

Business Model

We have access to and make use of our internal and external forms of capital in creating value for the Bank and our stakeholders through our business model.



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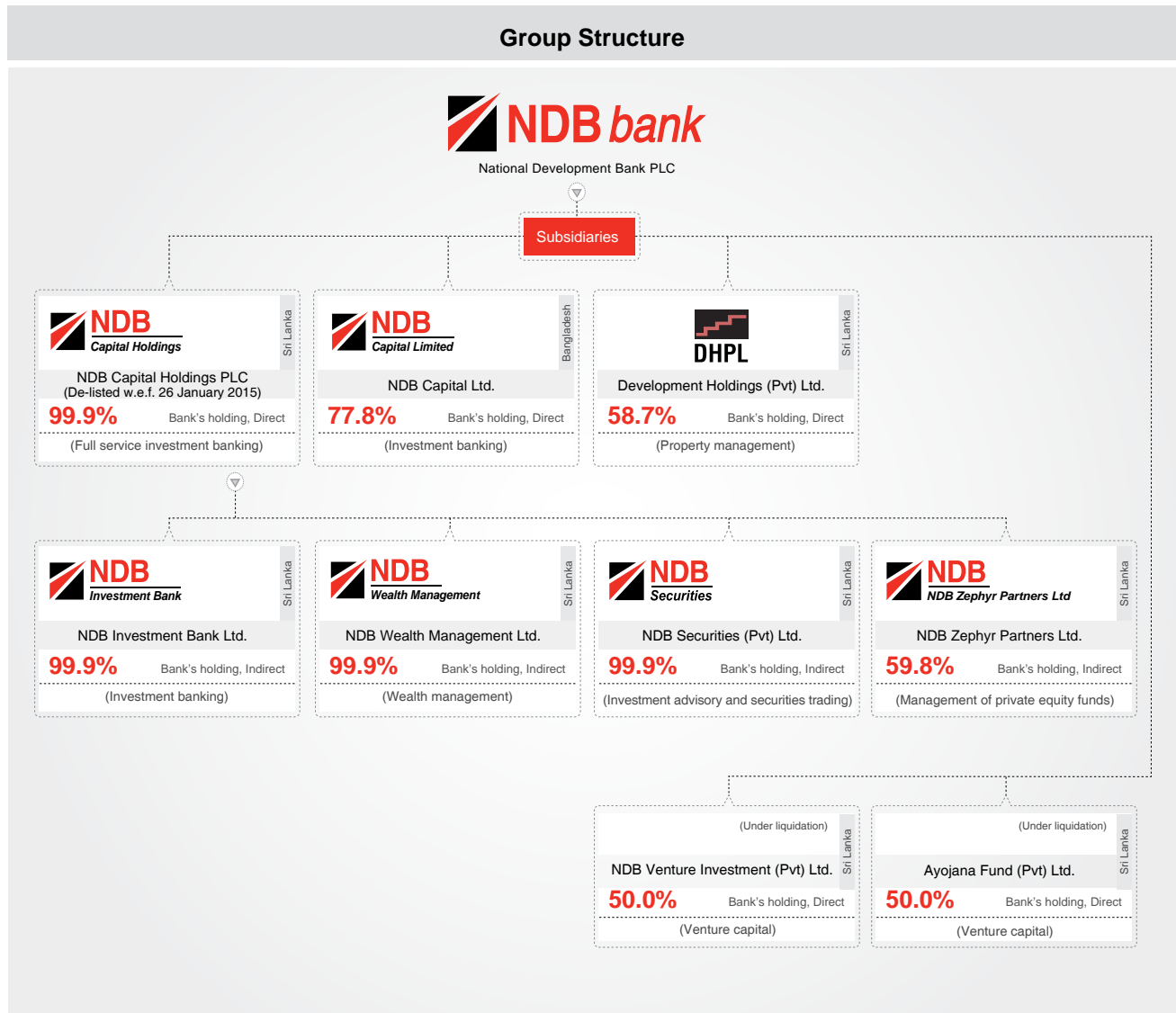
Organizational Profile

The Bank

Commencing business in 1979 as a state-owned development bank, National Development Bank PLC ('Bank') today operates under the Companies Act No. 7 of 2007, and as a Licensed Commercial Bank it is regulated under the Banking Act No. 30 of 1988 (see Corporate Information, page 404). The Bank is listed on the Colombo Stock Exchange (stock code: NDB.N0000), and its 8,014 shareholders comprised 95% individual and 5% institutional shareholders, accounting for 20% and 80% of shareholding respectively as of 31 December 2014 (see Investor Relations, page 227).

