



Lanka Rating Agency

Rating Report

Amana Bank PLC

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
03-Jun-2026	BBB+	Stable	Maintain	-
11-Feb-2025	BBB+	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The rating reaffirmation reflects Amana Bank's ("AB" or "the Bank") strong asset quality, sustained growth and profitability trajectory over recent years. AB continues to build its presence in Sri Lanka as the only Islamic Bank but remains a small-sized Bank with ~0.9% market share (in terms of deposits) in the banking sector as of end-CY25. The Bank has successfully mobilized low-cost and no-cost deposits based on its Islamic Banking model, with its deposit base increasing to LKR ~151Bn (CY24: LKR ~111Bn) in CY25.

The Bank's ADR stood at ~91% in CY25, while asset quality remained robust as non-performing loans (NPL) ratio recorded at ~2.9% in 9MCY26 (CY24: ~3.4%), well below the banking sector average. AB primarily focuses on the Retail and SME sectors, which jointly account for the bulk of fund-based exposures. broad exclude09:36Claude responded: The Bank's financing book is supported by a granular retail borrower base. The Bank's financing book is supported by a granular retail borrower base.

Supported by stable spreads (that slightly improved to ~5.3%) along with robust non-financing and trade income during CY25, AB reported PBT and PAT of LKR ~4.1Bn and LKR ~2.5Bn, respectively, during CY25 (CY24: LKR ~2.7Bn and LKR ~1.8Bn, respectively).

The Bank's capital position remained adequate in CY25, with a Capital Adequacy Ratio (CAR) of ~14.7% and a Tier 1 ratio of ~13.0%. Both ratios stood comfortably above the CBSL regulatory minimum requirements of 12.5% and 8.5%, respectively. However, capital buffers moderated from the previous year, reflecting balance sheet expansion, and continued to trail the industry average. The rating also incorporates constraints on the Bank's earning potential arising from the limited availability of Sharia-compliant securities and limited sectoral diversification.

The rating remains contingent upon the Bank's ability to sustain its current asset quality, maintain strong capitalisation levels, and preserve its profitability trajectory. Any material weakening of capital adequacy or related regulatory ratios, or any meaningful deterioration in asset quality, would carry negative implications for the rating.

Disclosure

Name of Rated Entity	Amana Bank PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Financial Institution Rating(Aug-24)
Related Research	Sector Study Commercial Bank (Feb-26)
Rating Analysts	Imran Iqbal imran@lra.com.lk +94 114 500099



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Profile

Structure Amana Bank ("AB" or "the Bank") is a Licensed Commercial Bank ("LCB") established under the Banking Act No. 30 of 1988. The Bank was listed on the Colombo Stock Exchange in January 2014.

Background Amana Bank PLC began its operations in 2011 and was subsequently listed on the Colombo Stock Exchange in January 2014 following its Initial Public Offer in 2013. The Bank received international recognition in 2014 as the world's best up-and-coming Islamic Bank, and was further acknowledged in 2020 as the fastest growing retail bank in Sri Lanka.

Operations The Bank's principal operations consist of providing banking and related activities that include accepting deposits, personal banking, lease financing, home and property financing, gold facilities, resident and non-resident foreign currency operations, trade financing, working capital financing, and project financing.

Ownership

Ownership Structure IB Growth Fund (Labuan) LLP continues to be the largest shareholder of the Bank, holding approximately 25.0% of the shares. Senthilvel Holdings (Pvt) Ltd acquired a substantial stake during CY25, the second largest shareholder with a shareholding of around 20.0%. High Net Worth ("HNW") individual sponsors account for ~13.7% of the shareholding.

Stability The substantial shareholding held by IB Growth Fund provides Amana Bank with notable stability through its association with a strong parent entity. IB Growth Fund is a private equity fund incorporated in Malaysia and is wholly owned by the Islamic Corporation for the Development of the Private Sector ("ICD"), which in turn operates under the corporate umbrella of the Islamic Development Bank ("IsDB") Group.

Business Acumen The Islamic Development Bank is a multilateral development institution engaged in social and economic development projects across 57 member countries of the Organisation of Islamic Cooperation (OIC). Following the equity injection from IsDB, Amana Bank has been able to scale its operations significantly over the years, with consistent growth of its deposit and asset base.

