

CORPORATE GOVERNANCE

Dear Stakeholders,

We are committed to ensuring that the Bank and Group operates at the highest standard of corporate governance. We believe the Board is the Custodian of the Bank's performance and behaviours and sets the vision, strategic aims and values to which the entire Group must adhere.

Our Corporate Governance practices are built on making a positive and sustainable impact in the lives of our customers, suppliers, employees, communities and on the environment in which we operate. **This underpins a strong and sustainable business for our shareholders, while creating societal value for our stakeholders.**

We are committed to and focused on leveraging our vision, culture and governance practices to deliver successful customer experiences, engage with our employees, mitigate our risks, identify new opportunities and enhance our reputation. We believe this will help us meet our objectives of delivering superior shareholder returns and being the driving force for a financially empowered Sri Lanka.

It is with great pleasure that we present the Corporate Governance Report for 2015 which elaborates how the Board, its Committees and The Leadership Team effectively and collaboratively achieved these goals.

During 2015, the Bank took steps to readjust its mission, vision and values to better suit the long-term objectives of the Bank. We have described the

initiatives taken by the Bank in this regard in greater detail below.

We are fortunate to be supported by a Board that possesses a diverse set of skills. During 2015, we continued to take a forward looking approach to refreshing our Board composition. The Board has always maintained fairness, responsibility, accountability and transparency for the betterment of its stakeholders. It is accepted that the effectiveness of a Board depends on its individual members. Each member of the Board brings a different area of expertise, skills and experience to the table which encourages a robust exchange of alternate views and ways of thinking. The Board staunchly supports The Leadership Team that runs the day-to-day business operations of the Bank by giving them guidance in executing our agreed strategy.

We would like to thank Sunil Wijesinghe our previous Chairman, Ms. Chandra Ekanayake, Sujeewa Rajapakse and Anura Siriwardena all of whom resigned in March 2015, for their unstinting support and assistance towards the Bank and Group and their contribution on the Board and Board Committees.

Statement of Compliance

The Bank's Corporate Governance Report for 2015 highlights important elements of the governance framework that is in place at National Development Bank PLC and the Bank's adherence to the requirements set out in the Corporate Governance Direction issued by the Central Bank of Sri Lanka (CBSL) and the Code of Best Practice

on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) (the Code). The Report also covers the Factual Findings Report submitted by External Auditors in relation to compliance with the Corporate Governance Directions issued by CBSL.

As required by the Code, we hereby confirm that, we are not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics (as embodied in the Internal Code of Corporate Governance applicable to Directors and Key Management Personnel of the Bank as the case may be) by any Director or Key Management Personnel of the Bank.



N G Wickremeratne
Chairman



Mrs. K Fernando
Chairperson
Corporate Governance and
Legal Affairs Committee

12 February 2016
Colombo

Corporate Governance Initiatives of the Bank for the Year 2015

- Launched a new vision and mission statement in alignment with the new strategic objectives of the Bank.
- Refreshed the Bank's core values which were communicated to all employees through a brand playbook that provided them with a better understanding of the Bank's corporate philosophy. The playbook contained inspirational stories of real life heroes that lived each value.
- Established a Related Party Transactions Review Committee:

Further to the directive issued by the SEC to adopt the Code of Best Practice on Related Party Transactions for listed companies mandatorily by 1 January 2016, the Bank opted to voluntarily adopt same with effect from 1 January 2015.

- The Board, all Board Committees and all Management Committees carried out self-assessments to critically evaluate the effectiveness of the Board and each of the Committees. The results of the self-evaluations were discussed in detail and areas for improvements together with an action plan were mandated.
- All policies, procedures and product programme guides are tracked on

a monthly basis to ensure that they are reviewed in a timely manner and are up to date and in compliance with laws, regulations and internal operational standards.

- All documents pertaining to Board meetings were made available in electronic format to enable timely, more efficient and interactive real time communication among Board members in line with sustainability initiatives adopted by the Bank to reduce paper usage.
- Explanatory Notes and E-Flyers were circulated to Employees to provide a simplified understanding of new regulations applicable to the Bank's business.

REGULATORY BENCHMARKS ON CORPORATE GOVERNANCE

- ▶ Companies Act No. 7 of 2007
Mandatory compliance
- ▶ Banking Act No.30 of 1988 (as amended) and all directions/ guidelines issued there under
Mandatory compliance
- ▶ Corporate Governance Direction No. 11 of 2007 (as amended) issued by the Central Bank of Sri Lanka
Mandatory compliance
- ▶ Listing Rules of the Colombo Stock Exchange (CSE)
Mandatory compliance
- ▶ The Code of Best Practice on Corporate Governance as published by the Securities and Exchange Commission and the Institute of Chartered Accountants, Sri Lanka
Voluntary compliance
- ▶ Section 9 of the CSE Listing Rules
Voluntary Compliance
- ▶ Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)
Mandatory compliance

INTERNAL BENCHMARKS ON CORPORATE GOVERNANCE

- ▶ Articles of Association
- ▶ Internal Code of Corporate Governance for Board and Key Management Personnel
- ▶ Charters/Terms of Reference of Board Committees and Management Committees
- ▶ Compliance Policy and Code of Conduct
 - Securities Trading Policy
 - Anti-bribery and Corruption Policy
 - Gift Policies
- ▶ Human Resources Policy and Manual
 - Diversity and Inclusion Policy
 - Harassment and Non-Discrimination Policy
 - Health and Safety Policy
 - Grievance Policy
- ▶ Information Security Policies
- ▶ Whistleblowing Policy
- ▶ Communications Policy
- ▶ Procurement Policy
- ▶ Outsourcing Policy
- ▶ Disclosure Policy
- ▶ Complaints Handling Policy
- ▶ Related Party Policy
- ▶ Integrated Risk Management Policies
- ▶ IT related policies
- ▶ Finance related policies
- ▶ Document Retention and Destruction Policy
- ▶ Anti-Money Laundering and Suppression of Terrorist Financing Policy
- ▶ Product Program Guides
- ▶ All Board approved policies on operational areas

Our Stakeholders

We believe that, in order to be effective, we should demonstrate ethical leadership and promote the Bank's collective Vision, Mission and Values.

Therefore, the Board is committed to act in a way they consider, in good faith, would promote the success of the Bank for the benefit of all its stakeholders and, in doing so, have regard (amongst other matters) to the:

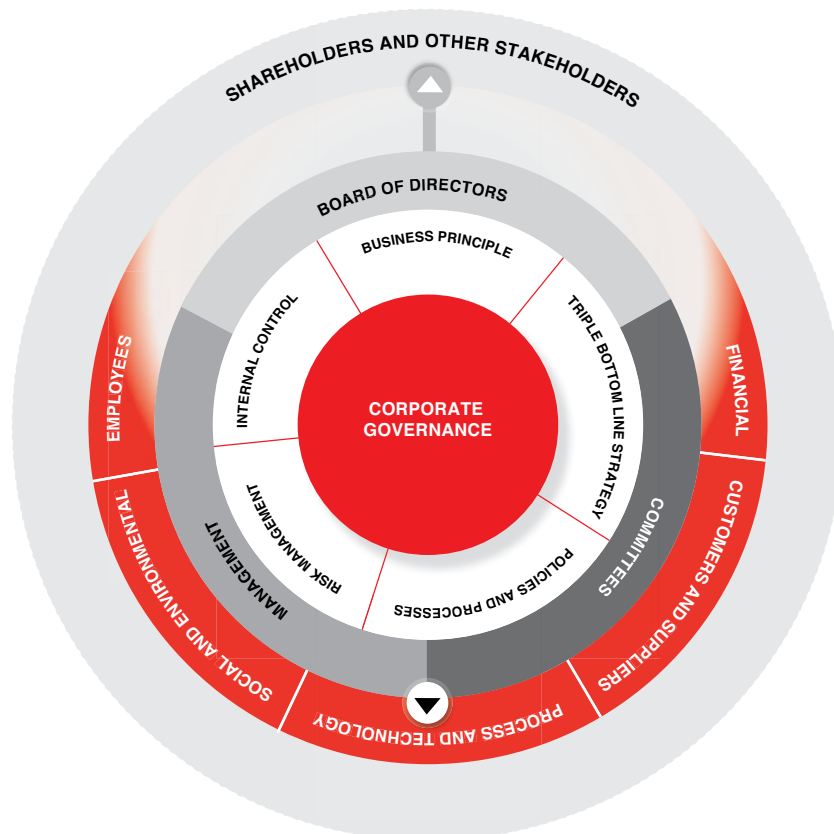
- (a) likely consequences of any decision in the long-term;
- (b) interests of the Bank's employees;
- (c) need to foster business relationships with the Bank's suppliers, customers and others;
- (d) impact of the Bank's operations on the community and the environment;

(e) desirability of the Bank maintaining a reputation for high standards of business conduct; and

(f) need to act fairly as between stakeholders of the Bank.

We are responsible for ensuring that management maintains a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. In addition, we are responsible for ensuring that management maintains an effective risk management and oversight process at the highest level across the Bank and Group.

The diagram below depicts the structures, processes and relationships in place that contributes towards the Corporate Governance culture of the Bank.



Our Corporate Governance Framework

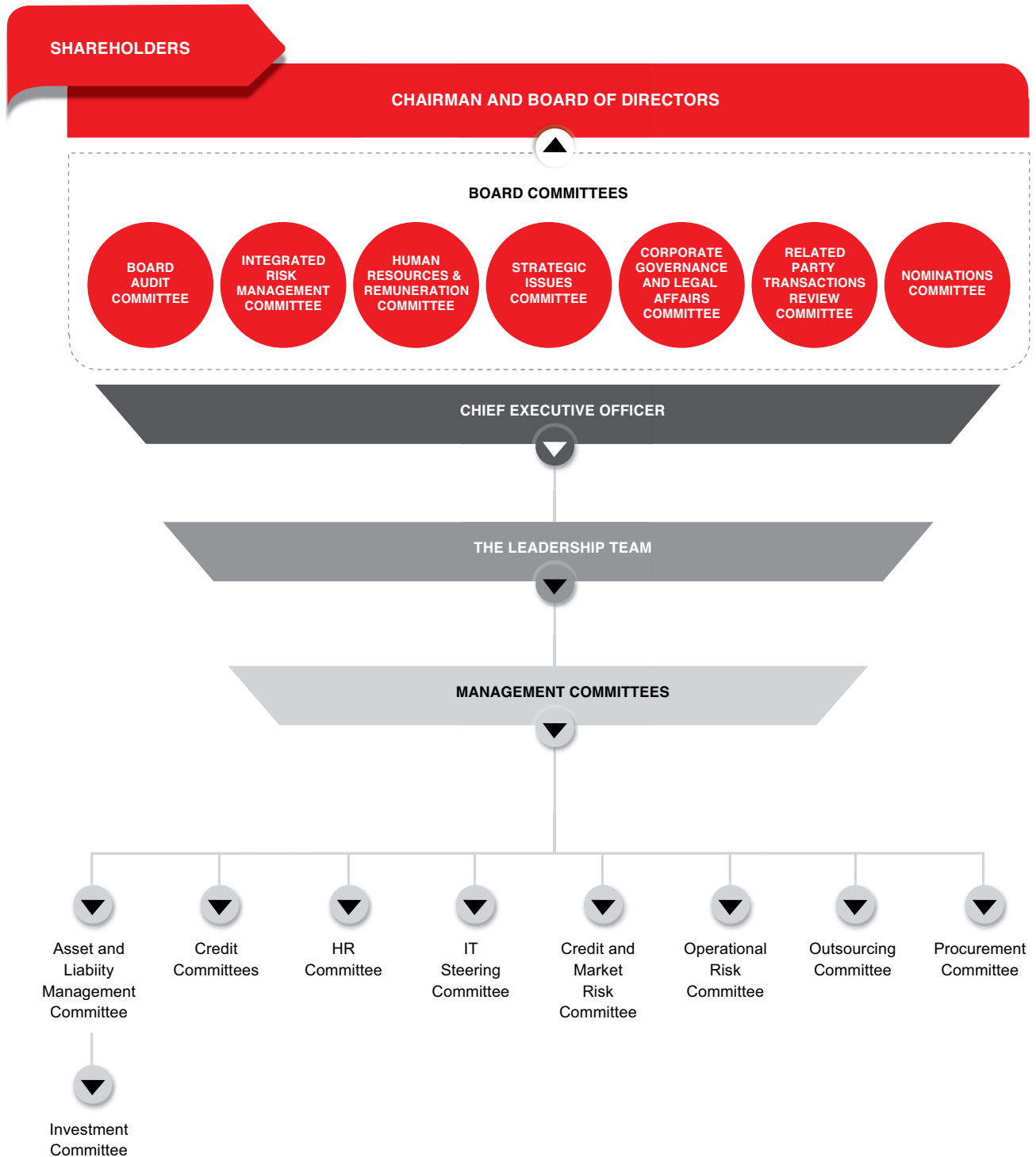
The Bank has a well-defined and well-structured corporate governance framework in place to support the Board's aim of achieving long-term and sustainable value for all its stakeholders.

Some of the components include:

- A highly skilled, diverse and independent Board
- Strong co-ordinated management
- Robust risk management systems
- Compliance with external regulations and internal policies
- Timely comprehensive communication with stakeholders
- Long-term genuine commitment to sustainability

Authority is delegated by the Board to the Chief Executive Officer (CEO), who is responsible for the management of the Bank's diverse businesses. The CEO further delegates authority to The Leadership Team and management committees who are empowered to make decisions to specified levels, beyond which they are escalated to the CEO or Board (as prescribed by the Board). There is in place a clear and consistent top-down governance structure across the Bank, aligned to personal accountabilities and delegated authorities. The governance framework and specific delegations are reviewed by the Board and CEO regularly.

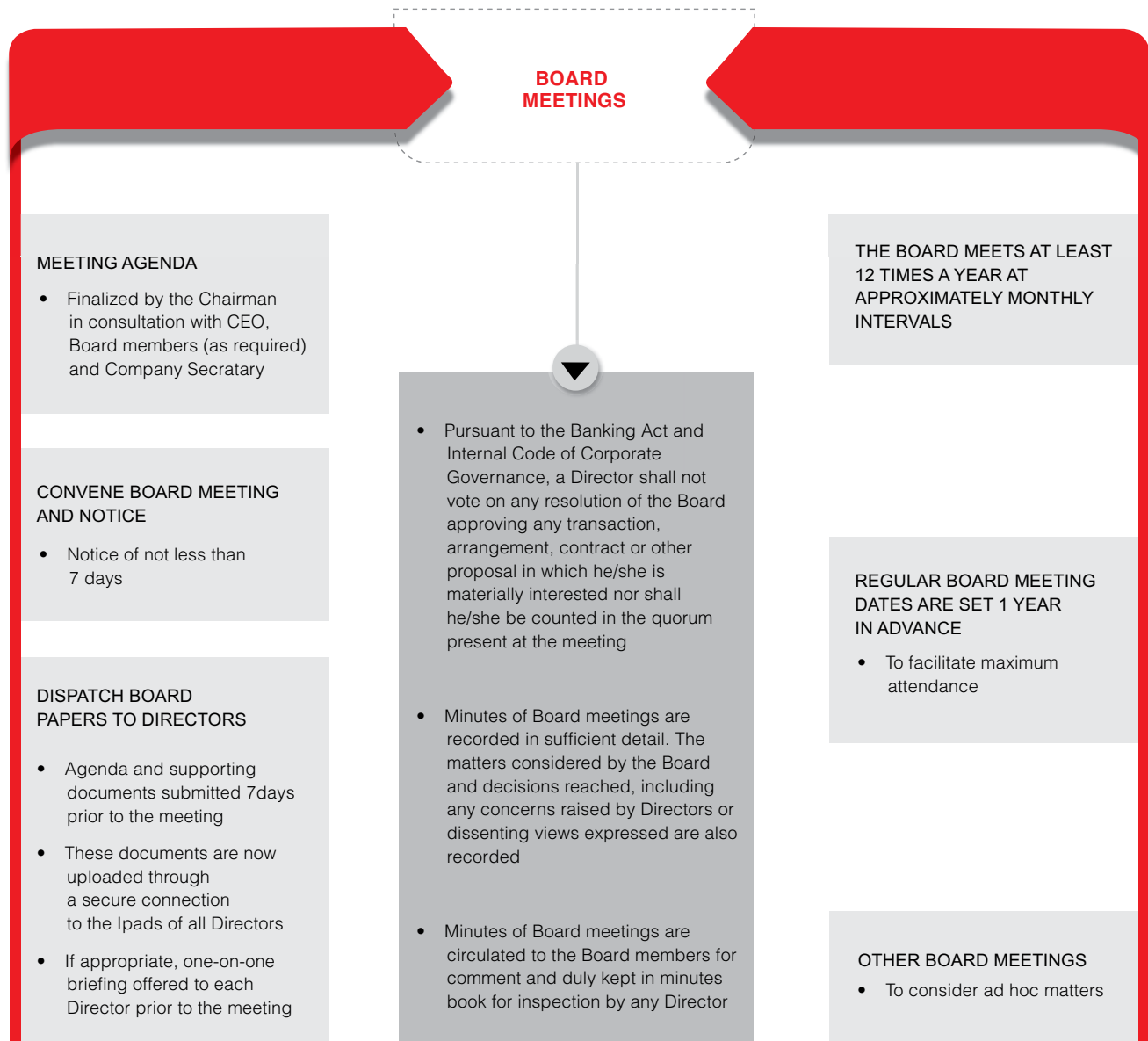
The Governance structure of the Bank is represented below:



Effective Leadership by the Board

Board Process

The Board recognizes the importance of providing timely and appropriate information to Directors so as to enable them to make informed decisions and to perform their duties and responsibilities effectively. The Board met fifteen times in 2015.



