an on-going basis and minimize losses in the event of severe business disruption.



The broad objectives of BCP are:

- To ensure safety and welfare of its employees
- To protect and ensure the availability of all information and information processing assets required for critical business processes
- To maintain operations and continued support to clients for all types of business transactions.
- Affect a sustainable recovery of operations that have been interrupted within the least possible time and provide the required support to clients.
- Reduce the damages caused by any interruption to its business

Legal Risk

Legal Risk, an integral part of Operational Risk, arising out of the legal implications of failed systems, people, processes or external events. All legal documents executed on behalf of the Bank are initially vetted by the Legal Department which consists of experienced and competent in-house Legal Officers. Whenever required, services of the external lawyers are obtained. Legal actions filed against the Bank are handled by the internal Legal Officers or by the external lawyers under the close scrutiny of the Legal Department. External lawyers are selected carefully by studying their track records and capabilities on relevant subjects.

The Legal Department reports to the Board of Directors on the Bank's existing litigations & special legal matters which have a potential risk associated therewith to General Manager/ CEO.

The Legal Department checks documentations pertaining to product development & provide necessary legal advice, recommendations in product development process on the request of Credit Department and Deposits Mobilization Department. Legal Department provides advice to all the branches, extension centers and departments of the Bank and management on requests. All agreements are referred to the Legal Department to check the legal conformity before entering into such agreements.

Compliance Risk

Compliance Risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation as a result of failure to comply with laws, regulations, rules and codes of conduct applicable to the banking activities.

Compliance Risk & Regulatory Risk arises from legal and regulatory requirements. If the Bank fails to comply with applicable laws and regulations, it may be subject to fines, penalties or restrictions on its ability to carry out banking business. Any such costs and restrictions could adversely affect the Bank's business, reputation, business prospects, financial performance or financial condition. In addition, the Bank could face increased supervision and regulation, particularly

in the areas of funding, liquidity, capital adequacy and prudential limits when compared to competitors. Other areas of potential change that could impact the Bank include changes to accounting and reporting requirements, tax legislations, consumer protection & competition legislations, bribery, anti-money laundering and terrorist financing laws. The Bank has a dedicated Compliance Officer who reports to the Board Integrated Risk Management Committee and has in place a well-developed regulatory monitoring mechanism to monitor reporting and compliance with all mandatory banking and other statutory requirements.

Stress Testing

A detailed framework for performing various stress tests in the areas of credit portfolio related risks, credit concentration risk, Liquidity Risk, Interest Rate Risk in the Banking Book, Equity Risk, has been developed by the Bank.

Stress testing framework

The purpose of stress testing is to gauge the impact of adverse scenarios on the Profits and Capital Adequacy Ratio (CAR).

The Bank currently applies three stress interest rate scenarios of low, medium and major impact to ascertain the impact on key indicators. Net interest income is stressed for changes in interest rates on a monthly basis. Additional stress tests for Credit Risk, Concentration Risk, Market Risk & Liquidity Risk are carried out during

Risk Management System Contd.

the Banks internal capital adequacy assessment process.

Future Plans

As the Bank grows at a rapid pace, effective risk management is viewed as a vital function in order to facilitate growth. As such, risk management policies and procedure will be frequently reviewed & updated in order to keep pace with changing industry conditions & best practices and ensure that the Bank is capable of delivering value to all its stakeholders.

The Bank has plans to strengthen its credit rating capabilities with the implementation of a Loan origination & credit rating system which will add

value to its Credit Risk management process. The development and implementation of a key risk indicator matrix will be completed enabling the Bank to measure operational risk more effectively. Further, Market Risk analysis and measurement techniques will be further developed with the input of a consultant.

For further information on Risk Management please refer page 232 of the Annual Report.

Reports of the Board Committees





Board Integrated Risk Management Committee



Board Audit Committee



Board Human Resources and Remuneration Committee



Board Selection and Nomination Committee (BS & NC)



Board Related Party Transactions Committee



Board Strategic Planning, ICT & Business Development Committee



Board Credit Committee

Report of the Board Integrated Risk **Management Committee**

Any bank is exposed to various risks when it operates in a volatile environment. The responsibility of managing risk is vested with the Board of Directors. In discharging its risk management responsibilities, the Board of Directors appointed a Board Subcommittee i.e. the Board Integrated Risk Management Committee (BIRMC). The Board of Directors has approved the risk management policy and defined the risk appetite of the bank.

Composition of the Committee

The BIRMC comprised of the following directors and members.

Directors

Mr. T. Karunasena - (Chairman) -Independent, Non-Executive Director

Ms. M.S. Kiriwandeniya - Non-Independent, Non-Executive Director

Mr. D.P. Kumarage - Non-Independent, Non-Executive Director

Mr. H.M.G.B. Herath - Non-Independent, Non-Executive Director

Mr. Nimal C. Hapuarachchi -General Manager/CEO

Other members consist of Key Management Personnel supervising brought risk categories. The Company Secretary acts as the secretary to the Committee.

Terms of Reference (ToR) of the **Committee**

The BIRMC was established by the Board of Directors in compliance with the direction issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Specialised Banks.

The composition and the scope of work of the Committee are in conformity

with the above directions. The Board of Directors has approved the ToR as per the above directions.

The major function of the BIRMC is to manage and review the overall risk profile of the bank. The ToR includes the following responsibilities.

- 1. The Committee shall assess all risks i.e. credit, market, liquidity, operational risks of the bank on a monthly basis through appropriate risk indicators.
- 2. The Committee shall review the adequacy and effectiveness of all management level committees.
- 3. The Committee shall take prompt and corrective action to mitigate the effects of specific risks when such risks are beyond the prudential levels decided by the Committee
- 4. The Committee shall establish a compliance function to assess the Bank is compliance with laws, regulations, regularity authorities, internal controls and approved policies in all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the Committee periodically.

During the year under review several value additions and procedures were introduced by the Committee to further strengthen the risk management of the Bank. An Internal Capital Adequacy Assessment Process (ICAAP) was carried out by the Integrated Risk Department. The ICAAP document was reviewed comprehensively by the Internal Audit Department. The Committee was satisfied with the overall outcome and capital adequacy levels.

Board Integrated Risk Management Committee Report

The Bank's overall risk management framework and risk assessment have been discussed and reviewed by the Committee and details are given under Risk Management System at SANASA Development Bank on pages 150 to 156.

Meetings

The BIRMC held four meetings during the year under review. The attendance of the members at the meeting of the Committee is tabled on page The minutes of meetings are regularly forwarded to the Board together with a detailed report of key risks and mitigating strategies. All key risk management indicators and potential risks were discussed and reviewed at each meeting and appropriate actions were taken where necessary.

During the year 2015 the BIRMC supported the execution of overall business activities within a set of prudential risk parameters and ensured the implementation of an effective risk management framework.

The BIRMC is satisfied that the risk exposure of the Bank is being appropriately managed.

M.S. Kiriwandeniya

Chairperson

Board Integrated Risk Management Committee

03rd March 2016 Colombo, Sri Lanka

Report of the Board Audit Committee



Composition of the Board Audit Committee (BAC)

The BAC appointed by the Board of Directors comprises of three (03) Non-Executive Directors.

The following members serve in the BAC:

Mr. L. Abeysekera - (Chairman) - Independent, Non-Executive Director

Mr. T. Karunasena - Independent, Non-Executive Director

Mr. Thilak Rajapaksha - Non-Independent, Non-Executive Director

Mr. Jayantha Rathnayake, Non-Executive, Non-Independent Director served in the Committee until he retired from the Board in May 2015, after completing nine (09) years of service and Mr. H.M.G.B. Herath served in the Committee up to April 2015. We take this opportunity to place on record the Committee's appreciation of the valuable services rendered by Mr. Jayantha Rathnayaka and Mr. H.M.G.B. Herath as members of the Committee.

The Chairman of the BAC Mr. L. Abeysekera who is a Non-Executive, Independent Director, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, a Fellow Member of the Association of Accounting Technicians of Sri Lanka holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenapura and has over 20 years of experience in the field of Accounting. Brief profiles of the members of the BAC are given on pages 97 & 98 of the Annual Report.

The Secretary to the Board/Company Secretary functioned as the Secretary up to October 2015 and thereafter the Chief Internal Auditor functioned as the Secretary to the BAC.

Terms of Reference

The Board Audit Committee functioned as per the Terms of Reference approved by the Board of Directors for the Committee.

The Board periodically reviewed the Terms of Reference as and when required. The committee is responsible to the Board of Directors and reports on its activities regularly. BAC also assists the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

Regulatory Compliance

The roles and functions of the BAC are regulated by the Banking Act Direction No. 12 of 2007, on the mandatory Code of Corporate Governance for Licensed Specialised Banks in Sri Lanka, issued by the Central Bank of Sri Lanka (CBSL), the Rules on Corporate Governance as per Section 7.10 of Listing Rules issued by the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL).

Meetings

The Audit Committee met 15 times during the year. Attendance of the Committee Members of each of these meetings is given in the table on page 180 of the Annual Report. The Chief Internal Auditor and the Head of Finance normally attended meetings on invitation and the General Manager/Chief Executive Officer, the Chief Operating Officer and the relevant Senior Management/Officers in other grades also participated in the meetings on invitation. On the invitation of the Committee, the Engagement Partner and the senior officers of the Bank's External Auditors, Messrs. Ernst & Young attended three

(03) Committee meetings during the year. The committee continued guiding the Management with the selection of the new accounting policies which are required under the new Accounting Standards. Four (04) out of fifteen (15) meetings were held to consider and recommend to the Board of Directors of the Bank's Quarterly and Annual Financial Statements. The committee met the External Auditors and the Internal Auditors twice during the year without the presence of the General Manager/CEO and the Corporate Management to ensure that there was no limitation of scope in relation to the audit and to allow for full disclosure of any incident which could have had a negative impact on the effectiveness of the external/internal audits and concluded that there was no cause for concern

Duties and Role of the Board Audit Committee

The BAC is responsible for.

- Reviewing financial information of the Bank, in order to monitor the integrity of the Financial Statements of the Bank, its Annual Report, accounts and quarterly reports prepared for disclosure;
- Reporting to the Board on the quality and acceptability of the Bank's accounting policies and practices;
- Reviewing accounting and financial reporting, risk management processes and regulatory compliance;
- Reviewing Financial Statements (including quarterly interim statements) prior to publication to ensure compliance with statutory provisions, accounting standards and accounting policies which are consistently applied;
- Reviewing internal audit reports and liaising with Corporate Management in taking precautionary measures to minimise control weaknesses, procedure violations, frauds, and errors;

Report of the Board Audit Committee Contd.

- Assessing the independence and monitoring the performance and function of the Internal Audit, including overseeing appointment of the Head of Internal Audit.
- Overseeing the appointment, compensation, resignation, dismissal of the External Auditor, including review of the external audit, its scope, cost and effectiveness and monitoring of the External Auditor's independence;
- · Reviewing adequacy and effectiveness of the Bank's systems of internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes have been done in accordance with applicable accounting standards and regulatory requirements; and
- Engaging independent advisors on specialised functions where it is deemed necessary.

Financial Reporting

The Committee, as part of its responsibility to oversee the Bank's financial reporting process on behalf of the Board of Directors, has reviewed and discussed with the Management and the External Auditors the quarterly and the annual Financial Statements prior to their release. The review included the quality and acceptability of accounting policies and practices, the clarity of the disclosures and the extent of compliance with Sri Lanka Accounting Standards (SLFRS & LKAS), the Companies Act No. 07 of 2007, the Banking Act No. 30 of 1988 and amendments thereto and other relevant financial and governance reporting requirements. To facilitate their review, the BAC considered reports from the Head of Finance and also reports from the External Auditors on the outcome of their review and annual audit.

Internal Control over Financial Reporting (ICOFR)

The Bank is required to comply with Section 3(8)(ii)(b) of the Banking Act Direction No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks issued by the Central Bank of Sri Lanka and assessed the adequacy and effectiveness of internal control over financial reporting as of 31st December 2015.

The Bank assessed the adequacy and effectiveness of its internal control over financial reporting as of 31st December 2015 based on the criteria set out in the Guidance for Directors of Banks on 'The Directors' Statement of Internal Control', issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) in 2010.

The Bank's assessment was based on processes documented by the respective process owners with the guidance of the Bank's Internal Audit and External Auditor (Ernst & Young). The Internal Audit Department carried out walk through tests on the documented processes to establish it's adequacy and commented where necessary.

Based on Internal Auditors' and External Auditors' assessments, the Board has concluded that, as of 31st December 2015, the Bank's internal control over financial reporting is effective. Directors' Report on the Bank's Internal Control over Financial Reporting is provided on pages 182 & 183 in the Annual Report. The Bank's External Auditors have reviewed the effectiveness of the Bank's internal control over financial reporting and have reported to the Board that, nothing has come to thier attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Bank. The External Auditor's Report on the Bank's Internal Control over Financial Reporting is provided on page 184.

Annual Corporate Governance Report

As required by Section 3(8)(ii)(g) of the Banking Act Direction No. 12 of 2007, on Corporate Governance for Licensed Specialised Banks issued by the Central Bank of Sri Lanka, the Annual Corporate Governance Report for 2015 is provided on pages 120 to 149 in the Annual Report. The External Auditors of the Bank have performed procedures set out in Sri Lanka Related Services Practice Statement 4750 issued by the Institute of Chartered Accountants of Sri Lanka (SLRSPS 4750), to meet the compliance requirement of the Corporate Governance directive. The findings presented in their report addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported by the Board on pages 120 to 149.

Internal Audit

The BAC monitored and reviewed the scope, extent and effectiveness of the activities of the Bank's Internal Audit Department. This included reviewing of updates on audit activities and achievements against the Bank's audit plan, advising the Corporate Management to take precautionary measures on significant audit findings and assessing of resource requirements of the Internal Audit Department. The BAC had necessary interactions with the Head of Internal Audit throughout the year.



During the year, BAC reviewed the internal audit plan and monitored the implementation of the same on a regular basis. The Branches, Departments/Divisions covered and the priority and frequency of audits depend on the risk levels of each of them, with higher risk Branches, Departments/Divisions audited more frequently.

The Internal Audit Department comprises of four (04) broad areas namely;

- Branch Audits
- Departments/Divisions Audits, including Treasury and Risk Management
- Information System Audits and
- Investigations

Audit findings presented in the reports are prioritised based on the level of risks. The Committee followed up the Internal Audit recommendations with the Corporate Management regularly. Internal Audit reports are made available to the examiners of the Central Bank of Sri Lanka and the External Auditors.

All Branches (82) existing at the begining of the year and all Departments/Divisions planned (12), including Information Technology systems were audited during 2015 under the Risk Based Audit Plan (RBAP) approved by the BAC and this is a remarkable achievement in the SDB's history. Also, investigations were conducted by the Internal Audit Department where necessary.

Along with the significant findings the Internal Audit Department engaged in sharing and providing knowledge through Audit exit meetings, Branch Managers' & Regional Managers' meetings etc. with the Bank's staff for better control awareness and identifying early warning signals. In keeping with BAC recommendations, the Internal Audit has also provided inputs to the Corporate Management for effective control and prevention of frauds

External Auditors

With regard to the external audit function of the Bank, the roles played by the Committee are as follows:

- Undertook the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process.
- Met with the External Auditors to discuss their audit approach and procedure, including matters relating to the scope of the audit and the Auditor's independence.
- Reviewed the audited Financial Statements with the External Auditor who is responsible for expressing an opinion on its conformity with the Sri Lanka Accounting Standards.
- Reviewed the Management Letters issued by the External Auditor together with management responses thereto.
- Met the External Auditor during the year without other Directors, General Manager/CEO and the Corporate Management to ensure that there was no limitation of scope in relation to the Audit and to allow for full disclosure of any incidents, which could have had a negative impact on the effectiveness of the external audit. It was concluded that there was no cause for concern.

- Reviewed the Non-Audit Services provided by the External Auditor and was of the view that such services were not within the category of services identified as prohibited under:
 - a. the guidelines issued by the Central Bank of Sri Lanka for External Auditors, relating to their statutory duties in terms of Section 39 of the Banking Act No. 30 of 1988 and amendments thereto.
 - the guideline for Listed
 Companies on Audit and
 Audit Committees issued by
 the Securities and Exchange
 Commission of Sri Lanka.
- Reviewed the Letter of Representation issued to the External Auditors by the Board.
- Reviewed the Letter of Independence Confirmation issued by the External Auditor as required by the Companies Act No. 7 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka

The BAC has recommended to the Board of Directors that Messrs. Ernst and Young, Chartered Accountants, be re-appointed for the financial year ending 31st December 2016 subject to the approval of shareholders at the next Annual General Meeting.

Report of the Board Audit Committee Contd.

Whistle Blowing

SANASA Development Bank's Whistle Blowing Policy is intended to serve as a channel of corporate fraud risk management. The policy allows any team member who has a legitimate concern on an existing or potential "wrong doing" by any person within the Bank, to come forward voluntarily, and bring such concerns to the notice of an independent designated authority. Concerns raised are investigated and the identity of the person raising the concern is kept confidential, as even anonymous complaints are looked at. This procedure is being monitored by the BAC.

Professional Advice

The BAC has the authority to seek external professional advice on matters within its purview; and from time to time during the year consultations were done with various parties.

Board Audit Committee Evaluation

The annual evaluation of the BAC was conducted by the Board of Directors and concluded that its performance was effective.

On behalf of the Board Audit Committee

L. Abeysekera

Chairman Board Audit Committee

03rd March 2016

Report of the Board Human Resources and Remuneration Committee



Establishment

Board Human Resources and Remuneration Committee of SANASA Development Bank PLC was established under the Terms of Reference approved by the Board of Directors of the Bank. Its primary responsibility is to establish the conceptual framework on establishing remuneration policy and other key policies related to human resource management and development.

Composition

The Board Human Resources and Remuneration Committee consists of four Non-Executive Directors appended below,

Mr. T. Karunasena - (Chairman) - Independent, Non-Executive Director

Ms. M.S. Kiriwandeniya - Non-Independent, Non-Executive Director

Mr. J.A.L.G. Jayasinghe - Non-Independent, Non-Executive Director

Mr. L. Abeysekera - Independent, Non-Executive Director

Company Secretary/AGM of the Bank serves as the secretary to the committee based on the approved terms of reference for the Committee. Attendance of the committee meetings is mandatory for the General Manager/CEO and the Head of Human Resources, except when matters relating to those two positions are discussed.

Meetings

17 meetings of the Board Human Resources and Remuneration Committee have been conducted during the year 2015 and the Committee has deliberated 114 papers associated with a wide array of aspects relating to the human resources function of the Bank. The Committee has been able to continuously direct the HRM function of the Bank to align with its strategic direction whilst complying with the regulatory and statutory framework of the Bank.

Scope and Responsibilities

The Board Human Resources and Remuneration Committee is vested with the following responsibilities stipulated by the terms of reference approved by the Board of Directors of the Bank.

- Guide the implementation of human resource management and human resource development functions of the Bank
- Providing guidance to ensure that HR policies and strategies are aligned with the strategic direction of the Bank
- Providing the necessary direction for fostering performance culture within the Bank
- Ensuring conformity of Bank's HR policies and practices with labour laws, Central Bank regulations and other applicable standards

Key HR Initiatives During the Year

During the financial year, the Committee has considered many aspects related to HR function of the Bank. Some of those aspects, which are highly significant for the Bank's business objectives as well as for the quality of work life of employees, are appended below:

Corporate Management Profile

The Corporate Management team of the Bank plays a pivotal role in the decision making process of the Bank and it is the layer which formulates the strategies on the direction of the Board of Directors of the Bank. Accordingly, a Corporate Manager shall be a versatile character with the right knowledge, skills, competencies, experience and attitudes required for strategic thinking

and ensuring smooth functioning of routine operations of the Bank. Hence the profile of Corporate Manager was approved by the Committee after careful deliberation. This profile is vital in several aspects such as a tool of assessing their performance, designing suitable HRD programmes, designing management/ successor development initiatives and recruitments/promotions for corporate manager layer.

Comprehensive Training Evaluation Model

Training and development function should facilitate employee development and add value to the overall organisational level performance of the Bank. Hence its impact should be assessed in a multi-dimensional manner to ensure maximum return on investment. Accordingly, the Committee has deliberated in detail and approved a comprehensive model to assess the impact of training and development programmes on multiple facets namely, initial feedback of the participant, upgrading of knowledge, behaviour modification and contribution to business performance of the Bank.

Remuneration Policy

A remuneration policy was introduced to the Bank to provide a solid rationale for deciding remuneration packages for employees and to ensure internal and external equity. It provides guidance for differentiating remuneration across different grades, different streams and different bands of employment and mechanisms to arrive at remuneration packages. The Committee approved the remuneration policy after thorough deliberation.

New Performance Appraisal Framework

The Committee has identified the requirement of revising the existing performance appraisal procedure of the Bank and directed to design a

Report of the Board Human Resources and Remuneration Committee contd.

new procedure. Such a framework would be capable of assessing the contribution of employees towards the business objectives of the Bank in a more objective and comprehensive manner. Based on this direction the HR department designed a new performance assessment framework by segmenting the employees into non-managerial and managerial categories for the ease of operationalisation of this framework. The Committee approved this framework after meticulous deliberation.

General HRM Policy

A policy to provide a conceptual and holistic framework for the management of human resources of the Bank has been drafted and it is currently under the review of the Committee. It provides a principal foundation for the formulation of policies relating to HRM of the Bank. Such a policy will assist to align all HRM functions of the Bank around a common set of principals, thus it alleviates ambiguity whilst ensuring a uniformity in HRM actions.

HRD Policy

Human Resource Development is a vital function in HRM. Hence proper planning, execution and evaluation of this function is essential for the accomplishment of intended objectives and investment incurred on HRD. The HR Department has drafted a HRD policy to guide the HRD function of the Bank and it is currently under the deliberation of the Committee.

Regional Manager Profile

The Regional Manager's role is crucial for the implementation of the business strategy of the Bank in the regional arena. Moreover, it is essential to coordinate and properly align the

branch layer with the Head Office of the Bank. Regional Managers therefore are expected to play a role in the functions ranging from driving the regional business strategy to liaising field level with the Head Office. Accordingly, it is imperative to deploy personnel with the right calibre to perform the role of Regional Manager. Hence, the profile of Regional Manager has been drafted by HR Department of the Bank to serve as a guide for a variety of aspects such as assessing their performance, designing management/successor development initiatives, designing appropriate HRD programmes and recruitments/ promotions for the position. It has been submitted for Committee approval and is currently at the discussion level of the Committee.

KMP Review

The Committee has been delegated the authority to review the performance of Key Management Personnel (KMP) by the terms of reference approved by the Board of Directors of the Bank. Accordingly, a new framework has been developed and approved by Committee to assess the performance of KMPs with regard to their respective functional areas. Such a framework has been designed to have a more balanced and accurate review on their performance. The Committee reviewed the performance of the General Manager/CEO and other KMPs during the year 2014 and reported to the Board in February 2015.

Revising the Promotions Scheme for All Staff Categories

The promotion scheme of the Bank was revised to strike an alignment with the Bank's strategic objectives on human resource development and career development of staff members. The different promotion schemes

pertaining to different employment categories were modified meticulously by assessing the qualifications and competencies required for each grades/ bands and the level of cadre to be maintained at each level for the Bank. Moreover, it induces the employees to upgrade their knowledge and skill levels to climb up their career ladder, and to engage in continuous learning and professional development. This revision was approved by BHRRC and has been operationalised successfully.

Salary Revision and Rectifying the **Longstanding Salary Anomalies**

A salary revision was carried out during the year 2015 as the normal practice of the Bank is to revise the pay scales once in every two years. Discussions with the CBEU were productively conducted to balance their demands and obtain their feedback. The revision was carefully arrived at by striking a balance with the Bank's financial capability and employees' expectations. Through this revision, it also focused on rectifying the longstanding salary anomalies that prevailed in the salary structures of the Bank. The committee, after careful deliberation, recommended to the Board for approval.

On behalf of the Board Human Resource and Remuneration Committee.

M.S. Kiriwandeniya

Chairperson

Board Human Resource and Remuneration Committee

03rd March 2016 Colombo, Sri Lanka

Report of the Board Selection and Nomination Committee



The Board Selection and Nomination Committee, having reviewed its performance during the year 2015, presented the following report.

The BS & NC carried out its activities during the year within the scope of its Terms of Reference in conformity with the directions of Banking Act Direction No.12 of 2007 on Corporate Governance for Licensed Specialised Banks in Sri Lanka (as amended) and the code of best practices on Corporate Governance (2013) jointly issued by Securities and Exchange Commission of Sri Lanka (SEC) and Institute of Chartered Accountants of Sri Lanka (ICASL).

Composition of the BS & NC

The BS & NC comprises of three (03) Non – Executive Directors (of which a majority are Independent) appointed by the Board of Directors of the Bank. During the year 2015, the following Directors served on the BS & NC

Mr. T. Karunasena - Independent/
 Non Executive Director

Served as a member of the Committee with effect from 24.03.2010 and was appointed as Chairman with effect from 03.10.2014

- Ms. M.S. Kiriwandeniya Non Independent/Non Executive Director She was appointed to the BS & NC with effect from 03.10.2014
- Mr. L. Abeysekera Independent/ Non Executive Director

He was appointed to the BS & NC with effect from 03.07.2013

The Board Secretary functioned as the Secretary to the BS & NC.

Primary Objectives of the BS & NC

The BS & NC was established to assist the Board of Directors in fulfilling its role and responsibilities with regard to the selection and appointment of Independent Directors, election and re-election of Non - Executive Directors, and appointment of GM / CEO and other key management personnel of the Bank.

Responsibilities of the BS & NC

The BS & NC is responsible for reviewing the composition of the Board and Board Sub Committees with a view to ensure that they are properly constituted and well-balanced in terms of experience, expertise, skills and diversity. Further, the BS & NC is mandated:

- To ensure the implementation of the Board approved policy and procedure in selection and nominations of new directors and key management personnel of the bank and to make recommendation regarding such appointments.
- To recommend the re-appointment / re-election of current directors considering the performance and contribution made by such directors towards the overall discharge of responsibilities of the Board.
- To review and determine the criteria such as qualifications, experience and key attributes, required for the eligibility for appointment of GM/ CEO and appointment/promotion for other key management positions.

- To ensure that the directors, GM/ CEO and other key management Personnel are fit and proper persons to hold such positions as required by the Banking Act and applicable statutes.
- To consider from time to time the requirement of additional/new skills and expertise at the Board level and make suitable recommendation to the Board, to mobilise such skills and expertise.
- To put in place a proper succession plan for retiring Directors and key management personnel with a view to ensure the uninterrupted and smooth functioning of all aspects of the bank's operations and decision making process in the long run and business continuing in unforeseen situations.

The Terms of Reference of the BS & NC was adopted by the Board in 2012 and it was further reviewed and refined in 2015.

Meetings of the BS & NC and its effectiveness

The Committee met six times during the year under review and it focused mainly on the following.

- Board composition identified the skills required and recommended the appointment of a new director with expertise in information technology.
- Sub Committees made its recommendations to the Board to re-constitute the Board Sub Committees based on the guidelines/principles on the constitution of such committees.

Report of the Board Selection and Nomination Committee Contd.

