

General

The Directors of National Development Bank PLC (the Bank) have pleasure in presenting to the shareholders this Report together with the Audited Financial Statements and the Audited Consolidated Financial Statements for the year ended 31 December 2014 of the Bank and the Group and the Auditors' Report on these Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007, Banking Act No. 30 of 1988 and amendments thereto and the Directions issued thereunder.

The Bank, originally established by an Act of Parliament in 1979 as the National Development Bank of Sri Lanka was incorporated as National Development Bank Ltd. in 2005 pursuant to the provisions of the National Development Bank of Sri Lanka (consequential provision) Act No. 01 of 2005. National Development Bank Ltd. was thereafter re-registered under the Companies Act No. 07 of 2007 as National Development Bank PLC and was accorded with the registration No. PQ 27.

Principal Activities of the Bank and its Group Companies

The principal activities of the Bank and the Group are described in the Business Model on pages 19 to 36 of our Annual Report.

Vision, Mission and Values

The vision, mission and values of the Bank are given on the inner front cover of this Report. The Bank and the Group practice high ethical standards in carrying out its business activities in line with the vision of the Bank.

Registered Office and Head Office

The registered office and head office of the Bank is situated at No. 40, Navam Mawatha, Colombo 2.

Review of Business

A review of the operations of the Bank and the Group is given in the Chairman's Message (pages 11 to 13), the Chief Executive Officer's Review (pages 16 to 18) and the Management Discussion and Analysis (pages 37 to 98). These reports form an integral part of the Annual Report of the Board of Directors.

Future Developments

An overview of the future developments of the Bank and the Group is given in the Letter from the Chairman (pages 11 to 13), the Chief Executive Officer's Review (pages 16 to 18) and the Management Discussion and Analysis (pages 37 to 98). These reports form an integral part of the Annual Report of the Board of Directors.

Financial Statements

These Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and are given in detail on pages 270 to 376 of this Annual Report.

The Financial Statements of the Bank and the Group for the year ended 31 December 2014 are duly signed by the Vice-President - Finance and Planning, the Group Chief Financial Officer, two Directors and the Company Secretary in accordance with Section 168 (1) (b) of the Companies Act No. 07 of 2007 and are given on pages 270 to 376.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Bank and the Group to reflect a true and fair view of the state of their affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, the Banking Act No. 30 of 1988 (as amended), the Listing Rules of the Colombo Stock Exchange and the Mandatory Code on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.

The Directors are satisfied that the Financial Statements, presented on pages 270 to 376 inclusive, give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2014 as well as the profit for the year then ended.

The Statement of Directors' Responsibility for Financial Reporting is given on pages 261 and 262 and forms an integral part of the Annual Report of the Board of Directors.

Auditors' Report

The Bank's Auditors, Messrs Ernst & Young, carried out an audit on the Financial Statements of the Bank and the Consolidated Financial Statements of the Group for the year ended 31 December 2014 and their Report on those Financial Statements is given on page 268 of this Annual Report.

Significant Accounting Policies

The Significant Accounting Policies adopted in the preparation of the Financial Statements are given on pages 277 to 376. The significant changes to Accounting Policies adopted if any, in the preparation of the Financial Statements are given on pages 270 to 376.

Going Concern

The Board of Directors is satisfied that the Bank has adequate resources to continue the business activities in the foreseeable future. Therefore, the Bank has adopted the going concern basis in preparing these Financial Statements.

Financial Performance

The Group's Operating Profit Before Tax on Financial Services and Taxation including that of its subsidiaries and its share of profit from associate companies amounted to LKR 6,624 million (compared to LKR 4,774 million in 2013). After deducting LKR 2,378 million (compared to LKR 2,061 million in 2013) for Tax on Financial Services and Taxation, the Profit After Tax for the year amounted to LKR 4,246 million (compared to LKR 2,712 million in 2013). The Group profit attributable to shareholders amounted to LKR 4,134 million (compared to LKR 2,642 million in 2013).

The Bank's Profit Before Tax on Financial Services and Taxation amounted to LKR 5,787 million (compared to LKR 9,683 million in 2013). After deducting LKR 2,369 million (compared to LKR 1,959 million in 2013) for tax on Financial Services and Taxation, the Profit After Tax for the year amounted to LKR 3,418 million (compared to LKR 7,723 million in 2013).

