

↳ Governance – Board Sub-Committee Reports

Board Audit Committee Report

Composition of the Committee

The Board Audit Committee (the Committee) is appointed by the Board of Directors (the Board) and as at the end of the year, comprised of following Independent, Non-Executive Directors of the Bank.

Mr. S. Swarnajothi (*Chairman*)

Prof. A.K.W. Jayawardane

Mr. K. Dharmasiri

Managing Director, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, Compliance Officer and Assistant General Manager – Management Audit, attended the Committee meetings by invitation. Assistant General Manager – Management Audit, functions as the Secretary of the Committee.

Mr. Manil Jayesinghe, serves the Committee in the capacity of a Consultant and is invited to attend its meetings. He is a practicing senior Chartered Accountant with long years of experience in Auditing, Accounting Standards and Financial Reporting.

Brief profiles of the member of the Board are given on pages 28 to 30.

Charter of the Committee

The Charter of the Audit Committee approved by the Board, clearly defines the Terms of Reference of the Committee and is annually reviewed to ensure that new developments relating to the Committee's functions are addressed. The Committee assists the Board in discharge of its responsibilities and exercises oversight over financial reporting, internal audit, internal controls and external audit.

The Banking Act Direction No. 11 of 2007, (hereinafter referred as the Direction), on 'Corporate Governance for Licensed Commercial Banks in Sri Lanka' and its subsequent amendments, 'Rules on Corporate Governance under Listing Rules of the CSE' and 'Code of Best Practice on Corporate Governance', issued jointly by CA Sri Lanka and the

SEC of Sri Lanka, further regulate the composition, roles and functions of the BAC.

The Committee is empowered by Board of Directors to:

- Ensure that financial reporting systems in place are effective and well-managed in order to provide accurate, appropriate and timely information to the Board of Directors, Regulatory Authorities, the Management and other Stakeholders.
- Review the appropriateness of accounting policies and ensure adherence to statutory and regulatory compliance requirements and applicable Accounting Standards.
- Ensure that the Bank adopts and adheres to high standards of Corporate Governance practices, conforming to the highest ethical standards and good industry practices in the best interests of all stakeholders.
- Evaluate the adequacy, efficiency and effectiveness of Risk Management measures, Internal Controls and Governance Processes in place to avoid, mitigate or transfer current and evolving risks.
- Monitor all aspects of Internal and External Audit and Inspection programmes of the Bank. Review Internal and External Audit Reports for follow up with the Management on their findings and recommendations.
- Review the Interim Financial Statements and Annual Financial Statements of the Bank in order to monitor the integrity of such statements prepared for publication prior to submission to the Board of Directors.

Activities in 2015

The Committee held 10 meetings during the financial year ended December 31, 2015. The proceedings of these meetings, with adequate details of matters discussed, were regularly reported to the Board of Directors. Representatives of the Bank's External Auditors M/s KPMG, also participated in 3 meetings during the year by invitation.

The Committee also invited members of the Senior Management of the Bank to participate in the meetings from time to time, based on necessity.

The attendance of Committee members is stated in the table 4 appearing on page 33.

Reporting of Financial Position and Performance

The Committee supports the Board in its oversight on the preparation of Financial Statements, that evidences a true and fair view on financial position and performance. This process is based on the Bank's accounting records and in accordance with the stipulated requirements of the Sri Lanka Accounting Standards.

The prevailing Internal Controls, Systems and Procedures were assessed by the Committee and it expressed the view that adequate controls and procedures were in place to provide reasonable assurance to the effect that the Bank's assets are safeguarded and the financial position of the Bank is well monitored and accurately reported.

Oversight on Regulatory Compliance

The Committee closely scrutinises compliance with mandatory banking and other statutory requirements and the systems and procedures that are in place to ensure compliance with such requirements. The quarterly reports submitted by the Compliance Officer, are being used by the Committee to monitor compliance with all such legal and statutory requirements. The Bank's Inspection Function has been mandated to conduct independent test checks, covering all regulatory compliance requirements, as a further monitoring measure.