Group Companies

The main activities of the Bank and its group companies ('Group') encompass retail banking, small and medium enterprise (SME) banking, corporate banking, project and infrastructure financing, investment banking, leasing, housing finance, investments advisory and securities trading, wealth management, management of private equity funds, property management and bancassurance. They are delivered through the core activities of the Bank and its Group companies as summarized below.



Markets Served

The Group's significant operations are located within Sri Lanka, with services delivered through locally domiciled entities. The Group is also engaged in fee-based businesses in Bangladesh through NDB Capital Ltd., and private equity through NDB Zephyr Partners Ltd., Mauritius that was set up in 2014 in partnership with the US-based Zephyr Management LP.

The Bank operates a network of 83 branches (2013: 78) that are categorized into eight Regions. They cover 22 of the 25 administrative districts in the nine provinces of the country, and serve a broad spectrum of clientele ranging from individuals, micro enterprises, SMEs, emerging and large corporates to state-owned enterprises and multinational companies. In addition, the Bank reaches out to its customers through automated distribution systems such as ATMs, Internet banking, a virtual presence in a host of leading social interaction sites, telemarketing, a call centre, a mobile commerce application (MPOS) and a unique 'Feet on the Street' sales force. More details are given under Customer Capital, beginning on page 67.

Scale of Operations

Total operating income of the Group increased by 12% during FY 2014 to LKR 12,966 million, with profit attributable to shareholders increasing in tandem by 56% to LKR 4,134 million. Total assets of the Group grew by 30% to LKR 269,130 million during the year, largely driven by enhanced volume growth across all business segments.

The Bank's market capitalization stood at LKR 41,273 million as at 31 December 2014, and ranked 16th (2013: 20th) amongst the 282 listed companies on the Colombo Stock Exchange.

By end 2014 the Sri Lankan banking industry comprised 25 licensed commercial banks and nine licensed specialized banks, with 34 players in total (2013: 33 banks). In terms of market share and ranking within the industry, the Bank accounted for:

- 4.7% of loans and receivables and ranked 8th (2013: 3.8%, ranked 9th)
- 3.3% share of customer deposits and ranked 9th (2013: 2.9%, ranked 9th) and
- 3.9% share of total assets and ranked 8th (2013: 3.2%, ranked 9th).

The Bank's staff strength increased by 10% to 1,744 persons by end 2014 to support business growth, with 79% employed in the permanent cadre.

Operating Environment

The Global Economy

World output grew by 3.3% in 2014, on par with the growth in 2013. The key developments shaping the global economy during the year were:

- The sharp decline of over 50% in oil prices from mid-2014 largely due to unexpected demand weaknesses in some of the major economies, surging production in the US and a more sanguine view of geopolitical risk.
- Stronger than expected recovery in the US while economic performance in all other major economies, most notably Japan, fell short of expectations.
- Appreciation of the US dollar, while the euro and the yen depreciated along with many emerging market currencies, particularly those of commodity exporters.
- Increased interest rates and risk spreads in many emerging market economies, notably commodity exporters and risk spreads on high-yield bonds and other products exposed to energy prices.
- Decline in long-term government bond yields in major advanced economies, reflecting safe haven effects and weaker activity in some, while global equity indices in national currency have remained broadly unchanged since the third quarter of 2014.

Key Performance Indicators

(Percentage changes unless noted otherwise)	Year over Year			Projections	
	2012	2013	2014	2015	2016
World Output*	3.4	3.3	3.3	3.5	3.7
Advanced Economies	1.2	1.3	1.8	2.4	2.4
Emerging Market and Developing Economies**	5.1	4.7	4.4	4.3	4.7
Commodity Prices (U.S. dollars)					
Oil***	1.0	(0.9)	(7.5)	(41.1)	12.6
Non-fuel (average based on world commodity export weights)	(10.0)	(1.2)	(4.0)	(9.3)	(0.7)
Consumer Prices					
Advanced Economies	2.0	1.4	1.4	1.0	1.5
Emerging Market and Developing Economies**	6.1	5.9	5.4	5.7	5.4
London Interbank Offered Rate (percent)					
On U.S. Dollar Deposits (six month)	0.7	0.4	0.3	0.7	1.9
On Euro Deposits (three month)	0.6	0.2	0.2	0.0	0.1
On Japanese Yen Deposits (six month)	0.3	0.2	0.2	0.1	0.1