Financial Strength The Bank's principal shareholders, the Islamic Development Bank ("IsDB") together with its private sector arm, the Islamic Corporation for the Development of the Private Sector ("ICD"), collectively hold ~28% of the shares, positioning them as significant contributors to Amana Bank's capital base. IsDB carries a AAA rating, placing it on par with other leading Multilateral Development Banks such as the Asian Development Bank ("ADB") and the International Bank for Reconstruction and Development ("WB").

Governance

Board Structure The Board of Directors comprises 13 members, of which six are Non-Independent Directors and twelve are Non-Executive Directors. A clear separation of responsibilities is maintained between the Chairperson and the Chief Executive Officer, ensuring effective governance and balanced oversight.

Members' Profile The Chairman of the Bank, Mr. Ali Asghar Akbarally, brings extensive professional experience in business and management. He is a Fellow Member of the Institute of Certified Professional Managers and holds a BSc Degree in Industrial Engineering from California State University.

Board Effectiveness The Board has established eight Sub-Committees, of which five are mandatory, namely the Board Audit Committee ("BAC"), the Board Integrated Risk Management Committee ("BIRMC"), the Board Nomination and Governance Committee ("BNAGC"), the Board Related Party Transactions Review Committee ("BRPTRC"), and the Board Human Resources and Remunerations Committee ("BHRRC").

Financial Transparency The Company's external auditors, Ernst & Young, have issued an unqualified audit opinion on the annual financial statements for CY25.

Management

Organizational Structure The overall management of the Bank is overseen by the Managing Director ("MD") / Chief Executive Officer ("CEO"). All departments, with the exception of Sharia, Internal Audit, Risk, and Compliance, report directly to the MD/CEO through their respective departmental heads.

Management Team The management team is led by the CEO/MD, Mr. M.T.M. Azmeer, who holds a Master of Business Administration from the University of Leicester, UK. He brings over 41 years of industry experience and has been associated with Amana Bank for the past 12 years.

Effectiveness Amana Bank has established eight management committees to support its operational and strategic functions, namely the Assets and Liabilities Management Committee ("ALCO"), the Executive Credit Committee ("ECC"), the Executive Risk Management Committee ("ERMC"), the Information Technology and Security Committee ("ITSC"), the Management Procurement Committee ("MPC"), the Operational Risk Management Committee ("ORMC"), the Equity Investment Committee ("EIC") and Sustainable Banking Initiatives Committee ("SBIC").

MIS The Bank operates on a core banking platform, which is an Enterprise Islamic Banking and Investment system. Amana Bank is currently expanding its Self-Service Banking Center ("SBC") network to enhance customer accessibility. The Bank also offers a mobile banking application along with multilingual WhatsApp Banking services.

Risk Management Framework The Bank operates a risk management framework built on the three lines of defence model. The Board Integrated Risk Management Committee ("BIRMC") advises the Board of Directors on risk-related matters, while the Board approves the policies, procedures, and directives that establish the guiding principles for managing key risk types across the core businesses.

Business Risk

Industry Dynamics As at 9MCY25, the Sector recorded an asset base of LKR ~24.5Tn, reflecting a ~16% improvement compared to 9MCY24. Gross loans grew by ~17% YoY to LKR ~13.15Tn from LKR ~11.25Tn, positive industry expansion. The Gross NPL ratio improved to ~11% in 9MCY25 from ~12.7% in 9MCY24.

Relative Position The Bank's share of Sector advances increased to ~1.19% as at 9MCY25 from ~1.01% in 9MCY24, reflecting steady growth in its lending portfolio relative to the industry. Similarly, the Bank's share of Sector deposits rose marginally to ~0.86% in 9MCY25 from ~0.84% in 9MCY24.

Revenues Total operating income grew 16% to LKR~10.1Bn in CY25, driven by net financing income rising 21% to LKR~8.3Bn and net fee and commission income increasing 27% to LKR~1.37Bn. Growth was supported by a~36% expansion in financing and receivables to LKR ~150.9Bn.

Performance Total operating income grew ~16% to LKR~10.1Bn in CY25, driven by financing and placement income of LKR ~16.9Bn and a ~21% rise in net financing income to LKR ~8.3Bn, while financing expenses grew only ~1%. Net fee and commission income rose ~27% to LKR ~1.37Bn.