The Role of the Board

The Board of Directors as the highest governing body of the Bank plays a central role in defining our long-term strategy, performance goals and Corporate Governance standards. The diagram below details key areas

of focus by the Board during the year. Please refer the tables found on pages 142 to 174 for more details relating to processes implemented by the Board in these areas for 2015.



Board Composition

The Board consisted of ten Directors as at end December 2015, from whom nine including the Chairman are Non-Executive Directors. Of the nine Non-Executive Directors, six are Independent Directors. The Chief Executive Officer of the Bank, functions as the only ex officio Director.

The Board reviews its composition and is committed to ensuring diversity and inclusiveness in its composition and deliberations. It embraces the proposition that having a diverse Board would have a positive, value-relevant impact on the Bank. In this regard, the Board considers diversity from a number of different aspects, including gender, age, cultural and educational

background, ethnicity, professional experience, skills and knowledge that are directly relevant to our businesses. The Nominations Committee of the Board recommends the filling of vacancies of Directors based on the guidelines approved by the Board and ensures that all Directors are persons of integrity and repute with creditable track records. The four new Directors who joined the Board in 2015 have brought with them fresh insights and knowledge from the areas of Information Technology, Law and Finance.

The structure and composition of the Board as at 31 December 2015 and the attendance of each Director is set out in the table below:

Board Committees

The Board is assisted by several mandatory and voluntary Board Committees in carrying out more in-depth oversight in the areas of strategic and operational planning, corporate governance, risk management, compliance, financial planning, integrity of external reporting, succession planning, human resources and remuneration policy.

Reports of each of the Board Committees describing the activities undertaken by them during the year, are set out on pages 175 to 190 of this Report.

Name of Director	Areas of Expertise	Independent/ Non-Independent Under CBSL Direction	Independent/ Non-Independent Under ICASL/SEC Code Direction	Date of Appointment	No. of Board Meetings Held in 2015	No. of Meetings Attended
N G Wickremeratne	Management & Banking	Independent	Independent	15.04.2015	10	10
S G Wijesinha (Resigned w.e.f. 27.03.2015)	Engineering, Finance and Management	Independent	Independent	04.10.2013	4	4
A K Pathirage (Deputy Chairman)	Management, IT and Business Skills	Non-Independent	Non-Independent	18.02.2011	15	14
R Theagarajah (CEO)	Banking, Finance and Management	Non-Independent	Non-Independent	24.08.2013	15	15
T L F Jayasekera	Banking and Finance	Independent	Independent	10.02.2010	15	15
D S P Wikramanayake	Finance, Insurance and General Management	Non-Independent	Non-Independent	04.06.2010	15	15
Mrs. K Fernando	Law, Banking and Management	Independent	Independent	04.06.2010	15	15
H A Siriwardena (Resigned w.e.f. 31.03.2015)	Management	Independent	Independent	04.06.2010	5	5
Ms. G D C Ekanayake (Resigned w.e.f. 11.03.2015)	Finance, Public Policy and Management	Non-Independent	Independent	07.02.2011	3	2
S Rajapakse (Resigned w.e.f. 30.03.2015)	Finance and Management	Non-Independent	Non-Independent	23.02.2011	5	5
Mrs. W A I Sugathadasa	Insurance, Capital Markets, Human Resources and Management	Independent	Independent	04.10.2013	15	15
D M R Phillips, PC	Law	Independent	Independent	22.04.2015	9	8
Mrs. D M A Harasgama	Finance, Public Policy and Management	Non-Independent	Independent	22.04.2015	9	9
K D W Ratnayaka	Management and IT	Independent	Independent	13.05.2015	9	6

The Composition of Board Committees for the year 2015 and the attendance of Directors at Board Committee meetings are detailed below:

Details of Members of the Board Committees as at 31 December 2015

Name of Committee	Human Resources and Remuneration Committee		Integrated Risk Management Committee		Nominations Committee		Board Audit Committee		Related Party Transactions Review Committee		Corporate Governance and Legal Affairs Committee		Strategic Issues Committee	
Name of Director	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA
N G Wickremeratne■					C	15.04.2015			C	15.04.2015			C	15.04.2015
A K Pathirage	M	01.01.2014			M	11.08.2011							M	18.02.2011
R Theagarajah											M	01.01.2014		
T F L Jayasekera	M	10.02.2010	M	10.02.2010	M	10.02.2010	C	10.02.2010	M	19.12.2014			M	11.08.2011
D S P Wikramanayake			C	22.06.2010			M	22.06.2010	M	19.12.2014			M	22.06.2010
Mrs. K Fernando	M	22.06.2010			M	30.03.2015	M	11.08.2011	M	19.12.2014	C	22.06.2010	M	04.06.2010
Mrs. W A I Sugathadasa	C	01.01.2014					M	01.01.2014	M	19.12.2014	M	14.11.2014		
Mrs. D M A Harasgama■			M	22.04.2015			M	22.04.2015	M	22.04.2015				
D M R Phillips, PC■			M	22.04.2015							M	22.04.2015		
K D W Ratnayaka■			M	13.05.2015			M	13.05.2015	M	13.05.2015				
Ms. G D C Ekanayake*														
S G Wijesinha*														
S Rajapakse*														
H A Siriwardena*														

DOA – Date of Appointment, Status – C – Chairman/M – Member

Number of Meetings Held and Attendance

Name of Committee	Human Resources and Remuneration Committee		Integrated Risk Management Committee		Nominations Committee		Board Audit Committee		Related Party Transactions Review Committee		Corporate Governance and Legal Affairs Committee		Strategic Issues Committee	
Name of Director	Eligible to Attend	Attended to Attend	Eligible to Attend	Attended to Attend	Eligible to Attend	Attended to Attend	Eligible to Attend	Attended to Attend	Eligible to Attend	Attended to Attend	Eligible to Attend	Attended to Attend	Eligible to Attend	Attended to Attend
N G Wickremeratne■					3	2			2	1			1	1
A K Pathirage	4	3			6	6							2	2
R Theagarajah			5	5							2			
T F L Jayasekera	4	4			6	6	9	9	3	3			2	2
D S P Wikramanayake			5	5			9	7	3	3			2	1
Mrs. K Fernando	4	4			3	3	9	8	3	2	2	2	2	2
Mrs. W A I Sugathadasa	4	4					9	8	3	3	2	2		
Mrs. D M A Harasgama■			4	3			6	6	2	2				
D M R Phillips, PC■			4	2							2	2		
K D W Ratnayaka■			2	2			5	4	2					
Ms. G D C Ekanayake*			1	1			2	1						
S G Wijesinha*	1	1	1	1	3	3			1	1			1	1
S Rajapakse*	1	1			3	3	2	2	1	1			1	1
H A Siriwardena*	1	1			3	2							1	1

Ms. G D C Ekanayake* – Resigned w.e.f. 11 March 2015

H A Siriwardena* – Resigned w.e.f. 31 March 2015

D M R Phillips, PC■ – Appointed w.e.f. 22 April 2015

S G Wijesinha* – Resigned w.e.f. 27 March 2015

N G Wickremeratne■ – Appointed w.e.f. 15 April 2015

K D W Ratnayaka■ – Appointed w.e.f. 13 May 2015

S Rajapakse* – Resigned w.e.f. 30 March 2015

Mrs. D M A Harasgama■ – Appointed w.e.f. 22 April 2015

NDB GROUP IS COMMITTED TO CONDUCTING ITS BUSINESS PROFESSIONALLY AND ETHICALLY

The Related Party Policy of the Bank governs all transactions that the Bank may enter into with related parties of NDB Group.

Directors' Remuneration

Directors' remuneration is set out in the Directors' Report on page 193.

The methodology adopted in determining Director's Remuneration is described in the Human Resources and Remuneration Committee Report found on page 175 of this Report.

Directors' Interests in Shares

Bank's shares held by the Directors in office during the year, are shown on page 275 of this Report.

How the Board Manages Related Party Transactions

The Bank and Group are committed to conducting its businesses professionally and ethically. The Board appointed a Related Party Transactions Review Committee mandated to evaluate and consider all transactions that require approval. The transactions are reviewed by the Related Party Transactions Review Committee in line with the Bank's Related Party Policy. The Related Party Policy of the Bank was approved by the Board in

January 2015 incorporating processes to ensure compliance with laws and regulations in relation to related parties as required under the Corporate Governance Direction issued by CBSL, the Code of Best Practices on related party transactions issued by the Securities and Exchange Commission and Section 9 of the Colombo Stock Exchange Listing Rules.

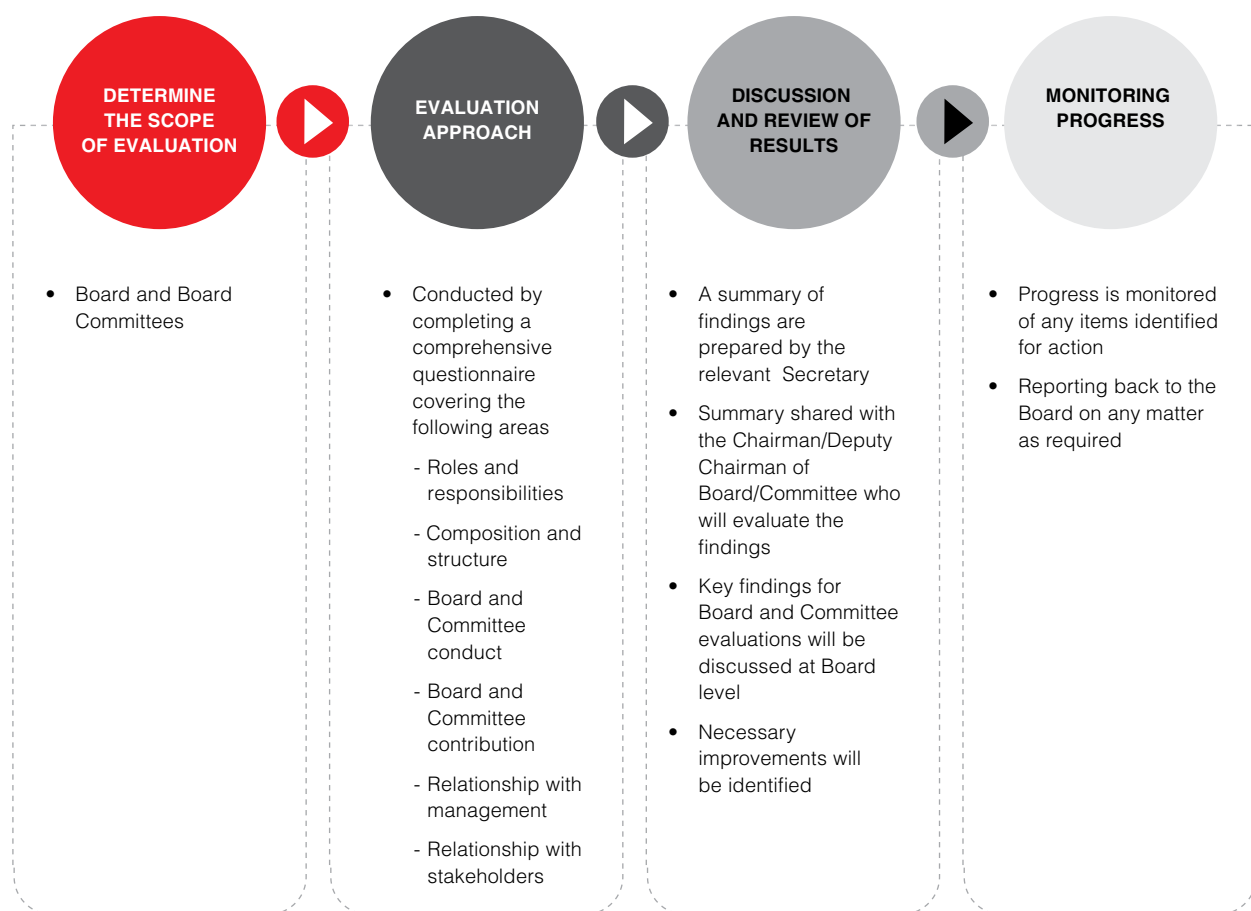
The Related Party Policy of the Bank governs all transactions that the Bank may enter into with related parties of the Bank and Group in order to ensure that related parties are treated on par with other shareholders and constituents of the Bank.

The ownership of the Related Party Policy of the Bank and Group is with the Related Party Transactions Review Committee which is required to ensure that necessary processes are in place to identify, approve, disclose and monitor Related Party Transactions as detailed in the Related Party Policy.

Please refer page 189 of this Report for the Committee Report of the Related Party Transactions Review Committee.

The Corporate Governance Direction issued by CBSL requires Directors of the Bank to avoid conflicts of interests that may arise in their activities with, and commitments to, other organizations or Directors' related parties. If a Director of the Bank has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, such matters are disclosed and discussed at Board meetings, where Independent Non-Executive Directors who have no material interest in the transaction, are present. Further, Directors abstain from voting on any Board resolution in respect of which they have a material interest. Also their votes are not counted in the quorum for the relevant agenda item at the Board meeting. The Director concerned informs the Chairman that such conflicts of interest exists and excuses himself/herself during the discussion of the relevant agenda item at the Board meeting. The above processes have been incorporated in the Bank's Internal Code of Corporate Governance which is applicable to all Directors and Key Management Personnel of the Bank.

BOARD AND BOARD COMMITTEES' EFFECTIVENESS REVIEW PROCESS



The Board believes that annual self-evaluations are helpful and provide a valuable opportunity for continuous improvement. In 2015, the Board self-evaluation process took the form of a structured questionnaire which covered a range of key topics including effectiveness of Board conduct, the respective roles and responsibilities of Non-Executive and Executive Directors, quality of strategic and risk debate, the effectiveness of decision-making and interactions with management. All Directors participated in the self-assessment and the findings were evaluated by the Chairman and Deputy Chairman and key findings were discussed with the Board.

The effectiveness of each Board Committee was assessed through a separate exercise, again using a structured questionnaire.

The findings that were noted pursuant to each of these evaluations are shared with the Chairman and taken up for discussion at the Board. Minor improvement opportunities were identified during the process.

Our Values and Ethics

In 2015, the Board revisited the Vision, Mission and Values of the Bank and realigned them to complement the strategic direction of the Board - that of creating even greater value for all our stakeholders.

Our values statement detailed below defines what we believe in and what we stand for. These are our essential guiding principles that would cut across the way we do business, particularly in instances where the rule book provides us no answers.



INTEGRITY

We are devoted to uphold honesty, truthfulness and sincerity while remaining fair and ethical at all times – even in the most challenging situations. We will inspire trust by saying what we mean, matching our behaviours to our words and taking responsibility for our actions.

EXCELLENCE

We have the right attitude to diligently deliver what we promise while adding value that goes beyond what is expected. We achieve excellence through innovation, expertise, thoroughness and experience in everything we do.

CREATIVITY

We are driven by a desire to reach beyond the norm, challenge the status quo and shape new vistas for our stakeholders. We are creative in our thinking and futuristic in our approach – while working towards the end goal of delivering unsurpassed value to all our stakeholders.

ACCOUNTABILITY

We remain responsible, accountable and transparent in everything we do. Our corporate strategy is shaped by the willingness to take ownership for our actions, which affect our stakeholders.

