Credit Evaluation Division

Credit Risk Management Policy

List of Abbreviations

3W	Three Wheeler
AGM	Assistant General Manager
BDM	Business Development Manager
BO	Branch Operations
BOIC	Branch Operations-in-Charge
BOQ	Bill of Quantities
BR	Business Registration
CASL	Chartered Accountants of Sri Lanka
CBL	Cash Backed Loan
CBS	Core Banking System
CBSL	Central Bank of Sri Lanka
CC1	Credit Committee Level 1
CDB	Citizens Development Business Finance PLC
CDPU	Central Data Processing Unit
CED	Credit Evaluation Division
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CR	Certificate of Registration
CRIB	Credit Information Bureau of Sri Lanka
DBR	Debt Burden Ratio
DGM	Deputy General Manager
EMI	Equated Monthly Instalment
ESDD	Environment and Social Due Diligence
FD	Fixed Deposit
FSV	Forced Sale Value
HOB	Head of Branch
HP	Hire Purchase
KPI	Key Performance Indicators
LKAS	Sri Lanka Accounting Standards
LTV	Loan to Value
MD	Managing Director
ML	Mortgaged Loan
MO	Marketing Officer
MPC	Mortgaged Protection Cover
NBRO	National Building Research Organisation
NIC	National Identity Card
PDF	Post Disbursement Follow-Up
RMV	Registration of Motor Vehicle
SAGM	Senior Assistant General Manager
SDGM	Senior Deputy General Manager
SEC	Securities Exchange Commission
SLA	Service Level Agreement
SLFRSs	Sri Lanka Financial Reporting Standards
SLMC	Sri Lanka Medical Council
SME	Small and Medium Enterprise
SO	Standing Order
SUV	Sport Utility Vehicle
TAL	Transaction Authority Limit
VAT	Value Added Tax
WALR	Weighted Average Lending Rate
YOM	Year of Manufacture
IPO	Initial Public Offering

Table of Contents

1. Introduction

1.1 Policy Statement

This Credit Risk Management Policy was created in pursuit of CDB's commitment in providing suitable guide to all potential users of this policy, thus quickening access to credit and promoting growth and development for its clients. As one of the leading finance company of the nation and custodian of other people's money, CDB contributes to the pursuit of its objectives by extending lease and loan facilities to wide range of its customers.

CDB shall continue to be attuned with the recent changes and development in the leasing and credit industry to continually provide for responsive products and services that is within the mandate of the existing Laws and Regulations, but most especially within the mandate to which the company was created.

1.2 Objectives

This Credit Risk Management Policy is in response to the need of providing a reference material for all potential target users in order to achieve following objectives;

- To establish a common approach of managing Credit Risk.
- To ensure uniform interpretation and implementation of various Credit Risk Management Policies, systems and procedures among its target users.
- To provide a handy reference for target users to facilitate the effective and efficient performance of their duties and responsibilities.

1.3 Scope and Limitations

This Credit Risk Management Policy outlines CDB's approach to managing credit risk, aligning with the institution's defined risk appetite and risk tolerance and this policy provides a structured framework for evaluating, monitoring, and mitigating credit risks to ensure that credit exposures remain within these predefined risk boundaries, safeguarding the company's financial stability while facilitating growth and business expansion.

The policies and procedures contained in this policy are based on Business Finance Act No 42 of 2011, Finance Leasing Act No 56 of 2000, Companies Act No 7 of 2007, CBSL Directions, Circulars and Guidelines for Licensed Finance Companies, SEC rules and regulations, LKASs and SLFRSs issued by CASL and internally issued policies and procedures of Board of Directors, Board Committee and Corporate Management.

The provisions in this policy reflect general operating policies and procedures of the company and may be changed, amended or revoked as deemed appropriate

1.4 Target Users

This document is designed for easy use of CDB's staff who directly involved in the credit function including Corporate Management, Policy Makers and Internal Auditors at all experience and responsibility levels. Further, this Credit Risk Management Policy is used to provide information about CDB's credit process to its Regulatory/Supervisory Bodies, External Auditors and any other relevant third parties.

1.5 Revisions

In view of further developing and continuously improving the Credit Risk Management Policy, the initiative to propose revisions, updates and clarifications may originate from any concerned Unit/Division of CDB as may be deemed appropriate to CED. The proposed changes in the existing Credit Risk Management Policies and procedures shall be reviewed by CED once in two years and discussed with the Credit Committee. Events which should result in revision of existing or the development of new policies and procedures may also derive from the following:

- New Laws and Regulations of the country related to CDB's business, Directions, Circulars and requirements issued by governing bodies and regulators, such as CBSL, SEC etc.
- Recommendations suggested by external auditors upon completion of the Annual Statutory Audit
- Implementation of New Systems and Technologies
- Result of internal studies performed by the Risk Management Unit, Internal Auditors, Credit Committee, Board of Directors and/or any governing body.

Amendments, Revisions and Updates are forwarded to CED who shall call upon the Credit Committee to discuss. The Credit Committee shall then evaluate the proposed changes, as well as its impact on the operations of the company.

Thereafter, the CED shall initiate changes in the Credit Risk Management Policy by drafting a Credit Risk Management Policy issuance recommendation for endorsement of the Board of Directors for their consideration and approval. Upon approval of the Credit Risk Management Policy issuance, notice shall be given to all concerned units/divisions of the new issuance and it's effectively date.

The CED shall keep a record of all additions, amendments, revisions and/or updates on the Credit Risk Management Policy to facilitate review and research.

1.6 Administration, Distribution and Maintenance

CED shall maintain the Master Copy of the Credit Risk Management Policy which shall serve as a complete reference for all Credit Risk Management Policy and Procedure matters. In case of conflict, the Master Copy shall serve as the final basis or reference for resolving issues on Credit Risk Management Policy matters. CED shall also ascertain that adequate copies of the Credit Risk Management Policy are printed, including additions, amendments, revisions or updates thereon, which will be distributed to the concerned Units/Departments.

2. Credit Risk Management Strategy

Credit Risk is defined as the risk of loss resulting from the failure of a borrower or other counterparty to fulfil their contractual obligations, where collateral provided does not adequately cover the financial institution's claims.

CDB carries out its operations with the primary objective of maximizing shareholder wealth while meeting the financial needs of its customers through a broad range of financial services. In this pursuit, CDB acknowledges its role as a responsible corporate entity, managing deposit holder funds with care for society and the environment.

CDB wishes to deliberately take and manage justifiable credit risks and to obtain appropriate return. This is achievable with a clearly defined Credit Risk Management Strategy and adherence to a Credit Risk Management Policy derived based on the Credit Risk Management strategy.

CDB’s Credit Risk Management strategy is designed to ensure asset quality, the adequacy of provisions and reserves, and the transparent disclosure of prevailing credit risks. This strategy is based on the following key areas;

1. Establishing an Appropriate Credit Risk Environment

CDB creates a conducive environment for effective credit risk management by regularly reviewing tolerance limits for credit risk, ensuring they align with evolving business objectives, changing economic conditions, regulatory requirements, and internal systems. This proactive approach helps maintain a sound risk framework that adapts to the dynamic market and operational environment.

2. Operating Under a Sound Credit Granting Process

CDB’s credit risk appetite and acceptable risk-reward trade-offs are clearly defined in CDB Risk Management Policy and CDB Credit Risk Management strategy ensures that credit decisions are made based on rigorous criteria and processes, including setting exposure limits, collateral management, and detailed credit evaluation criteria. It also emphasizes the importance of a well-structured approval process and delegation of authority to ensure that all credit decisions are consistent and within risk tolerance limits.

3. Maintaining an Effective Credit Administration, Measurement, and Monitoring Process

CDB employs a comprehensive Credit Scoring Model to assess and monitor the creditworthiness of borrowers. This model helps determine credit risk levels by considering factors such as credit history, income, and debt obligations. Continuous monitoring and evaluation are integral to managing credit risk effectively, with particular attention to ensuring that the loan portfolio remains aligned with the institution's risk appetite.

4. Ensuring Adequate Controls Over Credit Risk

CDB internal control systems, such as limit systems and exceptions monitoring, provide oversight and ensure that credit risk exposures are carefully managed. CDB's control mechanisms help mitigate the risk of over-exposure by tracking and addressing any deviations from acceptable risk levels. This ensures that credit risk is consistently within acceptable parameters.

5. Problem Credit & Remedial Management

The strategy includes measures for identifying and managing problem credits. CDB has a structured approach to remedial management, which involves monitoring at-risk loans, initiating necessary interventions, and taking corrective actions when needed to reduce the impact of defaults on the institution's financial health.

By focusing on these key areas, CDB’s Credit Risk Management Strategy ensures a balanced approach to risk-taking, providing a solid foundation for maintaining a healthy loan portfolio while safeguarding the financial stability of the company.

3. Credit Values and Principles

CDB carries out its business with the objective of maximizing shareholder wealth while meeting people’s financial needs through the provision of extended financial services. In pursuit of this business goal, CDB acts as a responsible corporate citizen and custodian of deposit holders' money, ensuring that its operations are aligned with the best interests of depositors, society, and the environment.

CDB is committed to deliberately taking and managing justifiable credit risks to achieve appropriate returns. In doing so, all staff members involved in the credit process are expected to adhere to the following credit values and principles;

Integrity

Being straightforward, honest, and truthful is fundamental for all staff involved in the credit process at CDB, both in professional and business relationships. Staff members must ensure that they are not associated with any information that contains materially false or misleading statements, nor should they omit crucial information, that could potentially mislead others.

Transparency

At CDB, all staff members are committed to providing clear and accurate information to stakeholders, enabling informed decision-making and fostering trust

Fairness and Consistency

All borrowers must be treated fairly and equitably. Credit decisions should be made consistently, applying objective criteria without bias, ensuring equal opportunities for all applicants.

Purpose

The underlying purpose for which an applicant is seeking a loan should be productive. The purpose of loan helps in determining level of risk and also impact interest rate on loan. Purpose of loan should be productive in order to ensure safety of funds while it should be extended for short term to ensure liquidity.

Safety and Due Diligence

Safety is the most important fundamental principle of lending. CDB deals with public money so safety of money from public is the first priority. Any staff member who involve in the credit process must be sure about that money is in safe hand and will definitely come back at regular as per repayment schedule without any default. Safety of funds depends on nature of security, character of borrower, repayment capabilities and financial health of the borrower. The staff who introduces the business and the staff who made the credit decision should make sure that finance extended him/her goes to right type of borrower and is being used for the intended purpose and also after utilizing it for right purpose, it should be repaid with interest.

Security

CDB should avoid lending to a borrower without any security. Security act as an insurance to lender in case of default by the borrower.

Liquidity

Liquidity is a key principle of lending, as lending institution manage public funds that are repayable on demand by depositors. Therefore, loans should be extended for short durations to maintain liquidity. CDB must ensure that funds will be repaid either on demand or according to the agreed repayment schedule. The borrower should have the capacity to repay the loan within a reasonable timeframe upon request for repayment.

Profitability

Financial institutions accept deposits from public and lend it to make profit. They also incur expenses to maintain deposits such as rent, stationary, provision for depreciation of their fixed assets, bad debts etc. After incurring such expenditures, CDB should earn some profit like other financial institutions. Therefore, CDB should extend the advance in such a way that, it is profitable for CDB and also at competitive lending rate.

Accountability

Staff members must take responsibility for their credit decisions. Each individual involved in the credit process must be accountable for their actions and ensure compliance with the policies and guidelines established by CDB.

Risk Mitigation and Diversification

Risk is always present while extending any kind of advance to any type of borrower. To minimize the risk, CDB should lend to borrowers from different businesses, industries/sectors etc. Lending surplus to a particular sector may have adverse effect on CDB in time of slump.

Professional Behavior

Comply with relevant laws and regulations is a must for all staff who involve in credit process of CDB. They must also avoid any action that could negatively affect the reputation of the profession and CDB.

Adherence to Policies and Procedures

CDB places high priority in strict adherence to policies and procedures laid down. While occasional errors of judgment may happen and are understandable, errors of process (breaking the policies and procedures) should not happen. If problems occur, and possibly errors have been made, they should not be covered up. Management must hear bad news fast and first. Any cover up is a fundamental breach of trust.

Continuous Improvement:

The credit process should be regularly reviewed, and improvements should be made based on lessons learned, market conditions, and evolving risk factors. CDB fosters a culture of learning and innovation to enhance the effectiveness of its Credit Risk Management strategies.

By adhering to these credit values and principles, CDB ensures responsible, effective, and sustainable Credit Risk Management that protects both CDB and its stakeholders while contributing to the overall economic development.

4. Credit Functional Units

There are various Units/Divisions within the company that provides support for the entire credit process of CDB. The key Units/Divisions involved in the credit process include;

4.1 Sales and Business Development Division

This is the division which helps in canvassing and getting new lending business to the company in the form of leases and loans through its large sales force operates in CDB's island wide branch network. Majority of CDB's business comes through this channel and it's under the purview of Director – Sale and Business Development. This unit's main sales strategies are decided by the team which operates at Head Office level and implemented by the sales team which comprises of BDM, HOB and MOs who operates at the branch level. Initial assessment of credit worthiness of customers is done by sales staff at the time of canvassing the lending business.

4.2 Branch Operations

Operations staff at CDB's branches play a critical role in the credit process, contributing at various stages before and after the approval of credit facilities. Their responsibilities include:

- Performing Customer Due Diligence (CDD)

  Carrying out the CDD process to ensure compliance with regulations and assess the financial background of the applicant.
- Preparation of Credit Files for Archiving Process

  Assembling all necessary documentation and preparing credit files before forwarding them to the Head Office for further processing.
- Generation and Issuance of Supply Agreements

  Creating and issuing agreements to formalize the terms and conditions of the credit facilities provided.
- Payments Disbursements

  Processing and disbursing payments within the branch delegation limits, ensuring timely and accurate distribution of funds.

These responsibilities ensure that credit processes are efficiently managed, compliant with regulations, and aligned with the CDB's operational standards.

4.3 Credit Evaluation Division

This is one of the important credit functional division, where the credit decision of whether granting the lease/loan or not is made. Here, approving or rejecting a credit facility is done in two phases which are respectively facility recommendation and facility approval. Facility recommendation and approval are done as per the delegation of authority given for authorized officials and credit facilities are evaluated based on the principles of 5Cs (Character, Capacity, Capital, Collateral and Condition). CED is under the purview of Director – Business Operations.

4.4 Business Operations Division

Once the credit facility is approved, the Business Operations Division plays a crucial role in ensuring the smooth execution and management of the credit facility. Their main responsibilities aligned with the process of Registration of Motor Vehicle (RMV), Collection of Collateral, Verification of the documents and facility disbursements.

4.5 Insurance Division

After the credit facility is approved, Insurance Division mainly involves in helping the branches to obtain required insurance cover for the collateral of the credit facility in order to minimize the loss caused to the business as result of any loss/damage caused to the collateral. Arranging the claims for loss/damage caused to the collateral is also another main task of this division.

4.6 Contact Centre

After credit facilities are initiated, the Contact Centre plays a vital role in ensuring effective communication with the customer throughout the process. Their responsibilities include;

Initial Approval Call - The Contact Centre makes the first call to the customer after the approval of the credit facility to confirm and agree upon the terms and conditions of the facility. This ensures that the customer fully understands and acknowledges the terms before proceeding further.

Post-Disbursement Call - After the credit facility has been disbursed, the Call Centre makes a follow-up call to the customer to reiterate and confirm the terms and conditions of the facility once again. This helps in reinforcing the understanding of repayment schedules, interest rates, and other important details.

4.7 Card Centre

CDB's Card Centre is responsible for the operations of Credit Card whereas the credit decision of approving or rejecting is done by Credit Evaluation Division. Main functions carryout by this unit is mentioned in detail under procedure manual of Credit Card operations.

4.8 Legal Division

Legal Division involves in the credit process when making the credit decision as well as at the stage of Post-Disbursement Follow-Up. As such when making the credit decision for facilities which secured with immovable property, Legal Division involves in clearing the title of the property. Further, overall they are helpful in obtaining opinion on any legal matters when processing credit facilities. Legal Division involves in the credit process at Post-Disbursement stage to provide assistance and advice on problematic accounts. Further, Legal Division takes all necessary steps, after credit facilities are referred to them for legal action.

4.9 Finance Division

Final Payment releasing is done by the Finance Division after verifying all the documents are in order related to the credit facility. Further, the Finance division involves in the credit process for Non-Performing Loans and impairment.

4.10 Post Disbursement Follow-up Division

Post Disbursement Follow-up Division takes the responsibility of collecting the rentals of all disbursed facilities, since the point those facilities are disbursed and this division is under the purview of Director/Deputy CEO. This division's involvement in the credit process is explained in detail under the section of Post Disbursement Follow-up of this Credit Risk Management Policy.

4.11 Islamic Finance Unit

This Unit is overall responsible for Islamic lending products (Ijarah and Murabaha) and entire credit process for these products are in line with Islamic Finance principles and rules. This is explained in detail under the section of Islamic Finance Products of this Credit Risk Management Policy.

4.12 Acquired Asset Management Unit

CDB's Acquired Asset Management Unit is responsible for in, out and maintenance of repossessed vehicles for recovery purpose. Detail explanation of this Unit's involvement in the credit process is explained under the section of Acquired Asset Management Unit Operations of this Credit Risk Management Policy.

4.13 Risk Management Division

Risk Management Division continuously performs risk assessments on CDB’s lending products and credit process to identify the risks and make necessary suggestions for product and process improvements. This division plays a major role in identifying and assessing the credit risk of the company.

4.14 Compliance Division

Compliance Division plays a major role in making sure that CDB’s entire credit process is in compliance with CBSL directions related to the area of credit. They involve in communication of new directions, amendments, circulars to all relevant Units/Divisions.

4.15 Gold Loan Division

The Gold Loan Division is responsible for overseeing the entire credit process related to the Gold Loan product. This division handles all aspects, from the initial application and evaluation of the gold collateral with the pre- determined advance loan value by Credit Evaluation Division to the disbursement and management of the loan. All procedures, criteria, and guidelines related to the approval, monitoring, and risk management of gold loans are outlined in detail under the Gold Loan section of the Credit Risk Management Policy.

4.16 Corporate Finance Division

The Corporate Finance Division at CDB is responsible for the management and oversight of Margin Trading Facilities. This division operates under the direction of the Director – Corporate Finance. All functions and processes related to margin trading, including the evaluation of creditworthiness, margin requirements, and risk management strategies, are thoroughly detailed within the Credit Risk Management Policy.

4.17 Credit Function Responsibility

CDB's entire credit process is segregated under three Executive Directors. Main credit functions in the credit process such as Sales, Credit Evaluation, Post-Disbursement follow-up and Corporate Finance are under the purview of Director - Sale and Business Development, Director – Business Operations and Director/Deputy CEO/CFO respectively. This segregation has been implemented as a control/ risk mitigation mechanism of conflict of interest between these three main functions within the framework of segregation of duties.

5. Target Markets/Business Sectors

CDB extends, its lending to various target markets and business sectors with a structured and strategic approach. Find the list of main business sectors and sub-sectors considered under these business sectors below;

1. Agriculture, Forestry and Fisheries

- Perennial Crops (Tea, Rubber, Coconut etc)
- Non Perennial Crops (Paddy, Fruits and Vegetables etc)
- Plant Propagation
- Animal Husbandry &Livestock, Integrated Farming
- Horticulture and Floriculture
- Support Activities for Agriculture and Post-Harvest Crop Activities
- Forestry and Logging
- Fisheries and Aquaculture
- Other Agro, plantation and Fishing related activities

2. Manufacturing

- Manufacture of Textiles and Apparel
- Manufacture of Food products and Beverages
- Manufacture of Tobacco products
- Manufacture of Wooden products
- Manufacture of Paper and Paper related products, Printing and Service activities related to Printing
- Manufacture of Refined Petroleum products
- Manufacture of Chemicals and Chemical related products
- Mining, Quarrying and Support services
- Manufacture of Pharmaceutical products and Health Care products
- Manufacture of Rubber, Leather, Plastics and Related products
- Manufacture of basic Metals and Fabricated metal products
- Manufacture of other non-Metallic Mineral products
- Manufacture of Computers, Electrical Equipment, Electronic and Optical products
- Manufacture of Motor Vehicles, other transport Equipment, Machinery and Other Equipment
- Manufacture of Gem, Jewellery & related articles, Musical instruments, Sports goods, Medical and Dental instruments and other manufacturing

3. Tourism

- Provision of Accommodation Services
- Travel Agency, Tour Operator, Reservation Service and Related Activities
- Hotel Management Services
- Event catering, Mobile Food Service Activities and other Food Service Activities
- Development of Tourism Zones
- Other Tourism related Activities

4. Transportation and Storage

- Air Transport
- Water Transport
- Land Transport
- Warehousing and Support Activities for Transportation
- Postal and Courier Services
- Other Transportation and Storage related Activities

5. Construction and Infrastructure Development

- Purchase of land, Construction and development of all types of residential buildings or Remodelling and Renovating Existing Residential Structures
- Construction, Development or Renovation of all types of Non-residential buildings or Remodelling and Renovating of such structures
- Construction/Development of Highways and Railways
- Construction/Development of utility projects
- Airport and Port Development
- Power & Energy generation
- Telecommunications (includes wired, wireless and satellite telecommunications etc.)
- Construction or Development of industrial Parks and Zones
- Construction or Development of Warehousing & Logistic services
- Specialized Construction activities and Construction of other Civil Engineering projects
- Real Estate Activities, including development of condominium projects, with own or leased property
- Other Construction and Infrastructure Development Activities

6. Wholesale and Retail Trade

- Sale of Vehicles, Vehicle Parts and Accessories related to all types of Vehicles
- Sale of Food, Beverages, Tobacco and Agricultural Materials
- Sale of Machinery, Equipment, Information Technology and Communications Equipment Supplies
- Sale of Fertilizer and related materials
- Sale of Household goods and equipment
- Sale of Building materials
- Sale of Pharmaceutical products and health care products
- Sale of Garments, Cultural and recreation goods
- Sale of other specialized and non-specialized items

7. Information Technology and Communication

- Computer programming, Computer related consultancy, Computer Facilities Management Activities and Software Development activities
- Data processing, Hosting and related activities
- Radio Broadcasting, Television programming and Broadcasting Activities
- Sound Recording and Music publishing activities
- Publishing of Newspapers, Books, other related items and software publishing activities
- Other Information Technology and Communication related activities

8. Financial Services

- Licensed Banks
- Finance Companies
- Leasing Establishments
- Insurance and reinsurance Institutions
- Stock Brokering Companies
- Fund Management, Venture Capital Companies and Investment Advisory Services
- Primary Dealers and Merchant Banks
- Pawnshops and Pawnbrokers
- Credit Rating Agencies
- Other Financial Institutions

9. Professional, Scientific and Technical Activities

- Accounting, Legal & Consultancy Services
- Activities of Head Offices and managing of companies
- Architectural and engineering activities, technical testing and Analysis
- Scientific Research and Development
- Advertising and Market Research
- Other professional, scientific and technical Activities

10. Arts, Entertainment and Recreation

- Creative Arts and Entertainment Activities
- Libraries, Archives, Museums and other cultural Activities
- Sports Activities, Amusement and Recreation Activities
- Any other activities relating to Arts, Entertainment and Recreation

11. Education

- Development of Primary Education and Secondary Education
- Development of Tertiary Education
- Other Educational Support Activities

12. Health Care, Social Services and Support Services

- Providing of Health Care Services (includes hospitals and other health care activities)
- Other Social Services
- Activities of Employment Placement Agencies
- Private Security and Investigation Activities
- Repair and Maintenance of Vehicles, Equipment, Personal and Household goods
- Public Administration, Defence and Compulsory social security
- Office Administrative, office support and other business support activities

13. Consumption

- Consumption through Credit cards
- Consumption through Pawning facilities
- Consumption through Leasing and Hire Purchase
- Personal Loan for purchase of vehicles
- Personal loans for Green Energy products

- Personal Loans for Pensioners
- Consumption though other Personal Loans
- Any other consumption related Loans and Advances

This classification enables CDB to manage risks effectively by segmenting the economy into sectors with specific characteristics and lending risks. CDB Risk Division will conduct an annual industry risk assessment, upon which the exposure for each sector will be reviewed and adjusted accordingly.

6. Credit Risk Asset Evaluating Criteria

The Risk Asset Evaluating Criteria shall serve as the basic measure of risk evaluating for all credit facilities of the company. As such, general risk asset evaluating criteria for any credit facility are as follows;

Evaluating Parameters	**General Evaluating Criteria**
1. Character	• Credit history with satisfactory Repayment Pattern • No credit history with sufficient Repayment Capacity • Age below 65 years at the end of Lease/Loan tenor • Acceptable Profession/Business as income source
2. Capacity	• With well-defined source of income from profession/business/Other Income • Debt service cover of 1.25 time or better at all times • If business income is considered, the business should be generating Sufficient Income to service the debt commitments • In employment income is considered, the employee should be earning Sufficient Salary to service the debt commitments
3. Capital	• Not exceeding the LTV ratio specified by CBSL for vehicle financing facilities • Not exceeding the Exposure limits mentioned in this Credit Risk Management Policy under “Exposure Limits” for all Credit Facilities.
4. Collateral	• Acceptable Vehicle categories specified in this Credit Risk Management Policy for vehicle financing facilities • Acceptable properties specified in this Credit Risk Management Policy for facilities which secured with immovable property • Guarantor requirements as per this Credit Risk Management Policy
5. Conditions	• Profession/Business should be within the Industries/Sectors specified in this Credit Risk Management Policy • Should not be lent for High Risk Transactions mentioned in this Credit Risk Management Policy under “High Risk Transactions”. • Clearly Established purpose, acceptable by the Company

7. High Risk Transactions and Exceptional Transactions

7.1 High Risk Transactions

As a general policy, CDB will consider the following as high risk transactions and avoid/not to finance any activity involving the following.

- Financing of arms trading (including the delivery and the production and trading thereof)
- Transactions/ Activities that involve unlawful activities (commonly referred to as Money Laundering) and transactions that support terrorist activities (commonly referred to as Terrorist Financing)
- Activities that involve betting or gambling
- Pornography or comparable businesses
- Any transactions with companies or projects which may significantly endanger the environment and society (Exclusion list as per Environment and Social Safeguard Policy) are as follows

✓ Production or trade in any product or activity deemed illegal under Sri Lankan Laws or regulations or international conventions and agreements that the country has become a party to them.

✓ Production or trade of wildlife or products that are considered as endangered species of wild fauna and flora as per Sri Lankan Laws or International Agreements to which Sri Lanka has become a party.

✓ Production or Trade in weapons and munitions.

✓ Illegal production or trade in alcoholic beverages (excluding beer and wine).

✓ Production or trade in tobacco.

✓ Gambling, Casinos and equivalent Enterprises.

✓ Production or Activities involving harmful or exploitative forms of child labor or Forced labor.

✓ Significant conversion or degradation of natural and/or critical habitats and/or any activities in legally protected or internationally recognized Areas.

✓ Production, harvesting, or trade in wood or other forestry products from plantation and natural forests other than from legal and sustainable origin.

✓ Harvesting of wild fish populations or other aquatic species other than from legal and sustainable origin.

✓ Drift net fishing in the marine environment using nets in excess of 2.5km in length.

- ✓ Adverse impacts on land, natural resources, or critical cultural heritages subject to traditional ownership or under customary use by indigenous/local People.
- ✓ Significant alteration, damage, or removal of any critical cultural heritage.
- ✓ Any business relating to pornography or prostitution.
- ✓ Production, use or trade of hazardous material such as radioactive materials, unbounded asbestos fibers and products containing PCBs (polychlorinated biphenyl)
- ✓ Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations
- ✓ Production, use or trade of Pharmaceuticals, Pesticides or Herbicides, Chemicals, Ozone depleting substances subjection and international bans
- ✓ Production and distribution of racist, anti-democratic media

7.2 Exceptional Transactions

In addition to the above transactions, which are to be avoided within the specialized lending areas, credit transactions characterized by one or more of the following should be done only on exceptional basis:

- Credit transactions that place CDB in a subordinated or junior debt position.
- In cases where credit without collateral is being granted it is highly desirable to have a negative pledge clause or an equally ratable clause (giving CDB the right to an equal and ratable share in the benefits of any security).
- Financing of small closely held corporations without the personal guarantees of significant shareholders, unless alternative strong tangible security is available.
- Loans to make interest payments.
- Highly leveraged transactions are to be approached with particular caution. CDB does not wish to participate in hostile takeovers when the target company is a significant customer with whom CDB wishes to retain its relationship, or when the bidder intends to split up the target (“corporate raids”).
- Loans to support purely speculative positions or investments (except Margin Trading)
- Unsecured loans to finance the establishment of a business (Start-up loans).
- Large / substantial unsecured loans to individuals

8. Exposure Limits

Exposure limits applicable for Finance Companies are stipulated by CBSL in Finance Companies (individual Borrower Limit) Direction No. 02 of 2024 and Finance Business Act Direction No. 2 of 2018 on Loan to Value Ratios for Credit Facilities granted in respect of Motor Vehicles. However, while complying with these exposure limits CDB has set more stringent requirements than what is imposed by the regulator based on risk appetite level of the company.

8.1 Individual Borrower Limit

While complying with the Finance Companies (Individual Borrower Limit) Direction No. 02 of 2024 of CBSL, on prudential basis CDB considers only lower of Rs.500 million or 15% of the core capital reported in the capital adequacy return for the immediate preceding quarter as a single accommodation or the aggregate of accommodations granted to and outstanding at any point of time from any group of borrowers or from subsidiary companies and/or associate companies.

8.2 Sector Exposure Limit

One of the mechanisms used by CDB to manage credit risks is to impose limits for lending to different sub- sectors in the economy. This is a control mechanism introduced by CDB, recognizing that during various economic cycles, different sectors of the economy could face difficulties. CDB has adopted 13 main sectors and sub divided into sub sectors under the section of Target Markets/Business Sectors of this Credit Risk Management Policy. The Credit Committee continuously monitors exposures to the sub-sectors.

8.3 Exposures to Related Parties

In adherence to the Finance Companies (Individual Borrower Limit) Direction No. 02 of 2024 issued by the Central Bank of Sri Lanka (CBSL), Citizens Development Business Finance PLC (CDB), on a prudential basis, limits lending to related parties to the lower of Rs. 500 million or 15% of the core capital, as reported in the Capital Adequacy Return for the immediately preceding quarter. Furthermore, in line with the Finance Business Act, No. 05 of 2021, all Related Party Transactions are subject to periodic review and recommendation by the Related Party Transactions Review Committee (RPTRC) to ensure compliance with regulatory standards and to uphold sound corporate governance practices.

8.4 Exposure Limits Based on Asset

While complying with the Finance Business Act Direction No 2 of 2018 & subsequently amendments of Direction 02 of 2021 on Loan to Value Ratios for Credit Facilities granted in respect of Motor Vehicles, CDB sets following exposure limits for motor vehicles as more stringent requirements based on risk appetite level of the company

This policy may be subject to amendments in response to any future changes or updates to the Finance Business Act Direction No 2 of 2018 and subsequently amendment of Direction 02 of 2021, particularly with regard to Loan-to-Value (LTV) ratios.

8.4.1 Auto Finance Facilities

- Cars
  - ✓ Hybrid and Electric

Vehicle Brand/Make	Registered Above 2008 and more than one year from 1st registration	Brand New/Un Registered
Toyota	80%	50%
Nissan	80%	50%
Honda	80%	50%
Suzuki	80%	50%
Mazda	80%	50%
BMW/AUDI/BENZ / Mitsubishi/ Subaru	80%	50%
BYD	80%	50%
TESLA	80%	50%

  - ✓ Petrol and Diesel

Vehicle Brand/ Make	Registered Above 1990 and more than one year from 1st Registration	Brand New/Un Registered/ Less than one year from 1st Registration
Toyota	80%	50%
Nissan	80%	50%
Mazda	80%	50%

Honda	80%	50%
Suzuki	80%	50%
Mitsubishi	80%	50%
Maruti/Alto	80%	50%
Cheverlote	80%	50%
Nomad	60%	50%
Viva	80%	50%
Tata	50%	50%
Micro	70%	50%
Kia/Hyundai	70%	50%
BMW/AUDI/BENZ	70%	50%
Peugout & other	50%	50%

Note: Petrol Cars (except Hybrid) with the Engine Capacity over 2000 CC and Diesel Cars with the Engine Capacity over 2500 CC will not be considered for Auto Financing Facilities.

- Vans

Vehicle Brand/ Make	Registered	Brand New / UR/HYBRID/ Less than one year from 1st Registration
	Above 1990 and more than one year from 1st Registration	
Toyota	80%	50%
Nissan	80%	50%
Mazda	80%	50%
Hyundai	70%	50%
Suzuki Every Petrol	80%	50%
Mitsubishi – Petrol	80%	50%
Daihatsu Hijet	80%	50%
Honda Acty	80%	50%
Subaru Samba	80%	50%
Nissan Clipper & other	80%	50%

- Jeeps, Cabs and SUVs

Vehicle Brand/ Make	Registered Above 1995 and more than one year from 1st registration	Brand New/UR/HYBRID
Toyota	80%	50%
Nissan	80%	50%
Mazda	80%	50%
Suzuki	80%	50%
Honda	80%	50%
Mitsubishi	80%	50%
Micro	70%	50%
Kia	70%	50%
Peugout	70%	50%
Hyundai & Other	60%	50%
DFSK (Locally Assembled)	60%	70%

Note: Petrol Jeeps with the Engine Capacity over 3500CC and Diesel Jeeps with the Engine Capacity over 3500 CC will not be considered for Auto financing facilities.

- Lorries and Trucks

	Registered – Above 1997 and more than one year from 1st registration	U/R /Brand New/ Less than one year from 1st registration
Toyota	50%	70%
Mitsubishi	50%	70%
Ashok Leyland (Above 2010)	50%	70%
TATA (Above 2010)	50%	70%
Isuzu	50%	70%
Nissan	50%	70%
Mazda	50%	70%
Mahindra Bolero	50%	70%
Maxi Truck	50%	70%

JAC	50%	60%
JMC	50%	60%
Renault /DAF/ MAN/ UNIMO/ MAN	50%	70%

- Tractors

	Brand New
Massey	70%
TAFE	70%
Mahindra	70%
HM – John Deere	70%
Kubota	70%

8.4.2 Three Wheeler Finance Facilities

Maximum facility exposures for 3W facilities are as follows;

Electric Three Wheelers	90%
Brand New Three Wheelers	25%
Registered Three Wheelers	80%

For Registered Three Wheelers following exposure limits are applied.

ASSET_YOM	ENGINE _TYPE_3W	ASSET_LIGHT_TYPE	ASSET_ENGINE_ CC	Valuation Amount (Rs)	Maximum Facility Amount (Rs) (80% of FSV)
2005	2 Stroke	Single Light	175cc	650,000	455,000
2005	4 Stroke	Single Light	175cc	670,000	471,000
2006	2 Stroke	Single Light	175cc	700,000	495,000
2006	4 Stroke	Single Light	175cc	725,000	515,000
2007	4 Stroke	Single Light	175cc	750,000	535,000
2008	4 Stroke	Single Light	175cc	775,000	555,000
2009	4 Stroke	Single Light	175cc	820,000	591,000

2009	4 Stroke	Double Light	175cc	880,000	639,000
2010	4 Stroke	Double Light	175cc	925,000	675,000
2010	4 Stroke	Double Light	200cc	1,020,000	751,000
2011	4 Stroke	Double Light	200cc	1,050,000	775,000
2012	4 Stroke	Double Light	200cc	1,120,000	831,000
2013	4 Stroke	Double Light	200cc	1,200,000	895,000
2014	4 Stroke	Double Light	200cc	1,250,000	935,000
2015	4 Stroke	Double Light	200cc	1,300,000	975,000
2016	4 Stroke	Double Light	200cc	1,325,000	995,000
2017	4 Stroke	Double Light	200cc	1,375,000	1,035,000
2018	4 Stroke	Double Light	200cc	1,425,000	1,075,000
2019	4 Stroke	Double Light	200cc	1,550,000	1,175,000
2020	4 Stroke	Double Light	200cc	1,650,000	1,255,000
2021	4 Stroke	Double Light	200cc	1,750,000	1,335,000

Note: Considering current market conditions, this may be revised or adjusted on a monthly basis.

8.4.3 Two Wheeler Finance Facilities

Maximum Exposure for any Two Wheeler finance facilities is 70%.

8.4.4 Machinery Leasing

Maximum Exposure for any Machinery Leasing facility is 70%.

8.4.5 Home Loans

- In case of purchase of a bare land or land with a building, loan amount is restricted to maximum of 70% of property FSV and authorities should ensure borrower's contribution of 30%, depending on the location of the property at the time of the approval.
- Loan requesting for construction purpose of his own land; qualify for 80% of BOQ value subject to the repayment capacity and loan amount should not exceed more than 4 times of FSV of the

land. However, based on the repayment capacity of the borrower may qualify up to 100% of the BOQ and over 4 times of land FSV based on the value of the property and the repayment capacity of the borrower.

- If the loan is requested by the applicant to purchase of land and construct a building in the same property, customer is qualifying for 70% of property FSV to purchase the land and 80% of the BOQ value for the construction, however the funds requested for construction should not exceed more than 4 times of FSV of the land.
- Loans requesting for renovation purpose is restricted for 100% of the BOQ value subject to maximum of 70% of the FSV of the property.
- Loans requesting for the business working capital requirement, financing on projects are entitle for 70% of the property FSV.

However, the loan amount will be varied based on location of the property as mentioned below.

Province	**District**	**Exposure within City Limits (Property locates within 1km of the city)**	**Exposure for Outer City Limits**		
			Property locates within 5km of the city	**Property locates within 5km to 10km of the city**	**Property locates over 10km of the city**
Western	Colombo	70%	70%	70%	50%
	Gampaha	70%	70%	70%	50%
	Kaluthra	70%	70%	70%	50%
Central	Kandy	70%	70%	50%	N/A
	Matale	70%	50%	N/A	N/A
	Nuwara Eliya	70%	50%	N/A	N/A
Sabaragamuwa	Kegalle	70%	50%	40%	N/A
	Rathnapura	70%	50%	N/A	N/A
Southern	Galle	70%	50%	40%	N/A
	Hambanthota	70%	50%	N/A	N/A
	Matara	70%	50%	N/A	N/A
Uva	Badulla	70%	50%	N/A	N/A
	Monaragala	50%	N/A	N/A	N/A

North Central	Anuradhapura	70%	N/A	N/A	N/A
	Polonnaruwa	50%	N/A	N/A	N/A
North Western	Kurunegala	70%	50%	N/A	N/A
	Puttalam	70%	N/A	N/A	N/A
Eastern	Ampara	50%	N/A	N/A	N/A
	Batticaloa	50%	N/A	N/A	N/A
	Trincomalee	50%	N/A	N/A	N/A
Northern	Jaffna	50%	N/A	N/A	N/A
	Kilinochchi	50%	N/A	N/A	N/A
	Manner	50%	N/A	N/A	N/A
	Mullaitivu	50%	N/A	N/A	N/A
	Vavuniya	50%	N/A	N/A	N/A

8.4.6 Margin Trading

The initial margin credit permitted to the borrower on share purchases should not exceed 50% of the market value of the total securities portfolio of a particular client. Maximum Margin Credit Limit (Approved Limit) extendable by a Margin Provider to a single Client shall be 15% of the total margin limits approved or Rs. 200 Million, whichever is lower.

Total margin portfolio exposure shall not exceed 30% of Capital Funds.

8.4.7 Gold Loan

The Gold Loan advance value will be determined based on the Risk Management Division's risk assessment and an independent review of the Credit Evaluation, subject to the approval of the Credit Committee members.

9. Risk Rating of Borrowers and AI Powered Automated Credit Decision Making

As part of our ongoing commitment to prudent credit risk management and operational efficiency, CDB has implemented a robust Borrower Risk Rating Framework integrated with an AI-powered Automated Credit Decision-Making System. This approach supports both consistency and objectivity in credit evaluation across all borrower segments.

The risk rating system is designed to assess the creditworthiness of borrowers based on a combination of quantitative factors such as income level, debt service coverage ratio, credit score, repayment history, and account behaviour and qualitative factors, including employment stability, residential status, length of relationship with CDB, and customer conduct. These parameters are weighted and scored systematically to generate a risk grade that reflects the borrower's ability and willingness to repay, providing a structured foundation for credit decisions and ongoing portfolio monitoring.

Each borrower is assigned a risk grade that serves as a key input in the credit approval and pricing process. This internal rating is also used to monitor credit portfolio quality and to meet regulatory requirements.

CDB AI-powered credit decision engine, which is now fully operational and well-established, plays a central role in automating and enhancing the efficiency of credit assessments. Leveraging advanced data analytics, machine learning models, and real-time data integration, the system:

- Conducts pre-screening and eligibility checks
- Generates borrower risk ratings using predictive modelling
- Recommends credit decisions based on pre-defined risk appetite and policy thresholds
- Flags exceptions for manual review, when necessary

This AI-driven process significantly reduces processing time, ensures standardization across credit files, and supports faster turnaround while maintaining risk discipline. Additionally, the system continuously learns and improves based on new data, helping CDB to adapt to changing borrower behaviour and market conditions.

The integration of AI into credit decision-making is subject to regular validation, oversight, and compliance with regulatory guidelines to ensure model integrity, transparency, and fairness. Human oversight is retained at critical decision points, especially in cases involving complex credit structures or high-risk exposures.

Through this dual approach combining human expertise with AI intelligence CDB ensures a high level of accuracy, consistency, and agility in credit risk assessment.

10. Risk Based Pricing

In line with our risk rating framework and data-driven credit decision-making processes, CDB has implemented a Risk-Based Pricing (RBP) approach to ensure that lending decisions appropriately reflect the credit risk profile of each borrower.

Risk-based pricing involves assigning interest rates and other credit terms based on the assessed risk level of the borrower. Borrowers with lower risk grades indicating strong repayment capacity and stable financial behaviour are offered more favourable pricing, while higher-risk borrowers may be subject to higher rates to compensate for the increased credit risk.

This pricing mechanism is driven by insights from both quantitative factors (such as income stability, credit score, repayment history, debt serviceability, collateral and tenure) and qualitative factors (such as employment type, customer behavior, and relationship). CDB’s AI-powered credit decision engine plays a key role in generating risk scores and recommending pricing tiers that are aligned with CDB’s approved risk appetite and pricing models.