Identification of Risks and Control Measures

In view of the fact that the Bank has adopted a risk based audit approach, the effectiveness of the internal control procedures in place, to identify and manage all significant risks, are being

reviewed by the Committee. A Risk Grading Matrix has been adopted for assessing and measuring the risks identified during inspections. The Committee seeks and obtains required assurances from Business Units, on the remedial actions in respect of the identified risks, in order to maintain the effectiveness of internal control procedures.

Internal Audit and Inspection

The Committee ensures that the Internal Audit function is independent of the activities it audited and that it was performed with impartiality, proficiency and due professional care.

The Bank's Inspection Function, carries out online and onsite inspections of business units, including subsidiaries and Bangladesh operations. With the concurrence of the Board, the Bank continues to engage the services of 5 firms of Chartered Accountants, approved by the Central Bank of Sri Lanka, in order to supplement, the Bank's Inspection Function in carrying out inspection assignments.

The Committee approves the Programme of Inspection, formulated by Inspection Department and reviews its implementation regularly. Five hundred and sixty (560) inspection reports on Business Units and Departments received the attention of the Committee and the operational deficiencies, risks highlighted and the recommendations were given due attention.

Major findings of internal investigations with recommendations of the Management, were considered and appropriate instructions issued. The Committee also invited representatives from the Audit Firms assisting in inspections, to make presentations on their observations and findings.

Members of the Committee visited some of the branches to get a better understanding of their operations.

External Audit

With regard to the External Audit function of the Bank, the role played by the Committee is as follows:

- Assisting the Board of Directors in engaging External Auditors for audit services, in compliance with the provisions of the Direction and agree on their remuneration with the approval of the Shareholders.
- Monitoring and evaluating the independence and objectivity of the External Auditor.
- Reviewing non-audit services provided by the Auditors, with a view to ensuring that such functions do not fall within the restricted services and provision of such services will not impair the External Auditors' independence and objectivity.
- Discussing the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditors, prior to commencement of the Annual Audit.
- Discussing all relevant matters arising from the interim and final audits and any matters the Auditor may wish to discuss, including matters that may need to be discussed in the absence of KMP.
- Reviewing the External Auditors' Management Letter and the management's responses thereto.

The Auditors were provided with the opportunity of meeting Non-Executive Directors separately, without any Executive being present, to ensure that the Auditors had the independence to discuss and express their opinions on any matter. It provided the assurance to the Committee, that the Management has fully provided all information and explanations requested by the Auditors.

At the conclusion of the audit, the Committee also met the Auditors to review the Auditors' Management Letter before it is submitted to the Board of Directors and the CBSL.

Mechanism of Internal Controls

Sections 3(8)(ii) (b) and (c) of the Banking Act Direction No .11 of 2007, stipulates the requirements to be complied with by the Bank, to ensure reliability of the financial reporting system in place at the Bank. The Committee is assisted by the External Auditor and Inspection Department, to closely monitor the procedures designed to maintain an effective internal control mechanism, to provide reasonable assurance that this requirement is being complied with.

In addition, the Committee regularly monitors all exceptional items charged to the Income Statement, long outstanding items in the Bank's Chart of Accounts, Credit Quality, Risk Management procedures and adherence to classification of non-performing loans and provisioning requirements specified by the CBSL. The Committee also reviews the credit monitoring and follow up procedures and the Internal Control Procedures in place, to ensure that necessary control and mitigating measures are available in respect of newly identified risks.

Ethics and Good Governance

The Committee continuously emphasized on upholding ethical values of the staff members. In this regard, a Code of Ethics and Whistle-Blowers Charter was put in place and followed for educating and encouraging all members of staff to resort to whistle-blowing, if they suspect wrong doings or other improprieties. The highest standards of Corporate Governance and adherence to the Bank's Code of Ethics were ensured. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistle-blowing or identified through other means. The Whistle-Blowers Charter guarantees the maintenance of strict confidentiality of the identity of the whistle-blowers.