SINCERITY

We believe in building productive, long-term relationships based on sincerity with our clients and stakeholders. We regard our sincerity towards each other just as valuable as what we collectively achieve.

The Bank's value proposition from its beginnings as a development bank has been an unflinching commitment to the people of this country, be it someone developing a business or an individual trying to move up in life, or a mega project needing financing. The products and services we offer, the innovations we create, the hard work we do and the value we build every single day, is all in service of them. Our determination is to do all we can to make their dreams come true. Therefore, the new tag line approved by the Board in 2015, Our Commitment. Your Success, reflects this thought.

As a custodian of public funds, the Bank has a responsibility to safeguard its integrity and credibility. It is because of this understanding that the Bank was one of the first local banks to

introduce a Compliance Policy and Code of Conduct that will apply to all employees. The Code has been regularly reviewed.

The concepts and documentation outlined in the code are clear and precise in order to ensure that employees of the Bank are conversant with the important principles related to the Bank's Compliance Policy and Code of Conduct. Great emphasis is given to strengthening the code from time to time, thereby inculcating a strong governance framework across the Bank.

The code is currently being reviewed and aligned with the new vision, mission and values to ensure that the key concepts and principles contained therein reflect the Bank's long-term strategic objectives.

The Board and Key Management Personnel of the Bank are further governed by the Internal Code of Corporate Governance. Both these codes stipulate the sound principles that will guide Directors and all employees of the Bank in discharging their duties. These codes require high standards of ethics and conduct and clearly prohibit engaging directly or indirectly in any business activity that competes or is in conflict with the Bank's interest or the interests of its customers, misuse or abuse of their positions in the Bank for their personal benefit or for the benefit of other persons, the misuse of information for the direct or indirect benefit of themselves or of any other persons.

Our Risk Governance

Maintaining an active focus on risk and compliance underpins how we run our business. We identify and actively manage risks as part of a Group-wide 'Risk Management Framework' for which the Board is ultimately responsible. The Integrated Risk Management Committee supports the Board to carry out certain responsibilities within the risk governance framework.

Risk accountability across the three lines of defence are maintained as detailed on page 219 of this Report.

For more on our risk governance framework refer pages 212 to 259 of this Report.

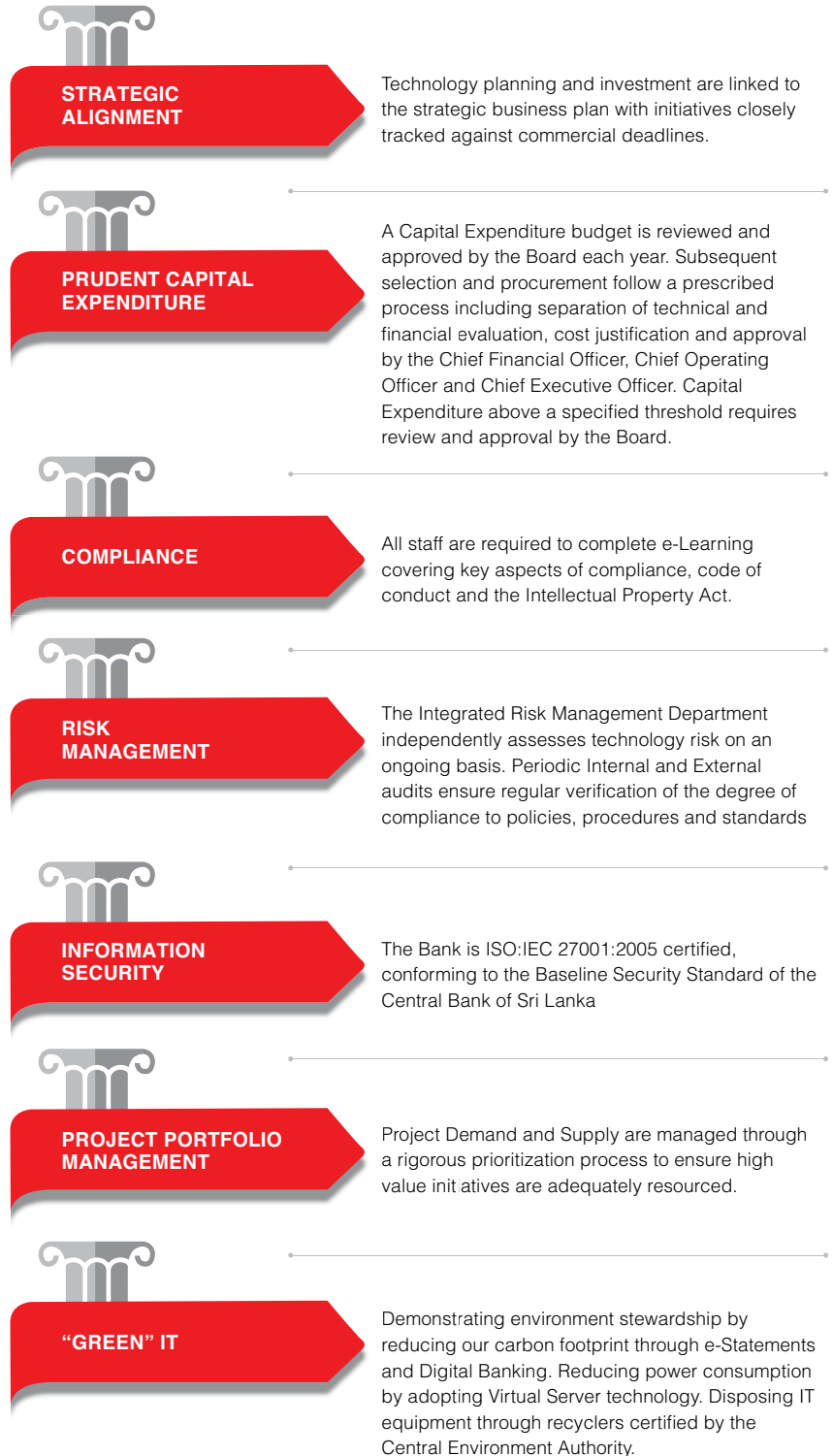
Our IT Governance

Technology Governance forms an integral part of the Bank's Corporate Governance Framework. Alignment to business objectives, prudent expenditure, compliance, risk management, security, responsible allocation of resources and environmental stewardship are core tenets of the Bank's IT Governance.

Customers today expect to perform banking at their convenience, anywhere and at any time. Our technology strategy is aligned with our business objectives whereby customers can do their banking through easy to use, agile, stable and secure channels. We ensure shareholder value through prudent capital expenditure and considered allocation of resources. We respect the trust placed in us by our customers and the regulator by our commitment to compliance, risk mitigation and information security.

The IT Governance disciplines at the Bank ensure that the technology investments made by the Bank are appropriate, and result in customer convenience, competitive advantage, and business growth.

A summary of the pillars of IT Governance at the Bank are as follows:



Our People

We are committed to building a work environment where people can make a difference both as individuals and as part of a team.

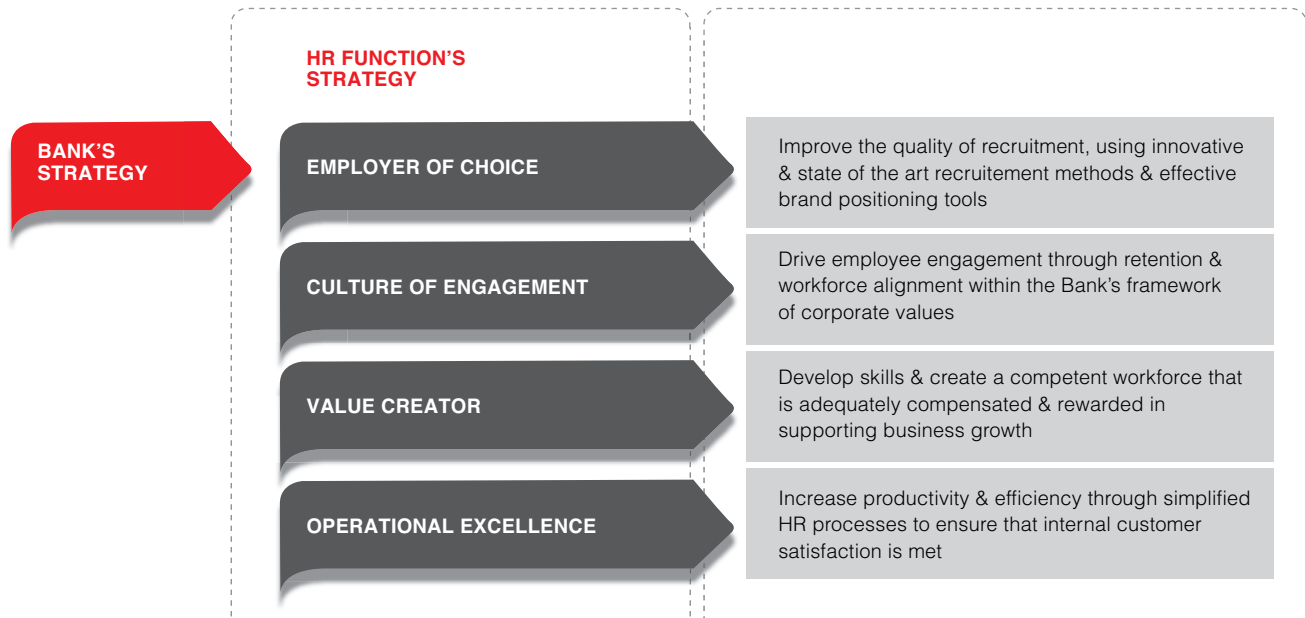
HR governance is a systematic approach to management that enables the HR function to achieve strategic

and operational objectives and thereby business performance outcomes.

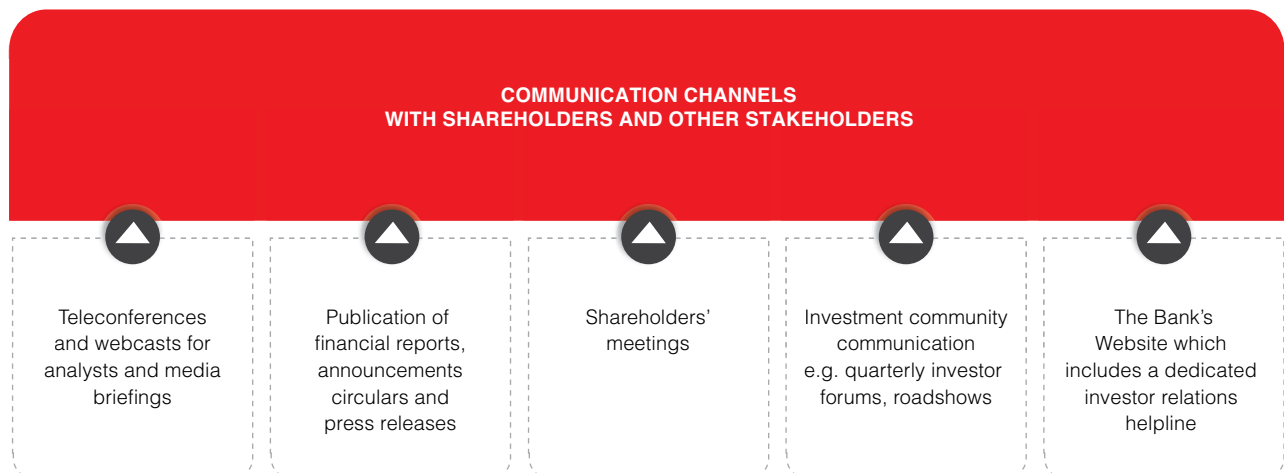
We believe that having an established HR Governance Framework will lead to improved productivity and assist the Bank to drive organizational change by creating a culture of engagement through specific initiatives and value where people's skills and competencies

are developed. This value creation is supported by simplified HR processes implemented in the Bank. Within this framework the Bank also strives to project itself as an employer of choice with effective recruitment methods which are state of the art.

For more on our Employee-related initiatives see pages 88 to 93 of this Report.



Our Communication with Stakeholders



We are committed to maintaining a high level of transparency in all our disclosures so that all of our stakeholders have timely and equal access to information.

We communicate this information in a number of ways including direct written communication, publication of all relevant information on our website and webcasts of significant investor relations meetings and at the Annual General Meeting.

The Bank has an investor relations team that promotes open, transparent, efficient and consistent communications with shareholders, investors and equity analysts. The team commits to proactively providing the investment community all necessary information, data and services in a timely manner, in order to help participants in the investment community better understand the Bank's strategy, operations and new developments.

This Report provides a comprehensive report on the Group's operations and financial performance for the year under review. It provides full disclosure and is in compliance with the relevant regulations to ensure greater transparency. The Annual Report is printed together with a digital version in CD-ROM format. An online version of the Annual Report is also available on the Bank's corporate website.

The Chairman together with the CEO ensures effective communication with shareholders. The Chairman apprises members of the Board of the views of investors and other key stakeholders. The Bank's engagement with shareholders has been disclosed in greater detail in the Investor Relations Report found on pages 267 to 293 of this Report. Further, individual shareholders have access to the Company Secretary and can raise matters relating to their shareholdings and the business of the Bank at any time.

The Bank has in place an effective Disclosure Policy that is dedicated to providing all its stakeholders with timely, accurate and relevant information which would enable stakeholders to make an accurate assessment of the Bank's activities, performance and risk profile. At the same time, the Bank ensures that confidentiality is strictly maintained in respect of material confidential information which is not publicly available of the Bank's as well as its customers and stakeholders.

In order to encourage engagement with the Bank's customers and stakeholders the Bank has in place a Customer Charter, a formal Complaint Handling Procedure supported by an effective MIS system that has been developed internally by our IT Department and a formal Communications Policy.

Governance in our Subsidiaries

The Bank has a governance framework for all our subsidiaries to ensure consistent standards are achieved. All governance related policies including the Compliance Policy and Code of Conduct, Related Party Policy, Securities Trading Policy, Anti-Bribery and Corruption Policies and Gift Policies approved and adopted by subsidiary boards are in line with the policies of the Bank. Corporate governance developments in the subsidiaries of the Bank are monitored on an ongoing basis to ensure that legal and regulatory requirements are met. The Bank's Compliance Function continues to work with subsidiaries on embedding and improving their corporate governance framework.