The key objectives of risk-based pricing are to:

- Align loan pricing with the underlying credit risk
- Promote responsible lending and borrower discipline
- Optimize the risk-return profile of CDB’s credit portfolio
- Enhance fairness and transparency in credit allocation

All pricing decisions are governed by predefined parameters and regularly reviewed to reflect changes in market conditions, regulatory requirements, and portfolio performance. Exceptions to standard pricing tiers, if any, are subject to approval through a clearly defined exception handling process.

By adopting risk-based pricing, the CDB ensures a more equitable and sustainable credit model that incentivizes good credit behaviour while managing portfolio risk more effectively.

11. Collateral Management

Collateral is one of the main principles of credit (5Cs) considered by CDB when evaluating credit facilities. Further, more than 95% of CDB’s lending portfolio is secured with valuable collateral. Therefore, the company follows a systematic and prudential approach when obtaining and managing the collateral related to credit facilities granted.

11.1 Collateral

This section covers the collateral accepted by CDB for different credit facilities.

11.1.1 Vehicle Financing Facilities

Under the vehicle financing, the company grants loan facilities against the following motor vehicles as collateral:

i. Cars
ii. Vans
iii. Jeeps, Cabs & SUVs
iv. Lorries / Trucks
v. Tractors
vi. Motor Coach
vii. Three Wheelers
viii. Two Wheelers

The following vehicle brands are accepted as collateral under the respective vehicle categories mentioned above;

Cars (Petrol/Diesel, Hybrid and Electric	Toyota / Nissan / Mitsubishi/ Mazda / Honda/ Suzuki/ Maruti /Chevrolet/ Nomad / Viva /Tata / Micro /BMW/ Benz / Audi / Hyundai / KIA/Peugout/ Subaru/TESLA/BYD
Vans (Diesel/Petrol, Hybrid)	Toyota /Nissan /Mazda/ Suzuki /Mitsubishi – Petrol / Daihatsu - Hijet / Honda - Acty/ Hyundai / Subaru Samba/ Nissan Clipper
Jeeps/Cabs- (Petrol/Diesel, Hybrid)	Toyota / Nissan / Mazda / Honda / Mitsubishi/ Suzuki / Micro / Kia / Hyundai / Peugout / BMW / Audi / Land rover
Lorries/Trucks	Mitsubishi / Toyota / Ashok Leyland / TATA / Isuzu / Nissan /Mazda / Mahindra Bolero / Maxi Truck/ JAC/ JMC/ Renault /DAF/ MAN/ UNIMO
Tractors	Massy / Tafe / Mahindra / HM - John Deere /Kubota
Motor Coach	Toyota/ Nissan/ Ashok Leyland/ Fuso / Isuzu/ Tata /Micro
Three Wheeler (Petrol/Diesel/Electric)	Bajaj/ Piaggio/TVS
Two Wheelers (Petrol/Electric)	Bajaj / Honda / Hero / Suzuki / TVS / Yamaha / KTM/Yadea

Further, minimum Year of Manufacture (YOM) of above category vehicles should be as follows.

i. Cars - YOM 1990 onwards
ii. Vans - YOM 1990 onwards
iii. Jeeps/Cabs - YOM 1995 onwards
iv. Lorries and Trucks - YOM 1997 onwards
Mitsubishi & Isuzu - Within 27 years of YOM
Tata & Leyland - Within 14 years of YOM
v. Tractors - Only Brand new
vi. Motor Coach
vii. Three Wheelers

For Vehicle Financing facilities, in addition to the subject vehicle following can be obtained as additional collateral.

- Another Vehicle
- Acceptable Immovable Properties
- Fixed Deposits
- Promissory Notes
- The company Shares
- Goods Stocks
- Personal Guarantors

11.1.2 Home Loans

Primary mortgage over the property will be accepted to grant Home loan. Secondary Mortgages will only be accepted, if the primary mortgage is with CDB.

Collateral of Home loans are categorized as follows;

- Bare Land (Commercial/ Residential)
- Land with a Building (Commercial/ Residential)
- Land with a partly completed house / building (Commercial/ Residential)
- Condominium Apartments

Further, following properties cannot be considered for loan granting purpose;

- Properties used for agricultural purposes such as paddy fields / Plantation.
- Properties are subject to Marshy lands / Cemetery/ Metal quarries / close to high tension wires or any kind of vulnerability to natural hazard.
- Extent of the property below 6 Perch cannot be considered, if the property is located outside city limits unless property is located in a commercial area with approved Survey Plan by Local Authority.
- Purchase of a land or land with building cannot be allowed, if the transaction takes place between family members or close relatives.

For Home Loan facilities, in addition to the subject property, following can be obtained as additional collateral.

- Another property
- Vehicle
- Fixed Deposits
- Promissory Notes
- The Company Shares
- Goods stocks
- Personal Guarantors

The same approach will apply to Business Loans, Term Loans, Agri/Fisheries Loans, and MSME loan facilities that are secured by immovable property as collateral, in accordance with the required terms.

11.1.3 Roof Solar Financing

Solar panels serve as the primary collateral for Roof Solar Loans, as outlined under Section 30 of this Credit Risk Management Policy

11.1.4 Agri / Fisheries Financing

Machineries/ Equipment or related property are the main collateral for Agri/Fisheries Financing and this is explained under the Section 31 of this Credit Risk Management Policy.

11.1.5 Personal Loans

Personal guarantors are the main collateral for Personal Loan products and the guarantor requirement for different types of Personal Loans are stated under the Section 22 of this Credit Risk Management Policy.

11.1.6 Gold Loan

Gold/gold articles are the collateral for gold loans and this is explained in detail under the Section 27 of this Credit Risk Management Policy.

11.1.7 Cash Backed Loan

Cash backed loans are granted against the collateral as fixed deposits and this is explained under the Section 28 of this Credit Risk Management Policy.

11.1.8 Credit Cards

Following collateral types are mainly considered as collateral for Credit Cards;

- Personal Guarantors
- Vehicle

- Fixed Deposits

11.1.9 Margin Trading

The shares in the CDB Margin Trading account will be considered as the security/ collateral to the facility. This includes both the initial pledged shares as well as the subsequent shares purchased using margins.

11.2 Collateral Valuation Policy

Certain general principles have to be adopted concerning the quality and valuation of collateral.

The value of the collateral should be readily ascertainable and reasonably stable. The costs involved in liquidating the collateral should be taken into consideration and should be readily marketable at all times.

As part of Credit Risk Management Policy CDB considers the following criteria when selecting panel valuers for Vehicle Financing facilities and Facilities secured with immovable property (covered in Section 11.3).

11.2.1 Vehicle Financing Facilities

Following criteria should be fulfilled, when selecting panel valuers for Vehicle Financing facilities.

- Should have the Business Registration which should not be less than 12 months.
- Should be a Member of Leasing Association of Sri Lanka.

* Additionally, being a Member of the Institute of Automotive Engineers Sri Lanka will be considered an added advantage during the selection process.

Following procedures should be followed, when selecting panel valuers for Vehicle Financing facilities.

- Valuer should submit his/her resume and request letter along with other required documents to Credit Evaluation Division.
- Manager – Credit Evaluation is responsible for evaluation of the proposal and make his recommendation to GM – Credit Evaluation for approval. Criteria considered when evaluating the panel valuer is mentioned in this Credit Risk Management Policy above.

- Based on the recommendation provided by the Manager – Credit Evaluation, the General Manager (GM) is responsible for either approving or rejecting the loan application.
- Credit Evaluation Division should maintain the updated list of Panel valuers as at to date.

11.3 Policy on Valuation of Immovable Properties

CDB strictly complies with the direction of valuation of immovable properties issued by CBSL and the policy covers the following contents;

11.3.1 Responsibility of the Board of Directors and the Credit Committee

This is a board approved policy and included into the Credit Risk Management Policy of CDB since the direction issued by CBSL covers immovable property obtained as collateral against Home loans as well. The Credit Committee reviews the compliance with this policy and the compliance with subsequent amendments to the direction.

With the recommendation of the Credit Committee, this policy is approved by the board of directors during the periodic revision of the Credit Risk Management Policy.

11.3.2 Appointment of Panel of Valuers

CDB appoints only External panel of valuers for immovable properties to have independence over the valuation amount. Following criteria should be fulfilled, when selecting panel valuers for Home Loans, while complying with the criteria mentioned in CBSL direction on valuation of immovable properties.

- Should be a Member of Institute of Valuers of Sri Lanka(IVSL)
- Should possess 5 years of Post-qualified experience in the field of Valuation.
- As additional qualification, Membership of Royal Institution of Chartered Surveyors(RICS) will be considered.
- Should have the working experience in reputed Commercial Banks and Government Banks.
- Independent reference will be obtained from Banks and other Finance Institutions

Following procedures should be followed, when selecting panel valuers for Home Loans;

- Valuer should submit his/her Resume and request letter along with other required documents (Copies of the Certificates and the appointment letters from the Banks) to Credit Evaluation Division.

- Manager – Credit Evaluation is responsible for evaluation of the proposal and call the valuer for an interview.

- General Manager and Manager at CED should interview the valuer and make the decision of whether to consider the valuer as registered valuer or not. General Manager (GM) should approve/reject the valuer.

- Credit Evaluation Division should maintain the updated list of Panel valuers as at to date.

Notes:

1. As a policy CDB obtains the Valuation report only from External valuers and CDB has the right to withdraw any of these valuers in the case of providing unreliable and misleading information/opinions.
2. Home Loans are granted to the borrower based on Forced Sales Value (FSV) of the property as mentioned in the Valuation Report.

11.3.3 Assessing the Reasonableness of the Market Value of an Immovable Property

As per the Credit Risk Management Policy of CDB, the credit appraisal officer who evaluates home loans inspects the immovable property to be mortgaged to loan with respective of the loan amount. When independent valuation report on such immovable property is issued by the approved panel of valuers, the reliability and accuracy of data used for the valuation is assessed to ensure the reasonableness of that valuation.

11.3.4 Frequency of Valuation

The frequency of valuation of immovable property is in line with the CBSL direction and shall be as follows;

- Valuation of immovable property obtained as collateral against loans and advances which are non-performing shall be made at the frequency as follows for any regulatory purpose.
  - ✓ In respect of credit facilities granted against residential property which is occupied by the borrower for residential purposes; a report that is not more than five years old.
  - ✓ All other credit facilities; a report that is not more than four years old.

- Valuation of Immovable property obtained as collateral against loans and advances which are performing, shall be made at the time of initial granting and at a time of any subsequent enhancement of credit facilities.
- Revaluation of immovable property as referred to in Directions 3.1 b) and c) of the Finance Business Act Direction No.04 of 2018 on valuation of immovable properties shall be made in line with the internal policies approved by board of directors or depending on any significant and volatile changes in fair value of such immovable property are experienced. However, such gains can only be included in Tier 2 capital once in three years.

11.3.5 Procedure for Payment and Fee Structure for External Valuers

Payment for external valuers of immovable properties is done through a memo drawn by the Assistant Manager– Property Finance to Finance Division with the approval of Manager – Credit Evaluation. CDB follows the following fee structure for valuers of immovable properties which is used as a standard by Institute of Valuers of Sri Lanka (IVSL).

- Minimum fees Rs.7500/- For Valuations below one Mn
- From Rs. 1.0 Mn to Rs. 20. 0 Mn or part, Rs. 1000/- per Mn
- From Rs. 20. 0 Mn to Rs. 50.0 Mn or part, Rs. 750/- per Mn
- From Rs. 50.0 Mn to Rs. 100.0 Mn or part, Rs. 500/- per Mn
- From Rs. 100 Mn to Rs. 250.0 Mn or part, Rs. 250/- per Mn
- From Rs. 250 Mn and Above Rs.150/- per Mn or part thereof

In addition to the above, the Valuer may charge an additional amount by way of reimbursement of cost of travelling, stamps, and other incidental expenditure involved directly with the preparation of the Valuation Report.

11.3.6 Threshold for Internal and External Valuation Reports

CDB appoints only external panel of valuers for immovable properties to have independence over the valuation amount.

11.3.7 Valuation Criteria for Internal Valuations

CDB appoints only external panel of valuers for immovable properties to have independence over the valuation amount.

11.3.8 Notification to Borrowers

The loan agreement of CDB includes detailed specifications of manner and frequency of revaluation together with a detailed description of the Immovable property obtained as collateral.

11.3.9 Independence and Disclosure

The Board of Directors/Senior Management ensure that an external valuer shall not be a related party, to avoid any conflict of interest that may arise from such engagement and disclose about this in the annual report of CDB.

11.4 Collateral Inspection

In addition to the collateral Valuation obtained from the panel valuers, there is a necessity for inspection of the subject collateral by CDB's internal staff to further determine the condition and value of the collateral as an extra precautionary measure.

Accordingly, collateral related to each financing facilities, inspections should be done by following staff, as per TAL of the company.

Vehicle Financing Facilities:

Facility Amount (Rs)	Officer who needs to perform Collateral (Vehicle) Inspection
Up to 2 Mn	Trainee Marketing Officer (TMO)
Up to 5 Mn	Trainee Marketing Executive (TME)
Up to 10 Mn	Marketing Executive (ME)
Up to 20 Mn	Senior Marketing Executive (SME)/ Head of Branch (HOB)
Above 20 Mn	Assistant Manager (AM)/ Head of Branch (HOB)

Home Loans Facilities:

Facility Amount (Rs.)	Officer who needs to perform Collateral (Property) Inspection
Up to 1 Mn	Respective Marketing Officer who canvassed the business & HOB & HO Investigation Officer
Up to 5 Mn	Respective MO & Head of Branch (HOB) & Regional Manager or ASM& HO Investigation Officer
Up to 10 Mn	Regional Manager/Area Sales Manager and CED Appraisal Officer or Head Office Investigation Officer
Up to 20 Mn	Manager – Credit Evaluation
Up to 50 Mn	AGM –Credit Evaluation
Above 50 Mn	GM – Credit Evaluation / 1 Credit Committee Member

*When making the stage release of funds for construction purpose, both the HOB and CED Appraisal Officer/Head Office Inspection Officer need to visit the construction site to make sure that fund released in the previous stage has been utilized for the purpose of that release and construction has been done as per the conditions mentioned in the mortgage bond/offer letter. If those conditions are not met, next stage release of the fund should not be disbursed.

Note - The collateral inspection process applicable to Home Loans shall likewise apply to Business Loans, Term Loans, Agri/Fisheries Loans, and MSME facilities which secured by immovable property, as per the required terms and conditions.

Machinery and Solar Financing Facilities:

HOB should visit and inspect whether particular Machineries or Solar Panels are installed /fixed in mentioned location by supplier as per the agreement.

With the recommendation of HOB, funds will be disbursed accordingly.

11.5 Collateral Insurance Policy

11.5.1 Vehicle Financing Facilities

Insurance of vehicles serving as collateral should be properly arranged and the coverage should be as comprehensive as possible. Every effort should be taken to ensure that the CDB is the beneficiary of the customer's insurance policy and the following covers are compulsory to place an Insurance policy.

- Hire Purchase – assigned to CDB (Except for Vehicle Loans with the mortgage assigned to CDB)
- SRCC-Strike, Riots and Civil Commotion
- Terrorism Cover
- Natural Disaster/Flood
- Third party Property damage
- Hiring cover / Rent Cover/Private – If Applicable

Other covers are optional based on the Customer request. Sum Insured value should not be less than of the market value of the vehicle in valuation form for the registered and reconditioned vehicles (For 3W and Brand New vehicles, it should be 100% from invoice value, inclusive of VAT). If client request to insure the vehicle less than 100% of the market value, an approval should be obtained as per the Insurance TAL.

For the new vehicle facilities initiated, the new Insurance policy should be placed from any one of the following Insurance Companies in agreement with CDB, through Broker/Agent Code given by CDB.

- Ceylinco Insurance Ltd
- Allianz Insurance Lanka Limited
- Sri Lanka Insurance Corporation
- Continental Insurance Lanka Ltd
- HNB General Insurance Ltd
- Amana Takaful Insurance PLC
- Fair First Insurance Ltd
- Orient Insurance Ltd

Branches should ensure that the collateral (vehicles) of vehicle financing facilities are adequately insured and Insurance Division should ensure that premium for new and renewal covers is being paid on time. The policies should be held by CDB or acceptable agencies, and adequate measures must be taken to ensure that the premiums due on those policies are paid in time so that, in case of a claim, the insurance company will not be able to reject same, because of the non-timely payment of the premiums.

11.5.2 Home Loan Facilities

Following insurance covers are applicable for Home Loans facilities;

- Mortgaged Protection Cover (MPC)

Mortgaged Protection Cover is applicable solely for Home Loans due to the longer tenure associated with these loans. For business loans (particularly for working capital purposes), the maximum tenor is five years, and as a business decision, Mortgage Protection Cover is not obtained.

In cases where the cover is applicable (i.e., for Home Loans), the Mortgaged Protection Cover must be obtained from an insurance company approved by CDB. The following aspects should be covered in the insurance policy:

  - ✓ Mortgage Protection Policy with Death, Total & Permanent Disability due to accident and sickness

- Fire Insurance Cover for the Building

Following should be covered in the fire insurance policy;

  - ✓ Fire, Civil commotion, Riots and strikes, Malicious damages, Terrorism

- Title Insurance Cover

Title insurance cover is obtained only when it is required with the recommendation of Legal Division after title clearance is done by them.

11.5.3 Roof Solar Financing

Insurance Policy for the solar system should be obtained & below mentioned special compulsory covers and additional covers should be included;

  - Fire & Lightning
  - Impact by Road Vehicles or Animals

Additional Covers to be obtained;

  - Natural Hazards (Flood, Cyclone, Storm, Tempest and Other Natural Perils)
  - Terrorism Cover (Building & Contents)
  - SRCC (Strike, Riots, and Civil Commotion for Building & Contents)
  - Electrical Damage (Electrical Inclusion –With fire Marks)

For this purpose, insurance premium amount covers the whole facility period and it will be capitalized at the point of application creating chargers' recovery process which done at the branch level.

11.5.4 Machineries Financing

Below mentioned compulsory Insurance covers should be obtained for the Machineries financing;

- Burglary & House Breaking
- Fire & Lightning
- Electrical Fire Damage

Additional cover to be obtained;

- SRCC (Strikes, Riots, and Civil Commotions)
- Flood
- Terrorism Cover

11.5.5 Gold Loan

CDB has a Bankers' Indemnity Policy to cover the risks associated with gold loan operations. This cover ensures that each gold loan stock is safeguarded against various potential losses, such as fire, theft, fraud, or negligence, that may occur during the process of granting, storing, or managing pledged gold articles. It provides protection against both internal and external risks, ensuring financial security and mitigating potential losses for the institution.

11.6 Custody of Collateral

Custodian Unit Under the Business Operation is responsible for receiving, maintaining and releasing of collateral related all credit facilities granted by CDB except Gold Loans. Following are the collateral related documents maintained by this Unit.

- Original Vehicle Certificate of Registration (CR)
- Original Vehicle Mortgage Bond
- Property Mortgage loan related Security Documents
- Property Mortgage Bond
- Pledged Fixed Deposit Certificate

All above collaterals are kept in the Fire Proof Safe with dual key control. Receiving and maintaining of above collaterals by the custodian unit is mentioned in detail under the Procedure Manual of Custodian Unit.

11.7 Release of Collateral

For the purpose of releasing the collateral, after customer make the payment for the facility settlement, the branch sends the facility settlement request to the Post Disbursement Follow-Up Division. Post Disbursement Follow-Up Division check the settlement request and if request is in order they close the facility and forward the request for release the collateral to the Custodian Unit. Then the custodian Officer releases the collateral and update the records in the register accordingly.

Detail procedures of releasing the collateral are mentioned under the procedure manual of Custodian Unit.

12. Customer Inspection Policy

Customer inspection is considered to be an important element, when evaluating credit worthiness of customers and make recommendations of credit facilities. Since majority of CDB's lending business is canvassed by the MOs directly, it is mandatory for them to visit the customer's place for each and every credit facility canvassed and recommended by them, irrespective of the type of lending product.

In addition to above, it is compulsory for the below staff to carry out the customer inspection for Vehicle Financing, Home Loan, Business Loan, Agri & Fisheries, MSME and Roof Solar Financing Facilities.

12.1 Vehicle Financing Facilities

- For New Clients

Facility Amount Rs.	Officer who needs to perform Customer Inspection
Up to 5 Mn	Trainee Marketing Executive (TME)
Up to 10 Mn	Marketing Executive (ME)
Up to 15 Mn	Senior Marketing Executive (SME)
Up to 30 Mn	Head Of Branch (HOB)
Above 30 Mn	Regional Manager/Area Sales Manager

Note- The Head Office will conduct investigations for facilities with any amount at their discretion

- For Existing Clients

Facility Amount (Rs)	Officer who needs to perform Customer Inspection
Up to 10 Mn	Marketing Officer(MO)
Above 10 Mn	HOB

Note: Any officer assigned to perform customer inspections must have at least one year of experience. Officers with less than one year of experience must conduct inspections in accordance with the established procedures for the new client and under appropriate supervision.

12.2 Home Loan Facilities

Facility Amount (Rs.)	Officer who needs to perform Customer Inspection

Up to 1 Mn	Respective Marketing Officer who canvassed the business & HOB & HO Investigation Officer
Up to 5 Mn	Respective MO & Head of Branch (HOB) & Regional Manager or ASM & HO Investigation Officer
Up to 10 Mn	RM/ASM and CED Appraisal Officer or HO Investigation Officer
Up to 20 Mn	Manager – Credit Evaluation
Up to 50 Mn	AGM –Credit Evaluation
Above 50 Mn	GM – Credit Evaluation / 1 Credit Committee Member

*The CED Appraisal Officer / Head of Home Loans should visit each facility as part of the appraisal process, in accordance with established procedures

Note - The client inspection process applicable to Home Loans shall likewise apply to Business Loans, Term Loans, Agri/Fisheries Loans, and MSME facilities which secured by immovable property, as per the required terms and conditions.

12.3 Machinery and Solar Financing Facilities

The visit by the Head of Branch (HOB) for client inspection is mandatory for machinery and solar facilities, regardless of the facility amount.

Note - Officer who performs the customer inspection needs to complete the customer inspection report and this report should be filed in the relevant credit facility file.

13. Delegation of Authority

When approving credit facilities, the sanctioning authority should comply with all credit values and principle described in this Credit Risk Management Policy. Approval authority to loans and leases is granted based on an officer's knowledge and experience and not necessarily according to seniority. These authorities are personal and cannot be further delegated to a third party.

13.1 Delegation of Authority – Product Wise

Delegation of authority for approving credit facilities varies based on the type of credit facility. As such the delegation of authority for different products is as follows;

13.1.1 Auto Finance Facilities

Approval Limit (Rs.)	Delegation of Authority
3 Mn	Executive & Above (CED)
5 Mn	Assistant Manager (CED)
7.5 Mn	Deputy Manager & Above (CED)
10 Mn	Manager & Above (CED)
10 – 15 Mn	Senior Manager & Above (CED)
15 - 25 Mn	Any two Members of Delegated Credit Committee & Above (Members of CMM & Above)
25-50 Mn	Any three Members of Delegated Credit Committee & Above (Members of Executive Committee)
50 – 100 Mn	Any four Members of Credit Committee (Executive Directors)
Above 100 Mn	Board of Directors

*Up to Rs.5Mn delegation of authority is given for Head of Branch (HOB) & For Amount Up to Rs. 7.5 Mn delegation of authority is given for Area Sales Manager(ASM) & Regional Manager(RM) for the facilities which are scored as Green Credit Decisions in CDB Scoring System.

CED may revoke the given delegation limits for aforementioned officers, if they fail to maintain the required credit quality. *Director – Business Operations is nominated by the Credit Committee to approve aforementioned delegation, as applicable.

13.1.2 Home Loans

Approval Limit (Rs.)	Delegation of Authority
3 Mn	Deputy Manager & Above (CED)
5 Mn	Manager & Above (CED)
10 Mn	Senior Manager & Above (CED)
15 Mn	GM (CED)
25Mn	Any two Members of Delegated Credit Committee & Above (Members of CMM)
50 Mn	Any three Members of Credit Committee (Executive Directors / Executive Committee)
100 Mn	Any Four Members of Credit Committee (Executive Directors)
Above 100 Mn	Board Approval

13.1.3 SME Loan / Solar Loan/Agri & Fisheries Loan

Approval Limit (Rs.)	Delegation of Authority
3 Mn	Assistant Manager & Above (CED)
5 Mn	Senior Deputy Manager & Above (CED)
7.5 Mn	Manager & Above (CED)
10 Mn	Senior Manager & Above / Consultant SME (CED)
15 Mn	GM (CED)
25 Mn	Any two Members of Delegated Credit Committee & Above(Members of CMM)
50 Mn	Any three Members of Credit Committee (Executive Directors/Executive Committee)
100 Mn	Any four Members of Credit Committee (Executive Directors)
Above 100Mn	Board Approval

13.1.4 Personal Loans

Approval Limit (Rs.)	Delegation of Authority
3 Mn	Manager & Above (CED)
5 Mn	GM (CED)
7.5 Mn	Any two Members of Delegated Credit Committee & Above (Members of CMM)
10 Mn	Any three Members of Credit Committee (Executive Directors / Executive Committee)

13.1.5 Three Wheeler Facilities

Delegation of Authority for three wheeler (3W) finance facilities are given to HOBs and BOICs at the branch level. But, Credit Evaluation Division at Head Office closely monitors the sanctioning process and compliance of these branch staff to the Credit Risk Management Policy, regulations, Head Office instructions etc.

*Director – Business Operations is nominated by the Credit Committee to approve aforementioned delegation, as applicable.

13.1.6 Two Wheeler Facilities

Approval Limit (Rs.)	Delegation of Authority
1,200,000	Head of Branch (Automated Credit Decision-Green) Assistant Manager & Above (CED) (Automated Credit Decision-Yellow & Manual)
1,200,000	Senior Deputy Manager & Above

13.1.7. Credit Cards

Approval Limit (Rs.)	Delegation of Authority
Up to 500,000	Deputy Manager(CED)
Up to 1,000,000	Manager & Above (CED)
Up to 5,000,000	GM & Above (CED)

- For existing customers, only the Credit Card facility amount will be considered as the total exposure
- Maximum Credit Card Limit is Rs 5Mn.
- All the unsecured Cards Up to Rs. 1,000,000 should be approved by Manager (CED) and Above Rs. 1,000,000 should be approved by GM (CED)

13.1.8Cash Backed Loans

Approval Limit (Rs.)	Delegation of Authority
CBL Portfolio Up to 7.5 Mn	BOIC / A.BOIC*
CBL Portfolio Up to 15 Mn	Any of Permanent Cluster Leader
CBL Portfolio Up to 25 Mn	Any of Mgr & Above- Business Operation
Above 25 Mn	Any of the Executive Committee/Executive Directors

Note: At the time of approving a credit facility, cumulative exposure to the customer (with the proposed facility) should not exceed the delegation of authority of the sanctioning officer. If this exceeds the delegation of authority, a covering approval from a succeeding sanctioning officer (who has the delegation of authority) should be obtained. This is applicable for all above mentioned delegation of authorities.

Note: Facility value or cumulative exposure exceeding Rs. 40 Mn should be referred to the Risk Division, accompanied by the recommendation of the Head of Risk.

14. Credit Committee – Terms of Reference

14.1 Constitution

The Credit Committee is a management committee. The Committee has responsibility for the matters listed below for Citizens Development Business Finance PLC (CDB) and all their subsidiaries (the "Group").

14.2 Membership

<u>Credit Committee Members</u>

Executive Directors

- Managing Director / CEO
- Director- Deputy CEO
- Director - Sales & Business Development
- Director - Corporate Finance
- Director – Business Operations
- Senior GM – EBIT/Chief Corporate Affairs Officer (Director Designated)

Executive Committee

- General Manager – Sales
- General Manager – Credit/ Leasing
- Senior Deputy General Manager – Finance/CFO
- General Manager- Post Disbursements & Follow Up

*Credit Committee members will be represented by the Executive Directors and members of the Executive Committee.

Delegated Credit Committee

- Deputy General Manager – Business Operations
- Deputy General Manager – Branch Operation
- Deputy General Manager- Post Disbursements & Follow Up

14.3 Secretary

General Manager – Credit/ Leasing shall act as the Secretary of the Committee.

14.4 Quorum

The quorum necessary for the transaction of business by the Committee will be three Credit Committee or Delegated Credit Committee.

14.5 Frequency of Meetings

Meetings of the Credit will be held as the Committee deems appropriate.

14.6 Minutes of Meetings

The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

The minutes of Committee meetings should be circulated to all the members of the Committee.

14.7 Purpose

The purpose of Credit Committee is to provide the Board with objective oversight of the credit risk profile and the risk management framework established to manage the credit risk arising from this activity, to consider and determine proposals exceeding management's limits and to receive and review reports on credit quality, risk management and policy/procedure adherence.

14.8 Duties

The Committee should carry out the duties below;

- The Committee will present to the Board, on at least an annual basis, the Credit Risk Management Policy for approval. Upon approval the Committee will have delegated authority to exercise the powers listed in the Policy and to monitor Policy compliance.
- Monitor the risk profile and performance of the credit portfolios including portfolio composition, risk concentrations, portfolio analytics, arrears performance, provisioning, non-performing loans and loss performance
- Review recommendations from Credit Evaluation to grant a credit facility when exceeding delegated limits as per the Transaction Authority Limits (TAL).
- Oversee management actions to resolve material high risk non-performing exposures and review and decide the six-monthly collective provision assessments. This includes any material changes to the provisioning methodology.
- Ensure that any deviations/exceptions to policies are communicated to the Board which may recommend corrective actions to be taken.
- Have the authority to investigate any matter within its terms of reference and the resources and information which it needs.

Duties of Delegated Credit Committee

- Review recommendations from Credit Evaluation to grant a credit facility when exceeding delegated limits as per the Transaction Authority Limits (TAL)

14.9 Delegated Powers of the Credit Committee

The Boards shall delegate powers to the Credit Committee including, but not limited to:

- Review all credit commitments of the Company that are in excess of the limits contained in the TAL.
- Issue guidelines to define credit commitments.
- To authorise the origination of inter-company loans.
- The further delegation of the above powers to members of the Committee.

14.10 Reporting Responsibilities

- The Senior Deputy General Manager – Credit/ Leasing shall report to the Integrated Risk Management Committee (IRM) on a quarterly basis highlighting the key areas discussed/agreed at the Credit Committee meetings.
- The Committee shall make whatever recommendations to the Boards, it deems appropriate on any area within its remit, where action or improvement is needed.

14.11 Other Matters

The Committee shall;

- Appoint External advisers as required.
- Have access to sufficient resources in order to carry out its duties.
- Be provided with appropriate and timely training, both in the form of an induction programme for the staff of the Credit Evaluation Division.
- Give due consideration to laws and regulations, and the directions issued by the Central Bank of Sri Lanka and any other applicable rules, as appropriate.
- Arrange at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes, it considers necessary to the Boards for approval.
- The Committee shall delegate its powers to members of the Committee as required.

15.Transaction Authority Limits (TAL) Related to Credit Function

The Transaction Authority Limits (TAL) have been compiled to identify the level of approval and authorization necessary for transactions of the company. This document was prepared in line with the decision made by Corporate Management on delegating the transaction approval authority. TALs which are only relevant for the credit function of CDB are included to this Credit Risk Management Policy manual (Credit functional Unit wise) for easy reference purpose.as A separate document is available for TAL, which may be amended subsequently, subject to approval by the Board.

Credit Approval

#	Transaction	Condition	Recommendation	Approval	Limit
Credit Facility Approval (Credit Evaluation Division Staff)					
1	Auto	For Automated "Green" credit decisions	Branch Delegations	Designated Branches	Up to Rs. 3Mn
			Central Delegations	Exec	Up to Rs. 1 Mn
				SE	Up to Rs. 2 Mn
				AM	Up to Rs. 3 Mn
				DM	Up to Rs. 5 Mn
				Mgr and Above	Up to Rs. 7.5 Mn
				AGM	Up to Rs. 10 Mn
				CC1 (Any 2 of Delegated Credit Committee)	Up to Rs. 15 Mn
				CC2 (Any 3 of Credit Committee Members)	Up to Rs. 25 Mn
				CC3 (Any 4 of Credit Committee Members)	Up to Rs.50 Mn
				BOD	Above Rs. 50 Mn

2	Machinery			Mgr and Above	Up to Rs.5 Mn
				AGM	Up to Rs.10 Mn
				CC1 (Any 2 of Delegated Credit Committee)	Up to Rs.15 Mn
				CC2 (Any 3 of Credit Committee Members)	Up to Rs.25 Mn
				CC3 (Any 4 of Credit Committee Members)	Up to Rs. 50 Mn
				BOD	Above Rs.50 Mn

3	Home Loans			Mgr and Above	Up to Rs.3 Mn
				AGM	Up to Rs.5 Mn
				GM	Up to Rs. 7.5 Mn
				CC1 (Any 2 of Delegated Credit Committee)	Up to Rs. 10 Mn
				CC2 (Any 3 of Credit Committee Members)	Up to Rs. 25 Mn
				CC3 (Any 4 of Credit Committee Members)	Up to Rs. 50 Mn
				BOD	Above Rs. 50 Mn
4	Business Loans			Mgr and Above	Up to Rs. 3 Mn
				AGM	Up to Rs. 5 Mn
				GM	Up to Rs. 7.5 Mn
				CC1 (Any 2 of Delegated Credit Committee)	Up to Rs. 10 Mn
				CC2 (Any 3 of Credit Committee Members)	Up to Rs. 25 Mn
				CC3 (Any 4 of Credit Committee Members)	Up to Rs. 50 Mn
				BOD	Above Rs. 50 Mn
5	Credit Cards	Secured Cards		DM	Up to Rs. 500,000

				Manager and Above	Up to Rs. 1 Mn
				GM	Up to Rs. 5 Mn
		Unsecured Cards		Manager and Above	Up to Rs.1 Mn
				GM	Up to Rs. 5 Mn
6	Solar Loans			SDM	Up to Rs. 1 Mn
				AGM	Up to Rs. 3 Mn
				GM	Up to Rs. 5 Mn
				CC2 (Any 3 of Credit Committee Members)	Up to Rs. 10 Mn
				BOD	Above Rs. 10 Mn
7	Personal Loans			Mgr and Above	Up to Rs. 3 Mn
				GM	Up to Rs. 5 Mn
				CC1 (Any 2 of Credit Committee Members)	Up to Rs. 7.5 Mn
				CC2 (Any 3 of Credit Committee Members)	Above Rs. 10 Mn
8	Agri/Fisheries Loans			SDM	Up to Rs. 1 Mn
				AGM	Up to Rs. 3 Mn
				GM	Up to Rs. 5 Mn
				CC2 (Any 3 of Credit Committee Members)	Up to Rs. 10 Mn
				BOD	Above Rs. 10 Mn
9	MSME Loans			SDM	Up to Rs. 1 Mn
				AGM	Up to Rs. 3 Mn
				GM	Up to Rs. 5 Mn
				CC2 (Any 3 of Credit Committee Members)	Up to Rs. 10 Mn
				BOD	Above Rs. 10 Mn
10	2W Facilities			AM	Up to Rs. 750,000
				SDM	Up to Rs. 1 Mn

Credit Operation					
#	**Transaction**	**Condition**	**Recommendation**	**Approval**	**Limit**
1	Security Confirmation (Non Editable Data)	Branch/HO	Respective MO	SO/BOIC/Virtual Verification Unit (AO)/Credit Evaluation Officer	All
2	LOS Confirmation (Non Editable Data)	Branch/HO	Respective MO	SO/BOIC/Virtual Verification Unit	All
3	Facility Initiation (Smart OPS Q)	Branch/HO	Respective MO/SO/BOIC	SO/BOIC/Virtual Verifications Unit	All
4	Charges Confirmation and Charges Recovery-CBS	Branch	Respective MO/SO	SO/BOIC/ABOIC	Up to Rs. 5 Mn
		Head Office	SO/BOIC/ABOIC	Exec And above-Virtual Operations	Above Rs. 5MN
5	Security Documents and other related documents confirmation to Delivery Order	Branch	Respective MO/SO	SO/BOIC/ABOIC	Up to Rs. 5 Mn
		Head Office	SO/BOIC/ABOIC	Exec And above-Virtual Operations	Above Rs. 5MN
6	Signing Supply Agreement-System(D/O)	Head Office			
		All		AM or above- BO(AO)	Up to Rs. 10 Mn
				Any two of Mgr and Above	Above Rs.10 Mn
		All Branch			
		Auto Finance		Any two of HOB, BOIC, SO	Up to Rs. 7.5 Mn
		3W		Any two of HOB, BOIC, SO	Up to Rs. 1 Mn
7	Obtain signatures from customer/guarantor on lending security Documents (Marketing officer service period over 6 months)	Any Location		Respective Marketing Officer	Up to Rs. 1 Mn
				Respective Marketing Officer (TME or Above)	Up to Rs. 15 Mn
		Any Location		Respective Marketing Officer (TME or Above) and HOB or SME	Rs. 15 Mn – Rs. 35Mn
		At Any Branch	Divisions should be approved by DGM-OP/GM-CE subject to HOB visit	Any OF Respective Marketing Officer (TME or Above) /HOB/SME or above/BOIC/SO	Above Rs. 35 Mn

8	Witness for Agreement- Subject to Designations wise Fle Type Control	Witness for customers or Guarantor signatures on agreement(Officer who obtain sig.on the documents from customer or Guarantor)			
		1st - Any Location	Marketing officer service period over 6 months	Respective Marketing Officer	Up to Rs. 1Mn
		2nd –Any Location		HOB/BOIC/SO	
		1st - Any Location	Marketing officer service period over 6 months	Respective Marketing Officer (TME or above)	Up to Rs.5Mn
		2nd –Any Location		HOB/BOIC/SO	
		1st -Any Location	Marketing officer service period over 6 months	Respective Marketing Officer (TME or above)	Up to Rs. 10 Mn
		2nd –Any Location		HOB/BOIC	
		1st -Any Location	Marketing officer service period over 6 months	Respective Marketing Officer (TME or above)	Up to Rs. 15 Mn
		2nd –Any Location		HOB/BOIC/RM	
		1st -Any Location	Marketing officer service period over 6 months	Respective Marketing Officer (TME or above) and HOB or SME or above	Up to Rs. 35 Mn
		2nd –Any Location		HOB/BOIC/RM	
		1st and 2nd At any Branch	Deviations should be approved by DGM-OP/GM-CE subject to HOB visit	Any of HOB/BOIC/SO and Respective MO Or Any two of HOB/BOIC/SO/MO above SME category, (Marketing officer service period over 6 months)n	Above Rs. 35 Mn
			3W	JE(AO)-BO or above	All

		Witness for signatures who signed on behalf of CDB (Marketing officer Service Period over 6 Months)	Other Facilities	Exe-(AO)-BO or Above	Up to Rs. 5 Mn
				SE(AO) –BO or Above	Up to Rs. 10 Mn
				AM (AO)-BO or Above	Up to Rs. 15 Mn
				DM (AO)-BO or Above	Up to Rs. 35 Mn
				SDM (AO)-BO or Above	Above Rs. 35 Mn
9	Signatures for RMV transfer on behalf of CDB			AM or above-BO(AO)	All
10	Witness for RMV Documents	MTA6,MTA8,MTA3		Respective Marketing Officer and HOB or BOIC	All
				MT/JE-BO or above (AO)-only for CDB Transfers	
11	Payment for RMV Charges(Bulk payments with Extract payments)	Charges to be debited to RMV GL account	MT/JE- BO or above	AM-BO and above(AO)	Up to Rs. 500,000/-
			SE- BO or above	SDM-BO and above (AO)	Up to Rs. 1,000,000/-
				Mgr-BO & above BO	All
12	**Islamic Finance Unit**				
		Signing of Offer Letters	Branch	Any two of HOB or BOIC or SO	All
			HO	Exec & above & AM-BO (AO)	All
		Supplier agreement			As per existing procedure of other products
13	Document Payment Undertake letter (Other bank/finance institutes)	Head Office Process	HO	BOIC & SO of Branch (Sign and issue to specified CDB officer) If HO -AM-BO and above	All
14	Activation in CBS	Staff Vehicle Loans	Disbursements Officer(AO)	Mgr-BO & Above	
		Others		Exec And above	
15	Payment Release Approval/ Disbursement Memo	3W & Auto Finance Branch	SO	BOIC/ABOIC	Up to Rs. 2.5 Mn
		Head Office	BOIC/JE/MT(AO) or Above	Exec(AO) or above	Up to Rs. 1.5 Mn

		Above 50 Mn Cumulative Portfolio is subject to Board Approval	BOIC/JE/MT(AO) or above	SE-AO or above	Up to Rs. 2.5 Mn
			BOIC/Exec (AO) or above	AM(AO) or above	Up to Rs. 7.5 Mn
			AM(AO) or above	Mgr-(AO) or above	Up to Rs. 10 Mn
			AM(AO) or above	Snr. Mgr- (BO) or above	Up to Rs. 15 Mn
			AM(AO) or above and Mgr-BO (AO) or above	One CMM member	Up to Rs. 25 Mn
			AM(AO) or above and Mgr-BO (AO) or above and one CMM member	Any of the Executive Committee Member	Up to Rs. 25 Mn
16	Letter of Guarantees	Head Office Process	Disbursement Officer	Mgr & above -BO	All
17	Letter of Guarantees Rate	Special Rate Less than 2% for Same Party Less than 2.5% for 3rd Party	HOB/BOIC/ABOIC	Any of the CMM member	All

Insurance					
#	**Transaction**	**Condition**	**Recommendation**	**Approval**	**Limit**
1	**Insurance - Credit Period**				
	New Facilities	Branch Cumulative Monthly Collection Ratio 80% or above	SO/BOIC	Automate Approval-Smart Ops	Up to Rs. 300,000/- & Up to 45 Days
			HOB/BOIC	SDM-BO or above (AO)	Up to Rs. 300,000/- & Up to 60 Days