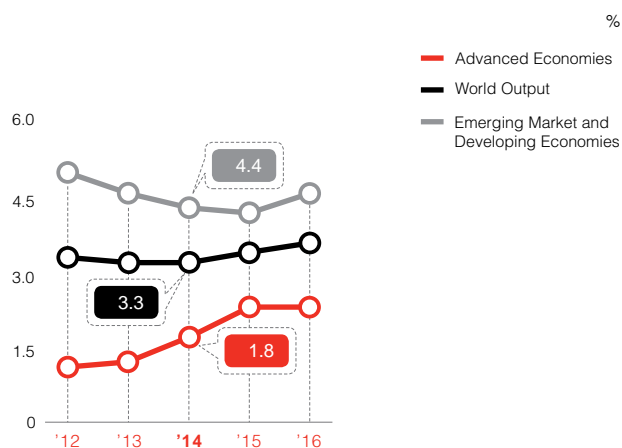
* The quarterly estimates and projections account for 90 percent of the world purchasing-power-parity weights.

** The quarterly estimates and projections account for approximately 80 percent of the emerging market and developing economies.

*** Simple average prices of UK, Brent, Dubai Fateh and West Texas intermediate crude oil.

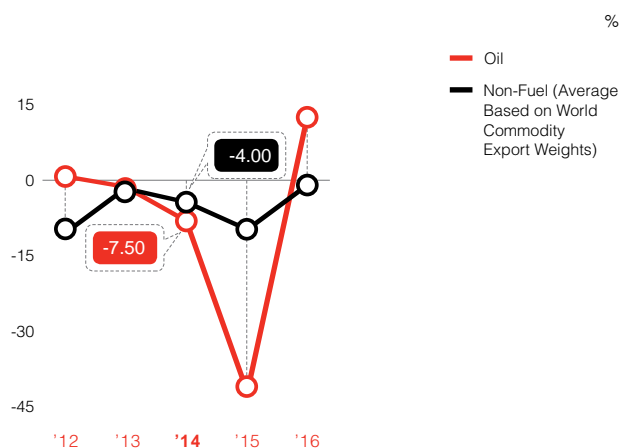
Source: World Economic Outlook of IMF January 2015 and October 2014.

Global Economic Growth



Source: World Economic Outlook of IMF January 2015 and October 2014.

Change in World Consumer Prices



Source: World Economic Outlook of IMF January 2015 and October 2014.

Analysis of the Economic Performance of Selected Economies of the World

	Projections			
	2013	2014	2015	2016
Advanced Economies				
United States	1.3	1.8	2.4	2.4
Euro Zone	2.2	2.4	3.6	3.3
Japan	(0.5)	0.8	1.2	1.4
Emerging Market and Developing Economies*				
China	1.6	0.1	0.6	0.8
	4.7	4.4	4.3	4.7
	7.8	7.4	6.8	6.3

*The quarterly estimates and projections account for approximately 80 percent of the emerging market and developing economies.

Source: World Economic Outlook of IMF January 2015.

Outlook

Although global growth will receive a boost from lower oil prices, it is projected to be more than offset by negative factors, including investment weakness as adjustment to diminished expectations about medium-term growth continues in many advanced and emerging market economies.

Global growth in 2015 and 2016 are projected at 3.5% and 3.7% respectively following downward revisions in January 2015 by the IMF. The revisions reflect a reassessment of prospects in China, Russia, the Euro Zone and Japan as well as weaker activity in some major oil exporters because of the sharp drop in oil prices. The United States is the only major economy for which growth projections have been raised.

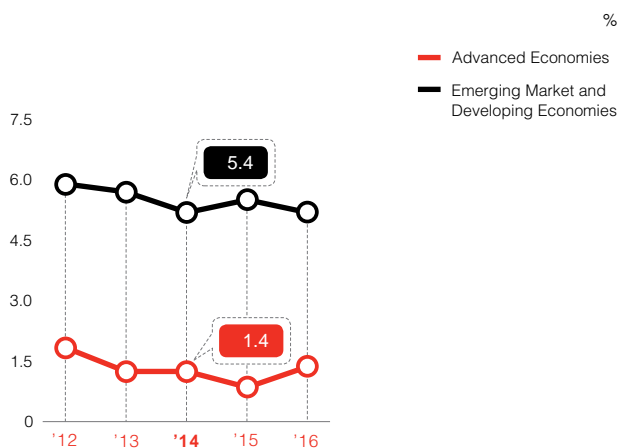
The Sri Lankan Economy¹

Economic Growth

The Sri Lankan economy recorded a healthy growth of 7.8% (projected as at December 2014). Strengthening domestic economic activity and improving external demand contributed to the growth momentum.