The Bank's compliance with the Banking Act Direction No. 11 of 2007 (as amended) on Corporate Governance issued by the Monetary Board of the Central Bank of Sri Lanka, is detailed below with explanatory comments as follows:

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
3 (1)	Responsibilities of the Board		
3 (1) (i)	The Board shall strengthen the safety and soundness of the Bank by ensuring the implementation of the following:		
	(a) Approve and oversee the Bank's strategic objectives and corporate values and ensure that these are communicated throughout the Bank;	Complied	The Bank's strategic objectives and corporate values were revised and updated in 2015, to be aligned with the Bank's current business strategy. The new objectives and values were approved by the Board in July 2015 and communicated to all members of the staff at communications meetings, via e-mails, through the Bank's intranet 'NDB Cloud' and a brand playbook. In addition, communication is further enhanced through corporate branding of the premises with the new Corporate Values, Mission and Vision of the Bank.
	(b) Approve the overall business strategy of the Bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years;	Complied	The Bank's overall business strategy was approved by the Board for a period of five years viz 2014 – 2018. An overall Risk Management Framework consisting of policies and procedures, have been approved as required by the Direction.
	(c) Identify the principal risks and ensure implementation of appropriate systems to manage risks prudently;	Complied	The Board is responsible for the overall risk framework of the Bank. Board members discuss at length new strategies of the Bank, any potential risks arising from them and the risk mitigation strategies. The Integrated Risk Management Committee (IRMC) appointed by the Board, reviews and recommends to the Board, the Bank's Risk Policies and procedures defining the Bank's risk appetite, identifying principle risks, setting governance structures and implementing policies and systems to measure, monitor and manage the principal risks of the Bank. The Board has approved risk management policies and procedures as reviewed and recommended by the IRMC, based on these parameters and as required by this Direction. The following reports provide further insights in this regard. - Risk Management Report on pages 212 to 259. - The Board Integrated Risk Management Committee Report on pages 183 to 185.
	(d) Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	Complied	The Bank has in place, a Board approved Communications Policy aimed at encouraging effective internal and external communications of corporate information, covering all stakeholders including staff, customers, creditors, shareholders, partners, general public and regulators. The Communications Policy has been communicated to all staff and is published in the Bank's intranet 'NDB Cloud'. Communications with stakeholders takes place through the following mechanisms: - The quarterly results are published in the newspapers in all three languages and released to the Colombo Stock Exchange - The financial results are displayed on www.ndbbank.com in an area of the website devoted to Investor Relations - Financial results and business strategies of the Bank are explained to investors, business leaders and media personnel through Investor forums, webinaires, press conferences and media releases.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
			<ul style="list-style-type: none"> - At the Annual General Meeting and the Annual Report. - A Risk Rating is obtained from a reputed rating agency annually and the rating release is published in the media while the rating report is made available via the web. - The Bank has a Customer Complaint Handling Policy, which has been printed in all three languages and disseminated to all customer contact points of the Bank. This document outlines the complaints handling policy of the Bank, provides contact information of the Bank for this purpose and also of the Financial Ombudsman. - Staff communications are handled through various structured forums, via e-mails and through the Bank's intranet 'NDB Cloud'.
	(e) Review the adequacy and the integrity of the Bank's internal control systems and management information systems;	Complied	<p>The Bank has a stringent process in place to determine the accuracy of the financial information provided to the Board and the effectiveness of internal controls on financial reporting.</p> <p>The Bank has in place a Management Information Systems Policy, approved by the Board. In this policy, all financial and non-financial information of the Bank are submitted to the Board on a monthly basis. The implementation of the policy and the integrity and effectiveness of the Bank's Management Information Systems were reviewed by the Internal Audit Department and discussed with the Board Audit Committee in February 2016. Thereafter, the Board at its meeting held in February 2016, reviewed the adequacy of the Bank's Management Information Systems, based on the monthly MIS pack submitted to the Board each month and the integrity of the Management Information Systems, based on the process audit carried out by Internal Audit Department and confirmed the process and the system as satisfactory.</p>
	(f) Identify and designate key management personnel, as defined in Banking Act Determination No.3 of 2010 on the Assessment of fitness and propriety of officers performing executive functions in LCBs	Complied	<p>Key Management Personnel of the Bank have been identified by the Board and presently include the following:</p> <ol style="list-style-type: none"> 1. The Leadership Team 2. Company Secretary 3. Employees holding Director positions in subsidiaries
	(g) Define the areas of authority and key responsibilities for the Board Directors themselves and for the Key Management Personnel (KMP);	Complied	<p>Areas of authority and key responsibilities of the Directors, have been set out in the Bank's Internal Code of Corporate Governance, which is a Board approved document.</p> <p>Areas of authority and key responsibilities of Key Management Personnel, are defined in the respective job descriptions of each Key Management Personnel and were reviewed at the Nominations Committee and noted by the Board.</p> <p>Further, delegations of authority levels have been clearly defined by the Board for Key Management Personnel.</p>
	(h) Ensure that there is appropriate oversight of the affairs of the Bank by Key Management Personnel, that is consistent with Board policy;	Complied	<p>Oversight by the Board over Key Management Personnel, takes place at Board Meetings and through Board Committees. Key Management Personnel make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their respective areas. Banking Operations carried out in-line with the Banks' strategic objectives, including any issues faced by the Bank, are discussed on a regular basis at Board Meetings. The CEO at weekly meetings held with the Leadership Team, updates them on key decisions taken by the Board.</p>

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
	(i) Periodically assess the effectiveness of the Board Directors' own governance practices, including: (i) the selection, nomination and election of Directors and Key Management Personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied	The effectiveness of the Board's Governance practices are reviewed periodically. The Board appraises its own performance by responding to a self-assessment questionnaire by each Director, which includes the key areas detailed in this Direction. The responses are collated by the Company Secretary and submitted to the Chairman & Deputy Chairman for their review. The Chairman and Deputy Chairman then discuss areas of weaknesses and recommend changes where necessary at a Board meeting. The process was followed for the year 2015 and has been explained on page 137 of this report.
	(j) Ensure that the Bank has an appropriate succession plan for Key Management Personnel;	Complied	During 2015, the Board approved an interim succession plan for Key Management Personnel of the Bank. The interim succession plan will be reviewed/revalidated, by the Human Resources and Remuneration Committee (HRRC) and the Board in 2016 to ensure that the succession plan is relevant and appropriate vis-à-vis the prevailing organizational structure of the Bank.
	(k) Meet regularly, on a needs basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives	Complied	Key Management Personnel are regularly present or are called in for discussions at the meetings of the Board and its Committees on policy and other matters relating to their areas. Progress towards corporate objectives is a regular agenda item for the Board and the Key Management Personnel are regularly involved in Board level discussions on same.
	(l) Understand the regulatory environment and ensure that the Bank maintains an effective relationship with regulators;	Complied	All new regulations issued by the Regulator, are circulated to the Board for their information on a quarterly basis by the Compliance Department. The CEO meets with Central Bank officials at the monthly CEO's meetings. The Chairman of the Bank and Chairpersons of Board Committees also have meetings with CBSL officials. Further, Directors, the Chief Executive Officer and Key Management Personnel of the Bank, maintain a dialogue with the regulators on an ongoing basis.
	(m) Exercise due diligence in the hiring and oversight of External Auditors.	Complied	Audit Committee Charter includes the functions of hiring and overseeing of External Auditors. The Board Audit Committee carries out the necessary due diligence regarding the hiring of the External Auditor and makes recommendations to the Board. Oversight of the External Auditor is carried out by the Board Audit Committee and the Board is briefed on any concerns in this regard if the necessity arises. The Board Audit Committee further reviews the non-audit services provided by the External Auditor annually and ensures that such services do not impair the independence and objectivity of the External Auditor. A formal evaluation of the External Auditors' performance is completed annually by the Board Audit Committee and conclusions together with any recommendations are tabled at the Board meeting.
3 (1) (ii)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with Direction 3 (5) of these Directions.	Complied	The Board has appointed the Chairman and the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are contained in the Articles of Association and the Bank's internal Code of Corporate Governance. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, maintaining the balance of power between the two roles.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
3 (1) (iii)	The Board shall meet regularly and Board meetings shall be held at least twelve times a year, at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/papers shall be avoided as far as possible.	Complied	Regular monthly Board meetings are held and special Board meetings are scheduled as and when the need arises. There have been 15 Board meetings during 2015. The attendance of Directors for Board and Committee meetings is set out in tables found on pages 134 and 135. 4 Circular resolutions were passed during the year 2015. Circulation of Board papers to obtain Board's consent is minimised and resorted to only when absolutely necessary. These decisions are in any event tabled at the immediately succeeding Board meeting.
3 (1) (iv)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the Bank.	Complied	All Directors are entitled to include such matters and proposals in the Agenda for Board meetings and this right has been entrenched in the Bank's Internal Code of Corporate Governance. Monthly meetings are scheduled and informed to the Board, at the beginning of each calendar year, to enable submission of proposals in the Agenda for regular meetings.
3 (1) (v)	The Board procedures shall ensure that notice of at least 7 days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	Complied	Monthly meetings are scheduled and informed to the Board at the beginning of each calendar year, to provide Directors an opportunity to attend meetings. Formal notice of meetings, the Agenda and Board papers related to each Board meeting are circulated to all Directors at least 7 days in advance of the Board meeting. These documents are now uploaded through a secure connection to the Ipad's of all Directors.
3 (1) (vi)	The Board procedures shall ensure that a Director who has not attended at least two-thirds of the meetings, in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a Director. Participation at the Directors' meetings through an alternate Director shall, however, be acceptable as attendance.	Complied	The Company Secretary monitors the attendance register to ensure compliance. All Directors have attended at least two thirds (2/3) of the meetings held during 2015 and no Director has been absent from three consecutive meetings during 2015.
3 (1) (vii)	The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied	The Board has appointed a Company Secretary, who is an Attorney-at-Law and who satisfies the provisions of Section 43 of the Banking Act. She is responsible to the Board for ensuring that Board procedures are followed and that applicable laws, rules and regulations are complied with.
3 (1) (viii)	All Directors shall have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.	Complied	All Directors have access to the advice and services of the Company Secretary. For the year 2015, the Company Secretary has provided assistance to the Directors when requested. The Bank's Internal Code of Corporate Governance also includes this provision.
3 (1) (ix)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied	The Company Secretary maintains detailed Board minutes and circulates minutes to all Directors. The minutes are approved at the subsequent Board meetings. The Bank's Internal Code of Corporate Governance also provides that minutes are open for inspection at any reasonable time, on reasonable notice by any Director. Additionally, copies have been provided of previous meetings to Directors when requested.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
3 (1) (x)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities, to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the testimonies and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the Bank is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	Complied	The minutes contain adequate details appropriate to the matters dealt with. The minutes are read together with the corresponding Board papers, which supplement the information in the minutes. All matters required to be minuted in terms of 3(1) (x) (a) – (f) are recorded in the minutes.
3 (1) (xi)	There shall be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/her/their duties to the Bank.	Complied	Independent professional advice is available, on request, to all Directors at the expense of the Bank. The Bank's internal Code of Corporate Governance has put in place a procedure which enables independent professional advice to be obtained jointly or severally by a Director or Directors where such advice is necessary to enable the fulfilment of the obligations imposed on a member of the Board. The Directors have obtained professional advice during the year.
3 (1) (xii)	Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with and commitments to, other organisations or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter should be dealt with at a Board meeting, where Independent Non-Executive Directors [refer to Direction 3 (2) (iv) of these Directions] who have no material interest in the transaction, are present. Further, a Director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her close relation or a concern in which a Director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied	<p>The Directors are conscious of their obligation to deal with situations where there is a conflict of interest in accordance with the Articles of Association of the Bank and the Corporate Governance Direction No. 11 of 2007 (as amended).</p> <p>The Internal Code of Corporate Governance adopted by the Board, requires each Board member to determine whether he/she has a potential or actual conflict of interest. If a Director of the Bank has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, such matters are disclosed and discussed at the Board meetings, where Independent Non-Executive Directors who have no material interest in the transaction, are present.</p> <p>Further, Directors abstain from voting on any Board resolution in relation to which such Directors or any of their close relation/s or a concern in which such Directors have substantial interests, and/or are interested in. Further their votes are not counted in the quorum for the relevant agenda item at the Board meeting.</p>
3 (1) (xiii)	The Board shall have a formal schedule of matters, specifically reserved to it for decision, to ensure that the direction and control of the Bank is firmly under its authority.	Complied	A formal schedule of matters has been specifically reserved for the decision of the Board and detailed in the Bank's internal Code of Corporate Governance.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
3 (1) (xiv)	The Board shall, if it considers that the Bank is or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the Bank prior to taking any decision or action.	Complied	The Bank is aware of the requirement but the situation has not arisen within the year. A Solvency Statement is prepared quarterly and tabled at the Integrated Risk Management Committee (IRMC) and the Board. The Bank also has an IRMC approved Liquidity Contingency Funding plan in place.
3 (1) (xv)	The Board shall ensure that the Bank is capitalized at levels as required by the Monetary Board, in terms of the capital adequacy ratio and other prudential grounds.	Complied	Monthly and quarterly compliance reports have been submitted to the Board, which contains the Capital Adequacy Ratio (CAR). The Bank is fully compliant with the Capital Adequacy requirements stipulated by the Central Bank of Sri Lanka. Also the ICAAP covers capital planning over the next 3 years.
3 (1) (xvi)	The Board shall publish in the Bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.	Complied	This requirement is met through the presentation of this Report
3 (1) (xvii)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually and maintain records of such assessments.	Complied	The Board has in place, an annual scheme of self-assessment, which is undertaken by each Director annually and records are maintained with the Company Secretary. The summary of findings together with areas for future improvement, is tabled at the Board Meeting for discussion.
3 (2)	The Board's Composition		
3 (2) (i)	The number of Directors on the Board shall not be less than 7 and not more than 13.	Complied	The composition, as required under this Direction, was met during the year 2015. The Bank's Board comprised of 10 Directors during the year 2015.
3 (2) (ii)	The total period of service of a Director, other than a Director who holds the position of Chief Executive Officer, shall not exceed nine years.	Complied	All Directors comply with this requirement.
3 (2) (iii)	An employee of a bank may be appointed, elected or nominated as a Director of the Bank (hereinafter referred to as an 'Executive Director') provided that the number of Executive Directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive Officer of the Bank.	Complied	The Chief Executive Officer is the only employee on the Board. Accordingly, the number of Executive Directors do not exceed one-third of the Directors on the Board.
3 (2) (iv)	The Board shall have at least three independent Non-Executive Directors or one-third of the total number of Directors, whichever is higher. This subdirection shall be applicable from 01 January 2010 onwards. A Non-Executive Director shall not be considered independent if he/she: <ul style="list-style-type: none"> a. has direct and indirect shareholdings of more than 1% of the Bank; b. currently has or had during the period of two years, immediately preceding his/her appointment as Director, any business transactions with the Bank as described in Direction 3 (7) hereof, exceeding 10% of the regulatory capital of the Bank. c. has been employed by the Bank during the two year period, immediately preceding the appointment as Director; 	Complied	There are 9 Non-Executive Directors on the Board as at 31 December 2015. Of them 6 are Independent Non-Executive Directors. Non-Executive Directors are detailed on page 134 of this report. Accordingly, the number of Independent Non-Executive Directors exceeds one-third of the total number of Directors on the Board. The Board assesses the Independence or Non-Independence of each Non-Executive Director, based on a declaration made by each Director to the Company Secretary each year.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
	<p>d. has a close relation, who is a Director or Chief Executive Officer or a member of Key Management Personnel or a material shareholder of the Bank or another Bank. For this purpose, a 'close relation' shall mean the spouse or a financially dependant child;</p> <p>e. represents a specific stakeholder of the Bank;</p> <p>f. is an employee or a Director or a material shareholder in a company or business organization:</p> <p>I. which currently has a transaction with the Bank as defined in Direction 3 (7) of these Directions, exceeding 10% of the regulatory capital of the Bank, or</p> <p>II. in which any of the other Directors of the Bank are employed or are Directors or are material shareholders; or</p> <p>III. in which any of the other Directors of the Bank have a transaction as defined in Direction 3 (7) of these Directions, exceeding 10% of regulatory capital in the Bank;</p>		
3 (2) (v)	In the event an Alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that applies to the Independent Director.	Complied	Directors appoint Alternate Directors in-line with the Articles of the Bank, as and when required for a particular meeting. Persons so appointed during the year 2015, have met the criteria to ensure that the independent profile of the respective Director is met.
3 (2) (vi)	Non-Executive Directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgement to bear on issues of strategy, performance and resources.	Complied	The Non-Executive Directors of the Bank are persons with credible track records and have necessary skills and experience to bring an independent judgement to bear on issues of strategy, performance and resources. Please refer the profiles of the Non-Executive Directors detailed on pages 108 to 115 of this Report. The Bank has a specific documented Board approved process in place for appointing Non-Executive Directors.
3 (2) (vii)	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one half of the number of Directors present at such meeting are Non-Executive Directors.	Complied	Attendance of Directors is monitored by the Company Secretary and is strictly observed. It was noted that more than one half (1/2) of Directors present at each meeting of the Board convened in the year 2015 were Non-Executive Directors.
3 (2) (viii)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The Bank shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the annual Corporate Governance Report.	Complied	<p>The Independent Non-Executive Directors are expressly identified as such in all corporate communications that disclose the names of Directors of the Bank.</p> <p>The composition of the Board, by category of Directors, including the names of the Chairman, Executive Director, Non-Executive Directors and Independent Non-Executive Directors are given on page 134 of this Report.</p>
3 (2) (ix)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied	The Board has established a Nominations Committee in conformity with the requirements of this Direction. All new appointments and re-election of Directors are on the recommendations of the Nominations Committee. Central Bank approval is obtained in terms of the Banking Act for the appointment of a new Director. The Bank has a specific documented Board approved process in place for appointing Non-Executive Directors.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
3 (2) (x)	All Directors appointed to fill a casual vacancy, shall be subject to election by shareholders at the first general meeting after their appointments.	Complied	Appointment to fill a casual vacancy is made by the Board on the recommendations of the Nominations Committee. A person so appointed would stand for re-election at the next Annual General Meeting, in accordance with the Articles of Association. Three Directors, N G Wickremeratne, D M R Phillips and K D W Ratnayaka were appointed in 2015 to fill casual vacancies and thereby will stand for re-appointment by the shareholders at the Annual General Meeting.
3 (2) (xi)	If a Director resigns or is removed from office, the Board shall: (a) announce the Director's resignation or removal and the reasons for such removal or resignation, including but not limited to information relating to the relevant Director's disagreement with the Bank, if any; and (b) issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	Complied	Four Directors, Ms. G D C Ekanayake, S G Wijesinha, S Rajapakse and H A Siriwardena resigned from the Bank in 2015. The Bank informed the regulatory authorities and shareholders in terms of CSE requirements of such resignation stating the reasons for such resignation and confirming that there were no matters that needed to be brought to the attention of shareholders.
3 (2) (xii)	A Director or an employee of a Bank shall not be appointed, elected or nominated as a Director of another bank, except where such a bank is a subsidiary company or an associate company of the first mentioned bank.	Complied	The Nominations Committee takes into account this requirement in their deliberations when considering the appointments of Directors. The Bank's Compliance Policy and Code of Conduct, further incorporates this requirement for employees. No Director or Employee of the Bank is a Director of another bank.
3 (3)	Criteria to assess the fitness and propriety of Directors		
3 (3) (i)	The age of a person who serves as Director shall not exceed 70 years.	Complied	There are no Directors who are over 70 years of age.
3 (3) (ii)	A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.	Complied	No Director holds Directorships of more than 20 companies. The other directorships of each of the Directors is disclosed on Pages 108 to 115 of the Annual Report
3 (4)	Management Function Delegated by the Board		
3 (4) (i)	The Directors shall carefully study and clearly understand the delegation arrangements in place.	Complied	The Board periodically reviews and approves the delegation arrangements in place and ensures that the extent of delegation addresses the needs of the Bank, whilst enabling the Board to discharge their functions effectively.
3 (4) (ii)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.		Delegation papers are prepared in detail and recommended by the IRMC to the Board. Terms of Reference of each of the Board Committees, which are incorporated in the respective charters of each Board Committee, are approved by the Board.
3 (4) (iii)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Bank.		In addition, it is to be noted that by delegating, the Board does not lose the authority to deal with matters that have been delegated when necessary.
3 (5)	The Chairman and Chief Executive Officer		
3 (5) (i)	The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	Complied	The roles of Chairman and Chief Executive Officer of the Bank, are held by separate individuals. In addition, there is a clear division of responsibilities between the Chairman and the Chief Executive Officer, thereby maintaining the balance of power between the two roles.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
3 (5) (ii)	The Chairman shall be a Non-Executive Director and preferably an Independent Director as well. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Director as the Senior Director with suitably documented terms of reference, to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the Bank's Annual Report.	Complied	The Chairman is a Non-Executive, Independent Director and therefore, the appointment of an Independent Director as the Senior Director, does not arise.
3 (5) (iii)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied	There is a process in place which requires all Directors to declare to the Board, any relationship/s they may have with the Chairman, the CEO or among members of the Board. Based on the above declarations, the Board can state that no relationship/s [including financial, business, family or other material/relevant relationships] exist between the Chairman and Chief Executive Officer and among the other members of the Board, other than Directors who sit together on some of the Boards of the Bank's subsidiaries.
3 (5) (iv)	The Chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.	Complied	The Chairman is responsible for the running of the Board, preserving order and ensuring that proceedings at meetings are conducted in a proper manner. Further, he ascertains the views of the Directors on the issues being discussed, before decisions are taken. The self-evaluation process carried out by the members of the Board each year, assists the Chairman to effectively carry out his responsibilities by providing him the required feedback.
3 (5) (v)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	Complied	The Chairman draws up the Agenda for Board meetings in consultation with the Chief Executive Officer and Company Secretary. The Bank's Internal Code of Corporate Governance also casts this responsibility with the Chairman.
3 (5) (vi)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	Complied	The Directors are adequately briefed in the course of discussions by the Chairman, Chief Executive Officer and officers of management in respect of matters that are taken up by the Board. The following procedures are in place to ensure this: Board papers are circulated in advance among the Directors, Management information is provided on a regular basis to enable Directors to assess the performance and stability of the Bank, relevant Key Management Personnel are on hand for explanations and clarifications and Directors are able to seek independent professional advice on a needs basis at the Bank's expense.
3 (5) (vii)	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Bank.	Complied	The Chairman ensures that all members effectively participate as a team in Board decisions and Directors concerns and comments are duly recorded in the minutes.
3 (5) (viii)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between Executive and Non-Executive Directors.	Complied	9 of the 10 Board members are Non-Executive Directors which encourages active participation by the Non-Executive Directors. Further, Non-Executive Directors participate in Board appointed Committees, providing further opportunity for active participation. In addition, the feedback received from the self-evaluation process carried out by the Board supports the Chairman in improving contributions of Non-Executive Directors.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
3 (5) (ix)	The Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied	The Chairman is a Non-Executive Director and is not involved in the day-to-day operations of the Bank.
3 (5) (x)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied	Shareholders are encouraged to provide their feedback to the Company Secretary using feedback forms made available with the Annual Report. In addition, there is an e-mail address dedicated for investor relations and the link is available on the Bank's website. The Chairman together with the CEO, ensures effective communication with shareholders through investors' forums held each quarter and through continuous engagements with our institutional investors. Members of the Board are apprised of the views of major investors and other key stakeholders, pursuant to these meetings.
3 (5) (xi)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day management of the Bank's operations and business.	Complied	The Chief Executive Officer is responsible for providing the leadership, expertise and professional environment within the Bank for the implementation of the Board's policies and the achievement of the Bank's goals and objectives. The operations of the Bank are carried out in conformity to this requirement.
3 (6)	Board Appointed Committees		
3 (6) (i)	Each bank shall have at least four Board Committees as set out in Directions 3 (6) (ii), 3 (6) (iii), 3 (6) (iv) and 3 (6) (v) of these Directions. Each committee shall report directly to the Board. All committees shall appoint a secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the Chairman of the Committee. The Board shall present a report of the performance on each committee, on their duties and roles at the Annual General Meeting.	Complied	<p>The Board has established a Corporate Governance and Legal Affairs Committee, a Strategic Issues Committee and a Related Party Transactions Review Committee in addition to the four Board Committees required in terms of this Direction, namely the Audit Committee, Human Resources and Remuneration Committee, Nominations Committee and Integrated Risk Management Committee.</p> <p>Recommendations of such Committees are addressed directly to the Board for decision and minutes of Committee meetings are tabled and discussed at the main Board Meetings.</p> <p>This Annual Report includes individual reports of each such Committee on pages 175 to 190 which reports include a summary of duties, roles and performance of each of the Committees.</p>
3 (6) (ii)	The following rules shall apply in relation to the Audit Committee:		
	(a) The Chairman of the Committee shall be an Independent Non-Executive Director, who possesses qualifications and experience in accountancy and/or audit.	Complied	<p>T L F Jayasekera, the Chairman of the Board Audit Committee is an Independent Non-Executive Director and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Chartered Institute of Management Accountants, UK.</p> <p>The members of the Board Audit Committee are detailed on page 186 of this Report.</p>
	(b) All members of the Committee shall be Non-Executive Directors.	Complied	All members of the Board Audit Committee (BAC) are Non-Executive Directors.