Sustainability The Bank plans prudent lending growth in Corporate and SME sectors, focusing on manufacturing and exports.

Financial Risk

Credit Risk The Bank's Gross NPL ratio declining to ~2.9% in 9MCY25 from ~3.4% in CY24, comfortably below the industry Stage 3 ratio of ~11.0%. Stage 3 impairment coverage remained stable at ~60.6%, above the industry average of ~55.5%.

Market Risk The Bank's investment consists of placements with other banks and Licensed Finance Companies decreased by ~20.6% in 9MCY25 to LKR. ~28.5Bn compared to 9MCY24 (CY24: LKR ~38.8Bn). Investment in equity securities decreased from LKR ~143Mn in 9MCY24 to LKR ~110.4Mn in 9MCY25 (CY24: LKR~70Mn).

Liquidity And Funding The Bank's liquidity is adequate, supported by a stable deposit base growing ~10% to LKR~169.4Bn in 9MCY25.

Capitalization The Capital Adequacy Ratio ("CAR") is recorded at ~14.7% as at CY25 while it was at ~17.6% as at CY24. The Bank's Tier 1 Capital stood at ~13% as of CY25 compared to ~15.0% in CY24.



Financials (Summary) in LKR mln

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LKR mln

Amana Bank	Dec-25	Dec-24	Dec-23	Dec-22
#	12M	12M	12M	12M

A BALANCE SHEET

1 Stage I Advances - net	132,770	98,380	75,569	73,892
2 Stage II Advances - net	16,167	11,335	12,478	7,332
3 Stage III Advances (NPLs)	4,612	4,013	3,733	3,189
4 Stage III Impairment Provision	(2,597)	(2,427)	(2,122)	(1,227)
5 Investments	985	596	522	463
6 Debt Instruments	-	-	-	-
7 Other Earning Assets	30,724	45,897	51,922	29,656
8 Non-Earning Assets	21,646	24,541	17,350	28,383
Total Assets	204,307	182,337	159,452	141,688
6 Deposits	172,074	154,406	132,938	112,546
7 Borrowings	1,881	19	321	11,857
8 Other Liabilities (Non-Interest Bearing)	5,267	5,070	4,496	2,924
Total Liabilities	179,221	159,495	137,755	127,327
Equity	25,085	22,842	21,697	14,361

B INCOME STATEMENT

1 Mark Up Earned	16,918	15,400	17,238	12,113
2 Mark Up Expensed	(8,598)	(8,525)	(10,743)	(7,344)
3 Non Mark Up Income	1,741	1,815	2,716	1,597
Total Income	10,061	8,690	9,211	6,366
4 Non-Mark Up Expenses	(5,212)	(4,609)	(3,871)	(2,991)
5 Provisions/Write offs/Reversals	640	(290)	(2,121)	(1,638)
Pre-Tax Profit	5,489	3,791	3,219	1,736
6 Taxes on Financial Services	(1,398)	(1,004)	(907)	(529)
Profit Before Income Taxes	4,091	2,787	2,312	1,207
7 Taxes	(1,610)	(1,012)	(925)	(419)
Profit After Tax	2,481	1,775	1,387	788

C RATIO ANALYSIS

1 Revenues

Advances' Yield	11.3%	13.0%	16.9%	13.0%
Spread Asset Yield - Cost of Funds	4.8%	4.5%	5.4%	4.7%

2 Performance

Cost of Funds [Mark Up Expensed / Average (Deposits + Borrowings)]	5.2%	5.9%	8.3%	6.4%
ROE	10.4%	8.0%	7.7%	5.6%

3 Capital Adequacy

Capital Adequacy Ratio	14.7%	17.6%	19.3%	15.8%
Net Stable Funding Ratio [Available Stable Funding / Required Stable Funding]	143.0%	129.4%	187.7%	187.8%

4 Funding & Liquidity

Liquid Assets / (Deposits + Borrowings)	13.6%	15.9%	15.7%	22.6%
Demand & Saving Deposit Coverage Ratio	0.3	0.4	0.4	0.6

5 Credit Risk

Impaired Loan Ratio [Stage III Advances (NPLs) / Gross Advances]	2.9%	3.4%	3.9%	3.7%
Provision Coverage Ratio [Impairment Provision / Stage III Advances (NPLs)]	56.3%	60.5%	56.8%	38.5%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) LRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

