

Annual Report of the Board of Directors

The Directors have pleasure in presenting to the shareholders the 50th Annual Report of the Bank together with the Audited Financial Statements of the Group and the Bank for the year ended December 31, 2018 and the Independent Auditors' Report thereon conforming to all relevant statutory requirements.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Board of Directors of the Bank is responsible for the preparation of 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 157 to 353 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.

This Report also provides the information as required by the Companies Act No. 07 of 2007, 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) and the recommended best practice.

The Financial Statements of the Group and the Bank for the year ended December 31, 2018, including comparatives for 2017, were approved and authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on February 22, 2019. 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 within the statutory deadlines.

In order to structure this Report in a way that it communicates the Bank's efforts to create value to all its stakeholders in the short, medium and long term through its business model, the Bank identified the emerging trends that are going to impact the conventional business models of financial institutions. 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. Through its annual strategic planning exercise, the Bank has identified its strategic imperatives and executes the required strategies on an ongoing basis to mitigate the risks and exploit the opportunities. The Strategic Report (pages 10 – 35) and the Management Discussion and Analysis (pages 36 – 73) contained in this Report provide a detailed account thereof. The underlying governance structure and the risk management framework too are detailed in the Report on pages 74 to 114 and 115 to 139 respectively.

The Bank's External Auditors, Messrs Ernst & Young, who were appointed in accordance with a resolution passed at the 49th Annual General Meeting held on March 28, 2018, have expressed their opinion, given on pages 152 to 154 of this Annual Report. The details on their remuneration are given in Note 22 on page 215 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 associates. The Auditors do not have any interest in contracts with the Bank, or any of its subsidiaries and associates.

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 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 extent of compliance with the requirements of Section 168 of the Companies Act No. 07 of 2007 and other relevant statutes is given in detail on pages 102 to 107.

Signed in accordance with a resolution of the Directors.



K G D D Dheerasinghe
Chairman



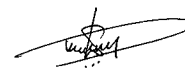
M P Jayawardena
Deputy Chairman



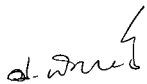
S Renganathan
Managing Director/CEO



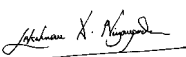
S Swarnajothi
Director



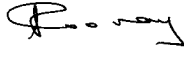
Prof A K W Jayawardane
Director



K Dharmasiri
Director



L D Niyangoda
Director



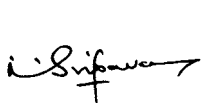
Ms N T M S Cooray
Director



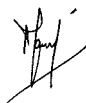
G S Jadeja
Director




T L B Hurulle
Director



Justice K Sripavan
Director



S C U Manatunge
Director/Chief Operating Officer



Mrs J R Gamage
Company Secretary

Colombo
February 22, 2019