Details are given in the Statement of Profit or Loss on page 270.

Total Operating Income

The Total Operating Income of the Group for 2014 was LKR 12,966 million (as compared with LKR 11,549 million for 2013), while the Bank's Total Operating Income was LKR 11,662 million (as compared with LKR 15,865 million for 2013). An analysis of the income is given in Note 4 to the Financial Statements on page 284.

Taxation

The income tax rate applicable on the Bank's domestic operations and FCBU on-shore and off-shore banking operations is 28% (2013 - 28%). The Bank's profit is also liable for Value Added Tax on Financial Services at the rate of 12% (2013 - 12%) and Nation Building Tax of 2% (2013 - Nil).

Deferred Tax is provided for all known temporary differences based on the Liability Method in accordance with Sri Lanka Accounting Standards (LKAS 12) on 'Income Taxes'.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the Government and the employees have been made up-to-date.

Reserves

The Reserves of the Bank and the Group including retained earnings consist of the following:

	Bank		Group	
	2014 LKR '000	2013 LKR '000	2014 LKR '000	2013 LKR '000
Capital	1,225,162	1,172,904	1,145,353	943,746
Statutory Reserve Fund	1,010,785	958,527	1,010,785	958,527
General Reserve	5,805,707	5,805,707	5,805,707	5,805,707
Revaluation Reserve	853,456	-	853,456	-
Investment Fund Account	-	1,706,751	-	1,706,751
Available-for-Sale Reserve	105,250	106,669	162,355	150,614
Share-based Payment Reserve	20,243	22,367	60,147	22,367
Cash flow hedge Reserve	397,852	-	397,852	-
Retained Earnings	12,819,737	9,847,553	18,440,118	14,926,094
Total	22,238,192	19,620,478	27,875,773	24,513,806

Dividends

An interim dividend of LKR 7.00 per share (2013 - LKR 5.00 per share) was paid on 25 November 2014 to the shareholders of the Bank for the financial year 2014.

The Directors authorized and approved a final dividend of LKR 4.00 per share (2013 - LKR 5.00 per share) to be paid for the financial year ended 31 December 2014.

In declaring the dividends, the Directors ensured due compliance by the Bank of the solvency provisions contained in the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange (CSE). The Board provided the Statement of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors which were submitted to the Colombo Stock Exchange in respect of each dividend payment conforming to the statutory provisions.

These dividends were partly paid out of dividend income received and partly out of operational profits, the latter being subject to withholding tax.

Accordingly, LKR 2.03 per share was paid out of dividend income and LKR 8.97 per share was paid/will be paid out of operational profits.

Capital Expenditure and Commitments

Total capital expenditure incurred by the Bank and the Group on acquisition of investment property, property, plant & equipment, intangible assets and work-in-progress amounted to LKR 392 million and LKR 480 million, respectively (2013 - Bank - LKR 355 million and Group - LKR 364 million).

Property, Plant & Equipment

The details of property, plant & equipment are given in Note 34 to the Financial Statements.

Market Value of the Properties

The net book values of freehold land and buildings owned by the Bank and the Group as at 31 December 2014 are included in the Financial Statements at LKR 1,443 million and LKR 1,727 million respectively (2013 - Bank - LKR 387 million, and Group - LKR 691 million).

An independent valuer carried out the revaluation of the Bank's freehold land and buildings in 2014. The details of freehold land and buildings owned by the Bank are given in Note 34.2 to these Financial Statements.

Donations

The Bank made donations amounting to LKR 12.5 million for the year 2014 (2013 - LKR 14.4 million), in terms of the resolutions passed at the last Annual General Meeting. The information given above forms an integral part of the Annual Report of the Board of Directors in terms of Section 168 (1) (g) of the Companies Act No. 07 of 2007.

Pending Litigations

In the opinion of the Directors and the Bank's lawyers, pending litigations against the Bank disclosed in Note 48 to the Financial Statements will not have a material impact on the financial position of the Bank or its future operations.

Events Occurring after the Date of the Statement of Financial Position

The events occurring after the date of the Statement of Financial Position are disclosed in Note 53 to the Financial Statements.