- Re-election of Directors the BS & NC assessed the contribution made by the Directors who were retiring by rotation and made its recommendation to the Board to be submitted for re-election, by the shareholders at the AGM.
- Filling the skills gaps in the key management team, the BS & NC continuously re-viewed the required skills and experience at the top management level and made recommendations to the Board with regard to the appointment of Key Management Personnel.
- Succession Plan the BS & NC along with the GM/CEO of the Bank reviewed and analysed the expertise required and available at corporate and senior management level and specially discussed the succession plan for KMP's with a view to identify and develop potential candidates for such posts. Reviewed and discussed the process and overall methodology for a succession plan and a contingency plan for KMPs.

M.S. Kirwandeniya

Chairperson

Board Selection & Nomination Committee

03rd March 2016

Report of the Board Related Party Transactions Committee



The Bank has established a Related Party Transactions Review Committee on 21.07.2014 although it is compulsory only from the year 2016. The Committee was chaired by one independent non-executive director and a non-executive director in the Committee.

The Committee was comprised with the following members at present

1. Mr. T. Karunasena - (Chairman) Independent, Non-Executive Director

2. Mr. J. Rathnayake - Non-Independent , Non-Executive Director

The Company Secretary is functioning as the secretary to the Committee.

Terms of Reference of the Committee

The BRPTC was formed by the Board to assist the Board in reviewing all the related party transactions carried out by the Bank by adopting the code of best practice on related party

transactions as stipulated by the Securities and Exchange Commission of Sri Lanka (SEC).

Objective of the Committee

To avoid favourable treatments to related parties in granting facilities and providing and obtaining services and purchases/sale of assets.

The Committee will meet at least once in a calendar quarter.

For and on behalf of Committee

Tamarika Rodrigo

Secretary

Board Related Party Transaction Committee

03rd March 2016

Report of the Board Strategic Planning, ICT and Business Development Committee

During the period under review, the Board established the Board Strategic Planning, ICT and Business Development Committee. The main objective of this Committee is to assist the Board to effectively undertake its responsibility in setting and modifying strategic business direction of the Bank and to increase profits and brand equity in a sustainable, appropriate and responsible manner.

The ICT Strategy, Marketing Strategy and Operational Strategy of the Bank were identified as three main sections that fall under the scrutiny of the Committee.

The Scope of TOR

- Review in-depth, the performance of the Bank on the strategic goals laid down in the Corporate Plan of the Bank, reviewing strategic and technical plans developed by the Management to achieve business development goals of the Bank, identify areas to be improved, taking into account the new market opportunities and threats, strategic goals of the Bank and the Bank's internal strengths and limitations.
- Examine the overall marketing strategy of the Bank and recommend for the approval of the Board, the business development plans presented by the Corporate Management. Analyse in-depth the strategic issues related to business expansion, identified by the Board and the Bank's business promotion plans, vis-a-vis benefits, risks, and strategic and financial implications on the organisation and brand.

- Guide the Corporate Management and the Board on potential business expansion opportunities, especially in new markets and new technological platforms.
- Provide a position paper to the Board quarterly.

Composition of BSP, ICT & BDC

BSP, ICT & BDC comprises of three Non-Executive Directors (of which the majority are independent), appointed by the Board of Directors. During the year 2015, the following Directors served on BSP, ICT & BDC;

Mrs. M.S. Kiriwandeniya -

Non-Independent, Non-Executive Director (Chairs the meetings)

Mr. W.M.M.D. Rathnayake -

Independent, Non-Executive Director

Mr. L. Abeysekera -

Independent, Non-Executive Director

The Board Secretary functioned as the Secretary to the BSP, ICT & BDC.

Meetings of BSP, ICT & BDC

The Committee met quarterly during the year under review and focused mainly on the following;

- Develop a reporting format to review strategic goals
- Review the Vision and Mission and guidelines to be given to amend the Vision and Mission in line with the Strategy goals

- Review the IT Strategy
- Review the Marketing Strategy
- Review the Quantum Leap Project.



Chairperson

Board Strategic Planning, ICT and **Business Development Committee**

03rd March 2016

Report of the Board Credit Committee



The main income generation activity of the Bank is its lending operation. It has employed capital funds of its shareholders as well as deposits mobilised from its depositors to engage in this exercise. Therefore, it has cast a huge responsibility on the Board of Directors of the Bank to employ these funds with the highest degree of prudence to ensure the safety of the funds and the maximum profitability to the Bank.

The Board Credit Committee is established to formulate the policies, strategies and directions in the Bank's credit operation and be the forerunner to the Board of Directors for it to take the necessary strategic decisions.

The membership of the Board Credit Committee is comprised of three non independent Board Directors who meet at least once a month to deliberate on issues under its purview.

Composition of the Board Credit Committee members:

Mr. D.P. Kumarage - (Chairman) Non-Independent, Non-Executive Director

Mr. H.M.G.B. Herath - Non-Independent, Non-Executive Director

Mr. A.D. Walisinghe - Non-Independent, Non-Executive Director (retired w.e.f. 29.05.2015)

Mr. B.R.A. Bandara - Non-Independent, Non-Executive Director (appointed w.e.f. 30.05.2015)

Company Secretary is functioning as the secretary of the Committee. GM/ CEO, Head of Corporate Credit & SME Banking, Chief Risk Officer, Senior Manager-Credit, Head of Legal, Head of Leasing and Head of Recoveries are invited to the Committee meetings to assist them and to provide expert knowledge on different areas of issues. The main areas falling under the purview of the Board Credit Committee are as follows and it is empowered to:

- Formulate the Credit Policy and Recovery Policy of the Bank and review and recommend timely changes for the approval of the Board of Directors.
- Monitor the credit growth/ performance of the Bank vis-à-vis the annual budget forecasts and previous year's performance.
- Analytically appraise credit proposals and recommend to the Board of Directors for approval.
- Evaluate the market potential in the prevailing economic environment together with inherent risks attached and provide appropriate quidelines.
- Monitor the interest rate behaviour in the market and the internal and external factors affecting such fluctuations.
- Monitor the portfolio mix to ensure sectoral exposure, collateral diversification, term diversification and lending to priority sectors.
- Provide relevant directions to ensure adherence to Statutory and Regulatory Compliance requirements.
- Ascertain the quality of the credit portfolio by monitoring credit collections and delinquent loan recoveries.
- Evaluate and afford Interest concessions where appropriate, for full and final settlements of hardcore loans and write-offs of loan capitals whenever it deems necessary and recommend to the Board of Directors.

Apart from the aforesaid, the Board Credit Committee has the prerogative to call for any other information or special report relating to the credit operation of the Bank, if it deems necessary for its scrutiny.

The Committee has met on 12 occasions during 2015. Attendance of Committee members is given on page 180. All deliberations of the committee meetings are minuted and circulated amongst committee members and reported to the Board of Directors for their information and concurrence.

D.P. Kumarage

Chairman

Board Credit Committee

03rd March 2016 Colombo, Sri Lanka

Success Story 3

Shoe Factory - Diwulapitiya



Mr. Himal Anushka's shoe factory, located in Diwulapitiya, commenced operations around 4 years ago with a staff of about 15-20 workers. Initially, the factory carried out manufacturing of shoes using Rexine but over the time it migrated into a factory that manufactures shoes using high-quality leather.





Today

Over the past 4 years, the factory has continued to show healthy growth and currently provides employment to 40-45 workers. Through islandwide distribution, these high-quality shoes are sold to middlemen who market them directly to consumers while the factory also gets orders from around 4 main customers for about 5,000-6,000 pairs per month.



"Our factory has been successfully able to reach such a high standard thanks to the loans given by SANASA Development Bank. Without such a helping hand by the Bank, I am of the firm belief that we would not have been able to reach such a high standard in such a short period of time."



Financial Calender	173
Annual Report of the Board of Directors on the	
Affairs of the Company	174
Directors' Statement on Internal Control over	
Financial Reporting	182
Independent Assurance Report	184
Chief Excecutive Officer's and Chief Financial	
Officer's Responsibility Statement	185
Statement of Directors' Responsibility for	
Financial Reporting	187
Independent Auditor's Report	189
Statement of Comprehensive Income	190
Statement of Financial Position	191
Statement of Changes in Equity	192
Statement of Cash Flows	193
Notes to the Financial Statements	194
Capital Adequacy	241
Sources & Utilisation of Income	242
Statement of Value Added	243
Last Decade at a Glance	244

FINANCIAL REPORTS

Financial Calendar



2014 Annual Report and Audited Financial Statements signed on 13/02/2015 18th Annual General Meeting held on 29/05/2015 Rs. 2.50 per share Cash Dividend for 2014 paid on 10/6/2015 Rs. 7.50 per share Scrip Dividend for 2014 allotted on 01/06/2015

Interim Financial Statements published in terms of Rule 7.4 a(i) of the Colombo Stock Exchange (CSE) and as per the requirements of the Central Bank of Sri Lanka.

	Colombo Stock	News Papers (as required by CBSL)		
	Exchange	English	Sinhala	Tamil
2014 4th quarter interim results released on	26/02/2015	26/03/2015	26/03/2015	26/03/2015
2015 1st quarter interim results released on	13/05/2015	28/05/2015	28/05/2015	28/05/2015
2015 2nd quarter interim results released on	07/08/2015	27/08/2015	27/08/2015	27/08/2015
2015 3rd quarter interim results released on	29/10/2015	05/11/2015	05/11/2015	05/11/2015
2015 4th quarter interim results released on or before	26/02/2016	29/03/2016	29/03/2016	29/03/2016

Proposed Financial Calendar – 2016

2015 Annual Report and Audited Financial Statements to be signed on 03rd March 2016 20th Annual General Meeting to be held on or before 31/05/2017

Interim Financial Statements published in terms of Rule 7.4 of the Colombo Stock Exchange and as per the requirements of the Central Bank of Sri Lanka.

	Colombo Stock	News Pap	News Papers (as required by CBSL)		
	Exchange	English	Sinhala	Tamil	
1st quarter interim results to be released on or before	15/05/2016	30/05/2016	30/05/2016	30/05/2016	
2nd quarter interim results to be released on or before	14/08/2016	31/08/2016	31/08/2016	31/08/2016	
3rd quarter interim results to be released on or before	15/11/2016	30/11/2016	30/11/2016	30/11/2016	
4th quarter interim results to be released on or before	28/02/2017	28/02/2017	28/02/2017	28/02/2017	

^{*} Subject to confirmation by shareholder & directors

^{*} Dividend for 2016 to be payable by or before end of June

Annual Report of the Board of Directors on the Affairs of the Company

General

The Board of Directors of SANASA Development Bank PLC has the pleasure in presenting its Annual Report to the shareholders for the financial year ended 31st December 2015, together with the audited financial statements of the Bank for that year and the auditor's report on those financial statements, conforming to the requirements of the Companies Act No.7 of 2007 and the Banking Act No.30 of 1988. The financial statements were reviewed and approved by the Board of Directors on 3rd March 2016.

This Report includes the information as required by the Companies Act No.7 of 2007, Banking Act Direction No.12 of 2007 on Corporate Governance for Licensed Specialised Banks and subsequent amendments thereto, Listing Rules of the Colombo Stock Exchange (CSE). The Report is also guided by the recommended best practices on Corporate Governance.

SANASA Development Bank PLC is a licensed specialised bank registered under the Banking Act No.30 of 1988 and was incorporated as a public limited liability company in Sri Lanka on 06th August 1997 under the Companies Act No.17 of 1982. The Bank was re-registered as per the requirements of the Companies Act No.07 of 2007 on 30th October 2007. The re-registration number of the Bank is PB62PO.

The ordinary shares of the Bank are listed on the Main Board of the Colombo Stock Exchange of Sri Lanka.

The Bank has been assigned a National Long Term Rating of BB+(lka) with a Stable Outlook by Fitch Ratings Lanka Ltd and the SL (BBB-) with positive outlook by ICRA Lanka Limited has reaffirmed Bank's long-term and short-

term financial institutional ratings at BBB and P3 respectively; the long-term rating carries a stable outlook.

The registered office as well as the Head Office of the Bank is at No.12, Edmonton Road, Colombo 6, Sri Lanka,

1. Vision, Mission and Values

The Bank's Vision, Mission and Value statements are given in page no. 6 of the Annual Report. The business activities of the Bank are conducted in keeping with the highest level of ethical standards in achieving its Vision and Mission.

2. Principal Business Activities

The principal activities of the Bank include accepting deposits at competitive rates of interest and the investment of these deposits in community based lending programmes, with special focus on SANASA Societies, their members and other micro enterprises and issuing of local debit cards. The Bank's range of products includes special deposits, credit, pawning, leasing and refinance loan schemes.

3. Review of Operations

A review of the operations of the Bank during the financial year 2015 and results of its operations are contained in the Chairperson's Review (pages 36 to 39) the GM/CEO's Review (pages 40 to 44) and the Management Discussion & Analysis (pages 48 to 92). These reports form an integral part of the Annual Report of the Board of Directors.

4. Future Developments

An overview of the future developments of the Bank is given in the Chairperson's Review (pages 36 to 39), the GM/CEO's Review (pages 40 to 44) and the Management Discussion & Analysis (pages 48 to 92).

5. Financial Statements

The financial statements of the Bank have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS's) laid down by the Institute of Chartered Accountants of Sri Lanka (ICA Sri Lanka) and they comply with the requirements of Companies Act No. 7 of 2007 and Banking Act No.30 of 1988. The financial statements of the Bank for the year ended 31st December 2015 duly signed by the Assistant General Manager-Finance, General Manager/Chief Executive Officer, two of the Directors of the Bank and the Company Secretary are given in pages 190 to 240, which form an integral part of the Annual Report of the Board of Directors.

6. Director's Responsibility for **Financial Reporting**

The Directors are responsible for the preparation of the financial statements of the Bank to reflect a true and fair view of its state of affairs. The Directors are of the view that these financial statements appearing on pages 187 to 188 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs), Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto, the Listing Rules of the CSE and the Corporate Governance Code for Licensed Specalised Banks issued by the Central Bank of Sri Lanka (CBSL). The Statement of Directors' Responsibility for Financial Reporting is given on page 187 and forms an integral part of the Annual Report of the Board of Directors.

7. Auditor's Report

The Auditors of the Bank are Messrs Ernst & Young, Chartered Accountants. Messrs Ernst & Young carried out the audit on the financial statements of the



Bank for the year ended 31st December 2015 and their report on those financial statements, as required by the Section 168 (1) (c) of the Companies Act is given on Page 189.

8. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are given on pages 194 to 207 and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

9. Going Concern

The Board is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. Therefore, we continue to adopt the "going concern" basis in preparing these financial statements.

10. Financial Results and Appropriations

10.1 Income

The income of the Bank for 2015 was LKR 6,883,844,920/- (2014: LKR 5,237,165,439/-). An analysis of the income is given in Note 03 & 04 to the financial statements.

10.2 Profits and Appropriations

The Bank's profit before tax and profit after tax recorded a growth of 47.84% and 42.84% respectively over 2014. The total comprehensive income (net of tax) for the year is LKR 718,639,731 (2014: LKR 484,941,383). A detailed breakup of profits and appropriations of the Bank is given below.

	2015	2014
Description	LKR	LKR
Profit for the year ended 31st December after payment of all operating expenses and provision for depreciation and	1,110,558,650	751,179,004
contingencies		
Less: Taxation	(389,984,089)	(246,732,027)
Net Profit After Tax	720,574,561	504,446,977
Other Comprehensive Income (OCI)		
Actuarial Gain/(losses) on defined benefit plans	(2,687,681)	(27,091,104)
Gains/(losses) on re-measuring available-for-sale	0	0
Financial Assets		
Income tax relating to other comprehensive income	752,551	7,585,510
Total Comprehensive Income for the year	718,639,431	484,941,382
Unappropriated profit brought forward from previous year	619,295,312	489,354,652
Balance available before appropriation / adjustments	1,337,934,743	974,296,034
Appropriations		
Transfer to Statutory Reserve fund	(35,931,972)	(24,247,069)
Transfer from /(to) Investment Fund	0	223,285,581
Dividend		
Final cash dividend (2013)		(176,227,254)
Final cash dividend – 2014 (LKR 2.50 per share)		(94,589,608)
Final scrip dividend – 2014 (LKR 7.50 per share)		(283,222,372)
Unappropriated balance carried forward	1,302,002,771	619,295,312
Proposed Dividend		
Final cash dividend – 2015 (LKR 2.50 per share)	(100,616,562)	
Final scrip dividend – 2015 (LKR 7.50 per share)	(301,849,687)	
Balance carried forward as at 31st December	899,536,522	

Annual Report of the Board of Directors on the Affairs of the Company Contd.

11. Taxation

The income tax rate applicable on the Bank's domestic operation is 28% (2014: 28%)

The Bank is also liable for VAT and NBT on financial value addition at 11% (2014: 12%) and 2% (2014: 2%) respectively. The Bank has also provided deferred taxation on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard – LKAS 12 (Income Taxes).

With effect from 1st April 2013, the Bank is liable to pay Crop Insurance Levy on a quarterly basis at 1% on after tax profit to the Insurance Trust Fund Board.

12. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.

13. Dividend on Ordinary Shares

The Directors recommend that a final dividend of LKR 10.00 per share (2014: LKR 10.00 per share) be paid for the financial year ended 31st December 2015. This will be paid by LKR 2.50 in the form of cash dividend and balance LKR 7.50 in the form of scrip dividend (2014: LKR 2.50 in the form of cash dividend and the balance LKR 7.50 in the form of scrip dividend)

The dividend is subject to shareholder approval at the Annual General Meeting.

The Board of Directors was satisfied that the Bank would meet the solvency test immediately after the final dividend proposed which will be paid in June 2016 in terms of the Section 31(3) of

the Companies Act. The Board provided the Statement of Solvency to the auditors and obtained a Certificate of Solvency from the auditors in respect of the dividend payment conforming to the statutory provision. With this payment, the Bank is also fulfilling the deemed dividend requirement according to the provisions of Inland Revenue Act.

14. Reserves

A summary of the Bank's reserve position is given below:

	2015 LKR	2014 LKR
Statutory reserve	154,596,404	118,664,432
General reserve	46,656,973	46,656,973
Retained earnings	1,302,002,771	997,107,291

The movement in these reserves is shown in the Statement of Change in Equity on page 192 of the Annual Report.

15. Capital Expenditure

The total capital expenditure on acquisition of property, plant and equipment of the Bank amounted to LKR 198,184,369/- (2014: LKR 120,338,691/-). Details are given in Note 19.2 to the financial statements.

16. Property, Plant and Equipment

Details of property, plant and equipment are given in Note 19 to the financial statements.

17. Net Book Value of Freehold Properties

The net book values of freehold properties owned by the Bank as at 31st December 2015 are included in the accounts at LKR 230,146,963/- (2014: LKR 245,232,325/-). The details of freehold properties owned by the Bank are given in Note 19.1 to the financial statements.

18. Outstanding Litigation

In the opinion of the Directors and the Bank's Lawyers, pending litigation against the Bank disclosed in Note 31.2 of the financial statements will not have a material impact on the financial position of the Bank or its future operations.

19. Events after the Reporting Date

No circumstances have arisen since the Statement of Financial Position date which would require adjustments to, or disclosure in, the accounts, except those disclosed in Note 32 to the financial statements.



20. Stated Capital

The stated Capital of the Bank as at 31st December 2015 amounted to LKR 3,794,094,725/- consisting of 40,246,625 ordinary shares (2014: LKR 3,533,545,080/- consisting of 37,762,983 ordinary shares).

The number of shares in issue of the Bank increased from 37,762,983 ordinary shares to 40,246,625 ordinary shares as a result of the Script Dividend of one new ordinary share for every 15.087 ordinary shares held by shareholders.

The details of the shares issued are given in Note 27 to the financial statements.

21. Share Information

Information relating to earnings, dividend, net assets and market price per share is given on page ... of the Annual Report.

22 Shareholding

There were 40,283 registered ordinary shareholders as at 31st December 2015 (2014: 45,446).

22.1 Shareholder Distribution

The information on the distribution of shareholding is given below

	As at 31 Dec	cember 2015	As at 31 December 2014		
Shareholder	Quantity	No of Shares	Quantity	No of Shares	
Individual	36,763	16,740,267	41,918	16,422,235	
Institutions					
Foreign	1	959,681	1	900,000	
Local & Other Institutions	42	8,031,577	43	5,151,395	
Sanasa Federation	1	573,626	1	537,953	
Sanasa Societies	3314	4,541,844	3321	4,854,111	
Sanasa Unions	33	1,037,404	33	1,376,012	
MPCCS	20	137,580	20	129,032	
Trust Companies	109	8,224,646	109	8,392,245	
Total	40,283	40,246,625	45,446	37,762,983	

DTCCSU Ltd: District Thrift & Credit Co-operative Society Union Ltd.

PTCCS: Primary Thrift & Credit Co-operative Society.

MPCCS: Multi-Purpose Credit & Co-operative Society

22.2 Composition of share ownership

Share Range	As at 31st December 2015				As at 31st December 2014			
	No. of Share Holders	%	No. of Shares	%	No. of Share Holders	%	No. of Shares	%
1- 1,000	38,735	96.16	5,077,201	12.61	43,787	96.35	6,407,781	16.97
1,001 - 10,000	1245	3.10	3,410,928	8.48	1,315	2.89	3,877,031	10.27
10,001- 100,000	243	0.60	7,365,558	18.30	285	0.63	7,826,378	20.72
100,001 - 1,000,000	54	0.13	11,996,132	29.81	56	0.12	13,426,034	35.55
1,,000,001 & above	6	0.01	12,396,806	30.80	3	0.01	6,225,759	16.49
	40,283	100.00	40,246,625	100.00	45,446	100.00	37,762,983	100.00

Annual Report of the Board of Directors on the Affairs of the Company Contd.

22.3 Top 20 Shareholders as at 31st December 2015

The details of Top 20 Shareholders are given below.

		31st De	c.2015	31st Dec.2014	
No	Shareholder Name	No of Sahres	%	No of Shares	%
1	Seylan Bank Plc/Thirugnanasambandar Senthilverl	4,201,346	10.44	3,204,129	8.49
2	Global Rubber Industries Private Limited	2,792,071	6.94	No	
3	Peoples Leasing & Finance Plc	1,866,047	4.64	1,750,000	4.63
4	Dr. T. Senthilverl	1,473,445	3.66	772,179	2.04
5	Seemasahitha Sanasa Rakshana Samagama (General)	1,036,061	2.57	1,271,630	3.37
6	Dr. S. Yaddehige	1,027,836	2.55	No	
7	CB NY S/A International Finance Corporation	959,681	2.38	900,000	2.38
8	Seemasahitha Sanasa Rakshana Samagama (Life)	811,565	2.01	761,095	2.01
9	Kegalle Sanasa Share Holders Trust Company Limited	718,641	1.78	931,647	2.47
10	Etimos Lanka Private Limited	585,229	1.45	590,229	1.56
11	Sanasa Federation Limited	573,626	1.42	537,953	1.42
12	Warakapola Sanasa Share Holders Trust Company Limited	468,478	1.16	439,344	1.16
13	Hambanthota DTCCS Union Ltd	342,426	0.85	321,131	0.85
14	Mr. D.P. Pieris	314,398	0.78	No	
15	Waldock Mackenzie Ltd/ Mr. S.N.P. Palihena And Mrs. A.S. Palihena	300,000	0.74	No	
16	Deutsche Bank Ag as Trustee to Astrue Alpha Fund	264,685	0.66	No	
17	Polpithigama Sanasa Share Holders Trust Company Limited	257,046	0.64	241,061	0.64
18	Mr. K. Sabaratnam	256,262	0.64	No	
19	Gampaha District Thrift and Credit Co-operative Socities Union Ltd	245,074	0.61	417,396	1.10
20	Kamburupitiya Sanasa Share Holders Trust Company Limited	244,153	0.61	228,970	0.61
	Total	18,738,070	46.53	12,366,764	32.73

23. Equitable Treatment to Shareholders

The Bank has at all times ensured that all shareholders are treated equitably.

24. The Board of Directors

The Board of Directors of the Bank consists of nine (2014: nine) Directors with wide financial and commercial knowledge and experience. The names of the Directors of the Bank as at 31st December 2015 are given below as per Section 168 (1) (h) of the Companies Act. Their brief profiles appear on pages 98 to 99 of the Annual Report. The classification of Directors into Executive Director (ED), Non-Executive Director (NED) and Independent Non-Executive Director (INED) is given against the names as per Listing Rules and Corporate Governance Rules of Colombo Stock Exchange and Banking Act Direction No. 12 of 2007 issued by the Central Bank of Sri Lanka.



Name of the Director	Status
Mrs. M.S. Kiriwandeniya	Non-Independent, Non-Executive
(Chairperson)	Director
Mr. T. Karunasena	Independent, Non-Executive Director
(Deputy Chairman)	
Mr. D.P. Kumarage	Non-Independent, Non-Executive
	Director
Mr. H.M.G.B. Herath	Non-Independent, Non-Executive
	Director
Mr. L. Abeysekera	Independent, Non-Executive Director
Mr. T. Rajapaksha	Non-Independent, Non-Executive
	Director
Mr. W.M.M.D. Ratnayake	Independent, Non-Executive Director
Mr. B.R.A. Bandara	Non-Independent, Non-Executive
	Director
Mr. J.A.L.G. Jayasinghe	Non-Independent, Non-Executive
	Director

25. Retirement by Rotation and Re-election/Re-appointment of Directors

Mrs. M.S. Kiriwandeniya,

Mr. H.M.G.B. Herath, Mr. T. Rajapaksha retires by rotation

Mr. B.R.A. Bandara and Mr. J.A.L.G. Jayasinghe was appointed to the Board with effect from 29th May 2015.

26. Board Sub-committees

The Board while assuming the overall responsibility and accountability for the management oversight of the Bank has also appointed Board sub-committees to ensure oversight and control over certain affairs of the Bank, conforming to the Banking Act Direction No. 12 of 2007 issued by the Monetary Board of the Central Bank of Sri Lanka, on "Corporate Governance for Licensed Specialised Banks of Sri Lanka". Accordingly, the following mandatory sub-committees have been constituted by the Board:

26.1 Board Audit Committee

The report of the Board Audit Committee is given on pages 159 to 162 and forms an integral part of the Annual Report of the Board of Directors.

26.2 Board Human Resources and Remuneration Committee

The report of the Board Human Resources and Remuneration Committee is given on pages 163 to 164 and forms, an integral part of the Annual Report of the Board of Directors.

26.3 Board Selection and Nomination Committee

The report of the Board Selection and Nomination Committee is given on pages 165 to 166 and forms an integral part of the Annual Report of the Board of Directors.

26.4 Board Integrated Risk Management Committee

The report of the Board Integrated Risk Management Committee is given on page 158 and forms an integral part of the Annual Report of the Board of Directors.

26.5 Board Credit Committee

The report of the Board Credit Committee is given on page 169 and forms an integral part of the Annual Report of the Board of Directors.

27. Directors' Meetings

The details of the Directors' meetings comprise Board meetings, Board Credit Committee meetings, Board Audit Committee meetings, Board Human Resource and Remuneration Committee meetings, Board Integrated Risk Management Committee meetings, Board Selection and Nomination Committee meetings and Board Stategic Planning, ICT & Business Development Committee meetings. The attendance of Directors at these meetings is given below.

Annual Report of the Board of Directors on the Affairs of the Company Contd.