		Any Other	HOB/BOIC	DGM-OP or above (AO)	Up to Rs. 300,000/- subject to 60 Days
	Renewed insurance	Matured rentals below 12 Rental in arrears 01 and below	HOB/BOIC	Automate Approval-Smart Ops	Any amount up to 45 days
		Matured rentals above 12<24 Rental in arrears 02 and below	HOB/BOIC	Automate Approval-Smart Ops	Any amount up to 45 days
		Matured rentals above 24 Rental in arrears 03 and below	HOB/BOIC	Automate Approval-Smart Ops	Any amount up to 45 days
		Any other	HOB/BOIC	SDM-BO or above(AO)	Any amount up to 60 days
			HOB/BOIC	DGM-BO or above authorized officer	All
2	Insurance OD waive off	Credit Period/Company Change/Purpose Change/Sum Insured Change subject to non-payment of the premium	Second Officer	BOIC	Up to Rs. 10,000/- without exceeding the OD debit for insurance
			Second Officer/ BOIC	Cluster Leader	Up to Rs. 20,000/- without exceeding the OD debit for insurance
			SOA-BO or above	Exec-BO or above (AO)	Up to Rs. 10,000/- without exceeding the OD debit for insurance
		Any Other	MT/JE or above BO	SDM-BO or above (AO)	Subject to maximum charge (Subject to less any reversals)
3	Market Value Less than Valuation Price- Insurance Premium				

	New Policies	On Customer Request	SO/BOIC	Automate Approval-Smart Ops	Maximum 80% from market value subject to 100% of facility value
			HOB/BOIC	SDM-BO or Above(AO)	Below 80% from market value subject to 100% of facility value
	Renewal Policies	Rentals in arrears 02 and below	SO/BOIC	Automate Approval-Smart Ops	Capital Outstanding *125%
		Paid rentals>50% from facility tenor –Rentals in arrears 04 and below	SO/BOIC	Automate Approval-Smart Ops	Capital Outstanding *125%
		Any Other	SO/BOIC	SDM-BO or Above (AO)	Subject to maximum capital outstanding
4	Insurance - Other than CDB Approved broker code (Direct code)	On Customer Request- Sale and Lease Back- New facilities	SO/BOIC	Automate Approval-Smart Ops	Subject to confirmation of Premium settlement
		Any Other	BOIC/HOB	SDM-BO or Above (AO)	
5	Pro-rata waive off (subject to not paid the insurance to insurance company)	Facility Settlements and policy changes over 45 days from renewal date	SO/BOIC	SDM-BO or Above (AO)	All
6	No Objection Letters for insurance claim (Objection letter will be issued for NOL issuing criteria exceeded facilities)	Matured rentals below 12- Rentals in arrears less than 01	SO/BOIC, SOA & Above-PDFU Exec & above- Call Centre	Automate Approval-Smart Ops	
		Matured rentals above 12<36 Rentals in arrears less than 02	SO/BOIC, SOA & Above-PDFU Exec & above- Call Centre	Automate Approval-Smart Ops	

		Matured rentals above 24 Rentals in arrears less than 03	SO/BOIC, SOA & Above-PDFU Exec & above- Call Centre	Automate Approval-Smart Ops	
		Any other	SO/BOIC, SOA & Above-PDFU Exec & above- Call Centre	Mgr.- PDFU & above	
7	Reversal of any Insurance debited subject to non-payment of insurance premium	Policy Conditions change/Debit Corrections/Facility Settlements	SOA –BO and Above	Exe-BO & above (AO)	All
8	Reversal of Capitalized Insurance Premium	Facility Cancellation	MT/JE-BO or above	Exe-BO or above (AO)	All
9	Debit Authorization in the system	Debit Automate Through RPA-New Policy	SO/BOIC	Automate Approval-Smart Ops	All
		Debit Automate Through BOT –Renewal Policy	MT/JE-BO or above	Automate Approval-Smart Ops	All
		Any Other- Manual Debit	Data Entry Officer/OA or above	SOA-BO or Above	All
10	Insurance Bill Entry Banking Authorization in Core Banking System	Payment Automation Through RPA	MT/JE-BO or above	Automate Approval-Smart Ops	All
		Any Other- Manual Bill Entry	SOA-BO or Above	MT,JE-BO or Above (AO)	All
11	Payment to Insurance Companies	Automated system generated bill entries	MT/JE-BO or above	AM- BO or Above (AO)	Up to Rs. 2,000,000/-
				DM-BO or Above (AO)	Up to Rs. 5,000,000/-
				SDM-BO or Above (AO)	All
12	Insurance credit memo generation	Capitalize Insurance/ /Ijarah Free Insurance	MT/JE-BO or above	DM-BO or Above (AO)	Up to Rs. 5,000,000/=
				SDM –BO or Above (AO)	All
		Manager and above Insurance Premium Entitlement	SDM-BO or Above	DGM-BO or Above(AO)	All

13	Insurance Cover Changes Hiring to Private Rent A Car to Hiring Rent A Car to Private	Minimum 12 rentals would be paid-Rental in arrears less than 2	SO/BOIC	Automate Approval- Smart OPS	All
		Paid rental> 50% from facility tenor, Rental in arrears less than 4	SO/BOIC	Automate Approval- Smart OPS	All
		Any Other	HOB/BOIC	Snr. Manager CE or Above	All
14	Total Loss of a Vehicle			DGM-OP or above Authorized Officer	100% rebate and 100% Insurance OD reversals
15	Fund Transfer to Insurance Fee Based Account	Insurance Income/VAT	Exe. BO or Above	SDM-BO or Above (AO)	All
16	Fund transfer to Recovery Account	Insurance Premium Refund received to CDB other bank account	Exe. BO or Above	SDM-BO or Above (AO)	All
17	General Insurance Expenses/New policy placements for company assets	CDB Vehicles-2W/3W	SDM-BO or Above	DGM-BO	All
		CDB Temporary use vehicles	SDM-BO or Above	DGM-BO	
		Directors and Officers Liability Policy	DGM - BO	Director BO & CFO	
		Bankers Indemnity Policy			
		IT Related			
		Fire Insurance-CDB HO			
		Fire Insurance-CDB Branches			
		Electronic Equipment Policy			
		Glass Breakage-HO			
		Public Liability –HO			
		Public Liability -Branches			

		Fidelity Guarantee			
		CDB Yard			
		Money Transit			
		Credit Card			
		Fire Insurance-CDB 3W Dealer points			
		Pawning			
		CDB Vehicles			

Finance

#	Transaction	Condition	Recommendation	Approval	Limit
1	Payment Except Treasury Fund Transfers (Via Fund Transfer / Cheque/ SLIP/CEFT/RTGS)				
	Entry of Payments-System	Divisional Committee Approved Memo		JOA/OA	Up to Rs. 7.5 Mn
				SOA & above	All
	Approval of Payments- System	Divisional Committee Approved Memo		JE/Exec	Up to Rs. 20 Mn
				SE	Up to Rs. 30 Mn
				AM/DM	Up to Rs. 60 Mn
				SDM or above	All
	Checking of payment vouchers	Divisional Committee Approved Memo		MT/JE/Exec	Up to Rs. 25 Mn
				SE/AM/DM	Up to Rs. 50 Mn
				SDM and above	All
2	Treasury Transfers (Fund Transfer/RTGS)				
	Entry of Payments	Advice from Treasury		JOA/OA	Up to Rs. 100 Mn
				SOA & above	All
	Approval of Payments	Advice from Treasury		JE/Exec	Up to Rs. 100 Mn
				SE	Up to Rs. 300 Mn
				AM/DM/SDM and above	All
	Checking of Payment Vouchers	Advice from Treasury		MT/JE/Exec	Up to Rs. 100 Mn
				SE and Above	All
3	FN Division- All payments			DM/SDM-Finance	Up to Rs. 2.5Mn

		Approval Memo – Recommended by		Mgr-Finance	Up to Rs. 5Mn
				SM-Finance & above	All
		Approval Memo – Recommended by		Mgr-Finance	Up to Rs. 2.5Mn
				SM-Finance & above	Up to Rs. 5Mn
				AGM to GM Finance	Up to Rs. 25Mn
				GM-Finance/SGM-HR & Admin/SGM-BI	Up to Rs. 50Mn
				Director-Finance	All
4	Bank Rec JEs	Entry of Journal		JOA/OA/JE	All
		Authorization of journal		JE or above	All
5	Other Journal Entry (Accounting entries related)	Entry of Journal		JOA/OA	Up to Rs. 10 Mn
				SOA or Above	All
		Authorization of journal		SE/AM/DM	Up to Rs. 50 Mn
				SDM or above	All
6	Tax Payments		SE to Mgr-Finance	GM –Finance/Director-Finance	All
7	Cheque Signing	"A" Category		**Class A**	
				C M Nanayakkara - MD	Unlimited
				T.M.D.P.Tennakoon - CFO	
				R.H. Abeygoonewardena - DCF	
				S.V. Munasinghe - DSBD	
				Mr Dave De Silva-Director Business- OP	
				Nayanthi Kodagoda – SGM HR& ADMIN	
				H.K.Dasanayaka - SGM -EB	
				S.S.Ruwan Nishantha- GM-FIN	
				Sudath Fernando - GM -CE	
				Priyantha Kumara-SM FIN	Up to Rs. 25,000,000/-
				Asanka Dhammika-SM FIN	
				Tharinda Dharshana-SAGM -Compliance	
				Thushari Wimalasiri- Mgr FIN	Up to Rs. 15,000,000/-
				Chamith Samarasena-AGM CF	Up to Rs. 5,000,000/-

				Kathiravel Sivagar-AGM CE	
		"B" Category		**Class B**	
				A.A.Sarath Kumara - DGM -BROP	Unlimited
				Isanka Kotigala-GM-SA	
				Sanjeewa Ranathunga - DGM -PDFU	Up to Rs. 10,000,000/-
				Aruni Panagoda –DGM-BO	Up to Rs. 10,000,000/-
				Ashad Weerabangsa-AGM-FR	
				Lahiru Thirikawala-AGM-PDFU	Up to Rs. 5,000,000/-

Post Disbursement Follow Up Division

#	Transaction	Condition	Recommendation	Approval	Limit
1	Over Due Interest &Charges Waive Off-Credit Facilities	Age Below 03	N/A	BOIC or ABOIC /Executive PDFD	Up to Rs.5,000/-
			BOIC or ABOIC	Manager -PDFD	Up to Rs.100,000/-
			BOIC or ABOIC	AGM-PDFD	Up to Rs.250,000/-
			AM or Above -PDFD	DGM-PDFD	Up to Rs.500,000/-
			Mgr or Above-PDFD	GM-PDFD	Up to Rs.1,000,000/-
			Mgr/AGM/DGM/GM-PDFD	CFO	Any Other
		Age Above 03	N/A	BOIC or ABOIC/Executive-PDFD	Up to Rs.10,000/-
			BOIC or ABOIC	Cluster Leaders	Up to Rs.20,000/-
			BOIC or ABOIC or Exe/SE-PDFD	AM-PDFD or Recovery Supervisors	Up to Rs.50,000/-
			BOIC or ABOIC or Exe/SE-PDFD	DM-PDFD	Up to Rs.100,000/-
			BOIC or ABOIC or Exe/SE-PDFD	Mgr-PDFD	Up to Rs.300,000/-
			BOIC or ABOIC or AM or Above – PDFD	AGM-PDFD	Up to Rs.500,000/-
			AM or Above-PDFD	DGM-PDFD	Up to Rs.1,000,000/-

			AM or Above-PDFD	GM-PDFD	Up to Rs.2,000,000/-
			Mgr/AGM/DGM/GM-PDFD	CFO	Any Other
		Early Settlement charge - Full settlements	BOIC/OA or above-PDFD	AM-PDFD	Up to Rs.5,000/-
				DM-PDFD	Up to Rs.15,000/-
				Mgr-PDFD	Up to Rs.50,000/-
				AGM-PDFD or above	Any Other
		Credit Card Facilities - Interest Charges - Late Payment - Over Limit - Any Other	JOA or above-PDFD	SE.Exe or Above-PDFD	Up to Rs.5,000/-
			SE. Exe or above-PDFD	Mgr-PDFD	Up to Rs.10,000/-
			SE. Exe or above-PDFD	AGM-PDFD	Up to Rs.25,000/-
			SE. Exe or above-PDFD	DGM-PDFD or above	Any Other
		Credit Card Joining Fee	SE. Exe or above-PDFD	AGM-PDFD	Up to Rs. 5000/-
				DGM-PDFD or above	Any Other
2	Capital Written off (Due interest portion reversals)	IRR Settlements/Full Settlements	AM or Above-PDFD	GM-PDFD	Up to Rs. 500,000/-
			Mgr or Above	CFO	Any Other
3	Rebate Approval- Auto Finance • Other Lease • 3W • 2W • Term Loan/Personal Loan SME	Age Below 3	N/A	Branch -BOIC	Up to 30%
			BOIC/HOB	RM-Business Development	Up to 50%
			RM-Business Development	GM-CE or GM Finance or SGM BI & Innovations or CFO or CCO	Above 50%
		Age 3=<6	N/A	Branch BOIC	Up to 40%
			BOIC/HOB	Mgr/Recovery Manager Region - PDFD	Up to 60%
			Recovery Manager- Region	AGM or above-PDFD	Above 60%
		Age 6=<12	N/A	Branch BOIC	Up to 65%
			BOIC/HOB or Recovery Supervisor	Mgr/Recovery Manager Region - PDFD	Up to 80%
			Recovery Manager Region	AGM/DGM/GM-PDFD	Above 80%
		Age Above 12	N/A	Branch BOIC	Up to 75%
			BOIC/HOB or Recovery Supervisor	Mgr/Recovery Manager Region- PDFD	Up to 85%

			Recovery Manager Region	AGM/DGM/GM-PDFD	Above 85%
4	Rebate Approval –Smart Draft Facilities	If current month rental is not due	N/A	BOIC or ABOIC or Exe/SE-PDFD	Rebate 100% + Current Month Interest Amount (Current Month rental)
		If current month rental is already due	N/A	BOIC or ABOIC or Exe/SE-PDFD	Rebate 100% + Applicable Interest Amount for Gap Period
5	Rebate Approval- - Property Loans - Home Loans - Business Loans - Islamic Property - Term Loan – Property	Matured Rental <12	N/A	BOIC or ABOIC or EXE/SE-PDFD	Rebate: 100% (+) 10% Early Settlement fee on Future Capital
		Matured Rental >=12	N/A	BOIC or ABOIC or EXE/SE-PDFD	Rebate: 100% (+) 5% Early Settlement fee on Future Capital
6	Rebate Approval –Personal Loan (Non-Auto)	Doctor Product	N/A	BOIC or ABOIC or EXE/SE-PDFD	Rebate: 100% 0% Early Settlement fee on Future Capital
		Premium Customers	N/A	BOIC or ABOIC or EXE/SE-PDFD	Rebate: 100% Matured Rentals<18 months:3% Early Settlement Fee on Future Capital Matured Rentals>=18 months:0% Early Settlement Fee on Future Capital
		Executive Products	N/A	BOIC or ABOIC or EXE/SE-PDFD	Rebate: 100% Matured Rentals<24months:5% Early Settlement Fee on Future Capital Matured Rentals>=24months:0% Early

					Settlement Fee on Future Capital
		Nurse/Non-Executive Product	N/A	BOIC or ABOIC or EXE/SE-PDFD	Rebate: 100%
					Matured Rentals<36 months:5% Early Settlement Fee on Future Capital
					Matured Rentals>=36 months:0% Early Settlement Fee on Future Capital
4	Rebate Approval –Credit Facility Enhancement	3W/2W & Other Auto Finance Facilities	N/A	BOIC	Up to 60%
			BOIC/HOB	Regional Manager-Business Development	Up to 75%
			BOIC/HOB	GM-CE or GM-Finance or SGM BI & Innovation or CFO or CCO	Up to 100%
5	Rebate Approval- Facility Reshedulements	With Part Settlement	All	BOIC/ABOIC	Up to 85%
			Exe-PDFD/BOIC	AGM-PDFD or Above	Up to 100%
		Arrears Reschedulments	Age Below 03	BOIC	Up to 85%
				Mgr-PDFD	Up to 100%
			Age Above 03	BOIC	Up to 90%
				Mgr-PDFD	Up to 100%
		Original Facility Tenor Changes	N/A	BOIC/ABOIC	Up to 90%
			BOIC or ABOIC or Exe-PDFD	Mgr-PDFD or Above	Up to 100%
		Smart Draft Facilities	N/A	BOIC	Rebate 100%
					Should be charged original facility interest rate on bulk payment in daily basis (From previous rental date to reschedule date)

6	Re-schedule of Existing Contracts	On request of Client	N/A	BOIC/HOB	Rental Arrears below 3 Months
					Previously completed no of reschedule entries up to 2
					Number of paid rentals 6 and above
					Reschedule Capital Amount up to Rs. 3Mn
			BOIC/ HOB	AM-PDFD/DM-PDFD/SDM-PDFD	Rental Arrears below 6 Months
					Previously completed no of reschedule entries up to 3
					Number of paid rentals 6 and above
					Reschedule Capital Amount up to Rs. 3Mn
				Mgr-PDFD	Rental Arrears below 8 Months
					Previously completed no of reschedule entries up to 4
					Number of paid rentals 3 and above
					Reschedule Capital Amount up to Rs. 6Mn
				AGM-PDFD or Above	Any Rental Arrears Facilities
					Any number of reschedule entries
					Any number of paid rentals
					Any of reschedule Capital Amount

7	Interest Rate Reduction-Facility Reschedulements	On Request of Client	BOIC/ABOIC or AM & above-PDFD	GM-Credit Evaluation	All
8	Authorizing Facility Settlements Entries in CBS	Security Release/ Facility Settlements	JOA or above-PDFD	DM-PDFD or Above	All
9	Over Payment Refunds	Type of Refunds - Insurance Claim funds - Total Loss refunds - Settlement over payment refunds - Part settlement refunds	OA or above-PDFD	AM-PDFD	Up to Rs. 100,000/-
			OA or above-PDFD	DM-PDFD	Up to Rs. 200,000/-
			OA or above-PDFD	Mgr-PDFD	Up to Rs. 300,000/-
			OA or above-PDFD	AGM-PDFD	Up to Rs. 400,000/-
			OA or above-PDFD	DGM-PDFD	Up to Rs. 500,000/-
			OA or above-PDFD	GM-PDFD	Up to Rs. 1,000,000/-
			AM or Above- PDFD	GM-FIN	Up to Rs. 3,000,000/-
			AM or Above-PDFD with GM-Fin or CFO	CFO	Up to Rs. 5,000,000/-
			Mgr or Above-PDFD with GM FIN or CFO	MD/CEO	Above Rs. 5,000,000/-
10	Internal Transfers- Over payment/Payment receipts	Based on client request	OA or above-PDFD	AM-PDFD	Up to Rs. 300,000/-

	if payment is fully or partially hovered (Own Account transfers/Other Account transfers)		OA or above-PDFD	DM-PDFD	Up to Rs. 400,000/-
			OA or above-PDFD	Mgr-PDFD	Up to Rs. 500,000/-
			OA or above-PDFD	AGM-PDFD	Up to Rs. 700,000/-
			OA or above-PDFD	DGM or GM-PDFD	Up to Rs. 1,000,000/-
			Mgr or Above-PDFD	GM-FIN or CFO	Above Rs. 1,000,000/-
11	Release of additional pledged securities	Active Contracts	AM or Above-PDFD	AGM or above-PDFD with GM-Credit Eval. Or CCO/CFO	All
		Fully settled or Pledge expired	OA or above –PDFD	Mgr-PDFD or Above	All
		Set off pledge FD against the facility for full settlement	OA or above –PDFD	Mgr-PDFD or Above	All
12	Signing of Recovery Letters	Settlement Invoices (Subject to rebate approval)	OA or above –PDFD	BOIC/ABOIC or Exe-PDFD	All
		Full Settled Letter signing	OA or above	BOIC/ABOIC or Exe-PDFD	All
		Balance Confirmation signing	OA or above	BOIC/ABOIC or Exe-PDFD	All
		No arrears letter signing	OA or above	BOIC/ABOIC or Exe-PDFD	All
		Court or Police No Objection/Court Appearing authorisation Letter Signing	OA or above –PDFD	Mgr-PDFD or Above-PDFD/Legal	All
		Letter of Termination Signing	N/A	Mgr-PDFD or Above	All
		Account Statement Signing	JE or Above	Mgr or Above-Finance/ AGM or Above PDFD	All

13	Seizing Charges-Repossessed Vehicle	2Ws & 3Ws	Recovery Supervisor/Exec or Above-PDFD	DM/Mgr/Recovery Manager Region-PDFD	Up to Rs. 75,000/-
			DM or Above-PDFD	AGM-PDFD	Up to Rs. 100,000/-
			Recovery Manager Region or above-PDFD	DGM-PDFD	Up to Rs. 150,000/-
			Recovery Manager Region or above-PDFD	GM-PDFD	Up to Rs. 200,000/-
			Recovery Manager Region or above-PDFD	AGM or above PDFD with GM-Finance or SGM-BI & Innovation or CFO	Above Rs. 200,000/-
		Other Vehicles/Assets	Recovery Supervisor/Exec or Above-PDFD	DM/Mgr/Recovery Manager Region-PDFD	Up to Rs. 100,000/-
			DM or Above-PDFD	AGM-PDFD	Up to Rs. 200,000/-
			Recovery Manager Region or above-PDFD	DGM-PDFD	Up to Rs. 350,000/-
			Recovery Manager Region or above-PDFD	GM-PDFD	Up to Rs. 500,000/-
			Recovery Manager Region or above-PDFD	AGM or above PDFD with GM-Finance or SGM-BI & Innovation or CFO	Above Rs. 500,000/-
14	Transport Charges-Handed Over Vehicles/Assets	2Ws/3Ws/Other Vehicles/ Assets	Recovery Supervisor/Exec or Above-PDFD	DM/Mgr/Recovery Manager Region-PDFD	Up to Rs. 10,000/-
			DM or Above-PDFD	AGM-PDFD	Up to Rs. 15,000/-
			Recovery Manager Region or above-PDFD	DGM-PDFD	Up to Rs. 20,000/-
			Recovery Manager Region or above-PDFD	GM-PDFD	Up to Rs. 25,000/-
			Recovery Manager Region or above-PDFD	AGM or above PDFD with GM-Finance or SGM-BI & Innovation or CFO	Above Rs. 25,000/-

15	Any other Additional Charges Related to Repossessed Vehicles /Assets	2Ws/3Ws/Other Vehicles/Assets	Recovery Region Manager/Manager or above-PDFD	AGM or above PDFD with GM-Finance or SGM-BI & Innovation or CFO	Any Other
16	Disposal marking in CBS	Repossessed and Handed over vehicles	JE or Above PDFD	DM-PDFD or Above	All
17	Disposal Settlement Conditions	2W, 3W & Other Vehicle	BOIC/JE-PDFD	Exec-PDFD	Waive off up to Actual Loss
			BOIC/JE or above-PDFD	AM-PDFD	Waive off up to 50% from Actual Loss or maximum Rs. 300,000/- (whichever is lower)
			Exec or above-PDFD	AGM-PDFD	Waive off up to 65% from Actual Loss or maximum Rs. 500,000/- (whichever is lower)
			AM/Mgr or above -PDFD	DGM-PDFD	Waive off up to 80% from Actual Loss or maximum Rs. 1,000,000/- (whichever is lower)
			Mgr or Above-PDFD	GM-PDFD	Waive off up to 90% from Actual Loss or maximum Rs. 2,000,000/- (whichever is lower)
		Disposal Loss Set off without Payment (2W,3W & Other Vehicles)	DGM or Above-PDFD	CFO/GM-Finance	Waive off up to 100% from Actual Loss

Acquired Asset Management Unit					
#	**Transaction**	**Condition**	**Recommendation**	**Approval**	**Limit**
1	Yard Expenses		Head of AAMU or Head of Car Point	AGM-PDFD or Above	All
2	Yard Capital Nature Expenses (Subject to capex limits)		Head of AAMU or Head of Car Point and AGM-PDFD	GM-PDFD or CFO	All
3	Tender, Auction, Riyapola Approval Process Limits	01 Tender, Auction, Riyapola Paper advertisement Preparation	Head of AAMU or Head of Car Point	GM-PDFD/ CFO	All
		02 Custodian of locked tender boxes		Head of AAMU or Head of Car Point and AGM-PDFD	For the vehicle yards nearest Branches
				BOIC	Except the nearest Branches for Vehicle Yards
4	Determine of Minimum Expected Price for Auction, Tender, Riyapola leasing sales scheme vehicles through Vehicle pricing committee (VPC) & obtain approval process through DIGIAPP	Vehicle Pricing Committee (VPC) This will comprise member from the PDFD, Credit Evaluation & Vehicle Sale Unit	Head of AAMU/ Head of Car Point /Mgr-Vehicle sales unit or above & Mgr-Credit Evaluation or above & DGM-PDFD or above	CFO or Chief Sales and Business Development Officer	All
5	Vehicle Sales Tender confirmation /Tender opening	Audit representative is mandatory to open the tender		Any three of Tender committee. Finance Department representative, PDFD representative, Head of AAMU or representative and Audit division representative as observer	All
6	Accepting and Selling the vehicles for highest bid received in Vehicle Auction or	(Audit & Finance representative is		(VPC) Vehicle Pricing Committee Members	Three wheelers and Two wheelers

	withdraw the vehicle from the Auction	mandatory to attend for auction as observer)			
		(VPC- This will comprise a member from the PDFD, Credit Evaluation & Vehicle Sales Unit		Vehicle Pricing Committee Members & DGM or GM-PDFD	4 wheelers
7	Tendered Vehicle sales to non-bid customers below than the approved price.			Head of AAMU or Head of Car point or DGM-PDFD & Above	All
8	Tendered Vehicle sales to non-bid customers for equal to approved price		S. Exe-AAMU or Above or Head of Car Point	DGM/GM-PDFD or CFO or CCO	All
9	Reprocessed Vehicle Releasing Letter	Arrears Settled	Vehicle Releasing Unit-PDFD or Recovery Zone Exec & Above PDFD	Mandatory- Head of AAMU or S. Exe AAMU and Any other OA-AAMU & Above	All
		Yard Vehicle releasing letter on Tender, Auction, Leasing, VSU & Transfer		Mandatory- Head of AAMU or S. Exe AAMU and Any other OA-AAMU & Above	All
10	Sales Invoices	Tendered, Auctioned, Riyapola Vehicles		S. Exe-AAMU or Above or Head of Car Point	All
7	Reprocessed Vehicle Disposal Memo		OA AAMU or Above	Head of AAMU or Head of Car Point	All

Cash Backed Loans

#	Transaction	Condition	Recommendation	Approval	Limit
1	Cash Back Loan (CBL) Granting	New Loans- Customer Visited	BOA	BOIC	Up to Rs. 3Mn
		New Loans- Customer Not Visited	BOIC/HOB	Permanent cluster leader or AM-DO & above	

		Call Verifications	HOB/BOIC and permanent cluster leader	AM-DO & above	Up to Rs. 7.5Mn
				Mgr-BO or Mgr-BRO	Up to Rs. 15Mn
			Mgr-BO	DGM-BO or DGM-BRO or above	Up to Rs. 25Mn
				DGM-BO or DGM BRO Above & Any two Credit Committee members	Above Rs. 25Mn
2	CBL on the date of Deposit Placement (New/Manual Renewal)		BOIC	DGM-LP or GM-Sales	All
3	CBL for 01 month New Deposit		CSO/BOIC	DGM –LP or GM-Sales	All
4	CBL Margin Approval	5% Margin			All
		Below 5% Margin	CSO/BOIC/HOB	GM-Sales or Above	All
5	CBL Document Collection through an officer with Operation Staff member	Call Verification	HOB/Dep HOB & Operations Staff Member	Mgr-Branch Op/Mgr-BO or Above	All
6	CBL Document Collection at Branch			BOIC	All
7	CBL Settlement	Cash Settlement	Head Office	Exec or above (AO)	All
			Branch	BOIC/SO	All
8	CBL-95 Exceed/5 Years Exceed		AM-BO	Mgr-BO	All

Gold Loan					
#	**Transaction**	**Condition**	**Recommendation**	**Approval**	**Limit**
1	Gold Loan -Approval (Single customer exposure)	Direct Approval through e-financial system		GLO – Experience over 6 Months	Up to Rs. 100,000/-
				GLO – Experience over 01 year	Up to Rs. 500,000/-
			GLO	BOIC/SO or AO-Gold Loan Division	Up to Rs. 3,000,000/-

			(In absence of GLO/BOIC/SO)		
			GLO/SO/BOIC	AO-Gold Loan Division and subject to Credit Committee approval	Rs. 3,000,000/- and above
2	Gold Loan – Staff Approval	Through e-financial system	GLO/SO/BOIC	AM and above-Gold Loan Division	Up to Rs. 250,000/-
				Head of Gold Loan Division	Up to Rs. 500,000/-
				DGM-Gold Loan Division	Up to Rs. 1,500,000/-
				Director –Sales & Business Development	Above Rs. 1.5Mn
3	Gold Loan – Covering Approval	Through a memo	Head of Gold Loan Division and DGM-Gold Loan Division	Director-Sales & Business Development	Rs. 5Mn – Rs. 10 Mn
		Through a separate file with customer evaluation	GLO,SO/BOIC,HOB and Head of Gold Loan Division, DGM-Gold Loan Division	Two Credit Committee Members	Rs. 10Mn-Rs.15 Mn
				Three Credit Committee Members	Above Rs. 15 Mn
4	Service Charge Waive off		Head of Gold Loan/Mgr Gold Loan	DGM-Gold Loan	Maximum waive off charge is 0.25% subject to applicable minimum charge is 0.5% and up to Rs. 25,000/-
				Director-Sales & Business Development /CFO	All
5	OD interest Waive off		Head of Gold Loan/Mgr Gold Loan	DGM-Gold Loan	25% from total OD up to Rs. 25,000/-
				Director-Sales & Business Development /CFO	All
6	Payment for Suppliers/Insurance Payments		DM/AM/S. Exe Gold Loan	Head of Gold Loan/Mgr Gold Loan	Up to Rs. 100,000/-
			HOD/Mgr./DM/AM-Gold Loan	DGM-Gold Loan	Up to Rs. 500,000/-

			HOD/DGM-Gold Loan	Director-Sales & Business Development /CFO	All
7	Interest Freeze /Hold (In case of dud and stolen article inform)		Head of Gold Loan/Mgr. Gold Loan	Director-Sales & Business Development /CFO	All
8	Gold Loan Account Freeze/Write off(In case of dud and stolen article inform)		Head of Gold Loan	Director-Sales & Business Development /CFO	All
9	Supervisor Payments		Head of Gold Loan /DGM- Gold Loan	Director-Sales & Business Development /CFO	All
10	Staff Payment Reimbursement		Mgr/DM/AM-Gold Loan	Head of Gold Loan	Up to Rs. 50,000/-
			Mgr/Head of Gold Loan	DGM-Gold Loan	Up to Rs. 100,000/-
			Head of Gold Loan/DGM-Gold Loan	Director-Sales & Business Development /CFO	Above Rs. 100,000/-
11	Gold Loan -Ticket Signing	Single Customer Exposure	Gold Loan Officer	Gold Loan Officer	Up to Rs. 500,000/- (According to the single customer exposure approval limit of GLO)
			Gold Loan Officer	BOIC/HOB/SO or Teller (In case of absence all of BOIC/HOB/SO)	Any Amount

Corporate Finance Division					
#	**Transaction**	**Condition**	**Recommendation**	**Approval**	**Limit**
1	Approval to Margin Trading Facility		SDM/AM–CF	DCF	Up to Rs. 10 Mn
				Two Credit Committee Members	Up to Rs. 20 Mn
				Three Credit Committee Members	Above Rs. 20Mn-35Mn
				Four Credit Committee Members	Above 40Mn-50Mn
				Board Approval	Above 50Mn
2	Payment Approval Memo-Margin Trading	Daily Settlements/Initial broker settlement	CF/Treasury Back Office Staff	Head of CF/Head of Treasury	Up to Rs. 1,500,000/- Per Client
			CF/Treasury Back Office Staff	Head of CF /GM-FIN/SGM-EB& BI	Up to Rs. 5,000,000/- Per Client

			CF/Treasury Back Office Staff	DCF/DBO/CFO in absence GM- FIN/SGM-EB & BI	Above Rs. 5,000,000/- Per Client
		Credit Balance Withdrawal	CF/Treasury Back Office Staff	Head of CF/Head of Treasury	Up to Rs. 1,000,000/- Per Client
			CF/Treasury Back Office Staff	DCF/DBO/CFO in absence GM- FIN/SGM-EB & BI	Above Rs. 1,000,000/- Per Client
		Dividend Payment	CF/Treasury Back Office Staff	Head of CF	Up to 30% margin
			CF/Treasury Back Office Staff	DCF/DBO/CFO in absence GM- FIN/SGM-EB & BI	Above 30% margin
3	Entry of Margin Trading advances in the core bank system (CBS will keep open for SDM-CF and controlled physically for the given Limit)	Daily Settlements	CF/Treasury Back Office Staff	Mgr-Treasury /Head of CF	Up to Rs. 1,500,000/- Per Client
			CF/Treasury Back Office Staff	GM-FIN/SGM-EB & BI	Up to Rs. 5,000,000/- Per Client
			CF/Treasury Back Office Staff	DCF/DBO/CFO in absence GM- FIN/SGM-EB & BI	Above Rs. 5,000,000/- Per Client

Notes-

1. Any deviations above stipulated limit will be addressed by the respective director in charge with MD/CEO
2. In absence of any respective director can be forward to other executive directors of the company, subject to urgency level of the transaction

16. Products and Services

CDB offers following range of products to its lending customers and this Credit Risk Management Policy covers all lending products and services.

16.1 Vehicle Financing

Vehicle Financing is a combination of lending facilities where facilities will be granted against acceptable vehicles as collateral. Based on the vehicle category, client profile, exposure, etc. company will define facilities under Leasing, Hire Purchase and Vehicle Mortgaged Loans.

16.1.1 Auto Finance

Under Auto finance the company grants credit facilities against Motor Vehicles as collateral except three-wheelers.

16.1.2 Three Wheeler Finance(3W)

Three Wheeler Financing is where credit facilities are granted against Three-wheelers (Brand New and Registered).

16.1.3 Electric 3W Lease (e-Shift)

Electric 3W Lease is a lease scheme granted for customers to finance an electric 3W in order to purchase a new electric 3W or convert the existing petrol 3W in to electric 3W with the purpose of providing sustainable lending facilities to accelerate sustainable mobility solutions of Individuals and corporates.

16.1.4 Two Wheeler Finance (2W)

Two Wheeler Financing is where credit facilities are granted against Brand New two wheelers (For both Petrol & Electric motor bikes)

16.1.5 Pledge Loan

Pledge loans are granted for existing Auto finance customers of CDB having satisfactory repayments over a period of time. Applicants will be granted a separate loan facility against existing Lease/HP/ ML and prevailing vehicle/Asset will be considered as the security.

16.1.6 Smart Draft Facility

Smart Draft product is granted for selective customers by obtaining vehicle CR as security for a shorter facility period.

16.2 Home Loan

Home loans are granted to meet residential requirements and are secured by immovable property as collateral, as outlined in this Credit Risk Management Policy.

16.3 Business Loan

Business loans are granted for the commercial requirements and are secured by immovable property as collateral, as outlined in this Credit Risk Management Policy.

16.4 Term Loan

Term loans are granted for the any specific requirements accepted by the company and are secured by immovable property as collateral, as outlined in this Credit Risk Management Policy.

16.5 Term Loan Against Fixed Deposit

Term loans may be provided to deposit customers, secured against the fixed deposits, they hold with CDB as collateral.

16.6 Personal Loan

Personal Loans include the categories of Executive loans, Doctor loans, Professional loans, Nurse loans, Government loans, Non-executive loans, Mass market loans, pre-approved loans, 70% DBR Premier loans, Micro & SME loan and Personal loan for entrepreneurs and self-employed.

16.7 Agri & Fisheries Financing Loan

Agri & Fisheries Financing Loans are provided to corporate customers who require financial support for the development and growth of their agricultural and fisheries businesses.

16.7 Micro, Small & Medium Enterprise (MSME) Lending

MSME loans are designed to provide financial assistance to Micro, Small, and Medium-sized businesses, addressing their needs for machinery and equipment purchase, infrastructure development, and business expansion.

16.8 Islamic Finance Products

Islamic finance refers to a system of banking and finance consonant with the basic principles of Islamic Shariah. Islamic finance offers the same facilities as the conventional banking system does globally and only difference is Islamic Finance strictly adhere to Shariah rules.

16.9 Facility Enhancements

Facility enhancements are granted for existing customers of CDB, who having satisfactory repayments over a period of time for existing credit facilities. These customers existing credit limits will be enhanced after a proper credit assessment/review and prevailing vehicle/Asset will be considered as the security.

16.10 Credit Cards

A credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's promise to the card issuer to pay them for the amounts so paid plus the other agreed charges.

16.11 Bill Discounting

Bill discounting facilities are granted for the business community for their short term working capital requirements.

16.12 Gold Loan

These are loans/advances granted against Gold articles.

16.13 Staff Loan

CDB grants staff vehicle loans for the staff of CDB at a concessionary interest rate.

16.14 Roof Solar Financing

Solar Financing is a lease scheme granted for installation of solar energy system for both household and business needs.

16.15 Cash Back Loan

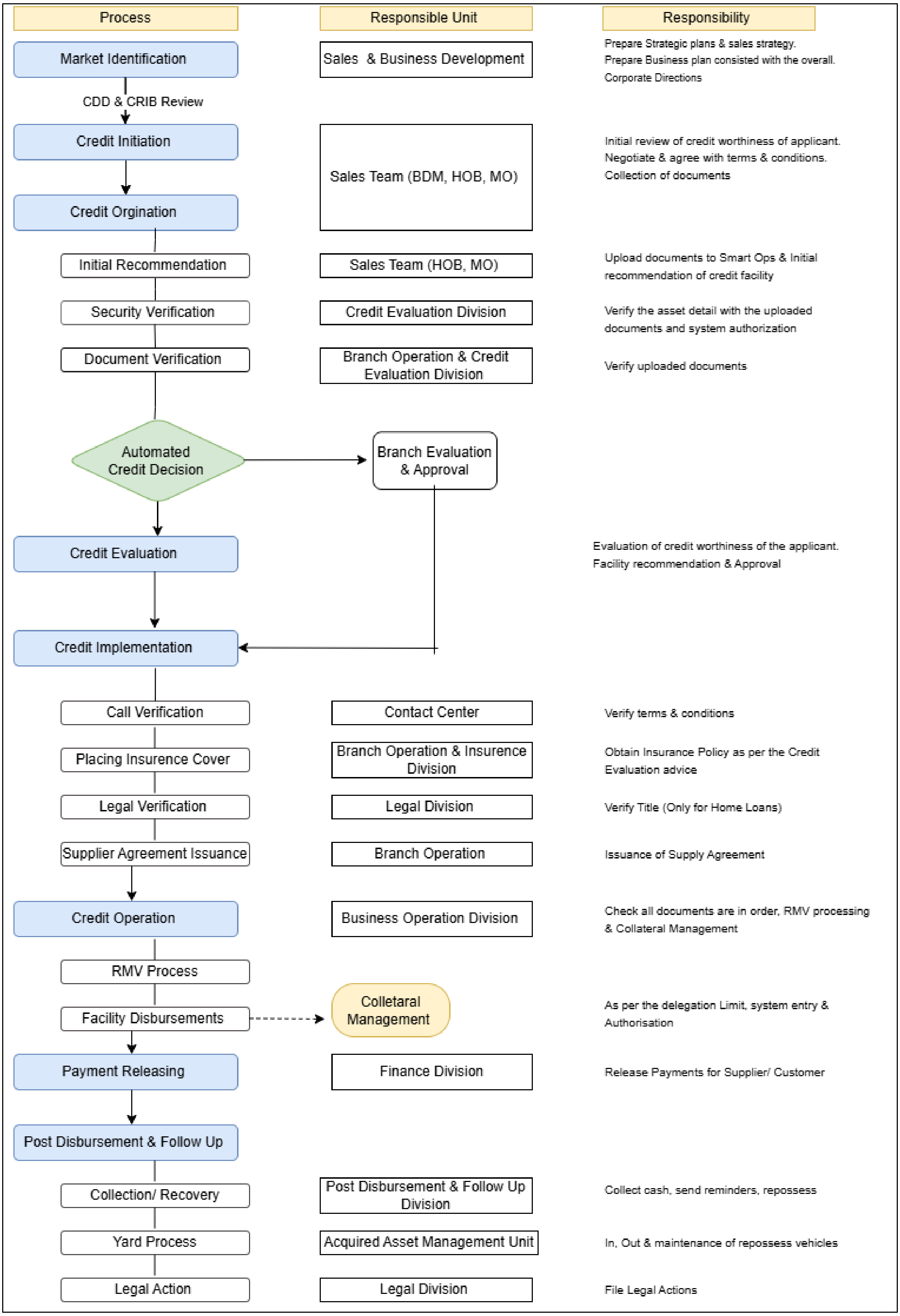
A Cash-Backed Loan refers to a loan granted by pledging the client's Fixed Deposit, when there is an urgent need for liquid cash for general consumption purposes.

16.16 Letter of Guarantee

Letter of Guarantee is a formal written commitment issued by a third party, by CDB, to assure a lender or beneficiary that the borrower will fulfil their financial obligations. In case the borrower defaults, as the guarantor, CDB agrees to cover the outstanding debt or obligation up to a specific amount.

17. Credit Process Flow

Credit process flow covers the credit functions commencing from canvassing the business (lending products) to disbursement of the facility and Post-Disbursement Follow-Up. This is graphically presented in the below diagram and explanation of each process is explained thereafter.