Stated Capital and Debentures

The stated capital of the Bank at the beginning of the year was LKR 1,172,903,620/- and at the end of the year was LKR 1,225,161,546/- and comprised of 164,693,034 ordinary shares at the beginning of the year and 165,093,922 ordinary shares at the end of the year.

During the period of January 2014 to December 2014, a total number of 400,888 shares were issued by the Bank to eligible employees of the Bank as share options in terms of the Equity Linked Compensation Plan (ELCP) of the Bank approved by the Board of Directors and shareholders of the Bank in March 2010.

In December 2013, the Bank, by way of a public offer, issued one hundred million (100,000,000/-) rated, unsecured, subordinated, redeemable debentures of the par value of Sri Lanka Rupees one hundred (LKR 100/-) each aggregating to the value of Sri Lanka Rupees ten thousand million (LKR 10,000,000,000/-). The proceeds of these debentures were utilized for lending purposes and these debentures supported the Bank's Tier II Capital.

The details of the said debentures are disclosed in Note 42 to the Financial Statements.

In 2011, the Bank privately placed rated, unsecured, unlisted redeemable debentures having an aggregate face value of LKR 400,000,000/-. The proceeds of these debentures were utilized for lending purposes. The details of the said debentures are also disclosed in Note 42 to the Financial Statements.

Share Information

The information relating to earnings, dividends, net assets and market price per share is given in the Financial Highlights on page 8 of the Annual Report. Information on the distribution of the number of holders in each class of equity securities and the percentage of their holdings as per the CSE Listing Rules are given in Investor Relations on pages 223 to 242 of this Annual Report.

Ratios and Market Price Information

The ratios relating to dividends, net asset value, market value per share and ratios relevant to debt securities are disclosed in Investor Relations on pages 223 to 242 of this Annual Report.

Substantial Shareholdings

The Bank had 8,014 registered new shareholders as at 31 December 2014 (2013 - 7,695). The distribution, public holding, 20 largest shareholders and the share price during 2014 are set out on page 228 of this Annual Report.

The Board of Directors

In terms of the provisions of the Articles of Association of the Bank, the Board of Directors, as at 31 December 2014, consisted of ten (10) Directors, including the Chairman and was made-up as follows:

- Eight (08) Directors have been appointed by the shareholders;
- One Director has been appointed as a representative of the Ministry of Finance in terms of the Articles of Association of the Bank; and
- The Chief Executive Officer is an ex-officio Director, with voting rights.

The list of Directors who held office during the year under review and changes thereto are given on pages 102 and 103.

In terms of the provisions of the Articles of Association of the Bank, one-third of the elected Directors (i.e. - excluding the representative of the Ministry of Finance and the ex-officio Executive Director) shall retire from office and new Directors will be elected by the shareholders at each Annual General Meeting of the Bank. The Directors to retire by rotation at an Annual General Meeting shall be those who (being subject to retirement by rotation) have been longest in office since their election or appointment. If one-third of the Directors eligible for retirement by rotation is not a multiple of three, the nearest to but not greater than one-third shall retire. As such, Mr Trevine Jayasekera and Mrs Kimarli Fernando will retire and stand for re-election by the shareholders at the Annual General Meeting of the Bank.

Compliance by the Board of Directors of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka is set out on pages 115 to 163

of this Annual Report. In terms thereof the classification of Directors as Executive, Non-Executive, Independent and Non-Independent as at 31 December 2014 is given below:

Name of Director	Independent/ Non-Independent	Executive/ Non-Executive
Mr Sunil G Wijesinha	Independent	Non-Executive
Mr Ashok Pathirage	Non-Independent	Non-Executive
Mr Rajendra Theagarajah (CEO)	Non-Independent	Executive
Mr Trevine Jayasekera	Independent	Non-Executive
Mr Sarath Wikramanayake	Non-Independent	Non-Executive
Mrs Kimarli Fernando	Independent	Non-Executive
Mr Anura Siriwardena	Independent	Non-Executive
Ms G D Chandra Ekanayake	Non-Independent	Non-Executive
Mr Sujeewa Rajapakse	Non-Independent	Non-Executive
Mrs Indrani Sugathadasa	Independent	Non-Executive

In terms of an approval received from the Board of Directors of the Colombo Stock Exchange on 30 March 2010, Licensed Commercial Banks have been granted a total exemption from the requirement to comply with Section 7.10 (Corporate Governance) of the Continuing Listing Requirements under the CSE Listing Rules with effect from 1 January 2010.