_	Name	Board Meeting	Board Credit Committee Meeting	Board Audit Committee	Board Human Resource & Remuneration Committee	Board Integrated Risk Management Committee	Selection and Nomination Committee	Board Stategic Planning, ICT & Business Development
1_	Mrs.M.S.Kiriwandeniya	16/16			18/18	5/5	6/6	5/5
2	Mr.T.Karunasena	16/16	4/12	11/15	18/18	5/5	6/6	
3	Mr.A.D.Walisinghe*	7/16	5/12		9/18			
4	Mr.D.P.Kumarage	13/16	12/12			3/5		
5	Mr.L.Abeysekera	13/16		14/15	16/18	1/5	6/6	5/5
6	Mr.H.M.G.B.Herath	16/16	8/12	4/15		3/5		
7_	Mr.J.Rathnayake*	7/16		4/15				
8	Mr.T.Rajapaksha	16/16		14/15				
9	Mr. W.M.M.D.Ratnayake	6/16						4/5
10	Mr.B.R.A.Bandara**	9/16	6/12					
11	Mr.J.A.L.G.Jayasinghe**	5/16			3/18			

^{*} Retired on 29th May 2015 - Completion of 09 year rule of the CBSL

28. Directors' Interests Register

The Bank maintains a Directors' interests register as required under the provisions of Section 168 (1) (e) of the Companies Act No. 7 of 2007. The Directors of the Bank have disclosed their interests in contracts or proposed contracts, in terms of Section 192 (1) and 192 (2) of the Companies Act. These interests have been recorded in the interests' register which is available for inspection in terms of the provisions of the Companies Act.

29. Directors' Interests in Ordinary Shares

The shareholding of Directors is as follows:

Name	As at 31st December 2015	As at 31st December 2014
Mrs. M.S. Kiriwandeniya	5,158	4,838
Mr. B.R.A. Bandara	500	6,450

29.1 Shareholding Percentage

Name	As at 31st December 2015	As at 31st December 2014
Directors	0.02%	0.02%
Public	99.98%	99.98%

30. Directors' Remuneration

As required under the Section 168 (1) (f), details of Directors' emoluments and other benefits paid in respect of the Bank during the financial year under review are given in Note 08 to the financial statements

31. Related Party Transactions

The Directors have also disclosed transactions if any, that could be classified as related party transactions in terms of LKAS 24 "Related Party Disclosures" which is adopted in the preparation of the financial statements. Those transactions disclosed by the Directors are given in Note 09 to the financial statements, forming part of the Annual Report of the Board of Directors.

31.1 ESOP/ Employees Share Option Plan

The Bank does not have any employees share ownership/option plans during the year.

32. Environmental Protection

To the best of knowledge of the Board, the Bank has complied with the relevant environmental laws and regulations. The Bank has not engaged in any activity that is harmful or hazardous to the environment.

33. Risk Management and **Internal Control**

33.1 Risk management

The Bank has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Bank. This process is detailed in Risk Management report on pages 150 to 156. The Directors on regular basis review the above mentioned process through the Board Integrated Risk Management Committee. The Bank has no material industrial disputes during the year.

^{**} Appointed on 29th May 2015



33.2 Internal Controls

The Directors have taken reasonable steps open to them to safeguard the assets of the Bank and to prevent and detect frauds and any other irregularities. For this purpose the Directors have instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and managing the significant risks faced by the Bank throughout the year and it has been under regular review of the Board of Directors. This comprises Internal reviews, Internal Audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, to safeguard the assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records.

34. Directors Statement of **Internal Control**

The Board has issued a report on the internal control mechanism of the Bank as per Section 3 (8) (ii) (b) of Banking Act Direction No. 12 of 2007 on Corporate Governance. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The above report, which forms an integral part of the Annual Report of the Board of Directors, is given on pages 182 to 183.

The Board has obtained an assurance report from the external auditors on Directors' Statement on internal control which is given on page 184 of the Annual Report.

35. Corporate Governance

The Board of Directors is committed towards maintaining an effective corporate governance framework and implementing processes required to

ensure that the Bank is compliant with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission of Sri Lanka and the direction on corporate governance Issued by the Central Bank of Sri Lanka. Details are given in corporate governance report on pages 120 to 149 of this Annual Report.

36. Auditors

The Bank's auditors during the period under review were Messrs Ernst & Young, Chartered Accountants. Audit fees and reimbursement of expenses paid to Ernst & Young during the year under review by the Bank amounted to LKR 1,771,560/- (2014: LKR 1,036,000/-). Further LKR 770,340 (2014: LKR 530,000/-) were paid by the Bank for audit related and non-audit services including reimbursement of expenses. Details of the Audit Fees paid are given in Note 08 to the financial statements. Based on the declaration provided by Messrs Ernst & Young, and as far as the Directors are aware, the auditors do not have any relationship or interest with the Bank that in our judgement, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), applicable on the date of this Report.

The retiring Auditors. Messrs Ernst & Young, have expressed their willingness to continue in office. Hence they may come up for re-election at the Annual General Meeting, with the recommendation of the Board Audit Committee and the Board of Directors. In accordance with the Companies Act, a resolution proposing the reappointment of Messrs Ernst & Young, Chartered Accountants, as auditors is being proposed at the Annual General Meeting.

37. Notice of Meeting

The 19th Annual General Meeting of the Bank will be held at SANASA Uththamavi Hall, Paragammana, Hettimulla, Kegalle at 9.00 a.m. on the 31st May 2016. The agenda is given on page 269.

38. Acknowledgment of the **Contents of the Report**

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

For and on behalf of the Board of Directors

M.S.Kirlwandeniya

Chairperson

.. Abeysekera

Director

Tamarika Rodrigo

Company Secretary

03rd March 2016 Colombo, Sri Lanka

Directors' Statement on Internal Control over Financial Reporting

Responsibility

In line with the Banking Act Direction No. 12 of 2007, Section 3(8)(ii)(b), the Board of Directors presents this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at SANASA Development Bank PLC, ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of Banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlight any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light. the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of 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 Bank and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' statement on internal control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting, taking into account the principles for the assessment of the internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regularity 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 in **Reviewing the Design and Effectiveness of the Internal Control System over Financial** Reporting

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

- Various appointed committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Divsion of the Bank checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing

basis applying Risk Base Audit Procedures (RBAP) using samples and rotational procedures and highlighting significant findings in respect of any non-compliance. Audits are carried out on all Departments/Divisions and branches in accordance with the annual Risk Base Audit Plan approved by the Board Audit Committee, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. Findings of the Internal Audit Department highlighting the high risk findings are submitted to the Board Audit Committee for review at their periodic meetings.

- The Board Audit Committee of the Bank 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 Committee also reviews the internal audit functions with particular emphasis on the scope of audits and quality of the same. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Further details of the activities undertaken by the Board Audit Committee of the Bank are set out in the Board Audit Committee Report.
- In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Bank. These in turn were observed and checked by the Internal Audit Department for suitability of design and effectiveness on an ongoing hasis



- The Bank adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2012. The processes and procedures initially applied to adopt the aforementioned Accounting Standards were further strengthened during the years 2013 to 2015 based on the feedback received from the External Auditors, Internal Audit Department, Regulators and the Board Audit Committee. The Bank has updated relevant procedure manuals pertaining to these new requirements. The Bank has also recognised the need to introduce an automated financial reporting process in order to comply with the requirements of recognition, measurement, classification and disclosure of the financial instruments more effectively and efficiently.
- In the light of the comments made by the External Auditors in connection with internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2015, in connection with the internal control system over financial reporting will be dealt with in the future

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka

Review of the Statement by External Auditors

The External Auditors, Messrs Ernst & Young have reviewed the above Directors' Statement on Internal Control over Financial Reporting included in the Annual Report of the Bank for the year ended 31st December 2015 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 internal control over financial reporting of the Bank. Their report on the statement of Internal Control over Financial Reporting is given in the Auditors' Report of this Annual Report in page 184.

By order of the Board

.. Abeysekera

Chairman - Board Audit Committee

Thilak Rajapaksha

Member -

Board Audit Committee

M.S.Kiriwandeniya Chairperson

3rd March 2016 Colombo, Sri Lanka

Independent Assurance Report



Ernst & Young Chartered Accountants 201 De Saram Place P.O. Box 101 Colombo 10 Sri Lanka Tel : +94 11 2463500 Fax Gen : +94 11 2697369 Tax : +94 11 5578180

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Independent Assurance Report to the Board of Directors of SANASA Development Bank PLC

Introduction

We were engaged by the Board of Directors of SANASA Development Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("Statement") included in the Annual Report for the year ended 31 December 2015.

Management's Responsibility

The Management is responsible for the preparation and presentation of the statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with Section 3(8) (ii) (b) of the Banking Act Direction No.12 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

Our Responsibilities and Compliance with SLSAE 3050

Our responsibility is to issue a report to the Board on the statement based on the work performed. We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements (SLSAE)3050-Assurance Report for Banks on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

Summary of Work Performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of Bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 does not require us to consider whether the statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 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.

Our Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the statement included in the Annual Report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

Ernst & Young
Chartered Accountants

Parst Tour

3rd March 2016 Colombo

Partners: WRH Fernando FCA FCMA MPD Cooray FCA FCMA RN de Saram ACA FCMA Ms. NA De Silva FCA Ms. YA De Silva FCA WKBS P Fernando FCA FCMA Ms. LKHL Fonseka FCA APA Gunasekera FCA FCMA A Herath FCA DK Hulangamuwa FCA FCMA LLB (Lond) HMA Jayesinghe FCA FCMA Ms. AA Ludowyke FCA FCMA Ms. G S Manatunga FCA NM Sulaiman ACA ACMA BE Wijesuriya FCA FCMA

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CEO's and CFO's Responsibility Statement



The Financial Statements of SANASA Development Bank PLC (Bank) as at 31st December 2015 are prepared in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 7 of 2007 (Companies Act);
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Banking Act No. 30 of 1988 and amendments thereto:
- 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, the Securities and Exchange Commission of Sri Lanka; and
- Section 3(8)(ii) of the Banking
 Act Direction No. 12 of 2007 on
 Corporate Governance issued by the
 Central Bank of Sri Lanka.

The formats used in the preparation of the financial statements and disclosures made comply with the formats prescribed by the Central Bank of Sri Lanka, which is also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard (LKAS 1) "Presentation of Financial Statements".

The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently

applied by the Bank. The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and External Auditors. Comparative information has been restated wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained in the Notes to the financial statements.

The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis; in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs is reasonably presented. To ensure this, the Bank and all of its subsidiaries have taken proper and sufficient care in installing a system of internal control and procedures for safeguarding assets, preventing and detecting frauds and/or errors as well as other irregularities which are reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

We confirm, compliance with Section 3(8)(ii) of the Banking Act Direction No. 12 of 2007 on Corporate Governance (Internal Control Over Financial Reporting - ICOFR) issued by the Central Bank of Sri Lanka as of 26th December 2007 and that the

Bank's Internal Control over Financial Reporting is adequate and effective. The Annual Report of the Directors on pages 174 to 181 has briefly covered the Bank's Internal Control over Financial Reporting. In addition, Directors' Statement on Internal Control over Financial Reporting is provided on pages 182 & 183 The Bank's External Auditors, Messrs. Ernst & Young, have audited the effectiveness of the Bank's Internal Control Over Financial Reporting and have given an unqualified opinion on page 189 of this Annual Report.

The financial statements of the Bank were audited by Messrs. Ernst & Young, Chartered Accountants, the independent External Auditors. Their report is given on page 189 of this Annual Report.

The Audit Committee of the Bank meets periodically with the Internal Auditors and the independent External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss issues relating to auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. The Audit Committee report is given on pages 159 to 162.

The Audit Committee approves the audit and non-audit services provided by Messrs. Ernst & Young, in order

CEO's and CFO's Responsibility Statement contd.

to ensure that the provision of such services does not impair Messrs. Ernst & Young's independence.

We confirm that to the best of our knowledge:

- the Bank has complied with all applicable laws, regulations and prudential requirements;
- there are no material noncompliances; and
- there are no material litigations that are pending against the Bank other than those disclosed in Note No. 31 to the financial statements in the Annual Report.

Nimal C. Hapuarachchi

General Manager/Chief Executive Officer`

Terrance Kumara

Assistant General Manager – Finance

Colombo, Sri Lanka 03rd March 2016

Statement of Directors' Responsibility for Financial Reporting



The financial statements of SANASA Development Bank PLC ("Bank") as at 31st December 2015 are prepared in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka;
- Companies Act No 7 of 2007 (Companies Act);
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995;
- Banking Act No 30 of 1988 and amendments thereto:
- The Listing Rules of the Colombo Stock Exchange;
- The Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission of Sri Lanka; and
- Section 3(8)(ii) of the Banking
 Act Direction No 12 of 2007 on
 Corporate Governance issued by the
 Central Bank of Sri Lanka.

The formats used in the preparation of the financial statements and disclosures, comply with the formats prescribed by the Central Bank of Sri Lanka, which is also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard (LKAS 1) "Presentation of Financial Statements".

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied by the Bank. The significant

accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and External Auditors. Comparative information has been restated wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained in the notes to the financial statements.

The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis; in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs is reasonably presented. To ensure this, the Bank and all of its subsidiaries have taken proper and sufficient care in installing a system of internal control and procedures for safeguarding assets, preventing and detecting frauds and/or errors as well as other irregularities which are reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

We confirm compliance with section 3(8)(ii) of the Banking Act Direction No.12 of 2007 on Corporate Governance (Internal Control Over Financial Reporting - ICOFR) issued by the Central Bank of Sri Lanka as of 26 December 2007 and that the Bank's Internal Controls over Financial Reporting is adequate and effective.

The report of the Directors on pages 174 to 181 has briefly covered the Bank's internal controls over financial reporting. In addition, the Directors' statement on internal control over financial reporting is provided on pages 182 to 183 The Bank's external auditors, Messrs. Ernst & Young, have audited the effectiveness of the Bank's internal controls over financial reporting and have given an unqualified opinion on page 189 of this Annual Report.

The financial statements of the Bank were audited by Messrs. Ernst & Young, Chartered Accountants, the independent External Auditors. Their report is given on page 189 of this Annual Report.

The Audit Committee of the Bank meets periodically with the Internal Auditors and the independent External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss issues relating to auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. The Audit Committee report is given on pages 159 to 162.

The Audit Committee approves the audit and non-audit services provided by Messrs. Ernst & Young, in order to ensure that the provision of such services does not impair Messrs. Ernst & Young's independence.

Statement of Directors' Responsibility for Financial Reporting Contd.

We confirm that to the best of our knowledge:

- The Bank has complied with all applicable laws, regulations and prudential requirements;
- There are no material non compliances; and There are no material litigations that are pending against the Bank other than those disclosed in note 31 to the financial statements in the Annual Report.

By order of the board,

Tamarika Rodrigo Company Secretary

03rd March 2016 Colombo, Sri Lanka

Independent Auditors' Report





Ernst & Young Chartered Accountants 201 De Saram Place P.O. Box 101 Colombo 10 Sri Lanka Tel : +94 11 2463500 Fax Gen : +94 11 2697369 Tax : +94 11 5578180

eysl@lk.ey.com ev.com

BW/DLH/JJ

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SANASA DEVELOPMENT BANK PLC

Report on the Financial Statements

We have audited the accompanying financial statements of SANASA Development Bank PLC, (the "Bank"), which comprise the statement of financial position as at 31st December 2015, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain

reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements

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

Opinior

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31st December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Bank and
 - the financial statements of the Bank, comply with the requirements of Section 151 of the Companies Act No.07 of 2007.

03 March 2016 Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

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Statement of Comprehensive Income

Year ended 31st December 2015

	Note	2015 LKR	2014 LKR
Interest income		6,609,248,423	4,850,169,802
Interest expenses		(3,240,874,613)	(2,400,763,438)
Net interest income	3	3,368,373,810	2,449,406,364
Fee and commission income		217,475,178	164,626,078
Fee and commission expenses		(2,965,660)	(2,282,774)
Net fee and commission income	4	214,509,518	162,343,304
Net gain/(loss) from financial instruments at fair value through profit or loss	5	5,094,794	53,941,819
Other operating income (net)	6	52,026,524	168,427,740
Total operating income		3,640,004,646	2,834,119,227
Impairment for loans and other losses	7	(49,594,295)	(204,389,615)
Net operating income		3,590,410,351	2,629,729,612
Personnel expenses	8	(1,114,753,852)	(767,848,095)
Other expenses	9	(1,091,457,100)	(920,427,546)
Operating profit before Value Added Tax (VAT)		1,384,199,399	941,453,972
Value added tax (VAT) on financial services & NBT		(273,640,749)	(190,274,968)
Operating profit after Value Added Tax (VAT)		1,110,558,650	751,179,003
Profit before tax		1,110,558,650	751,179,003
Tax expenses	10	(389,984,089)	(246,732,027)
Profit for the year		720,574,561	504,446,976
Other Comprehensive Income			
Other Comprehensive Income/(Expenses) not to be reclassified to profit or loss			
Actuarial losses on defined benefit plans	25.1.3	(2,687,681)	(27,091,104)
Income tax relating to other comprehensive income	10.2.1	752,551	7,585,510
Other Comprehensive Income for the year net of tax		(1,935,130)	(19,505,594)
Total Comprehensive Income for the year		718,639,431	484,941,382
Earnings per share on profit			
Basic earnings per share - (LKR)	11	17.90	13.36

The Accounting Policies and Notes on pages 194 through 240 form an integral part of the Financial Statements.

Statement of Financial Position



As at 31st December 2015

	Note	2015 LKR	2014 LKR
Assets			
Cash and cash equivalents	12.	5,057,791,122	661,651,213
Placements with banks	13.	4,757,400,770	2,223,162,226
Other financial asset classified under loans and receivables	14.	1,926,055,413	4,164,273,491
Loans and receivables to other customers	15.	45,830,498,891	32,060,498,194
Financial investments - Available-for-sale	16.	79,678,638	29,734,245
Financial investments - Held-to-maturity	17.	1,192,440,373	298,544,685
Asset classified as Held for sale	18.	37,175,411	-
Property, plant and equipment	19.	549,171,557	513,592,432
Investment properties	20.	25,502,720	26,558,750
Intangible assets	21.	47,141,277	77,344,311
Other assets	22.	787,137,810	517,187,167
Total assets		60,289,993,982	40,572,546,714
Liabilities	00	40,000,000,000	00 040 400 051
Due to other customers		43,023,392,820	30,249,433,851
Other borrowings	24	6,600,338,605	4,602,233,293
Debt securities issued		3,979,110,559	11010000
Current tax liabilities Deferred tax liabilities	101	260,733,158	113,192,235
	10.1	66,410,666	53,513,422
Other liabilities Total liabilities		1,062,657,301 54,992,643,109	858,200,137 35,876,572,938
Total liabilities		34,552,043,105	33,010,312,930
Equity			
Stated capital	27.	3,794,094,725	3,533,545,080
Statutory reserve fund	28.	154,596,404	118,664,432
Retained earnings	29.	1,302,002,771	997,107,291
Other reserves	30.	46,656,973	46,656,973
Total equity		5,297,350,873	4,695,973,776
Total equity and liabilities		60,289,993,982	40,572,546,714
Contingent liabilities and commitments	31.	136,574,133	129,506,905

Certification

I certify these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Terrance Kumara AGM - Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by;

M.S. Kiriwandeniya

Chairperson

L. Ábeysekera Director

aganchay Nimal C Hapuarachchi

General Manager/CEO

Tamarika Rodrigo Company Secretary

The Accounting Policies and Notes on pages 194 through 240 form an integral part of the Financial Statements.

03rd March 2016 Colombo, Sri Lanka.

Statement of Changes in Equity

Year ended 31st December 2015

Bank		Stated Capital			Reserves		
	Note	Ordinary Voting Shares	Statutory Reserve	Investment Fund	Retained Earnings	General Reserves	Total Equity
		LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01 January 2014		2,526,532,200	94,417,362	223,285,582	489,354,651	46,656,973	3,380,246,768
Profit for the year		-	-	-	504,446,976	-	504,446,976
Other comprehensive income (net of tax)		-	-	-	(19,505,594)	-	(19,505,594)
Total comprehensive income for the year			-	-	484,941,382	-	484,941,382
Transactions with equity holders, recognised							
directly in equity							
Rights Issue		1,007,012,880	-	-	-	-	1,007,012,880
Transfer to Statutory Reserve fund	28.	-	24,247,069	-	(24,247,069)	-	-
Transfer to Investment Fund		-	-	9,992,588	(9,992,588)	-	-
Dividends to equity holders		-	-	-	(176,227,254)	_	(176,227,254)
Transfer to Retain Earning				(233,278,170)	233,278,170	-	-
Total transactions with equity holders		1,007,012,880	24,247,069	(223,285,582)	22,811,259	-	830,785,626
Balance as at 31 December 2014		3,533,545,080	118,664,432		997,107,291	46,656,973	4,695,973,776
Profit for the year					720,574,561		720,574,561
Other comprehensive income (net of tax)				_	(1,935,130)		(1,935,130)
Total comprehensive income for the year			-	-	718,639,431	-	718,639,431
Transactions with equity holders, recognised							
directly in equity							
Scrip Dividend	27.	260,549,645	-	-	(283,222,372)	-	(22,672,727)
Transfer to Statutory Reserve fund	28.	-	35,931,972	-	(35,931,972)	-	_
Dividends to equity holders			-	-	(94,589,608)	-	(94,589,608)
Total transactions with equity holders		260,549,645	35,931,972	-	(413,743,952)	-	(117,262,335)
Balance as at 31 December 2015		3,794,094,725	154,596,404	<u>-</u>	1,302,002,771	46,656,973	5,297,350,873

Statutory Reserve Fund

Every Licensed Specialised Bank has to make a provision not less than 5% out of profit after tax to the Statutory Reserve Fund. Such provision should be made annually as stipulated by the Banking Act No. 30 of 1988 as amended by Banking (Amendment) Act No. 33 of 1995 until the said Reserve Fund is equal to 50% of the Equity Capital of the Bank. Thereafter, the Bank has to make a provision not less than 2% out of profit after tax to the Statutory Reserve Fund until the said Fund is equal to the Equity Capital of the Bank

General Reserve

The General Reserve is created after provisioning for a Statutory Reserve Fund and Interim Dividend payments for the respective share holders, this reserve will be used by the Bank for the Future Capitalisation purposes of the Bank.

Revenue Reserve

After setting off Statutory Reserve and General Reserve remaining balance transfer to the Revenue Reserve, the Reserve would be utilised to pay the Final Dividend.

The Accounting Policies and Notes on pages 194 through 240 form an integral part of the Financial Statements.

Statement of Cash Flows



Year ended 31st December 2015

	Note	2015 LKR	2014 LKR
Cash flows from / (used in) operating activities			
Interest received		6,517,746,886	5,039,377,560
Fee and commission received		222,058,055	168,242,952
Receipts from other operating activities		98,716,060	82,544,770
Interest payment		(2,509,000,814)	(2,460,973,522)
Cash payment to employees		(1,040,024,048)	(719,454,208)
Payments to suppliers and other operating activities		(1,286,755,267)	(889,154,165)
Fee and commission expenses		(30,498,511)	(21,384,295)
Operating profit before changes in operating assets		1,972,242,362	1,199,199,092
(Increase)/decrease in operating assets			
Funds advanced to customers		(13,886,943,403)	(10,307,138,081)
Other short term securities		(2,894,471,273)	2,729,537,951
Increase/(decrease) in operating liabilities			
Deposits from customers		12,090,119,295	6,692,563,318
Net cash from operating activities before income tax		(2,719,053,019)	314,162,279
Income tax paid		(182,600,243)	(180,995,649)
Net cash from operating activities		(2,901,653,262)	133,166,630
Cash flows from / (used in) investing activities			
Dividend received		1,511,087	14,313,922
(Increase)/ decrease in non dealing securities		260,694,404	567,817,874
(Increase)/ decrease in dealing securities		(48,700,000)	245,602,692
(Increase)/ decrease in treasury bonds and other investments		698,387,562	1,838,595,415
Proceeds from sale of property, plant and equipment		9,090,000	10,125,180
Purchase of property, plant and equipment	19	(198,184,369)	(120,338,691)
Net cash from/ (used in) investing activities		722,798,683	2,556,116,393
Cash flows from (used in) financing activities			
Proceeds from issuance/allotment of shares		-	1,007,012,880
Dividend paid		(86,320,027)	(111,001,531)
Net increase/(decrease) in borrowing		5,914,306,579	2,716,777,608
Funds received/(utilised) during the period		(15,103,437)	(12,313,776)
Net cash flow from/ (used in) financing activities		5,812,883,116	3,600,475,182
Net increase/ (decrease) in cash and cash equivalents		3,634,028,537	6,289,758,204
Cash and cash equivalent at the beginning of the year	12.1	6,689,142,869	399,384,665
Cash and cash equivalents at the end of the year	12.1	10,323,171,406	6,689,142,869

The Accounting Policies and Notes on pages 194 through 240 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

1.1 General

SANASA Development Bank PLC is a Licensed Specialised Bank established under the Banking Act No. 30 of 1988. It is a Limited Liability Company, incorporated and domiciled in Sri Lanka. The registered office of the Bank is located at No. 12, Edmonton Road, Colombo 6. The Bank has a primary listing on the Colombo Stock Exchange.

1.2 Principal Activities

SANASA Development Bank PLC provides a comprehensive range of financial services encompassing Development Banking, Corporate Banking, Personal Banking, Corporate and Trade Finance, Leasing and Other **Associated Activities**

1.3 Parent Entity and Ultimate Parent **Entity**

The Bank does not have an identifiable parent of its own.

1.4 Date of Authorisation of Issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 03rd March 2016

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared on a historical costbasis, except for available-for-sale investments & other financial assets and liabilities held for trading. The financial statements are presented in Sri Lankan Rupees LKR and all values are rounded to the nearest rupee, except when otherwise indicated.

2.1.1 Statement of Compliance

The financial statements of the Bank which comprise of the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow and significant accounting policies and notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 7 of 2007.

2.1.2 Presentation of Financial Statements

The bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 38.

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 expense are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the bank.

2.1.3 Comparative Information

Comparative information is reclassified wherever necessary to comply with the current presentation.

2.2 Significant Accounting Judgments, **Estimates and Assumptions**

In the process of applying the bank's accounting policies, the management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgment and estimates are as follows:

(a) Going Concern

The Bank's Management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 36.

(c) Impairment Losses on Loans and Advances

The bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income



statement. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance

Loans and advances that have been assessed individually and found to be impaired have been provided for the impairment loss on loans and advances as disclosed in Note 7 and Note 15. All individually not insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics. to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

(d) Impairment of available-for-sale Investments

The bank records impairment charges on available—for—sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the bank evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(e) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

(f) Taxation

The Bank is subject to income taxes and other taxes including VAT on financial services. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guideline on the treatment of the adoption of SLFRSs in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Bank recognised assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income.

(g) Defined Benefit Plan

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about Discount Rates, Salary Increment Rate, Age of Retirement, and Mortality Rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions used for valuation is disclosed in more detail in Note 26.1

(h) Useful Life-time of the Property and Equipment

The Bank reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.3 Summary of Significant Accounting Policies

2.3.1 Foreign Currency Translation

The financial statements are presented in Sri Lankan Rupees LKR

Transactions and Balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date. All differences arising on non-trading activities are taken to 'Other operating income' in the income statement.

2.3.2 Financial Instruments

2.3.2.1 Initial recognition and subsequent measurement

(a) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(b) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(c) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

(i) Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Net operating income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established. Included in this classification are debt securities, equities and short positions.

(ii) Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.