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	(C) The Committee shall make recommendations on matters in connection with: (i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to Auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the Auditor; provided that the engagement of the Audit partner shall not exceed five years and that the particular Audit partner is not re-engaged for the audit, before the expiry of three years from the date of the completion of the previous term.	Complied	<p>The matters referred to in the Direction are reviewed and appropriate recommendations are made by the BAC;</p> <ol style="list-style-type: none"> i. Appointment of the External Auditor for audit services has been recommended to the Board by the BAC; The BAC has discussed the audit plan and methodology with the External Auditors. ii. BAC has discussed the implementation of the Central Bank guidelines issued to Auditors from time to time and the application of the relevant accounting standards; iii. The External Audit Partner was rotated during 2013 as per the five-year rotation requirement, in order to ensure the independence of the Auditor and to comply with the requirements of this Direction. iv. The Committee evaluates and makes recommendations to the Board with regard to the audit fee. <p>Refer the 'Report of the Board Audit Committee' given on pages 186 to 188.</p>
	(d) The Committee shall review and monitor the External Auditors' Independence and objectivity and the effectiveness of the audit processes, in accordance with applicable standards and best practices.	Complied	The BAC obtains representations from the External Auditor on their independence and that the audit is carried out in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs).
	(e) The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditors' independence or objectivity. When assessing the External Auditors' independence or objectivity in relation to the provision of non-audit services, the Committee shall consider: <ol style="list-style-type: none"> i. whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; ii. whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and iii. whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the External Auditor. 	Complied	A policy for 'Engaging the External Auditor for non-audit services' is in place which covers all aspects stated in this Direction. This Policy was last reviewed and approved by the BAC and Board in 2014, and will be reviewed every two years.

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	<p>(f) The Committee shall, before the audit commences, discuss and finalise with the External Auditors, the nature and scope of the audit, including:</p> <ul style="list-style-type: none"> i. an assessment of the Bank's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting; ii. the preparation of Financial Statements for external purposes, in accordance with relevant accounting principles and reporting obligations; and iii. the co-ordination between firms, where more than one audit firm is involved. 	Complied	<p>The BAC Charter requires the BAC to discuss and finalise with the External Auditor, the nature and scope of the audit. In order to comply, the External Auditors make a presentation at the BAC meeting with details of the proposed audit plan and the scope. Members of the BAC obtain clarifications in respect of the contents of the presentation, if deemed necessary, prior to adopting the audit plan, methodology and scope.</p> <p>As all audits within the Group are carried out by the same External Auditor, there was no requirement to co-ordinate activities with other audit firms.</p>
	<p>(g) The Committee shall review the financial information of the Bank, in order to monitor the integrity of the Financial Statements of the Bank, its Annual Report, accounts and quarterly reports prepared for disclosure and the significant financial reporting judgements contained therein. In reviewing the Bank's Annual Report and accounts and quarterly reports before submission to the Board, the Committee shall focus particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.</p>	Complied	<p>Quarterly Financial Statements as well as year end Financial Statements are reviewed and discussed at BAC meetings. Once the members of the BAC have obtained the required clarifications, in respect of all aspects included in the Financial Statements, such Financial Statements are recommended for approval of the Board of Directors.</p>
	<p>(h) The Committee shall discuss issues, problems and reservations arising from the interim and final audits and any matters the Auditor may wish to discuss, including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary.</p>	Complied	<p>The Committee met the External Auditors in June and October in 2015, without the presence of Key Management Personnel, to discuss any issues, problems and reservations arising from their audits.</p>
	<p>(i) The Committee shall review the External Auditor's Management Letter and the management's response thereto.</p>	Complied	<p>During the year, the BAC reviewed the Management Letter for the year ended 2014 and the responses thereto with the External Auditor, CEO and CFO.</p>
	<p>(j) The Committee shall take the following steps with regard to the internal audit function of the Bank:</p> <ul style="list-style-type: none"> i. Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work; ii. Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department. iii. Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department; 	Complied	<p>The BAC has oversight of the Internal Audit Department (IAD) of the Bank and carries out the following duties:</p> <ul style="list-style-type: none"> i. Reviews and discusses with the Head of Internal Audit (HIA), the annual audit plan covering the Group, the adequacy of the scope and functions and the resources of IAD. ii. The audit plan for the year is approved by the BAC and the progress is tabled at the BAC meetings along with the number of audits planned for the ensuing quarter. The BAC reviews the internal audit reports and discusses the Management Action Plans to resolve the issues raised by IAD. Further, BAC members are kept informed of issues arising from ongoing audits, as a 'Heads up'. All audit findings are sent to Operational Risk Department for inclusion in the Risk Grid and for necessary follow up. iii. The CEO has carried out the appraisal of the HIA in consultation with Chairman BAC for 2014. Reviews of the performance of the HIA, new senior team leaders appointed in IAD for 2015 will be reviewed in March 2016

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
	<p>iv. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function.</p> <p>v. Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Head Internal Audit and any outsourced service providers and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning.</p> <p>vi. Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.</p>		<p>iv. Senior appointments (AVP level) made to IAD were informed to the BAC. The outsourcing of the treasury audits was approved by the BAC.</p> <p>v. BAC is appraised of any resignations of senior staff members of IAD and are provided an opportunity to submit reasons for resignation. [However, there have been no resignations of Senior Staff (AVP level) during the year 2015].</p> <p>vi. Ensures that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. The IAD staff reports directly to the HIA, who in turn reports directly to the BAC.</p>
	(k) The Committee shall consider the major findings of internal investigations and management's responses thereto.	Complied	The BAC has reviewed the major findings of IAD and management action plans thereto on investigations carried out.
	(l) The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors, may normally attend meetings. Other Board Members and the Chief Executive Officer may also attend meetings, upon the invitation of the Committee. However, at least twice a year, the Committee shall meet with the External Auditors without the Executive Directors being present.	Complied	<p>The Chief Executive Officer, Chief Operating Officer, Chief Finance Officer, Head of Audit and representatives of the External Auditor, normally attend meetings on invitation. The Chairman of the Bank attended five meetings as an independent observer during the year. Any other officer will attend if required on invitation to discuss their area.</p> <p>The BAC met the External Auditors twice during the year without the presence of Key Management Personnel.</p>
	(m) The Committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied	The Charter of the BAC clearly defines the authority and terms of reference of the BAC, which is in compliance with this guideline.
	(n) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied	The BAC has scheduled regular meetings and met nine times during the year 2015. Members of the BAC are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by HIA, who functions as the Secretary to the BAC.
	(o) The Board shall disclose in an informative way; (i) details of the activities of the Audit Committee; (ii) the number of Audit Committee meetings held in the year; and (iii) details of attendance of each individual Director at such meetings.	Complied	Please refer 'Board Audit Committee Report' on pages 186 to 188 for the details of the activities of the Audit Committee. Attendance of the Committee members at each of these meetings is given in the table on page 135 of the Annual Report.
	(p) The Secretary of the Committee (who may be the Company Secretary or the Head of the Internal Audit function), shall record and keep detailed minutes of the Committee meetings.	Complied	The Head of the Internal Audit functions as the Secretary to the BAC and maintains detailed minutes of all meetings. Copies of these minutes have been tabled at Board Meetings.

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	(q) The Committee shall review arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the Bank's relations with the External Auditor.	Complied	<p>The Bank has in place a Board approved Whistleblowing Policy, which was revised in November 2015. The employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. A process has been established to track such whistleblowing and take necessary action.</p> <p>The BAC is the key representative body for overseeing the Banks' relations with the External Auditor.</p>
3 (6) (iii)	Human Resources and Remuneration Committee – Composition & Responsibilities	Complied	<p>The performance of Key Management Personnel against set goals and targets are evaluated by the Human Resources and Remuneration Committee (HRRC) in March of every year and recommendations are then discussed and approved by the (HRRC) and the full Board. The Chief Executive Officer's performance will be evaluated by the full Board.</p> <p>Please refer page 175 for the composition and responsibilities of the (HRRC).</p>
	(a) Determine the remuneration policy relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel of the Bank	Complied	<p>The Board has established a HRRC that makes recommendations on remuneration payable to Directors and Key Management Personnel of the Bank.</p> <p>There is in place a Board approved Remuneration Policy and process for Directors, Chief Executive Officer and Key Management Personnel.</p>
	(b) Set goals and targets for the Directors, CEO and the Key Management Personnel	Complied	<p>The Board approved strategy was cascaded for the year 2015 to the Chief Executive and Key Management Personnel. Automated performance appraisal is in place for Key Management Personnel with the Chief Executive Officer. The goals and targets set for the Chief Executive Officer and Key Management Personnel were reviewed and approved by the HRRC and noted/approved by the Board. Goals and targets for the Directors, for the year 2015 have been deliberated in detail at Board and HRRC level.</p>
	(c) Evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance based incentives.	Complied	<p>The performance of Key Management Personnel against set goals and targets, are evaluated by the HRRC in March of every year and recommendations are then discussed and approved by the full Board. The Chief Executive Officer's performance will be evaluated by the HRRC and full Board.</p> <p>There is in place an automated performance appraisal for Key Management Personnel with the Chief Executive Officer. A salary survey was carried out in 2015 and the information was shared with members of the HRRC, prior to performance linked increment discussions.</p>
	(d) The CEO shall be present at all meetings of the Committee, except when matters relating to the CEO are being discussed.	Complied	<p>The Chief Executive Officer was present at all meetings and has stepped out when matters relating to the Chief Executive Officer were discussed.</p>
3 (6) (iv)	Nominations Committee – Composition & Responsibilities		<p>Please refer on pages 179 to 180 for the Composition Responsibilities of the Nominations Committee. (NC)</p>
	(a) The Committee shall implement a procedure to select/appoint new Directors, CEO and Key Management Personnel.	Complied	<p>The NC has implemented a procedure to select new Directors. A Board approved procedure to select the Chief Executive Officer and Key Management Personnel is in place.</p>