Compliance by the Board of Directors of the Code of Best Practice on Corporate Governance 2013 issued by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka is set out in pages 242 and 377 to 379 of the Annual Report. In terms thereof, the classification of Directors as Executive, Non-Executive, Independent and Non-Independent as at 31 December 2014 is given below:

Name of Director	Independent/ Non-Independent	Executive/ Non-Executive
Mr Sunil G Wijesinha	Independent	Non-Executive
Mr Ashok Pathirage	Non-Independent	Non-Executive
Mr Rajendra Theagarajah (CEO)	Non-Independent	Executive
Mr Trevine Jayasekera	Independent	Non-Executive
Mr Sarath Wikramanayake	Non-Independent	Non-Executive
Mrs Kimarli Fernando	Independent	Non-Executive
Mr Anura Siriwardena	Independent	Non-Executive
Ms G D Chandra Ekanayake	Independent	Non-Executive
Mr Sujeewa Rajapakse	Non-Independent	Non-Executive
Mrs Indrani Sugathadasa	Independent	Non-Executive

Directors of Group Companies

The Directors of the Group companies are set out on page 404 of the Annual Report.

Other Directorships of Directors

Information of the other Directorships of the Directors of the Bank as at 31 December 2014 is given below:

Name of Director	Other Directorships
Mr Sunil G Wijesinha	Watawala Plantations PLC Siyapatha Finance PLC Sampath Centre Ltd. United Motors Lanka PLC Unimo Enterprises Ltd. Orient Motor Company Ltd. TVS Lanka (Pvt) Ltd. TVS Automotives (Pvt) Ltd. UML Property Developments Ltd. UML Agencies & Distributors (Pvt) Ltd. BizEx Consulting (Pvt) Ltd. National Chamber of Commerce of Sri Lanka National Institute of Business Management
Mr Ashok Pathirage	Softlogic Holdings PLC Asiri Hospital Holdings PLC Asiri Surgical Hospital PLC Asiri Central Hospitals PLC (de-listed) Central Hospital (Private) Ltd. Asiri Hospital Kandy (Private) Ltd. Softlogic Retail (Private) Ltd. Ceysand Resorts Ltd. Softlogic Finance PLC Softlogic Capital PLC Asian Alliance Insurance PLC NDB Capital Holdings PLC (de-listed) Softlogic Properties (Private) Ltd. Softlogic Australia (Private) Ltd. Softlogic City Hotels (Private) Ltd. Abacus International Lanka (Private) Ltd. Asian Alliance Insurance General Ltd. Softlogic Brands (Private) Ltd. Odel PLC

Name of Director	Other Directorships
Mr Rajendra Theagarajah	NDB Capital Holdings PLC (de-listed) NDB Wealth Management Ltd. NDB Securities (Pvt) Ltd. NDB Investment Bank Ltd. Development Holdings (Pvt) Ltd. Carson Cumberbatch PLC NDB Capital Ltd. - Bangladesh Emerald Sri Lanka Fund I Ltd. NDB Zephyr Partners Ltd. NDB Zephyr Partners Lanka (Pvt) Ltd.
Mr Trevine Jayasekera	Brandix Lanka Ltd. John Keells Hotels PLC
Mr Sarath Wikramanayake	NDB Capital Holdings PLC (de-listed) NDB Wealth Management Ltd. NDB Investment Bank Ltd. Orient Finance PLC Bartleet Finance PLC
Mrs Kimarli Fernando	LB Finance PLC Vallibel One PLC Delmege Ltd.
Mr Anura Siriwardena	Nil
Ms G D Chandra Ekanayake	Nil
Mr Sujeewa Rajapakse	Asian Alliance Insurance PLC Dipped Products PLC Haycarb PLC Cornucopia Lanka (Pvt) Ltd. Lanka Holdings (Pvt) Ltd. Development Holdings (Pvt) Ltd. The Finance Company PLC Sanken PB Developers (Pvt) Ltd. NDB Capital Limited - Bangladesh
Mrs Indrani Sugathadasa	Kalubovitiyana Tea Factory Ltd.