The assets and liabilities are part of a financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest is earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

The Bank has not designated any financial assets and liabilities upon initial recognition as at fair value through profit or loss

(iii) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value ('Day 1' profit or loss) in 'Net operating income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(iv) Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the bank has the intention and ability to hold to maturity. After initial measurement, held-tomaturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest

and similar income' in the income statement. The losses arising from impairment of such investments are recognised in the income statement line 'Impairment for loans and other losses'. If the bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two vears.

Included in this classification are debt securities and short positions.



(v) Due from banks and loans and advances to customers (Loans and Receivables)

'Due from banks' and 'Loans and advances to customers', include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

Those that the Bank intends to sell immediately or in the near term and those that the Bank upon initial recognition designates as at fair value through profit or loss.

Those that the Bank, upon initial recognition, designates as available for sale.

Those for which the bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the comprehensive income. The losses arising from impairment are recognised in the comprehensive income in 'Impairment for loans and receivables.

Included in this classification are Placement with local banks, in other financial asset classified under loans and receivable and Loans and receivable to customers.

(vi) Available-for-sale financial investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. The Bank has not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity in the 'Available-for- sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'Other operating income'. Where the bank holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserve'.

The subsequent measurement of financial liabilities depends on their classification as described below:

At the inception the Bank determines the classification of its financial liabilities. Accordingly, financial liabilities are classified as;

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)

- Financial liabilities held for trading
- Financial liabilities designated at fair value through profit or loss

(ii) Financial liabilities at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognised in profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of the portfolio that is managed together for short term profit or position taking.

This category includes derivative financial instruments entered in to by the Bank which are not designated as hedging instruments in the hedge relationships as defined by the Sri Lanka Accounting Standards -LKAs 39 on Financial Instruments: Recognition and Measurements. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Income Statement.

The Bank does not have any financial liabilities under this category.

(ii) Financial liabilities at amortised cost

Financial Instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities at amortised cost under 'due to customers and other borrowings' as appropriate, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Income Statement. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

This category consists of Due to other customers, other borrowings.

2.3.2.2 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

-In the principal market for the asset or liability, or

-In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

-Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

-Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

-Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note no 36.

2.3.2.3 Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the bank. If, in a subsequent year, the amount of the estimated impairment loss increases

or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Income Statement'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's credit risk characteristics such as asset type, industry, geographical location, past—due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect,

and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience

See Notes 7 for details of impairment losses on financial assets carried at amortised cost, Note 15 for an analysis of the impairment allowance on loans and advances.

(b) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future profit income is based on the reduced carrying amount and is accrued using the rate of return used to discount the future cash flows for the purpose of measuring the impairment loss.

In the case of equity investments classified as available-for-sale, objective evidence would also include

a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

(c) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

(d) Collateral valuation

The bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka. Non-financial collateral,

such as real estate, is valued based on data provided by third parties such as independent values and audited Financial Statements.

(e) Collateral repossessed

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

2.3.2.4 De-recognition of financial assets and financial liabilities

(a) Financial assets

A Financial Asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- the bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the bank has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially

all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

(b) Financial liabilities

A Financial Liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing Financial Liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original Financial Liability and the consideration paid is recognised in profit or loss.

2.3.2.5 Offsetting financial instruments

Financial assets and Financial Liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.



2.3.3 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'repurchase agreements', reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or replete the securities, the Bank reclassifies those securities in its statement of financial position to 'Financial Assets held-for-trading pledged as collateral' or to 'Financial Investments available-for-sale pledged as collateral', as appropriate. Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the bank.

The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Financial Liabilities held—for—trading' and measured at fair value with any gains or losses included in 'Net operating income'

2.3.4 Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability. Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'Net operating income'.

2.3.5 Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.3.5.1 Operating Leases

Bank as a lessor

Leases where the Bank does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.5.2 Finance Leases

Bank as a lessor

Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as 'Finance Leases'. Amounts receivable under finance leases are included under 'Loans and Receivables to Customers' in the Statement of Financial Position after deduction of initial rentals received, unearned lease income and the accumulated impairment losses. When assets are held subject to a Finance Lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods reflect a constant periodic rate of return.

2.3.6 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand and balances with banks on demand or with an original maturity of three months or less.

2.3.7 Property and equipment

Property, Plant & Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year.

Property and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in

accordance with LKAS 16 on Property, Plant & Equipment. Initially property and equipment are measured at cost.

(i) Basis of recognition and measurement

Cost Model

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its costs. Costs include expenditure that is directly attributable to the acquisition of the asset and cost is incurred subsequently to add to or replace a part of it. The cost of selfconstructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalized borrowing costs. Purchase of software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

When parts of Property, Plant & Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant & Equipment.

The Bank applies the cost model to Property, Plant & Equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

(ii) Subsequent cost

These are costs that are recognised in the carrying amount of an item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and it can be reliably measured

(iii) Repairs and maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Bank and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

(iv) Capital Work-in-Progress

Capital work in progress is stated at cost. It would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is stated at cost less any accumulated impairment losses.

(v) Borrowing costs

As per Sri Lanka Accounting Standard-LKAS 23 on 'Borrowing Costs', the bank capitalizes the borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

(vi) De-recognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the Income Statement in the year the asset is derecognised.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(vii) Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 20 years
- Computer hardware 3 years
- Machinery and equipment 5 years
- Motor Vehicle 4 years
- Furniture and fittings 5 years

2.3.8 Investment properties

Properties held to earn rental income have been classified as investment properties. Investment properties initially recognised at cost. After initial recognition the Bank uses the cost method to measure all of its investment property in according with requirements in LKAS 16 Property, Plant and Equipment.



Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Depreciation is calculated using the straight—line method to write down the cost of investment property to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Buildings 20 years

2.3.9 Asset classified as held for sale

Non-current assets are classified as Investments - 'held-for-sale' when their carrying amounts will be recovered principally through sale, they are available-for-sale in their present condition and their sale is highly probable. Non-current assets held-for-sale are measured at the lower of their carrying amount and fair value less cost to sell, except for those assets and liabilities that are not within the scope of the measurement requirements of SLFRS 5 - 'Non-current Assets Held-for-Sale and Discontinued Operations' such as deferred taxes, financial

instruments, investment properties, insurance contracts and assets and liabilities arising from employee benefits.

2.3.10 Intangible assets

The Bank's intangible assets include the value of computer software.

(i) Basis of recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible Assets.

Intangible Assets acquired separately are measured on initial recognition at cost. The cost of Intangible Assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

(ii) Subsequent Expenditure

Subsequent expenditure on Intangible Asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Useful economic life, amortisation and impairment

The useful lives of Intangible Assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year—end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual value over their estimated useful lives as follows:

The Class of Intangible Assets	Useful Life	Amortisation Method
Computer software	7 Years	Straight line method

The unamortised balances of Intangible Assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

(iv) De-recognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on de-recognition of the asset, Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is derecognised.

2.3.11 Impairment of non-financial

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement.

2.3.12 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of Bank. Bank guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortization recognised in the Income Statement, and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the Income Statement in 'Credit loss expense'. The premium received is recognised in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

2.3.13 Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

2.3.14 Retirement Benefit Obligations

(a) Defined benefit plan-gratuity

Based on the Sri Lanka Accounting Standard LKAS19- Employee Benefits, the Bank has adopted the actuarial valuation method for employee benefit liability an actuarial valuation is carried out every year to ascertain the liability. A separate fund is not maintained for this purpose.

The principal assumptions, which have the most significant effects on the valuation, are the rate of discount, rate of increase in salary, rate of turnover at the selected ages, rate of disability, death benefits and expenses.

The liability is measured on an actuarial basis using the projected unit credit method, adjusted for unrecognised actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the market yields at the date of statement of financial position that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related pension liability.

The Bank recognizes all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognize as personnel expenses in Income Statement.

(b) Defined Contribution Plan-Emploees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective Statutes and Regulations. The Bank contributes a minimum 12% and 3%.

2.3.15 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.



(a) Interest and similar income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as availablefor-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the Financial Asset or Financial Liability. The calculation takes into account all contractual terms of the financial instrument (for example. prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the Financial Asset or Financial Liability is adjusted if the bank revises its estimates of Payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Other operating income'. However, for a reclassified financial asset for which the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time
- Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

- Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(c) Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established.

(d) Net operating income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for Financial Assets and Financial Liabilities 'held-for-trading'.

2.3.16 Taxes

(a) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

(b) Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement

of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Income Statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Value Added Tax on Financial Services (VAT)

VAT on Financial Services is calculated in accordance with the Value Added Tax Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of Value Added Tax on Financial Services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees' computed on prescribed rate.

(d) Withholding Tax on Dividends

Withholding tax on dividends distributed by the Bank withholding tax that arise from the distribution of dividends of the bank is recognised at the time of liability to pay the related dividend is recognised. At present, the rate of 10% is deducted at source.

(e) Economic Service Charge (ESC)

As per the provisions of the Finance Act No. 11 of 2004, and amendments thereto, the ESC was introduced with effect from April 01, 2004. Currently, the ESC is payable at 0.25% on 'Exempt Turnover' and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the five subsequent years.

ESC is not payable on turnover on which income tax is payable.

(f) Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 1, 2013 and is payable to the national Insurance trust fund. Currently, the CIL is payable at 1% of the profit after tax.

(g) Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No 9 of 2009 and subsequent amendments thereto with effect from 01 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services.

2.3.17 Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

2.3.18 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the reporting date.

2.3.19 Equity reserves

The reserves recorded in equity (other comprehensive income) on the bank's statement of financial position include:

'Available-for-sale' reserve which comprises changes in fair value of available-for-sale investments.

'Other capital reserve' which includes the portions of compound financial liabilities that qualifies for treatment as equity.

2.3.20 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing services (Business Segments) or in providing services within a particular economic environment (Geographical Segment) which is subject to risks and rewards that are different from those of other segments.

In accordance with the Sri Lankan Accounting Standard SLFRS 8 -'Segmental Reporting', segmental information is presented in respect of the Bank based on Bank management and internal reporting structure.

The Bank's segmental reporting is based on the following operating segments.



- Banking: Individual customers' deposits and consumer financing , equipment financing, home and Property financing.
- Leasing : lease and Hire Purchase facility customers
- Treasury : Placements of funds with other banks and financial institutions, equity investments
- Pawning : Pawning advances to customers

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of respective segment.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 DECEMBER 2015

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31December 2015. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31December 2015.

SLFRS 14 - Regulatory Deferral Accounts

The objective of this Standard is to specify regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. SLFRS 14 will become effective on 01 January 2016. Implementation of this Standard is not expected to have an impact on the Financial Statements.

SLFRS 14 will become effective on 1 January 2016.

SLFRS 15 - Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue customers.

SLFRS 15 will become effective on 1 January 2018.

SLFRS 9 - Financial Instruments

In December 2014, the Institute of Chartered Accountant of Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the Financial Instruments project and replaces LKRS 39 Financial Instruments, Recognition and Measurement. The standard introduces new requirements for classification and measurement of impairment, and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required. But comparative information is not compulsory. The adoption of SLFRS 9 will have an effect on the classification and measurement of the Bank's Financial Assets, but no impact on the classification and measurement of the Bank's Financial Liabilities.

Management believes that the SLFRS 14 would not be applicable for the Bank, as it is an existing SLFRS preparer / does no regulatory activities. Pending the completion of the detail impact analysis, possible impact from SLFRS 9 and SLFRS 15 estimable as of the reporting date.

	2015 LKR	2014 LKR
3. NET INTEREST INCOME		
Interest income on,		
Cash and cash equivalents	202,954,251	154,609,617
Placements with banks	155,218,856	259,822,651
Loans and receivables to other customers	6,123,437,502	4,335,335,666
Financial investments - held-to-maturity	116,825,347	36,176,397
Other financial asset classified under loans and receivable	10,812,467	64,225,472
Total interest income	6,609,248,423	4,850,169,802
Interest expenses on,		
Due to other customers	2,806,787,760	2,305,170,797
Other borrowings	434,086,853	95,592,641
Total interest expenses	3,240,874,613	2,400,763,438
Net interest income	3,368,373,810	2,449,406,364
Net interest income	3,300,313,010	2,443,400,304
3.1 Net Interest Income from Sri Lanka Government Securities		
Interest income	311,414,920	227,991,220
(Less): Interest expenses	(838,516)	(62,481
Net interest income	310,576,404	227,928,739
4. NET FEE AND COMMISSION INCOME		
Fee and commission income	217,475,178	164,626,078
Fee and commission expenses	(2,965,660)	(2,282,774
Net fee and commission income	214,509,518	162,343,304
4.1 Net fees and commission earned from		
Loans	177,577,255	140,952,333
Deposits	1,452,352	1,385,819
Guarantees	2,083,558	2,239,790
Commission earned from insurance	7,405,993	6,699,784
Commission earned from ATM	20,235,964	9,536,908
Late fees charged from overdue rentals	4,705,109	317,671
Other	1,049,287	1,210,999
Net fee and commission income	214,509,518	162,343,304
5. NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THE	ROUGH PROFIT OR LOSS	
Government Debt Securities-Treasury Bills and Bonds	5,094,794	53,941,819
Total	5,094,794	53,941,819



	2015 LKR	2014 LKR
6. OTHER OPERATING INCOME (Net)		
Rent income on investment properties	-	400,000
Gain on sale of property, plant and equipment	8,837,390	8,374,350
Dividend income	2,755,480	7,655,182
Grants	4,424,619	9,396,025
Gain on sale of AFS instrument	-	113,021,132
Maintenance fees	34,131,983	27,819,567
Other income	1,877,052	1,761,483
Other operating income (net)	52,026,524	168,427,740
7. IMPAIRMENT FOR LOANS AND OTHER LOSSES		
Loans and receivables to customers		
Individual impairment losses	13,788,949	23,708,863
Collective impairment losses	35,805,346	180,680,752
Total	49,594,295	204,389,615
8. PERSONNEL EXPENSES		
Salary and bonus	827,259,008	584,764,130
Contributions to defined contribution plans - EPF	91,715,439	66,704,179
- ETF	19,654,168	14,262,661
Contributions to defined benefit plans	22,217,314	15,179,191
Overtime	3,494,373	2,656,607
Staff welfare	15,995,232	14,719,686
Staff allowances	64,920,267	46,037,924
Other	69,498,050	23,523,716
Total	1,114,753,852	767,848,095
9. OTHER EXPENSES		
Directors' emoluments	19,151,000	10,252,364
Auditors' remunerations	3,000,000	2,600,000
Professional and legal expenses	4,058,479	4,056,121
Depreciation of property, plant and equipment	117,570,128	116,462,095
Depreciation of investment property	1,056,030	1,056,030
Amortisation of intangible assets	30,203,034	30,399,794
Office administration and establishment expenses	916,418,429	755,601,143
Total	1,091,457,100	920,427,546

	2015 LKR	2014 LKR
10. TAX EXPENSE		
Current tax expense		
Current year	380,850,685	198,742,972
Adjustment on Prior years provision	(4,516,391)	32,894,925
Deferred tax expense	13,649,795	15,094,130
Total	389,984,089	246,732,027
10.1 Reconciliation of tax expenses		
Profit before tax	1,110,558,650	751,179,003
Income tax for the period (Accounting profit @ 28%)	310,956,422	210,330,121
Income Exempt from Tax	(3,246,003)	(36,501,995)
Adjustment in respect of current income tax of prior periods	(4,516,391)	32,894,925
Add: Tax effect of expenses that are not deductible for tax purposes	412,233,278	353,398,865
Less: Tax effect of expenses that are deductible for tax purposes	(343,094,957)	(328,484,019)
Add: Tax impact on leasing loss	4,001,945	
Tax expense for the period	376,334,294	231,637,897
Deferred Taxation Charge	13,649,795	15,094,130
At the effective income tax rate of 35.12 % (2014: 32.87%)	389,984,089	246,732,027

10.2 Deferred Tax Assets, Liabilities and Income Tax relates to the followings

	Stateme Financial P		Statement of Comprehensive Income			
	2015 LKR	2014 LKR	2015 LKR	2014 LKR		
Deferred Tax Liability						
Capital allowances for Property, Plant & Equipment	29,919,088	43,164,113	(13,245,025)	3,133,030		
Capital allowances for Leased Assets	118,017,390	77,519,665	40,497,725	13,763,015		
	147,936,478	120,683,778	27,252,700	16,896,046		
Deferred Tax Assets						
Defined Benefit Plans	35,645,955	30,255,757	(5,390,198)	(11,298,150)		
Loss on Lease Assets	45,879,857	36,914,598	(8,965,258)	1,910,725		
	81,525,812	67,170,356	-			
Deferred Taxation Charge	-		12,897,244	7,508,620		
Net Deferred Tax Liability	66,410,666	53,513,422	-			
10.2.1 Composition of Deferred tax charge						
Impact on income tax expense			13,649,795	15,094,130		
Impact on other comprehensive income			(752,551)	(7,585,510)		
Impact on Comprehensive income			12,897,244	7,508,620		



11. EARNINGS PER SHARE

Basic Earnings Per Share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders (after deducting preference share dividends, if any) by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

	2015 LKR	2014 LKR
Net profit for the period	720,574,561	504,446,976
Profit attributable to ordinary shareholders LKR	720,574,561	504,446,976
Weighted average number of ordinary shares in issue	40,246,625	37,769,787
	40,246,625	37,769,787
Basic earnings per ordinary share	17.90	13.36
12. CASH AND CASH EQUIVALENTS		
Cash in hand	277,956,231	218,324,917
Balances with banks	4,779,834,891	443,326,296
Total	5,057,791,122	661,651,213
12.1 Cash and Cash Equivalents for Cash Flow Statement		
Repurchase agreement	1,876,594,422	3,806,894,396
Fixed deposits less than 3 months	3,388,785,862	2,220,597,260
	10,323,171,406	6,689,142,869
13. PLACEMENTS WITH BANKS		
Placement with local banks	4,757,400,770	2,223,162,226
	4,757,400,770	2,223,162,226
14. OTHER FINANCIAL ASSET CLASSIFIED UNDER LOANS AND RECEIVABLE		
Trust certificates	-	41,503,288
Debentures	49,460,991	10,313,652
Commercial papers	-	305,562,155
Repurchase agreement	1,876,594,422	3,806,894,396
Total	1,926,055,413	4,164,273,491
15. LOANS AND RECEIVABLES TO OTHER CUSTOMERS		
Gross loans and receivables	46,860,086,768	33,080,241,732
Less: individual impairment	(168,881,548)	(155,092,599)
Collective impairment	(860,706,329)	(864,650,939)
Net loans and receivables	45,830,498,891	32,060,498,194

			2015 LKR	2014 LKR
15.1 By Product				
Loans and advances				
Pawning			714,209,946	1,094,548,437
Cash margin			2,520,678,919	1,821,967,317
Staff loans			636,959,293	387,617,921
Lease rentals receivable			4,285,876,331	3,822,628,198
Term loans			38,702,362,279	25,953,479,858
Gross total			46,860,086,768	33,080,241,732
15.2 By currency				
Sri Lankan rupee			46,860,086,768	33,080,241,732
Gross total		46,860,086,768	33,080,241,732	
15.3 Movements in Individual and Collective	Impairment during the	e Year Individual impairment LKR	Collective impairment LKR	Tota Impairmen LKI
At 1 January 2014		131,383,736	693,409,750	824,793,486
Charge/(Write back) to income statement		23,708,863	180,680,752	204,389,615
Write-off during the year			(9,439,563)	(9,439,563
At 31 December 2014		155,092,599	864,650,939	1,019,743,537
At 1 January 2015		155,092,599	864,650,939	1,019,743,537
Charge/(Write back) to income statement		13,788,949	35,805,346	49,594,295
Recovery/(Write-off) during the year		13,700,949		
At 31 December 2015		168,881,548	(39,749,956) 860,706,329	(39,749,956 1,029,587,877
At 31 December 2015		100,001,340	800,100,329	1,029,561,611
16. FINANCIAL INVESTMENTS -AVAILABLE FO	OR SALE			
Equities - Unquoted (16.1)			79,678,638	29,734,245
Net Available-for-sale Investments			79,678,638	29,734,245
	2015		201	4
	No. of Shares	Amount	No. of Shares	Amount LKR
16.1 Equities - Unquoted	Sildles	LKR	Sildles	LNN
SANASA Insurance Company Limited	7,590,494	75.904.944	2,466,055	24,660,551
Credit Information Bureau of Sri Lanka	100	10,000	100	10,000
Consorzio Etimos S.C.,	2	75,194		75,194
SANASA Engineering and Development	Z	10,194		
Company (Pvt) Limited	-	2,000,500	130,000	1,300,000
SANASA Printers and Publishers Limited	208,550	2,088,500	208,550	2,088,500
SANASA Travels (Pvt) Limited	4,000	-	4,000	-
SANASA Security Services (Pvt) Limited	1,000	100,000	1,000	100,000
SANASA Asset Management	15,000	1,500,000	15,000	1,500,000
		79,678,638		29,734,245

Unquoted equity shares carried at cost since equity instrument that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.



	2015 LKR	2014 LKR
17. FINANCIAL INVESTMENT HELD TO MATURITY		
Sri Lanka Government Securities		
Treasury bill	1,192,440,373	298,544,685
Held-to-Maturity Investments	1,192,440,373	298,544,685

	2015 LKR	2014 LKR
18. ASSET CLASSIFIED AS HELD FOR SALE		
Asset classified as Held for sale	37,175,411	-
Total	37,175,411	-

Assets classified as held for sale include land and building located in Galle. Market Value of the above asset is LKR 38,000,000/- Valuation was carried out by Samaranayaka H.N.S.J.A. Independent Professional Valuer.

Туре	Level	Method of Valuation	Significant Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	Level 3	Open Market value method	Estimated price per perch	Positively correlated sensitivity
			LKR 380,000	
Building	Level 3	Open Market value method	Estimated price per sq.ft	Positively correlated sensitivity
			LKR 2,500 - LKR 3,150	

19. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Leasehold Properties	Computer Hardware	Machinery & Equipment	Furniture and Fittings	Vehicle	Total
2015	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost							
Opening balance at 01.01.2015	269,104,823	590,000	372,712,587	349,568,993	196,692,558	129,603,074	1,318,272,036
Additions	-	-	46,781,535	61,909,652	43,273,583	46,219,600	198,184,369
Disposals	-	-	(5,164,219)	(7,857,760)	(8,037,305)	(27,514,532)	(48,573,816)
Trasferred to assets classified as held for sale	(17,125,609)	-	-	-	-	-	(17,125,609)
Closing balance at 31.12.2015	251,979,214	590,000	414,329,903	403,620,885	231,928,836	148,308,142	1,450,756,980
Less: Accumulated depreciation							
Opening balance at 01.01.2015	23,872,498	501,500	336,103,390	229,807,871	156,762,879	101,453,294	848,501,432
Charge for the year	3,944,730	29,500	24,519,071	53,117,141	18,915,182	17,044,503	117,570,128
Disposals	-	-	(5,164,219)	(7,576,507)	(7,857,137)	(20,116,248)	(40,714,111)
Trasferred to assets classified as held for sale	(5,984,976)	-	-	-	-	-	(5,984,976)
Closing balance at 31.12.2015	21,832,252	531,000	355,458,242	275,348,505	167,820,924	98,381,549	919,372,472

		Land and Buildings	Leasehold Properties	Computer Hardware	Machinery & Equipment	Furniture and Fittings	Vehicle	Total
2014		LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost								
Opening balance at 01.01.2014		269,104,823	590,000	361,332,465	311,713,044	181,573,002	121,575,431	1,245,888,766
Additions				27,901,555	45,502,184	22,503,926	24,431,025	120,338,691
Disposals				(16,521,433)	(7,646,234)	(7,384,370)	(16,403,382)	(47,955,420)
Closing balance at 31.12.2014		269,104,823	590,000	372,712,587	349,568,994	196,692,558	129,603,074	1,318,272,037
Less: Accumulated depreciation								
Opening balance at 01.01.2014		19,927,768	472,000	328,877,765	189,893,277	142,972,808	95,527,016	777,670,633
Charge for the year		3,944,730	29,500	23,747,666	47,425,969	21,144,614	20,169,615	116,462,093
Disposals				(16,522,042)	(7,511,375)	(7,354,543)	(14,243,337)	(45,631,296)
Closing balance at 31.12.2014		23,872,498	501,500	336,103,390	229,807,871	156,762,879	101,453,294	848,501,432
							2015 LKR	2014 LKR
Work in Progress								
Opening Balance							43,821,827	43,821,827
Reclassification to assets held for s	ale						(26,034,778)	
Closing Balance							17,787,049	43,821,827
	Land and Buildings	Leasehold Properties	Computer Hardware	Machinery & Equipment	Furniture & Fittings	Vehicle	Work in Progress	Total
		LKR	LKR	LKR	LKR	LKR	LKR	LKR
Net book value at 31.12.2014	245,232,325	88,500	36,609,197	119,761,124	39,929,680	28,149,780	43,821,827	513,592,432
Net book value at 31.12.2015	230,146,963	59,000	58,871,661	128,272,380	64,107,912	49,926,593	17,787,049	549,171,557



19.1 Freehold Land & Building

The details of the Land & Building owned by the Bank are as follows

			31 Decem	ber 2015	31 Decemb	per 2014
	Exte	ent	Cost/Valuation		Cost/Valuation	
Location/Address	Land (Purchase)	Building (Square feet)	Land LKR	Building LKR	Land LKR	Building LKR
No. 14, Edmonton Road, Kirulapona	17.85		38,999,000	-	38,999,000	-
No. 12/01, Edmonton Road, Kirulapona	18.05		46,799,000	-	46,799,000	
A1, SANASA Housing Project, Toppass, Nuwara Eliya	14	1,200	400,000	2,100,000	400,000	2,100,000
No. 145, Rathnapura Road, Horana	13	5,956	20,539,000	6,500,000	20,539,000	6,500,000
No. 63A, Matara Road, Akuressa	14	3,728	14,423,820	8,975,180	14,423,820	8,975,180
No. 255, Sunnysaid Garden, Karapitiya	18.5	5,992	9,250,000	20,833,360	9,250,000	20,833,360
No. 342, Main Street, Kegalle	13.25	5,580	34,760,400	14,118,600	34,760,400	14,118,600
No.6 /176, Walauwatta, Kegalle	20		16,639,000	-	16,639,000	
No.5 /176, Walauwatta, Kegalle	12	1,334	8,400,000	1,250,000	8,400,000	1,250,000
No. 149, Abdul Wahab Mw, Galle	25	13,024	4,775,000	12,350,609	4,775,000	12,350,609
SANASA Campus Ltd, Paragammana, Hettimulla, Kegalle	160	2,600	-	5,571,736		5,571,736
60/65, Sahasapura Scheme, Baseline Mw. Borella	-	1,006	-	2,420,118		2,420,118
			194,985,220	74,119,603	194,985,220	74,119,603

^{19.2} During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of LKR 198,184,369/- (2014 LKR 120,338,691/-). Cash payments amounting to L KR 198,184,369/- (2014 LKR 120,338,691) were made during the year for purchase of Property, Plant & Equipment.