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
	(b) The Committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities.	Complied	The NC determines the Directors who will be re-elected every year, pursuant to taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities. The Committee has considered and recommended the re-election, re-appointments of the following Directors: D S P Wikramanayake (rotational reappointment) N G Wickremeratne K D W Ratnayaka D M R Phillips
	(c) The Committee shall 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 the key management positions.	Complied	The NC has set a procedure to assess eligibility, including criteria such as qualifications, experience and key attributes, for appointment or promotion to Key Management Positions, including the position of the Chief Executive Officer. The Committee is guided by applicable statutes in considering the suitable criteria for each appointment/promotion.
	(d) The Committee shall ensure that Directors, CEO and Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the Statutes.	Complied	The annual declarations from Directors and Key Management Personnel were submitted to the NC for 2015 to ensure that they are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the statutes.
	(e) The Committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel.	Complied	The NC considers Board vacancies, based on the expertise required by the Bank and recommends suitable candidates when necessary in accordance with the Board approved procedure for selection and appointment of Directors. The process set out was complied with in 2015, when new Directors were appointed to fill Board vacancies created in 2015. The NC also approves the succession plans for Key Management Personnel. An interim succession plan for Key Management Personnel was approved by the NC and the Board. The Bank has realigned its organizational structure in 2015, to meet its strategic objectives, identified gaps in the senior management team and recruited the required resources to bridge the gaps. The interim succession plan is to be reviewed in March 2016 taking into account the structural changes that have taken place.
	(f) The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	Complied	The NC is chaired by the Chairman of the Bank, who is an Independent Director and is constituted by a majority of Independent Directors. The Chief Executive Officer is present, only if invited.
3 (6) (v)	Integrated Risk Management Committee (IRMC) – Composition & Responsibilities	Complied	Please refer pages 183 to 185 for the composition and responsibilities of the IRMC. The Terms of Reference of the IRMC was reviewed and updated in 2015.
	(a) The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel, supervising broad risk categories - i.e., credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board, within the framework of the authority and responsibility assigned to the Committee.	Complied	The Composition of the IRMC complies with the provisions of this Direction.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
	(b) The Committee shall assess all risks - i.e., credit, market, liquidity, operational and strategic risks to the Bank on a monthly basis, through appropriate risk indicators and management information. In the case of Subsidiary Companies and Associate Companies, risk management shall be done, both on a Bank basis and Group basis.	Complied	The IRMC assesses all risks of the Bank and Group on a monthly basis through Key Risk Indicators, Risk Dashboards and through quarterly risk assessment reports done for the Bank and Group. The Bank has formed five management committees to assess risks on a monthly/quarterly basis and their findings are submitted to the IRMC and a summary of the minutes of the IRMC and quarterly risk assessment reports are submitted to the main Board.
	(c) The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset-Liability Committee, to address specific risks and to manage those risks within quantitative and qualitative risk limits, as specified by the Committee.	Complied	The adequacy of the effectiveness of all management level committees was carried out for the year 2015, with all members carrying out self-assessments. The feedback was reviewed by the Chairman of the respective management committee and a report based on the review together with an action plan was submitted to the IRMC for discussion and follow up.
	(d) The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels, decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements.	Complied	The IRMC takes prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by IRMC on the basis of the Bank's policies and regulatory and supervisory requirements. The Risk Appetite of the Bank decided through the ICAAP was approved by Board.
	(e) The Committee shall meet at least quarterly to assess all aspects of risk management, including updated business continuity plans.	Complied	The Committee has met 5 times in the year 2015.
	(f) The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/or as directed by the Director of Bank Supervision.	Complied	The IRMC shall if the need arises take action appropriate to the relevance of the situation as per the Bank's Human Resources policy.
	(g) The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific Directions.	Complied	A detailed report is submitted to the Board subsequent to the IRMC meeting seeking the Board's views, concurrence and/or specific directions.
	(h) The Committee shall establish a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	Complied	The Bank has appointed a Compliance Officer who is a Key Management Personnel to head the Compliance Function of the Bank. The Compliance Function communicates all new laws and regulations to relevant stakeholders within the Bank. The Compliance Function also carries out training through class room sessions and by developing E-Learning modules to support a better understanding of laws and regulations. In addition, compliance testing is carried out to assess the Bank's compliance with laws and regulations and the Bank's internal controls, policies, product programme guides and business operations. The Compliance Function reports quarterly to the IRMC. The Compliance Officer in consultation with the IRMC, agrees on the annual compliance programme which includes but is not limited to the review of products, accuracy of statutory returns and all product programme guides to determine compliance with applicable laws and regulations. A detailed quarterly report indicating the status of compliance of the Bank, is submitted to the IRMC and the Board. A quarterly compliance sign-off from all business unit heads is obtained and submitted to the IRMC.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
3 (7)	Related Party Transaction		
3 (7) (i), (ii), (iii)	<p>3 (7) (i) The Board shall take the necessary steps to avoid any conflicts of interest, that may arise from any transaction of the Bank with any person, and particularly with the following categories of persons who shall be considered as 'related parties' for the purposes of this Direction:</p> <p>a. Any of the Bank's subsidiary companies;</p> <p>b. Any of the Bank's associate companies;</p> <p>c. Any of the Directors of the Bank;</p> <p>d. Any of the Bank's Key Management Personnel;</p> <p>e. A close relation of any of the Bank's Directors or Key Management Personnel;</p> <p>f. A shareholder owning a material interest in the Bank;</p> <p>g. A concern in which any of the Bank's Directors or a close relation of any of the Bank's Directors or any of its material shareholders has a substantial interest.</p>	Complied	<p>Steps have been taken by the Board to avoid any conflicts of interest that may arise in terms of this section.</p> <p>Using information submitted to the Bank by Directors and information obtained from the Secretarial Department and HR Department, the Bank maintains a register of the names of Related Parties set out in the Direction and this list is circulated to all relationship managers of all business units in terms of the Bank's internal circular on related party transactions, which has been introduced to ensure that the Bank avoids 'Conflicts of Interest', which may arise from any transaction of the Bank with any person, particularly with 'Related Parties'.</p> <p>A documented related party policy was approved by the Board in 2014, which lays down processes to identify, approve, monitor and disclose all related party transactions of the Bank, coming within these guidelines.</p>
3 (7)(ii)	<p>The type of transactions with related parties that shall be covered by this Direction shall include the following:</p> <p>a. The grant of any type of accommodation, as defined in the Monetary Board's Directions, on maximum amount of accommodation,</p> <p>b. The creation of any liabilities of the Bank in the form of deposits, borrowings and investments,</p> <p>c. The provision of any services of a financial or non-financial nature, provided to the Bank or received from the Bank,</p> <p>d. The creation or maintenance of reporting lines and information flows between the Bank and any related parties, which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.</p>	Complied	All transactions defined in this directions come within the scope of the Related Party Transaction Policy of the Bank
3 (7) (iii)	<p>The Board shall ensure that the Bank does not engage in transactions with related parties as defined in Direction 3 (7) (i) above, in a manner that would grant such parties 'more favourable treatment' than that accorded to other constituents of the Bank carrying on the same business. In this context, 'more favourable treatment' shall mean and include treatment, including the:</p> <p>a. Granting of 'total net accommodation' to related parties, exceeding a prudent percentage of the Bank's regulatory capital, as determined by the Board. For purposes of this subdirection:</p>	Complied	The Related Party Policy of the Bank, which is a Board approved document, sets out this requirement and has included a process to ensure compliance. All business units of the Bank are advised of this requirement every quarter and a list of all related parties of the Bank are shared with them to support compliance. In addition, the Compliance Department manually monitors compliance. A system is being implemented to further improve this process.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
	<ul style="list-style-type: none"> i. 'Accommodation' shall mean accommodation as defined in the Banking Act Directions, No. 7 of 2007 on Maximum Amount of Accommodation. ii. The 'total net accommodation' shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of 5 years or more. 		
	<ul style="list-style-type: none"> b. Charging of a lower rate of interest than the Bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; c. Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties; d. Providing services to or receiving services from a related party without an evaluation procedure; e. Maintaining reporting lines and information flows, that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions. 		
3 (7) (iv)	A bank shall not grant any accommodation to any of its Directors or to a close relation of such Director, unless such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation. This accommodation shall be secured by such security as may from time to time be determined by the Monetary Board as well.	Complied	The Board ensures compliance with this Direction when accommodation is granted to Directors and their Close Relations or any concerns in which the Director/Close Relations has a substantial interest.
3 (7) (v)	<ul style="list-style-type: none"> a. Where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest and such person is subsequently appointed as a Director of the Bank, steps shall be taken by the Bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a Director. b. Where such security is not provided by the period as provided in Direction 3 (7)(v) (a) above, the Bank shall take steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such Director, whichever is earlier. 	Complied	<p>Prior to the appointment of a new Director the Company Secretary obtains a declaration/ affidavit from the proposed individual requiring the disclosure of all interests they may have with the Bank.</p> <p>The situation did not arise in 2015.</p> <p>The employees of the Bank are informed to obtain necessary security as set out by the Monetary Board if the need arises.</p>

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015
	<p>c. Any Director who fails to comply with the above subdirections shall be deemed to have vacated the office of Director and the Bank shall disclose such fact to the public.</p> <p>d. This subdirection, however, shall not apply to a Director who at the time of the grant of the accommodation was an employee of the Bank and the accommodation was granted under a scheme applicable to all employees of such a bank.</p>		
3 (7) (vi)	A bank shall not grant any accommodation or 'more favourable treatment' relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation, has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3 (7) (v) above.	Complied	No favourable treatment/accommodation is provided to Bank employees other than staff benefits. Employees of the Bank are informed through operational circulars to refrain from granting favourable treatment to other employees or their close relations or to any concern in which an employee or close relation has a substantial interest.
3 (7) (vii)	No accommodation granted by a bank under Direction 3 (7) (v) and 3 (7) (vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval, shall be void and of no effect.	Complied	Such a situation has not arisen in the Bank to date.
3 (8)	Disclosures		
3 (8) (i)	The Board shall ensure that: (a) annual audited Financial Statements and quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied	The Financial Statements for the year ended 31st December 2015 and quarterly financial statements are in conformity with all rules and regulations. These statements have been published in the newspapers in all three languages.
3 (8) (ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report:		
	a. A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied	Compliance with applicable accounting standards and regulatory requirements has been reported under the "Directors' Responsibility for Financial Reporting" on page 204, the 'CEO's and CFO's Responsibility Statement' on page 209 and Note No. 2 (Statement of Compliance) to the Financial Statements on page 308.
	b. A report by the Board on the Bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes, has been done in accordance with relevant accounting principles and regulatory requirements.	Complied	Directors' Report on the Effectiveness of the Internal Control System over Financial Reporting, is given under the 'Statement of Internal Control' on pages 206 to 207.

Rule No.	Corporate Governance Principles	Compliance Status	Compliance and Implementation in 2015												
	c. The Assurance Report, issued by the Auditors under "Sri Lanka Standard on Assurance Engagements on SLSAE 3050 – Assurance Reports for Banks on Directors' Statement on Internal Control".	Complied	The Assurance Report issued by the External Auditor on the Internal Control over Financial Reporting based on the auditing framework issued by ICASL, is detailed on page 208 of this Report.												
	d. Details of Directors, including names, fitness and propriety, transactions with the Bank and the total of fees/remuneration paid by the Bank.	Complied	Please refer 'Board of Directors' on pages 134 'Directors' interest in contracts with NDB' on pages 212 and page 193 for Directors' Remuneration.												
	e. Total net accommodation as defined in 3 (7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory capital.	Complied	<table border="1"> <thead> <tr> <th>Category of Related Parties</th> <th>Net Accommodation as at 31.12.2015 LKR '000</th> <th>% of Regulatory Capital</th> </tr> </thead> <tbody> <tr> <td>Directors/Close Family Members/ Substantial Interest concerns</td> <td>241</td> <td>0.00%</td> </tr> <tr> <td>Key Management Personnel/Close Family Members/Substantial Interest concerns</td> <td>79,030</td> <td>0.27%</td> </tr> <tr> <td>The Bank's subsidiaries and associate companies</td> <td>835,064</td> <td>2.82%</td> </tr> </tbody> </table>	Category of Related Parties	Net Accommodation as at 31.12.2015 LKR '000	% of Regulatory Capital	Directors/Close Family Members/ Substantial Interest concerns	241	0.00%	Key Management Personnel/Close Family Members/Substantial Interest concerns	79,030	0.27%	The Bank's subsidiaries and associate companies	835,064	2.82%
Category of Related Parties	Net Accommodation as at 31.12.2015 LKR '000	% of Regulatory Capital													
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The Bank's subsidiaries and associate companies	835,064	2.82%													
	f. The aggregate values of remuneration paid by the Bank to its Key Management Personnel and the aggregate values of the transactions of the Bank with its key management personnel, set out by Broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.	Complied	<p>The aggregate value of Remuneration, paid during 2015 to its Key Management Personnel and the aggregate value of transactions with the Bank to its Key Management Personnel are given below:</p> <table border="1"> <thead> <tr> <th></th> <th>Aggregate values in LKR '000</th> </tr> </thead> <tbody> <tr> <td>Remuneration paid</td> <td>266,689</td> </tr> <tr> <td>Accommodation</td> <td>79,030</td> </tr> <tr> <td>Deposits</td> <td>416,484</td> </tr> <tr> <td>Investments</td> <td>43,178</td> </tr> </tbody> </table>		Aggregate values in LKR '000	Remuneration paid	266,689	Accommodation	79,030	Deposits	416,484	Investments	43,178		
	Aggregate values in LKR '000														
Remuneration paid	266,689														
Accommodation	79,030														
Deposits	416,484														
Investments	43,178														
	g. A confirmation by the Board of Directors in its Annual Corporate Governance Report that all findings of the 'Factual Findings Reports' of Auditors issued under 'Sri Lanka Related Services Practice Statement 4750', have been incorporated in the Annual Corporate Governance Report.	Complied	Complied by this Report.												
	h. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.	Complied	There were no material non-compliance to prudential requirements, regulations, laws and internal controls affecting the Bank.												
	i. A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board, to be disclosed to the public, together with the measures taken by the Bank to address such concerns.	Complied	There were no supervisory concerns on lapses in the Bank's risk management system or non-compliance with this Direction, that have been pointed out by the Director of the Bank Supervision Department of the CBSL and requiring disclosure to the public.												

The Bank's adherence with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) is detailed below with explanatory comments as follows:

Corporate Governance Principles

Compliance Status

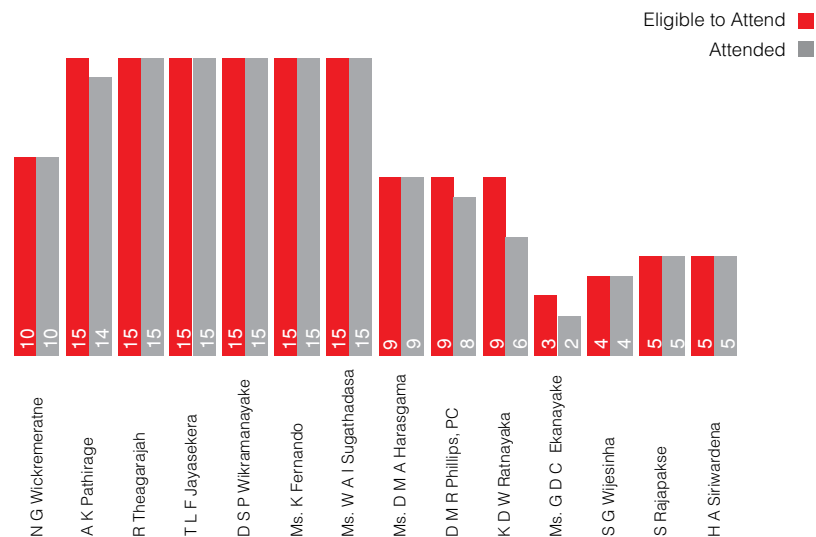
A. 1 The Board – The Board comprises of ten Directors, nine of whom, including the Chairman, function in a Non-Executive capacity. The members of the Board consists of professionals in the fields of banking, finance, insurance, management, IT and Law and possess the skills, experience and leadership required to direct, lead and control the Bank. The Chief Executive Officer (CEO) is the only Executive Director. The Board has appointed several Committees to assist in the discharge of their collective responsibilities. The Bank is mindful of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition to ensure that the skill representation is in alignment with current and future needs of the Bank. Additionally, individual Directors are encouraged to seek expert opinion and/or professional advice on matters where they may not have full knowledge or expertise.