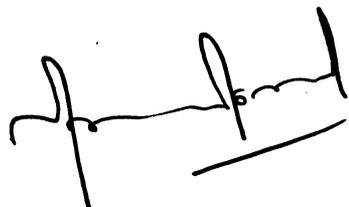
Sri Lanka Accounting Standards

The Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Bank and made recommendation to the Board of Directors.

The committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

Evaluation of the Committee

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



S. Swarnajothi
Chairman – Board Audit Committee

Colombo
February 24, 2016

Board Integrated Risk Management Committee Report

Composition of the Committee

The Board appointed Integrated Risk Management Committee (BIRMC), as at the end of the year, comprised of the following members:

Mr. M.P. Jayawardena* (*Chairman*)

Mr. S. Swarnajothi* (*Director*)

Mr. K. Dharmasiri* (*Director*)

Mr. J. Durairatnam –
(*Managing Director/CEO*)

Mr. S.K.K. Hettihamu (*Chief Risk Officer*)

**Independent Non-Executive Director*

Please refer pages 28 to 30 for the profiles of the Board members.

Chief Financial Officer functions as the Secretary of the Committee.

Charter of the Committee

The BIRMC was established by the Board of Directors, in compliance with the Section 3 (6) of the Direction No. 11 of 2007, on 'Corporate Governance for Licensed Commercial Banks in Sri Lanka', issued by the Monetary Board of the CBSL under powers vested in the Monetary Board, in terms of the Banking Act No. 30 of 1988. The composition and the scope of work of the Committee, conform to the same as set out in the BIRMC Charter, which clearly sets out the membership, source of authority, duties and responsibilities of the BIRMC, as described in the Section on 'Managing Risk at Commercial Bank' on pages 112 to 144.

BIRMC assists the Board of Directors in performing its oversight function, in relation to different types of risks faced by the Bank in its business operations and ensures adequacy and effectiveness of the risk management framework of the Bank. The Committee submits a risk assessment report within a week of each meeting to the Board of Directors. Duties of the BIRMC include determining the

adequacy and effectiveness of such measures and to ensure that the actual overall risk profile of the Bank conforms to the desirable risk profile of the Bank, as defined by the Board.

Activities in 2015

BIRMC held 4 Meetings on a quarterly basis, during the year under review and the attendance of Committee Members at meetings is stated in the table 4 on page 33. The Committee assessed all key risks such as Credit, Operational, Market, Liquidity etc., which are tracked on a monthly basis through a set of risk indicators. It worked very closely with the KMP and the Board, in fulfilling its statutory, fiduciary and regulatory responsibilities for Risk Management.

The Charter of the BIRMC was reviewed by the Board of Directors in December 2015.

In order to discharge the above duties and responsibilities, the Committee carried out the following activities:

- Reviewed and revised the Terms of Reference of all Management Committees dealing with specific risks or some aspects of risk, such as the Executive Integrated Risk Management Committee, the Executive Committee on Monitoring NPLs, the Credit Policy Committee and the Assets and Liabilities Committee.
- Monitored actions initiated by Senior Management, to test the effectiveness of the measures taken by the respective Committees referred to above.
- Reviewed the annual work plans, related strategies, policies and frameworks of the above Committees, to ensure that these Committees have a good understanding of their mandates and adequate mechanisms to identify, measure, avoid, mitigate, transfer or manage risks within the qualitative and quantitative parameters set by the BIRMC.

- Maintained a continuous dialogue with Management Committees, directly or indirectly dealing with specific risks, so that BIRMC is immediately informed of any hindrance, obstacle, discouragement or constraint in the performance of their functions and/or the implementation of their decisions.
- Periodically reviewed and approved the Internal Capital Adequacy Assessment Process (ICAAP) framework and ensured that ICAAP is subject to comprehensive internal audit oversight.
- Reviewed and improved the effectiveness of risk related policy framework of the Bank.
- Considered proposed material changes to the Bank's risk profile or Risk Appetite arising from planned, new or increased business.
- Reviewed risk profiles of subsidiaries of the Bank.
- Took appropriate actions to implement software solutions to support the risk management function of the Bank, in order to migrate into advance approaches in Basel guidelines in the future.
- Reviewed the risk indicators designed to monitor the level of specific risks at any given time, with a view of determining the adequacy of such indicators, to serve the intended risk management objectives and take proactive measures to control risk exposures.
- Reviewed the actual results computed monthly against each risk indicator and take prompt corrective action/s to mitigate the effects of specific risks, in case such risks are exceeding the prudent thresholds defined by the Board of Directors.
- Reviewed and approved the parameters and limits set by the Management, against various categories of risk and ascertain whether they are in accordance with the relevant laws and regulations as well as the desired policy levels stipulated by the Board of Directors.