19.3 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of LKR 667,559,730.89 (2014 LKR 549,413,942.56)

19.4 There were no restrictions on the title of the Property, Plant and Equipment as at 31 December 2015.

	2015 LKR	2014 LKR
20. INVESTMENTS PROPERTIES		
Cost		
Balance at the beginning of the year	35,359,000	35,359,000
Balance at the end of the year	35,359,000	35,359,000
Less: Accumulated depreciation		
Balance at the beginning of the year	8,800,250	7,744,220
Charge for the year	1,056,030	1,056,030
Balance at the end of the year	9,856,280	8,800,250
Net book value at the end of the year	25,502,720	26,558,750

20.1 The details of the Investment property owned by the Bank are as follows

	Extent Land Building (Purchase) (Square Feet)		31 Decem	31 December 2015		31 December 2014	
Location / Address			Land LKR	Building LKR	Land LKR	Building LKR	
No.6 A /176, Walauwatta, Kegalle	28	8,233.5	14,238,400	21,120,600	14,238,400	21,120,600	
			14,238,400	21,120,600	14,238,400	21,120,600	

20.2 Management is of the view that fair value of the investment property is not materially deviating from its carrying value. There were no direct operating expenses arising from investment property that generated rental income and that did not generate rental income.

20.3 Assets classified as investment properties include land and building located in Kegalle. Market Value of the above asset is LKR 56,500,000 Valuation was carried out by Indrajith H. A. V. S. Independent Professional Valuer.

Туре	Level	Method of Valuation	Significant Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	Level 3	Open Market value method	Estimated price per perch	Positively correlated sensitivity
			LKR 800,000	
Building	Level 3	Open Market value method	Estimated price per sq.ft	Positively correlated sensitivity
			LKR 1,200 - LKR 2,000	

	2015 LKR	2014 LKR
21. INTANGIBLE ASSETS		
Cost		
Balance at the beginning of the year	211,929,704	211,929,704
Balance at the end of the year	211,929,704	211,929,704
Less: Accumulated Amortization		
Balance at the beginning of the year	134,585,393	104,185,599
Charge for the year	30,203,034	30,399,794
Balance at the end of the year	164,788,427	134,585,393
Net book value at the end of the year	47,141,277	77,344,311



	2015 LKR	2014 LKR
22. OTHER ASSETS		
Postage, legal and other charges receivable	34,619,325	24,953,610
VAT Receivable	20,048,093	17,345,680
Staff Cost	452,383,345	289,265,148
Deposits and prepayments	229,237,310	149,614,181
Inventory	50,849,738	36,008,549
Total	787,137,810	517,187,167
23. DUE TO OTHER CUSTOMERS		
Total amount due to other customers	43,023,392,820	30,249,433,851
Total	43,023,392,820	30,249,433,851
23.1 Analysis		
By product	0.000.000.050	7,006,000,047
Savings deposits	8,093,329,258	7,326,909,847
Fixed deposits	34,930,063,562	22,922,524,004
Total	43,023,392,820	30,249,433,851
By currency		
Sri Lanka Rupee	43,023,392,820	30,249,433,851
Total	43,023,392,820	30,249,433,851
24. OTHER BORROWINGS		
Securities sold under repurchase (repo) agreements	_	150,047,260
Money market Borrowings (24.1)	195,983,871	2,957,424,831
Term loan (24.2)	3,908,052,964	-
Securitised Borrowings	1,014,206,454	-
Refinance Borrowing (24.3)	1,482,095,316	1,494,761,202
Total	6,600,338,605	4,602,233,293
24.1 Manay Market Parrayinga		
24.1 Money Market Borrowings National Development Bank PLC	126,518,265	2,957,424,831
Central Finance Co PLC	69,465,606	-
Total	195,983,871	2,957,424,831

24.2 Term Loan - Details

Institution	Date of Borrowed	Fixed / Floating	Rate	Tenture	Balance 2015 LKR
National Savings Bank	7-May-15	Fixed	10.5%	24 Months	713,192,500
National Savings Bank	5-Nov-15	Fixed	8.75%	06 Months	506,786,910
Sampath Bank PLC	7-Aug-15	Floating	(AWPLR+1.5% Repriced monthly)	60 Months	459,001,296
Sampath Bank PLC	19-Aug-15	Floating	(AWPLR+1.5% Repriced monthly)	60 Months	459,001,296
Seylan Bank PLC	18-Sep-15	Floating	(AWPLR+1.5% Repriced monthly)	24 Months	834,747,192
Pan Asia Banking Corporation PLC	29-Jun-15	Floating	10.5% (First 24 months 10.5% & AWPLR + 2.5% thereafter)	60 Months	449,987,053
Peoples Bank, Corporate Branch	15-Oct-15	Floating	(AWPLR+1.75% Quarterly reviewed)	60 Months	485,336,715
					3,908,052,964

24.2.1 Term Loan - Movement

	Obtained Amount LKR	Interest Expense LKR	Repayment LKR	Closing Balance 2015 LKR
National Savings Bank	1,000,000,000	50,307,110	(337,114,610)	713,192,500
National Savings Bank	500,000,000	6,786,910	-	506,786,910
Sampath Bank PLC	500,000,000	16,994,989	(57,993,693)	459,001,296
Sampath Bank PLC	500,000,000	15,607,643	(56,606,347)	459,001,296
Seylan Bank PLC	1,000,000,000	21,873,472	(187,126,280)	834,747,192
Pan Asia Banking Corporation PLC	500,000,000	24,797,222	(74,810,169)	449,987,053
Peoples Bank, Corporate Branch	500,000,000	9,499,020	(24,162,305)	485,336,715
				3,908,052,964

	2015 LKR	2014 LKR
24.2.2 Analysis of Maturity of Term loan		
Due within one year	1,918,232,564	
1-5 years	1,989,820,400	
Total	3,908,052,964	



	2015 LKR	2014 LKR
24.3 Refinance Borrowing		
SANASA Federation (Refinance of Athwela Loans)	54,200,000	54,568,263
Central Bank of Sri Lanka (RERED)	15,619,380	19,574,581
Central Bank of Sri Lanka (Nipunatha)	37,500	397,168
Central Bank of Sri Lanka (Susahana)	130,827	618,327
Asian Development Bank (Dasuna)	17,429,230	17,939,575
Borrowings Under CBSL - Perennial Crops	5,220,645	8,177,964
Borrowings Under CBSL - Tea Development	3,725,855	5,226,861
Borrowings Under Refinance of Jayatha	467,156,172	502,597,786
CORDAID Project Loan	-	3,993,877
Borrowing under Awaiking East	367,666,833	494,611,850
Borrowing under Awaiking North	47,068,925	69,546,175
Borrowing under Saubagya	410,655,149	313,302,775
Borrowing under SPENDP	3,574,000	4,206,000
Borrowing - Refinance Smile Iii	89,610,800	-
Total	1,482,095,316	1,494,761,202
24.3.1 Analysis of Maturity of Refinance Borrowings		
Due within one year	649,228,211	615,893,365
1-5 years	810,204,305	878,867,837
After 5 years	22,662,800	-
Total	1,482,095,316	1,494,761,202

24.4 Securities and terms

Interest rate ranging for above borrowings 3% to 10.5% per annum.

Bank has pledged from the lease portfolio sum of LKR 1,313,200,000/- for the Securitised Borrowings. (2014 - Nil)

	2015 LKR	2014 LKR
25. Debt Security Issued		
Debentures	3,979,110,559	
Total	3,979,110,559	-

25.1 Types of Debentures (Fixed)

i) Rated Guaranted Redeemable Debentures of LKR 100 each - Guaranteed by Sampath Bank PLC. The debentures are quoted on the Colombo Stock Exchange. (Rated (SL)A+ (SO) with a Stable Outlook by ICRA Lanka Limited)

Туре	Interest Payable Frequency	Issue Date	Maturity Date	Annual Effective Rate (AER) %	Face Value	Interest Payable	Balance
А	Semi Annually	31-Dec-15	31-Dec-18	9.83	1,597,390,000	403,371	1,589,020,304
В	Semi Annually	31-Dec-15	31-Dec-20	10.25	402,610,000	113,062	400,511,877

ii) Rated Guaranted Redeemable Debentures of LKR 100 each - Guaranteed by Seylan Bank PLC. The debentures are quoted on the Colombo Stock Exchange. (Rated (SL) A - (S0) with a Stable Outlook by ICRA Lanka Limited)

Туре	Interest Payable Frequency	Issue Date	Maturity Date	Annual Effective Rate (AER) %	Face Value	Interest Payable	Balance
С	Semi Annually	31-Dec-15	31-Dec-18	10.15	1,438,050,000	399,896	1,430,551,944
D	Semi Annually	31-Dec-15	31-Dec-20	10.57	561,950,000	162,735	559,026,434
					4,000,000,000	1,079,064	3,979,110,559

	2015 LKR	2014 LKR
26. OTHER LIABILITY		
Defined benefit plan - Retiring gratuity obligations (26.1)	127,306,983	108,056,276
Special purpose project funds	413,467,989	431,287,758
Accruals & other payables	521,882,329	318,856,103
Total	1,062,657,301	858,200,137

26.1 Retirement Benefit Obligations

26.1.1 Defined Benefit Liability

Balance at the end of the year

Defined benefit liability (26.1.2)	127,306,983	108,038,276
Total	127,306,983	108,038,276
26.1.2 Changes in the Defined benefit obligation are as follows		
Defined benefit obligation as of 01 January	108,038,276	67,705,740
Net Benefit expense (26.1.3)	24,904,995	42,270,295
Benefit paid	(5,636,288)	(1,937,759)
Defined benefit liability as of 31 December	127,306,983	108,038,276
26.1.3 Net Benefit Expense		
Interest cost	8,691,829	7,109,102
Current service cost	13,525,485	8,070,089
Actuarial (gain)/loss on obligations	2,687,681	27,091,104

24,904,995

42,270,295



26.1.4 The principal financial assumptions used are as follows

Messrs. Piyal S Goonetilleke Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 December 2015. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Long term interest rate	10.15%	8.15%
Future salary increase rate	9.15%	7.15%
Retirement age	55 Years	55 Years
Mortality - GA 1983 Mortality Table issued by the Institute of Actuaries London		
The average duration of the defined benefit plan obligation at the end of the reporting period	d is 10.5 years	

26.2 Sensitivity analysis on discounting rate and salary increment rate to Statement of Financial Position and Comprehensive Income

		20	15	2014	
Assumption	Rate change	Impact to Financial Position-Increment/ (Reduction) of Liability	Impact to Comprehensive Income-Charged/ (Reversal)	Impact to Financial Position-Increment/ (Reduction) of Liability	Impact to Comprehensive Income-Charged/ (Reversal)
Discount rate	1+	(12,807,920)	(12,807,920)	(10,951,649)	(10,951,649)
Discount rate	1-	14,951,599	14,951,599	12,620,905	12,620,905
Salary increment rate	1+	15,481,432	15,481,432	12,248,735	12,248,735
Salary increment rate	1-	(13,439,449)	(13,439,449)	(10,846,362)	(10,846,362)
				2015 LKR	2014 LKR
27. STATED CAPITAL	-				
Ordinary Shares - Issued and fully paid				3,794,094,725	3,533,545,080
Ordinary Shares - Issu	eu anu run				
Ordinary Shares - Issu Total	ed and run			3,794,094,725	3,533,545,080
		y paid	At the beginning of the year 01.01.2015 Number	3,794,094,725 Issued for cash during the year Number	3,533,545,080 At the end of the year 31.12.2015 Number
Total		y paid	of the year 01.01.2015	Issued for cash during the year	At the end of the year 31.12.2015
Total Ordinary Shares - Issue		y paid	of the year 01.01.2015 Number	Issued for cash during the year Number	At the end of the year 31.12.2015 Number
Total Ordinary Shares - Issue		y paid	of the year 01.01.2015 Number 37,762,983	Issued for cash during the year Number 2,483,642	At the end of the year 31.12.2015 Number 40,246,625
Total Ordinary Shares - Issue		y paid	of the year 01.01.2015	Issued for cash during the year Number 2,483,642 2,483,642 Issued for cash during	At the end of the year 31.12.2015 Number 40,246,625 At the end of the year
Total Ordinary Shares - Issue		y paid	of the year 01.01.2015 Number 37,762,983 37,762,983 At the beginning of the year 01.01.2015	Issued for cash during the year Number 2,483,642 2,483,642 Issued for cash during the year	At the end of the year 31.12.2015 Number 40,246,625 40,246,625 At the end of the year 31.12.2015

		2015 LKR	2014 LKR
28. STATUTORY RESERVE FUND			
Opening balance		118,664,431	94,417,362
Transfer during the period		35,931,972	24,247,069
Closing balance		154,596,403	118,664,431
29. RETAINED EARNINGS			
Opening balance		997,107,291	489,354,651
Profit for the year		718,639,431	484,941,381
Transfers to other reserves		(35,931,972)	(34,239,657)
Transfers from other reserves		-	233,278,170
Scrip dividend		(283,222,372)	-
Cash dividend		(94,589,608)	(176,227,254)
Closing balance		1,302,002,771	997,107,291
30. OTHER RESERVES			
2015	Opening Balance at 01.01.2015 LKR	Movement/ Transfers LKR	Closing Balance at 31.12.2015 LKR
General reserve	46,656,973	-	46,656,973
	46,656,973	-	46,656,973
2014	Opening Balance at 01.01.2015 LKR	Movement/ Transfers LKR	Closing Balance at 31.12.2015 LKR
General reserve	46,656,973		46,656,973
Investment Fund	223,285,582	(223,285,582)	-
Total	269,942,555	(223,285,582)	46,656,973



31. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers in the ordinary course of business, the Bank enters into various irrevocable commitments and incurs certain contingent liabilities. These consist of financial guarantees & litigation against the Bank.

No material losses are anticipated as a result of these commitments and contingencies.

	2015 LKR	2014 LKR
31.1 Guarantees	136,574,133	129,506,905
Total	136,574,133	129,506,905

31.2 Litigation Against the Bank

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the year end, the Bank had several unresolved legal claims.

Following cases are filed against the Bank

1. L 17/11 DC Kesbewa

In the above case the Bank has been made the Second Defendant to a land case claiming a sum of LKR 7,000,000/- against a property mortgage. The case is on trial stage. Registered attorney is Mr. Augusts Jayarathne.

2. 2440/M - DC Chilaw

This case has been filed against the Bank claiming sum of LKR 550,000/- on a fixed deposit certificate created through a cheque (Money) and the case is on trial stage. Registered attorney is M.A.T. Marasinghe.

3. SPL 252/11 - DC Elpitiya

The plaintiff of this case is Diayakithulkanda Society and defendants are Kotmale Milk Food (Pvt) Ltd. & SANASA Development Bank PLC. Claiming amount is sum of LKR 1,000,000/- case is filed against a bank guarantee. The case is on trial stage. Registered attorney is Mr. N. Halpandeniya.

4. HCCA/55/2008 Court of Appeal

This case is appealed by the Bank against the order of Galle District Court and claiming Mortgage Bond value amount of LKR 1,295,118.71 and presently the case has been fixed for argument. However the parties are considering for a settlement. Registered attorney is Mrs. M.S. Dahanayake.

5. HCCA/MA/35/20 12 Court of Appeal

Above case is appealed by the Bank against the order of District Court Matara & claiming mortgage Bond value of LKR 2,110,785/88. High Court order has been pronounced in District Court on 19.06.2015 and the writ to be executed accordingly. Registered attorney is Mr. I.H. Wipulasena.

6. DSP 178/09 - DC Kandy

Above case filed against the Bank challenging the legality of repossession of leased vehicle and plaint value is sum of LKR 3.5 Mn. Presently the case is on trial stage. Registered attorney is Mr. A. M. Ganganatha and Counsel is Mr. Samantha Ratwatta.

7. SP/HCCA/GA/0159/2010

The Bank has appealed against the order of District Court Galle. Plaint value is sum of LKR 95,000/- pending completion of appeal briefs. Registered attorney is Mr. N. Arumapperuma.

8. 3413M - DC

The Bank has appealed against the order of District Court and the plaint value is sum of LKR 50,000 and registered attorney is Mr. S.M.P. Silva. Presently waiting for completion of appeal briefs.

9. DMR 496/15

The case has been filed against the Bank challenging the legality of a writ execution and claiming that the Bank has unduly enriched. The Plaint value is LKR 6,000,000/-. Presently the case has been fixed for trial. Registered Attorney is Ms. Augustus Jayarathne.

10. HRC/TCO/102/14/3

The application has been filed before the Human Rights Commission of Trincomalee claiming that the Human Rights of the Petitioner has been violated by the Bank by deducting loan installments from one of the guarantors to the loan. The Bank has filed its answer/reply.

11. MB 1935 - DC Matale

The case has been filed by a group of people who occupy the Mortgaged Property claiming the possession of the same. Outstanding value of the Mortgage Bond is LKR 1, 331,471/60. Objections of the Bank has been filed in this case. Registered Attorney is Mr. S. M. M. Koswatta.

12. 6495/SPL - DC Colombo

This is a special case filed against the Bank and its Board of Directors and the case has been dismissed by the Civil Appeal High Court of Western Province. Said Order to be pronounced at the District Court. The registered attorney is Samararatne Associates.

32. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no material events after the reporting date that require adjustments to or disclosure in the Financial Statements.

33. RELATED PARTY DISCLOSURE

The Bank carries out transaction in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standard - LKAS 24 (Related Party Disclosures), the details of which are reported below.

33.1 Transactions with other Related Parties

Other related parties include entities that are affiliated to the Bank; including, SANASA Federation, SANASA Insurance Co. Ltd., People's Leasing PLC, People's Micro Finance Co.Ltd., Redigama SANASA Share Holders Trust Company Ltd, SANASA Campus Ltd, Kegalle DTCCS, SANASA Uththamavi Company Ltd, Kandepola Ptccs, Janrich Food Ltd, Janrich Pvt Ltd, NoveEx Pharmaciuticals Ltd, AAT Sri Lanka, Lanka Ashok Layland PLC, People's Insurance Ltd, People's Leasing Property Development Ltd, Nothwood College. Sri Lanka Association of Software and Companies, Sarvodaya Fusion, COSTI, Vertusa Pvt Ltd, City University, NIBM, SANASA Printers and Publisher Ltd, Kegalle District Union Ltd, Waldeniya SANASA District Union, Polgahawela SANASA Society Union, Polgahawela SANASA Society Shareholders Trust Company. The same term including interest/ commission rates and security where applicable with the other customers. The transaction did not involve more than the normal risk of repayment or present other unfavorable features.

	2015 LKR	2014 LKR
Investments made by the Company	-	(167,228,080)
Investment/(withdraw) in shares	47,944,393	(132,188,320)
Purchase of Goods/Services	15,757,524	66,646,944



Transactions with Other Related Parties contd.

	2015 LKR	2014 LKR
33.1.1 Balance Outstanding with Other Related Parties		
Investment in shares	77,993,444	30,049,052
Loans & advances	168,864,661	360,912,880

33.2 Transactions with Key Management Personnel

Key Management Personnel include: the Chairman, the Board of Directors, and Chief Executive Officer, Chief Operating Officer of the Bank. Transactions with close family members of Key Management Personnel are also taken into account in the transactions with Key Management Personnel. The Same term, including interest/commission rates & security, as for comparable transaction with person of a similar standing or, where applicable, with the employees. The transaction did not involve more than the normal risk of repayment or present other unfavorable features.

	2015 LKR	2014 LKR
33.2.1 Key Management Personnel Compensation		
Short Term Employee Benefits	32,804,763	22,106,578
33.2.2 Other Transactions with Key Management Personnel - Balance Outstanding		
Balance as at 01 January	3,093,743	3,162,141
Grantings	2,500,000	45,000
Repayments	(333,703)	(113,398)
Balance as at 31 December	5,260,040	3,093,743
Interest Income	989,345	584,047
33.2.3. Deposits & Investment from Key Management Personnel - Balance outstanding		
Deposits accepted and reviewed during the period	6,337,811	8,871,280
Balance as at 31 december	1,269,673	1,696,058
Interest Expenses	27,990	37,078
33.2.4 Dividend Payment to Key Management Personnel		
Cash dividend	12,521	50,184
33.2.5 Share purchase		
Shares	5,658	10,668

33.2.6 Terms and Conditions of Transaction with Related Parties.

All related party transactions are carried out in the normal course of business and transacted at normal business terms. Transaction from related parties are made on terms equivalent to those that prevail in arm's length transactions and comparable with those that would have been charged from unrelated companies. All related party outstanding balances at the year - end are secured and are to be settled in cash.

34. ASSETS PLEDGED

Bank has pledged from the lease portfolio sum of LKR 1,313,200,000/- for the Securitised Borrowings. (2014- Nil).

35. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31 December 2015	HTM LKR	AFS LKR	Amortised Cost	Total LKR
FINANCIAL ASSETS				
Cash and cash equivalents	-	-	5,057,791,122	5,057,791,122
Placements with banks	-	-	4,757,400,770	4,757,400,770
Financial investments - Available-for-sale	-	79,678,638	-	79,678,638
Financial investments - Held-to-maturity	1,192,440,373	-	-	1,192,440,373
Loans and receivables to other customers	-	-	45,830,498,891	45,830,498,891
Other financial asset classified under loans and receivable	-	-	1,926,055,413	1,926,055,413
Total financial assets	1,192,440,373	79,678,638	57,571,746,195	58,843,865,207
FINANCIAL LIABILITIES				
Due to other customers	-	-	43,023,392,820	43,023,392,820
Other borrowings	-	-	6,600,338,605	6,600,338,605
Debt securities issued	-	-	3,979,110,559	3,979,110,559
Total financial liabilities	-	-	53,602,841,983	53,602,841,983

As at 31 December 2014	HTM	AFS	Amortised cost	Total
	LKR	LKR	LKR	LKR
FINANCIAL ASSETS				
Cash and cash equivalents			661,651,213	661,651,213
Placements with banks			2,223,162,226	2,223,162,226
Financial investments - Available-for-sale		29,734,245		29,734,245
Financial investments - Held-to-maturity	298,544,685	-		298,544,685
Loans and receivables to other customers		-	32,060,498,194	32,060,498,194
Other financial asset classified under loans and receivable	<u> </u>	-	4,164,273,491	4,164,273,491
Total financial assets	298,544,685	29,734,245	39,109,585,124	39,437,864,054
FINANCIAL LIABILITIES				
Due to other customers	-	-	30,249,433,851	30,249,433,851
Other borrowings	-	-	4,602,233,293	4,602,233,293
Total financial liabilities		_	34,851,667,144	34,851,667,144



36. FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for Financial Instrument that are record at fair value using valuation techniques. These incorporate the Bank's estimate of assumption that a market participant would make when valuing the instrument.

Financial Investment-Available for Sale

Available for sale Financial Assets valued using valuation techniques or pricing models primary consist of unquoted.

Financial Investment-Held for Trading

Quoted Equities and Sri Lanka Government Securities - Treasury Bills and Bonds included in Financial Assets - Held for Trading are valued using market price.

36.2 Determination of Fair Value and Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of Financial Instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the total gains and losses recognised in profit or loss during the year relating to assets and liabilities held at the year end.

Net Trading Income

Financial Assets	2015 LKR	2014 LKR
Financial assets at fair value through profit or loss		
Quoted equities		
Sri lanka government securities - Treasury bond	5,094,794	53,941,819
	5,094,794	53,941,819
Financial instruments - Available - for - sale		
Quoted equities	_	113,021,132

36.3 Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's Financial Instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of Non-Financial assets and Non-Financial Liabilities.

	31 December 2015			
As at 31 December 2015	Level	Carrying Value LKR	Fair Value LKR	
Financial Assets				
Cash and cash equivalents	Note*	5,057,791,122	5,057,791,122	
Placements with banks	Note*	4,757,400,770	4,757,400,770	
Financial investments - Held-to-maturity	1	1,192,440,373	1,192,183,666	
Loans and receivables to other customers	2	45,830,498,891	45,164,923,666	
Other financial asset classified under loans and receivable	Note*	1,926,055,413	1,926,055,413	
Total financial assets		58,764,186,569	58,098,354,637	

		31 December 2015		
	Level	Carrying Value Fair Va		
Financial Liabilities				
Due to other customers	2	43,023,392,820	42,550,325,108	
Other borrowings	2	6,600,338,605	6,598,795,779	
Debt securities issued	2	3,979,110,559	3,979,110,559	
Total Financial Liabilities		49,623,731,425	49,149,120,886	

31 December 2014

As at 31 December 2014		Carrying Value	Fair Value
Financial Assets			
Cash and cash equivalents	Note*	661,651,213	661,651,213
Placements with banks	Note*	2,223,162,226	2,223,162,226
Financial investments - Held-to-maturity	1	298,544,685	310,373,960
Loans and receivables to other customers	2	32,060,498,194	34,350,338,920
Other financial asset classified under loans and receivable	Note*	4,164,273,491	4,164,273,491
Total financial assets		39,408,129,809	41,709,799,810
Financial Liabilities			
Due to other customers	2	30,249,433,851	31,247,636,985
Other borrowings	Note*	4,602,233,293	4,602,233,293
Total financial liabilities		34,851,667,144	35,849,870,278

*Note

Fair Value of Financial Assets and Liabilities not carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at Fair Value in the Financial Statements:

Assets for which Fair Value Approximates Carrying Value

For Financial Assets and Financial Liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their Fair Value. This assumption is also applied to demand deposits and savings accounts without a specific maturity. Loans and Advances to customers with a variable rate are also considered to be carried at Fair Value.

Fixed rate Financial Instruments

The Fair Value of Fixed Rate Financial Assets and Liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar Financial Instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing interest rates of the Bank.