The Agriculture sector grew only by 0.2% during the first quarter of 2014 due to adverse weather conditions, but the sector rebounded to record a growth of 6.4% in the second quarter, resulting in a growth of 3.1% in the first half of the year. The Industry sector grew by 12.4% with continued high performance in construction, mining and quarrying and manufacturing sub sectors; while the Services sector grew by 6.1% with improved performance in the wholesale and retail trade, transport and communication, and hotels and restaurants sub sectors.

Change in World Consumer Prices

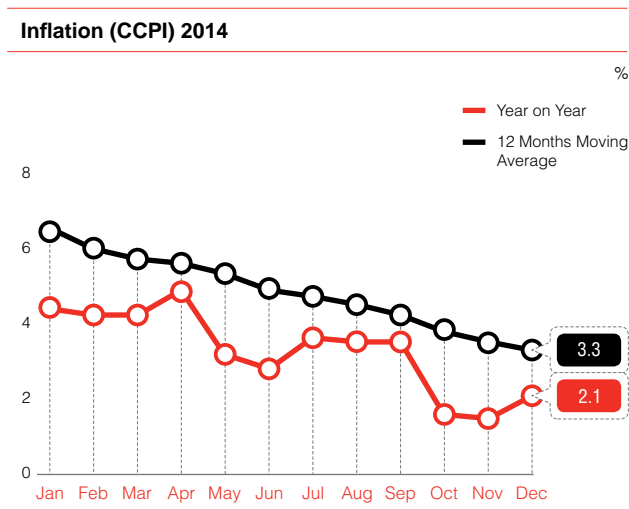


Source: World Economic Outlook of IMF January 2015 and October 2014.

¹ Extracts/sources: Central Bank of Sri Lanka - Recent economic developments: Highlights of 2014 and prospects for 2015, Department of Census & Statistics

Inflation

Year on year inflation measured by the Colombo Consumer Price Index (CCPI) remained below 5% during the year. Headline inflation (year-on-year) continued to record single digit levels, while core inflation remained equally subdued, indicating well contained demand driven inflationary pressures. Depicted below is the movement of the YoY inflation and the 12 months moving average inflation during the year as measured by the CCPI.



Balance of Payment (BOP) and Official Reserves

The BOP recorded a surplus of USD 1,954 million during the first half of 2014 as against a deficit of USD 169 million recorded during the corresponding period of 2013. Improved trade balance, other inflows to the current account and enhanced inflows to the financial account contributed to this significant improvement in the BOP.

Sri Lankan Rupee and the Exchange Rate

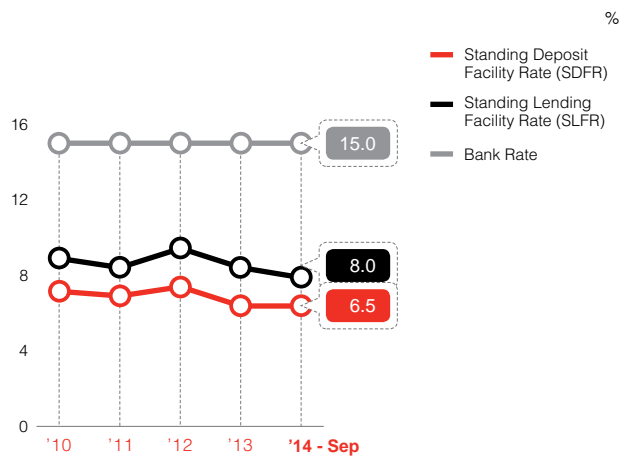
The Sri Lankan rupee remained stable against the Dollar during the first nine months of the year, appreciating by 0.3%. Continued inflow of foreign exchange by way of current, capital and financial flows helped maintain the stability of the rupee during this period. Reflecting the cross currency exchange rate movements, the Sri Lankan rupee appreciated against the Japanese Yen by 4.5%,

the Sterling Pound by 1.8% and the Euro by 9.1%, while depreciating against the Indian Rupee by 0.3% by end September 2014. The Central Bank intervention in the domestic foreign exchange market was mainly to absorb excess foreign exchange liquidity in order to prevent undue appreciation of the Sri Lankan rupee, particularly in the first eight months of the year. Accordingly, the Central Bank purchased USD 985 million from the domestic foreign exchange market on a net basis during the first nine months of 2014.