Process
Responsible Unit
Responsibility
Market Identification
Sales & Business Development
Prepare Strategic plans & sales strategy.
Prepare Business plan consisted with the overall.
Corporate Directions
CDD & CRIB Review
Credit Initiation
Sales Team (BDM, HOB, MO)
Initial review of credit worthiness of applicant.
Negotiate & agree with terms & conditions.
Collection of documents
Credit Orgination
Initial Recommendation
Sales Team (HOB, MO)
Upload documents to Smart Ops & Initial recommendation of credit facility
Security Verification
Credit Evaluation Division
Verify the asset detail with the uploaded documents and system authorization
Document Verification
Branch Operation & Credit Evaluation Division
Verify uploaded documents
Automated Credit Decision
Branch Evaluation & Approval
Credit Evaluation
Evaluation of credit worthiness of the applicant.
Facility recommendation & Approval
Credit Implementation
Call Verification
Contact Center
Verify terms & conditions
Placing Insurence Cover
Branch Operation & Insurence Division
Obtain Insurance Policy as per the Credit Evaluation advice
Legal Verification
Legal Division
Verify Title (Only for Home Loans)
Supplier Agreement Issuance
Branch Operation
Issuance of Supply Agreement
Credit Operation
Business Operation Division
Check all documents are in order, RMV processing & Collateral Management
RMV Process
Facility Disbursements
Colletaral Management
As per the delegation Limit, system entry & Authorisation
Payment Releasing
Finance Division
Release Payments for Supplier/ Customer
Post Disbursement & Follow Up
Collection/ Recovery
Post Disbursement & Follow Up Division
Collect cash, send reminders, repossess
Yard Process
Acquired Asset Management Unit
In, Out & maintenance of repossess vehicles
Legal Action
Legal Division
File Legal Actions

17.1 Market Identification

Sales and Business Development Division is responsible for this function. Senior management staff in this division, including the Director – Sales and Business Development, GM, DGM – Auto Finance, and DGMs and AGMs for Non-Auto Finance Products, are primarily involved in the following functions related to market identification:

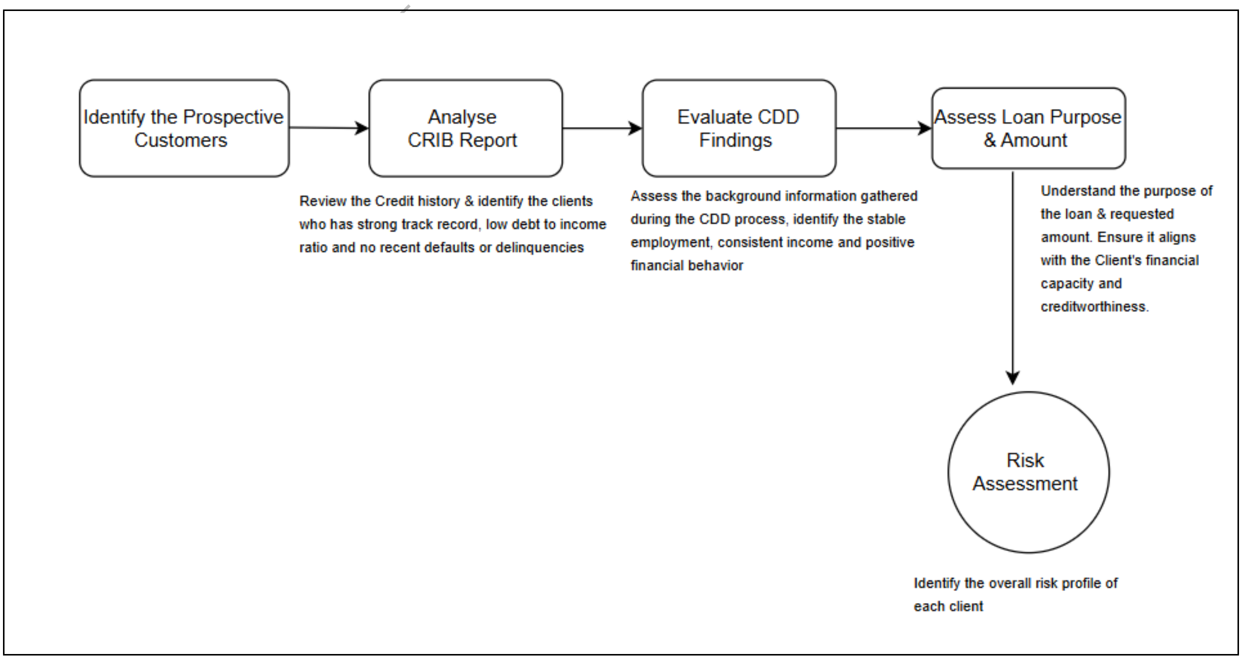
- Preparation of the business plan (Sales) aligned with overall business directions.
- Development of the strategic sales plan and formulation of sales strategies.

17.2. Customer Screening through CRIB Statues & Customer Due Diligence

The Marketing Officers (MOs) will identify prospective customers and communicate the terms and conditions of the credit facility to them. If the customer agrees to the terms, the MO is required to collect a CRIB consent letter from the customer to access their CRIB report and assess their credit history. The generation and review of the CRIB report will be carried out through the Smart Ops system by the MO to evaluate the customer's creditworthiness.

The MO should also collect initial documents (NIC and billing proof along with income documents, if needs) from customer and/or guarantor in order to verify the customer and/or guarantor background information for the Customer Due Diligence Process (CDD).

With the CRIB checking and Customer Due Diligence (CDD) process completed, identify screened clients who are the most suitable for lending facilities as mentioned below;



17.3 Credit Initiation

If the customer is identified as satisfactory after the risk assessment at the branch level, the Marketing Officer (MO) should proceed to collect all necessary documents from the customer. The specific documents to be collected are detailed in the procedure manual of Credit Operations.

17.4 Credit Origination

Credit origination mainly involves the functions of initial recommendation of the credit facility, document verification.

17.4.1 Initial Recommendation

It is mandatory for the MO who canvassed the business, to visit the residence of the applicant to do an investigation of the applicant. During this visit MO is expected to complete the Investigation Report by including the details of the applicant, assets owned by him/her, income, spouse, living standard etc. Further, the MO should clearly draw the Road Map to applicant's residence in this Investigation Report. This is the point, where initial assessment of credit worthiness of the applicant is done. Then it is also required to carry out a physical inspection of the collateral (vehicle, machinery, property etc.) in concern in order to assess the condition and value of those. Valuation of the collateral is another important task under credit origination and this is explained in detail under the section of Collateral Management of this Credit Risk Management Policy.

The MO should prepare the manual appraisal form by including the details of applicant, proposed facility, equipment/asset, supplier, bank references, existing facilities with CDB, CRIB, insurance credit, collateral etc and make his/her recommendation. Then this should be further recommended by HOB with his/her signature.

17.4.2 Security Verification

Verification of the asset with the given documents (CR copy, Valuation Report & invoices if applicable) through BOT is called Security Code Verification in Smart Ops system and it captures the entire detail of the property which supposed to grant the credit facility. The responsibility of verifying security codes in Auto Finance facilities lies with the assigned Credit Evaluation Officer, whereas the Virtual Verification Unit Officer is tasked with verifying Three Wheeler facilities.

17.4.3 Document Verification

After the LOS authorisation, uploaded credit file will be parked to the LOS document Authorisation Queue and dedicated staff team from Credit Evaluation has been checked, whether the documents in order and if there are any pending documents, they will notify the pending through Pending Notify Smart Ops Queue. This is a data capturing process to the proposed facility in order to create the system appraisal and data will be generated for the Automated Credit Decision for Three wheel & Auto Finance.

17.4.4 Automated Credit Decision

As per the CDB risk scoring mechanism, Automated credit decision will be generated and as per the decision, file will be lead to either Branch Approval Queue or Credit Evaluation Approval Queue in Smart Ops System by considering the delegated transaction authority limit. Automated Credit Decision will be further stated in the section of Risk Rating borrower in this Credit Risk Management Policy.

17.5 Credit Evaluation

This is one of the important credit functions of the credit process where the credit decision of whether granting the lease/loan or not is made. Here, approving or rejecting a credit facility is done in two phases which are respectively facility recommendation and facility approval. Facility recommendation and approval are done as per the delegation of authority given for authorized officials and credit facilities are evaluated based on the principles of 5Cs (Character, Capacity, Capital, Collateral and Condition).

Criteria, guidelines, terms and conditions to be considered, when making the credit decision for different lending products are given in detail in this Credit Risk Management Policy manual as separate sections under different product names. Further, procedures to be followed during the process of Credit Evaluation are clearly stated in the procedure manual of CED.

17.6 Credit Implementation

Credit implementation part of the credit process includes following functions.

17.6.1 Call Verification

After credit facilities are initiated, Contact Centre makes the initial approval call to the customer to agree the terms and conditions of the credit facility. Further, they make another call to the customer after the facility has been disbursed as first call again to agree with the terms and conditions of the facility. Their mission is to verify crucial details, such as Facility rental period, guarantor information, and all confirmed details will be acknowledged via the Smart Ops and updated in the Core Bank System as a system note.

17.6.2 Placing Insurance Cover

After the credit facility is approved, Branch Operations/Insurance Division mainly involves in obtaining required insurance cover for the collateral of the credit facility in order to minimize the loss caused to the business as result of any loss/damage caused to the collateral. This is applicable for Vehicle

Financing as well as Home Loan facilities and explained in detail under the section of Collateral Insurance Policy of this Credit Risk Management Policy.

Then MO handover the physical file to Second Officer of the branch. Then it is the responsibility of the Second Officer to accept the physical file from MO after verifying the documents in the file are in order as per document checklist and completeness of these documents. Second Officer should also verify the uploaded credit file in the system (Smart ops) after verifying the completeness and clarity of uploaded documents.

17.6.3 Supplier Agreement Issuance

Once the credit facility (Vehicle Financing) is approved by a sanctioning authority, the operations staff at branches initiate the facility and the supplier agreement is issued. Documents required to process the supplier agreement and the procedures to be followed when issuing the supplier agreement are clearly explained in the Procedure manual of Credit Operations.

17.6.4 Legal Verification

When making the credit decision for Home loan facilities which secured with immovable properties, Legal Division involves in clearing the title of the property.

17.6.5 Credit Operations

Credit operation mainly consists with three Units called, Payment, RMV and Custodian Unit and ultimate responsibility of aforementioned units lies with the Business Operation Division.

- Payment Unit – This Unit mainly involves with the verification of documents in physical & scanned credit files and disbursing those and forward to the Finance Division for payment releasing.
- RMV Unit - Registration of Motor Vehicles and machineries are done by this Unit and prior to the payment disbursement all the registered vehicle will be forwarded RMV process by them.
- Custodian Unit – This Unit is responsible for the collection and maintenance of documents related collateral for the disbursed credit facilities.

Procedures to be followed in carrying out all above mentioned credit functions and documents required are explained in detail under Procedure manual of Credit Operations and Custodian Unit.

17.7 Payment Releasing

As per the Transaction Authority Limit, all the facilities to be payment released is queued in Smart Ops system in Finance Division. Final facility disbursement is done by the Finance Division after verifying all the documents are in order related to the credit facility.

17.8 Post Disbursement Follow-Up

Post Disbursement Follow-up Division takes the responsibility of collection from all disbursed facilities, since the point those facilities are disbursed and this division's involvement in the credit process is explained in detail under the section of Post Disbursement Follow-up of this Credit Risk Management Policy.

18. Vehicle Financing

Vehicle Financing is a combination of lending facilities where facilities will be granted against acceptable vehicles as collateral. Based on the vehicle category, client profile, exposure, etc. Company will define facilities, under Leasing, Hire Purchase and Vehicle Mortgaged Loans.

Products covered under vehicle financing include;

- Auto Finance
- Three Wheeler Finance
- Electric 3W Finance (e-Shift)
- Two Wheeler Finance
- Pledge Loan
- Smart Draft Facility

18.1 Auto Finance

Under Auto finance the company grants credit facilities against Motor Vehicles as a collateral except three-wheelers. Types of vehicles, acceptable vehicle brands and minimum year of manufacture (YOM) for auto finance facilities are clearly stated under collateral management of this Credit Risk Management Policy Manual. Further, facility Exposure limits for different vehicle categories and brands are mentioned under exposure limits of this Credit Risk Management Policy Manual.

Maximum Facility Period for which the credit facilities can be granted for different vehicle categories and brands are as follows.

Cars/Vans	**1990 - 2000**	**Above 2000**	**Un Registered/ Brand New**
	Maximum Period	Maximum Period	Maximum Period
Toyota	5 Years	6 Years	7 Years
Nissan	5 Years	6 Years	7 Years
Mazda	5 Years	6 Years	7 Years
Honda	5 Years	6 Years	7 Years

Suzuki	5 Years	6 Years	7 Years
Other Categories	5 Years	6 Years	7 Years

Jeeps	**1990 – 2000**	**Above 2000**	**Un Registered/ Brand New**
	Maximum Period	Maximum Period	Maximum Period
Toyota	5 Years	6 Years	7 Years
Nissan	5 Years	6 Years	7 Years
Mazda	5 Years	6 Years	7 Years
Mitsubishi	5 Years	6 Years	7 Years
Other categories	5 Years	6 Years	7 Years
Honda	5 Years	6 Years	7 Years

Lorries & Trucks	**1997 – 2002**	**2003 & Above**	**Un Registered/ Brand New**
	Maximum Period	Maximum Period	Maximum Period
Toyota	4 Years	5 Years	6 Years
Mitsubishi	4 Years	5 Years	6 Years
Ashok Leyland	-	5 Years	6 Years
TATA	-	5 Years	6 Years
Other Categories	-	5 Years	6 Years

Tractors	**Above 2005**	**Un Registered/ Brand New**

	Maximum Period	Maximum Period
Massy	5 years	6 Years
TAFE	5 years	6 Years
Mahindra	5 years	6 Years
HM – John Deere	5 years	6 Years
Kubota	5 years	6 Years

18.2 Three Wheeler Finance (3W)

Three Wheeler Financing is where credit facilities are granted against Three-wheelers (Brand New and Registered). Acceptable vehicle brands and minimum year of manufacture for three wheeler finance facilities are clearly stated under collateral management of this Credit Risk Management Policy manual. Further, facility exposure limits for different three wheeler brands are mentioned under exposure limits of this Credit Risk Management Policy manual.

18.3 Electric 3W Lease (e-Shift)

Electric 3W Lease is a lease scheme granted for customers to finance an electric 3W, with the options of Convert of an existing petrol 3W into E-3W or purchase of a new electric 3W. The technical partner for the project of E 3W Conversion will be the Voltmotive (Private) Limited, which is a subsidiary of Code Gen Internationals (private) Limited.

This scheme is available to;

- ✓ A Salaried Employee
- ✓ A Self-Employed Entrepreneur/Business Person
- ✓ A Business Entity (Registered Corporate)

Eligibility Criteria and Conditions

- The Age of the customer who is applying for the Electric 3W lease should be between 18-65 years.
- Minimum contribution 20% of the Market Value of the 3W
- The Maximum Repayment Period is 5 years (Minimum Repayment Period is 24 Months)
- Repayment Capacity should be established with a Minimum DSCR of 1.7 times.

- ✓ If the customer is a Salaried Employee, he/she should have been in permanent Employment at least for one year.
- ✓ If the customer is a Businessperson, the business should be registered in his/her name.
- ✓ Electric 3W lease considered for hiring purpose should have an additional income to service the Monthly Rental.
- ✓ Existing Customers with satisfactory Credit History should be prioritised.
- ✓ Sri Lankan working abroad with a valid Work permit could also be considered.

- Two guarantors are required
- Net Savings should be a positive amount
- Permanent Residence should be proven through Own billing proof or living with Parents/Spouse.
- Living standards should be satisfactory with a separate Vehicle Parking Area.
- A minimum space for installing the roof solar system is preferred.

18.4 Two Wheeler Finance(2W)

A brand New 2Wheeler Finance enables customers to borrow the required amount to finance their brand new motorbike (Petrol/Electric) purchase, while paying it off over time with manageable monthly instalments.

This product targets a wide variety of customer segments as below;

1. **Salaried Employees**: Employment must be permanent with the current employer, and the individual must have a minimum service period of 1 year. The net monthly salary should be Rs. 60,000 or above, and salaries must be directly credited to a bank account.
2. **Business Owners / Corporate Entities**: The business must have been in operation for a minimum of 5 years, and the entity must own either a business or personal bank account. Additionally, the monthly bank turnover should be Rs. 500,000 or above.
3. **Existing Customers of CDB**: The customer must be an existing lending or fixed deposit customer with a minimum relationship duration of 1 year with CDB. For fixed deposit customers, there must be a minimum of Rs. 500,000 in active deposits. For lending customers, a satisfactory repayment history with CDB is required.
4. **Self-Employer (Uber/Pick Me Drivers):** They must be a registered member of Uber or Pick Me, with a minimum of 6 months of working experience with either platform. The applicant should have a commission-based monthly income of Rs. 80,000 or above and must maintain a minimum review rating of 3.5 stars.

- Applicant Age should be between 18 and 55 years' old

- Loan Tenor: 18 -48 Months
- Interest Rate – The Interest Rate will be determined based on the Pricing Policy of CDB.
- DSCR (Debt Service Coverage Ratio) of 1.5 times or more
- Two Guarantor is required but this condition would be change based on the customer profile

18.5 Pledge Loan

Pledge loans are granted for existing Auto finance customers of CDB having satisfactory repayments over a period of time. Applicants will be granted a separate loan facility against existing Lease/HP/ML and prevailing vehicle/Asset will be considered as the security.

Following criteria are considered when assessing the repayment capacity for pledge loans;

1. Minimum matured facility rentals at the time of applying the loan should be twelve months. However, the company may consider pledge loans with lower matured rentals considering the vehicle exposure and the client profile.
2. Facility repayments of the existing credit facility should be satisfactory or average based on recovery comments.
3. Considered type of facilities for pledge loan are auto finance facilities for vehicle categories of (Car/Van/Jeep/Lorry/3W*).
4. Loan amount should be based on facility exposure. Cumulative exposure should be up to 80% on the value of the asset subject to CBSL LTV ratio based on vehicle category.
5. Period should be up to five years (60 Months).

Note***:** Three-Wheeler (3W) Pledge Loans are permitted only for client's subject to annual review, who have demonstrated an excellent or satisfactory repayment history

18.7 Smart Draft Facility

Smart Draft is a lending product, where only the interest is paid as monthly instalment of the lease/HP/loan, and the capital is paid at maturity of the contract tenure by the lessee/borrower. This product is secured against the CR of eligible vehicles, limited to acceptable makes and models of Motor Cars, Motor Vans, and SUVs, as specified in this Credit Risk Management Policy.

- The maximum exposure allowed for this facility is up to 70% of the vehicle's market value for lease, Hire Purchase (HP), and 50% of loan facilities; however, exemptions may be granted based on the client's profile.
- Collateral for the facility must be in the form of absolute ownership or mortgage over the vehicle.
- The facility is granted for a maximum tenor of 12 months and may be renewed upon review.

- Monthly repayments are structured as;
    - 1st – 11th - Interest Payment
    - 12th - Outstanding Principal and Final Interest instalment.
- To qualify for any enhancement within the facility tenure, the customer must have serviced at least three monthly interest payments.
- Interest Rate will be decided based on the Pricing Policy of CDB & calculate daily reducing balance basis.
- For part settlement of a lease facility, a consent letter is not required as long as there is no change to the tenor or the terms and conditions of the agreement. However, if the facility is a loan, a consent letter must be obtained**.** In the case of rescheduling, a request letter from the customer must be submitted along with a reschedulment agreement.
- Capital repayment (12th instalment) of the Smart Draft facility should be follow-up with the customer 3 months before the due of capital. If the customer is not in the position to service the capital repayment, the capital amount should be rescheduled as;
    - Smart Draft contract for a period of 1 year (allowed only once) or,
    - an equal instalment contract for a period between 4 to 6 years
- Smart Draft facilities can be rescheduled with a part settlement of the facility as well during its remaining tenure. Then the interest will be recalculated for the balance capital and considered as the new monthly rental.
- The final settlement amount for early settlement and part settlements depends on whether the current month's rental is due or not at the time of settlement. If the current month's rental is not yet due, the final settlement amount is calculated as the settlement amount with 100% rebate plus the interest accrued for the current month up to the settlement date. This applies when the customer is settling the account before the due date of the current instalment.
- However, if the current month's rental has already become due, then the final settlement amount includes the settlement amount with 100% rebate along with the applicable interest for the gap period, which is the duration between the due date and the actual date of settlement.

18.8 Charges - Vehicle Finance Facilities

The following charges will be borne by the client. These charges may vary depending on the specific product and facility type conducted during the credit process;

- Documentation Charges – Rs. 2,750/-
- Inspection Charges – Rs. 2,250/-
- CRIB Reviewing Charges – Rs. 350/-
- Stamp Duty or Stamp Charges – 0.1% of the Facility Amount
- Processing Charges – Varies by Facility Type
- Mortgage Charge (if applicable)
- Insurance Overdraft (OD) Charge – 0.13% per day
- Suraksha Insurance Charges – Rs. 1,500/-
- Annual SMS Charge – Rs. 500/-
- Cheque Return Charge – Rs. 3,500/-
- RMV Charges – As per applicable of vehicle condition and ownership

18. 9 Customer Evaluation Guideline - Vehicle Finance Facilities

Even evaluating the credit worthiness of vehicle finance customers, credit appraisal officer should look into following factors while focussing on five Cs of credit.

1. Customer Identification and Permanent Residency Confirmation Documents

   Following documents should be obtained for customer identification and permanent residency confirmation purpose.

   - Individual customers
     a) Customer Identification documents
        - Copy of NIC / Driving License / Passport /Business Registration

     b) Permanent residency confirmation documents
        - Copy of Telephone bill / Electricity bill / Water bill/GS Certificate

   - Limited Liability Companies
        - Certified Copy of Application for Registration of a Company- Form 1 or Certified Copy of Application for Registration of an existing Company – Form 40
        - Certificate copy of incorporation – Form 21 or Companies registered prior to 2007 should submit the New Registration certificate (Form 41) Under New Companies Act, No. 07 of 2007
        - Certified Copy of Form 15 – Annual Returns filing with Register of Company

- Certified copy of form 20 - New Companies Act, No.07 of 2007
- Change of Registered Office Address – Form 13
- Certified copies of Memorandum of Articles
- Audited Financial Statements (Last three years)
- Management Financial Statements (Current financial year)
- Tax Returns (Last three years)
- Board Resolution

2. Age

   Age of the applicant should not exceed 65 years at the maturity of the vehicle financing facility.

3. Repayment Capacity

   - If employed, recent salary slips certified by the employer or a letter confirming all the employment details are required
   - If a businessman, should possess a business incorporated for a period more than 02 years, bank statements for period over 06 months, financial statements, tax returns should be furnished.
   - Other income proof documents such as rent agreements, vehicle rent agreements also can be considered
   - If the applicant possesses movable or immovable assets such as lands, buildings, motor vehicles - documentary proof should be obtained

4. Guarantors / Additional Security

   - Acceptable guarantors should be obtained for each facility. However, considering the customer's credit worthiness, facility exposure and strength of the guarantor, sanctioning authority may consider taking one guarantor or proceed without a guarantor
   - Guarantor should not financially depend on the borrower
   - On his/her own merit, he or she could be eligible to sign as a guarantor along with an non related acceptable guarantor
   - For existing clients who have service at least 12 months of the existing facility with a good repayment record exemption could be considered on guarantor requirement

5. Facilities for Existing Customers

- Time gaps of granting a new facility for an existing client should be after regular minimum repayments of 6 months
- Repayments of existing facilities and guarantor signed facilities should be evaluated by obtaining recovery comments

Note: Procedures to be followed when evaluating vehicle finance facilities are explained in detail under procedure manual of CED.

19. Home Loans

Home loans will be granted for the residential requirements by obtaining the immovable property as collateral.

Purpose

Following purposes will be considered for granting Home loans.

- To purchase of a bare land or land with fully/ partially completed residential building
- Purchase of a bare land and construction of a residential house
- Construction of a residential house on a land owned by the applicant
- To complete partially constructed house or extensions to an existing house
- Renovation of an existing house
- Purchase of a condominium apartment

Target Customers

Following customers will be considered for granting home loans;

- Fixed salaried income generation groups attached to private and public sector (Having a minimum basic salary of LKR 50,000 and a permanent carder employee of the respective company)
- Professionals and other kind of income generating groups, having reliable sources of income and definite repayment capacity.
- Foreign employees with reliable sources of income and definite repayment capacity (Having minimum 01-year experience in foreign employment with submission of proof documents verifying the income generation capacity and stability of the employment)
- Businessman (Having business experience in the relevant field over 02 years and submission of banks statements/ financial statements in order to verify the business income generation capacity)

Note - Type of collaterals considered for Home Loans are mentioned under the section of collateral management of this Credit Risk Management Policy. Further, exposure limits considered for different products which secured with collateral and exposure limits considered for properties based on geographical locations are explained under the section of exposure limits of this Credit Risk Management Policy.

Repayment Period

- Maximum period applicable for facilities granted for home loan purpose is 15 years' subject to reaching age 65 years by the applicant at time of loan maturity, except for applicants who engaged in foreign employment, where the limit is 07 years.
- In case of a joint facility, where main applicant is borrowing jointly with a close relative; main applicant can accommodate only up to 65 years at the time of loan maturity, subject to obtaining Mortgage Protection Cover (MPC) and main applicant should have the capacity to repay the facility at his/her own until the settlement of the facility. However, joint facilities considered in case of property is owned by the main applicant with over 65 years of age and income of the main applicant is not calculated for loan repayment capacity, main applicant should transfer the deed to co-applicant as a deed of transfer or deed of gift prior to execution of the mortgage bond.

Assessing the Repayment Capacity of the Borrower

Repayment capacity of the borrower can be evaluated as per following criteria;

Fixed salaried employees and Small business:

- Fixed salaried employees can be evaluated based on their 65% DBR calculation. If DBR exceeds any other justifiable income source has to be submitted.
- Analysing last 6-12-month bank statements of the borrower and his/her business to arriving at average monthly bank credit turnover.
- Income proof documents such as Tax returns / Invoices / Stock details / Audited and Management financials for last 2 years.
- Physical inspection to business premises by Head Office credit officer or inspection officer

Corporate Borrowers:

- Last 3 years Audited Financials need to be analysed
- At least last 12-month Management Accounts to be analysed
- All business bank A/C need to be analysed during last 6 to 12 months
- Tax returns / Stock details / Forecasted cash flows need to be analysed

Joint Borrowers

Following persons are permitted as joint borrowers for Home loans in order to increase the commitment of borrowers in terms of repayment of the loan.

- Spouse
- Son / Daughter over 18 years of age
- Son-in-law / Daughter-in-law
- Brother / Sister
- Other close relatives accepted by the Company
- Business partners' / business owners, if the facility is requested under the name of business

Title of the Property

Title of the property offered as security has to be checked and recommended by the internal Legal officer of the company or panel of Lawyers approved by the company management. In case of a title which bears an insurable defect, title insurance has to be placed as per the recommendation of the company legal officer.

Valuation of Property

A property offered as security shall be subject to a valuation carried out by a valuer appointed by the company. Particular valuer should be registered as a panel valuer of the company. Criteria considered when selecting the panel valuer is mentioned under the section of collateral valuation policy of this Credit Risk Management Policy.

Local Authority Approval

Applicant is required to forward all documents relating to local authority approval/clearance such as Certificate of Ownership, Street Line Certificate, Non Vesting Certificate, Building Line Certificate, Certificate of Conformity, Assessment Notice and Receipt for payment of rates for the last quarter, duly approved Survey Plan (In case of subdivision). If the survey plan is more than 10 years, it should be certified by a surveyor that the extent and the boundaries are correct. Furthermore, building plan should be approved by the Local Authorities, if the loan is obtaining for construction purpose/ purchasing a land with a building.

Bill of Quantities (BOQ)

A BOQ certified by one of the following persons should be obtained when granting Home loans for construction purpose.

- Chartered Architect
- Civil Engineer
- Qualified Technical officer
- Quantity Surveyor
- Draftsman

Charges

Following cost will be applicable for Home loans and has to be borne by the applicant.

- Processing Fee and Legal Fee

Loan Amount Rs.	Processing Fee	Legal Fee
Up to 5.0Mn	1.0%	1.0%
5.0Mn – 25 Mn	0.75%	0.75%
Above 25 Mn	0.5%	0.5%

- Transfer deed fee -1% to 4%
- Stamp duty applicable to loan - 0.1%
- Valuation fee - Based on the value of the property
- Additionally, all charges relating to insurance and stamp duty in case of purchasing a property, too have to be borne by the applicant

Application and Loan Documentation

The applicant has to submit below mentioned documentation for the purpose of obtaining the loan approval (specifically for loans secured by immovable property).

- Loan application (in case of loan is requested as joint borrowers, both applicants has to complete application forms)

- Guarantor application
- Income proof documents of the applicant(s) and guarantor(s)
- Copy of deed
- Copy of approved survey plan
- Copy of approved building plan*
- Street and Building line certificates
- Non-vesting and ownership certificate
- Assessment notice and receipt for payment of rates for the last quarter
- Certificate of Conformity*
- Extracts for 30 years
- Bill of Quantities*

*Marked documents should be produced, if the applicant is requesting the loan for development of a building or purchasing a land with a building.

Note: Applications are receiving for construction purpose attached to Badulla, Kaluthara, Kandy, Kegalle, Nuwara Eliya and Rathnapura required to submit clearance report, from National Building Research Organization (NBRO) prior to loan approval, if required by the Credit Evaluation Division.

Disbursement

In case of a purchase of a land or land with a building, the disbursement of the loan proceeds will be released to the vendor. If the loan is requested for construction purposes the loan proceeds of the loan to be released to the applicant on stage basis as per the produced BOQ. Approving authority should ensure 20% contribution by the applicant.

In case of applicant is requesting the loan for the purchase of a land and to construction on the same property, applicant is qualifying for 70% of the land FSV to purchase the land and 80% for construction purpose based on BOQ.

When existing lending customers obtain a Home Loan, minimum 12 months of satisfactory repayment of the existing loans/leases is required.

Part Disbursement of Home Loans

All facilities obtained for the construction purpose should be disbursed on stage basis and prior to releasing each stage, inspection should be carried out by HO Inspection Officer/HOB in order to verify the progress of the construction in order to assure loan proceeds are utilized for the intended purpose.

Property Inspection

Property has to be inspected by the Head office- Credit Officers or Property Inspection Officers attached to Head Office prior to the loan approval and independent opinion on the property, after verifying with Deed and Survey Plan should be granted in writing via Property Inspection Report.

Loan Early Settlements

If the Loan is fully repaid within first 12 months after first facility disbursement, the loan applicant will be charged 10% on capital outstanding as penal fee and if the loan is fully repaid after 12 months of the first facility disbursement, applicant will be charged 5% on capital outstanding.

If the applicant is made partial payments during the loan period, 10% will be charged on partial payments amount as a penalty and facility will be rescheduled accordingly.

Note: Procedures to be followed, when evaluating Home Loans are explained in detail under Procedure Manual of CED.

20. Business Loans

Business loans will be granted for the commercial requirements as mentioned below;

Purposes

Following purposes will be considered for granting business loans.

- To purchase of a bare land or land with fully/ partially completed commercial building
- Purchase of a bare land and construction of a commercial building
- Construction of a commercial building on a land owned by the applicant
- To complete partially constructed commercial building or extensions to an existing commercial building
- Renovation of an existing commercial building
- Business working capital requirements
- Financing on commercial projects

Target Customers

Following customers will be considered for granting business loans;

- Sole Proprietors
- Business Partnerships
- Private and Public Limited Companies

All the target groups should demonstrate over 02 years of operations of the business in Sri Lanka with sound financial background.

Repayment Period

- Maximum repayment period would be 10 years for the facilities granted as business loans. However, business loans granted for business working capital purpose are entitling for maximum of 05 years.

21. Term Loans

Term loans will be granted for the any specific requirements accepted by the company as mentioned below;

Purposes

Following purposes will be considered for granting Term Loans;

- Loan takeovers
- Loans for educational purposes
- Any other purposes accepted by the Company Management

Note – Further, company grants Term Loan facilities for existing Fixed Deposit customers against their existing FDs.

Target Customers

- Target customers are as same as target customers of Home Loans and Business Loans.

Term & Conditions

Loans will be granted from a minimum of LKR 1,000,000/- with no upper limit, subject to maximum of Single Borrower Limit.

Repayment Period

- Maximum repayment period is 05 years for facilities granted as term loans.

Note: The terms and conditions applicable to Home Loans shall equally applicable to Business Loans**,** Term Loans**,** Agriculture and Fisheries Loans, and MSME Loan Facilities that are secured by immovable property as collateral.

22. Personal Loans

Presently CDB has following products under personal Loan.

1. Executive Loans
2. Doctor Loans
3. Professional Loans
4. Nurse Loans
5. Government Loans
6. Non-Executive Loans
7. Pre-Approved Loans
8. Mass Market Loans
9. Personal Loan for SME
10. 70% DBR Premier Loans
11. Personal Loan for Self-Employed

22.1 Executive Loans

- Target Customers

  Executive loans will be granted for personal requirements of the applicants who are having designation of executive or above and attached to Private and Semi-government institutes operating within the country and which are registered with CDB for the purpose of granting Personal Loans.

- Registration Procedure of Companies

  The prospective companies should be visited by Head of Personal loans and he/she is responsible for submit company registration application along with sample signature card pertaining to signatories of such companies to CED. All prospective companies should be approved by the Director – Business Operations.

- Company Approval Criteria

  All eligible companies will be registered according to a set of clearly defined criteria as mentioned below and each company will be evaluated based on how well it meets these criteria, and it will be assigned a grade based on its performance.

a) Organization Type – Pubic Quoted / Private Limited / Semi-government

b) Number of years operating in the country

c) Number of permanent carder employees

d) Annual turnover/Profit after tax

e) Labour Turnover

f) Employer's CRIB repayment history

Companies with score of 09 (nine) and above will be registered as "A" graded companies, score of 08(eight) and above will be registered as "B" graded companies and companies with 07 (seven) and above will be registered as "C" graded companies.

Facility terms and conditions of a prospective applicant from such companies will be varied as mentioned below;

- Facility Terms and Conditions
  - ✓ General - Category

Company Category / Conditions	A Rated Company	B Rated Company	C Rated Company
Minimum Basic Salary (Rs.)	50,000	50,000	50,000
Minimum Service Period	01 Year	01 Year	02 years
Employment Status	Permanent	Permanent	Permanent
Period	5 years	5 years	5 years
DBR	60%	60%	60%
Maximum Loan Amount (Rs.)	7 Mn	5 Mn	3 Mn
Early Settlement Fee	5% on remaining capital, if the facility is settled within 24 months. If the loan is settled after 24 months, Early settlement fee is not applicable.		
Loan Repayment	Full salary / EMI / Bank SO	Full salary / EMI /Bank SO	Full salary / EMI

Sales staff comes under executive category, will be entitled for loan amount up to maximum of 55% DBR and sales staff under Assistant Manager and above is entitled up to 60% DBR. Further, when considering the sales commission income of sales staff, the lowest sales income earned of the last six months will be taken for DBR calculation.

- ✓ Premier - Category

Company Category / Conditions	A Rated Company	B Rated Company	C Rated Company
Designation	Senior Manager & Above	AGM & Above	Directors
Minimum Service Period	06 Months	06 Months	06 Months
Employment Status	Permanent	Permanent	Permanent
Period	Up to 5 years	Up to 5 years	Up to 5 years
DBR	60%	60%	60%
Maximum Loan Amount (Rs.)	7 Mn	5 Mn	3 Mn
Early Settlement fee	3% on remaining capital, if the facility is settled within 18 Months. If the loan is settled after 18 months, early settlement fee is not applicable.		
Loan Repayment	Full salary / EMI / Bank SO	Full salary / EMI / Bank SO SO	Full salary / EMI

22.2 Doctor Loans

- Target Customers

Doctor Loans will be granted for doctors who are attached to government hospitals of Sri Lanka and registered with Sri Lanka Medical Council (SLMC).

Loan terms and conditions of an applicant is depending the nature of his/her service and grade obtained by him/her from SLMC as mentioned below;

- Facility Terms and Conditions
  - ✓ Maximum Loan Amount

Nature of Service / Grade	MBBS and Dental (Rs.)
Intern	1Mn
Preliminary	2.5Mn
Grade 02	4Mn
Grade 01	5Mn
Consultant	7Mn

✓ Other Conditions

Nature of Service /Conditions	MBBS and Dental
Period	Up to 5 years
DBR	65%
Early Settlement fee	0%
Loan Repayment	Full salary / EMI / Bank SO

✓ Private Practice Income

Nature of Service / Grade	Pre-approved Private Practice Income (Rs.)
Preliminary	150,000
Grade 02	250,000
Grade 01	300,000
Consultant	400,000

Note – Head Office Inspection officer will visit private practice place of the applicant and submit a report, evaluating the Monthly net income from Private Practice.

22.3 Professional Loans

- Target Customers

  Professional loans are eligible for the applicants who are employing in private / Semi government / government institutes with professional qualifications stated below.

  Considered professional bodies are as follows;

  - ✓ Accounting - CASL / CIMA (UK) / ACCA (UK) / Recognized State Universities offering Accounting and Finance degrees
  - ✓ Engineering - IESL / Recognized State Universities offering Engineering degrees
  - ✓ Marketing - CIM (UK) / SLIM
  - ✓ Statistics - Applied Statistics Association of SL
  - ✓ Com Networking - CCNA/CCNP
  - ✓ IT - BCS / Recognized State Universities offering IT degrees
  - ✓ Medical - Bachelor of Veterinary Science (BVSc)
  - ✓ Architectural - Bachelors and Masters of Architecture
  - ✓ MBAs - PIM / University of Colombo and University of SJP

- Facility Terms and Conditions

  All facility terms and conditions are equivalent to "A" rated companies of Executive loan product.

22.4 Nurse Loans

- Target Group

Nurse loan is applicable for the Nursing professional employed in Sri Lanka attached to government hospital of Sri Lanka and for selected private sector hospitals.

- Facility Terms and Conditions

Type of Employer	Nursing officers attached to government and selected private hospitals will be considered. Registration of Private hospitals will be done by the CED based on the size and the stability of the institute.	
Grade	Loans will be granted for grade 3/2/1 in government sector and applicants with service experience over 3years with present private hospital	

Loan Amount (Rs.)	Government			Private
	Grade 03	Grade 02	Grade 01	
	1,000,000	1,000,000	1,000,000	1,000,000
Minimum Net salary (Rs.)	40,000	45,000	50,000	50,000
DBR	60%	60%	60%	60%
Early Settlement fee	5% on remaining capital, if the facility is settled within 24 months. If the loan is settled after 24 months, Early Settlement fee is not applicable.			
Loan Repayment	Full salary / EMI / Bank SO	Full salary / EMI / Bank SO	Full salary / EMI / Bank SO	Full salary / EMI

*When considering the OT allowance for DBR calculation, 60% of last three-month average income is taken. Further, there should be at least one Personal guarantor in the same profession (Nurse).

22.5 Government Loans

Following facility terms and conditions applied under this product.

Service Period	3 Years
Employment Type	Permanent Cadre
Minimum Gross Salary	Rs.75,000
DBR	60%
Early Settlement fee	5% on Remaining Capital
Loan Repayment	Full Salary / EMI
Security	1 Personal guarantor from Government Sector

*Maximum Loan Amount under this category should be Rs.5 Mn.

22.6 Non-Executive Loans

- Target Group

The product caters for the below Executive grade employees attached to Private Sector employees

- Facility Terms and Conditions

Employee Level	Staff grade level employees attached to registered companies with CDB. However, this product excludes lower level employee categories such as clerical staff, drivers etc.
Grade & Employee carder	Permanent carder employees under staff level grade employees will be considered
Experience	Minimum 02 years of Experience with Present employer
Minimum salary	For Private Companies – Minimum Basic Salary is Rs.50,000
Loan amount	Rs.750,000
Period	5 years
Personal guarantors	02 Personal guarantors
DBR	50%
Early Settlement fee	5% on remaining Capital, if the facility is settled within 36 months. If the loan is settled after 24 months, Early Settlement fee is not applicable.
Loan Repayment	Full salary or EMI basis

22.7 Pre-Approved Loans

- Target Group

The product has been designed in order to attract selected high income earners attached to top corporates in the country with minimum documentation. Applicant is eligible for the loan based on the fulfilment set criteria.

- Facility Terms and Conditions

Category	Condition
Loan type	Pre-Approved Loan
Company Category	Applicants attached to A rated companies will only be eligible for the Product
Minimum Gross Salary = Basic Salary+ Fixed allowances + Fuel reimbursement	Rs.250,000
Designation	Customers with Assistant Manager and Above designations are eligible for the product
Loan Amount	Max Rs.2,000,000/-
Period	Up to 60 Months
Early Settlement fee	3% from the remaining Capital balance
Previous Credit History	Applicant should possess a credit history with equally or more than Rs. 1,500,000 for period, not less than 06 months with satisfactory repayments.
Guarantors	One external guarantor is required
Documents required	Loan and guarantor application / Identity proof documents / Billing proof / Recent Pay sheets / Staff ID or Visiting card

22.8 Mass Market Loans

- Target Group

The product will cater potential customers for the personal loan product, but not captured under existing company rating scheme with strict lending guidelines.

- Facility Terms and Conditions

Category	Condition
Company Category	Mass Market (The company should be operating in the Market for Minimum of 5 years)
Employment status	Permanent
Minimum number of Years of experience with present employer	03 years
Designation	Executive and Above – Excluding Sales related Designations
Minimum Basic Salary	Rs.50,000/-
Maximum Loan Amount	Rs.750,000/-
Period	Maximum of 60 Months
Personal guarantors	02 personal guarantors attached to acceptable Private Sector companies with minimum basic salary of Rs.50,000/-
Repayment Procedure	Full salary or EMI basis (Bank standing orders are not accepted)

22.9 Personal Loan for SME

22.9.1 Personal Loan for Micro

- Target Group

The Personal Loan for Micro is loan can be used for both personal and business-related needs, providing flexibility for Micro sector in managing their finances.

- Facility Terms and Conditions

Customer Segment	Micro-Entrepreneurs or Small business owners or Self – Employed Individuals
Loan Amount	Loan amount will be vary with Customer Profile and Repayment Chasity
Period	12-84 Months

Guarantors	One Guarantor is required but this condition would be change based on the customer profile

- ➢ DBR should be below 60%

20.9.2 Personal Loan for Entrepreneurs

- Target Group

The Personal Loan for Entrepreneur is designed to support entrepreneurs, business owners, and self-employed individuals in financing personal and business-related expenses.