37. SEGMENT REPORTING

		3	1 December 2015		
	Banking LKR	Leasing LKR	Treasury LKR	Pawning LKR	Total LKR
Interest income	5,291,407,154	717,695,709	485,810,921	114,334,640	6,609,248,423
Interest expenses	(2,466,925,129)	(252,019,150)	(479,362,402)	(42,567,931)	(3,240,874,613)
Net interest income	2,824,482,025	465,676,559	6,448,519	71,766,708	3,368,373,811
Fee and commission income	210,631,228	6,843,950	-	-	217,475,178
Fee and commission expenses	(2,735,042)	(230,618)	-	-	(2,965,660)
Net fee and commission income	207,896,186	6,613,332	-	-	214,509,519
Net loss from financial instruments at fair value through profit or loss	-	-	5,094,794	-	5,094,794
Other operating income (net)	49,271,044	-	2,755,480	-	52,026,524
Total operating income	3,081,649,255	472,289,891	14,298,793	71,766,708	3,640,004,647
Impairment for loans and other losses	(92,591,146)	24,019,918	-	18,976,933	(49,594,295)
Net operating income - Segment Result	2,989,058,109	496,309,809	14,298,793	90,743,641	3,590,410,352
Un-allocated Expenses					(2,206,210,952)
Value added tax (VAT) on financial services					(273,640,749)
Profit before tax					1,110,558,651
Tax expenses					(389,984,089)
Profit for the year					720,574,562
Other Comprehensive Income					
Other Comprehensive Income for the year net of tax					(1,935,130)
Total Comprehensive Income for the year					718,639,431
Segment Assets	40,941,484,511	4,182,550,175	7,955,575,194	706,464,205	53,786,074,084
Un-allocated Assets	,,,	.,,	.,		6,503,919,897
Total Assets	40,941,484,511	4,182,550,175	7,955,575,194	706,464,205	60,289,993,982
Segment Liabilities	41,859,914,195	4,276,376,236	8,134,040,545	722,312,133	54,992,643,109
Total Equity	-	-	_	-	5,297,350,873
Total Liabilities	41,859,914,195	4,276,376,236	8,134,040,545	722,312,133	60,289,993,982

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	31 December 2014				
	Banking LKR	Leasing LKR	Treasury LKR	Pawning LKR	Total LKR
Interest income	3,448,043,114	687,425,556	576,431,137	138,269,995	4,850,169,802
Interest expenses	(1,687,991,162)	(229,773,145)	(415,792,080)	(67,207,052)	(2,400,763,438)
Net interest income	1,760,051,952	457,652,411	160,639,057	71,062,943	2,449,406,364
Fee and commission income	143,157,389	21,468,688			164,626,078
Fee and commission expenses	(1,288,841)	(993,933)			(2,282,774)
Net fee and commission income	141,868,548	20,474,756			162,343,304
Net loss from financial instruments at fair value through profit or loss			53,941,819		53,941,819
Other operating income (net)	160,772,558		7,655,182		168,427,740
Total operating income	2,062,693,058	478,127,167	222,236,058	71,062,943	2,834,119,225
Impairment for loans and other losses	(143,057,615)	(53,083,474)		(8,248,526)	(204,389,615)
Net operating income - Segment Result	1,919,635,443	425,043,693	222,236,058	62,814,417	2,629,729,610
Un-allocated Expenses					(1,688,275,640)
Value added tax (VAT) on financial services					(190,274,968)
Profit before tax					751,179,002
Tax expenses					(246,732,027)
Profit for the year					504,446,975
Other Comprehensive Income					
Other Comprehensive Income for the year net of tax					(19,505,594)
Total Comprehensive Income for the year					484,941,381
Segment Assets	27,263,787,644	3,711,207,953	6,715,714,647	1,085,502,597	38,776,212,841
Un-allocated Assets					1,796,333,873
Total Assets	27,263,787,644	3,711,207,953	6,715,714,647	1,085,502,597	40,572,546,714
Segment Liabilities	25,225,033,451	3,433,688,157	6,213,521,350	1,004,329,981	35,876,572,938
Total Equity					4,695,973,776
Total Liabilities	25,225,033,451	3,433,688,157	6,213,521,350	1,004,329,981	40,572,546,714



38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES-BANK

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	3	31 December 2015		31 December 2014			
	Within 12 Months LKR	After 12 Months LKR	Total LKR	Within 12 Months LKR	After 12 Months LKR	Total LKR	
Assets							
Cash and cash	F 0F7 701 100		F 0F7 701 100	661 651 010		661 651 010	
equivalents	5,057,791,122	-	5,057,791,122	661,651,213		661,651,213	
Placements with banks "Other Financial Asset	4,757,400,770	-	4,757,400,770	2,223,162,226		2,223,162,226	
Classified under Loans and receivable"	1,887,375,413	38,680,000	1,926,055,413	4,154,323,491	9,950,000	4,164,273,491	
Loans and receivables to other customers	10,566,469,022	35,264,029,870	45,830,498,891	9,034,135,024	23,026,363,170	32,060,498,194	
Financial investments - Available-for-sale	-	79,678,638	79,678,638	-	29,734,245	29,734,245	
Financial investments - Held-to-maturity	1,192,440,373	-	1,192,440,373	298,544,685		298,544,685	
Asset classified as Held for sale	37,175,411	-	37,175,411	-			
Property, plant and equipment	-	549,171,557	549,171,557	-	513,592,432	513,592,432	
Investment properties	-	25,502,720	25,502,720	-	26,558,750	26,558,750	
Intangible assets	-	47,141,277	47,141,277	-	77,344,311	77,344,311	
Other assets	787,137,810	-	787,137,810	517,187,167	<u> </u>	517,187,167	
Total assets	24,285,789,921	36,004,204,061	60,289,993,982	16,889,003,806	23,683,542,908	40,572,546,714	
Liabilities							
Due to other customers	40,109,805,086	2,913,587,734	43,023,392,820	20,467,258,880	9,782,174,971	30,249,433,851	
Other borrowings	3,433,139,409	3,167,199,196	6,600,338,605	3,723,365,456	878,867,837	4,602,233,293	
Debt securities issued	1,079,064	3,978,031,495	3,979,110,559	-	-	_	
Current tax liabilities	260,733,158	-	260,733,158	113,192,235	_	113,192,235	
Deferred tax liabilities	66,410,666	-	66,410,666	53,513,422	-	53,513,422	
Other liabilities	935,350,318	127,306,983	1,062,657,301	750,143,861	108,056,276	858,200,137	
Total liabilities	44,806,517,701	10,186,125,409	54,992,643,109	25,107,473,854	10,769,099,084	35,876,572,938	
Net Assets/ (Liability)	(20,520,727,780)	25,818,078,653	5,297,350,873	(8,218,470,048)	12,914,443,824	4,695,973,776	

39. RISK MANAGEMENT

39.1 Introduction

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of Risk Management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk and operational risk. The independent risk control process does include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

Risk Management Structure

The Board of Directors is responsible for the overall Risk Management approach and for approving the Risk Management strategies and principles. The Board has appointed the Board subcommittee which has the responsibility to monitor the overall risk process within the Bank. The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports on a quarterly basis.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk Committee to ensure that procedures are compliant with the overall framework.

The Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. This unit responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on a periodically, where necessary, to the Risk Committee and the relevant actions are taken to address exceptions and any areas of weakness.

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

The Bank's policy is that Risk Management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee and the head of each business division. The report includes aggregate credit exposure, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board subcommittee receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.



For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up—to—date information. A daily briefing is given to the GM/CEO and all other relevant members of the Bank on the utilisation of market limits, proprietary investments and liquidity and plus any other risk developments.

Risk Mitigation

As part of its overall Risk Management, the Bank uses several strategies and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions. In accordance with the Bank's policy, the risk profile of the Bank is assessed by the appropriate level of seniority within the Bank. The Bank actively uses collateral to reduce its credit risks.

Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

39.2 Credit Risk

Credit risk is the risk that the bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk evaluation system, which assigns each counterparty a risk. The credit quality review process aims to allow the Bank to assess the potential losses a result of the risks to which it is exposed and take corrective action.

Credit-Related Commitments Risks

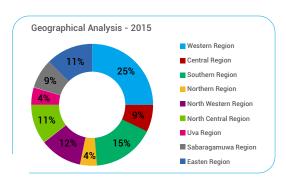
The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

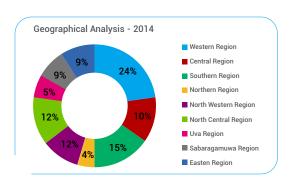
Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

The Bank's concentrations of risk are managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2015 was LKR 250 Mn.

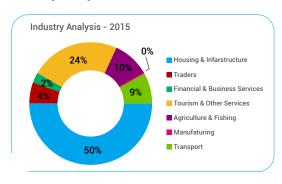
The following table shows the maximum exposure to credit risk for the components of the statement of financial position, by geography of counterparty and by industry before the effect of mitigation through the use of master netting and collateral agreements. Where Financial Instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

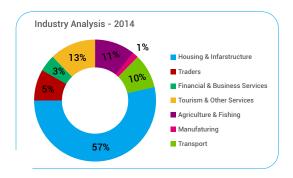
Geographical analysis





Industry analysis





Collateral and Other Credit Enhancements

The amount and type of collateral required depends on an assessment of the Credit Risk of the counterparty.

Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

Cash or securities.

Real estate properties

Mortgages over residential properties

Movable assets - Motor vehicle

Gold

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, request additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtain during its review of the adequacy of the allowance for impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.



Maximum Exposure to Credit Risk by class of Financial Assets

	31 Decem	ber 2015	31 December 2014		
	Maximum Exposure to Credit Risk Net Exposure LKR LKR		Maximum Exposure to Credit Risk LKR	Net Exposure LKR	
Cash and cash equivalents	5,057,791,122	5,057,791,122	661,651,213	661,651,213	
Placements with banks	4,757,400,770	4,757,400,770	2,223,162,226	2,223,162,226	
Other financial asset classified under loans and receivable	1,926,055,413	1,926,055,413	4,164,273,491	4,164,273,491	
Loans and receivables to other customers (without impairment)	46,860,086,768	33,050,208,002	33,080,241,732	21,586,936,562	
Financial investments Available-for-sale	79,678,638	79,678,638	29,734,245	29,734,245	
Financial investments Held-to-maturity	1,192,440,373	1,192,440,373	298,544,685	298,544,685	
Total	59,873,453,084	46,063,574,318	40,457,607,592	28,964,302,422	

Credit Quality by Class of Financial Assets

31 December 2015	Neither Past Due Nor Impaired LKR	Pass Due but Not Impaired LKR	Individually Impaired LKR	Total LKR
Cash and cash equivalents	5,057,791,122	-	-	5,057,791,122
Placements with banks	4,757,400,770	-	-	4,757,400,770
Other financial asset classified under loans and receivable	1,926,055,413	-	-	1,926,055,413
Loans and receivables to other customers (without impairment)	36,528,271,017	9,832,255,431	499,560,319	46,860,086,768
Financial investments Available-for-sale	79,678,638	-	-	79,678,638
Financial investments Held-to-maturity	1,192,440,373	-	-	1,192,440,373
Total	49,541,637,333	9,832,255,431	499,560,319	59,873,453,084

31 December 2014	Neither Past Due Nor Impaired LKR	Pass Due but Not Impaired LKR	Individually Impaired LKR	Total LKR
Cash and cash equivalents	661,651,213		<u>-</u>	661,651,213
Placements with banks	2,223,162,226		<u>-</u>	2,223,162,226
Other financial asset classified under loans and receivable	4,164,273,491	_	-	4,164,273,491
Loans and receivables to other customers (without impairment)	24,885,952,150	7,652,939,013	541,350,568	33,080,241,732
Financial investments Available-for-sale	29,734,245	-	-	29,734,245
Financial investments Held-to-maturity	298,544,685	-	-	298,544,685
Total	32,263,318,010	7,652,939,013	541,350,568	40,457,607,592

Maximum Exposure to Credit Risk by Class of Financial Assets

	Pass Due but Not Impaired					
31 December 2015	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	More than 90 days LKR	Total LKR	
Loans and receivables to other customers (without impairment)	5,933,863,676	2,329,160,307	87,055,597	1,482,175,851	9,832,255,431	

		Pass Due but Not Impaired					
31 December 2014	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	More than 90 days LKR	Total LKR		
Loans and receivables to other customers (without impairment)	3,840,368,344	2,177,518,401	101,176,826	1,533,875,442	7,652,939,013		

Impairment Assessment

For accounting purposes, the Bank uses an incurred loss model for the recognition of losses on impaired Financial Assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty of the customer.
- A breach of contract such as a default of payment.
- Where the Bank grants the customer a concession due to the customer experiencing financial difficulty.
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation.
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

This approach differs from the expected loss model used for regulatory capital purposes in accordance with Basel II.

Individually Assessed Allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis, include any overdue payments of interests or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively Assessed Allowances

Allowances are assessed collectively for losses on loans and advances and for held—to—maturity debt investments that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired. The Bank generally bases its analyses on historical experience.



The Bank may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the bank's overall policy. Financial guarantees and letters of credit are assessed and provisions are made in a similar manner as for loans.

Commitments and Guarantees

To meet the financial needs of customers, the bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the bank. Financial Statement has separately disclosed the Bank's maximum credit risk exposure for commitments and guarantees.

39.3 Liquidity Risk and Funding Management

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In accordance with the Bank's policy the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Liquid assets consist of cash, short—term bank deposits and treasury bills available for immediate sale.

The Bank stresses the importance of term accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer savings accounts, together with term funding with a remaining term to maturity.

Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's Financial Assets and Liabilities as at 31 December. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

MATURITY ANALYSIS 2015	Less than 7 Days LKR	7-30 Days LKR	1-3 Months LKR	3-12 Months LKR	1-3 Years LKR	3-5 Years LKR	Over 5 Years LKR	Total LKR
Financial assets								
Cash and cash equivalents	5,057,791,122							5,057,791,122
		0.051.165.610	0.004.500.040	1 605 071 000		40.500.100	00 475 000	
Investments* Loans and receivables to	869,830,892	2,351,165,618	3,384,592,843	1,605,071,899	-	40,523,109	83,475,338	8,334,659,699
other customers	829,584,228	1,252,420,519	2,139,568,990	9,930,658,637	16,882,505,927	13,526,278,718	8,290,723,862	52,851,740,882
Total Financial assets	6,757,206,243	3,603,586,137	5,524,161,833	11,535,730,535	16,882,505,927	13,566,801,827	8,374,199,201	66,244,191,703
Financial liabilities								
Due to other customers	8,696,894,289	2,920,908,993	6,597,261,694	24,967,631,250	1,325,690,206	1,652,228,286	158,884,935	46,319,499,654
Other borrowings	63,258,901	151,999,801	562,023,268	2,921,917,894	2,520,059,696	868,171,080	24,419,115	7,111,849,754
Debt securities issued	-	_	-	-	3,345,054,880	1,062,945,120	-	4,408,000,000
Total Financial liabilities	8,760,153,190	3,072,908,794	7,159,284,962	27,889,549,144	7,190,804,782	3,583,344,486	183,304,050	57,839,349,408
Net Financial assets/ (liabilities)	(2,002,946,947)	530,677,343	(1,635,123,129)	(16,353,818,608)	9,691,701,146	9,983,457,341	8,190,895,150	8,404,842,295
MATURITY ANALYSIS 2014	Less than 7 Days LKR	7-30 Days LKR	1-3 Months LKR	3-12 Months LKR	1-3 Years LKR	3-5 Years LKR	Over 5 Years LKR	Total LKR
Financial assets								
Cash and cash equivalents	661,651,213							661,651,213
Investments*	767,510,780	1,599,710,769	4,395,636,908	2,704,769	12,246,763		29,734,245	6,807,544,236
Loans and receivables to other customers	1,706,185,548	639,710,412	1,463,355,673	7,436,839,674	17,392,498,298	11,527,471,861	10,160,531,541	50,326,593,007
Total Financial assets	3,135,347,541	2,239,421,182	5,858,992,581	7,439,544,444	17,404,745,062	11,527,471,861	10,190,265,786	57,795,788,456
Financial liabilities								
Due to other customers	1,134,762,896	2,517,431,538	5,231,646,460	12,310,956,971	10,221,800,195	2,103,559,083	594,411,055	34,114,568,198
Other borrowings	1,304,839,515	576,667,008	1,297,437,458	570,577,041	908,005,523	51,647,440		4,709,173,983
Total Financial liabilities	2,439,602,410	3,094,098,546	6,529,083,917	12,881,534,011	11,129,805,718	2,155,206,523	594,411,055	38,823,742,181
Net Financial assets/ (liabilities)	695,745,131	(854,677,365)	(670,091,336)	(5,441,989,568)	6,274,939,344	9,372,265,338	9,595,854,731	18,972,046,275

^{*} Investments include Placement with banks, Other Financial Asset classified under Loans and Receivables, Financial Investment -Available-for-Sale and Financial Investments - Held-to-Maturity.



39.4 Market Risk

Market Risk is the risk that the Fair Value or future cash flows of Financial Instruments will fluctuate due to changes in market variables. The Bank classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. The Market Risk for the portfolio is managed and monitored using sensitivity analyses.

Interest Rate Risk

Interest Rate Risk arises from the possibility that changes in interest rates will affect future cash flows or the Fair Values of Financial Instruments.

The table below analyses the Bank's Interest Rate Risk exposure on Financial Assets and Liabilities.

The Bank's Assets and Liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

INTEREST RATE SENSITIVITY ASSET 2015

Asset or Liability	Carrying Amount LKR	On Demand LKR	1-3 Months LKR	3-12 Months LKR	over 1 Year LKR	Non Interest LKR	Total LKR
Cash and cash equivalents	5,057,791,122	2,174,250,787				2,883,540,335	5,057,791,122
Placements with banks	4,757,400,770	38,538,031	3,359,372,329	1,359,490,411	-	-	4,757,400,770
Other financial asset classified under loans and receivable	1,926,055,413	1,887,375,413	-	-	38,680,000	-	1,926,055,413
Financial investments - Held-to-maturity	1,192,440,373	23,582,994	1,072,285,679	96,571,700	-	-	1,192,440,373
Loans and receivables to other customers	46,860,086,768	1,614,306,337	3,299,614,889	7,935,421,544	34,010,743,999	-	46,860,086,768
Interest Bearing Assets	59,793,774,446	5,738,053,562	7,731,272,897	9,391,483,655	34,049,423,999	2,883,540,335	59,793,774,446
Due to other customers	43,023,392,820	14,270,562,939	5,826,839,220	21,808,460,966	1,117,529,695	-	43,023,392,820
Other borrowings	6,600,338,605	2,329,222,756	538,812,566	2,024,936,178	1,707,367,105	-	6,600,338,605
Debt securities issued	3,979,110,559	1,079,064	-	-	3,978,031,495	-	3,979,110,559
Interest Bearing Liabilities	53,602,841,983	16,600,864,758	6,365,651,786	23,833,397,144	6,802,928,295	-	53,602,841,983
Interest Rate Sensitivity Gap	6,190,932,463	(10,862,811,196)	1,365,621,111	(14,441,913,490)	27,246,495,704	2,883,540,335	6,190,932,463

	If market interest rate go up by 1% effect to Interest Income	If market interest rate drop by 1% effect to Interest Income
Effect on Rate Sensitive Assets	569,102,341	536,028,420
Effect on Rate Sensitive Liabilities	(536,028,420)	(569,102,341)
Sensitivity of Profit or Loss	33,073,921	(33,073,921)

INTEREST RATE SENSITIVITY ASSET 2014

Asset or Liability	Carrying Amount LKR	On Demand LKR	1-3 Months LKR	3-12 Months LKR	over 1 Year LKR	Non-Interest LKR	Total LKR
Cash and cash equivalents	661,651,213	211,884,927				449,766,285	661,651,213
Placements with banks	2,223,162,226	420,662,226	1,800,000,000	2,500,000		-	2,223,162,226
Other financial asset classified under loans and receivable	4,164,273,491	1,762,649,059	2,391,674,432	-	9,950,000		4,164,273,491
Financial investments - Available-for-sale	29,734,245	_	-	_	_	29,734,245	29,734,245
Financial investments - Held-to-maturity	298,544,685	205,165,285	93,379,400	_	_	-	298,544,685
Loans and receivables to other customers	33,080,241,732	1,314,644,309	1,402,093,778	6,336,788,919	23,026,363,170	1,000,351,556	33,080,241,732
Interest Bearing Assets	40,457,607,591	3,915,005,805	5,687,147,610	6,339,288,919	23,036,313,170	1,479,852,087	40,457,607,591
Due to other customers	30,249,433,851	3,509,394,564	4,951,438,594	12,006,425,722	9,782,174,971		30,249,433,851
Other borrowings	4,602,233,293	1,875,866,667	1,285,678,989	561,819,800	878,867,837	-	4,602,233,293
Interest Bearing Liabilities	34,851,667,144	5,385,261,231	6,237,117,583	12,568,245,522	10,661,042,807		34,851,667,145
Interest Rate Sensitivity Gap	5,605,940,447	(1,470,255,426)	(549,969,973)	(6,228,956,603)	12,375,270,362	1,479,852,087	5,605,940,447
	If market interest rate go up by 1% effect to Interest Income	If market interest rate drop by 1% effect to Interest Income					
Effect on Rate Sensitive Assets	389,777,555	348,516,671					
Effect on Rate Sensitive Liabilities	(348,516,671)	(389,777,555)					
Sensitivity of Profit or Loss	41,260,884	(41,260,884)					

Equity Price Risk

Equity Price Risk is the risk that the Fair Value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available-for-sale.

40. CAPITAL

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Central Bank of Sri Lanka.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

Capital Management

The primary objectives of the Bank's capital management policy are to ensure that the bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

Capital Adequacy



Capital Base as at 31 st December	2015 (Basel 11) (LKR'000)	2014 (Basel 11) (LKR'000)
TIER I		(,
Paid-up ordinary shares	3,794,095	3,533,545
Statutory reserve fund	154,596	118,664
Published retained profits	1,302,003	997,107
General & other reserves	46,657	46,657
Debentures	-	-
Other intangible assets	(47,141)	(77,344)
50% Invest in the capital of other bank & financial institution	(24,315)	(4,975)
Total tier capital	5,225,895	4,613,654
TIER 2		
General provision	212,428	143,257
Debentures	-	-
50% Invest in the capital of other bank & financial institution	(24,315)	(4,975)
Total tier 2 capital	188,113	138,282
Total tier 1 & tier 2 capital	5,414,008	4,751,936
Capital base	5,414,008	4,751,936
COMPUTATION OF RATIOS		
Core capital (tier 1)	5,225,895	4,613,654
Total capital base	5,414,008	4,751,936
Risk Weighted Assets		
Total risk weighted assets for credit risk	39,110,034	27,620,028
Total risk weighted assets for operational risk	4,172,907	3,368,025
Total risk weighted assets	43,282,941	30,988,053
Core Capital Ratio (Minimum Requirement 5%)		
Total tier - 1 capital	5,225,895	4,613,654
Total risk weighted assets	43,282,941	30,988,053
	12.07%	14.89%
Total Capital Ratio (Minimum Requirement 10%)		
Total capital base	5,414,008	4,751,936
Total risk weighted assets	43,282,941	30,988,053
	12.51%	15.33%

Sources and Utilisation of Income

Sources of Income

LKR' 000

For the year ended 31st December,	2015	2014	2013	2012	2011
Interest	6,123,438	4,290,669	3,798,892	3,377,747	2,680,405
Investments	485,811	559,501	590,493	404,379	337,202
Commision & other	271,631	386,996	288,156	113,118	47,263
Total	6,800,879	5,237,165	4,677,541	3,895,244	3,064,871

Utilisation of Income

LKR' 000

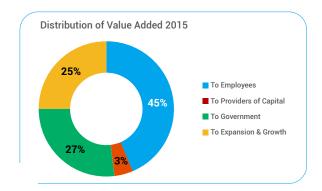
For the year ended 31st December,	2015	2014	2013	2012	2011
Employees					
Salaries & other payments to staff	1,114,754	767,848	540,777	447,637	399,026
Suppliers					
Interest paid	3,240,875	2,400,763	2,525,580	1,879,248	1,200,514
Other expenses	1,141,051	1,127,100	1,195,443	955,198	773,750
	4,381,926	3,527,863	3,721,024	2,834,446	1,974,264
Net income before Govt. Taxes	1,384,199	941,454	415,741	613,162	691,581
Government					
Income tax, Vat on FS, NBT	663,625	437,007	167,557	272,446	309,539
Share Holders					
Dividends	100,617	94,407	176,227	251,753	176,227
Retained profit	619,958	410,040	71,957	88,962	205,815
	720,575	504,447	248,184	340,716	382,042
Total	6,800,879	5,237,165	4,677,541	3,895,244	3,064,871

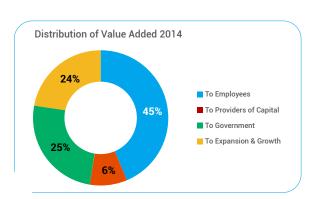
Statement of Value Addition



	2015 LKR' 000	2014 LKR' 000
Value Added		
Gross interest income	6,609,248	4,850,170
Other income	274,596	386,996
Cost of borrowing & other services	(4,335,297)	(3,323,474)
Provision for credit losses & investments	(49,594)	(204,390)
	2,498,953	1,709,302

	2015	2014	
	LKR' 000	LKR' 000	%
Distribution of value added			
To employees	1,114,754	767,848	45%
To providers of capital			
Dividends to shareholders	100,617	94,407	3%
To government			
Income tax on profits & VAT on FS	663,625	437,007	27%
To expansion & growth			
Retained income	619,958	410,040	25%
	2,498,953	1,709,302	



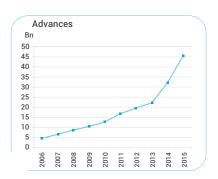


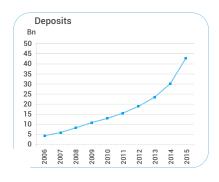
Last Decade at a Glance

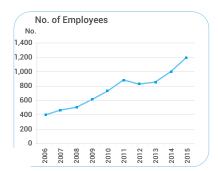
Year ended 31st December

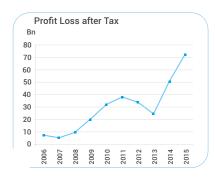
LKR' 000

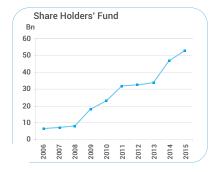
	SLAS					SLFRS				
Year ended 31st December	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Advances	4,423,439	6,450,111	8,492,496	10,447,342	12,513,906	16,602,735	19,712,033	22,116,645	32,060,498	45,830,499
Investments	1,052,325	1,331,022	1,790,160	3,182,045	3,367,280	3,189,884	3,605,884	6,051,470	6,715,715	7,955,575
Fixed Assets	111,353	173,210	235,272	543,169	641,201	810,489	759,581	642,130	617,495	658,991
Total Assets	5,917,442	8,488,840	11,315,225	15,178,458	17,685,551	21,359,722	24,899,556	29,732,605	40,572,547	60,289,994
Deposits	4,448,493	6,035,960	8,232,264	10,887,012	13,083,414	15,756,918	18,947,514	23,594,768	30,249,434	43,023,393
Borrowings	450,111	962,505	945,355	1,034,853	1,342,040	1,538,767	1,557,329	1,878,643	4,602,233	10,579,449
Share Capital (Allotted)	446,075	566,070	671,022	1,546,665	1,820,268	2,427,532	2,526,532	2,526,532	3,533,545	3,794,095
Reserves	205,529	163,956	162,914	246,219	478,984	781,866	733,369	853,715	1,162,429	1,503,256
Share Holders' Fund	651,604	730,026	833,936	1,792,884	2,299,252	3,209,398	3,259,901	3,380,247	4,695,974	5,297,351
Total Income	764,916	1,251,869	2,038,399	2,733,701	3,023,761	3,064,871	3,895,244	4,677,541	5,237,165	6,880,879
Total Expenses	640,261	1,125,833	1,813,321	2,288,190	2,377,157	2,483,376	3,378,748	4,344,182	4,485,986	5,770,321
Profit/(Loss) before Tax.	124,655	126,036	225,078	445,512	646,603	581,495	516,497	333,359	751,179	1,110,559
Taxation	(49,043)	(72,272)	(127,989)	(237,140)	(323,123)	(199,453)	(175,781)	(85,175)	(246,732)	(389,984)
Profit/(Loss) after Tax.	75,612	53,764	97,089	208,372	323,480	382,042	340,716	248,184	504,447	720,575
No. of Accounts	195,835	250,003	412,350	523,275	585,508	697,227	858,454	903,476	992,782	1,068,345
No. of Customer Centres	25	36	44	52	72	79	81	82	82	87
No. of Employees	398	465	504	615	735	884	823	856	1,004	1,198