Appraisal of Board Performance

The Bank has in place a robust scheme whereby the Directors perform a self-assessment of the Board's conduct and performance annually by answering a Self-assessment Questionnaire. The responses to the Self-assessment Questionnaire are evaluated by the Chairman and Deputy Chairman and any action, recommendations and/or concerns are discussed with the Board and accordingly noted and action taken where deemed appropriate.

Directors' Interest Register

The Bank, as per the Companies Act No. 07 of 2007, maintains the Interest Register. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The related entries were made in the Interest Register during the year under review on share disposals, Directors' interest in contracts, remuneration paid to the Directors etc. the Interest Register is available for inspection as required under the Companies Act.

Directors' Interests in Contracts

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on pages 259 and 260 of this Annual Report. These interests have been declared at Directors' meetings. As a practice, Directors have refrained from voting on matters in which they were materially interested. Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Insurance and Indemnity

Pursuant to a decision of the Board, the Bank obtained an Insurance Policy to cover Directors' liability.

Directors' Interests in Shares

Shareholdings of the directors in the Bank as at the year-end and their corresponding holdings as at the end of the previous year are as shown on page 228 of this Annual Report.

Directors' Interests in Debentures

Directors' holdings in debentures of the Bank as at 31 December 2014 are set out on page 234 of this Annual Report.

Related Party Transactions

The Board of Directors has adopted an amended Related Party Transaction Policy and formed a Related Party Transaction Review Committee in December 2014 in compliance with the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange, the Sri Lanka Accounting Standards (LKAS 24) and the Directions issued by the Central Bank of Sri Lanka.

The Directors and Key Management Personnel of the Bank have disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24 - on 'Related Party Disclosures' which is adopted in the preparation of the Financial Statements. Those transactions disclosed by the Directors are given in Note 55 to the Financial Statements.

Directors' Emoluments

Directors' fees and emoluments in respect of the Bank and the Group for the financial year ended 31 December 2014 are as follows:

	2014 LKR million	2013 LKR million
Directors' fees and emoluments		
- Bank	74.8	65.9
- Group	79.3	69.5

Equity-Linked Compensation Plan

In 2010, the Board of Directors and the shareholders of the Bank approved an Equity-Linked Compensation Plan (ELCP), to enable the management staff in the rank of Assistant Vice-President and above of the Bank to take part in the voting ordinary share capital of the Bank, subject to certain limits, terms and conditions. A total quantum of 2,455,661 shares of the Bank which is equivalent to a maximum of 3% of the present voting share capital of the Bank was to be issued to the ELCP. Half of such shares were to be awarded as Share Options and the other half as Share Grants in equal proportions. The issue of shares for the ELCP was to take place over five years commencing July 2010. Each of the five tranches would amount to a maximum of 0.6% of the voting shares.

The details of the grants given and options exercised, the grant price and the grants and options cancelled or lapsed and outstanding as at 31 December 2014 are given in Note 43.2 to the Financial Statements.

Environmental Protection

The Bank and the Group have not engaged in any activity that is detrimental to the environment, and have complied with the environmental laws and regulations at all times.

Risk Management and System of Internal Control

The Bank has an on going process to identify, evaluate and manage the risks. The Board of Directors continuously monitors and reviews this process through the Board Integrated Risk Management Committee. The process adopted by the Bank to manage risks for banking and non-banking activities is discussed in detail in the Bank's Risk Management review on pages 176 to 222 of this Annual Report.

Directors' Statement of Internal Control

The Board has issued a report on the internal control mechanism of the Bank as per Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and the preparation of the Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The above report which forms an integral part of the Report of the Board of Directors is given on pages 263 and 264 of the Annual Report.

The Board has obtained an Assurance Report from the External Auditors on the Directors' Statement on Internal Control which is given on pages 263 and 264 of this Annual report.

Operational Excellence

To increase efficiency and reduce operating costs, the Bank has ongoing initiatives to drive policy and process standardization and to optimize the use of existing technology platforms.