- Took appropriate actions against the failures of the officers responsible for risk management functionality to improve the overall effectiveness of risk management at the Bank.
- Monitored the effectiveness and the independence of the risk management function within the Bank and ensured that adequate resources were deployed for this purpose.
- Reviewed the effectiveness of the Compliance function, to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations.
- Reviewed the updated Business continuity and Disaster Recovery Plan annually.

During the year 2015, the BIRMC supported execution of the overall business strategy, within a set of prudent risk parameters that were reinforced by an effective risk management framework.



M.P. Jayawardena
Chairman – Board Integrated Risk Management Committee

Colombo
February 24, 2016

Board Nomination Committee Report

Composition of the Committee

The Board Nomination Committee (BNC), as at the end of the year, comprised of the following Independent Non-Executive Directors of the Bank:

Mr. K.G.D.D. Dheerasinghe (*Chairman*)
Mr. M.P. Jayawardena
Mr. S. Swarnajothi

Mr. J. Durairatnam, Managing Director/CEO, attended meetings of the Committee by invitation. The Company Secretary of the Bank, functions as the Secretary of the Committee.

Brief profiles of the members of the Committee are given on pages 28 to 30.

Terms of Reference of the Committee

The Terms of Reference clearly states the purpose of establishing the Committee, its composition, authority and conduct and scheduling of meetings. The BNC was established by the Board in compliance, with sub direction 3(6)(iv) of Banking Act Direction No. 11 of 2007 (subsequently amended), on Corporate Governance for Licensed Commercial Banks in Sri Lanka, issued by the Monetary Board of the CBSL under Section 46(1) of the Banking Act No. 30 of 1988, as amended, to ensure Board's oversight and control over 'Selection of Directors, CEO and KMP'. It also states that matters relating to KMPs may be dealt with by the BHRRC.

(a) Composition of Committee

- The Committee shall be chaired by an Independent Director who has adequate experience in the relevant subject and be constituted with a majority of Independent Directors from the Board to ensure that the responsibilities of the Committee are discharged effectively.
- Managing Director/CEO may be present at meetings by invitation.

(b) Authority of Committee

- The Committee has the authority to discuss issues under its purview and report back to the Board with recommendations, enabling the Board to take a final decision on the matter.
- If a need arises, professionals from outside may be invited for advice on specific issues.
- Bank staff may be present at Committee meetings for advice or special assignments, by invitation.

(c) Meetings of Committee

- There shall be a quorum of two third of the members of the Committee to hold a meeting.
- The Committee shall meet as and when a need arises.

Charter of the Committee

The mandate of the Committee includes *inter-alia* the following:

- To implement a procedure to select/ appoint new Directors, CEO and KMP.
- To consider and recommend (or not recommend) the re-election of current Directors, taking into account the performance and contribution made by them towards the overall discharge of the Board's responsibilities.
- To set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and key management positions.
- To ensure that Directors, CEO and KMP are fit and proper persons, to hold office as per the criteria set out in the Direction issued by the CBSL and relevant statutes.
- To consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring Directors and KMP.
- To make recommendations on any other matter/s referred to it by the Board of Directors.

Activities in 2015

3 Committee meetings were held during the year under review. Attendance of the Committee members at the meetings is given on page 33 (Table 4) Proceedings of the Committee meetings are regularly reported to the Board of Directors.

During the year, the Committee selected and recommended to the Board, few candidates considering their skills and diverse experience, to fill casual vacancies on the Board.