- Facility Terms and Conditions

Customer Segment	Employed Individuals or Self-Employed Businessmen or Corporate Entities
Loan Amount	Loan amount will be vary with customer profile & repayment capacity
Period	12 - 84 Months
Security	One Guarantor is required but this condition would be change based on the customer profile

- ➢ Applicant should have Registered Business (Proprietor /Private limited /Partnership) with more than 12 Months operations from BR date.
- ➢ Applicants CRIB should have Active borrowings equal / more to proposed loan facility and repayment pattern should be satisfactory.
- ➢ HOB should visit the place of business and offer a recommendation along with photos.
- ➢ DBR should be below 60%

22.10 70% DBR Premier Loans

- Facility Terms and Conditions

Period	7 years
Max. Loan Amount	Rs.7 Mn

Minimum Basic Salary	Rs.150,000
Minimum Net Income after DBR	Rs.100,000
Service Period	1 Year (Permanent Cadre)
Security	Minimum 1 Personal guarantor
Credit History	Rs.1.5 million worth active borrowing with 12 regular Repayment History
Repayment Method	Up to Rs.4 Mn– Standing Order Above Rs.4 Mn – Full
Employer	Should be a listed company with minimum Rs.100 Mn PAT for the last financial year or existing “A” rated companies

22.11 Personal Loan for Self-Employed

- Facility Terms and Conditions

Maximum Loan Amount	Rs.500,000/-
Period	72 Months
Security	Minimum two Personal Guarantors required
Eligible customers	Employees of Government/Private sector /Self-Employed /Pensioners

- Government employees (including Teachers) with minimum basic salary of Rs. 50,000 under permanent cadre.
- Private Sector employees with 1-year service period under permanent cadre. Minimum basic salary should be Rs. 50,000.
- Self-Employed businessman with a Registered Business (If business is not registered, HOB should visit the business place and forward a Personal Recommendation along with photos).
- All above mentioned customer categories should have an operating Savings Account/Current Account.

Note -Procedures to be followed, when evaluating personal loans are explained in detail under procedure manual of CED.

23. Islamic Finance Lending Products

"CDB Meezan" offers a range of Islamic finance lending products namely Ijarah (leasing), Murabaha (vehicle trading) and Islamic facilities which secured with immovable properties (Murabaha trading). All these products are being approved by the CBSL as well as by the Sharia Supervisory Board.

23.1 Ijarah

"Ijara" is whereby the owner (institution) of an asset transfers its usufruct to another person (client) for an agreed period at an agreed consideration. This is an integral part of the Lease Agreement. The subject of lease (asset) must have a valuable use. The corpus of the leased asset remains in the ownership of the institution (lessor) and only its usufruct is transferred to the lessee on a predetermined rental.

Following conditions are applied.

- Purpose should be lease Vehicles/Machineries
- Lease enhancement cannot be provided for existing Ijarah facility, since the ownership of the vehicle is with CDB
- Insurance should be done through a Takaful provider since ownership is with CDB
- Ijarah Sale and Lease back facilities will not be provided for a duration of less than 12 months.
- Ijarah Sale and Lease back facilities cannot be fully settled within the first year (12 months).
- Pledge loans are not permitted.

23.2 Murabahah Trading Facilities – Vehicle

Murabaha is a trade finance option (sale of good) designed for customers which operates under shariah guidelines. A defining characteristic of Murabahah facility is the cost of good and the profit margin of seller (CDB) is being disclosed to the customer at the time of entering into Murabahah facility agreement. Customer will pay the sale price of the sold vehicle by CDB on a deferred payment mode.

Following conditions are applied.

- Purpose should be purchasing vehicles/goods
- Invoice amount should be taken with client contribution (client contribution to CDB as lump sum)

- Invoice value should be minimum 70% of the actual purchasing price. Any exceptions are subject to approval.
- Cannot capitalize any charges
- Insurance should be done through a Takaful provider, any deviation is subject to consent of Islamic Finance division
- Reschedulement of the facility is possible but should not exceed the original sale price
- Enhancement (more cash) cannot be given for the same Murabaha facility which is already under mortgaged with CDB. Instead an Ijarah facility can be accommodated for this purpose
- Pledge Loans are not permitted

23.3 Islamic Facilities which secured with Immovable Properties

Islamic facilities granting against immovable properties is based on the concept of Murabaha –Trading. Therefore, the definition of Murabaha is applicable here as well. The property concern in this transaction will be considered as the primary security for the facility granted.

- The concerned property should be under customer's name at the time of requesting for the facility.
- Property will be considered only as the primary security and not the transaction subject matter. Therefore, the expected purchasing of goods by mortgaging the property should carry an invoice addressing to CDB.
- Reschedule of facility payment is possible. But, should not exceed the original Sale Price.
- Any Insurance requirements should be done through a Takaful provider
- Pledge Loans are not permitted

23.4 Common Compliance Requirements for all Islamic Lending Facilities

As per the Credit Risk Management Policy of CDB, only Muslim customers are eligible to obtain Islamic finance lending products. Any of Ijarah or Murabaha facilities related to vehicle cannot be considered within blood relation or business partner for the pure purpose of obtaining cash, since the rental will be serviced through same source of fund. Further, cannot provide facility to whom are engaged in business activities classified as Haraam (forbidden) by Islamic Law such as gambling, liquor and other intoxicants, pork and pork related items, cigarettes, cigars, beedis, casino, massage, music, karaoke and discotheque or any business or vocation activities of which are inconsistent with the Islamic Faith.

24. Facility Enhancements

Facility enhancements are granted for existing customers of CDB having satisfactory repayments over a period of time for existing credit facilities. These customers existing credit limits will be enhanced after a proper credit assessment/review and prevailing vehicle/Asset will be considered as the security.

Following criteria are considered when assessing the repayment capacity for facility enhancements.

1. Minimum Matured facility rentals at the time of applying the loan should be six months. However, the company may consider facility enhancements with lower matured rentals considering the Vehicle Exposure and the Client Profile.
2. Facility repayments of the existing credit facility should be “Satisfactory or Average” based on recovery comments.
3. Loan amount should be based on facility exposure specified in this Credit Risk Management Policy based on the Asset category.
4. Period should be up Maximum tenure specified in this Policy

25. Credit Cards

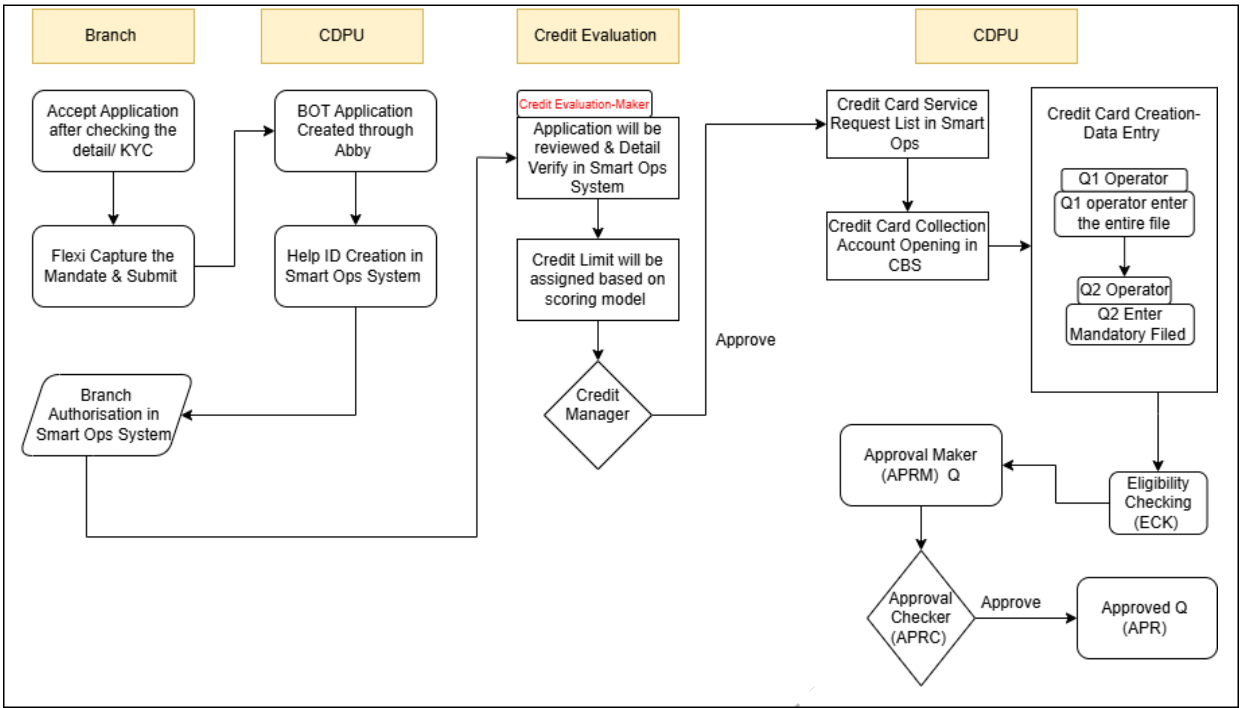
A Credit Card is a payment card, issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's promise to the card issuer to pay them for the amounts, so paid plus the other agreed charges. CDB credit card offers a variety of facilities along with five card types for different customer segmentations.

Master Card International is the institution which provide network to facilitate credit card usage to CDB credit card customers.

CDB credit cards operation is governed by below acts, rules and regulations.

- Credit Card operational guidelines issued by the Central bank of Sri Lanka – Circular no 01/2010
- Mobile Payments Guidelines No 1 & 2 of 2011
- Payment Cards and Mobile Payment and Systems Regulation No 1 of 2013
- Code of conduct for Credit Card Operations
- Exchange control regulations Ref EC/D/GL/1994 dated 18.03.1994 issued to authorized dealers on removal of exchange restrictions on current (non-, capital) transactions
- Operating instructions to authorized dealers Ref. EC/ 02/2000 (D) dated 23/09/2005 on "Monitoring scheme on foreign Exchange drawings against international Electronic Credits, Debit or any other transfer card (EFTCs)
- The Exchange Control Acts No 17 of 1971 (as amended)
- Ceylon Citizenship Act No 18 of 1948
- Payment and Settlement Act No 28 of 2005
- Banking Act Direction No 4 of 2008
- MasterCard International Core rules

Credit Card Operations process flow is as follows;



Procedures and guidelines to be followed and documents required in above process flow by different divisions which involve in this process are explained in detail under the procedure manual of Credit Card operations. As such main functions covered under the Procedure Manual of Credit Card Operations are as follows.

- Credit Evaluation – Eligible Criteria
- Documents required to apply for a Credit Card
- Data Verification
- Call Center process
- Data Entry process
- Card Personalization and Delivery process
- PIN Handling process
- Card Activation process
- Issuing Primary and Supplementary Cards
- Issuing Staff Cards
- Temporary and Permanent Credit Card Limit Enhancement
- Setting Cash Advance limit
- International usage limit setting
- Method of Payment and Payment options
- Fees, Interest Rate and Commission

- Interest Calculation
- Recovery process
- Lost Card process
- Card blocking and unblocking
- Card Hot listing
- Issuing Replacement Card
- Issuing Renewal Card
- Credit Card Cancellation process
- Returned Credit Cards
- Credit card Statements
- Billing Cycle
- Transaction Authorization process
- Settlement and Reconciliation process
- Fee Calculation
- Dispute Management

The proposed Credit Risk Management Policy intends to provide the scope and the required guidelines to CED pertaining to recommending & approving Credit Limits of Credit Cards.

CDB offers five types of credit cards based on the customer eligibility and the Credit Limits of those cards are as follows.

Card Type	Credit Limit Rs.
Standard	25,000-74,999
Gold	75,000-149,999
Titanium	150,000-249,999
Platinum	250,000-499,999
World	500,000 and 5,000,000

25.1 Evaluation Criteria for Existing Customers

Credit cards are made available to all existing customers, with the option to be offered under a distinct product category. This tailored offering is designed to cater specifically to select customer segments, including those with fixed deposits or lending relationships with CDB, and is provided with minimal documentation requirements to streamline the approval process.

25.1.1 Eligibility Criteria

Following criteria is set for both existing deposit and lending customers. All the applicants should fulfil the below mentioned conditions to eligible for a credit card under this scheme. Eligibility criteria for lending customers and deposit customers are shown below separately.

25.1.2. Existing Lending Customers

All lending customers (except 2W,3W, Machinery & Mini Truck lease) are included into this category and following eligibility criteria should be met.

- Should be a resident of Sri Lanka within the Age Limit of 18 – 65 years
- Regular lease Rental Amount should be over Rs. 15,000/-
- Customer should have Repaid at least 12 rentals of the facility
- Vehicle should not be under the Custody of a third party
- Either the vehicle should be pledged or a personal guarantor should be obtained as the security for the Credit Card.
- If the customer has more than one facility, all the facilities should be in line with the above mentioned conditions.

25.1.3. Credit Limit for Existing Lending Customers

Credit Limit will be decided based on the existing records. Two times of the Total Rental value will be considered as the Credit Limit subject to the Maximum Credit Limit of Rs.3 million.

25.1.4 Existing Deposit Customers

following eligibility criteria should be met.

- Should be a Resident of Sri Lanka within the Age Limit of 18 – 65 years.
- Fixed Deposit Tenor should be over 3 Months
- If any Term Loan or Cash Backed Loan granted against the Deposit or lien marked for a lending facility, it is eligible to issue a Credit Card for 80% from the remaining pledged balance.
- Either the active Deposit facility should be pledged or a Personal guarantor should be obtained as the security for the Credit Card.

- Maximum 40% of Deposit will be granted as Credit Limit for the existing deposit customers who exist more than Five (5) Years with CDB & Age should be below 60 Years. (Maximum Credit Limit will be Rs. 500,000)

25.1.5. Credit Limit for Existing Deposit Customers

Credit Limit will be decided based on Fixed Deposit Amount. 80% of the FD Amount will be considered as the Credit Limit subject to the maximum Credit Limit of Rs.3 million.

Notes:

- If the customer is a deposit as well as a lending customer of CDB, priority should be given for the product (Deposit/Lending) for which CDB can offer highest Credit Limit.
- CRIB will be reviewed for all the existing customers who are eligible for a Pre-Approved Credit Card. It should show satisfactory repayment records.

25.2 Evaluation Criteria for New Customers

New customers who are applying for Credit Cards will be evaluated based on set criteria. New customers are categorized into four types which are Fixed Salaried customers, Business segment customers, Professionals and Credit Cards granted under OBC criteria.

25.2.1 Fixed Salaried Customers

Fixed Salaried customers will be granted Credit Cards who are in the Permanent carder with two-year employment period attached to Private, Semi-Government and Government institutions operating within the country. The Management decides the suitability of the company.

Eligibility Criteria

Following eligibility criteria should be met.

- Should be a Resident of Sri Lanka within the age limit of 18 – 65 years.
- Designation should be Executive & Above
- Customer’s Minimum Basic Salary should be over Rs. 200,000 and the Net Salary should be above Rs. 100,000
- DBR should be below 50%
- Sales Staff- Average three months’ commission income should be considered.

Minimum Salary Requirement

Following Minimum Salary requirement should be met for Fixed Salaried customers.

Card type	Standard	Gold	Titanium	Platinum	World
Basic Salary(Rs)	30,000	50,000	100,000	250,000	500,000
Net Income(Rs)	50,000	100,000	150,000	300,000	600,000

Additional Security

The customer should introduce a guarantor as the security for the Credit Card.

25.2.2 Business Segment Customers

Following types of registered businesses, will be considered and all the businesses should have a two years of business operations within Sri Lanka.

- Sole Proprietors
- Business Partnerships
- Private and Public Limited Companies

Eligibility Criteria

Following eligibility criteria should be met.

- Should be a Resident of Sri Lanka within the age limit of 18 – 65 years.
- Minimum monthly average bank turnover of should be over Rs. 2Mn or Above in latest 3 months' bank statements
- The business should have a bank account which operated for at least last one year

Minimum Bank Turnover Requirement

Following minimum bank turnover requirement should be met for business segment customers.

Card Type	Standard	Gold	Titanium	Platinum	World
Turnover (Rs.)	250,000	500,000	1,000,000	2,500,000	5,000,000

Additional Security

The client should introduce a guarantor as the security for the Credit Card.

25.2.3 Professionals

Applicants who are employing in private/Semi government/Government institutes with professional qualifications will be eligible for Credit Cards.

Following professional bodies are considered under this category.

Medical - MBBS, Bachelor of Veterinary Science (BVSC)

Engineering -IESL/Recognized state universities offering Engineering degrees

Accounting - CASL/CIMA (UK)/ACCA (UK)/Recognized State Universities offering accounting and Finance Degrees

Marketing - CIM (UK)/SLIM

IT - BCS/Recognized state universities offering IT Degrees

MBA - Recognized State and Foreign Universities

25.2.4 Credit Card Granted Under OBC Criteria

To apply for a CDB Credit Card as a new customer, the applicant must meet the following criteria based on their existing Credit Card history;

1. Existing Credit Card Requirement: The applicant should have an active Credit Card from another bank that has been in use for at least 12 months.
2. Credit Utilization: The utilization of the existing credit card should be below 80% of the Credit Limit. OBC limit should be over Rs. 250,000
3. Age – Below 60 Years
4. CDB Credit Limit will be same as the OBC limit and Non-Relative Personal Guarantor should be obtained as collateral.

25.3 Scoring System and Credit Limit

Score card is applicable for all existing as well as new customers and the KPIs, weightage, Parameters and Scores of the scoring system are as follows.

KPIS	Weight	Parameters	Scores
Age	**5**	18-30	5
		31-50	3
		50 and above	1
Accommodation Type	**5**	Own/Family owned	5
		Office Accommodation	5
Income source	**5**	Salaried	5
		Business	2
Designation (salaried)	**10**	Directors and above	10
		Managers and above	7
		Executive and above	4
		Below executive	2
Educational Qualification	**5**	Professionals	5
		Graduates	3
		Under graduates/ Diploma	1
Work experience/Business track record	**10**	10 years and above	10
		5 years<10 years	7
		2years< 5 years	4
		Below 2 years	2
Net Monthly Income/Monthly Business Turnover	**20**	250,000 and Above/2.5mn and above	20
(Business turn over from Last six months average Bank Turnover)		150,000<250,000/1.5mn<2.5mn	15
		100,000<150,000/1mn< 1.5mn	12
		50,000< 100,000/500,000<1 Mn	8
		15,000<50,000/150,000<500,000	4
Existing records	**10**	1Mn and above/5Mn and Above/250,000-500,000	10

Savings Balance/Deposit amount/lease rental		500,000-1 Mn/1Mn -5Mn/125,000-250,000	7
		100,000-500,000/500,000-5Mn/50,000-125,000	4
		Between 25,000-100,000/100,000-500,000/below 10,000-50,000	2
Credit rating	**15**	Satisfactory(30 days)	15
		Average (30 days-60 days)	10
		No Hit/(60 days and above)	0
DBR Ratio	**5**	Less than 30%	5
		30%-50%	3
		50%-60%	1
No of other Credit Cards held	**5**	5 and above	5
		Between 2 and 5	3
		Below 2	2
		Nil	0
No of dependants	**5**	1	5
		1<3	3
		Above 3	1
Total			xxx
Net Income (Rs)			xxxxxx
Credit Limit			xxxxxx

Credit limit will be decided based on Weighted Score of the applicants as per below mentioned table;

Weighted Score = Weight X Achieved Score

Weighted Score	Credit Limit
150-450	Net income X 1 time
450-650	Net income X 1.5 times
650-800	Net income X 2 times
800-1000	Net income X 2.5 times
1000 and above	Net income X 3 times

Net income for Fixed Salaried, Business segment and Professional applicants will be calculated as follows;

- Salaried Employees = (Basic Salary + Allowances) - deductions including EPF
- Business Segment = Average Deposits in last three (3) Months at bank account X 10%
- Professional = (Basic Salary + Allowance+ job related Additional Income) – Deductions

25.4 Supplementary Cards

Supplementary Cards can be issued as per the request of the applicant. Supplementary Cards will be issued purely considering the income of the Primary Card Holder.

Following eligible criteria should be considered when issuing supplementary cards;

- The Supplementary Cardholder's age limit should be 18-65 years
- Supplementary Card will only be issued to immediate family members (Spouse, Children, Brother/Sister and Parents).
- The Relationship should be mentioned in the application.
- Maximum number of Supplementary Card provided for a primary card will be 4.

25.5 Credit Card Upgrade Policy

Credit Limit will be upgraded by considering customers request. Both Temporary Limit enhancement and the Permanent limit enhancement will be approved by CED.

25.5.1 Temporary Limit Enhancements

Card holders could request for temporary limit increase in case of emergency. If such requests are genuine, those will be approved based on customer's Credit Standings. This feature helps the customers for the purposes of hospitalization, purchases, overseas tour etc. Following criteria should be fulfilled by the customers in order to eligible for the Temporary Limit Enhancements.

- Temporary limit Enhancement should only be offered to 20% of the Credit Limit
- Temporary limit Enhancement can be done only after three months from the Card activation.
- Customer should have made the Minimum payment every month

Note: Temporary limit enhancements can be considered without meeting the above criteria, only if the customer deposit cash in the Credit Card Collection Account.

25.5.2 Permanent Limit Enhancements

Permanent Limit Enhancements can either be granted by considering customers' request or granted by the discretion of Credit Evaluation Division based on customer's repayment history. Customers should submit documentary proof to confirm his/her new income at the time of request. Following criteria should be fulfilled by the customer's in order to eligible for the Permanent Limit Enhancements;

- The maximum permanent limit enhancement should be offered only up to 50% of the current credit limit.
- Permanent limit Enhancement can be done only after six months from the Card activation
- Customer should have made the Minimum payment every month

Notes:

- CRIB will be reviewed only for the Permanent Limit Enhancements
- All credit Limit enhancements are subject to the Maximum Limit of Rs. 5Mn.
- CDB reserves the right to upgrade or downgrade based on the card usages and repayment pattern at any given time.

25.6 Staff Credit Card Facility

CDB staff can apply for a credit card facility. Facility will be granted based on following set criteria.

- Staff should be in the Permanent carder.
- Designation of Marketing staff should be Trainee Marketing Executive and above and Junior Operations Assistant and above for Operations Staff.
- All staff should introduce an outside guarantor for the facility.

Credit limit and the Card type for Staff are decided based on their designation. Card upgrade and Permanent Limit Enhancement will be considered only, if the staff promoted to higher grade.

Designation	**Entitled Credit limit (Rs.)**	**Card type**
General Managers & Above	1,000,000	World
Senior DGM	750,000	World
DGM	750,000	World
Senior AGM	600,000	World
AGM	600,000	World
Senior Manager	500,000	World
Manager (3) Grade	300,000	Platinum
Manager 1 and 2 Grade	250,000	Titanium
Senior Deputy Manager	200,000	Titanium
Deputy Manager	200,000	Titanium

Assistant Manager	200,000	Titanium
Senior Executive	100,000	Titanium
Senior Marketing Executive	100,000	Titanium
Executive	100,000	Titanium
Junior Executive	75,000	Gold
Marketing Executive	75,000	Gold
Senior Operations Assistant	50,000	Gold
Operations Assistant	30,000	Standard
Junior Operations Assistant	30,000	Standard
Trainee Marketing Executive	30,000	Standard
Office Aid and Drivers	25,000	Standard

25.7 Guarantor/ Additional Security

All Credit Card facilities should be secured by either with a guarantor or with an additional security.

For Existing Clients:

- Deposit Customers - Active Fixed Deposits covering the total exposure of Credit Card Limit should be pledged.
- Lending Customers - Vehicle of the facility should be pledged.

Notes: If the existing customer disagree to pledge the facility, the Customer can introduce a guarantor.

For New Clients:

- Acceptable guarantor should be obtained for each facility applied by the new customer
- Age Limit of the guarantor should be between 18-65

Guarantor is liable for the defaulted Credit Card facility. Credit Card facility will be set off against the additional security in case of default, if the facility granted with additional security.

25.8 Charges for Credit Card

	Standard	Gold	Titanium	Platinum	World
	Rs.	Rs.	Rs.	Rs.	Rs.
Annual fee – Primary	Free	Free	Free	Free	Free
Annual fee – Supplementary	Free	Free	Free	Free	Free
Joining fee – Primary	3,000	3,500	4,000	4,500	5,000
Joining fee – Supplementary	1,750	1,750	1,750	2,000	3,000
Replacement Card	2,000	2,000	2,000	2,000	2,000
Additional statement Request	400	400	400	400	400
Limit Enhancement Fee (Permanent)	1,000	1,000	1,000	1,000	1,000
Limit Enhancement Fee (Temporary)	1,500	1,500	1,500	1,500	1,500
ATM cash Advance Fee	Rs.1,000 or 5% of cash withdrawal amount whichever is higher	Rs.1,000 or 5% of cash withdrawal amount whichever is higher	Rs.1,000 or 5% of cash withdrawal amount whichever is higher	Rs.1,000 or 5% of cash withdrawal amount whichever is higher	Rs.1,000 or 5% of cash withdrawal amount whichever is higher
ATM cash Advance Fee (Overseas)	Rs.1,000 or 5% of cash withdrawal amount whichever is higher	Rs.1,000 or 5% of cash withdrawal amount whichever is higher	Rs.1,000 or 5% of cash withdrawal amount whichever is higher	Rs.1,000 or 5% of cash withdrawal amount whichever is higher	Rs.1,000 or 5% of cash withdrawal amount whichever is higher
Cheque Return Fee	3,500	3,500	3,500	3,500	3,500
Interest	26.00%	26.00%	26.00%	26.00%	26.00%
Stamp Duty (International Transactions)	25	25	25	25	25
Late Payment Fee	1,950	1,950	1,950	1,950	1,950
Over Limit Fee	1,750	1,750	1,750	1,750	1,750
EMI Foreclosure Fee	4% + Balance Processing Fee	4% + Balance Processing Fee	4% + Balance Processing Fee	4% + Balance Processing Fee	4% + Balance Processing Fee
Charge Slip Retrieval Request Fee	200	200	200	200	200
Balance Confirmation Letter (3 Day)	750	750	750	750	750
Balance Confirmation Letter (Same Day)	1,000	1,000	1,000	1,000	1,000
Paper Statement Fee	300	300	300	300	300
Card Upgrade Fee	2,000	2,000	2,000	2,000	2,000

Card Downgrade Fee	2,000	2,000	2,000	2,000	2,000
Auto Debit Failure Fee	1,000	1,000	1,000	1,000	1,000
Recovery Postal Charge	200	200	200	200	200

Note – These charges will be adjusted in accordance with prevailing market conditions.

26. Bill Discounting

Bill Discounting facilities will be granted for the business community for their short term working capital requirements. Once the proposal is received to CED, the process of assessing the credit worthiness of the applicant to decide the limit is same as the other type of credit facilities and following terms and conditions are applied.

- Facility Purpose: Facility will be granted for business community for their Short Term business-Working Capital requirements.

- Facility Period: 30 – 90 days

- Collateral: Immovable Property / Original Vehicle Import documents / Fixed Deposits

Payment Release MEMO upon pledge documents should be approved within the approval limit and proposed original security should be collected prior to disbursement of the facility.

Note: Procedures to be followed when processing Bill Discounting is explained in detail under procedure manual of CED.

27. Gold Loan

CDB carries out its gold loan business as per the provisions of Mortgage Act No.6 of 1949. As an approved credit agency, the company can make use of the provisions stated in sections 85 of the Mortgage Act (act No.6 of 1949). Under these provisions if a mortgage of any corporeal movable is created in favour of approved credit agency it is lawful to sell the said asset, if it is in the possession and custody of the agency subject to provisions made in section 86 & 87 in case of defaulting loans.

27.1 Product Features

26.1.1 Security

Pledge of personal articles made of gold not less than 18 karat will be taken as security. However, other gold items of raw gold (24 K) also could be accepted on the approval of Head of Gold Loan at Head Office.

27.1.2 Loan Value

Loan value per gram or per sovereign will vary depending on the purity of gold content in the article and the agreed repayment period. From time to time the approved loan amount will be fed into the Gold Loan System by the Head Office, depending on the market situation. Relevant staff should make aware of the rates daily before commencing the business.

Approval of loan amount will depend on the value of gold articles offered as security valued according to the quantum approved by Head Office for each category of gold purity. Maximum quantum payable per gram or 8 grams for each Karat rate will be decided by the Credit Committee and system entry is done by Credit Evaluation Division.

Advance amounts for gold loan will be determined with the Gold Market price movement and risk appetite of the company. Credit Evaluation division and Gold Loan division are mainly responsible for setting the optimum advance value which complied with the Loan to Value(LTV) and the Risk Management Division’s risk opinion which comes after analysing the internal and external environment.

Credit Evaluation division maintains daily Spot Loan to Value by reviewing the industry’ Gold Price movements while deciding the optimum advance loan value for CDB gold loans. Gold Loan Advance Value Revision will be held with the changes of market conditions and receivable Loan to Value (LTV) figure of Gold Loan which calculated based on future risk appetite for selected tenor in Gold Loan.

27.1.3 Loan Purposes

The applicant can borrow for any legal purpose. Assaying officer shall ask the requirement from the prospective borrower and note it, in appropriate cages in gold loan documents. In the system there are seven main purposes to choose and insert into the gold loan ticket.

- Personal
- Business
- Agriculture
- Consumption
- Fisheries
- Education
- Investment

27.1.4 Rate of Interest

Interest rates will be decided by the management according to market situation and will be fed into the Gold Loan System by Credit Evaluation Department. A discount in settlements and a penalty for late settlement could also be imposed by the management.

27.1.5 Loan Tenure

One month, three months, six months and twelve months will be granted according to customer request

27.1.6 Eligibility of Borrowers

Any Sri Lankan citizen over 18 years of age with contractual capacity who declares him/herself to be the owner or the agent of the owner of the article shall be eligible, provided;

- The Gold Loan Officer /BOIC/HOB has no valid reason to suspect the ownership.
- The applicant is able to produce his/her National Identity Card, Driving License, Valid Passport, to establish his/her identity.
- In the absence of primary identity documents branch Gold Loan Officer can accept any other document to establish the identity on the approval of the HOB/BOIC (Ex: Senior Citizens Identity, Temporary ID).

Note: Procedures to be followed when processing gold loan and documents which are in use for gold loan are clearly stated in the procedure manual of Gold Loan.

27.1.7 Repayment Method

The borrower may choose to repay the loan in one instalment, by several ad-hoc part payments or regular periodical instalments not less than the accrued interest at the time of payment. System facilitates part payment from the respective CDB Branch or any CDB branch.

27.2 Credit Evaluation

Evaluating the credit worthiness, when granting loan is mainly based on the collateral/security (gold) value. In addition to this, customer interview and customer identity verification play a major role in evaluating the credit worthiness of the customer.

27.2.1 Customer Interview

The appropriate staff member of the gold loan process (Gold Loan Officer or BOIC) should have a brief interview with the person who wants to obtain a loan to elicit following basic information.

- Ownership of the jewelleries offered as Security
- Identify the person without doubt
- Ability to repay the loan within the Agreed Period.
- Market value of Article
- Financial Standings of the Applicant
- Customer Information par in line with KYC concept.

27.2.2 National Identity Card

NIC verification is important to recognize the client's identity. Therefore, it is a mandatory requirement to check NICs of customers before granting of any gold loan facilities. Hence staff members who interview customers, should be able to detect forged NICs through identifying following symbols. Especially when new NIC is submitted, it should be carefully checked for its authenticity. According to Persons Registration Department, sources five symbols could be viewed in genuine NICs.

When the NIC is exposed to Ultra Violet light (Black Light Lamp) following first 4 symbols could be seen.

1. On the top over the Sri Lanka emblem a water mark showing the lion that holding a sword in its right forepaw
2. Same mark appears back side of the NIC directly back side of photograph

3. The numerical figure with an English letter printed in black in colour in the left hand bottom of the back side turns into green in colour

4. There are several lines or curves in purple colour on both sides

5. The lines on which details are written or printed are not consist with dots but letters "Sri Lanka"

27.3 Examination of Gold Articles

Assaying Officer/ Gold Loan Officer who signed as valuer should examine each and every article thoroughly and enter clear description enabling clear identity of them. If any missing part or broken, damage or any extra ordinary thing is noticed, a note should be entered in the Gold Loan Ticket and the appraisal form.

27.4 Valuation of Gold

Accurate assaying and valuation of gold is an integral part of gold loan process. A competent staff member shall perform this function. BOIC should be responsible for deploying a suitable staff member for this post. Before entrusting the duty to him/her, BOIC should ensure his/her ability to perform the duty with required level of competency. If he/she is in doubt about his /her ability, a further training should be given before permanently positing. For the purpose of weighing of gold article Electronic Weighty Scale (EWS) should be used.

To check the purity of gold content in the article guide lines given in General Ways of Soft Testing Gold Articles (as per Procedure Manual of Gold Loan) should be used, when it is deemed to be useful. Gold Loan Officer should use both densimetre and the acid test to determine the Karatage value of the article. Also that the Gold Loan Officer should get the print out of the karatage report using the Karatage Printer for prove the Densimetre reading. It is a mandatory requirement of the company.
In the event of Gold Loan Officer is of the opinion that gold quality (karat) shown by the densimeter is likely reduced due to presence of:

- Hollow Parts
- Possible air bubbles
- Non-gold parts

Gold Loan Officer and BOIC can collectively decide to add up a reasonable karat value. In such a case, Gold Loan Officer should use the reading of the acid test to determine the actual karatage and that particular value should be below the reading of acid test. Reasons for such decision, should be noted in the Remarks column of the appraisal form. It should be noted that except for above three reasons, no adjustment to the karat value shown by the densimeter should be effected.

If the article is embedded with non -gold parts, touch stone set should be used to check gold purity. Estimated weight of all non-gold parts attached to the item should be excluded from the gross weight and valuation should be done only for the net gold weight. Any article tested once and returned to the customer (even after few minutes) should be tested again, if offered again.

27.5 Determination of Market Value of Gold Articles

CDB have to value articles merely for the gold value, instead of its purchase price, mainly due to sudden fluctuation in gold prices attendant of ordinary people for auctions has reduced to a great extent and almost all articles placed for auction are bided by merchant who melt them before selling while they bid prices for gold article merely for gold value.

Arrangements have been made in the software system to calculate the approximate market value of each and every article by adding a variable percentage to the World gold price from time to time. Current Average World market price could be viewed through internet, which shows the value per 24k gold troy ounce. Applying following formula, approximate gold value for 22 k gold sovereign could be obtained.

(USD value of a troy ounce *8)/ 31.103*22/24 (k) * USD selling price SLR*100+taxes levy (8%)

Weight of troy ounce - (31.1103g) 24 (k)

Eg . $\frac{1962.60 * 8}{31.103} * \frac{22}{24} * 333 * \frac{108}{100}$ = Rs. 166,417/-

Customers may be informed about the market value assessed by the company. If the market value declared by the customer appears to be far excessive than the market value assessed by us, customer should agree to bear the additional insurance cost on the articles.

27.6 Determination of Loan Amount

Maximum gold loan shall not exceed the value assessed. Gold loan officers shall use their discretion to reduce the loan amount below the maximum limit, if the articles are not of high demand and unlikely to realize full assessed value in order to recover capital and interest at an auction held.

If the BOIC feels, the customer should be advanced exceeding the Approved quantum, such request can be submitted to Head of Gold Loan at Head Office through e-mail and Head of Gold Loan is authorized to grant up to 85% of the average marked value prevailed in Colombo.

Small articles such as ear studs, ear rings, pendants small rings are jewelry made with less gold and more alloys and hence that may not be attractive at a sale and likely to fetch a lower price, than its gold value, do not warrant the maximum loan amount.

When all articles are checked for the weight and purity the assessed value of each and every item should be entered in the appraisal form by the Gold Loan Officer. The Authorized Officer shall check it by himself and ensure the correctness of total market value. Then Gold Loan Officer and Authorized Officer collectively or by the Authorized Officer along may decide the maximum percentage of advance to be considered. Then negotiate with the customer beginning from a lesser amount than the decided maximum value and arrive at a final amount.

If the loan amount exceeded the maximum exposure limit of a single borrower, the Authorized Officer should obtain the approval from the Head Office Gold Loan Division according to the TAL.

27.7 Filing Security Documents

After the disbursement gold article packet should be transferred to the main safe before end of the day. Duplicate of the Gold Loan Ticket, the combined loan document and copy of NIC should be kept in chronological order in a security file and placed in a dual control.

27.8 Fake Articles

Proficiency in detecting counterfeit articles and identifying individuals attempting to pledge them is crucial in mitigating the risks associated with the gold loan process. Assaying staff should be trained to immediately assess each item and consider the possibility of it being a fake article upon first inspection.

First of all he/she should get clear himself that the article is not definitely a fake one. If he/she has a single doubt unless it is cleared, he/she should not accept it as genuine gold jewelry. If the assaying officer faces difficulty to get a clear cut decision, he/she should consult with authorized officer and in case of need with HOB too.

27.9 Stolen Articles

Gold loan officers are required to exercise care/diligence and satisfy themselves that the articles are belongs to the presenter or he is the authorized agent of the owner. Even though the article has been accepted in good faith and without negligence from a person who is not the true owner the company, have no right to possess and retain them as a security.

A declaration affirming borrower's title to the article given in the gold loan document shall absolve the company from any legal liability for acceptance/possession of a stolen item, but the company is liable to suffer a loss in case of a claim made by the true owner through a legal process.

27.10 Dual Control Maintenance

Dual control mechanism is an integral part of banking activities all around the world from the inception of the industry. It is designed to achieve high level of security, especially for valuables such as cash, gold and loan security documents.

Under this rule, all access and actions requires the presence of two authorized officers at all times. Two sets of keys consist with one duplicate key for each set are provided by the iron safe suppliers. Dual Control Management should start from the time of receiving keys, by the company.

27.11 Gold Loan Approval Authority

Delegated Authority limits given for approving Gold Loan (Branch and Head Office Sanctioning Authority) are given in Transaction Authority Level of this Credit Risk Management Policy manual.

27.12 Renewal of Gold Loan

A Gold Loan facility can be recognized as a renewed facility, if the customer is making the full accrued interest as at to date. The new Gold Loan amount eligibility will be calculated based on LTV of GL and pre decide advance value of Gold. Shortfall will be remitted to borrower. At the time of renewal, a new ticket will not be issued to the customer instead, a Gold Loan receipt will be issued.

27.13 Recovery of Loans and Redemption of Articles

Borrowers are required to settle loans by partial payment or full payment at their convenience within the agreed period. Borrowers should be encouraged to pay at least accrued interest and rollover the loan for a future term. All possible soft recovery actions should be taken by the BOIC in order to reduce the number of article scheduled for auction.

The system will calculate accrued interest up to date of payment and recover the accrued interest first and then the surplus will be credited to the loan. Cash deposit slip should be used to accept money. Third party redemptions accommodate, if the BOIC is satisfied about the authenticity of the borrowers request to redeem the articles through a third party.

27.13.1 Branch Follow Up (Soft Recovery)

Branch follow up action will start with 1st call after the maturity 0-7 days SMS reminder, Notice of Demand letter and Auction letter will be arranged as Soft Recovery Actions.

SMS Alert (1st Reminder)	Notice of Demand (2nd Reminder)	Auction letter (3rd Reminder)
Two (02) days prior to maturity date for existing Gold Loans	For unsettled Gold Loan which exceed further fifteen(15) days from the lapsed date	For unsettled Gold Loan which exceed further 30 days from the lapsed date

Head Office Gold Loan Unit call centre shall follow up the tickets, that matured 30-60 days from the expired date.

27.13.2 Auction of Gold Articles (Hard Recovery)

General Policy of the company is not to keep gold loans which exceed more than three (3) months from the date of sending Notice of Demand or loans, unsettled within 3 months from the date of expiry. In order to be in line with this policy, HOB and all other responsible staff including Head of Gold Loan diarize all expired loans.

The company, being an Approved Credit Agency, holds the right to sale at an auction and recover the dues from the sale proceeds in instances of defaulting Gold Loan advances. Head of Gold Loan with due consultation with Director – Sales and Business Development should arrange auctions, subject to LTV and DPD.

The auction of the gold loan will be conducted following the steps outlined below:

1) The Authorized officer of CED, prepares and submit a list of auction able items in monthly basis to Head Office Gold Loan Division, based on DPD and LTV.

2) Authorized officer in GL should be ensured that the Demand Notices to all borrowers stated in lists have been dispatched through register post.

3) Head of Gold Loan & Director-Sales and Business development, will decide the auction date and venue to be held auction by considering the volume of unsettled loans, in rupee wise, as well as in quantity wise.

4) Auction date and place will be arranged consulting with the auctioneer and detail report will be submitted to Director-Sales and Business Development.

5) Paper notice about auctions should be publish in three languages in two issue of a daily newspaper, two week before the auction.

6) A separate letter by informing the auction should be sent via registered post to all respective borrowers, prior 14 days of the auction.

7) Appoint an auctioneer for each place of auction as per the paper notice.

8) Courier services will be informed the dates which collecting the auction articles.

9) Send Memos to branches who had selected articles to handover them for designated person in Courier service.

10) Courier service will collect locked secured sealed bag from the branch and handover to the nominated officer at Head Office Gold Loan Unit, under the observation of Audit Department.

11) All packets should be kept in a security safe with dual control and need to maintain proper record.

12) Inform to the SL POLICE and arrange the Police Officers at the Auction.

13) Prepare final Credit Committee prior approval document before the auction & delegation for approving GL Auction as mentioned below;

If the Minimum bid price Is less than 20.5kt, up to 20kt shall be approved by the Director Sale and Business Development and covering approval will be obtained from the Credit Committee, based on the prevailing Gold market condition.

If the Minimum bid price Is less than 20kt shall be approved by the Credit Committee based on the prevailing Gold market condition. In the event of receiving the price below the minimum bid price, company hold the right to cancel the auction or purchase the Gold stock.

14) Auctions can be conducted Branch wise, District wise or as a whole at Head Office on the approval of Director Sale & Business Development and paper notice should be published accordingly.

15) Appointed officer in HOGL should prepare the catalogue by mentioning branch, gold loan number, description of article and Assessed gold weight.

16) Then need to announce and display the conditions for auction audience in three languages. Auctioneer will read them at the beginning of the auction and Rs.2 Million deposit amount should be obtained from every person who wish to bid and a receipt should be issued.

17) If the highest bid not meet the CDB minimum bid price CDB rights to decide the price or postponed, if the price not meets our total outstanding and chargers.

18) Confirmed Bidder should settle Minimum 15 % advance (Non-refundable) from the total bid value immediately and should settle the full balance within two working days.

Any deviations of the settlement terms should be approved by the Director Sales and Business Development and one Credit Committee Member.