- | | |
|---------------------------------|--------------------------------------|
| a) Broker Entity Rating | e) Holding Company Rating |
| b) Corporate Rating | f) Independent Power Producer Rating |
| c) Debt Instrument Rating | g) Microfinance Institution Rating |
| d) Financial Institution Rating | h) Non-Banking Finance Company |

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Regulatory and Supplementary Disclosure

(Rules applicable to Credit Rating Agencies, No. 19 of 2021 - issued on 15th March 2022)

Rating Team Statements

(1) Credit Rating Agency means a body corporate engaged in the business of assessing and evaluating the credit-worthiness of any issuer or a specific issue of securities. <https://www.sec.gov.lk/credit-rating-agency/>

Conflict of Interest

(2) i. LRA will disclose to the Commission all other business activities it is engaged in at the time of applying for its licence and inform the Commission in writing prior to engaging in any other business activity after obtaining a licence from the Commission. (Section 34 – Rules applicable to Credit Rating Agencies)

(2) ii. LRA will not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained. (Section 35 – Rules applicable to Credit Rating Agencies)

(2) iii. In the conduct of any such other business activity, the LRA will ensure that proper processes are in place to have a clear demarcation of the different functions pertaining to such businesses. (Section 36 – Rules applicable to Credit Rating Agencies)

Restrictions

(3) (i) LRA will not be outsource any part of its work, which has a direct bearing on the function of rating. (Section 24 – Rules applicable to Credit Rating Agencies)

(3) (ii) LRA will enter into a written agreement with the party to whom any work is outsourced. Such agreement contains an undertaking from the party to whom any work is outsourced that they shall comply with the laws, rules, and directives that the LRA is bound to follow. (Section 25 – Rules applicable to Credit Rating Agencies)

(4) The LRA will not appoint any individual as a member of the rating committee who:

(a) has a business development function of the Credit Rating Agency; or

(b) who initiates or participates in discussions regarding fees or payments with any Client of the LRA. (Section 28 – Rules applicable to Credit Rating Agencies)

Conduct of Business

(5) Prior to the commencement of a rating or during such process the LRA will not promise, assure or guarantee to a Client that a particular rating will be assigned. (Section 39 – Rules applicable to Credit Rating Agencies)

(6) LRA performs a rigorous and formal periodic review of all its methodologies. Such methodologies will be made available to the Commission for perusal, upon request. (Section 41 – Rules applicable to Credit Rating Agencies)

Independence & Conflict of interest

(7) LRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on LRA's opinions or other analytical processes. In all instances, LRA is committed to preserving the objectivity, integrity, and independence of its ratings.

(8) LRA will not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained. (Section 35 – Rules applicable to Credit Rating Agencies)

(9) LRA will structure its rating teams and processes to promote continuity, consistency and avoid bias in the rating process. (Section 47 – Rules applicable to Credit Rating Agencies)

Monitoring and review

(10) For purposes of transparency the LRA will publish sufficient information about an entity/security rated, frequency of default and whether a rating grade assigned has changed over time. The definitions and computation methods for the default rates stated in the default studies shall also be disclosed. (Section 44 – Rules applicable to Credit Rating Agencies)

LRA maintain the following records pertaining to Clients:

(a) all internal records to support its credit rating opinions;

(b) all particulars relating to Clients at its office which shall include the name and registered address and contact numbers of such Client, names and addresses of their directors as at the date of rating, its issued share capital and the nature of business; and

(c) a written record of all complaints received from Clients and action taken thereon by the LRA. (Section 48 – Rules applicable to Credit Rating Agencies)

(11) LRA maintains confidentiality of all non-public information entrusted to it by Clients at all times including such Client's identity and transactions carried out for such Client unless and to the extent such disclosure is required by law, or unless authorised by the Client to disclose such information. (Section 50 – Rules applicable to Credit Rating Agencies)

(12) LRA does not destroy, conceal or alter any records, property or books relating to the business of the Credit Rating Agency which are in its possession or under its control with the intention of defeating, preventing, delaying or obstructing the carrying out of any examination (Section 53 – Rules applicable to Credit Rating Agencies)

Probability of Default

(13) LRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability).

Proprietary Information

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