The Committee also recommended the re-election of Directors, taking into account the performance and contribution made by them towards the overall discharge of the Board's responsibilities.

The Committee continued to work closely with the Board of Directors, on matters assigned to the Committee and reported back to the Board of Directors with its recommendations.



K.G.D.D. Dheerasinghe
Chairman – Board Nomination Committee

Colombo
February 24, 2016

Board Human Resources and Remuneration Committee Report**Composition of the Committee**

The Board appointed Human Resources and Remuneration Committee comprises 3 Non-Executive Directors. The Managing Director of the Bank is present by invitation.

Mr. K.G.D.D. Dheerasinghe (*Chairman*)

Prof. U.P. Liyanage
(*Director*) – until April 28, 2015

Mr. M.P. Jayawardena (*Director*)

Mr. S. Swarnajothi
(*Director*) – Since April 29, 2015

Mr. J. Durairatnam
(*Managing Director/CEO*) – By invitation

Brief profiles of each member are given on pages 28 to 30.

The Managing Director who is responsible for the overall management of the Bank, provides information to the Committee and participates in all deliberations, except in relation to those matters where the outcome had an impact on him.

Deputy General Manager – Human Resource Management functions as the Secretary of the Committee.

Charter of the Committee

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors, on any matter that may affect the Human Resource Management of the Bank and shall specifically include –

- Determining the compensation of the Chairman, Deputy Chairman, Managing Director and other members of the Board of Directors of the Bank, while ensuring that no Director is involved in setting his or her own remuneration.
- Determining the compensation and benefits of the KMP and establishing performance parameters in setting their individual goals and targets.

- Formulate guidelines, policies and parameters for the compensation structures for all Executive staff of the Bank and oversee the implementation thereof.
- Review information related to executive pay from time to time, to ensure same is in par with the market/industry rates or as per the strategy of the Bank.
- Evaluate the performance of the Managing Director and KMP against the pre-agreed targets and goals.
- Make recommendations to the Board of Directors from time to time, of the additional/new expertise required by the Bank.
- Assess and recommend to the Board of Directors, of the promotions of KMP, address succession planning and issues connected to the Organisational Structure.
- Evaluate, assess and make recommendations and provide directions pertaining to the Board of Trustees and the management of the Private Provident Fund of the Bank.
- Make recommendations/decisions/directions pertaining to the statutory payments made by the Bank on behalf of its employees (EPF, ETF, Terminal Benefits, etc.), ensuring the effective fulfilment of all commitments arising as a result of the employer-employee relationship.
- Recommend/decide/give directions on disciplinary matters resulting in a significant financial loss to the Bank caused by KMP of the Bank.
- Formulating formal and transparent procedures for developing policy on remuneration for Executives and Directors.
- Approving annual increments, bonuses, changes in perquisites and incentives.

Guiding Principles

The Overall focus of the Committee:

- Setting guidelines and policies to formulate compensation packages, which are attractive, motivating and capable of retaining qualified and experienced employees in the Bank. In this regard, the Committee sets the criteria such as qualifications, experience and the skills and competencies required, to be considered for appointment or promotion to the post of Managing Director and to Key Management positions.
- Setting guidelines and policies to ensure that the Bank upholds and adheres to the provisions of the Laws of the Land, particularly those provisions of the Banking Act No. 30 of 1988, including the Directions issued by the Monetary Board/Director of Bank Supervision in accordance with the provisions of such Act.
- Providing guidance and policy direction for relevant matters connected to general areas of Human Resource Management of the Bank.
- Ensuring that the performance related element of remuneration is designed and tailored to align employee interests with those of the Bank and its main stakeholders and supporting sustainable growth.
- Structuring remuneration packages to ensure that a significant portion of the remuneration is linked to performance, to promote a pay for performance culture.
- Promoting a culture of regular performance reviews, to enable staff to obtain feedback from their superiors, in furtherance of achieving their objectives and development goals.
- Developing a robust pipeline of raising talent capable and available to fill key positions in the Bank.