A.1.1 Board Meetings

Complied.

The Board usually meets on monthly intervals, but meets more frequently whenever it is necessary. The Board met fifteen (15) times during the year. Scheduled Board and Board Committee meetings are arranged at the beginning of each calendar year. Attendance at Board and Committee meetings are provided on pages 134 and 135 of this Report.

NO. OF MEETINGS HELD AND ATTENDANCE - 2015



A 1.2 Role of the Board – Provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls risks to be assessed and managed. Formulation and implementation of a sound business strategy;

Complied.

The Board is responsible to stakeholders for creating and delivering sustainable shareholder value through the management of the Bank and Group's businesses. It determines the strategic objectives and policies of the Bank and Group to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. A five year business strategy is in place and has been detailed under Section 3(1)(i)(b) of the CBSL table on page 142 of this report.

- The Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy

Complied.

The Human Resources and Remuneration Committee (HRRC) and the Nominations Committee (NC) ensures that the CEO and Key Management Personnel (KMP) have the required skills, experience and knowledge to implement strategy.

The CEO and the Leadership Team consist of senior professionals with an average experience of over 29 years.

The profiles of The Leadership Team are available on the Bank's website and on pages 116 to 121 of this Report.

Corporate Governance Principles	Compliance Status
<ul style="list-style-type: none"> The adoption of an effective CEO and KMP succession strategy; 	<p>Complied.</p> <p>An interim succession plan has been approved by the Board. Having considered the structural changes that have taken place in the Bank in 2015 to support the business needs of the Bank, the Board will review the interim succession plan in 2016 and make any revisions as required.</p>
<ul style="list-style-type: none"> An effective system to secure integrity of information, internal controls, business continuity and risk management; 	<p>Complied.</p> <p>There is in place an adequate system of internal control. Policies relating to securing information, business continuity and risk management have been approved by the Board. These policies have been reviewed by either the Integrated Risk Management Committee (IRMC) or Board Audit Committee (BAC). Our Business Continuity Plan was rehearsed twice during the year. Refer Director's Statement on Internal Control (pages 206 and 207) BAC Report (pages 186 to 188) and Integrated Risk Management Committee (IRMC) (pages 183 to 185) Report for more details.</p>
<ul style="list-style-type: none"> Compliance with laws, regulations and ethical standards; 	<p>Complied.</p> <p>There is significant emphasis across the Bank to ensure compliance with applicable laws and regulations.</p> <p>There is a separate Compliance Department which reports directly to the IRMC of the Board. There is a bottom-up procedure in place to provide the Compliance Officer with a comprehensive sign off at the end of each quarter on the status of compliance with laws and regulations impacting the Bank.</p> <p>In order to monitor compliance, the Compliance Department carries out compliance testing, reviews the Bank's products and the accuracy of regulatory returns, based on the annual program approved by the IRMC to determine the Banks' compliance with laws and regulations and ethical standards.</p> <p>The Compliance Officer submits a status report to the IRMC, setting out the laws and regulations complied and any breaches that have occurred at the end of each quarter. This report is shared with the Board.</p>
<ul style="list-style-type: none"> All stakeholder interests are considered in corporate decisions 	<p>Complied.</p> <p>The Board of Directors considers the views/impact on all stakeholders of the Bank when decisions are made at Board meetings.</p>
<ul style="list-style-type: none"> Recognising sustainable business development in corporate strategy, decisions and activities; 	<p>Complied.</p> <p>Sustainable business development is one of the key areas of focus considered by the Board when taking decisions. Please refer to the Bank's Corporate Responsibility Report on pages 96 to 101 for more details.</p>
<ul style="list-style-type: none"> Board approved accounting and compliance with financial regulations; 	<p>Complied.</p> <p>The BAC and the Board review accounting policies annually to ensure that the financial reporting model of the Bank is in-line with such policies, financial regulations, evolving international and local accounting standards and industry best practices. The Board ensures that the Financial Statements of the Bank are prepared in accordance with the approved accounting policies.</p>
<ul style="list-style-type: none"> Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned 	<p>Complied.</p> <p>The Board makes every endeavour to fulfil its stewardship obligations on behalf of all stakeholders. The Board is committed to fulfilling their functions in line with laws, regulations and good governance practices adopted by the Bank.</p>
<p>A.1.3 The Board collectively and the Directors individually need to act in accordance with laws of the country relevant to the Bank. A procedure for Directors to obtain independent professional advice where necessary, at the Bank's expense.</p>	<p>Complied.</p> <p>There is significant emphasis across the Bank to ensure compliance with applicable laws and regulations.</p> <p>In order to preserve the independence of the Board and to strengthen the decision-making, the Board seeks independent professional advice when deemed necessary. The Board approved Internal Code of Corporate Governance contains the procedure to be followed when a Director or the Board wishes to obtain independent professional advice on any matter.</p>

Corporate Governance Principles	Compliance Status
A.1.4 All Directors of the Board to have access to the advice and services of the Company Secretary	<p>Complied.</p> <p>The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the Company Secretary and she possesses the required qualifications, as set out in the Companies Act and the Banking Act. For the year 2015, the Company Secretary has provided assistance to the Directors when requested.</p>
A.1.5 All Directors to bring independent judgement to matters submitted to the Board for its decision.	<p>Complied.</p> <p>All Directors bring their independent judgement to matters discussed at Board meetings. Details of Directors deliberation are contained in the minutes maintained by the Company Secretary.</p>
A.1.6 Every Director to dedicate adequate time and effort to matters of the Board	<p>Complied.</p> <p>Every member of the Board has dedicated adequate time and effort for the affairs of the Bank by attending Board meetings, Board Committee meetings and by making decisions via circular resolutions. In addition, the Board members have meetings and discussions with management when required.</p> <p>Board Papers are circulated to the Board at least seven days prior to each Board meeting. Any request for additional information is made to the Company Secretary. The relevant member of staff is informed by the Company Secretary and the requisite information is forwarded. All matters that require follow up are discussed at the immediately succeeding Board meeting under 'Matters Arising'. Business Heads regularly update the Board on the status & development in their respective fields.</p> <p>The CEO on a regular basis, updates the Board on business changes, operational risks and controls relevant to the Bank.</p>
A.1.7 Training for New and Existing Directors	<p>Complied.</p> <p>The Board policy on Directors' training is to provide adequate opportunities for continuous development, subject to requirement and relevance for each Director.</p> <p>There were several knowledge sharing initiatives to inform the Board on the latest trends and issues facing the Bank, the industry and the economy in general.</p> <p>The Chairman is responsible for ensuring that the Directors continually update their skills, knowledge and awareness of the Bank's policies and procedures as required to fulfill their roles both on the Board and on Committees appointed by the Board.</p> <p>The Bank provides the necessary resources for training of Directors.</p> <p>New Directors are provided with a comprehensive induction pack on appointment to the Board.</p>
Principle A .2 Chairman and CEO – There is a clear division of responsibilities between the Chairman and the CEO thereby ensuring a balance of power and authority, such that no one individual has unfettered powers of decision.	
A.2.1 Division of Responsibilities between the Chairman and CEO	<p>Complied.</p> <p>The posts of Chairman and CEO of the Bank are held by two separate persons and there is a clear division of responsibilities between them thereby maintaining the balance of power between the two roles.</p>

Corporate Governance Principles

Compliance Status

Principle A.3 Chairman – The Chairman is responsible for leading the Board and for its effectiveness. In practice, this means taking responsibility for the Board's composition, appraisal and development, ensuring that the Board focuses on its key tasks and supporting the Chief Executive Officer in managing the day to day running of the Bank. The Chairman is also the ultimate point of contact for shareholders, particularly on corporate governance issues.

A. 3.1 Preserving order and facilitating the effective discharge of Board functions and Conducting Board proceedings in a proper manner

Complied.

The Board approved Internal Code of Corporate Governance formally details the role of the Chairman. The Chairman ensures that the affairs of the Board are conducted in an effective manner. He encourages Directors to share their views on matters discussed and ensures the participation of both Executive and Non-Executive Directors and maintains a balance of power between Executive and Non-Executive Directors. The Chairman ensured that all Board proceedings were conducted in a proper manner and approved the agenda for each meeting in consultation with the CEO and the Board Secretary.

Principle A.4 Financial Acumen – The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.

A.4.1 Financial Acumen and Knowledge

Complied.

5 of the 10 Directors of the Board have a finance background and as such, there is sufficient financial acumen and knowledge on the Board.

Principle A.5 Board Balance – It is preferable for the Board to have a balance of Executive and Non-Executive Directors so that no individual or small group of individuals can dominate the Board's decision-making.

A.5.1 Non-Executive Directors –

The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors, equivalent to one-third of the total number of Directors, whichever is higher.

Complied.

9 of the 10 Directors on the Board are Non-Executive Directors. The CEO is the only Executive Director.

A.5.2 - A.5.5 Independent Non-Executive Directors – Two or one third of Non-Executive Directors appointed to the Board of Directors, whichever is higher, should be 'independent'. Criteria for Independence is as defined in the Code.

Complied.

Annual declarations of Independence or Non-Independence have been obtained from the Directors for 2015.

Based on the annual declarations, there are 9 Non-Executive Directors on the Board as at 31st December 2015. Of them, 7 are Independent Non-Executive Directors in terms of the criteria set out in this Code.

The details of Non-Executive Directors are detailed on page 134 of this Report. Accordingly, the number of Independent Non-Executive Directors exceeds one-third of the total number of Directors on the Board.

A.5.6 Alternate Directors – Executives of the Bank shall not be appointed as Alternate Directors of Non-Executive Directors of the Bank.

Any alternate of an independent Director should also meet the criteria of independence.

The minimum number of independent Directors should be complied with

Complied.

No formal Alternate Directors have been appointed. Directors appoint Alternate Directors within the Rules and Articles of the Bank and the Banking Act, as and when required for a particular meeting. An Alternate Director of an Independent Director is also Independent.

A.5.7 - A.5.8 The Appointment of a Senior Independent Director (SID) –

A SID is required to be appointed where CEO and Chairman are one and the same person.

Such a SID should make himself available for discussions with other Directors.

The CEO and Chairman are not one and the same person. As such there is no requirement to appoint a Senior Independent Director.

Corporate Governance Principles	Compliance Status
A.5.9 Chairman to meet only with Non-Executive Directors as necessary and at least once each year.	Complied. The Chairman discusses matters relevant to the Board with only Non-Executive Directors as and when the need arises.
A.5.10 Recording of a dissenting view – Any dissenting view to be minuted where a matter is not resolved unanimously.	Complied. Dissenting views are recorded in the Board minutes in detail.
Principle A.6 Supply of Information – The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	
A.6.1 - A.6.2 The Board to be provided appropriate and timely information by management. Agenda, Board Papers and Minutes of previous meetings to be circulated 7 days in advance of a meeting.	Complied. The management provides comprehensive information including both quantitative and qualitative information for the monthly Board meetings, at least 7 days prior to Board meetings. Members of The Leadership Team make presentations to Directors on important issues relating to financial performance, strategy, risk management, investment proposals, systems and procedures, where necessary. The Directors also have access to management to obtain further information or clarify any concerns they may have. As described above, they also have the right to seek independent professional advice at the Bank's expense.
Principle A.7 Appointments to the Board – There should be a formal and transparent procedure for the appointment of new Directors to the Board.	
A.7.1 and A.7.2 A Nominations Committee to be established to make recommendations on new appointments.	Complied. The Board has established a Nominations Committee to make recommendations on new appointments to the Board. There is in place, a Board approved policy and process for appointments of Directors to the Board. Please refer Page 179 to 180 for the Report of the Nominations Committee.
A.7.3 Disclosure to shareholders on new appointments to the Board.	Complied. Disclosures are made to shareholders in terms of the Listing Rules issued by the Colombo Stock Exchange (CSE) .
Principle A.8 Re-election – All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	
A.8.1 and A.8.2. Non-Executive Directors should be appointed for specified terms and re-election should not be automatic.	Complied. Directors to retire at the Annual General Meeting (AGM): As per the Articles of the Bank, 1/3rd of the Directors (excepting the CEO, any Director appointed to fill a casual vacancy and any Nominee Director of the Ministry of Finance) should retire at each AGM and be subject to re-election. Such Directors who retire are those who held office for the longest time period since the election/ re-appointment. In accordance with this provision D S P Wikramanayake retires and has offered himself for re-election by the shareholders at the AGM. Re-appointment of Directors appointed to fill casual vacancies during the year under review: The following Directors who were appointed to fill casual vacancies in the Board during the financial year 2015, shall retire and offer themselves for re-appointment at the AGM. i. N G Wickremeratne ii. K D W Ratnayaka iii. D M R Phillips Prior to recommending the above re-election/re-appointment of Directors, the Nominations Committee considered the fitness and propriety of each Director and made recommendations for re-election/re-appointment.

Corporate Governance Principles

Compliance Status

Principle A.9 Appraisal of Board Performance - The Board should periodically appraise their own performance, in order to ensure that Board responsibilities are satisfactorily discharged.

A.9 The Board should annually appraise itself on its performance and that of its Committees

Complied.

The Board carried out its self evaluation process in respect of the year 2015. The process is led by the Chairman. All Directors are required to complete a detailed questionnaire. The broad areas covered and the processes adopted are detailed on page 137 of this Report.

All Committees too carried out a self-evaluation process in 2016 to determine the effectiveness of their performance in 2015 and to identify areas for improvement.

Principle A.10 Disclosure of Information in respect of Directors - Shareholders should be kept advised of relevant details in respect of Directors.

A.10.1 Shareholders to be advised of relevant details in respect of Directors

Complied.

Please refer pages 108 -115 for Directors Profiles.

Details of Directorship held by each Director are detailed with the Director's Profiles.

Attendance of Directors at Board Meetings is given on page 134 of this report.

Attendance of Directors at Committee meetings are detailed on pages 135 of this report.

Principle A.11 Appraisal of Chief Executive Officer (CEO) - The Board should be required, at least annually, to assess the performance of the CEO.

A.11.1 - A.11.2 Setting annual targets and the appraisal of performance of the CEO

Complied.

At the beginning of 2015, the Board discussed and set short, medium and long-term financial and non-financial targets to be achieved during the year by the CEO. The entire Board evaluated the performance of the CEO against the goals and targets set for 2014 and, as is the practice, the evaluation of the CEO's performance for 2015 will take place at the Board meeting to be held in March 2016.

B. Directors' Remuneration –

B.1 Remuneration Procedure – The Code requires that the Bank establish a formal and transparent procedure for developing policy on both Executive and Non-Executive Directors remuneration

B1.1 Establishment of a Remuneration Committee

Complied.

The Board has established a Human Resources and Remuneration Committee (HRRC) to develop policy and determine remuneration for Directors and Senior Management. No Director is involved in deciding his/her own remuneration.