Corporate Governance

The Directors are responsible for the governance of the Bank including the establishment and maintenance of the Bank's systems of internal financial control. Internal control systems are designed to meet the particular needs of the organization concerned, and the risks to which it is exposed and by their nature they can provide reasonable but not absolute assurance against material misstatement or loss. The Directors are satisfied that a strong control environment is prevalent within the Bank and that the internal control systems referred to above are effective.

The Directors declare that the Bank complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations confirm compliance in each quarter to the Board Integrated Risk Management Committee. All endeavours have been made to ensure that shareholders in each category have been treated equitably in accordance with the original terms of issue.

A description of the Bank's Corporate Governance Practices is set out on pages 108 to 163.

Board Sub-Committees

There are seven permanent committees of the Board, namely, Integrated Risk Management Committee, Audit Committee, Strategic Issues Committee, Human Resources and Remuneration Committee, Nomination Committee, Corporate Governance and Legal Affairs Committee and the Related Party Transactions Review Committee (Details of the members of these committees are given on pages 166 to 175) The Related Party Transaction Review Committee was formed in December 2014 and as a result a report or details of activities as at 31 December 2014 have not been set out in this Annual Report).

Material Foreseeable Risk Factors (As per Rule No. 7.6 (vi) of the Listing Rules of the Colombo Stock Exchange)

Information pertaining to the material foreseeable risk factors, that require disclosures as per the Rule No. 7.6 (vi) of the Listing Rules of the Colombo Stock Exchange are discussed in the Risk Management Review on pages 176 to 222.

Material Issues Pertaining to Employees and Industrial Relations Pertaining to the Bank (As per Rule No. 7.6 (vii) of the Listing Rules of the Colombo Stock Exchange)

There were no material issues pertaining to employees and industrial relations pertaining to the Bank that occurred during the year under review which need to be disclosed.

Appointment of Auditors

The Financial Statements for the year ended 31 December 2014 have been audited by Messrs Ernst & Young, Chartered Accountants.

The Auditors have indicated their willingness to offer themselves for reappointment. The Board Audit Committee and the Board of Directors have recommended the reappointment of the Auditors.

A resolution appointing Messrs Ernst & Young as Auditors and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Auditors' Remuneration

The fees paid to the Auditors during the year for the Bank and the Group was LKR 8.4 million and LKR 10.5 million respectively. (2013 - Bank LKR 8.0 million and Group LKR 10.0 million). The fees paid for non-audit work during the year by the Bank LKR 5.0 million and the Group was LKR 5.4 million respectively (2013 - Bank LKR 18.2 million and the Group - LKR 18.2 million).

Second Integrated Annual Report

In 2013, the Bank took the initiative to present its Annual Report in accordance with the Integrated Reporting Guidelines issued by the International Integrated Reporting Council (IIRC). Integrated reporting brings together material information about the Bank's strategy, governance, performance and prospects in a way that reflect the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how the Bank demonstrates stewardship and how it creates and sustains value.

Continuing the adoption of these global reporting principles for annual reporting, the Bank has presented its Annual Report for the year ended 31 December 2014 as per the Integrated Reporting Guidelines. Accordingly the Bank's 2014 Annual Report is its second integrated Annual Report.

Annual General Meeting

In complying with the good governance practices, the Annual Report of the Bank is dispatched as soon as possible after the end of the financial year and completion of the audit.

A data base has been developed based on the requirements of shareholders and accordingly, in compliance with the Colombo Stock Exchange Listing Rules, the Annual Reports have been distributed in the form of a CD-ROM (a Soft copy) as well as in the form of a Printed Report as and when required by shareholders.

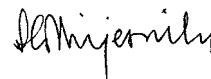
Notice of Meeting

The 10th Annual General Meeting will be held at 10.00 a.m. at the Auditorium of Development Holdings (Pvt) Ltd., 3rd Floor, NDB EDB Tower, No 42, Navam Mawatha, Colombo 2 on 30 March 2015. The Notice of Meeting is given on page 403 of this Annual Report.

Acknowledgement of the Contents of this Report

As required in terms of Section 168 (k) of the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of the Annual Report.

For and on behalf of the Board,



Sunil G Wijesinha
Chairman



Rajendra Theagarajah
Chief Executive Officer



Shehani Ranasinghe
Secretary to the Board

13 February 2015