

Board Related Party Transactions Review Committee Report

Composition of the Related Party Transactions Review Committee

The Board appointed Related Party Transactions Review Committee, comprised of seven (7) Board members and the Chairman of the Committee is the Chairman of the Bank and an Independent Director, as set out below. The Chief Executive Officer (CEO) has been present at meetings, only if invited by the Committee. As at 31 December 2015, the Committee comprised of the following:

Name of the Board Sub Committee Member	Directorship Status	Membership Status
N G Wickremeratne	Independent	C
T L F Jayasekera	Independent	M
D S P Wikramanayake	Non-Independent	M
Mrs. D M A Harasgama	Non-Independent	M
Mrs. K Fernando	Independent	M
Mrs. W A I Sugathadasa	Independent	M
K D W Ratnayaka	Independent	M
R Theagarajah	Non-Independent	I

C – Chairman, M – Member, I – by invitation

Charter of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee was formed by the Board of Directors voluntarily in December 2014 further to the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE), so that the Bank shall follow the rules pertaining to related party transactions as set out in the Listing Rules of the CSE mandatory from 1 January 2016. In terms of the aforesaid rules the Board of Directors has constituted a Related Party Transactions Review Committee. The composition and the scope of work of the Committee are in conformity with the provisions of the said Section in the Listing Rules.

The Terms of Reference of the Related Party Transactions Review Committee was approved by the Board of Directors and is reviewed annually. As part of the annual review process, the Committee reviewed the Terms of Reference in December 2015 and there were no material changes made.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Bank, in order to ensure that related parties are treated on par with other shareholders and constituents of the Bank.

The Committee carries out the following duties and responsibilities:

1. Reviewing to evaluate and to determine the advisability of any Related Party Transactions except for transactions set out in Rule 9.5 of the Listing Rules of the CSE, that require consideration by the Committee under the Related Party Policy of the Bank;
2. Approving or rejecting the Related Party Transaction upon the required internal approvals being obtained.
3. Determining whether the relevant Related Party Transaction is fair to, and in the best interests of, the Bank and its stakeholders; and
4. Recommending to the full Board what action, if any, should be taken by the Board with respect to any Related Party Transaction.
5. Recommending to the full Board where necessary, that the approval of the shareholders of the Bank be obtained by way of a Special Resolution, prior to the concerned transaction being entered into as specified in Section 9.1 and 9.4 of the Listing Rules.

Committee Guiding Principles

The Committee is entrusted with evaluating and considering all transactions with related parties of the Bank except the exempted transactions as per the Listing Rules of the CSE in order to ensure the related parties are treated on par with other shareholders and constituents of the Bank and related party transactions are evaluated according to the applicable rules and regulations. To this end the Committee shall ensure that necessary processes are in place to identify, approve, disclose and monitor related party transactions according to the provisions contained in the Board approved Related Party Transactions Policy pertaining to the Bank and its subsidiaries.

The Committee is required to carry out the aforementioned approval of the related parties and related party transactions in line with the Regulations issued by the Central Bank of Sri Lanka, the Colombo Stock Exchange and/or Securities and Exchange Commission of Sri Lanka, the Banking Act Directions, the Companies Act requirements and the Sri Lanka Accounting Standards.

Committee Meetings

The Committee met three (3) times during the year under review, and the attendance of committee members at meetings is stated in the table on page 135 of the Annual Report. The quorum for a meeting is four (4) members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Methodology used by the Committee

In carrying out the duties of the Committee, the Committee is required to avoid 'conflicts of interest', which may arise from any transaction of the Bank with any person, particularly with related parties, ensure arm's length dealings with related parties whilst also ensuring adherence to the Corporate Governance Directions which requires the Bank to avoid engaging in transactions with related parties, in a manner that would grant such parties 'more favourable treatment' than accorded to other constituents of the Bank, carrying on the same business, to be in line with security requirements, as stated in the Banking Act Directions and to be in compliance with the approval procedure, set out in the Banking Act.

The Committee will also be guided by the Listing Rules of the CSE pertaining to related party transactions, the Board approved Related Party Transactions Policy and the Terms of Reference of the Committee.

Summary of Activities

During the preceding year, the Committee approved/ratified certain transactions to be carried out by various related parties of the Bank [such as NDB Investment Bank Ltd., NDB Wealth Management Ltd., NDB Securities (Pvt) Ltd. and Softlogic Stock Brokers] on an arm's length basis. The Committee also considered and approved the granting of term loans to three related parties of the Bank.

Appreciation

The Committee wishes to convey its sincere gratitude to former Chairman S G Wijesinha and former member S Rajapakse for their valuable contribution to the Committee.



N G Wickremeratne
Chairman
Related Party Transactions
Review Committee

12 February 2016
Colombo