Methodology used by the Committee

The Committee recognised rewards as one of the key drivers influencing employee behaviour, thereby impacting business results. Therefore, the reward programmes are designed to attract and retain and to motivate employees to perform by linking performance to demonstrable performance based criteria. In this regard, the Committee evaluates the performance of the Managing Director and KMP against the pre-agreed targets and goals that balance short term and long term financial and strategic objectives.

The Bank's variable (bonus) pay plan is determined according to the overall achievements of the pre-agreed targets of the Bank and individuals, which are based on various performance parameters. The level of variable pay is set to ensure that individual rewards reflect the performance of the Bank overall, the particular business unit and individual performance. The Committee makes appropriate adjustments to the bonus pool in the event of over or under achievement against pre determined targets. In this regard, the Committee can seek external independent professional advice on matters falling within its purview.

Further, the Committee may seek external agencies to carry out salary surveys to determine the salaries paid to staff vis-à-vis the market position, enabling the Committee to make informed decisions regarding the salaries in the Bank.

Activities in 2015

The Committee held 5 meetings during the year under review, as stated in the table 4 on page 33. The Chairman of the Committee can convene a special meeting in the event a requirement arises, provided all members are given sufficient notice of such special meeting. The quorum for a meeting is 2 members. Members of the Corporate Management were invited to participate

at the sittings of the Committee meetings, as and when required by the Chairman, considering the topics for deliberation at such meetings. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

During the year, the Committee interviewed – based on the succession plan, suitable candidates to fill the vacancies in the Corporate Management and such recommendations were accordingly approved by the Board of Directors and appointments were effected. The recent changes in the Key Management Positions and the ability of the Bank to ensure a smooth transition in each of these cases, signify the importance of and the attention paid to the talent management process of the Bank. In all promotions to the Corporate Management grade, the Committee applied leadership competencies to judge the suitability of the candidates.

During the year, the Committee reviewed and recommended for the approval of the Board, Employee Share Ownership Plan (ESOP). This plan will help to align the interest of all Executive staff of the Bank, with the interest of the shareholders. Top 20% of the Bank's employees will benefit under this scheme, which will help to retain the key talent with the Bank.

The Committee reviewed and approved the proposed changes to the organisational structure and reporting lines, which will facilitate current business initiatives.

During the year, the Committee reviewed and approved Compensation & Benefits and Reward Policy of the Bank, which will cover all aspects in the above-mentioned areas for the employees of the Bank.

The Committee also designed a Self Assessment system to evaluate the performance of the Committee.

During the year, The Committee reviewed the Outsourcing Policy of the Bank and ensured the inclusion of changes suggested by the CBSL.

The Committee reviewed and recommended for the approval of the Board, all salary revisions of the Executive carder of the Bank, which was necessary in view of the Collective Agreement signed with the Ceylon Bank Employees' Union at the end of 2014, covering a period of 3 years, for Non-Executive grades.

The Committee also reviewed and approved the revision of pensions for the retired staff members of the Bank, who are entitled to pensions under the system which prevailed before year 2000.

The Committee reviewed and approved the Terms of Reference of the Human Resource Steering Committee of the Management.

The Committee reviewed and gave their advice and suggestions to the management about the succession plan of the Bank.



K.G.D.D. Dheerasinghe
Chairman – Board Human Resources and Remuneration Committee

Colombo
February 24, 2016

Board Credit Committee Report

Composition of the Committee

Board Credit Committee (BCC) consists of the following Members:

Mr. K.G.D.D. Dheerasinghe (*Chairman*)
Prof. A.K.W. Jayawardane
(*appointed w.e.f. April 29, 2015*)
Mr. J. Durairatnam
Mr. S. Renganathan

The Assistant Company Secretary of the Bank, functions as the Secretary of the Committee.

A brief profile of each member of the Committee is given on pages 28 to 30.

Charter of the Committee

The BCC assists the Board of Directors in effectively fulfilling its responsibilities relating to the Credit Direction, Credit Policy and Lending Guidelines of the Bank, in order to inculcate healthy lending standards and practices and ensure relevant regulations are complied with.