Corporate Governance Principles	Compliance Status
B1.2 - B1.3 Composition of the Committee	<p>Complied.</p> <p>The HRRC consists exclusively of Non-Executive Directors. The Chairperson of the HRRC is Ms. W A I Sugathadasa an Independent Non-Executive Director. Please refer page 175 for the report of the HRRC for more details on the activities carried out by the HRRC for the year 2015.</p>
B1.4 Determination of remuneration for Non-Executive Directors	<p>Complied.</p> <p>There is in place a Board approved Remuneration Policy for Directors' and Senior Management. Non-Executive Directors are remunerated in-line with market practices and approvals obtained from the shareholders at the AGM.</p>
B1.5 Ability to consult the Chairman and/or CEO and to seek professional advice by the Committee	<p>Complied.</p> <p>The HRRC has access to professional advice from within and external consultants. During the year, the HRRC reviewed the information provided by the Bank's Human Resources Department to determine market and industry trends with regard to remuneration and perquisites for its Senior Management Team.</p>
B.2 Level and Make-Up of Remuneration – The Bank ensures that the remuneration of Executive and Non-Executive Directors is at a satisfactory level to attract and retain the services of Directors	
B.2.1 Remuneration for Executive Directors	<p>Complied.</p> <p>The only Executive Director on the Board is the CEO (who is an ex-officio Director on account of being the CEO of the Bank). As such, the CEO is not paid any additional remuneration or benefits by virtue of his being an Executive Director. The CEO's remuneration is linked to the Bank's performance as well as his individual performance. The CEO does not participate in the HRRC when matters pertaining to his remuneration are discussed.</p>
B.2.2 Positioning the Bank's remuneration levels relative to other companies in the industry	<p>Complied.</p> <p>The HRRC reviews information relating to remuneration and perquisites of CEO and Senior Management of the Bank and due care is taken to ensure that remuneration is commensurate with industry standards and both the Bank's and individual performance. Regular salary surveys are carried out and the HRRC is informed of the results of the survey. The last salary survey was carried out in 2015.</p>
B.2.3 Comparison of Remuneration levels with other Companies in the Group	<p>Not Applicable.</p> <p>Size and scale of the Bank is not comparable with Group Companies</p>
B.2.4 Performance related elements of remuneration for Executive Directors	<p>Complied.</p> <p>The goals and targets of the CEO are set at the beginning of the year and cascaded to the rest of the Bank. The CEO's remuneration and performance bonus is decided, based on achievement of the goals and targets agreed upon.</p>
B.2.5 Employee Share Options	<p>Complied</p> <p>No employee share schemes were determined in 2015. However, share options of schemes already approved were exercised by eligible employees at the Exercise Price determined in terms of such approved schemes and inline with the Listing Rules of the CSE. Details are given in the Annual Report of the Board of Directors on the Affairs of the Company on page 200 and notes to the Financial Statements on page 319.</p>
B.2.6 Designing schemes of performance related remuneration	<p>Complied.</p> <p>The HRRC takes into consideration, the provisions detailed in Schedule E, when determining the remuneration of the CEO and Senior Management of the Bank. Please refer page 175 for the report of the HRRC for more details.</p>

Corporate Governance Principles	Compliance Status
B.2.7 - B.2.8 Early termination of Executive Director	Not Applicable for 2015. Termination of service of the Executive Director will be in accordance with his contract of service.
B.2.9 Levels of Remuneration of Non-Executive Directors	Complied Non-Executive Directors are remunerated in-line with market practices. They are not entitled to receive shares under the existing Share Option Scheme of the Bank.
B.3 Disclosure of Remuneration – The code requires that the Bank's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.	
B.3.1 Disclosure of Remuneration	Complied. Please refer page 193 of the Annual Report for Directors' Remuneration. Also refer Note No. 11 and 12 of the Financial Statements for aggregate remuneration paid to Executive and Non-Executive Directors.
C. Relations with Shareholders –	
C.1 Constructive use of Shareholder Meetings - The Code requires constructive use of the Annual General Meeting (AGM) and conduct of general meetings to communicate with shareholders.	
C.1.1 Use of Proxy Votes	Complied. The Bank has in place, an effective mechanism to record all proxy votes to indicate to the Chairman, the level of proxies lodged on each resolution and the number of votes for and against each resolution. As a matter of practice, proxy votes together with the votes of shareholders present at the AGM are considered for each resolution and duly recorded in the minutes.
C.1.2 Separate Resolutions to be obtained for substantially separate issues and adoption of Annual Report and Accounts.	Complied. Separate resolutions are obtained for substantially separate issue to provide shareholders with an opportunity to deal with each significant matter separately. The Annual Report of the Board of Directors and Accounts is laid before the shareholders of the Bank for their consideration as a separate item on the Agenda at the AGM.
C.1.3 Chairpersons of all Board Committees to be available to respond to questions of any shareholder at AGM.	The Chairman of the Board functions as the Chairman of the Nominations Committee, Strategic Issues Committee and the Related Party Transactions Review Committee. He ensures that the Chairpersons of the other Board Committees are present at the AGM to answer all queries that may be raised. The Chairpersons of all Board Committees were present at the AGM held on 30 March 2015. No queries were raised by shareholders to the Chairpersons of the Committees.
C.1.4- C.1.5 Adequate Notice of all meetings to Shareholders together with the summary of the procedure to be adopted by shareholders	Complied. The notice of meeting and related documents are circulated to the shareholders 15 working days prior to the AGM. Summary of the procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders together with the notice of meeting 15 working days prior to the AGM. The Board encourages all shareholders to attend and actively participate in the AGM. The shareholders may raise any queries they have with the Directors.
Principle C.2 Communication with Shareholders - The Code requires that Board should implement effective communication with shareholders.	
C.2.1 Communication channel to reach shareholders	The Bank has many channels to reach all shareholders of the Bank in order to disseminate timely information. Please refer pages 267 to 293 on 'Investor Relations' for more details on communication with our Shareholders.

Corporate Governance Principles	Compliance Status
C.2.2 - C.2.3 Disclosure on communication channel to reach shareholders and communication policy and methodology	<p>Complied.</p> <p>There is in place a Board approved Disclosure Policy and Communications Policy that deals with communications with shareholders. Please refer 'Investor Relations Report' provided on pages 268 and 269 for details of the policy and methodology adopted for communication.</p>
C.2.4 - C.2.7 The Bank to disclose to shareholders' the contact person for communication with shareholders.	<p>Complied.</p> <p>Shareholder correspondence on major issues are handled by the Chairman who will communicate to the Board of Directors as an when necessary.</p> <p>Details of the contact personnel are provided in the 'Investor Relations' section on page 293 of this Report. In addition, shareholders are encouraged to provide their feedback to the Chairman and/or the Board Secretary. The Bank website's Investor Relations page also carries contact details of the Board Secretary and a dedicated e-mail for investor relations.</p>
<p>Principle C.3 Major and Material Transactions – The Code, requires the Directors to disclose to shareholders' all proposed material transactions which would materially alter the net asset position of the Bank and Group (if entered into).</p>	
C.3. 1 Disclosure of Major and Material Transactions	<p>Not Applicable.</p> <p>During 2015, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007, which materially affected the Bank's net asset base.</p> <p>Further all material transactions will be disclosed in the quarterly/annual Financial Statements as well as the disclosure made to the CSE.</p>
<p>D. Accountability and Audit</p>	
<p>D.1 Financial Reporting - The Board is required to present a balanced and understandable assessment of the Bank's financial position, performance and prospects.</p>	
D.1.1. The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	<p>Complied.</p> <p>The Board is aware of its responsibility to present regulatory and statutory reports in a balanced and understandable manner. A statement to this effect is provided on 204 of this Report.</p> <p>The Interim Accounts and Annual Financial Statements were published on a timely basis in 2015. Regulatory reports were filed by the Bank on or before the due dates in 2015. Price sensitive information is disclosed to the Colombo Stock Exchange on a timely basis in accordance with the Board approved Disclosure Policy.</p> <p>The Bank makes every effort to provide a detailed and transparent analysis of strategies, performance and future strategies to support investors in making an informed decision.</p> <p>In addition to the information provided in the reports mentioned above, a summary of the Financials is provided in the Annual Report under Profitable Growth on pages 42 to 63 of this Report</p>
D.1.2. Declarations by the Directors' in the Directors' Report.	<p>Complied.</p> <p>Declarations by the Directors as required by the Code of Best Practice on Corporate Governance are provided on Pages 128 and 197 of this Report.</p>
D.1.3. Responsibilities of the Board for preparation of Financial Statements and reporting responsibilities of Auditors.	<p>Complied.</p> <p>The Statement of Directors' Responsibility, Statement on Internal Controls and Report of the Auditors are provided on pages 206 to 207 and 208 respectively in the Annual Report.</p>

Corporate Governance Principles	Compliance Status																
D. 1.4. Inclusion of a 'Management Discussion and Analysis' report in the Annual Report.	<p>Complied.</p> <p>The Annual Report contains a 'Management Discussion and Analysis' report</p> <p>The required information in the Management Discussion and Analysis is provided in this Annual Report as follows:</p> <table border="1"> <thead> <tr> <th>Information Required</th> <th>Pages</th> </tr> </thead> <tbody> <tr> <td>Industry structure and developments</td> <td>22-26</td> </tr> <tr> <td>Opportunities and threats, risks and concerns</td> <td>22-26</td> </tr> <tr> <td>Internal control systems and their adequacy</td> <td>201</td> </tr> <tr> <td>Social and environmental protection activities carried out by the Bank</td> <td>96-101</td> </tr> <tr> <td>Financial performance</td> <td>42-63</td> </tr> <tr> <td>Material developments in human resources/industrial relations</td> <td>66-71</td> </tr> <tr> <td>Prospects for the future</td> <td>39-65</td> </tr> </tbody> </table>	Information Required	Pages	Industry structure and developments	22-26	Opportunities and threats, risks and concerns	22-26	Internal control systems and their adequacy	201	Social and environmental protection activities carried out by the Bank	96-101	Financial performance	42-63	Material developments in human resources/industrial relations	66-71	Prospects for the future	39-65
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D.1.5. The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.	<p>Complied.</p> <p>This information is provided in the 'Annual report of the Board of Directors on the affairs of the Bank on page 200.</p>																
D.1.6 Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss in Net Assets.	<p>This situation has not arisen.</p>																
D.1.7. Disclosure of Related Party Transactions.	<p>Complied.</p> <p>A detailed Board approved documented process is available and has been circulated to all Employees through the NDB Cloud for compliance.</p> <p>Accordingly,</p> <ul style="list-style-type: none"> - Each related party has submitted signed and dated quarterly declarations in 2015, mentioning whether they have related party transactions with the Bank as required under regulations applicable to the Bank to comply with the disclosure requirements; - The Company Secretary keeps a record of related party transactions and makes necessary disclosures accordingly; - A record on related party and related party transactions is maintained by the Bank to capture information to comply with the respective related party disclosure requirements imposed by SEC/Accounting Standards/Auditing Standards and similar regulations. Please refer pages 158 to 160 of the CBSL table for more information. 																
<p>Principle D.2 – Internal Control - The Code required the Bank to have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Bank's assets.</p>																	
D2.1 Directors to conduct an annual review of Internal Controls through the Board Audit Committee (BAC).	<p>Complied.</p> <p>The Board's Statement on the effectiveness of Bank's internal control mechanism as reviewed by the Board Audit Committee, is presented under the caption "Directors' Statement on Internal Control" in this Annual Report on pages 206 to 207.</p> <p>The Board also reviewed the External Auditors Assurance Report in this regard pursuant to the independent audit conducted by them in accordance with Sri Lanka Standards on Assurance Engagement SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control, which is detailed on page 208 of this Annual Report.</p>																
D2.2 The Bank should have an internal audit function	<p>Complied.</p> <p>The Bank has a fully-fledged Internal Audit Department, which reports to the Board Audit Committee (BAC).</p>																

Corporate Governance Principles	Compliance Status
D2.3 The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls.	<p>Complied.</p> <p>The BAC reviewed the internal controls and procedures at 9 meetings held during 2015. The Minutes of BAC meetings are tabled at the meetings of the Board.</p> <p>The Internal Audit Department carries out regular reviews on the internal control system including internal control over financial reporting. The BAC reviews and evaluates the effectiveness of the internal control system, including the internal controls over financial reporting. The IRMC reviews processes relating to the risk management framework of the Bank. The BAC Report and the Integrated Risk Management Committee (IRMC) Report found on pages 186 and 188 and 183 to 188 of this Annual Report further details the processes carried out in relation to reviewing the effectiveness of Risk Management and Internal Control in the Bank.</p>
D2.4 The Schedule K to this document contains guidance on the responsibilities of Directors in maintaining a sound system of internal control and the contents of the Statement of Internal Control.	<p>Complied.</p> <p>Please refer pages 186 to 188 for the BAC Report and refer pages 206 to 207 for Directors Statement of Compliance on Internal Controls in relation to compliance with this requirement.</p>
Principle D.3 Audit Committee - Board to establish formal and transparent arrangements for selecting and applying accounting policies, financial reporting and internal control principles	
D3.1 Composition of Audit Committee	<p>Complied.</p> <p>All members of the BAC, including the Chairman are Non-Executive Directors.</p> <p>Please refer page 186 for the BAC Report which details the composition.</p>
D3.2 The duties of the Audit Committee	<p>Complied.</p> <p>As stated in the Report of the BAC on pages 186 to 188 of the Annual Report, the BAC regularly reviews the scope, results and effectiveness of the audits carried out. It also ensures the balance amongst objectivity, independence and value for money of the services provided by the Bank's External Auditors, with special attention to provision of non-audit services by the External Auditors.</p>
D3.3 Terms of Reference of the Audit Committee	<p>Complied.</p> <p>Terms of Reference of the BAC is clearly defined in the Charter of the Audit Committee approved by the Board of Directors, which was last revised and updated in June 2015. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the committee. The committee mainly deals with matters pertaining to statutory and regulatory compliance in financial reporting and matters with regard to the External Auditors and Internal Audit.</p>
D3.4 Disclosures regarding Audit Committee	<p>Complied.</p> <p>Please refer pages 186 to 188 for the Board Audit Committee Report.</p>
Principle D4 Code of Business Conduct and Ethics - The Code requires the Bank to adopt a Code of Business Conduct and Ethics for Directors and KMP and to promptly disclose any waivers of the Code for Directors or others.	
D4.1 Code of Conduct to be developed for Directors and Senior Management	<p>Complied.</p> <p>The Bank has in place a Board approved Internal Code of Corporate Governance applicable to the Board and Key Management Personnel, setting out best practices relating to their business conduct and ethics. In addition the Board approved Compliance Policy and Code of Conduct applicable to all employees of the Bank ensures that the Bank stays ahead of the best practices related to business conduct and ethics.</p> <p>Please refer page 138 of the Corporate Governance Report for more on this aspect.</p>
D4.2 Affirmative declaration by Chairman of compliance with Code of Business Conduct & Ethics	<p>There have been no violations of the Internal Code of Corporate Governance during 2015 by any of the Directors or any member of the Leadership Team .</p>

Corporate Governance Principles

Compliance Status

Principle D5 Corporate Governance Disclosures -

D.5.1. Disclosure of Corporate Governance

Complied.

The Bank's Corporate Governance practices are in accordance with the Banking Act Direction No. 11 of 2007 (as amended) issued by CBSL, the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC as well as the Corporate Governance Rules for Listed Companies issued by the CSE. The requirement is met with the presentation of this Corporate Governance Report from pages 128 to 174 of the Annual Report.

Section 2: Shareholders

E. Institutional Investors

Principle E.1 Shareholder Voting - Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.

E. 1.1 Regular and structured dialogue with shareholders

Complied.

All shareholders are encouraged to participate at General Meetings and cast their votes. The AGM is used as an effective channel to create a dialogue between the shareholders and the Board of Directors. Also The Chairman and CEO have regular structured meetings with institutional Shareholders. Board members are briefed about the matters discussed at such meetings.

Principle E.2 Evaluating of the Governance Disclosure - When evaluating the Bank's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.

E.2 Evaluating Corporate Governance Initiatives of the Bank

Complied.

Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition.

F. Other Investors

Principle F.1 Investing/Divesting Decisions

F.1.1 - Individual shareholders, investing directly in shares of the Bank should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.

Complied.

The Annual Report contains sufficient information for a potential investor to carry out his/her own analysis. The following reports aim to provide a balanced overall assessment of the Bank's activities, performance and prospects.

- Chairman's Message on pages 10 to 13
- CEO's Review on pages 14 to 18
- Management Discussion and Analysis on pages 39 to 101
- Annual Financial Statements on pages 297 to 411

Further, Interim Financial Statements provided each quarter, provide sufficient information to enable the Retail Investors to make informed judgements regarding the performance of the Bank.

Additionally, there is a separate part of the Bank's website dedicated to Investor Relations which provides this information online to all Investors/Shareholders.

Principle F. 2 Shareholder Voting

F.2 Encourage Voting by Individual Shareholders

Complied.

Individual shareholders are encouraged to participate at the General Meetings of the Bank and exercise their voting rights.

Corporate Governance Principles

Compliance Status

G. Sustainability Reporting

Principle G.1 Principles of Sustainability Reporting - The principle of economic sustainability governance recognizes how organizations take responsibility for impacts of their strategies, decisions and activities on economic performance and corporate citizenship in their sphere of influence (including geographic) and how this is integrated throughout the organization.

G.1.1 Reporting of Economic sustainability	Complied. Please refer pages 96 to 101 for details
G.1.2 Reporting on the Environment	Complied. Please refer page 97 for details
G.1.3 Reporting on the Labour Practice	Complied. Please refer page 93 for details
G.1.4 Reporting on society	Complied. Please refer pages 99 to 101 for details
G.1.5 Reporting on product responsibility	Complied. Please refer page 85 for details
G.1.6 Reporting on stakeholder identification, engagement and effective communication	Complied. Please refer pages 27 to 33 for details
G.7 Sustainable reporting and disclosure reporting to be formalised as part of the Bank's reporting processes and to take place on a regular basis	Complied. Please refer page 5 and pages 422 to 425 for details