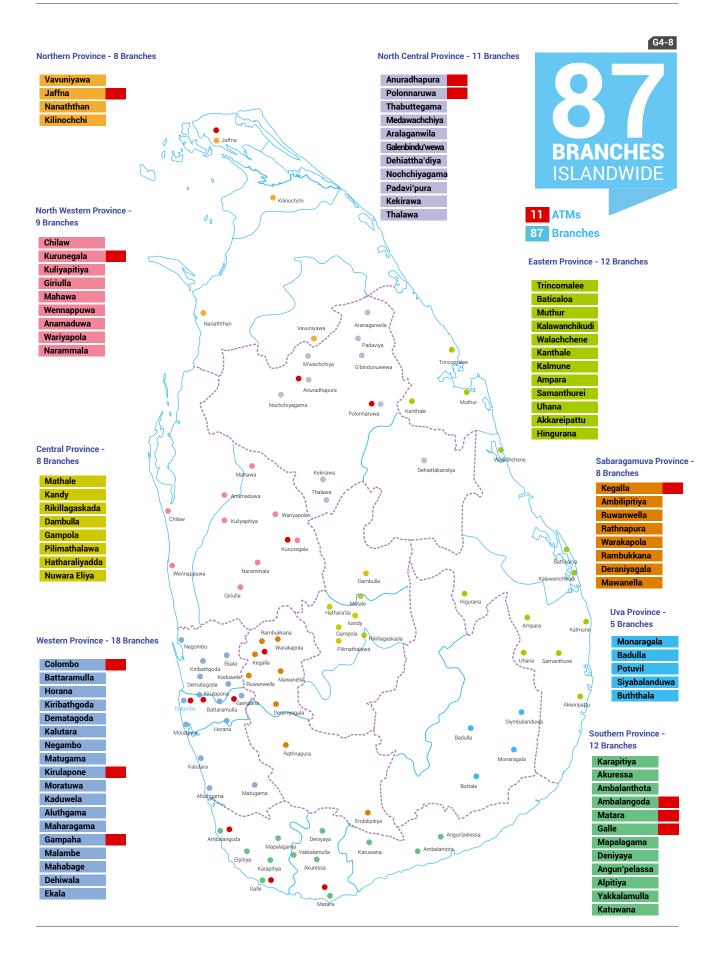








Branch Network





Western Province

Branch	SLIPS Code	Email	Telephone/ Fax	Address
1st Colombo City	1	colombo@sdb.lk	Tel. 011-2326265 Fax. 011-2337687	55, Kumaran Rathnam Mawatha, Colombo 02
Battaramulla	3	battaram@sdb.lk	Tel. 011-2866990 Fax. 011-5523291	210/01, Kaduwela Road, Battaramulla
Horana	5	horana@sdb.lk	Tel./Fax. 034-2261177	145, Rathnapura Road, Horana
Kiribathgoda	6	kiribath@sdb.lk	Tel. 011-2917137 Fax. 011-2917872	141, Kandy Road, Kiribathgoda
Dematagoda	18	dematagoda@sdb.lk	Tel./Fax. 011-2686118	No. 33, Kolonnawa Road, Dematagoda, Colombo 09.
Kalutara	25	kaluthara@sdb.lk	Tel. 034-2221115 Fax. 034-2221116	9, Gnanodaya Mawatha, Kaluthara South
Negombo	27	negombo@sdb.lk	Tel. 031-2227714 Fax. 031-2227715	150, Greens Road, Negambo
Mathugama	47	mathugama@sdb.lk	Tel./Fax. 034-2248373	120/1 Aluthgama Road, Mathugama
Aluthgama	80	aluthgama@sdb.lk	Tel.Fax. 034-2270718	39, Welipenna Road, Aluthgama
Kirulapona	56	kirulapone@sdb.lk	Tel. 011-2832597	12, Edmonton Road, Colombo 06
Maharagama	81	maharagama@sdb.lk	Tel./ Fax. 011-2840242	134, High level Road, Maharagama
Moratuwa	75	moratuwa@sdb.lk	Tel.011-2636627 Fax. 011-2624322	310, "Wijaya Mahal", Katubedda, Moratuwa
Kaduwela	78	kaduwela@sdb.lk	Tel. Fax. 011-2548428	500A, Colombo Road, Kaduwela
Gampaha	82	gampaha@sdb.lk	Tel./ Fax. 033-2224631	09, Sirikurusa Road, Gampaha
Malabe	84	malambe@sdb.lk	Tel. 011-2078653	410/1 Athurugiriya Road, Malabe
Mahabage	86	mahabage@sdb.lk	Tel. 011-2960514	511, Negambo Road, Mahabage
Dehiwala	85	dehiwala@sdb.lk	Tel. 011-2718670	107A, Galle Road, Dehiwala
Ekala	87	ekala@sdb.lk	Tel. 011-2228861	No 46, Orex City Shopping Complex, Ekala
	1st Colombo City Battaramulla Horana Kiribathgoda Dematagoda Kalutara Negombo Mathugama Aluthgama Kirulapona Maharagama Moratuwa Kaduwela Gampaha Malabe Mahabage Dehiwala	Branch Code 1st Colombo City 1 Battaramulla 3 Horana 5 Kiribathgoda 6 Dematagoda 18 Kalutara 25 Negombo 27 Mathugama 47 Aluthgama 80 Kirulapona 56 Maharagama 81 Moratuwa 75 Kaduwela 78 Gampaha 82 Malabe 84 Mahabage 86 Dehiwala 85	Branch Code Code Inst Colombo City I colombo@sdb.lk Battaramulla I battaram@sdb.lk Horana I horana@sdb.lk Kiribathgoda I dematagoda@sdb.lk Kalutara I staluthara@sdb.lk Dematagoda I staluthara@sdb.lk Kalutara I staluthara@sdb.lk Raluthara I staluthara@sdb.lk Negombo I regombo@sdb.lk Mathugama I mathugama@sdb.lk Kirulapona I staluthara@sdb.lk Kirulapona I staluthara@sdb.lk Maharagama I maharagama@sdb.lk Moratuwa I staluthara@sdb.lk Maharagama I maharagama@sdb.lk Maharagama I staluthara@sdb.lk Maharagama I stalutharamama I stalutharamamama I stalutharamamamama I stalutharamamamamama I stalutharamamamamamamamamamamamam	Stranch

Sabaragamuwa Province

Serial No.	Branch	SLIPS Code	Email	Telephone/ Fax	Address
19	Kegalle	2	kegalle@sdb.lk	Tel. 035-2222352 Fax. 035-2231051	342, Main Street, Kegalle
20	Embilipitiya	4	embilipi@sdb.lk	Tel. 047-2261891	15, H.K.T.Building, Embilipitiya
21	Ruwanwella	14	ruwanwel@sdb.lk	Tel./Fax. 036-2267426	93A, Main Street, Ruwanwella
22	Rathnapura	15	rathnapu@sdb.lk	Tel./Fax. 045-2226015	93, Inner Circule Road, Rathnapura
23	Warakapola	16	warakapo@sdb.lk	Tel./Fax. 035-2267741	198, Main Street, Warakapola
24	Rambukkana	34	rambukkana@sdb.lk	Tel./Fax. 035-2264388	152, Kurunegala Road, Rambukkana
25	Deraniyagala	57	deraniyagala@sdb.lk	Tel./Fax. 036-2249801	17, Main Street, Deraniyagala
26	Mawanella	68	mawanella@sdb.lk	Tel./Fax. 035-2246662	119/3, Kandy Road, Mawanella

Branch Network Contd.

Eastern Province

Serial No.	Branch	SLIPS Code	Email	Telephone/ Fax	Address
27	Trincomalee	21	trinco@sdb.lk	Tel./Fax. 026-2222076	95, Post Office Road, Trincomalee
28	Kalmuani	22	kalmunai@sdb.lk	Tel./Fax. 067-2222476	299, Main Sreet, New Bazar , Kalmunai
29	Batticaloa	29	batticaloa@sdb.lk	Tel./Fax. 065-2226611	197, Trincomalee Road, Batticaloa
30	Ampara	39	ampara@sdb.lk	Tel . 063-2222633 Fax . 063 - 2222661	No.05, Amarathunga Building, D.S.Senanayaka Street, Ampara.
31	Mutur	41	mutur@sdb.lk	Tel./Fax. 026-2238122	Main Street, Batticalo Road, Mutur
32	Kalawanchikudy	59	kalawanchikudy@sdb.lk	Tel./Fax. 065-2251409	Rajashe Buliding, Main Street, Kalawanchikudy
33	Samanthurai	60	samanthurai@sdb.lk	Tel./Fax.067-2261378	1/21 E Police Road, Samanthurai
34	Valachchenai	63	valachchenai@sdb.lk	Tel./Fax.065-2258044	Main Street, Valachchenai
35	Kanthale	73	kantale@sdb.lk	Tel./Fax. 026-2234380	14, Kandy Road, Kanthale
36	Uhana	72	uhana@sdb.lk	Tel./Fax. 063-2250102	No. 164/1, Kandy Road, Uhana
37	Akkaraipattu	74	akkaraipattu@sdb.lk	Tel./Fax. 067-2279365	05, Pothuvil Road, Akkareipattu
38	Hingurana	77	hingurana@sdb.lk	Tel. 063-2240245 Fax. 063-2240285	26, Muwangala Road, Hingurana

Central Province

Serial No.	Branch	SLIPS Code	Email	Telephone/ Fax	Address
39	Matale	9	matale@sdb.lk	Tel.066-2230388 Fax.066-2232439	271, Main Street, Matale
40	Kandy	10	kandy@sdb.lk	Tel.081-2204385 Fax.081-2202940	86, Colombo Street, Kandy
41	Rikillagaskada	19	rikillagaskada@sdb.lk	Tel./Fax. 081-2365556	51, Kandy Road, Rikillagaskada
42	Dambulla	35	dambulla@sdb.lk	Tel./Fax.066-2283244	360/D, Anuradhapura Road, Dambulla
43	Gampola	48	gampola@sdb.lk	Tel. 081-2352185 Fax. 081-2352172	10A, Ganasiri Road, Gampola
44	Pilimathalawa	55	pilimathalawa@sdb.lk	Tel./Fax.081-2577156	255, Colombo Road, Pilimathalawa
45	Hatharaliyadda	76	hatharaliyadda@sdb.lk	Tel./Fax. 081-2464250	21/5, Kandy Road, Hatharaliyadda
46	Nuwala Eliya	88	nuwaraeliya@sdb.lk	Tel. 052 - 2223521	116, (Old No. 38), Kandy Road, Nuwara Eliya



Southern Province

Serial No.	Branch	SLIPS Code	Email	Telephone/ Fax	Address
47	Karapitiya	7	karapiti@sdb.lk	Tel./Fax. 091-2245252	255, Sunny Side Gardens, Karapitiya
48	Akuressa	8	akuressa@sdb.lk	Tel./Fax.041-2283173 041-2283596	63A, Matara Road, Akuressa
49	Ambalanthota	23	ambalanthota@sdb.lk	Tel./Fax. 047-2225466	69/1, Tangalle Road, Ambalanthota
50	Ambalangoda	30	ambalangoda@sdb.lk	Tel.Fax. 091-2255779	321, New Road, Ambalangoda
51	Matara	31	matara@sdb.lk	Tel. 041-2229944 Fax. 041-2234284	24/A, E.H.Cooray Tower, Dharmapala Mawatha, Matara
52	Galle	32	galle@sdb.lk	Tel./Fax. 091-2226811	03, Ward Street, Galle
53	Mapalagama	46	mapalagama@sdb.lk	Tel./Fax. 091-2296200	"Samantha", Ethumale, Mapalagama
54	Deniyaya	49	deniyaya@sdb.lk	Tel./Fax. 041-2273100	61, Main Street, Deniyaya
55	Angunukolapalessa	51	angunukola@sdb.lk	Tel./Fax. 047-2229205	Ranna Road, Angunakolapelessa
56	Elpitiya	64	elpitiya@sdb.lk	Tel./Fax. 091-2291524	18/12 New Road, Elpitiya
57	Yakkalamulla	66	yakkalamulla@sdb.lk	Tel./Fax. 091-2286770	Yakkalamulla Junction, Galle Road, Yakkalamulla
58	Katuwana	67	katuwana@sdb.lk	Tel./Fax. 047-3623900	AAG Building, Middeniya Road, Katuwana

North Western Province

Serial No.	Branch	SLIPS Code	Email	Telephone/ Fax	Address
59	Chilaw	11	chilaw@sdb.lk	Tel./ Fax: 032-2220801	50/52, Skyline Building, Colombo Road, Chilaw
60	Kurunegala	20	kurunegala@sdb.lk	Tel./037-4921618, Fax. 037-2229607	95, Negambo Road, Kurunegala
61	Kuliyapitiya	26	kuliyapitiya@sdb.lk	Tel. 037-2284555 Fax. 037-2284556	437, Madampe Road, Kuliyapitiya
62	Giriulla	33	giriulla@sdb.lk	Tel./Fax. 037-2289524	02, Main Street, Giriulla
63	Maho	37	maho@sdb.lk	Tel./Fax. 037-2275045	19A, Main Street, Maho
64	Wennappuwa	38	wennappuwa@sdb.lk	Tel. 031-2245531 Fax. 031-2245532	Main Street, Wennappuwa
65	Anamaduwa	50	anamaduwa@sdb.lk	Tel./Fax. 032-2263026	16/11, Chilaw Road, Anamaduwa
66	Wariyapola	54	wariyapola@sdb.lk	Tel. 037-2267086 Fax. 037-2267646	54, Kurunegala Road, Wariyapola
67	Narammala	79	narammala@sdb.lk	Tel. 037-2248278	60, Kuliyapitiya Road, Narammala

Branch Network Contd.

Uva Province

Serial No.	Branch	SLIPS Code	Email	Telephone/ Fax	Address
68	Monaragla	13	monaraga@sdb.lk	Tel./Fax. 055-2277192	141, Pathinayake Motors, Wellawaya Road, Monaragala
69	Badulla	44	badulla@sdb.lk	Tel./Fax. 055-2224135	132, Lowers Street,Badulla
70	Pottuvil	45	pothuvil@sdb.lk	Tel./ Fax.063-2248026	Ibrahim Building, Main Street, Pottuvil
71	Siyambalanduwa	61	siyabalanduwa@sdb.lk	Tel./Fax. 055-2279141	Rathnayake Building, Near the filling Station, Main Street, Siyabalanduwa
72	Buttala	62	buttala@sdb.lk	Tel./ Fax. 055-2273387	14, Main Street, Buttala

North Central Province

Serial No.	Branch	SLIPS Code	Email	Telephone/ Fax	Address
73	Anuradhapura	17	anuradap@sdb.lk	Tel. 025-2234110 Fax. 025-4580377	No 12,Maithreepala Senanayaka Mawatha, Anuradhapura
74	Polonnaruwa	28	polonnaruwa@sdb.lk	Tel.027-2226622 Fax.027-2226623	No. 894/A, Sawmill Junction, Kaduruwela
75	Thambuttegama	36	thambuth@sdb.lk	Tel./Fax. 025-2275011	Rejina Junction, Anuradhapura Road, Thambuttegama
76	Medawachchiya	40	medawach@sdb.lk	Tel./Fax. 025-2245221	78A, Jaffna Road, Medawachchiya
77	Aralaganwila	52	aralaganwila@sdb.lk	Tel./Fax. 027-2257200	Kolongas Juction, New Town, Aralaganwila
78	Galenbindunuwewa	53	gdwewa@sdb.lk	Tel./Fax. 025-2258038	No. 55, Anuradhapura Road, Galenbindunuwewa
79	Dehiattakandiya	58	dehiattakandiya@sdb.lk	Tel./Fax. 027-2250414	10/4, Bus Stand Road, Dehiattakandiya
80	Nochchiyagama	65	nochchi@sdb.lk	Tel./Fax. 025-2257154	94, Puttalama Road, Nochchhiyagama
81	Padavi Parakramapura	70	padaviya@sdb.lk	Tel./Fax. 025-2254311	Kodithuwakku Building, Padaviparakkrampura
82	Kekirawa	71	kekirawa@sdb.lk	Tel./Fax. 025-2263306	53, Anuradhapura Road, Kakirawa
83	Thalawa	83	thalawa@sdb.lk	Tel./Fax.025-2050871	Kurunegala Road, Thalawa

Northern Province

Serial No.	Branch	SLIPS Code	Email	Telephone/ Fax	Address
84	Vavuniya	12	vavuniya@sdb.lk	Tel./Fax. 024-2224312	234, Kandy Road, Vavuniya
85	Jaffna	42	jaffna@sdb.lk	Tel./Fax. 021-2221280	212, Maha Lakshmi Buliding, Stanly Road, Jaffna
86	Nanattan	43	nanattan@sdb.lk	Tel./Fax. 023-3238200	Olimadu, Nanattan
87	Kilinochchi	69	kilinochchi@sdb.lk	Tel./Fax. 021-2285316	A9 Road, Kilinochchiya



ATM Locations

LOCATION / BRANCH
1st Colombo City Branch – No. 55, Kumaran Rathnam Mw, Colombo 02.
Kirulapone Branch – No. 12, Edmonton Road, Colombo 06
Ekala Branch – No. 46, Orex City Shopping Complex, Ekala.
Matara Branch – No. 24, A E H Cooray Tower, Dharmapala Mw, Matara.
Karapitiya Branch – No. 255, Sunny Side Gardens, Karapitiya
Ambalangoda Branch – No. 321, New Road, Ambalangoda
Kegalle Branch – No. 342, Main Street, Kegalle
Kurunegala Branch – No. 95, Negombo Road, Kurunegala
Polonnaruwa Branch – No. 894/A, Sawmill Junction, Kaduruwela.
Anuradhapura Branch — No. 12, Maithreepala Senanayaka Mw, Anuradhapura
Jaffna Branch – No. 212, Maha Lakshmi Building, Stanley Road, Jaffna

Last Five Years Financial Summary

Statement of Comprehensive Income (SLAF/LKAS) / Income Statement (SLAS)

	2015	2014	2013	2012	2011
	LKR (Mn)				
Interest Income	6,609	4,850	4,389	3,782	3,018
Interest Expenses	(3,241)	(2,401)	(2,526)	(1,879)	(1,201)
Net Interest Income	3,368	2,449	1,864	1,903	1,817
Fee and Commission Income	217	165	122	72	74
Fee and Commission Expenses	(3)	(2)	(2)	(0)	(0)
Net Fee and Commission Income	215	162	120	71	74
Net gain/(loss) from Financial Instruments at Fair Value through profit or			100	(11)	(40)
loss	5	54	102	(11)	(49)
Other Operating Income (Net)	52	168	63	52	22
Total Operating Income	3,640	2,834	2,150	2,016	1,864
Impairment for loans and other losses	(50)	(204)	(325)	(61)	(27)
Net Operating Income	3,590	2,630	1,825	1,955	1,837
Personal Expenses	(1,115)	(768)	(541)	(448)	(399)
Other Expenses	(1,091)	(920)	(869)	(894)	(746)
Operating Profit before Value Added Tax (VAT)	1,384	941	416	613	692
	()				(1.1.7)
Value added tax (VAT) on financial services	(274)	(190)	(82)	(97)	(110)
Operating Profit after Value Added Tax (VAT)	1,111	751	333	516	581
Profit before Tax	1,111	751	333	516	581
Tax Expenses	(390)	(247)	(85)	(176)	(199)
Profit for the Year	721	504	248	341	382
Other Comprehensive Income					
Actuarial losses on Defined Benefit Plans	(3)	(27)	(5)	(2)	(2)
Gains and losses on re-measuring Available-For-Sale Financial Assets	-		2	(28)	-
Income Tax relating to other Comprehensive Income	1	8		-	-
Other Comprehensive Income for the Year Net of Tax	(2)	(20)	(2)	(30)	(2)
Total Comprehensive Income for the Year	719	485	246	310	380
Basic Earning Per Share (LKR)	18	13	9	14	16



Statement of Financial Position

	2015	2014	2013	2012	2011
	LKR (Mn)				
Assets					
Cash & Cash Equivalents	5,058	662	399	504	420
Placements with Banks	4,757	2,223	2,531	2,070	1,604
Financial Assets Fair Value through Profit or Loss	-	-	1,211	184	246
Other Financial Assets Classified under Loans and Receivables	1,926	4,164	1,701	470	350
Loans and Receivables to Other Customers	45,830	32,060	22,117	19,712	16,603
Financial Investments - Available for Sale	80	30	166	172	30
Financial Investments - Held -to-Maturity	1,192	299	443	709	960
Assets held for sale	37	-	-	-	_
Property, Plant and Equipment	549	514	507	603	629
Investment Properties	26	27	28	29	30
Intangible Assets	47	77	108	128	152
Current Tax Assets	-	-	40	-	-
Other Assets	787	517	483	319	337
Total Assets	60,290	40,573	29,733	24,900	21,360
Liabilities					
Due to Other Customers	43,023	30,249	23,595	18,948	15,757
Other Borrowings	6,600	4,602	1,879	1,557	1,539
Debt SecuritiesIssued	3,979				-
Current Tax Liabilities	261	113		71	44
Deffered Tax Liabilities	66	54	46	27	26
Other Liabilities	1,063	858	833	1,027	784
Total Liabilities	54,993	35,877	26,352	21,630	18,150
Equity					
Stated Capital	3,794	3,534	2,527	2,527	2,428
Statutory Reserve Fund	155	119	94	82	65
Retained Earnings	1,302	997	489	434	595
Other Reserves	47	47	270	217	122
Total Equity	5,297	4,696	3,380	3,269	3,209
Total Equity	5,297	4,696	3,380	3,269	3,209
Total Equity and Liabilities	60,290	40,573	29,733	24,900	21,360
Contingent Liabilities and Commitments	137	130	144	143	141

Quarterly Summary

		Quarter 4			Quarter 3			Quarter 2			Quarter 1	
	31.12.2015 LKR' 000	31.12.2014 LKR' 000	Increase	30.09.2015 LKR' 000	30.09.2014 LKR' 000	Increase	30.06.2015 LKR' 000	30.06.2014 LKR' 000	Increase	31.03.2015 LKR' 000	31.03.2014 LKR' 000	Increase
	0000	() () () () () () () () () ()	å 1	0000	2 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7	410	000	000	ò		7 ()	5
Interest income	(003 600)	(664 460)	97.9	(076,976)	(577 066)	41%	(001 000)	(616 659)	40% %06	1,47,367	(642.7964	%00
Microsot Lyperiaes	(903,020)	740.004	00%	(010,232)	(377,300)	0200	(900,130)	(010,002)	000	(000,620)	(0442,700)	0 %
Met Interest moonie	0/0/400	140,994	%55	041,031	030,340	32%	034,340	100,200	0 10	014,041	871,810	%/10
Fee and Commission Income	27,053	58,413	-54%	61,804	65,682	%9-	61,540	37,871	62%	67,078	43,761	23%
Fee and Commission Expenses	(1,257)	13,920	-109%	(562)	(488)	15%	(408)	(446)	%6-	(739)	(1961)	-23%
Net Fee and Commission Income	25,797	72,333	-64%	61,241	65,194	%9-	61,133	37,425	63%	66,339	42,799	25%
Net Gain/(Loss) from Financial Instruments at Fair Value Through Profit or Loss	3.121	18,610	83%	1,300	7,947	-84%	634	13.017	-95%	40	14,368	-100%
Other Operating Income (Net)	10,369	83,981	%88-	15,152	18,113	-16%	3,329	7,982	-58%	23,177	17,252	34%
Total Operating Income	917,741	915,918	%0	918,725	727,600	26%	899,442	611,311	47%	904,097	593,598	52%
Impairment For Loans and Other	(50,602)	20 70	170%	(2103)	980 17	%OLL-	22.057	(28 453)	010%	70 /35	106 301	705%
Significant Impairment	(38 472)	16 993	-326%	(2,139)	27.874	-109%	30,435	(51.539)	159%	24.390	30,381	-20%
Collective Impairment	(21,130)	68,262	-131%	(1,629)	13,414	-112%	3,519	23,086	-85%	55,045	75,919	-27%
Net Operating Income	977,342	830,664	18%	922,918	686,313	34%	865,488	639,764	35%	824,661	487,298	%69
Personnel Expenses	359,485	234,257	22%	301,106	187,428	61%	236,756	170,771	36%	217,407	175,392	24%
Depreciation	38.907	37.122	22%	36.855	36.415	%	35.931	36.965	%°,	37.136	37.416	%
Other Expenses	311,966	246,466	27%	242,122	188,069	29%	209,450	186,841	12%	179,090	165,441	%8
Operating Profit/(Loss) before Value Added Tax (VAT)	266,984	312,819	-15%	342,836	274,400	72%	383,351	245,187	26%	391,029	109,048	259%
Value Added Tax (VAT) on Financial Services & NBT	(75,168)	(72,075)	4%	(55,897)	(58,441)	-4%	(67,319)	(35,727)	88%	(75,257)	(24,032)	213%
Operating Profit/(Loss) After Value Added Tax (VAT)	191,816	240,744	-20%	286,939	215,958	33%	316,032	209,460	21%	315,772	85,017	271%
Profit/(Loss) before Tax	191,816	240,744	-20%	286,938	215,959	33%	316,033	209,460	21%	315,772	85,017	271%
Tax Expenses	(51,223)	(51,043)	%0	(120,759)	(111,643)	%	(107,682)	(55,990)	92%	(110,320)	(28,056)	293%
Profit/(Loss) for The Period	140,593	189,701	-26%	166,179	104,315	29%	208,351	153,469	36%	205,451	56,961	261%
Other Comprehensive Income												
Actuarial Gains/(Losses) on Defined Benefit Plans	14,971	(13,591)	-210%	(6,159)	(4,500)	37%	(000'9)	(4,500)	33%	(2,500)	(4,500)	22%
Gains And Losses on Re-Measuring Available-for-Sale Financial Assets	'	(64,121)	-100%	'	38,472	-100%		16,770	-100%		8,878	-100%
Income Tax Relating to Other Comprehensive Income	753	7,586	%06-	1			,		,	,	,	
Other Comprehensive Income for The Period Net of Tax	15,724	(70,126)	-122%	(6,159)	33,972	-118%	(0000'9)	12,270	-149%	(5,500)	4,378	-226%
Total Comprehensive Income for The Period	156,316	119,574	31%	160,020	138,288	16%	202,351	165,739	22%	199,951	61,340	226%
Total Comprehensive Income Attributable to												
Owners of Parent	156,316	119,574	31%	160,020	138,288	16%	202,352	165,739	22%	199,951	61,340	226%
Total Comprehensive Income for the period	156,316	119,574	31%	160,020	138,288	16%	202,351	165,739	22%	199,951	61,340	226%