The Committee is empowered to:

- Review and consider changes proposed from time to time, to the Credit Policy and the Lending Guidelines of the Bank.
- Analyse and review the credit risk control measures in lending areas, pricing of lending proposals and also ensure that credit proposals are within relevant regulatory frameworks.
- Evaluate, assess and make recommendations on credit propositions submitted to the Board of Directors.
- Evaluate and recommend sector exposures and cross-border exposures.
- Monitor and evaluate special reports called for by the Board of Directors.
- Set lending directions based on the current economic climate.

Activities in 2015

12 BCC meetings were held during the year under review. Attendance of the Committee members at meetings of BCC is given on page 33 (Table 4). Proceedings of the Committee meetings were regularly reported to the Board of Directors. The Committee approved credit proposals above a predetermined limit, scrutinised and/or recommended Credit proposals and other Credit reports intended for approval/perusal by the Board of Directors. These tasks were carried out by the Committee in-line with the Bank's lending policies and credit risk appetite, to ensure that the lending portfolios were managed as per the stipulated credit risk parameters.



K.G.D.D. Dheerasinghe
Chairman – Board Credit Committee

Colombo
February 24, 2016

Board Technology Committee Report Composition of the Committee

The Committee, as at the end of the year, comprised of the following members:

Prof. A.K.W. Jayawardane (*Chairman*)
Mr. J. Durairatnam
(Managing Director/CEO)
Mr. S. Renganathan
*(Executive Director/
Chief Operating Officer)*
Mr. L.H. Munasinghe
(Deputy General Manager – Marketing)
Mr. Krishan Gamage
*(Assistant General Manager –
Information Technology)*
Mr. D.B. Saparamadu (*Consultant*)

Please refer pages 28 to 30 for profiles of the Board Members.

Assistant General Manager - Information Technology functions as the Secretary of the Committee.

Charter of the Committee

The Committee was established by the Board of Directors, in recognition of the degree of reliance of the Bank on technology and the growing demands of IT Governance.

The Committee has been empowered to:

- Set the overall technology strategy and track progress of the objectives to meet this strategy.
- Review significant technology procurements, prior to them being sent to the Board of Directors for approval.
- Analyse emerging technology and its potential use.

There were 3 committee meetings during the year, with attendance of members listed on page 33 (Table 4). Periodic updates are given to the Board of Directors on the progress of BTC objectives.

Activities in 2015

The Committee reviewed progress of strategic objectives. The Committee also reviewed significant items for procurement and recommends them for approval by the Board of Directors.



Prof. A.K.W. Jayawardane
Chairman – Board Technology Committee

Colombo
February 24, 2016

Board Investment Committee Report Composition of the Committee

The Committee as at the end of the year comprised of the following members.

Mr. K.G.D.D. Dheerasinghe (*Chairman*)

Mr. J. Durairatnam
(*Managing Director/CEO*)

Mr. S. Renganathan
(*Executive Director/COO*)

Mr. H.J. Wilson (*Director*)

Mr. K. Dharmasiri (*Director*)

Mr. K.D.N. Buddhipala
(*Chief Financial officer*)

Mr. K.A.P. Perera
(*Head of Global Markets*)

Mr. A.N.P. Sooriyarachchi
(*Assistant General Manager –
Corporate and Investment Banking*)

Mr. A. Wijesiriwardane
(*Head of Global Treasury*)

Mr. S.K.K. Hettihamu (*Chief Risk Officer*)

Please refer pages 28 to 30 for profiles of the Board Members.

Head of Global Treasury functions as the Secretary of the Committee.

Charter of the Committee

The Committee is responsible for the investment related decisions of the Bank. Hence, the Committee will oversee investment activities by providing assistance and guidance, evaluate strategic relevance and financial viability of various investment proposals, monitoring the Bank's various investment activities, in accordance with the various investment policies of the Bank.

Within this framework, the Committee performs following duties:

- Approve investment proposals, borrowings and related execution of agreements.
- Review existing investment portfolio performance, monitor adherence to investment policies and decisions of the Investment Committee.