Generally, with the fall of hammer ownership transfers to the bidder. No article will be taken back after the sale. Branch GLO make sure to re –packet and re seal all the Auction Hold articles that the article packet opened and checked at the Head Office. Those packets should reseal the same day in a new packet with a new serial number.

Note: Further procedures to be followed when processing Gold Loan Auction is explained in detail under procedure manual of GL.

27.14 Gold Loan Charges

The following charges will be applicable for Gold Loan;

Charges Descriptions	Charge
Service Charge	Up to Rs. 500,000/- 1.25% Rs. 500,000/- – Rs. 1Mn - 1.4% Above Rs. 1 Mn – 1%
Interest Rate	Below Rs. 100,000/- 24% Rs. 100,000/-- 500,000/- 20% Above Rs. 500,000/- 17%
Over Due Charge	6% (Annually)
Letter Charge	Rs. 160/- from default customers
Auction Related Charges	Penal Rate 4% (Expired Day to Auction Date)

Note – These charges may vary based on market conditions.

28. Cash Backed Loan

Cash Backed Loan means, granting a loan by pledging the client's fixed deposit, who having urgent requirement for liquid cash for any of general consumption purpose. Security of this loan product is CDB Fixed Deposit Certificate.

28.1 Terms and Conditions

Terms and conditions applicable for this loan are as follows at the time of granting;

- Maximum Exposure Limits, accordingly interest frequency & Tenor of the Fixed Deposits as below;

	Below 2 Years	2 Years - 3 Years	3 Years - 5 Years
Maturity	90%	90%	90%
Monthly	80%	75%	65%
Bi Annually	80%	75%	65%
Annually	80%	75%	65%

- Interest rate for the Cash Backed Loans (CBLs) is decided by adding 5% margin to the existing Deposit Rate (deposit Nominal Rate or Annual Effective Rate (AER), whichever is higher)
- All the related documents should be completed by the deposit holder/s to apply for the loan.
- The branch staff must ensure that the terms and conditions being clearly communicated to the customer and the client needs to place his/her signature in loan agreement by obeying the terms and conditions against the loan facility.
- It is mandatory that all the clients should visit a CDB branch for signing the documents.
- Separate Loan accounts should be opened in the CBS for separate Fixed Deposits and/or separate contracts.
- A Service Charge is applicable for each loan under the following limits:

Loan Amount	Charges
Below Rs.500,000	Rs.500
Rs.500, 001 to Rs.1,000,000	Rs.1,000
Above Rs.1,000,001	Rs.2, 000

- Pledged certificate should be handed over to the Custodian unit of Business Operation on the date of disbursement.
- CBL will not be granted for 01 month (Tenor) deposits.
- CBL will not be granted on the same day of new Fixed Deposits is placed.
- When granting Cash Backed Loans on joint deposits, it needs to present the both parties at the branch for signing the Cash Backed Loan documents. In the absence of the any of the parties in fixed deposit needs to submit a valid power of Attorney (Special) to process the request. And operating instructions as “either party" in fixed deposits will not be taken into this consideration.

28.2 Exceptional cases

Following exceptional cases are considered, when processing CBLs and the requirements to be fulfilled in these instances are as follows.

Document signing for CBLs, outside the branch premises;

- Document signing for CBLs, outside the branch premises will only be allowed with a prior approval from Manager - BO and Above. (Clients who are unable to visit the branch due critical situation will only be entitle under this case)
- Two CDB officers including HOB and one Operational Staff Member should visit the customer and place witness on the Promissory Note and the Agreement.
- Documents will not be printed for the non-completed documents.

Special Cash Backed Loans:

- Loan grant above the set exposure for each interest frequency (As mentioned above table)
- Rate Margin below 5%.
- Granting Cash backed Loans on same day
- Granting CBL for 1 Month tenor Fixed Deposits

CBL will be granted on the same day of new Fixed Deposits placed on the same day with a special approval from General Manager- Sales & Business Development or DGM Liability Portfolio or higher authority.

28.3 Settling Cash Backed Loans

CBL Account will be closed under the following circumstances;

1) Customer Request

There are two methods available for the customers to settle the loan.

- Settlement through Cash/Cheque/Interest
- Settlement through pledged Fixed Deposit/s

Note - When settling a Cash Backed Loan, CBL handling officer at Head office should check,

- ✓ Whether any legal matters are related to the CBL or Fixed Deposit
- ✓ Whether any multiple liens are marked to the fixed deposit, before settling the CBL against the Fixed Deposit.

2) CBL A/C is exceeded 5 years from the date of opening

In the event of CBL exists for more than 5 Years, it is mandatory to inform the client through a register post and A reminding letter will be directed to the customer by the Deposit Operation – Business Operation, during the 1st week of the month. Customer will have 14 working days as grace period to settle the CBL. Inform branch officers and set off the loan value with deposit value in full, except for Fixed Deposits which consents (In written) receive from the customer to continue the loan.

Note: If customer request to continue the Cash Backed Loan in written, it should be only for three (3) Months period. If customer has not settled the loan within the said period, Cash Backed Loan handling officer at Head office should follow up and send letter through register post and allow 14 working days to settle the particular CBL. In such situation, customer is not entitling for another grace period to settle the CBL.

3) CBL A/C is exceeded 95% of its Exposure against deposit outstanding.

When the loan exposure exceeds 95%, it is required to settle the loan through the pledged FD by sending a reminding letter to the customer by the Deposit Operation- Business Operation Division during the 1st week of the month. Customer will get a grace period of 14 working days to settle the CBL.

If customer has made repayment to reduce the exposure to less than 95%, loan will be active and linked deposit will not be uplifted. If the exposure is not reduced to less than 95%, CBL handling officer in Head Office, can set off the loan value from the deposit value.

For any fixed deposit, the customer is not entitled to select an alternative time period for settlement. The cash-backed loan will be settled from the fixed deposit, and if there is any remaining balance in the loan account after settlement, it will be credited to the customer's CDB savings account accordingly.

Note: In a situation where, same CBL exceeds 5 years and 95% exposure, CBL handling officer in Head office should take action according to the "Exposure 95% exceeded CBLs" policy.

Procedures to be followed when processing cash backed loan and documents which are in use for this product are clearly stated in the Procedure Manual of CBL.

29. Staff Loan

29.1 Granting of Staff Loan

Staff at CDB are entitled for vehicle loan at concessionary interest rates. Accordingly, staff are entitled to the following products under the specified terms and conditions.

Type of Vehicle	Interest Rate	Tenure
Car	6%	144 Months
Motor Cycle	6%	60 Months

- One guarantor is required for both (Car & Motor Cycle) staff Vehicle Loans.
- Employees of CDB are not accepted as guarantors of these loans.
- Permanent employees who have completed five (5) years of continuous service and have not previously availed the Home loan interest reimbursement facility may request an additional amount of Rs. 500,000 under their eligible Home loan interest reimbursement entitlement.

29.2 Enhancement of Staff Vehicle Loan Value

An increase in the vehicle loan amount for the same vehicle can be considered based on an employee's promotion. The maximum allowable increase will be determined by the extent of the promotion, provided that the initial contribution made by the employee justifies, such an enhancement.

In cases where, there are deviations from this policy or if an exception is necessary, the matter should be referred to the respective Director in Charge for approval in accordance with the established Procedures.

29.3 Change of Vehicle

- Employees who have already obtained Staff Vehicle Loans (for Unregistered/Brand New vehicles) can reapply for a new loan after lapse of;
    - ✓ 3 years from the Disbursement date of the existing facility (Below Manager Grade).
    - ✓ 4 years from the Disbursement date of the existing facility (Above Manager Grade).
    - ✓ 5 years from the Disbursement date of the existing facility (Corporate Manager).
- Employees who have already obtained Staff Vehicle Loans (for Registered Vehicles) can re-apply for a new loan after lapse of 3 years from the Disbursement date of the existing facility.

29.4 Settlement of Staff Loan

- Staff loans should be settled at the time of Resignation/Vacation of Post/ Termination of employment. Rebate rate of 100% will be granted for Staff Loan settlements (Approval should be taken from the ERAC for each settlement)

29.5 Recovery of Unsettled Loans of Inactive Employees

- Resigned staff should settle their Vehicle loans by the date of resignation. Such incidents of failing to settle, a grace period of 3 months will be granted with the approval of Director in Charge through the respective Department Head/s. Within that period, the staff officer should convert the facility to existing Market Rate or hand over vehicle to PDF Division for recovery purpose.
- In the event of a Vacation of post by the staff member, The Human Resource Division will notify the Recovery Unit for necessary action.

30. Roof Solar Financing

Solar Financing is a loan scheme granted for installation of solar energy system for both household and business needs.

Types of Roof Solar Financing;

- **Net Accounting**

  This scheme allows prosumers to sell the excess electricity generated by their solar (PV) system back to the grid. The energy produced by the solar system is measured, and any surplus power that is not consumed by the prosumer can be sold to the utility provider, often resulting in a credit or payment.

- **Net Plus Plus**

  Under this scheme, prosumers are permitted to install rooftop solar PV systems that exceed their contracted demand. This allows them to generate more electricity than their original agreement, providing the flexibility to meet higher energy needs or even sell the additional surplus power to the grid.

30.1 Target Customers

- The customers who are applying for the Solar Roof Loan should be Sri Lankan Citizens
- The customer should be a Salaried employee, Self-employed entrepreneur, Business person or any other Professional, who is registered in a recognized Professional body
- If the customer is a Salaried employee, he/she should have been in permanent employment at least for one year
- Sri Lankans working Abroad with a valid work permit, could also be considered
- If the customer is a Self-employed entrepreneur or a Business person, the business should be continued at least one year from the first registration.

30.2 Terms and Conditions

- Maximum loan amount will be 75% of the supplier's cost for Solar PV installation.
- The age of the customer who is applying for the Solar roofing lease should be between 18-65 years
- Maximum Repayment Period is 6 years
- No guarantors are required
- The Solar Panel (Collateral for the loan) must be sourced from a supplier registered with the Sri Lanka Sustainable Energy Authority (SLSEA) and CDB. Approval from the Credit Committee is required when introducing a New Supplier.
- Opening a savings account by the customer is mandatory and additional income generated through the solar panel should be remitted to this savings account

- An Insurance Policy should be obtained against the risk of damage caused to the solar panel due to lightning or any natural disaster

30.3 Charges

Below mentioned chargers will be collected under this product as initial chargers and all chargers should be collected at the point of initiating the facility.

- Documentation - Rs. 650/-
- CRIB Charges - Rs. 350/-

Note: Procedures to be followed when processing Solar Loan is explained in detail under Procedure Manual of Credit Operation.

31. Agri/Fisheries Financing

CDB is committed to fostering innovative initiatives, that drive positive transformation in the agriculture and fisheries sectors. This new product vertical has been developed to align with CDB's dedication to promoting sustainable agricultural value chain development, enhancing financial inclusion, and supporting economic growth in Sri Lanka.

31.1 Target Customers

Target Customers for this as below;

Agro & Fishery SMEs	Individual Farmers	Farmer-Based Organizations
Small- or Medium-Scale businesses in the agriculture and fisheries sectors. This includes Companies and Cooperatives focused on processing, storing, transporting, and marketing agricultural and fishery products, as well as suppliers and traders of related inputs.	Farmers adopting sustainable practices and innovative methods on well-maintained farms.	Farmer-based organizations eligible for financial support under this initiative are defined as registered entities that play a significant role in the agricultural sector. This category includes both Registered Companies and Registered Societies

31.2 Objective of the Product

- To support the acquisition of advanced machinery and equipment for enhanced productivity.
- To facilitate infrastructure development for upgrading facilities in line with modern standards.
- To improve transportation efficiency for agricultural and fisheries products.
- To promote energy efficiency through the use of renewable energy solutions.
- To encourage the adoption of Climate SMART Agricultural practices and modern farming techniques.

31.3 Terms & Conditions

- Type of the facility Loan or Lease (depend on purposes of the facility)
- Loan Tenor: 24 -72 Months
- Interest Rate – decided base on the pricing policy of CDB

- Guarantor Requirement;
  - One Guarantor is required (Based on Client Profile can be vary)
  - In case of a company, the director of the company shall be obtained as a guarantor
- Applicants must have a minimum of five years of experience in the relevant field
- Acceptable collateral- following collateral are acceptable for this new products
  - Marketable Vehicle
  - Marketable immovable land, land with building
  - Movable or Immovable Machinery and Equipment

Note: In cases where the collateral is machinery, the Recommendation Officer of the Credit Evaluation Department (CED) must review the Secured Transaction Registry (STR) available on the CRIB website. This review is necessary to verify whether any existing loans or financial facilities have already been secured against the machinery in question.

31.4 Charges

The following charges will be collected as initial fees under this product, and all charges should be paid at the time of application submission.

Documentation – Rs. 500/-

Inspection Charges- Rs. 2,250/-

Note – The charges related to Land and Building or related with any type of construction will be the same as those applied to Home Loan charges.

32. Micro Small Medium Enterprises (MSME) Lending

The MSME sector is important for Sri Lanka's socio-economic development. The main criteria used to define MSMEs are the Number of Employees, Annual Turnover, and Total Investment. In Sri Lanka, the MSME policy framework defines based on the Number of Employees and Annual Turnover as below table;

Sector	Criteria	Medium	Small	Micro
Manufacturing	Annual Turnover (Rs)	351Mn –1 Bn	21Mn –350 Mn	20 Mn or less than Rs.20Mn
	No. of Employees	51–200	10–50	Less than 10
Service	Annual Turnover (Rs)	351Mn –1 Bn	21Mn–350 Mn	20 Mn or less than Rs.20Mn
	No. of Employees	51–200	5–50	Less than 5

**Reference – Source of Central Bank of Sri Lanka*

32.1 Target Customers

The target customers for the MSME product are Micro, Small, and Medium-sized enterprises involved in different value chains. This may include Companies and Cooperatives focused on manufacturing, processing, storage, transport, and marketing of various commodities.

32.2 Objective of the Product

- To purchase advanced machinery and equipment for processing different products.
- To purchase commercial land or land with factory buildings for business operations.
- To construct or renovate factory buildings, including warehouses, storage facilities, cool rooms, and laboratories.
- To acquire vehicles such as mini-trucks, freezer trucks, and other relevant transportation units for business operations.

32.3 Terms & Condition

- Type of the facility Loan or Lease (depend on purposes of the facility)
- Exposure may consider based on client's profile
- Loan Tenor: 24 -72 Months
- Interest Rate – decided base on the pricing policy of CDB

- Guarantor Requirement;
    - One Guarantor is required (Based on Client Profile can be vary)
    - In case of a company, the director of the company shall be obtained as a guarantor
- Applicants must have a minimum of five years of experience in the relevant field
- Acceptable collateral- following collateral are acceptable for this new products
    - Marketable Vehicle
    - Marketable immovable land, land with building
    - Movable or Immovable Machinery and Equipment (Minimum YOM should be used machine within 5 Years from YOM & Brand New)

32.4 Charges

The following charges will be collected as initial fees under this product, and all charges should be paid at the time of application submission.

Documentation – Rs. 500/-

Inspection Charges- Rs. 2,250/-

Note – The charges related to Land and Building or related with any type of construction will be the same as those applied to Home Loan charges.

33. Margin Trading

Margin Trading is where an investor borrows funds from a financial institution in order to purchase listed shares in a Stock Exchange.

Margin loan is obtained to purchase listed shares by accepting a portfolio of listed shares as a security.

33.1Terms & Conditions

- Margin facility Limit shall be below 90% of the initial pledged portfolio value. This shall be the Maximum Loan limit extendable for a borrower. Such limit can be revised based on a borrower's request or Review based on the Market Movement considering value of the portfolio and financial strength of the customer.
- Based on the Market Movement and the Portfolio Movement, Temporary Limit Enhancement can be given for a Maximum period of 3 Months. Approval for the enhancement will be as per the TAL, and if any payments exists will be treated as the Transaction Authority Limits for the daily margin trading payments.
- The Initial Margin Credit permitted to the borrower on share purchases should not exceed 50% of the market value of the total securities portfolio of a particular client
- Upon granting the initial margin, the borrower can purchase shares up to 60% of the market value of the securities based on the value of previous closing market day, subject to facility limit.
- The Company shall ensure a minimum Maintenance Margin of 30% at all times. Maintenance Margin is the minimum amount of borrowers' equity (own funds) that should be maintained at all times. A maintenance margin of 30% permits the market

*Value of the Share/Portfolio of shares to drop until the credit component reaches 70% (0.70) of the Total Portfolio.

***Maintenance Margin** = Borrower's Owned Funds

$$\frac{\left(\textit{Total Value of the Portfolio - Amounts owing to Margin Provider}\right)}{\text{Total Portfolio}}$$

- A Margin Call should be made, when the borrower's Equity component falls down to 35% (the Margin Limit reaches to 65%)

33.2 Un allowed Shares

- Margins are not provided to shares of CDB and Ceylinco Insurance PLC

- Other than above, the Credit Committee will decide the list of UN allowed shares considering the Market Behaviour from time to time.
- Based on the Volatility and Company specific issues, the list of un allowed shares should be determined & reviewed bi-annually or will be considered as continuation of Last Review.
- And where CDB has significant influence.

Note: Borrower may buy shares which are included in the un allowed share list for cash, but CDB would not provide financing for such shares under the Margin Trading facility.

33.3 Types of Borrowers

33.3.1. Individual Borrower

I. Should be an individual who has reached the age of eighteen (18) years as at the application date

II. Facilities will not be granted to Employees of CDB

III. Facilities will not be granted to Directors of CDB and Subsidiary Companies of CDB

33.3.2. Corporate Borrower

I. Should be a Private/ Public limited company incorporated under the Act No 7 of2007

II. Any other legitimate organization duly incorporated in Sri Lanka

33.4. Security of the Facility – Listed Shares

33.4.1. Initial Security

I. Borrower should have a Portfolio of listed shares. Minimum Portfolio value is Rs. 400,000 (general condition) or equant cash to be deposited to build a Portfolio.

II. The portfolio should be encouraged to be diversified. However, the Credit Committee may approve a Single-Share Portfolio based on the customer's background, the value and market liquidity of the shares, and other relevant financial fundamentals.

III. Shares that are not permitted (Un allowed) in the borrower's portfolio should be valued at zero during the Initial Valuation. However, these shares may be transferred to the CDB Margin Trading Account/Slash account, but they will still be valued at zero, when calculating the Margin Factor.

IV. If a Portfolio does not meet the above criteria, Borrower can deposit cash to match the required Minimum Portfolio Value.

33.4.2. Facility Security

I. The shares in the CDB Margin trading account will be considered as the security to the facility.

II. This includes both the Initial pledged shares as well as the Subsequent shares purchased using Margins.

33.5 Valuation of Securities pledged for Margin Trading

Each share listed on the Colombo Stock Exchange (CSE) should be valued, internally based on its fundamentals and market behaviour. To mitigate the Risk Exposure of Margin Trading, CDB has implemented a mechanism that incorporates the Value at Risk (VaR) issued by the CSE for each stock, further adjusted for the concentration of each Stock in an individual customer's Portfolio. Revolved that the methodology of Valuation of Securities pledged for Margin Trading with the calculation of VAR (Value at risk) will be as follows;

a. Average VAR is derived based on the data captured from Colombo Stock Exchange.

b. Spread of Avg. VAR and the Exposure is decided as below;

Spread	Haircut/Exposure Limits
<=14	100%
<=20	75%
<=26	60%
<=32	50%
<=36	0%

c. Further Risk based Haircut is decided on single Share Exposure. Accepted Level of Single Share Exposure in a Client portfolio could be 30%.

Spread	Haircut/Exposure Limits
<=35	No Discount
<=50	25%
<=65	50%
<=80	75%
>=80	100%

d. Both VAR and Single Share Exposure will be accumulated to one Single Weight to decide the final Risk Weightage of a Share under the Client Portfolio.
Any additional haircuts over and above the formula will be decided by the Credit Committee, based on the Market Movement and the volatility of the market, when there is requirement. Shares listed through an IPO will initially be valued at 50% of their Market Value; however, the Single Share Exposure limit will still apply.

The revised valuation of shares should be conducted at least bi-annually. The valuation should be applied to the customer's initial portfolio in order to decide the maximum credit limit and calculating the daily margin factor.

33.6 Margin Call

A Margin Call occurs, when the Portfolio value falls below the Maintenance Margin requirement, prompting the borrower to provide additional cash to settle the credit balance and restore the required equity. The borrower must provide cash or securities within three market days from the date the Margin Call is issued.

If the Investor fails to meet the shortfall within 3 market days, company shall ensure that the securities pledged are sold with due notice to the borrower & broker on the next market day. In the event of forced selling, a written notice (either electronically or otherwise) shall be forwarded to the Client at the end of the market day, upon the sale being concluded.

Within the approval limits of TAL the Credit Committee could approve to differ the Force Sale of the shares

33.7 Payment of Funds from the Margin Trading Account

The company may consider paying funds from the borrower's Margin Trading Account, upon the borrower's request under the following circumstances;

I. Dividend receipts can be repaid to the borrower, until the Margin Limit reaches to 50% upon such payments.

II. Proceeds resulted from selling shares of the Margin Trading Account can be repaid to the borrower until the Margin Limit reaches to 50% upon such payment.

III. Cash withdrawals of Credit balances can be paid to clients with request, recovering the respective accrued interest in Margin Trading Account.

33.8 Applicable Charges

I. Processing fee		Based on the Periodic Review or Decision by the Credit Committee time to time
II. CRIB charges		

III. Portfolio transfer Charges to SEC (Stipulated Charges)

33.9 Interest Rate

Interest Rate will be decided by the Credit Committee on timely manner, based on adding a premium considering the 1 year Weighted Average T- Bill Rate and or AWPLR.

33.10 Classification of Non-Performing

The borrower is not obligated to pay Monthly Interest as long as the Outstanding Balance remains within the Margin Limits. However, if the borrower fails to reduce the exposure, below the Maintenance Margin, the account will be considered as Non-Performing.

Note: Further procedures to be followed is explained in detail under Policy and Procedure Manual of Margin Trading.

34. Letter of Guarantee

Letters of Guarantee are issued to customers to cover potential financial losses incurred by the beneficiary through Business Transactions, such as Dealership, Distributorship, or Agency Agreements. These guarantees are secured by pledging the Active Fixed Deposits held with CDB. The guarantee will cover financial losses, up to the face value specified in the 'Letter of Guarantee' (LG), and the claim can be executed on demand.

LG as a tri-partite Agreement is involved with following parties:

1. Principal	The Person / Corporate, who is requesting for LG
2. Beneficiary	The Corporate Entity, which has a business relationship with the Principal, is requesting a payment guarantee based on the face value of the Letter of Guarantee (LG)
3. Guarantor	CDB will guarantee the LG face value to the Beneficiary on behalf of Principal

34.1. Claim Management

A guarantee claim occurs when the beneficiary company requests payment from the customer within the validity period of the Letter of Guarantee (LG) due to non-payment or breach of agreement. Once a guarantee claim is made, the guarantor company must pay the amount to the beneficiary, regardless of whether the customer agrees, within the guarantee period. The claim can only be put on hold, if the customer provides a Court Order.

34.2. Charges

If the deposit holder requests the Letter of Guarantee:

- For a 1-year Period: 2% of the Guarantee Amount
- For each additional quarter beyond 1 year: 0.5%

If the deposit holder requests the Letter of Guarantee, on behalf of another person:

- For a 1-year period: 2.5% of the Guarantee Amount
- For each additional quarter beyond 1 year: 0.5%

Note: Further procedures to be followed is explained in detail under Procedure Manual of Credit Operation.

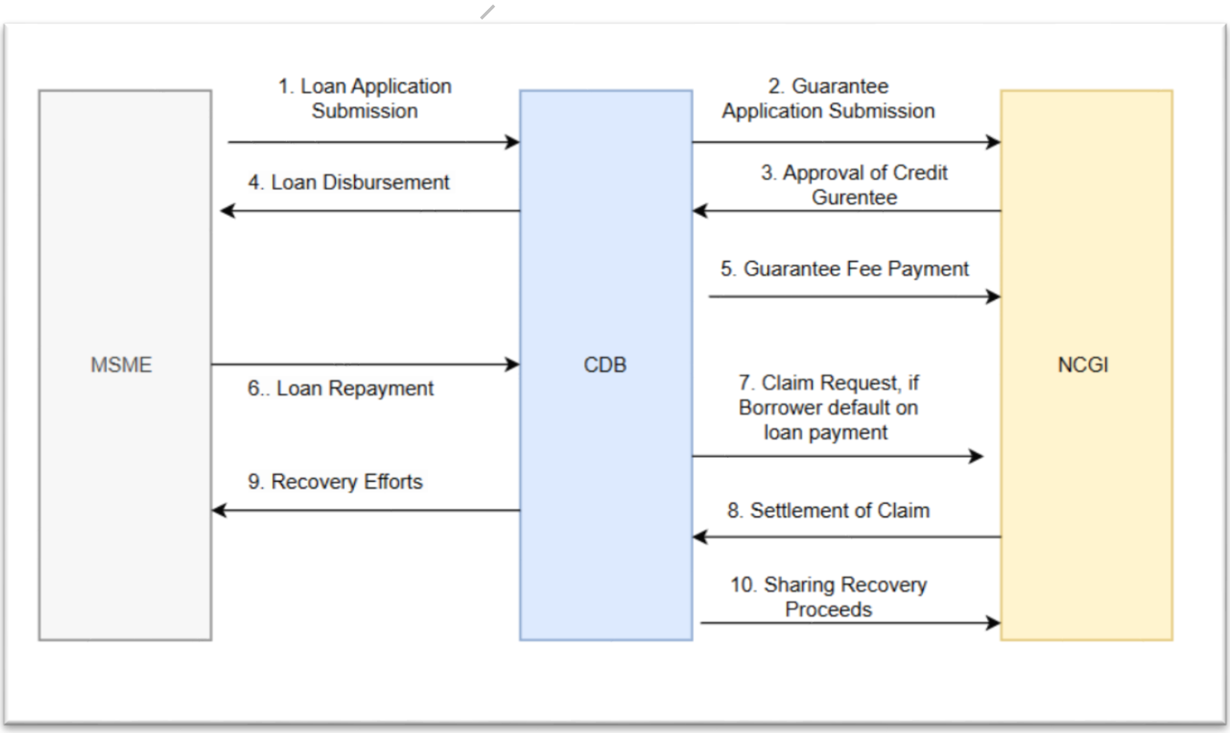
35. National Credit Guarantee Institution (NCGI) Scheme

With the partnership between CDB and the National Credit Guarantee Institution Limited (NCGIL), a subsidiary of the Sri Lanka Ministry of Finance, significant support is being extended to Small and Medium-sized Enterprises (SMEs) by helping to bridge the financing gap many of them face due to inadequate collateral or limited credit history. This collaboration plays a crucial role in enhancing financial inclusion and enabling SMEs to access the capital they need for expansion and long-term sustainability.

35.1. Objectives of the NCGI Scheme;

- To Enhance Access to Credit for MSMEs which often face challenges in securing loans due to lack of collateral or a limited credit history.
- To Support Business Growth and Expansion of MSMEs to become more competitive in their respective markets.
- To Mitigate the risks associated with lending to MSMEs by offering partial Credit Guarantees and Promote responsible lending
- Encourage Sustainable Business Practices

35.2 Credit Guarantee Scheme Mechanism



The activities outlined below provide a comprehensive overview of the mechanism's operation;

1. **Loan Application Submission**: A MSME submits a loan application to CDB for purposes such as working capital, equipment purchase, or business expansion. CDB then assesses the borrower's application and evaluates their creditworthiness. If the borrower meets the required criteria, CDB proceeds with the loan application process.
2. **Guarantee Application Submission**: CDB submits a request for the guarantee to the NCGIL, providing comprehensive details about the loan amount, the borrower's profile, and the intended use of the loan.
3. **Approval of Credit Guarantee**: The NCGIL reviews the loan application and determines whether the borrower meets the criteria for the credit guarantee. Upon approval, the NCGIL issues a guarantee that typically covers up to 67% of the loan amount. This guarantee serves as a safety net for the lender, reducing their risk in the event of borrower default.
4. **Loan Disbursement**: Once the guarantee is approved, CDB disburses the loan to the borrower. The borrower can then utilize the funds for various business needs, including expansion, equipment upgrades, or enhancing working capital.
5. **Guarantee Fee Payment**: The borrower is required to pay a guarantee fee, typically ranging from 1% to 2% per annum, based on the risk profile assessed by the NCGI.
6. **Loan Repayment**: The borrower repays the loan over the agreed-upon tenure. Throughout this period, CDB monitors the borrower's progress to ensure the loan is being utilized effectively and that repayments are made as scheduled.
7. **Default and Claim Request**: If the borrower defaults on the loan, CDB can make a claim on the guarantee for a portion of the loan amount, based on the agreed coverage (typically up to 67%).
8. **Settlement of Claim**: NCGIL processes the claim and provides a guarantee pay-out to CDB.
9. **Recovery Effort:** CDB attempts to recover the remaining loan balance. if applicable.
10. **Sharing Recovery Proceeds:** As per the NCGIL agreement, if NCGIL is entitled to a portion of the recovery proceeds, the remaining funds should be shared with NCGIL in a manner that ensures fairness and equity. This ensures that both CDB and NCGIL receive their respective shares of the recovery proceeds, in accordance with the terms outlined in the agreement.

35.3Implementation and Operational Guideline

NCGI Scheme is designed to provide partial loan guarantees to support businesses, particularly those in the MSME sector, by reducing the risk for CDB. Below are the key terms and conditions of the scheme;

- Loan Amount

  NCGI Scheme range from Rs. 500,000/- to Rs. 25,000,000/-

- Guarantee Coverage

  Partial guarantees of up to 67% of the principal loan amount for new loans provided to MSMEs.

Note: Refinancing or restructuring of existing loans is not eligible under the scheme, ensuring that the guarantee exclusively supports for new credit facilities.

- Eligible Loan Type

  The scheme applies to both Term loans and loans with working capital requirements.

- Guarantee Tenure

  The guarantee is applicable for a tenure ranging from 12 months to 10 years.

- Prioritizes Sectors & Segments

  The NCGIL Scheme prioritizes support for businesses operating in critical sectors of the economy, including Agriculture**,** Manufacturing**,** Information Technology (IT) Services**,** Tourism**,** and Export-oriented industries**.**

- The scheme places special emphasis on promoting socially and environmentally responsible businesses, with priority given to women-owned or women-managed enterprises and environmentally sustainable (green) businesses.

36. Policy Exceptions

As a rule, the company sets Credit Risk Management Policies to keep on course toward its goals. These Policies serve as the guardrails and signs on the road, and without them, the company may not know, if it is on the right course or even lost. It must avoid rationalizing exceptions as acceptable behavior without validating the consequences.

There will be requests to deviate from the Credit Risk Management Policy guidelines time to time. But if the company's lines of business and its credit approvers have agreed on the company's Credit Risk goals and the policies to achieve them, then exceptions to Policy should be infrequent and properly mitigated. Keeping track of key exceptions to policy helps the company stay on course by ensuring that trackable exceptions are identified and mitigated. Further, tighter management of exceptions keeps overall exceptions to acceptable levels.

Staff (Recommendation Officers and Sanctioning Officers) who involve in the credit decision at the time of granting a loan/lease should adhere to the Credit Risk Management Policy of CDB. When assessing the credit worthiness of customers, if any exception(s) from the Credit Risk Management Policy is found;

- The Recommendation Officer should report such exception(s) to relevant Sanctioning Officer with proper justifications at the time of Recommendation.

- Then the relevant Sanctioning Officer should report these exceptions(s) to the succeeding Sanctioning Officer who is in the hierarchical order as per the delegation of authority and obtain his/her covering approval. Sanctioning Authoritative, from whom the covering approval should be obtained for Policy Exceptions (Product Wise) based on Facility Amount is given below.

Auto Finance Facilities

Approval Limit (Rs.)	Delegation of Authority
3 Mn	Assistant Manager (CED)
5 Mn	Deputy Manager & Above (CED)
7.5 Mn	Manager & Above (CED)
10 Mn	Senior Manager & Above (CED)
15 Mn	GM (CED)

Note - Policy exceptions exceeding Rs. 15 Mn will be sanctioned by the same sanctioning authority (Credit Committee level) in accordance with the delegated authority.

Home Loan

Approval Limit (Rs.)	Delegation of Authority
3 Mn	Manager & Above (CED)
5 Mn	Senior Manager & Above (CED)
10 Mn	GM (CED)

Note - Policy exceptions exceeding Rs. 10 Mn will be sanctioned by the same sanctioning authority (Credit Committee level) in accordance with the delegated authority.

SME Loan / Solar Loan /Agri & Fisheries Loan

Approval Limit (Rs.)	Delegation of Authority
5 Mn	Senior Deputy Manager & Above (CED)
7.5 Mn	Senior Manager & Above (CED)
10 Mn	GM (CED)

Note - Policy exceptions exceeding Rs. 10 Mn will be sanctioned by the same sanctioning authority (Credit Committee level) in accordance with the delegated authority.

Personal Loans

Approval Limit (Rs.)	Delegation of Authority
Up 3 Mn	GM (CED)
3 - 5 Mn	Any two Members of Delegated Credit Committee
5 – 7.5 Mn	Any three Members of Delegated Credit Committee & Above
7.5 – 10 Mn	Any Four Members of Credit Committee

Credit Cards

Approval Limit (Rs.)	Delegation of Authority
500,000	Manager & Above (CED)
1,000,000	AGM & Above (CED)
Up to 5,000,000	GM (CED)

Three Wheeler Facilities

For any Policy Exceptions of three wheeler facilities, covering approval should be obtained from the respective Regional Head– Credit Evaluation.

Two Wheeler Facilities

For any Policy Exceptions of two wheeler facilities, covering approval should be obtained from the Regional Head – Credit Evaluation.

Up to Rs.7.5 Mn Delegation of Authority of Branch

For any Policy Exceptions of facilities approved by HOBs & ASMs under this, covering approval should be obtained from the respective Regional Heads – Credit Evaluation.

Policy exceptions from the Credit Risk Management Policy are captured and the Credit Committee review those time to time.

37. Problem Credits and Remedial Management

37.1 Problem Recognition

A problem credit is a credit facility which carries an above-normal risk for one or more of the following reasons:

- It has already become evident that the borrower's creditworthiness has deteriorated or will start to deteriorate to such an extent that they are distressed or insolvent and will fail to meet their obligations to the company (and other creditors) as and when they fall due;
- Extraordinary circumstances arise (e.g. Fraud, Economic, Mismanagement, Political, Regulatory, Legal, Documentary etc.) that may result in the borrower being placed in an Economic or Legal position, whereby they will be unable or unwilling to meet their obligations to the company (and other creditors) as and when they fall due.

37.1.1. Warning Signals

Credit risks are inherent in finance business and losses on the debtor's portfolio are always possible. However, experience has shown that a large amount of the losses can be avoided or reduced if, before a customer becomes insolvent, the company's management responds to warning signals by taking appropriate measures.

The following are the Early warning signals of the weakened accounts.

- ✓ Violation of Lease/Loan agreement provisions
  - ✓ Lapses in installment payments
  - ✓ Diversion of funds/loan proceeds

- ✓ Internal problems
  - ✓ Disappearance of Assets
  - ✓ Non-Remittance/rolling-over of collections
  - ✓ Returned cheques to suppliers and creditors
  - ✓ Arrears status of Overdraft facilities
  - ✓ Management shake-up
  - ✓ Labor turnover

- ✓ Financial
  - ✓ Low Sales Turnover
  - ✓ Diminishing Margin of Profitability
  - ✓ Decline in Inventory Turn-Over
  - ✓ Build-up of Receivables vs. Sales/Total Assets

- ✓ Major Sales of Assets/declining Assets
- ✓ Increase in liabilities
- ✓ Deteriorating Cash position
- ✓ Increasing Collection Period
- ✓ Increasing bad-debts

✓ Non-financial indicators

- ✓ Unreasonable request for substantial increase in credit
- ✓ Investment in non-related ventures of business
- ✓ Fast turn-over of employees without justifiable reasons
- ✓ Substantial or repeated rumors about the unsatisfactory credit habits of the debtor
- ✓ Poor maintenance of Plant and Equipment
- ✓ Evidence of Legal action

In addition to above mentioned early warning signals, in view of a growing interest in the environment, a periodical check on certain customers should be considered to establish that they;

- ✓ Have no environmental problem or potential environmental problem under applicable Laws
- ✓ Are not ordered to clean up any site, which is claimed to be contaminated with hazardous substances
- ✓ Did not receive notice from the authorities, or any other sources, that they are, or may be, responsible or potentially responsible for the clean-up costs of such site.

37.1.2. Watch list clients

It is the responsibility of respective managers, who are responsible for different products (Vehicle financing, Facilities which granting against immovable properties, Personal Loans and Credit Cards) at Credit Evaluation Division to be updated of all news and information with regard to their clients and classify them under "Watch" based on above warning signals. However, it should be noted that not all warning signals warrant the "Watch Listing" of a customer.

Respective Managers are responsible for regular Follow-Up (over the Phone and directly through Customer visits) of clients in the Watch List and continuous assessment of value of collateral belongs to their credit facilities.

The Watch List will be tabled at the relevant Credit Committee on a quarterly basis to discuss and decide on appropriate action. It is of utmost importance that the portfolios are reviewed carefully and all deteriorating/doubtful accounts are added to the Watch list, so that appropriate action can be taken early. If the list is not updated properly, there will be unwarranted surprises in the form of NPLs etc.

37.1.3 Overdue Positions

A loan or installment is considered to be overdue when repayments of principal and/ or payment of interest are not effected on or before the actual due date. Post Disbursement Follow-up Division is responsible for monitoring overdue positions of all lending contracts and take necessary actions for recoveries.

This is explained in detail under the section of Post Disbursement Follow-up of this Credit Risk Management Policy.

37.2 Remedial Management

Problem credits of CDB is managed based on the following objectives.

1. Minimizing Losses: To limit the potential financial losses by taking appropriate corrective actions to recover Outstanding amounts and mitigate further exposure.
2. Early Identification and Intervention: To identify problem credits at an early stage through regular monitoring and prompt intervention, helping to prevent further deterioration of the Credit Quality.
3. Effective Risk Assessment and Mitigation: To continuously assess the Risk Profile of problem credits and implement strategies to reduce risk, such as Restructuring or Revising repayment terms.
4. Preserving Customer Relationships: To manage problem credits in a manner that preserves the long-term relationship with the borrower, where possible, through negotiation or Restructuring.
5. Compliance with Regulatory Requirements: To ensure all actions taken in managing problem credits are in line with regulatory guidelines and internal Credit Policies.
6. Optimizing Recovery: To focus on maximizing the recovery of outstanding amounts through various means, including negotiation, collateral liquidation, or legal action, if necessary.
7. Ensuring Transparency: To maintain clear and transparent communication with stakeholders, including Senior Management, on the status and strategy for managing problem credits.
8. Preventing Future Problem Credits: To learn from past experiences by improving risk assessment, Credit Evaluation processes, and internal controls to prevent similar issues from arising in the future.

By focusing on these objectives, CDB aims to effectively manage problem credits while protecting its financial interests and maintaining a strong Credit Portfolio.

All credit functional units involve in Remedial Management of problem credits as a collective effort to build a high quality credit portfolio. Post Disbursement Follow-up Division plays a major role in Remedial Management of problem credits and this is explained in detail under the section of Post Disbursement Follow-up of this Credit Risk Management Policy.

38. Reschedulements

38.1 Types of Rescheduling Facilities

These are three types of rescheduling facilities as below;

- Capital Part Settlement

This option facilitates the borrower to make a capital part payment without paying all the rentals.

- Terms Change

This option facilitates the borrower to change the period of the loan facility. The customer can increase or decrease the period.

- Arrears Facility Rescheduling

The customer can request to reschedule the facility arrears, by submitting a written request and the supporting documents. The arrears amount is capitalized. The number of times a credit facility can be rescheduled or restructured to a maximum of three (3) times in arrears facility rescheduling**.** Beyond this limit, such facilities should be subject to enhanced risk classification and monitoring, with appropriate provisioning measures in place.

When rescheduling arrears facilities, the requirement for impairment also needs to be considered. The basis of provision/Impairment may depend on the future prospects of the company, Repayment Capacity, realizable value of Security, nature of the industry, concessions granted etc. The PDF Division should justify the borrower's Repayment Capacity with persuasive evidences.
Every reschedulement has to be justified by the PDF Division on realistic assumptions with supporting cash flows. The PDF Division should ensure that, it is not a postponement of a NPL, but that it is a realistic plan which can be adhered to by the borrower.

Note- The above-mentioned reschedulments are subject to approval, based on the Transaction Authority Limits (TAL).

Refer the procedure manual of PDF Division to see the procedures to be followed, when Rescheduling the lending contracts.

39. Segregation of Non-Performing Loans Based on Period and Impairment Policy

If any lending contract becomes, 90 Days past due (90 DPD), it is categorized as Non-Performing Loan. CDB carries out impairment provisioning based on Sri Lanka Accounting Standards as well as CBSL directions.

Impairment Based on Sri Lanka Accounting Standards (LKASs) and Sri Lanka Financial Reporting Standards (SLFRSs):

Impairment charges and other credit losses on Financial Assets

SLFRS 9 – "Financial Instruments" – key transition impacts on impairment

The company recognizes loss allowance using Expected Credit Losses (ECL) on loans and receivables to customers and other financial assets measured at amortized cost model using dual measurement approach which the loss allowance is measured as either 12-month Expected Credit Losses or lifetime Expected Credit Losses. ECL applies to financial assets that are not measured at FVTPL (Fair Value through Profit or Loss), including loans and receivables, and all other debt securities. ECL does not apply to equity investments and need to be measured at fair value.

Loans and Receivables

Under ECL Model, the company uses a dual measurement approach, under which the loss allowance is measured as either 12-month ECL or lifetime ECL. The measurement basis generally depends on whether there has been a significant increase in Credit Risk, since initial recognition. Special rules apply to assets that are credit-impaired.

Key changes in the CDB's Accounting Policy for expected losses of financial assets are listed below:

The company applies three-stage approach to measuring Expected Credit Losses (ECL) on Loans and receivables and other financial assets measured at amortized cost. Assets migrate through the following three stages based on the change in credit quality, since initial recognition.