Income Statement

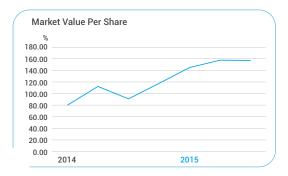


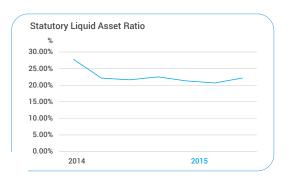
		Quarter 4			Quarter 3			Quarter 2			Quarter 1	
	31.12.2015 LKR' 000	31.12.2014 LKR' 000	Increase	30.09.2015 LKR' 000	30.09.2014 LKR' 000	Increase	30.06.2015 LKR' 000	30.06.2014 LKR' 000	Increase	31.03.2015 LKR' 000	31.03.2014 LKR' 000	Increase
Assets												
Cash and Cash Equivalents	5,057,791	661,651	664%	823,667	560,958	47%	1,148,911	528,233	118%	1,013,085	548,479	85%
Placements with Banks	4,757,401	2,223,162	114%	1,877,248	2,431,929	-23%	2,281,968	2,613,520	-13%	1,375,515	3,744,328	-63%
Financial Assets Fair Value through profit or loss	1		1		836,383	-100%	,	1,075,056	-100%		235,964	-100%
Other Financial Assets Classified under Loans and Receivables	1,926,055	4,164,274	-54%	2,832,052	3,280,960	-14%	4,081,466	3,164,672	29%	2,670,849	1,944,281	37%
Loans and Receivables to Other Customers	45,830,499	32,060,498	43%	43,163,243	25,363,793	%02	40,819,533	23,574,452	73%	37,690,560	23,084,348	63%
Financial Investments Available- for-sale	629'62	29,734	168%	19,679	229,871	-91%	19,679	191,398	%06-	30,979	172,655	-82%
Financial Investments Held-to- Maturity	1,192,440	298,545	299%	2,510,060	293,398	756%	1,193,957	393,683	203%	2,265,361	583,348	288%
Asset Held for Sale	37,175	1	100%	,	'	'	'	'	'	'	1	
Property, Plant and Equipment	549,172	513,593	7%	508,354	439,230	15%	486,992	451,229	%8	473,932	457,226	4%
Investment Properties	25,503	26,559	-4%	25,767	26,823	-4%	26,031	27,087	-4%	26,295	27,351	-4%
Intangible Assets	47,141	77,344	-39%	54,692	85,092	-36%	62,243	92,643	-33%	69,794	100,193	-30%
Other Assets	787,138	517,187	25%	875,581	640,422	37%	865,579	597,475	45%	751,187	628,826	19%
Total Assets	60,289,994	40,572,547	49%	52,690,342	34,188,859	54%	50,986,359	32,709,447	26%	46,367,556	31,526,999	47%
Liabilities												
Due to Other Customers	43,023,393	30,249,434	42%	39,404,158	27,516,445	43%	38,099,056	26,831,948	42%	35,167,412	24,930,770	41%
Other Borrowings	6,600,339	4,602,233	43%	6,830,119	2,055,116	232%	6,351,688	1,503,279	323%	5,144,346	2,287,874	125%
Debt Securities Issued	3,979,111		100%	'		'	'		'			1
Current Tax Liabilities	260,733	113,192	130%	376,675	100,492	275%	360,719	56,849	535%	266,107	126,589	110%
Deferred Tax Liabilities	66,411	53,514	24%	91,392	82,354	11%	58,902	34,335	72%	54,522	46,005	19%
Other Liabilities	1,062,657	858,200	24%	922,883	874,462	%9	1,174,402	851,939	38%	871,818	694,176	26%
Total Liabilities	54,992,643	35,876,573	23%	47,625,226	30,628,869	22%	46,044,767	29,278,350	22%	41,504,205	28,085,414	48%
Equity												
Stated Capital/Assigned Capital	3,794,095	3,533,545	%2	3,786,355	2,526,532	20%	3,786,355	2,526,532	20%	3,533,545	2,526,532	40%
Statutory Reserve Fund	154,596	118,664	30%	118,664	94,417	79%	118,664	94,417	26%	118,664	94,417	26%
Retained Earnings	1,302,003	997,107	31%	1,113,440	659,106	%69	989,915	540,206	83%	1,164,485	550,694	111%
Other Reserves	46,657	46,657	%0	46,657	279,936	-83%	46,657	269,943	-83%	46,657	269,943	-83%
Total Equity	5,297,351	4,695,974	13%	5,065,116	3,559,990	42%	4,941,592	3,431,097	44%	4,863,351	3,441,586	41%
Total Equity and Liabilities	60 289 994	40.572.547	49%	52 690 342	34 188 859	54%	50 986.359	32 709 447	26%	46.367.556	31 526 999	47%
Contingent Liabilities and	136 574	129507	2%	129241	138 594	%2-	133504	147.319	%0-	135635	148.362	%5-
Net Asset Per Share	136	124	10%	126	141	%_	123	136	-10%	129	137	%9-
Memorandum Information												
Number of Employees	1,198	1,004	19%	1,210	974	24%	1,204	949	27%	1,022	840	22%
Number of Branches	87	82	%9	85	82	4%	83	82	1%	82	82	%0

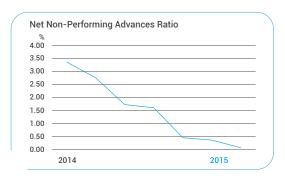
Balance Sheet

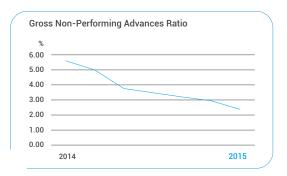
Quarterly Ratios Analysis

		20	15			20	14	
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Core Capital Adequacy Ratio	13.46%	12.57%	11.89%	12.07%	12.87%	12.66%	11.60%	14.89%
Gross Non-performing Advances Ratio, (Net of Interest in Suspense)	3.48%	3.20%	2.95%	2.37%	6.08%	5.61%	4.99%	3.76%
Net Non-performing Advances Ratio, (Net of Interest in Suspense & Provisions)	1.61%	0.46%	0.37%	0.07%	3.96%	3.37%	2.76%	1.73%
Interest Margin	7.50%	7.73%	7.28%	7.13%	6.59%	7.16%	7.29%	6.97%
Statutory Liquid Asset Ratio (Minimum Requirement, 20%)	22.49%	21.29%	20.68%	22.16%	21.40%	27.81%	22.12%	21.61%
Market value per share (LKR)	117.5	145.00	157.60	157.10	75.00	80.00	112.40	90.90
Highest price per share for the period (LKR)	124.8	158.10	176.00	160.00	82.00	86.00	124.00	117.30
Lowest price per share for the period (LKR)	91.00	124.00	140.10	145.20	73.50	73.50	79.00	85.60









Glossary of Terms



ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACCRUAL BASIS

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

AMORTISED COST

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

ASSET AND LIABILITY COMMITTEE (ALCO)

A risk-management committee in a bank that generally comprises of the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the bank's forecast and strategic balance-sheet allocations.

AVAILABLE FOR SALE FINANCIAL **ASSETS**

Available for sale financial assets are those non derivative financial assets

that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

AVERAGE WEIGHTED DEPOSIT RATE (AWDR)

AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

Average Weighted Prime Lending Rate (AWPLR)

AWPLR is calculated by the Central Bank weekly based on commercial bank's lending rates offered to their prime customers during the week.

В

BASEL II

The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in the form of the 'International Convergence of Capital Measurement and Capital Standards'.

BASEL III

The BCBS issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

C

CAPITAL ADEQUACY RATIO

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CASH FLOWS

Cash flows are inflows and outflows of cash and cash equivalents.

CASH GENERATING UNIT (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

COLLECTIVELY ASSESSED LOAN IMPAIRMENT PROVISIONS

Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Typically assets within the consumer banking business are assessed on a portfolio basis.

COMMITMENT TO EXTEND CREDIT

Credit facilities available to clients either in the form of loans, bankers' acceptances and other on-balance sheet financing or through off-balance sheet products such as guarantees.

COMMITMENTS

Credit facilities approved but not yet utilised by the clients as at the reporting date.

CONTINGENCIES`

A condition or situation, the ultimate outcome of which (gain or loss) will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Glossary of Terms Contd.

CONTRACTUAL MATURITY

Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

CONTROL

An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the super vision of executive actions and accountability to owners and others.

E

EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue.

ECONOMIC VALUE ADDED (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

EFFECTIVE INTEREST RATE

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments

or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

EFFECTIVE TAX RATE (ETR)

Provision for taxation excluding deferred tax divided by the profit before taxation.

EQUITY INSTRUMENT

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

EQUITY METHOD

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

EVENTS AFTER THE REPORTING PFRIOD

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue

EXPECTED LOSS (EL)

A regulatory calculation of the amount expected to be lost on an exposure using a 12 month time horizon and downturn loss estimates. EL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

EXPOSURE

A claim, contingent claim or position which carries a risk of financial loss.

F

FAIR VALUE

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

FINANCE LEASE

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

FINANCIAL GUARANTEE CONTRACT

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

FINANCIAL ASSET OR FINANCIAL LIABILITY AT FAIR VALUE THROUGH **PROFIT OR LOSS**

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or loss'.

FINANCIAL INSTRUMENT

Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FIRM COMMITMENT

A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date of dates.

FINANCIAL RISK

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or credit rating or credit index or other variable provided in the case of a non financial variable that the variable is not specific to the party to the contract.



FOREIGN EXCHANGE INCOME

The gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the reporting date at prevailing rates which differ from those rates in force at inception or on the previous reporting date. Foreign exchange income also arises from trading in foreign currencies.

G

GLOBAL REPORTING INITIATIVE (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

GOING CONCERN

The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

GROSS DIVIDENDS

The portion of profit inclusive of tax withheld distributed to shareholders.

GROUP

A group is a parent and all its subsidiaries.

GUARANTEES

Primarily represent irrevocable assurances that a bank will make payments in the event that its customer cannot meet his / her financial obligations to third parties. Certain other guarantees represent non-financial undertakings such as bid and performance bonds.

н

HELD TO MATURITY INVESTMENTS

Non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

HIGH QUALITY LIQUID ASSETS (HQLA)

HQLA are assets that can be easily and immediately converted into cash at little or no loss of value, that can be readily sold or used as collateral to obtain funds in a range of stress scenarios and are unencumbered, i.e., without legal, regulatory or operational impediments.

IMPAIRED LOANS

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

IMPAIRMENT

This occurs when recoverable amount of an asset is less than its carrying amount

IMPAIRMENT PROVISIONS

Impairment provisions are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

IMPAIRMENT ALLOWANCES

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio) respectively.

INDIVIDUALLY SIGNIFICANT LOANS

Exposures which are above a certain threshold decided by the Bank's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

INDIVIDUALLY SIGNIFICANT LOAN **IMPAIRMENT PROVISIONS**

Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group. Typically assets within the corporate banking business of the Group are assessed individually.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance held for use in the production / supply of goods / services or for rental to others or for administrative purposes.

INTEREST COVER

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

INTEREST MARGIN

Net interest income as a percentage of average interest earning assets.

INTEREST RATE RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

INTEREST SPREAD

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

INVESTMENT PROPERTIES

Investment property is property (land or a building - or part of a building - or

Glossary of Terms Contd.

both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

K

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

LIQUIDITY COVERAGE RATIO (LCR)

Banks are required to maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet their liquidity needs for a 30 calendar day time horizon under a significantly servere liquidity strees scenario. LCR is computed by dividing the stock of HQLA by the total net cash outflows over the next 30 calendar days.

LIQUID ASSETS

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other Banks, Bills of Exchange and Treasury Bills.

LIQUIDITY RISK

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

LOANS AND RECEIVABLES

Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

LOSS GIVEN DEFAULT (LGD)

LGD is the percentage of an exposure that a lender expects to loose in the event of obligor default.

М

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market value of each share at the year end.

MARKET RISK

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

MATERIALITY

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of financial statements.

NET ASSET VALUE PER SHARE

Shareholders' funds divided by the number of ordinary shares in issue.

NET-INTEREST INCOME

The difference between what a Bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

NON-CONTROLLING INTEREST

Non controlling interest is the equity in a subsidiary not attributable, directly or indirectly to a parent.

0

OPERATIONAL RISK

Operational risk refers to the losses arising from fraud, negligence,

oversight, human error, process errors, system failures, external events, etc.

P

POWER

The Power is the existing rights that give the current ability to direct the relevant activities.

PRICE EARNINGS RATIO (P/E RATIO)

The current market price of the share is divided by the earnings per share of the Bank.

PROBABILITY OF DEFAULT (PD)

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

PRUDENCE

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R

RELEVANT ACTIVITIES

Relevant activities are activities of the investee that significantly affect the investee's returns.

REPURCHASE AGREEMENT

This is a contract to sell and subsequently repurchase government securities at a given price on a specified future date.

RETURN ON AVERAGE ASSETS (ROAA)

Profit after tax expressed as a percentage of average total assets, used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.



RETURN ON AVERAGE EQUITY (ROAE)

Profit after tax less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

REVENUE RESERVE

Reserves set aside for future distribution and investment.

REVERSE REPURCHASE AGREEMENT

Transaction involving the purchase of government securities by a Bank or dealer and resale back to the seller at a given price on a specific future date.

RIGHTS ISSUE

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

RISK-WEIGHTED ASSETS

Used in the calculation of risk-based capital ratios. The face amount of lower risk assets is discounted using risk weighting factors in order to reflect a comparable risk per rupee among all types of assets. The risk inherent in off -balance sheet instruments is also recognised, first by adjusting notional values to balance sheet (or credit) equivalents and then by applying appropriate risk weighting factors.

S

SEGMENTAL ANALYSIS

Analysis of financial information by segments of an enterprise specificallythe different industries and the different geographical areas in which it operates.

SEGMENT REPORTING

Segment reporting indicates the contribution to the revenue derived from business segments such as

banking operations, leasing operations, stock broking and securities dealings, property and insurance.

SHAREHOLDERS' FUNDS

Shareholders' funds consist of stated capital, statutory reserves, capital and revenue reserves.

SINGLE BORROWER LIMIT

30% of Tier II Capital.

SPECIFIC IMPAIRMENT **PROVISIONS**

Impairment is measured individually for loans that are individually significant to the Bank.

STATUTORY RESERVE FUND

Reserve created as per the provisions of the Banking Act No. 30 of 1988.

SUBSTANCE OVER FORM

The consideration that the accounting treatment and the presentation in financial statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

т

TRANSACTION COSTS

Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

TIER I CAPITAL

Consists of the sum total of paid up ordinary shares, non cumulative, non redeemable preference shares, share premium, statutory reserve fund, published retained profits, general and other reserves, less goodwill.

TIER II CAPITAL

Consists of the sum total of revaluation

reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

TOTAL CAPITAL

Total capital is the sum of Tier I capital and Tier II capital.

U

USEFUL LIFE

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

VALUE ADDED

Value added is the wealth created by providing banking services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.



YIELD TO MATURITY

Discount rate which the present value of future cash flows would equal the security's current price.

Abbreviations

AC	Air Conditioner	CRRF	Credit Risk Review Function
ACA	Associate Chartered Accountant	CSE	Colombo Stock Exchange
ADB	Asian Development Bank	CSR	Corporate Social Responsibility
AFS	Available for Sale		
AGM	Assistant General Manager/Annual General Meeting (as appropriate)	DGM	Deputy General Manager
ALCO	Assets and Liability Management Committee	DMS	Document Management System/ Deliquency Monitoring System
AML	Anti Money Laundering	DPS	Dividend per Share
ATI	Additional Tier I	DRP	Disaster Recovery Plan
ATM	Automated Teller Machine		
AWPLR	Average Weighted Prime Lending Rate	EAR	Earnings at Risk
AVVI LIT	Average weighted i filme Lending Hate	EIR	Effective Interest Rate
DAC	Board Audit Committee	EPF	Employees Provident Fund
BAC		EPS	Earnings per Share
BCP	Business Continuity Plan	ESC	Economic Service Charges
BIA	Business Impact Analysis	ESOP	Employee Share Option Plan
BIRMC	Board Integrated Risk Management Committee	ETF	Employee Trust Fund
BIS	Bank for International Settlements	EUR	Euro
Bn	Billions	ERM	Enterprise Risk Management
BNO	Bank Notes Operation	ETF	Employees Trust Fund
BOD	Board of Directors	EVA	Economic Value Addition
BRPTRC	Board Related Party Transaction Review Committee	EWS	Early Warning Signals
BSS	Baseline Standard	FSVAT	Financial Services Value Added Tax
CAR	Capital Adequacy Ratio	GDP	Gross Domestic Product
CASL	Chartered Accountants of Sri Lanka (ICASL)	GHG	Green House Gas
CBSL	Central Bank of Sri Lanka	GL	General Ledger
CCB	Capital Conservation Buffer	GRI	Global Reporting Initiative
CEO	Chief Executive Officer	GRO	Group Risk Officer
CET I	Common Equity Tier I		5.54p (110K 61110C)
CFO	Chief Financial Officer	НО	Head Office
CO2e	Carbon Dioxide Equivalent, is a standard unit for measuring carbon footprints	HQLA	High Quality Liquid Assets
CRIB	Credit Information Bureau of Sri Lanka	HR	Human Resources
CRMU	Credit Risk Management Unit	HRD	Human Resources Development
51 11410	o.care rilax management offit	HTM	Held to Maturity



IBSL	Institute of Bankers of Sri Lanka	MSME	Micro, Small and Medium Scale
ICAAP	Internal Capital Adequacy Assessment Process	MW	Entrepreneur Megawatt
ICASL	Institute of Chartered Accountants of Sri		
	Lanka	NBT	Nations Building Tax
ICC	International Chamber of Commerce	NED	Non Executive Director
ICOFR	Internal Control Over Financial Reporting	NID	Non Independent Director
ICT	Information and Communications Technology	NII	Net Interest Income
IFA	Investment Fund Account	NIM	Net Interest Margin
IFRS	International Financial Reporting Standards	NPA	Non Performing Assets
IIRC	International Integrated Reporting Council	NPL	Non Performing Loans
IND	Independent Director		
IRMC	Integrated Risk Management Committee	OBS	Off - Balance Sheet
IRMU	Integrated Risk Management Unit	OCI	Other Comprehensive Income
ISMS	Information Security Management System	ORMU	Operational Risk Management Unit
ISO	International Organisation for Standardisation	OTC	Over-the-Counter
IT	Information Technology	p.a.	Per Annum
		P/E Ratio	Price Earnings Ratio
kg	Kilograms	PAT	Profit After Tax
km	Kilometre	PBT	Profit Before Tax
KMP	Key Management Personnel	PD	Probability of Default
KPI	Key Performance Indicator	PoS	Point of Sale
KRI	Key Risk Indicators		
kWh	Kilowatt-hour	Q&A	Question and Answer
KYC	Know Your Customer		400000
		RCSA	Risk and Control Self Assessments
LCB	Local Commercial Bank	RMU	Risk Management Unit
LCR	Liquidity Coverage Ratio	ROA	Return On Assets
LGD	Loss Given Default	ROCE	Return On Capital Employed
LKAS	Sri Lanka Accounting Standard	ROE	Return On Equity
LTV Ratio	Loan to Value Ratio	RPT	Related Party Transaction
m^3	Cubic meter	RPTRC	Related Party Transactions Review Commit tee
MIS	Management Information Systems	RSA	Rate Sensitive Assets
MoM	Month on Month	RSL	Rate Sensitive Liabilities
	Millions	RWA	Risk Weighted Assets

Abbreviations Contd.

SAFA	South Asian Federation of Accountants
SBU	Strategic Business Unit
SDF	Standing Deposit Facility
SEC	Securities and Exchange Commission of Sri Lanka
SLA	Statutory Liquid Assets
SLAR	Statutory Liquid Asset Ratio
SLAS	Sri Lanka Accounting Standard
SLDB	Sri Lanka Development Bonds
SLF	Standing Lending Facility
SLFRS	Sri Lanka Financial Reporting Standards
SLIBOR	Sri Lanka Inter Bank Offered Rate
SLIPS	Sri Lanka Interbank Payments System
SME	Small And Medium Enterprises
SMS	Short Message Service
SREP	Supervisory Review Process
SWIFT	Society for Worldwide Interbank Financial Telecommunication
Tn	Trillion
TOR	Terms of Reference
TRWCR	
	Total Risk Weighted Capital Ratio Telegraphic Transfer
TT	relegraphic transfer
VAR	Value at Risk
VAT	Value Added Tax
WHT	Withholding Tax
YOY	Year on Year

Ratio Formula



Ratio	Definition
Advances to deposits (Times)	Total Advances Total deposits
Collective impairment to total loans & advances (%)	Collective impairment*100 Gross portfolio
Cost to income ratio (%)	Total operating cost without VAT on financial services*100 Total operating income
Current ratio (Times)	Current assets Current liabilities
Debt equity (Times)	Borrowings Equity
Debt equity with contingencies (Times)	(Borrowings+contingencies) Equity
Debt to total assets (Times)	Borrowings Total assets
Dividend cover (Times)	Profit/loss attributable to ordinary shareholders Total dividends
Dividend payout (%)	Total dividends*100 Profit/loss attributable to ordinary shareholders
Dividend yield (%)	Dividend per ordinary share* 100 Market price per share
Earnings per share (EPS) LKR	Profit/loss attributable to ordinary shareholders Number of shares
Earnings yield (%)	Earnings per share* 100 Market price per share
Gross non-performing advances ratio (%)	Non-performing portfolio (net of interest In suspense and unearned income)*100 Gross portfolio (net of interest in suspense and unearned income)
Individual impairment to total loans & advances (%)	Individual impairment*100 Gross portfolio*100
Interest cover (Times)	Profit before interest and tax Interest cost

Ratio Formula Contd.

Ratio	Definition
Lending to loans & advances ratio (%)	Current year granting*100 Gross loans & advances
Market capitalization LKR	Market price per share*Number of shares
Net assets per share (NAPS) LKR	Total shareholders' equity Number of shares
Net interest margin (%)	Net interest income*100 Average interest earning assets
Non-performing ratio (%)	Gross non performing portfolio*100 Gross portfolio
Operating profit margin (%)	Operating profit before VAT on financial services*100 Gross income
Price earnings (PE) (Times)	Market price per share Earnings per share
Price to book value (PBV) (Times)	Market price Net assets per share
Provision cover (Times)	Provisions (CBSL) Non-performing assets
Return on asset (ROA) (%)	Profit before tax*100 Total average assets
Return on capital employed (ROCE) (%)	Profit before interest and tax*100 (Borrowings+Deposits+Equity)
Return on equity (ROE) (%)	Profit after tax*100 Average equity
Total impairment provision to gross portfolio (%)	Total impairment provision*100 Gross portfolio
Total return of share %	(Closing market price-Opening market price)+DPS)*100 Opening market price

19th Annual General Meeting - Agenda



Date

31st May 2016

Uththamavi Hall, SANASA Campus Limited, Paragammana, Hettimulla, Kegalle.

9.00 a.m. - 10.00 a.m. : Registration

10.00 a.m. - 10.25 a.m. : Nineteenth Annual General Meeting call to order

Lighting of the oil lamp Religious observances

Pledge of the Co-operative Movement

Observing one-minute silence in memory of departed members of the SANASA Movement.

10.25 a.m. - 10.30 a.m. : Notice of Meeting - Company Secretary

10.30 a.m. - 10.45 a.m. : Confirmation of the minutes of Annual General Meeting held on 29th May 2015

10.45 a.m. - 12.15 p.m. : To pass General Resolutions

12.15 p.m. - 12.30 p.m. : Chairperson's Address

12.30 p.m. - 12.45 p.m. : Vote of Thanks - General Manager / CEO







Feedback Form



Dear Stakeholder,

We welcome your valuable comments,	query and feedback on our	commitment, performance a	ınd Annual Report - 2	2015. Please
complete the following and return to:				

Company Secretary, SANASA Development Bank PLC, No.12, Edmonton Road, Colombo -12

Tel : 011 2 832500 : 0112 514256 Fax

1. Which stakeholder group(s) do you belongs to?

Shareholder	Employee	
Investor	Supplier	
Customers	Service Provider	
Regulator	SANASA Society	
Public Authority	Co-operative Society	
Finance Analyst	NGO	
Other	Community	
Student	Journalist	

2 Rate our Annual Report in terms of:

	Excellent	Very Good	Good	Average	Poor
Informative					
Transparent					
Design & Lay Out					
Overall Impression					
Comprehensive					

- 3. Which section do you find most useful?
- 4. Which section do you find least useful?
- 5. What is the area that need more improvement?
- 6. Any other comments/queries

Your details

Name :
Address:
Contact No.:
Email:
Mobile:



Corporate Information



Name of Company

SANASA Development Bank PLC

Legal Form

A public Quoted Company with limited liability incorporated under the companies Act 17 of 1982 on 6th August 1997 and Re-Registered under Companies Act No. 07 of 2007 and registered as a Licensed Specialized Bank by Central Bank of Sri Lanka under the Banking Act No 30 of 1998 (as amended by the Banking Amendment Act of 1995.) and approved Credit Agency under the Mortgage (amendment) Act No 53 of 1949 and Trust Receipt Ordinance No 12 of 1947.

Date of Incorporation

6 Aug 1997

Company Registration Number

PB 62 PQ.

Central Bank Registration Number

Central Bank License No 6 (Under Banking Act No 30 of 1998 on 21st August 1997)

Accounting year - End

31st December

Registered Office and Principal Place of Business

Head Office : No. 12, Edmonton Road, Kirulapone, Colombo 06.

Telephone : +94 112 832 500 Fax : +94 112 514 245 E – mail : comsec@sdb.lk Web Page : www.sdb.lk

Colombo Stock Exchange- Listing

The Ordinary Voting Shares of the company were quoted on the Main Board of the Colombo Stock Exchange (CSE) on 31st May 2012

Tax Payer Identity No.(TIN)

134007125

VAT Registration Number

134007125 -7000

SLIPS Code

7728

General Manager/Chief Executive Officer

Mr. Nimal C. Hapuarachchi

Compliance Officer

Mr. S.S.S. Senanayaka

Company Secretary

Ms. Tamarika Rodrigo

Auditors

M/S Ernst & Young Chartered Accountants, No. 201. De Seram Place,

P.O. Box 101, Colombo 10

Bankers

People's Bank NDB Bank PLC Nations Trust Bank PLC

Branch Network

Please refer the Page no. 248

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Board of Directors and Board Sub Committees

Board of Directors

Ms. M.S. Kiriwandeniya (Chairperson)

Mr. T.Karunasena (Deputy Chairman)

Mr. D.P.Kumarage (Director)

Mr. H.M.G.B.Herath (Director)

Mr. L.Abeysekera (Director)

Mr. T.Rajapaksha (Director)

Mr. W.M.M.D. Ratnayake (Director)

Mr. J.A.L.G. Jayasinghe (Director)

Mr. B.R.A. Bandara (Director)

Board Sub Committees

Board Audit Committee

Mr. L. Abeysekera (Chairman)

Mr. T. Karunasena

Mr. T. Rajapaksha

Board Human Resource & Remuneration Committee

Mr. T. Karunasena (Chairman)

Ms. M.S. Kiriwandeniya Mr. L. Abeysekera

Mr. J.A.L.G. Jayasinghe

Board Credit Committee

Mr. D.P. Kumarage (Chairman)

Mr. H.M.G.B. Herath

Mr. B.R.A. Bandara

Mr. A.D. Walisinghe (until 29th May 2015)

Board Selection & Nomination Committee

Mr. T. Karunasena (Chairman)

Ms. M.S. Kiriwandeniya

Mr. L. Abeysekera

Board Integrated Risk Management Committee

Mr. T. Karunasena (Chairman)

Ms. M.S. Kiriwandeniya

Mr. D.P. Kumarage

Mr. L. Abeysekera

Mr. W.M.M.D. Ratnayake

Board Related Party Transaction Committee

Mr. T. Karunasena (Chairman)

Mr. J. Rathnayake (until 29th May 2015)

Board Strategic Planning, ICT & Business Development Committee

Ms. M.S. Kiriwandeniya (Chairperson)

Mr. L. Abeysekera

Mr. W.M.M.D. Ratnayake

Membership in Associations

Leasing Association of Sri Lanka

Association of Professional Bankers' of Sri Lanka

The Ceylon Chamber of Commerce

Employers' Federation of Ceylon

The Association of Banking Sector Risk Professionals SL

Association of Compliance Officers of Banks Sri Lanka Sri Lanka Bank's Association (Guarantee) Ltd.

The Financial Ombudsman Sri Lanka (Guarantee)Ltd -

(Participating)

Credit Rating

BB+ Stable by Fitch Lanka Limited

SL [BBB-] with a Positive Outlook by ICRA Lanka Limited

For any clarification on this Report Please contact

Assistant General Manager – Finance

SANASA Development Bank PLC

No. 12, Edmonton Road, Kirulapone, Colombo 06.

Tel : 011-2832515 Fax : 011-2514247