- Review and recommend significant investment decisions, to be undertaken by the Bank to the Board of Directors.
- Review, introduce and approve investment policies and operational parameters relating to investments of the Bank.

The Committee meets once a month on a regular basis and may also schedule additional meetings if required. Refer page 33 (Table 4).

Methodology Adopted by the Committee

The Committee meets monthly and reviews progress of strategic and significant investments, liquidity situation of the Bank and the country's economic outlook. The Committee also reviews the monthly performance of Treasury and Investment Banking Division, where the interest rate risk, repricing risk and other market risks are discussed.

Activities in 2015

The Committee also from time to time, issued instructions to Executive Officers of the Bank on investment related activities.



K.G.D.D. Dheerasinghe
Chairman – Board Investment Committee

Colombo
February 24, 2016

Board Related Party Transactions Review Committee Report

Composition of the Committee

The Board appointed Related Party Transactions Review Committee (BRPTRC), with a combination of Executive and Independent Non-Executive Directors, as stipulated by the Code of Best Practices on Related Party Transactions, issued by the Colombo Stock Exchange (CSE).

The BRPTRC as at the end of the year was comprised of the following members:

Mr. K.G.D.D. Dheerasinghe (*Chairman*)

Mr. S Swarnajothi (*Director*)

Mr. J Durairatnam
(*Managing Director/CEO*)

Mr. S Renganathan
(*Executive Director/COO*)

Mr. K.G.D.D. Dheerasinghe, the Chairman of the Bank and Mr. S. Swarnajothi, the Chairman of the BAC, are independent Non-Executive Directors.

Mr. L.W.P. Indrajith, the Assistant General Manager - Finance of the Bank, functions as the Secretary of the Committee.

Brief profiles of each member of the Committee are given on pages 28 to 30.

Terms of Reference of the Committee

The BRPTRC was formed by the Board at the end of 2014, to assist the Board in reviewing all Related Party Transactions (RPT) carried out by the Bank and its listed companies in the Group, by early adopting the Code of Best Practice on Related Party Transactions, as issued by the CSE, which is mandatory from January 01, 2016.

The mandate of the Committee includes *inter-alia* the following:

- Developing and recommending for adoption by the Board of Directors of the Bank and its listed subsidiaries, a RPT Policy consistent with that proposed by the CSE.

- Updating the Board of Directors on the RPT of each of the listed companies of the Group.
- Making immediate market disclosures on applicable RPT, as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Making appropriate disclosures on RPT in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE.

The Committee will schedule quarterly meetings to review and report to the Board, on matters involving RPT falling under its Terms of Reference.

Activities in 2015

A Committee meeting was held during the year, to review and to recommend the RPT Policy to the Board. The attendance of the Committee members at the meeting is given on page 33 (Table 4). Proceedings of the Committee meetings were regularly reported to the Board of Directors. In addition, the Board of Directors were updated on the RPT of each of the listed companies of the Group, on a quarterly basis.

During 2015, a comprehensive RPT Policy was developed and disseminated among relevant stakeholders, after obtaining the approval of the Board of Directors.

The following types of related party transactions are brought to the attention of the Board for approval:

- Requests for any credit facility or any other form of accommodations for Directors or their Close Family Members, as recommended by the BRPTRC.
- Requests for any credit facility or any other form of accommodations for entities, in which a Director of the Bank, holding more than 10% of its paid up capital, as recommended by the BRPTRC.

Any member of the Committee, who has an interest in a RPT under discussion, shall abstain from voting on the approval of such transaction, but may, if so requested by the Chairman of the Committee, participate in some or all Committee's discussions on such transactions. Upon completion of its review of the transaction, the Committee may determine to permit or to prohibit the RPT.

A RPT entered into without pre-approval of the Committee, shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical, after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy. As such, all RPT, other than the exempted transactions, will be reviewed either prior to the transaction being entered into or if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.



K.G.D.D. Dheerasinghe
*Chairman – Related Party Transactions
Review Committee*

Colombo
February 24, 2016