

Annual Report of the Board of Directors

The Board of Directors is pleased to present to the shareholders the 51st Annual Report of the Bank comprising an Integrated Report and the Audited Financial Statements of the Group and the Bank for the year ended December 31, 2019 and the Independent Auditors' Report on the Financial Statements conforming to all relevant statutory requirements.

This Report, where applicable is presented in accordance with the Guiding Principles and Content Elements as stipulated by the International <IR> Framework issued by the International Integrated Reporting Council (IIRC).

Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007 and amendments thereto make it a responsibility of the Board of Directors of the Bank to prepare the Financial Statements of the Group and the Bank, which reflect a true and fair view of the financial position and performance of the Group and the Bank. In this regard, the Board of Directors wishes to confirm that the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 137 to 286 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007 and amendments thereto.

This Report also provides the information as required by the Companies Act No. 07 of 2007 and amendments thereto, Banking Act No. 30 of 1988 and amendments thereto, the Directions issued thereunder including the

Banking Act Direction No. 11 of 2007 and subsequent amendments thereto, the Listing Rules of the Colombo Stock Exchange (CSE) including the Rules pertaining to Related Party Transactions as required by Section 9.3.2 (d) thereof and the recommended best practice.

The Financial Statements of the Group and the Bank for the year ended December 31, 2019, including comparatives for 2018, were approved and authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on February 20, 2020. The appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) within the statutory deadlines.

This Report has been structured to effectively communicate the Bank's efforts to create value to all its stakeholders across short, medium and long term through its business model. Accordingly, the Bank identified the emerging developments and trends that are likely to impact its business model and value creation process. These trends were then categorised into risks and opportunities based on their importance to the Bank and importance to the stakeholders, together with the stakeholders that are likely to be affected most. The Bank identified its strategic imperatives through its annual strategic planning exercise and continued to execute the required strategies to mitigate the risks and exploit the opportunities. The Management Discussion and Analysis (pages 40 to 61) contained in this Integrated Annual Report provides a detailed account of such imperatives and strategies. The underlying governance structure and the risk management framework are detailed on pages 62 to 128 respectively.

The Bank's External Auditors, Messrs Ernst & Young, who were appointed in accordance with a resolution passed at the 50th Annual General Meeting held on March 28, 2019, have expressed their opinion, given on pages 132 to 134 of this Annual Report. The details on their remuneration are given in Note 21 on page 180 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship with the Bank, or any of its subsidiaries and associate. The Auditors do not have any interest in contracts with the Bank, or any of its subsidiaries and associate.

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments to the Government, other regulatory institutions and related to the employees have been made in time.

The Board of Directors reviewed the business plans of the Bank and its subsidiaries and is satisfied that the Bank and its subsidiaries have adequate resources to continue their operations in the foreseeable future. Accordingly, the Financial Statements of the Group and the Bank are prepared based on going concern basis.

The Board has carefully considered matters material to the Bank and its stakeholders in preparing this Report and acknowledges that reasonable care has been exercised in the preparation and presentation of this Annual Report while preserving its integrity.

The extent of compliance with the requirements of Section 168 of the Companies Act No. 07 of 2007 and amendments thereto and other relevant statutes is given in detail on pages 97 to 102.

Signed in accordance with a resolution of the Directors.



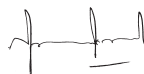
K G D D Dheerasinghe
Chairman



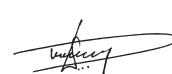
M P Jayawardena
Deputy Chairman



S Renganathan
Managing Director/CEO



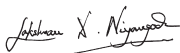
S Swarnajothi
Director



Prof A K W Jayawardane
Director



K Dharmasiri
Director



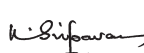
L D Niyangoda
Director



Ms N T M S Cooray
Director



T L B Hurulle
Director



Justice K Sripavan
Director



S C U Manatunge
Director/Chief Operating Officer



R A P Rajapaksha
Company Secretary

Colombo
February 20, 2020