Stage 1: 12 months ECL

For exposures, where there has not been a significant increase in Credit Risk, since initial recognition, the portion of the lifetime, ECL associated with the probability of default events occurring within next 12 months is recognized.

Stage 2: Lifetime ECL – not Credit Impaired

For credit exposures, where there has been a significant increase in Credit Risk, since initial recognition, but that are not credit impaired, a lifetime ECL is recognized.

Stage 3: Lifetime ECL – Credit Impaired

Financial assets are assessed as Credit impaired, when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

The assessment of whether Credit Risk on a financial asset has increased significantly will be one of the critical judgments used in Impairment Model prescribed in SLFRS 9 – "Financial Instruments" which uses combination of both qualitative factors and backstop based on delinquency. The company considers that a significant increase in credit risk occurs no later than, when an asset is equal or more than 30 days past due. Where there is a significant increase in Credit Risk, CDB uses lifetime ECL model to assess loss allowances instead of 12–month ECL model.

The company considers the indications of Credit default does not occur equal or later than 90 days which is in line with the regulatory definition of default.

The key inputs used for measurement of ECL is likely to be the term structures of the following variables:

Probability of Default (PD)	PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The company forecasts PD by incorporating forward looking economic variables (Unemployment, GDP growth, inflation, Interest Rate and using lag effect of these variables).
Loss Given Default (LGD)	LGD is the magnitude of the likely loss, if there is a default. The company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.
Exposure at Default (EAD)	EAD represents the expected exposure in the event of a default. The company derives the EAD from the current exposure to the

	counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is, its gross carrying amount.

Accounting Policy

The company recognizes, loss allowances for ECL on loans and receivables other financial assets measured at amortized cost. Accordingly, this note covers expected loss allowances for –

Loans and receivables to customers

Other financial assets measured at Amortized Cost

No impairment loss is recognized on Equity Investments.

Loans and Receivables to Customers

The company measures loss allowances using both lifetime ECL and 12 month ECL. When determining whether the Credit Risk of a financial asset has increased significantly since initial recognition and when estimating ECL, CDB considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward- looking information.

The company assumes that the Credit Risk on a financial asset has increased significantly, if it is equal more than 30 days past due. The company considers a financial asset to be in default when:

The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions, such as realizing security (if any is held); or the financial asset is equal or more than 90 days past due.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The Maximum Period considered when estimating ECL is the maximum contractual period over which the Group is exposed to Credit Risk.

Measurement of ECL

ECL are a Probability Weighted Estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

ECL are discounted at the effective interest rate of the financial asset.

Credit-Impaired Financial Assets

At each reporting date, the company assesses whether financial assets carried at amortized are credit impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

Significant financial difficulty of the borrower or issuer;

a breach of contract such as a default or being more than 90 days past due;

the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

it is probable that the borrower will enter bankruptcy or other financial reorganization; or

the disappearance of an active market for a security because of financial difficulties.

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be de-recognized and ECL are measured as follows:

If the expected Restructuring will not result in de-recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in de-recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset, that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case, when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Other Financial Assets measured at Amortized Cost

The company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

Debt investment securities, that are determined to have low Credit Risk at the reporting date; and other financial instruments on which Credit Risk has not increased significantly, since their initial recognition.

The company considers a debt security to have low Credit Risk, when their Credit Risk Rating is equivalent to the globally understood definition of "Investment Grade".

This policy is applicable to loans and receivables to banks, deposits with Licensed Commercial Banks and other Investment Securities measured at amortised cost.

40. Segregation of Non-Performing Loans Based on Potential Risk

Potential risk refers to the forward-looking assessment of the likelihood that a borrower's credit quality may deteriorate, resulting in default or non-performance of the loan obligation. Incorporating potential risk evaluation into the management of Non-Performing Loans enables CDB to proactively identify vulnerabilities within the loan portfolio, implement timely corrective measures, and strengthen overall asset quality. This approach is essential for minimizing credit losses, improving recovery outcomes, and supporting sustainable lending practices.

At CDB, the classification of Non-Performing Loans (NPLs) is guided by a potential risk-based approach, which enables the early identification and prioritization of accounts requiring focused recovery strategies. This approach goes beyond conventional metrics by incorporating both quantitative indicators and qualitative insights to ensure a more accurate and forward-looking risk assessment.

The categorization process considers the following key factors:

1. Frequency of Rescheduling:
   The number of times a facility has been rescheduled or restructured is a key indicator of potential repayment challenges. Multiple rescheduling—particularly beyond the policy threshold of three (3) instances—signal a higher level of risk and warrant closer monitoring and more stringent recovery measures.
2. Permanent Status Changes Reported by the Post Disbursement Follow Up Division:
   Verified information received from the PDF Division—such as the death of the customer, permanent disability, or other critical developments—is factored into the risk classification. These insights help determine the feasibility of further recovery action or the need for alternative resolutions, such as write-offs or legal processes.
3. Repayment Behaviour Commentary from the Recovery Officer:
   The professional judgment and field-level observations of the Recovery Officer regarding the borrower's repayment behaviour, willingness to cooperate, and overall attitude toward repayment play a vital role in assessing the actual potential for recovery. These qualitative inputs help validate or escalate the risk categorization and ensure more targeted and effective recovery strategies.

By integrating these three factors into the potential risk framework, CDB ensures that NPLs are not only evaluated based on past performance but also on realistic future outcomes, allowing for stronger credit risk governance and more efficient recovery resource allocation

41. Credit Portfolio Review

Credit Review is an integral part of a total system for managing the credit portfolio of CDB. It helps to ensure that a credit portfolio remains resilient in the face of changing market conditions, is aligned with Risk Management objectives, and is positioned to deliver sustainable returns while mitigating potential losses.

41.1 Objectives

The following are the objectives of credit portfolio review;

- Assess the management of Credit Risk
- Identify problem credits of CDB's credit portfolio through Early Warning signals and manage those
- Provide speedy credit decisions for credit proposals as per SLAs while performing quality Credit Evaluation
- Identify the areas in the credit evaluation that need improvement and recommend corrective actions
- Provide feedback to Senior Management on the overall Credit Risk Assessment
- Provide inputs for Credit Risk Management Policy formulation

41.2 Scope

Credit Evaluation Division is responsible for periodic undertaking of Credit Portfolio Review and it covers the following scope.

- Portfolio quality

  This is principally evaluated using a quantitative assessment of the portfolio mix and its outcome in terms of collection ratio, non-performing loan (NPL) and return (WALR). This includes;

  - ✓ Analysis of lending portfolio of CDB in different dimensions (Product wise, Asset wise, Branch wise, Sector wise, Sanctioning officer wise, Recommendation officer wise etc).
  - ✓ Identification of problem credits through Early Warning Signals, mentioned under the section of "Problem Credits and Remedial Management" of this Credit Risk Management Policy, before they go worst and make suggestions to take necessary remedial actions.
  - ✓ Preparation of a "Watch List" of customers and report to the Credit Committee on a quarterly basis to decide on taking appropriate action.
  - ✓ Preparation of Arrears Vs Matured Matrix for different lending products and do a sample review of contracts to assess the quality of Credit Decisions made.
  - ✓ Review the total credit portfolio of CDB and identify customers with good repayment pattern to see opportunities of cross selling.

- Process quality

  This covers the quality of Credit Evaluation (in terms of facility Recommendation and Sanctioning), problem recognition (assess the ability to anticipate adverse factors affecting Credit Risk and to detect potential problem accounts, as well as timely reporting of such events to the relevant authorities) and lease/loan recovery management (evaluate the effectiveness of action plan on problem accounts).

  Review the existing credit process of different lending products and make suggestions for process improvements is an important function under process quality.

- Risk based Pricing

  Risk-based pricing refers to the offering of different interest rates to different customers based on their creditworthiness. This is explained in detail under the section of "Risk Based Pricing" of this Credit Risk Management Policy.

- Service level Agreements (SLAs)

  This covers the achievement of SLAs in terms of giving speedy credit decisions while maintaining the credit quality. Assess the monthly progress of time taken to recommend and approve Credit facilities (Head Office and Branches) is an important function under Service Level Agreements.

- Organisation and Staffing

  This aspect of the review shall establish the appropriateness of the organizational set-up in terms of staff adequacy, work experience, description of functions, account assignment and back-up system, among others.

- Coaching and Training

  The review shall determine the availability and effectiveness of training programs and other coaching tools in the delivery of functions.

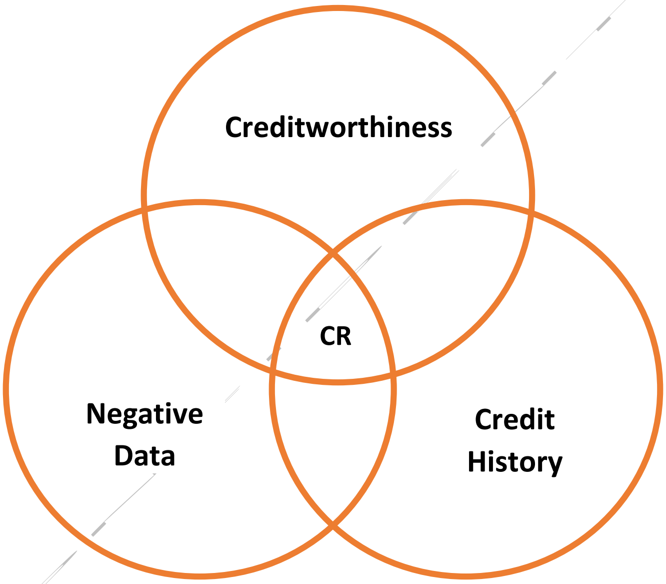
42. Credit Review

Credit review is an assessment of a person's credit profile conducted periodically by a financial institution that has extended the person credit. The decision to continue the extension of credit or offer additional credit is based on the financial institution's findings from the Credit Review.

CDB conducts Credit Review on both individual and corporate customers to assess their risk level and their ability to continually honour outstanding credit obligations. Based on the Credit Review findings, CDB makes decisions on whether to extend credit or cease extending credit to the borrower. CDB conducts Credit Review on annual basis to determine whether customers with outstanding credit meets the existing lending criteria and standards.

42.1 Purposes of Credit Review

Following are the three main purposes of conducting Credit Review by CDB.



1. Evaluate the credit worthiness of potential borrowers

   CDB uses the Credit Review as a tool for assessing a customer's ability to make principal and interest payments on time. For existing customers with outstanding loans, CDB is interested in knowing whether they still meet the loan requirements and lending criteria and if their financial circumstances could have changed.

   The findings can help CDB review the credit lines with the goal of increasing or reducing the amounts available to the customers.

2. Examine prospective borrower's credit history

   CDB also conducts Credit Reviews with the goal of examining the credit history of a borrower to know their track record in terms of the amount of credit they have borrowed in the past, payment patterns, history of defaults and foreclosures etc. CDB obtains the CRIB report from Credit Information Bureau of Sri Lanka.

   The CRIB report provides information about all the lenders that have extended credit to the customer, payment history, Credit Limits, and the consistency in making timely payment across the different lenders. CDB then uses the information to make a decision on whether to approve or reject the loan application, depending on the assessed risk level and past credit history. This process is further streamlined with an internally developed Automated Score for CRIB reports.

3. Reveal negative data about borrowers

   CDB uses the Credit Review to scrutinise a borrower's financial status to find out negative information relating to their previous credit history. If CDB finds that a borrower with an outstanding credit has negative information relating to credit history, the credit line may need to be re-evaluated to reflect the new information.

   The presence of negative information in a borrower's CRIB report presents an increased risk to CDB, and CDB may choose to reject further loan applications or reduce the credit line available to the borrower.

42.2 Information Collected During Credit Review

CDB is interested in mainly collecting the following information during Credit Review.

1. Adequacy of collateral

   When conducting an Annual Credit Review, CDB is interested in knowing the adequacy of the collateral pledged for the credit facility. Specially, the lender determines whether the fair value of the collateral is enough to cover the total amount of credit facilities in case the borrower defaults.
2. Capital

   When extending credit to a borrower, CDB may give preference to borrowers with reserve capital from savings, investments or real estate. The reserve capital can be used to repay the loan in case the business/activity being funded fails.

3. Loan Purpose

   At time of Credit Review the intended purpose for which the credit facility was granted should be assessed to make sure the intended purpose was met. If the purpose of the loan is not met, there is a higher risk of defaulting and additional financing should not be granted.

4. Credit History

   Repayment history of all credit facilities obtained by the borrower should be assessed using CRIB reports and if any delayed repayment pattern or negative remarks found, no additional financing should be considered for that borrower. Further, reducing the facility amount also could be considered.

5. Repayment Capacity

   At the time Credit Review, present repayment capacity of the borrower should be assessed based on the source of income (Employment Income, Business Income, Other income etc.)

42.3 Credit Review Approach and Procedure

41.3.1 CDB Annual Credit Review

As part of enhancing the credit portfolio of CDB and in compliance with the requirements set forth by the Central Bank of Sri Lanka (CBSL) under the Finance Business Act, Direction No. 1 of 2020 – Classification and Measurement of Credit Facilities, all existing credit facilities must undergo a periodic review on an annual basis.

This comprehensive process is designed to assess the creditworthiness of existing clients and evaluate the ongoing performance of credit exposures, including loans, credit lines, and leases. This process plays a crucial role in ensuring that the credit portfolio remains healthy and aligned with the institution's risk management framework.

This is a system-based daily review process for facilities where the rental duration has reached twelve (12) months or more from the disbursement date. The process involves reviewing the related CRIB status via API and generating the CRIB score based on the current financial behaviour of the client.

Based on the Credit Score, Rating will be developed such as Green, Yellow, Orange & Red and from the rating and given criteria, decisions (Excellent, Satisfactory and Poor) will be come as outcomes. These outcomes will trigger two separate queues in Smart Ops System such as Credit Worth Back Business Channel (Excellent & Satisfactory) & Recovery Follow Up Channel (Poor) for future actions.

42.4 Charges

Charges applicable for the Annual Credit Review will be as below;

Facility Value (Rs)	Review Charge (Rs)
Up to 500,000	2000/-
500,000 – 1,000,000	2500/-
1,000,000 – 2,500,000	3000/-
2,5000,000 – 5,000,000	4000/-
5,000,000 – 10,000,000	4500/-
Above 10,000,000	5000/-

43. Post Disbursement Follow-up

The Post-Disbursement Follow-up operations at CDB serve as a guideline for all debt recovery activities, with the primary aim of safeguarding the asset quality of the company's lending portfolio. The main objective of the Post-Disbursement Follow-up Division (PDPD) is to maximize cash collections and minimize potential losses, thereby making a significant contribution to the company's bottom line while reducing exposure to slow-paying customers. This objective is achieved through the application of consistent recovery practices, taking into account regional and country-specific operational differences, customs, and available resources.

Post Disbursement Follow-up Division is under the purview of Deputy CEO/Director and the division has two main functions.

- Recovery Operations – scope of recovery operations, documents involved and procedures to be followed are clearly stated in the procedure manual of Post Disbursement Follow-up operations.
- Recovery Follow-up Operations– Staff of Recovery Follow-up Unit involves in this function and it is explained in detail under this section of the Credit Risk Management Policy.

43.1 Recovery Follow Up Unit

Recovery Follow-up Unit consists of three sub units and their scope are as follows;

	Follow-up Unit	Scope
1.	Front End Collection Unit (Recovery Call Centre)	Less than Two (2) Months in Arrears Contracts (Below 60 Due Past Days (DPD))
2.	Recovery Field Officers	Two (2) to Twelve (12) Months in Arrears Contracts (60=<360 Due Past Days (DPD))
3.	Outsource Debt Recovery Agencies	Balance of the facilities after allocation to the call center and recovery field officers, especially for facilities in Above 60 DPD

42.1.1 Recovery Call Centre

The Recovery Call Centre is responsible for overseeing contracts below 60 DPD portfolio. These contracts are then routed to Collections Call Centre and Call Centre Agents are responsible for;

- Reminding the arrears to the customers
- Obtain promises and diarize
- Capture Early Warning signals

Following will be recognized by Call Centre Agents as Early Warning Signals;

- Customers who provide many false commitments
- Customers who are consistently unreachable by phone
- Facilities servicing by third party persons

If a customer remains consistently unreachable, the guarantors will be contacted to obtain valid alternative contact information. Any Early Warning signals identified during this process will be promptly communicated to the respective Recovery Officers and Recovery Supervisors for necessary action.

This unit operates under the leadership of the Head of Recovery – Call Centre, who is responsible for monitoring call quality, tracking the number of calls made by agents, and assessing both the efficiency and effectiveness of these calls. The continuous improvement of the unit's productivity will remain a key focus.

43.1.2 Recovery Filed Officers

Recovery Field officers are allocated to each branch and he is responsible to manage the branch entire portfolio assets quality across all lending products. In the branch portfolio facilities in the 60 to 360 DPD are handled by the Recovery Field Officers attached to the respective branches. They use following methods to ensure that the payments are collected from the customers in the said arrears basket.

An initial attempt will be made to contact all customers to inform them of the arrears and to obtain payments or secure a promise of payment. The outcomes of these calls will be duly recorded in the system.

For customers who are unreachable or for any doubtful facilities, personal visits will be conducted by the responsible officer. The outcomes of these visits will also be recorded in the system.

Early Warning Signals should be identified promptly and immediately escalated to the respective Head of Business (HOB), Recovery Supervisor, and Recovery Management for timely remedial action.

A comprehensive report detailing all contracts and the outcomes of the collection efforts will be submitted by the respective Recovery Officer to immediate supervisor and the management. This report will include promises obtained from customers and any identified Early Warning Signals. Recovery Officers will continue to follow up on the promises made and actively trace missing customers or vehicles throughout the month, making their best efforts to minimize contracts progressing into the next arrears buckets.

43.1.3 Outsource Debt Recovery Agencies

CDB has strategically outsourced debt collection activities to third-party agencies in order to recover outstanding debts efficiently and professionally. While the debt collection process is managed by external agencies, CDB has established the following responsibilities to ensure effective oversight and management;

1. **Define Objectives and Scope**: Clearly outline the specific tasks and responsibilities to be delegated to the outsourcing agency.
2. **Daily/Weekly Monitoring:** Regularly monitor daily and weekly activities through a designated platform or system to track the agency's progress. Ensure tasks are completed according to the agreed-upon schedule and quality standards.
3. **Performance Reviews:** Conduct regular performance evaluations to assess the agency's output. Review reports and analyse key metrics to identify areas for improvement.
4. **Feedback and Adjustments:** Provide constructive feedback to the agency to enhance performance. Adjust processes and workflows as needed to address any issues or inefficiencies.
5. **Regular Reporting:** Require the agency to submit detailed reports on task completion, challenges encountered, and the solutions implemented.
6. **Issue Resolution:** Establish a structured process for promptly addressing and resolving any issues that arise in a professional manner.

43.2 Legal Recovery Procedure

The Legal Recovery Unit shall be responsible for initiating and pursuing appropriate legal proceedings in relation to all credit facilities referred for litigation. The unit is required to operate strictly within the framework of the company's established litigation policies, guidelines, and criteria as separately defined.

43.3 Collections/Recovery Strategies

Customers are expected to pay all Rentals/Instalments on or before the designated due date. Proactively, the Post Disbursement Follow-up Division should identify and correct process defects that would prevent a customer from paying on time.

This will lead to following the practice of establishing and conducting routine interactions for reviewing collections performance, managing work and assigning actions for managing daily operations and driving collection improvement. When a customer is past due, the intent of this process is to determine the reason for non-payment and take appropriate steps to collect from customers who delay to pay or correct the defect that renders the customer's unwillingness to pay.

Actions are taken to obtain payment as quickly as possible, in a cost-effective manner, consistent with local laws and business practices. Effective collection practices serve to improve cash flow, identify and minimize risk of loss.

Following actions are taken when lending contracts fall under different arrears baskets.

Arrears Basket	Action(s)
0.01 to 0.99 Rentals in arrears	SMS Reminder Telephone calls
1.00 to 1.99 Rentals in arrears	SMS Reminder Telephone calls Reminder Letters
2.00 to 2.99 Rentals in arrears	SMS Reminder Telephone calls Reminder Letters Visits by the Marketing Officer /Recovery Officer
3.00 to 12.00 Rentals in arrears	Termination Letter of Demand Visits by the Recovery Officer /HOB/ Recovery Managers Restructuring

	Repossession Litigation
Over 12 Rentals in arrears	Letter of Demand Visits by the Recovery Officer /HOB/ Recovery Managers Specialized debt recovery actions Restructuring Repossession Litigation

Formal reminders sent to customers who falls under different arrears basket are as follows.

Arrears Basket	Type of Reminder
1.00 to 1.99 Rentals in arrears	Reminder Letter
2.00 to 2.99 Rentals in arrears	Substantial failure and accelerated payment letter (Notice of Termination)
3.00 to 3.99 Rentals in arrears	Termination Letter sent in minimum of 14 days after posting of accelerated payment letter
Above 6.00 Rentals in arrears	Letter of Demand

43.4 Credit Card Recoveries

CDB Credit Card Recoveries refers to the process of recovering the outstanding balances from customers who have failed to make timely payments on their Credit Card Accounts. This process may include monthly billing, tracking of overdue payments, and implementation of appropriate recovery strategies for accounts in arrears.

Bills are generated monthly for customers with Credit Cards and billing cycle will be determined as per the customer feasibility preference.

- Customers who receive their bill on the 15th of each month have a due date of the 9th or 10th of the following month.

- Customers who receive their bill on the 31st or 30th of the month have a due date of the 25th of the following month.

Each customer is required to pay their bill amount on or before the due date. Prior to the due date, customers have the option to pay either the total outstanding amount (Total amount spent on the Credit Card) or the Minimum Payment (The minimum payment is 5% of the total outstanding amount). If a customer pays the total outstanding amount on or before the due date, no additional charges will be applied. However, if the customer only pays the minimum amount on or before the due date, interest will be charged on the remaining Outstanding Balance.

43.4.1 Arrears Categorization

Customers with overdue payments are categorized into seven distinct baskets based on the number of days past due (DPD):

1. 0 - 30 days
2. 31 - 60 days
3. 61 - 90 days
4. 91 - 120 days
5. 121 - 150 days
6. 151 - 180 days
7. 181 days and above

Accounts with a Days Past Due (DPD) of 91 or more are classified as Non-Performing Assets (NPA).

43.4.2 Recovery of Over Due Payments

CDB Credit Card Recovery Unit is primarily responsible for recovering overdue advances/ default payments by following the normal credit card recovery process and support of the branch network is obtained in case of special instances. In addition to internal follow up teams further services from Outside Recovery Agencies are also obtained for the better recovery of credit card NPA portfolios

CDB follows the credit card recovery process outlined as below;

a) **SMS Reminder** - SMS notification is sent informing Due Amount & Due Date (for customers who are approaching their due date as well as for those whose payment due date has already passed)

b) **Temporary Block Letter** - Customers who are in arrears for approximately one month will receive a Temporary Block Letter. This letter notifies them that their credit card has been temporarily blocked and advises them to pay at least the minimum outstanding amount to unblock the card

c) **Allocating CDB Follow up Agents** – All the customers who are Days Past Due are allocated for the CDB follow up Agents and they contact customers over the phone and do the follow up

d) **Allocating Follow Up to Outsource Agencies/ Recovery Officers**- All the Credit Card in the 61-90 Basket and NPA category are allocated among Recovery Officers and Outsource Agencies to do the follow up

e) **Letter of Demand (LOD**) – Before initiating formal court proceedings, a legal notice is sent to the customer who are in Arrears basket 91-120 & NPA. This notice typically demands immediate payment of the outstanding amount, outlining the consequences of non-payment, including potential legal action.

f) **Deactivate Letter** - Once the Days Past Due (DPD) reaches 121, the credit card is automatically deactivated by the system. A letter is then sent to the respective customers, informing them of the deactivation and requesting them to settle the full outstanding balance

g) **Mediation Board** - Accounts that are more than 120 days past due with an outstanding balance below Rs. 150,000.00 are referred to the Mediation Board. Legal Division officers are responsible for follow-up actions and will initiate the case filing process with the Mediation Board.

h) **Filing Cases at Courts** – Accounts with arrears that have exceeded Rs. 150,000 and have remained unresolved for a 120 days or more are reviewed for potential legal action

Procedures to be followed in carrying out all above mentioned recovery functions and documents required are explained in detail under procedure manual of Post Disbursement Follow-up Division.

44. Acquired Asset Management Unit (AAMU) Operations

CDB AAMU is a place, where the Registered Repossessing Officer of the CDB who hands over the CDB's repossessed vehicles of defaulted customers. As well as a vehicle can be handed over by the customer himself due to the incapability of settling the vehicle rental outstanding or any vehicle which has any legal bond can be reserved at AAMUs temporally. After acquired the defaulted assets in to AAMU, the unit is responsible to management/dispose the assets base which is in the AAMU centres & finally responsible for Dispatching the obtained assets through AAMU centres.

44.1 Vehicles in through Repossession

CDB sends the letter of termination to rental non-paid customers and giving the concessions period of 14 days to settle the vehicle outstanding arrears amount. During this period customer can set off the vehicle outstanding amount, after discussing with zonal recovery officers. After the concessions period, CDB registered repossessing officers are assigned to collect the vehicles from non-paid customers. The required order will be generated by repossessing officers at the Head Office Post Disbursement and Follow up Division through Smart Ops Yard Management System.

Procedures to be followed when accepting vehicles to AAMU is stated in the Procedure Manual of Acquired Asset Management Unit operations.

44.2 Vehicle Stock Confirmation for RMV Transfer`

Some selected special case vehicles, such as those with RMV objections or those granted special approval for absolute ownership, that are part of the AAMU repossessed vehicle stock, must be transferred from the current ownership to absolute ownership through the Registered Motor Vehicle (RMV) process before they are included in the tender or auction sales.

This process is in accordance with RMV 12(IV) and must be coordinated with the Post Disbursement Follow-Up Division (PDFD). Any exceptions to this condition must be approved in advance by the Manager - PDFU or a higher authority.

44.3 Vehicle Dispatch from AAMU

Other than selling/dispatching a vehicle through Customer Releasing, Leasing, Tenders, Auctions, RIYAPOLA vehicle leasing sales scheme, EV Project concept, VSU or for court/police case, CDB company assets/re-lease for staff on special approvals, any vehicle cannot be released for any other reason apart from conditions mentioned in the guideline, any exceptions will handle through the approval of Head of AAMU.

If any vehicle needs to be submitted for Court case, Legal Recovery Division should provide a Court Order or an email request to dispatch the vehicle with the approval of AGM –Recoveries/PDFD & above. Upon such approved document, Head of AAMU can release the vehicle. All the vehicle stock movements, need to be updated in the YARD ENTRY MANAGEMENT system immediately by AAMU.

Methods of Vehicle Dispatches from Acquired Asset Management Unit as follows;

- Customer Releasing (After settle the Arrears by customer)
- Granting New Lease facilities new customer
- Transfer for Tender Process
- Transfer for Auctions Process
- Transfer for “Riyapola” Sales scheme
- Transfer for Vehicle Sales Unit (VSU)
- Releasing for Legal Cases (Court, Police)
- Through Company Assets Releasing (Vehicles Releasing for CDB staff with Special Approvals)

44.3.1. Tender – Vehicle Sales Scheme

Tender is the process through which repossessed vehicles are sold to the general public via an invitation to bid & expectation of the tender process is minimizing the disposal loss of the repossessed vehicle stock in the company. During the specified tender period, the public can submit their offers for a specific list of vehicles that have been allocated for sale through the tender process. After collecting the offers from the general public, the submitted bids are forwarded to the Vehicle Pricing Committee (VPC) of the CDB. The VPC evaluates the bids based on factors such as existing facility receivables, the tender bids received, vehicle valuations, and current market price movements.

Once the VPC has reviewed and decided on the expected selling prices, the list of selected vehicles is submitted for Management approval. After obtaining the necessary approvals, the highest tender bidders are notified. Then, they are allowed to collect the vehicles from the Repossessed Vehicle Units within 7 working days, and settle the full payment in cash. The original CRs and other relevant documents will be released to the successful tender customers 14 working days, after the vehicle has been dispatched from the Repossessed Vehicle Units. The company has reserve rights to add & withdraw any repossess vehicle from tender.

The following fundamental conditions must be met when calling for a tender:

- Tender announcement is published in advertisement of newspapers in all three languages (Sinhala, Tamil and English) in order to compile with legal requirement. Announcement approval has to be obtained from GM-PDFD/CFO. This advertisement should be published at least one week prior to the tender closing date. Furthermore, paper advertisements should disclose that tender is being opened for mentioned days to collect public offers. File the published paper advertisements for future reference.

- Vehicle Pricing committee (VPC) - This committee will consist of members from the PDFD, Credit Evaluation, and Vehicle Sales Unit. The VPC is responsible for determining the expected selling prices of vehicles applied for tender, based on an evaluation of existing facility receivables, tender bids received, vehicle valuations, and current market price movements.
- All tender boxes must be locked with two padlocks, with the keys held by the Head of RVU and a representative from the Finance Division until the boxes are opened in the presence of the Tender Committee. The duplicate keys for the relevant padlocks must be stored in a sealed envelope in the head office safe room.

Note 1- If the customer has not responded after receiving “Letter of Repossession”, then CDB tender committee decides to call a tender upon 21 days of issuing such letter. Before calling the tender RVU officers are liable to reconcile the vehicle stock by removing the vehicles which are related to court/legal cases. Tender process is allowed only for disposal marked category vehicles in core banking system.

Note 2- Prior to proceeding with the tender process, officers must confirm that Letter of Repossession was sent to customer, and whether the client has responded to it. If the client has made any payments after the letter being sent, the vehicle cannot be taken for calling the tender.
Procedures to be followed when dispatch vehicles from AAMU is stated in the procedure manual of Acquired Asset Management Unit,

43.3.2. Auction – Vehicle Sales Scheme

This is a type of repossessed vehicle dispatch scheme, where multiple bidders compete to acquire a vehicle, and it is ultimately sold to the highest bidder. Approval for the auction must be obtained from the GM - PFDF or the Chief Financial Officer (CFO).

A Chartered Auctioneer must be selected by Corporate Management after calling for proposals from multiple auctioneers. Once selected, the CDB will grant approval to the auctioneer to advertise on its behalf. The auctioneer will carry out advertising campaigns in newspapers across all three languages (Sinhala, Tamil, and English). Additionally, the auctioneer will publish auction details on their website and social media platforms, send SMS alerts to their registered clients, and display banners at relevant locations. All advertising costs and related expenses will be borne by CDB.

"The Vehicle Pricing Committee" (VPC) for vehicle auctions has been appointed by the CDB to determine the minimum and expected selling prices of vehicles prior to auction. The committee will consist of members from the Post Disbursement Follow-up Division, Credit Evaluation Division, and the Vehicle Sales Unit. Valuation reports must be obtained from a registered valuer of the CDB, before the vehicles are presented to the Vehicle Pricing Committee (VPC).

A non-refundable deposit must be paid by all customers entering the vehicle auction. The successful highest bidder is required to pay 25% of the vehicle's sale price on the auction date. The remaining 75% of the vehicle's value must be paid within 2 days following the auction. The auction conditions must be advertised in newspapers in all three languages (Sinhala, Tamil, and English) at least one week prior to the auction date.

CDB Custodian Staff will issue the CRs & other vehicle dispatching documents base on the Yard gate pass, Cash receipt & Auction token and with the finance division confirmation. Issuance of the documents will take place at the Auction premises or nearest branch or branch selected by the customer to collect documents.

43.3.1 Charges & Costs at Auction Process

- All advertising charges should be borne by CDB (Newspaper advertising charges and advertisement preparation charges eg- Art Work)
- Vehicle valuation charges
- Operational Costs such as checking of RMV extract & Objections, Lodging of RMV 12(iv) transfers costs, vehicle transport, preparation & cleaning costs, Printing cost of entrance tickets & refundable deposits receipts, Hand Band Cost
- Auctioneer charges as per the Memorandum of Understanding (MOU)
- Refreshments
- Transport Charges of Auctioneer for Pre Auction arrangements & on the day of Auction
- Rent Cost of PA system for Auction

Procedures to be followed when dispatch vehicles from Auction vehicle sales scheme is stated in the Procedure Manual of Acquired Asset Management Unit operations.

43.3.3. Riyapola – Vehicle Sales Scheme

This is a type of repossessed vehicle dispatch scheme which have been proposed by the Management, considering the ad hoc business requirement to decrease the disposal loss. The vehicles which were allocated for this scheme will be provided as only for leasing facilities.

After The fundamental requirements are met, the allocated & priced vehicles through Vehicle Pricing Committee (VPC) will be shared with the VSU & with branch network, with the expectation to produce new leasing facilities for the prevailing/Approved interest rates. Then the branches request their intended priced vehicles from RVU though an approval. Finally, the approved vehicles dispatch though RVU to produce new leasing facilities to branch network.

43.3.4. EV Projects – Vehicle Sales Scheme

This is a type of repossessed vehicle dispatch scheme which have been proposed by the Management, considering the green financing/sustainable financing concept. It will also be helpful to de-crease the existing facility disposal loss. The vehicles which were allocated for this scheme will be provided as only for leasing facilities at present.

43.3.5 Vehicle Sales Centre (VSC) Transfers

Tendered, Auctioned and Riyapola sales schemes vehicles can be sent to the CDB Vehicles Sale Centers (VSC) on request of Branch. Branches can sell these vehicles to customers for credit. Same process will be applicable if the vehicle has been sold by AAMU with the method of obtaining credit facility from CDB.

AAMU operates with following controls in order to maintain the integrity, objectivity and transparency in their operation.

- Bi-annually a registered valuation officer will visit the AAMU centres and provide the valuations for vehicle stock. All the vehicle valuation prices are valid only for six months.
- Every month Internal RVU officers reconcile the system details with the vehicle stock. Manager – AAMU signs off the printed stock summary details and file the reconciliation report for future reference. AAMU daily monitors the vehicle stock movement and maintains a record for any deviations.
- All the AAMU centres operate with 24-hour CCTV.

All the procedures to be followed in AAMU operations and documents involved are clearly stated in the procedure manual of AAMU operations.

45. Anti-Money Laundering (AML) and Combating Terrorist Financing (CTF)

Anti-Money Laundering (AML) encompasses a set of laws, regulations, and procedures designed to prevent individuals or organizations from exploiting the financial system to disguise illicit funds. Combating the Financing of Terrorism (CTF) is a vital part of global efforts to counteract terrorism and money laundering (AML) activities.

CDB is committed to maintaining the highest standards in all areas of operations and therefore has identified the importance of having robust Anti-Money Laundering policies and procedures related to credit process of CDB as well. The Board of Directors, Management and entire staff of the organization are committed to ensuring that all responsibilities are met and local and international regulations are complied with. As such CDB comply with applicable Laws in Sri Lanka and guidelines issued by Financial Intelligence Unit of the Central Bank of Sri Lanka.

CDB has its own Anti Money Laundering and Terrorist Financing Policy (uploaded in CDB's Intranet https://intranet.cdb.lk/procedure-manuals/view/33 and all staff who involve in the credit process of CDB should comply with this policy.

45.1 Customer Due Diligence (CDD) Process

Customer Due Diligence (CDD) is an essential part of the AML framework and it is a process of having series of checks in order to verify and confirm the identity of customers and assess their relevant risk profiles. This process supposes to mitigate risks associated with money laundering and terrorism financing. By aligning with the Anti-Money Laundering (AML) and Know Your Customers(KYC) directions, CDB had introduced CDD Stand –Alone Smart-Ops Module, which supports to screen the customer profile time to time.

This module consists with three (3) basic models as below;

01. CDD Individual Module

This module is designed for performing of individuals' CDDs who are engaged with CDB transactions under any product category

02. CDD Corporate Module

This module is designed for corporate clients who are engaging as business organizations, companies or any other establishments with CDB transactions under any product category. When performing a corporate CDD, company BR number, date of incorporation and other specific details which are related to corporate clients will be inputs for the module.

03. CDD UBO Module (Ultimate Beneficiary Owner)

UBO refers to the natural person who is ultimately responsible for, owns or controls a ‘customer’. In most cases, this ‘customer’ is an institution, business or legal entity of which the UBO has 100% direct ownership. They are the Ultimate Beneficial Owner or ultimate interested party on whose behalf a transaction is carried out. It also includes a person who has ultimate effective control over another person or an arrangement. This module is designed to perform CDDs of Ultimate Beneficiary Owners of Corporate clients who are engaged under any product category.

CDD Stand –Alone Smart-Ops Module consists with four (4) main pillars as below;

1. Black List Search

CDB maintains a data base referred as “Black listed Customers” and it is consisted with enquiries and notifications of Central bank, FIU or any other authorized parties regarding suspicious transactions of particular customers. At the point of entering the NIC to CDD Smart ops module, system itself search the client for black list identification in back end. If the given NIC is captured as a “Black Listed Client”, Smart Ops System, does not allow the entry to be processed further.

2. Client Screening

In screening level, customers’ PEP (Politically Exposed Person) status and adverse status are supposed to be checked by using API online connectivity (LexisNexis Risk Solutions - Compliance Link Customer Screening Module) in new CDD Stand-Alone System. CDD system automatically provides the PEP and Adverse status of the given customer with its background details. CDB Officer can use his/her personal knowledge and comment regarding the same client.

3. Risk Scoring

Risk scoring is the methodology of identifying each client’s inherited risk score and risk category as High, Medium and Low. Risk grading can be obtained by giving relevant data to this module which calculates the risk grading in backend. Customer reviewing Officer has to give the correct data from the given dropdown list while discussing with the particular customer. If the client is detected as “PEP”, the risk grading will be default “High”.

Branch officers have to re-perform the CDD process for the existing clients based on their risk grading at the initial on boarding stage for below mentioned periodically;

- High Risk – Every 06 months
- Medium Risk – Every 12 months
- Low – Every 24 months

4. Know Your Customer (KYC)

The Key information to gather at this point is the source of funds of the customer and whether such fund in comparison to the source disclosed by the customer is acceptable or not.

Procedures to be followed in CDD Operation are clearly stated in procedure manual of Anti Money Laundering and Terrorist Financing Policy

46. CBSL Directions on Credit Risk Management

CDB strictly complies with CBSL directions related to credit process of it. Summary of CBSL directions related to credit are given below;

46.1 Finance Companies (Classification & Measurement of Credit Facilities) Direction No. 01 of 2020

This Direction provides regulatory guidelines for finance companies in Sri Lanka regarding the classification and measurement of credit facilities to ensure sound credit risk management and financial reporting. The key provisions include:

- **Classification of Credit Facilities**: A LFC shall classify credit facilities as NPLs based on the period and/or on potential risk. A LFC at a minimum shall categorize the credit facilities into four credit grades as Special Mention, Substandard, Doubtful and Loss.
- **Impairment Measurement:** Finance companies are required to measure expected credit losses (ECL) on credit facilities using forward-looking approaches in line with International Financial Reporting Standards (IFRS 9). This involves assessing the credit risk at initial recognition and throughout the life of the loan.
- **Restructured and Rescheduled Loans**: Guidelines are provided on how to classify and measure loans that have been rescheduled or restructured due to financial difficulties, ensuring that such loans are accurately reflected in credit quality and provisioning.
- **Provisioning Requirements**: Specific minimum provisioning levels are mandated based on the classification of the credit facilities to maintain adequate loss absorption capacity.
- **Disclosure and Reporting:** Finance companies must maintain transparent records and disclose credit quality and impairment information in their financial statements, ensuring accountability and regulatory compliance.

46.2 Finance Companies (Credit Risk Management) Direction No.2 of 2024

The Finance Companies (Credit Risk Management) Direction No. 02 of 2024 provides comprehensive guidelines for licensed finance companies in Sri Lanka to establish and maintain robust credit risk management frameworks. The primary objectives are to enhance the resilience of the financial sector, ensure prudent lending practices, and protect depositors' interests.

Key Provisions:

- Establishment of a Credit Risk Management Framework**:**
  Finance companies are mandated to develop and implement a comprehensive credit risk management framework that includes policies, procedures, and systems to identify, assess, monitor, and mitigate credit risks associated with their lending activities.
- Credit Risk Appetite and Limits:
  The company must define a clear credit risk appetite that aligns with its overall risk strategy, capital structure, and business model. Appropriate exposure limits must be set at borrower, sectoral, product, and portfolio levels to ensure risk concentration is avoided. These limits should be reviewed periodically and approved by the Board of Directors.
- Loan Origination and Approval Process:
  A standardized and transparent loan origination and approval process must be established, including:
  - Comprehensive credit analysis and due diligence
  - Verification of borrower capacity, collateral, and repayment ability
  - Use of credit scoring models where applicable
  - Documentation and approval by designated credit authorities in line with delegated limits
- Credit Risk Monitoring and Early Warning System:
  Credit exposures must be monitored continuously through robust MIS and reporting mechanisms. Early warning indicators (EWIs) must be implemented to detect signs of potential credit deterioration, enabling timely intervention and corrective actions. Periodic credit reviews and risk reclassifications must be performed to reflect the true credit quality.
- Provisioning and Write-offs:
  Policies must be in place for expected credit loss (ECL) measurement, in accordance with accounting standards (IFRS 9), and Central Bank provisioning norms. Criteria for write-offs and recovery actions must be clearly defined, ensuring that non-performing loans are managed prudently and transparently.

- Stress Testing and Scenario Analysis:
  The framework must incorporate stress testing to evaluate the potential impact of adverse economic or sectoral developments on the credit portfolio. Scenarios must be forward-looking and realistic, helping the institution assess capital adequacy and provisioning needs under stressed conditions
- Internal Audit and Compliance:
  An independent internal audit function must periodically assess the effectiveness of the credit risk management framework, including policy compliance, credit underwriting, and monitoring processes. Any deficiencies identified must be reported to the Board and rectified promptly.
- Governance and Oversight

  The Board of Directors bears ultimate responsibility for the credit risk strategy, policy approval, and oversight. A dedicated Risk Management Committee must be established to support this function and ensure that risk-taking is aligned with the company's risk appetite and regulatory expectations.

- Training and Capacity Building:
  All staff engaged in credit-related functions must undergo regular training and skill development, with emphasis on credit assessment techniques, regulatory changes, risk-based pricing, and recovery strategies. This ensures a culture of strong risk awareness and accountability.

46.3 Finance Business Act Direction No. 2 of 2018 on Loan-to-Value Ratios for Motor Vehicle Credit Facilities and the Subsequent Amendment until Direction No. 02 of 2021

Credit facilities granted by every LFC for the purpose of purchase or utilization of vehicles shall not exceed the percentages of the market value of such vehicles mentioned in this direction and subsequent amendments to this direction.

46.4 Finance Business Act Direction No.4 of 2018 on Valuation of Immovable Properties and Subsequent Amendment until Direction 01 of 2021

Every LFC shall ensure that appropriate board approved prudent policies and procedures on valuation of Immovable property are in place. In establishing policies and procedures on valuation of immovable property as referred to in Direction above, every LFC shall consider the following minimum requirements.

a. Responsibility of the Board of Directors, Senior Management and other relevant Committees (e.g., Credit Committee) on the formulation and Periodical Review of the policy.

b. Appointment of Panels of Valuers, both internal and external.

c. Procedures to identify and select qualified valuers for the appointment of panel(s) of valuers, subject to the direction.

d. Procedures to assess the reasonableness of the market value of an immovable property derived from the valuation model and, the reliability and the accuracy of data used for such valuation.

e. Threshold for internal and external valuation reports obtained/to be obtained in respect of immovable property against all loans and advances, as the case may be, subject to the direction.

f. Frequency of valuation, subject to the direction

g. Valuation criteria for internal valuations.

h. Independence and disclosure, subject to the direction.

46.5 Financial Consumer Protection Regulations No.1 of 2023

the Financial Consumer Protection Regulations No. 1 of 2023 came into effect in 2023 with the objective of strengthening consumer protection across the financial sector issued by the Central Bank of Sri Lanka (CBSL) under the authority of the Monetary Law Act, No. 58 of 1949.

The regulations are applicable to all Financial Service Providers (FSPs) regulated by the CBSL, including licensed commercial banks, licensed finance companies, leasing companies, and other non-bank financial institutions.

Key Requirements for Financial Service Providers:

- Clear and Transparent Disclosure

    - Provide customers with clear, accurate, and comprehensive information regarding product features, pricing, risks, terms, and conditions prior to contract execution.
    - Disclosures must be timely, relevant, and easy to understand, enabling consumers to make informed financial decisions.

- Fair Treatment of Customers:

    - Ensure financial products and services are appropriate, affordable, and suited to the customer's financial situation and needs.
    - Avoid misleading advertisements, aggressive sales tactics, or practices that exploit consumer vulnerabilities.

- Responsible Lending Practices:

    - Conduct thorough credit assessments and customer due diligence to evaluate repayment capacity and minimize the risk of over-indebtedness.
    - Extend credit only where there is a reasonable expectation of repayment based on financial evaluation

- Consumer Complaint Management:

    - Implement accessible, efficient, and transparent complaint handling mechanisms.
    - Provide clear channels for lodging complaints and ensure timely, fair resolution of consumer grievances.

- Consumer Education and Awareness:

    - Support initiatives that promote financial literacy, educating consumers on product terms, obligations, and their rights under the financial system.

- Protection of financial consumers' assets & Information
    - Uphold strict standards for the protection and confidentiality of customer financial and personal information, in compliance with applicable data protection regulations.

- Supervisory Framework and Compliance

- FSPs are subject to active oversight by the Central Bank of Sri Lanka to ensure compliance with the regulations.
- Non-compliance may result in regulatory action, including penalties, sanctions, or other corrective measures as deemed appropriate by CBSL.

46.6 Credit Card Guidelines No: 01/2010

Credit Card Guidelines No: 01/2010 are designed to establish a balanced framework that protects both consumers and financial institutions. They ensure responsible lending practices, full transparency in credit terms, and safeguard consumers against unfair practices. By following these guidelines, Credit Card issuers maintain trust and integrity within the financial system while promoting consumer financial literacy and well-being. Following guidelines on operations of Credit Cards are issued by the CBSL, in order to ensure safe, secure and efficient operations when Credit Cards are used as a payment instrument.

- Marketing of Credit Cards
  - ✓ Marketing staff shall disclose their official identity at promotional campaigns before or during the meeting with prospective and/or existing Customer.
  - ✓ Benefits, incentives, rewards or reduction of any charges / fees which are offered by the Card Issuers in any promotional campaign or any event with regard to Credit Card operations shall be clearly communicated to the Customers in legible writing (electronically or document form).
  - ✓ The terms and conditions relating to the Credit Card shall be clearly communicated to the Customers and the same shall be provided in writing in the preferred language of communication, on request. The terms and conditions shall be displayed in the Card Issuer's web sites.
  - ✓ Card Issuers shall disclose their Code of Conduct/Institutional Policy on Credit Card operations to the Customers throughout the marketing process and the same shall be published in Card Issuer's official websites.
  - ✓ Marketing personnel of Card Issuers shall provide complete information on features, benefits and drawbacks to the Customers and shall not make false claims on any features / benefits which Card Issuers do not offer.
  - ✓ Misleading and unethical information/advertisements shall not be conveyed/ published by Card Issuers.
  - ✓ Card Issuers shall not engage in aggressive and hard selling marketing practices during working/office hours or inconvenient hours for the Customers, except with prior appointments.

- ✓ Regular training and awareness sessions shall be conducted by Card Issuers for their marketing staff covering all aspects of Credit Card operations including charges to be paid by the Customers, safety measures, complaint/dispute resolution mechanisms etc.

CDB strictly adhere to above guidelines as those ensure customer protection at the point of canvassing credit cards to customers.

In addition to the above guidelines are available from below areas;

- Issue of Credit Cards
- Interest Rates and other Charges
- Billing process
- Collection/Recovery Mechanism
- Confidentiality and Protection of customer Rights
- Dispute Resolution
- Outsourcing of Marketing/Recovery functions and other operations
- Rights to Impose Non-compliance charges
- Legal Provisions
- Business Continuity, Internal control and Compliance
- General conditions

46.7 Amendments to the Financial Information Network Reporting System (Fin Net) Formats – National definition for Women-Owned/led business

The Central Bank of Sri Lanka (CBSL) issued amendments to the Financial Information Network Reporting System (FinNet) formats to introduce a standardized national definition for Women-Owned and Women-Led Businesses. This initiative aims to promote consistency in gender-disaggregated data reporting across licensed finance companies and support evidence-based financial inclusion strategies.

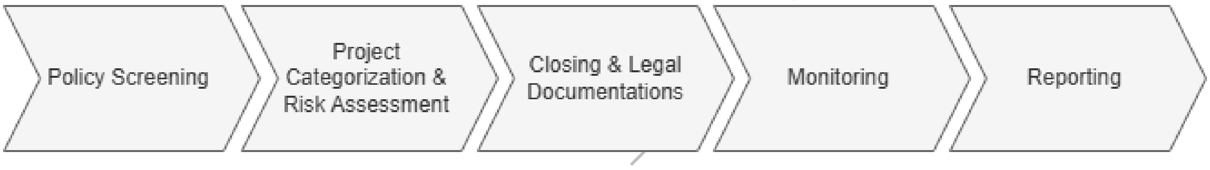
A Women-Owned Business is defined as one where more than 50% of ownership is held by one or more women, with corresponding control and management responsibilities. A Women-Led Business must have at least 25% female ownership and significant participation in management, including key decision-making roles or a minimum of 30% female representation on the board of directors.

47. Environmental and Social Management System (ESMS)

Today businesses all over the world are confronted with a number of environment and social (E&S) responsibilities. These new E&S responsibilities will be challenged, the operations of the company and its competitive business. In addition, the ability of CDB and its customers to adapt into new climate determine the success or failure of the investment. As such, CDB must have proper understanding about those environment and social challenges to manage their exposure. While protecting itself from credit losses, which may result due to customers' pollution or labour problems and from potentially larger clean up liabilities, the new Environment and Social Safeguard Policy of CDB will assist CDB and its customers to manage E&S impacts of its portfolio through Environmental and Social Management System (ESMS).

Environmental and Social Safeguard Procedures

The Policy will be implemented according to the procedure described below, and will be coordinated with the operational activities of CDB as set forth in its Credit Risk Management Policy.



Step 1- Policy Screening

Once CDB identifies a lending opportunity, marketing officer will conduct the initial screening through the exclusion list of the E & S policy. Once the initial screening is done the project will be further screened and categorized by the Credit Evaluation Unit, under the Product Categorization (Appendix A) and an investigation should be done to identify possible E & S risks of the project. Those projects that need further investigation will be sent to the ESMS officer and the Risk Management Unit where a comprehensive revision of the proposal will be done.

Depending on the type of transaction and sector; compliance with local/international Laws and regulations, availability of necessary permits and/or licenses (Environment Protection License, permits for logging or mining etc.) issued by the relevant authorities, history of the project, etc. will be reviewed. Customer's credit file should include details of this evaluation and if the proposed investment is not associated with major E & S risks, the prospective customer will be so informed, and further consideration of lending will be continued.

Step 2- Project Categorization and Risk Assessment

For the purpose of Social and Environment safeguard, CDB's lending products will be categorized as Vehicle & Machinery financing, Property Financing, Projects and other Term Loans. This categorization enables Credit Evaluation officer to categorize some projects without detailed investigation.

All these projects will be categorized according to the potential E&S risk of the activity (Category A – High Risk, B- Medium Risk, or C- Low Risk). A guidance to identify potential risks and impacts is provided in Appendix B. Further details on categorization are given in Appendix B.

Vehicle & Machinery Financing	Main environmental risks of vehicle financing are air pollution due to CO2 emission, water contamination due to detergents, grease, oil, etc. and noise pollution. Main possible social impacts are health and security of people. Considering that above mention risks are minimum in vehicle purchasing up to three vehicles by a single client; financing 1-3 vehicle at once, categorized under category C (Low Risk). In a situation that single client purchase more than 3 vehicles at once is; associate E&S risks of the lending will be initially analysed based on the 'Checklist for preliminary environment and social risk screening for vehicles' and categorize accordingly. (ESMS Policy - Annex C, Checklist 1) CDB is also involving in machinery financing. Depending on the intended use and type of the machine adverse E&S damages may occur. Therefore, CDB will assess the possible E&S risks of machinery financing which are more than 20 million Rupees base on 'Checklist for preliminary environment and social risk screening for machines' (ESMS Policy- Annex C, Checklist 2)
Property Financing	Assuming that associate E&S risks are minimum in property finances (loans that cover the residential and commercial purposes which are backed by property) which value less than 20 million rupees will be categorized as category C project. Property finances which value more than 20 and less than 100 million Rupees will have considerable E&S impacts (e.g. Air/water/noise pollution in construction phase, waste generation, soil disturbance, disturbance to precious ecology, etc.) Therefore, those will initially be assessed based on the 'Checklist for preliminary environment and social risk screening for property finance' and will be categorized accordingly. (ESMS Policy - Annex C, Checklist 3) Property finances which exceed 100 million rupees will be considered as a project with an adverse E&S risks. Therefore it will initially be assessed, based on 'Checklist for

	preliminary environment and social risk screening for projects & other Term loans' (ESMS Policy - Annex C, Checklist 4) and will be categorized accordingly.
Projects and other Term Loans	Projects and other Term loans (include lending only for commercial purpose with or without a security) will be categorized into two groups. Firstly, the lending amount less than 25 million Rupees and more than 25 million Rupees will be categorized under category C. Secondly the Projects and other Term loans which value more than 25 million Rupees will be thoroughly analysed using 'Checklist for preliminary environment and social risk screening for projects & other Term loans' (ESMS Policy- Annex C, Checklist 4) which will explore the E&S impacts of the project throughout the project cycle, history of E&S related incidents, Sector and the technical aspects, and will be categorized accordingly.

Type of the subsequent detailed E&S review for a prospective project will be based on the categorization and initial E&S risk review and potential impacts. Investigation for the projects with major or moderate impacts/risks (which are categorized in category A and B) will be conducted by the Risk Management Unit with or without a consultant or an expert and they will prepare either Environment & Social Due Diligence (ESDD) report or action plan to address possible E&S risks.

E&S due diligence review will typically consist of: (i) Review of all relevant documents and information provided by the client and other sources; and (ii) Site visit comprising visual observations of relevant areas and meetings and interviews with relevant stakeholders (company personnel, governmental officials, other stakeholders, etc.). Upon completion of the review, the findings, conclusions, and recommendations will be presented in the E&S Due Diligence (ESDD) Report. Recommendations should include the necessary actions which must be implemented by the project proponent to proceed to financial disbursement.

Then the relevant Unit heads must be informed and the decision should be documented in the customer's credit file accordingly. Prospective investments categorized as High Risk shall be explicitly highlighted owing to the potential for adverse E&S risk, as these may likely require a commitment of CDB resources.

The categorization of projects into different risk categories is comprehensively outlined in the Environmental and Social Management System (ESMS) Policy & Appendix C.

Step 3- Closing and Legal Documentation

All the relevant Unit heads, together with independent expert should discuss the recommendations of the ESDD report. CDB and the client must negotiate a reasonable time frame (within the financing period) to implement the recommended corrective actions to mitigate the potential risks of the project. CDB and the client must confirm that additional financing required for implementation of the corrective actions will have been provided.

All credit agreements should contain terms and conditions requiring the borrower's business activity to comply with CDB's E&S policy. These typically consist of standard E&S clauses applicable to all CDB project-specific terms derived from the project ESDD corrective action recommendations. Agreements should also require the borrower to periodically report on the status of implementation of any specific corrective actions that may have been required, as appropriate (Legal Clauses - Appendix D). Finally, agreements should require borrowers to immediately report to the CDB any serious accidents or incidents that occur, including a description of the event and its causes, and information on the measures taken to prevent reoccurrence.

Step 4. Monitoring

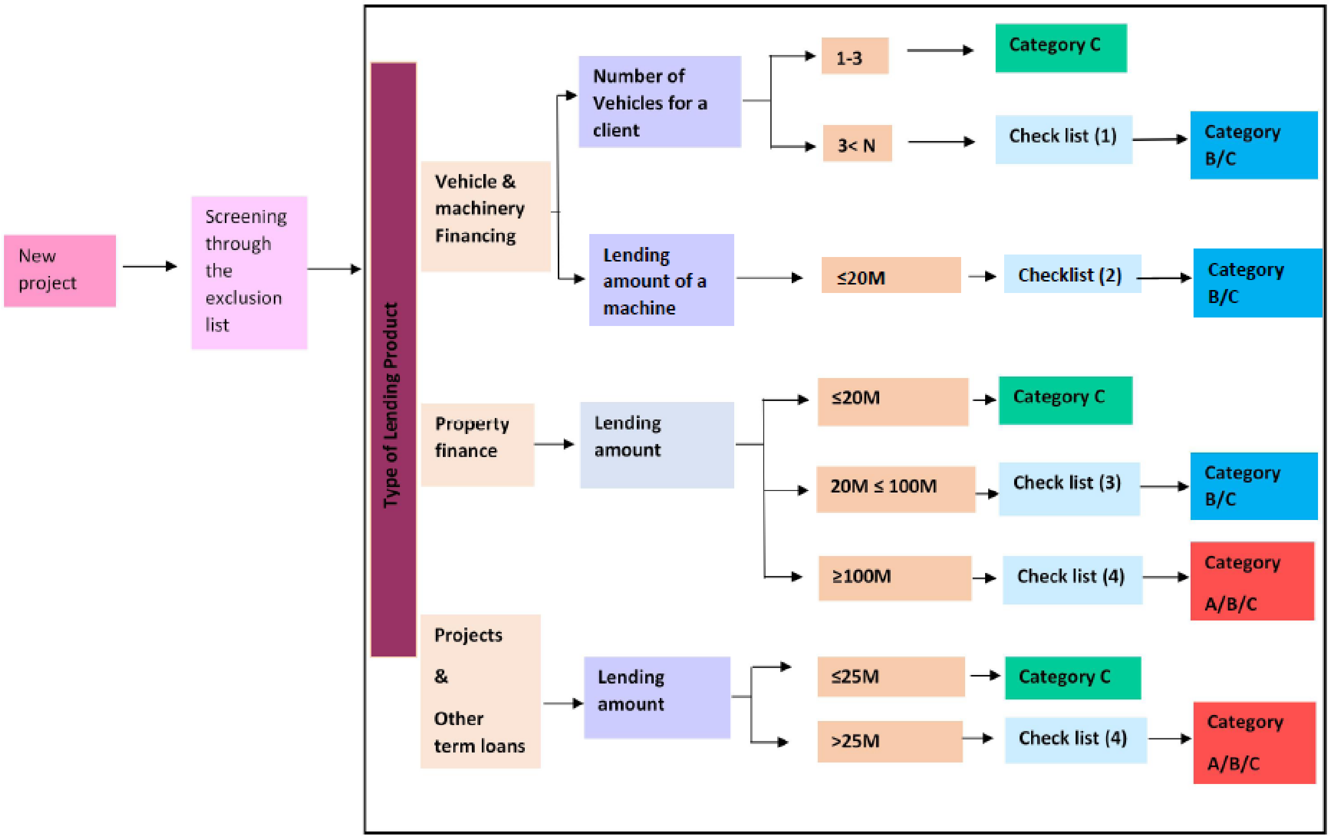
During and after credit disbursing, CDB will actively supervise and monitor the E&S performance of each of its borrowers, including the statues of the implementation of any mitigation measure (or Action plan, as appropriate) periodically. From time to time CDB will also make supervision site visits and consider requiring independent E&S Audits (involving external consultants, if necessary as part of its overall supervision and monitoring process). A monitoring Report should be prepared after each such visit or audit. (Suggested scope of Environment Monitoring Report in ESMS Policy – Annex G)

A borrower's E&S performance will be taken into account in CDB's credit grading decisions. This would include any non-compliance with E&S requirements, failure to implement capital improvements to mitigate pollution or labour risks and/or continuing occurrence of accidents/incidents. Head of the ESMS/Risk Manager will discuss breaches with CDB Credit Committee, which will determine actions taken.

Step 5. Reporting

The result of borrower specific E&S due diligence and portfolio performance monitoring will be periodically aggregated and summarized for Senior Management of CDB. Report will be prepared on key E&S issues associate with CDB's portfolio periodically. These include providing inputs to CDB internal monitoring reporting documents such as credit reports. CDB will develop and maintain a watch list of portfolio companies with significant E&S performance issues and regularly provide status updates to CDB's Senior Management Team.

Appendix A - Product Categorization Based on E&S Risks



Note- Category A: High E&S Risks

Category B: Medium E&S Risks

Category C: Low E&S Risks

All the value in Sri Lankan Rupees

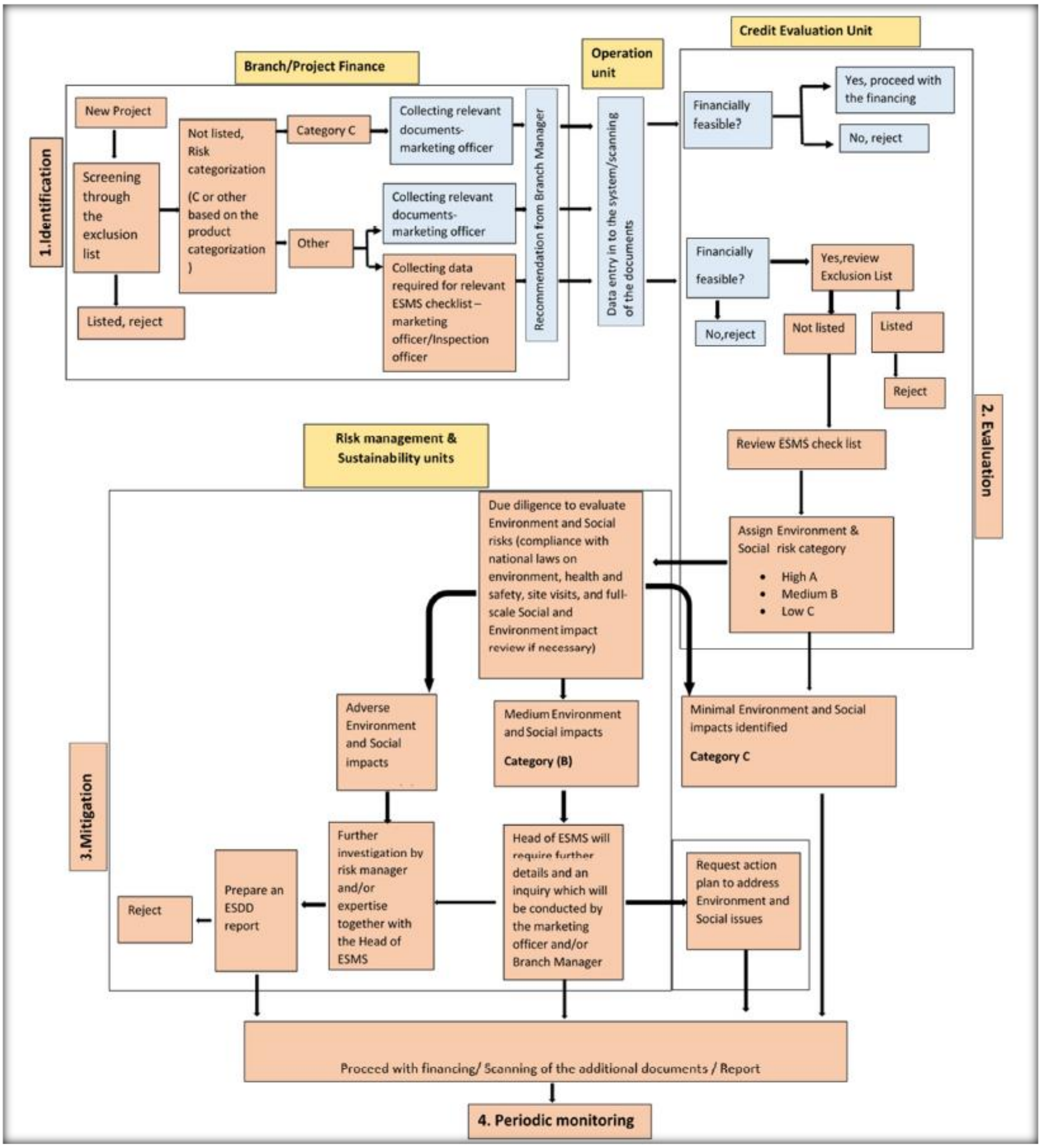
Appendix B – Risk Categorization

CDB uses E&S categorization to reflect the relative magnitude of E&S risks and impacts. E&S impacts refer to any potential change to the physical, natural, or cultural environment; impacts on surrounding community; and/or health of community or workers resulting from the business activity to be supported. E&S risk refers to a combination of probability of certain hazard occurrence and severity of impacts resulting from such an occurrence. In making categorization decision the CDB will take into consideration the following characteristics of severity of impact(s) a) major and permanent, b) major but temporary, c) minor but permanent, d) minor but temporary, e) no impact; and the following characteristics of probability of impact(s) occurrence: a) common occurrence, b) known to occur, c) could occur, d) not expected to occur, e) extremely unlikely to occur.] of prospective investments based on information available at the time of CDB's ESDD. These categories are defined as follows:

Risk Level	Description
Low risk Category C	Transaction activities/projects with minimal or no adverse environmental or social risks and/or impacts, which are not generally subject to further assessment (beyond their identification as such) except for the requirement for customer's [assent/certification/ disclosure] of compliance/noncompliance with national environmental, health and safety and labour laws and regulation. For transactions categorized as low environmental and social risk, the credit officer will inform the client about the company's requirement for certification by the client of compliance with all environmental, health and safety and labour laws and regulations (or disclosure of material noncompliance). Credit Officer will document E&S information in the Credit Conclusion.
Medium Risk Category B	Transactions with limited potential adverse social or environmental impacts that are few in number, generally site-specific, largely reversible, clearly evident at the time of assessment, and readily addressed through mitigation measures, which typically require a limited or focused environmental and/or social assessment, or straight-forward application of environmental sitting, pollution standards, design criteria, or construction standards. In addition to the environmental and social requirements described above for low risk transactions, for all transactions categorized as medium environmental and/or social risk the credit officer will also identify and appraise the potential environmental and social risks associated with the client's business activity and operations. After the credit officer's comment on environmental and social risk information in the LOS system, it will be visualized to the Credit Evaluation Division along with the other facility details. The environmental and social risk information memo will become a part of the client's credit files.
High Risk Category A	Transactions with potential highly significant, negative and or long term environmental and/or social impacts, the magnitude of which may be difficult to determine at the loan application stage, which typically require analysis of environmental and social risk and impacts in the context of the total area of influence of the customer's operations. As part of the risk assessment, the client will identify individuals and group that may be deferentially or disproportionately affected by its operations. In addition to the environmental and social requirements described above for medium risk transactions, for all transactions categorized as high environmental or social risk, the credit officer will determine whether all appropriate environmental and social assessments or audits have been performed, whether all required public disclosures/stakeholder engagements have

	occurred, and whether or not the client has implemented all appropriate mitigating actions, or has a plan in place to do in an acceptable time frame.

Appendix C- Environmental & Social Safeguard Procedure



ESMS Procedure

Current CDB Lending

Appendix D – Legal Clauses

For Vehicle and Machinery Financing Agreement

The borrower agrees to comply with the laws and regulations of Sri Lanka and local requirements, as well as CDB's E&S policy" (*If we already have a clause in the existing agreement about compliance with Sri Lankan Law we can add ESMS component to that*)

For Property Finance and Term Loan Agreement

Clause 1

The borrower agrees to Design, construct, operate, maintain and monitor the purpose of the facility incompliance with the laws and regulations of Sri Lanka and local requirements, as well as the CDB's E&S Policy;

Clause 2

The borrower agrees to implement the environmental mitigation and management measures specified in the action plan or the Environmental and social due diligence report ESDD

Clause 3

The borrower agrees to deliver to CDB within [90] days after the end of each Financial Year, the Annual Monitoring Report consistent with the requirements of this Agreement confirming compliance with the Action Plan or ESDD report identifying any non-compliance or failure, and the actions being taken to remedy any such deficiency (This clause shall only be applied, if the Annual Monitoring Report is required by CDB)

Clause 4

The borrower agrees to notify CDB within three days after its occurrence, of any social, labour, health and safety, security or environmental incident, accident or circumstance having, or which could reasonably be expected to have, any material impact on the implementation of the CDB�s E&S Policy, specifying in each case the nature of the incident, accident, or circumstance and the impact or effect arising or likely to arise there from, and the measures the Borrower is taking or plans to take to address them and to prevent any future similar event; and keep the C informed of the on-going implementation of those measures.

48. Pricing Policy

48.1 Policy statement

Pricing is the method of determining the value a producer will get in the exchange of goods and services. Simply, pricing method is used to set the price of producer's offerings relevant to both the producer and the customer. This Pricing Policy was created in pursuit of Citizens Development Business Finance PLC's (CDB) commitment in providing suitable guide to all potential users of this policy thus maximizing the shareholder's wealth while achieving the customer satisfaction.

As one of the leading finance companies of the nation and custodian of other people's money, CDB contributes to the pursuit of its objectives by extending lease and loan facilities to wide range of its customers at the right price (interest rate).

48.2 Objectives

This Pricing Policy is in response to the need of providing a reference material for all potential target users to achieve following objectives;

- To establish a common approach of pricing the lending products of CDB
- To maximize the profit and thereby maximize the shareholder's wealth
- To generate adequate return to compensate the credit risk
- To maximize the sales of the company's wide range of lending products by generating increased demand
- To be competitive in the market in which the company operates while achieving customer satisfaction

48.3 Scope

This policy applies to;

- All members of staff who involve in the pricing decisions and credit function of CDB
- All existing lending products of CDB
- All new (future) lending products of CDB

48.4 Target Users

This document is designed for easy use of CDB's staff who directly involved in the pricing decisions and credit function including Corporate Management, Policy Makers and Internal Auditors at all experience and responsibility levels. Further, this Pricing Policy is used to provide information about CDB's pricing approach to its Regulatory/Supervisory Bodies, External Auditors and any other relevant third parties.

48.5 Considerations involved in making the pricing decisions

To achieve the objectives of pricing, overall, the following factors are considered mainly by CDB, when making the pricing decisions.

- Cost of funds

  Interest pricing shall consider the cost of funds of the company to make sure the sufficient profit margin is maintained.

- Prevailing Industry Rates

  Due consideration shall be given to the interest rates charged by other financial institutions (Finance companies and banks) for similar transactions of similar client types/categories in pricing since the interest rates to be set in the light of competitive situation in the market. In case an existing customer of CDB wants to settle the facility and get a new facility from another financial institution, we may offer a special rate to keep a good existing customer.

- Credit Rating of the Client

  The interest rate to be applied shall be based on the credit rating of clients that meet CDB's risk acceptance criteria as well as its credit scoring of clients.

- Experience with the Client

  In pricing lending facilities for existing or past clients of CDB, considerable weight shall be given to the handling experience of CDB with the client.

- Collateral and other securities

  The type (vehicles, immovable property, gold etc) and the value of the collaterals as well as other forms of security (stocks, shares, personal guarantors etc) for the facility granted shall also be considered, when pricing the lending products. Here the due consideration shall be given for recoverable value of the collaterals, ease repossession of those as well as disposition of those in the event of default.

- Tenure of the lending contract

  Due consideration shall be given for the tenure of the lending contract, when deciding the interest rate of those contracts. If the interest rate applicable is fixed for a lending contract, higher the tenure higher the risk, it would be in terms of repayment and vice versa. Therefore, pricing should be done accordingly to mitigate this risk.

- Amount of the Facility / Total Business Dealings

  Since the administrative cost of client processing and administration is not proportionate to the amount of the facilities granted, the amount of the facility and/or the total transactions of the client with CDB shall be considered in pricing.

- Regulatory requirements

  Presently, Central Bank of Sri Lanka does not impose any regulatory requirements on lending interest rates. But it has imposed ceiling restrictions on deposit interest rates which is a main decider of the cost of funds.

48.6 Pricing Approach

When determining the prices (Interest rates) the cost of funds of the company is mainly considered and the profit margin to be achieved is added to arrive at the target pricing. The process which is followed by CDB, when determining the price (Interest rate) is as follows;

- Based on the Weighted Average Borrowing Rate (WABR) of the company, the profit margin to be achieved is decided at the Corporate Managers' Meeting (CMM), monthly.
- Based on the decided profit margin Weighted Average Lending Rate (WALR) is set at the same meeting.
- Decided WALR shall then be reported to the Asset and Liability Committee (ALCO) during the monthly meeting held.
- Then based on the decided WALR the Sales and Business Development Division set the sales volume target (product volume composition) for the month of all following lending products and the sheet interest rates of those products to achieve the target WALR.
  - ✓ Unregistered Auto Leasing
  - ✓ Registered Auto Leasing
  - ✓ Brand New 3W Leasing
  - ✓ Registered 3W Leasing
  - ✓ 2W Leasing
  - ✓ Cash in Hand
  - ✓ Facility grant against immovable Property
  - ✓ Personal Loan
  - ✓ Gold Loan
  - ✓ Credit Card
  - ✓ Solar Finance

- ✓ Agri & Fisheries Finance

- These sheet interest rates of respective lending products are applied when granting loans and/or leases.
- The branches and zones of CDB should maintain the WALR which is equal to/above the WALR determined for the month.

48.7 Policy Exceptions

As a rule, the company sets the pricing policy to keep on course toward its goals. This policy serves as the guardrails and signs on the road, and without them, the company may not know, if it is on the right course or even lost. It must avoid rationalizing exceptions as acceptable behaviour without validating the consequences.

Following rules are set for pricing policy deviations.

- Only the branches and zones who maintains a WALR of above the target WALR are allowed to deviate from the sheet interest rates determined for each type of lending products. For this policy exception, approval from authorities are not required since this is automated into the system (There is a system control).
- Any revisions to the target WALR during the month could be accommodated with the approval of ALCO.

49. CRIB Operation

49.1. Credit Information Bureau (CRIB)

Credit Information Bureau (CRIB) is the public- private owned institution which will be the custodian of Credit Information Management System (CRIMS). All the borrowers' credit information such as amount granted, amount outstanding, type of lending institution and repayment patterns are updated to the data base (CIMS) of CRIB and it is available for the use of member institutions. Such information can be sought through the unique identification no of the borrower by the member institutions.

CDB is one of the authorized member institute of CRIB.

Following Acts will govern the CRIB and CDB is bound to adhere as the member institution.

- Credit Information Bureau Act, No. 18 of 1990
- Credit Information Bureau (Amendment) Act, No. 8 of 1995
- Credit Information Bureau (Amendment) Act, No. 42 of 2008
- Credit Information Bureau Act – Consolidated Version
- Secured Transaction Act, No 49 of 2009

49.1.1 CRIB Score via an Application Programming Interface (API)

With the advent of API technology, CRIB has enabled its member lending institutions, including CDB, to access CRIB Score data in real-time, directly within their loan origination systems. The APIs serve as a bridge, facilitating seamless data exchange between CRIB's central database and the internal systems of the financial institutions.

49.1.2 Information of Borrower

The CRIB Report provides comprehensive information about a borrower's credit facilities, based on data submitted by member institutions on a monthly basis using the borrower's unique identification number. The report includes the following details:

- Demographic Information: Personal and address details of the borrower.
- Employment Information: Employment status and relevant details.
- Credit Inquiry History: Lists all the institutions or entities that have accessed the borrower's credit report in the past 6 to 12 months, indicating their interest in providing credit to the borrower.

- Credit Facility Summaries: Detailed information about both the active and settled credit facilities of a borrower and guarantor, if applicable. This summary includes a history of all credit facilities (e.g., loans, credit cards, etc.) the borrower or guarantor has held over the past five years, with particular focus on the status of these facilities.
- Credit Score: A numeric score that indicates the individual's or business's overall creditworthiness based on their credit history.
- Repayment History: A detailed history of credit facility repayments, including the number of days a payment was delayed or missed, available for the last 24 months.
- Dishonoured Cheque Information: Details of any dishonoured cheques related to the borrower's credit facilities.
- Defaults and Delinquencies: The Defaults section of the CRIB report shows, if the borrower has missed any payments or failed to repay loans as agreed, including the amount and date of the default. The report may also mention, if the borrower has filed for bankruptcy, which indicates serious financial trouble. If there are any court judgments, the report will provide details about legal actions taken against the borrower due to unpaid debts. This could include judgments for non-payment, where a court orders the borrower to repay the loan. Additionally, the report may list any debt recovery actions, such as collections or legal steps taken by the lender to get back the owed money.

49.1.3 Importance of CRIB in Pre-Screening

Pre-screening is an initial assessment of an applicant's financial health and creditworthiness before a detailed credit analysis or loan approval process begins. CRIB provides valuable credit data that helps financial institutions make informed decisions right from the outset.

By providing accurate, reliable, and timely credit information, CRIB helps financial institutions make data-driven decisions, assess credit risk, and streamline the application process. The integration of CRIB in pre-screening ensures that financial institutions can reduce defaults, speed up loan approvals, and maintain compliance with regulations, while also promoting fairness and transparency in lending practices.

49.2 Secured Transaction Register (STR)

The Secured Transaction Register (STR) is a comprehensive database that records information related to credit transactions, where the borrower pledges an asset as collateral to secure the loan. This registry helps creditors and other interested parties identify and track the assets that have been used as security for financial obligations. By registering a secured transaction, creditors ensure that their claim to the collateral is legally recognized in case the borrower defaults.

The STR serves as a transparent, accessible system that reduces the risk of fraud, provides lenders with critical information on a borrower's existing liabilities, and helps establish the priority of claims in the event of default. It plays a key role in ensuring fairness, protecting both creditors and borrowers, and promoting responsible lending practices.

49.2.1. Movable Properties Registered Under STR

The following types of movable properties can be registered under the STR;

1. **Personal Property**: Personal property refers to movable assets that are not considered real estate (land or buildings). This category can include a wide range of items like machinery, equipment, inventory, vehicles, and goods.
2. **Changeable Property**: Certain types of real property that can become personal property in some situations (e.g., harvested crops).
3. **Intangible Property**: Assets that are not physical in nature, but still hold value (e.g., accounts receivable, deposit accounts, intellectual property rights, licenses).
4. **Payment Instruments or Documents**: Legal documents that represent ownership or rights to payment (e.g., promissory notes, bills of exchange, stock certificates, warehouse receipts).
5. **Proceeds:** The proceeds from the sale or exchange of property that is subject to a security interest (e.g., cash received from selling equipment used as collateral).

49.2.2. Function of STR

- **Secured Interest Enforcement**: The lender does not physically take possession of the movable goods, but secures a legal right to enforce their interest in the asset. In the event of a loan default, the lender has the legal right to dispose of the asset to recover the debt.
- **Prior Notice to Lenders**: The STR provides a public notice of the security interest, which alerts potential lenders about any existing claims on the movable assets. This helps new lenders make informed decisions about the assets that are already pledged as collateral.

49.3. CRIB Downloading Process with Smart Ops

49.3.1 Documentation

Following are the mandatory documents required to check CRIB of a client.

- Individual Client
  - Signed consent letter by customer
  - NIC copy of the customer
- Corporate Client
  - Signed consent letter from Executive Directors
  - Business Registration(BR) copy

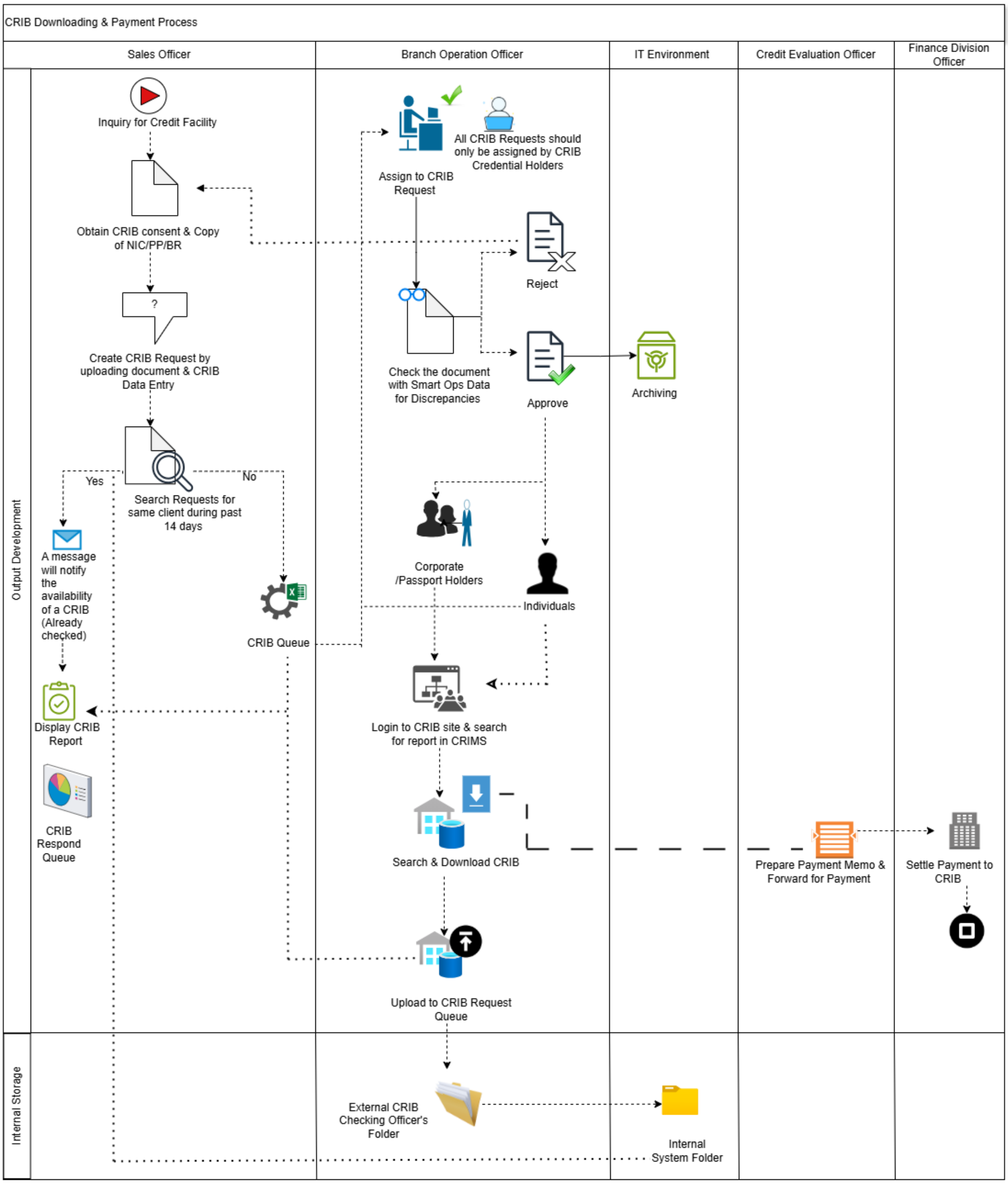
Note – The CRIB request submission officer is responsible to verify the validity of the signatures & authorized power of signatories by verification through Form 1, Form 20 & Article of Association of the Company.

49.3.2 Smart Ops Uploading

All CRIB requests, along with the required documents, must be submitted through Smart Ops in order to download the CRIB Report. If any request is submitted with incomplete documents or information, the CRIB scrutinizing officer has the authority to reject the request. The CRIB Request Queue operates as a “Kiosk Service Request”, providing options for the following actions:

- Approval
- Rejection
- Returning the request to the submission officer for further action

Note – In Smart Ops**,** the system will prevent further action after the entry of the NIC No, if any CRIB requests have been made for the same customer within the past 15 days. If a previous CRIB report has been downloaded during this period, the most recent CRIB report will be displayed to the user after the NIC No is entered, allowing the user to view the previous request details. This ensures that duplicate requests are avoided.



49.3.3 CRIB Charges & Payment

49.3.3.1 CRIB Charges

A charge of Rs. 350 is levied on the customer for each inquiry made to download a CRIB Report from the CRIMS system of CRIB. This fee applies to every individual request raised through CRIMS. The CRIB Submission Officer is responsible for collecting this charge from the customer. The charge must be recovered and posted to the General Ledger (GL) by debiting either the Customer Account or the Cash in Hand GL.

Any revisions or updates to the CRIB charges will be communicated to the branches by the Credit Evaluations Division.

49.3.3.2 CRIB Payment

Once the invoice is received from CRIB, the billing user should make the entries in the Core Banking System. The billing officer should prepare the Memo and submit to the Finance Division along with the invoice received from CRIB site.

Procedures to be followed in CRIB Downloading & Operation are in detail stated in procedure manual of CRIB Downloading & Payment Procedure Manual.