Monetary Sector

The monetary policy stance remained relatively eased during the first eight months of 2014 supported by benign inflation levels, which reflected well contained demand pressures as well as improved supply conditions. The Central Bank of Sri Lanka established a Standing Rate Corridor (SRC) in place of the policy rate corridor while introducing Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) that replaced, respectively, the Repurchase rate and the Reverse Repurchase rate of the Central Bank.

Behaviour of Policy Rates



The Financial Sector

The financial sector expanded and remained stable during the period under review. The overall soundness of financial institutions improved with adequate capital and liquidity levels and an enhanced regulatory and risk management framework. The deceleration of credit growth however, impacted on the profitability of financial institutions. The financial sector consolidation process that was announced at the beginning of the year progressed well, and is expected to enhance the stability of the financial sector with strong and dynamic financial institutions.

Future Prospects

The Sri Lankan economy is projected to grow at a rate of around 8% in 2015, with all sectors contributing to this growth. Inflation is expected to remain below 5% during the medium term. Sri Lanka's external sector performance is expected to strengthen further in 2015, enhancing resilience to external shocks. The Sri Lankan economy is expected to move along a higher, non-inflationary growth path in the medium term, with the vastly improved physical infrastructure, improving social infrastructure, efforts to enhance overall productivity of the economy and the recovery of the global economy.

Sri Lankan Banking Sector Performance

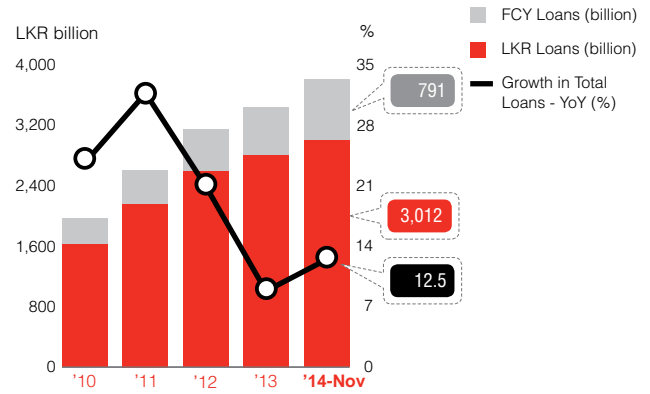
Total Assets

The Sri Lankan banking sector reached a total asset size of LKR 6,780 billion (as at November 2014), recording a 14% growth over the LKR 5,941 billion of December 2013. The growth trend was somewhat stagnant during the first nine months of the year, but escalated during the last quarter.

Total Loans

Total loans (LKR and FCY in total) reached LKR 3,803 billion as at end November 2014. Although the loan growth indicated a dip in early 2014 due to low credit appetite of the private sector, growth picked up during the second half of the year, recording a 11% growth for end November 2014, compared to December 2013.

Trend in Loans

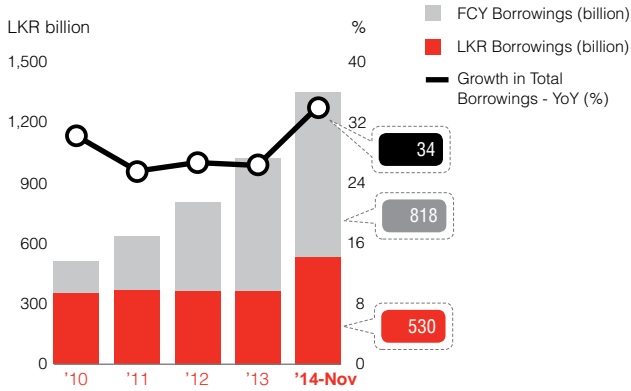


Sources of Funding

In terms of raising funds within the industry, there was greater focus in raising funds via rupee and foreign currency borrowings. Within total borrowings greater reliance was on foreign currency borrowings. By November 2014 the Sri Lankan banking sector had raised LKR 530 billion via rupee borrowings and LKR 818 billion via foreign currency borrowings.

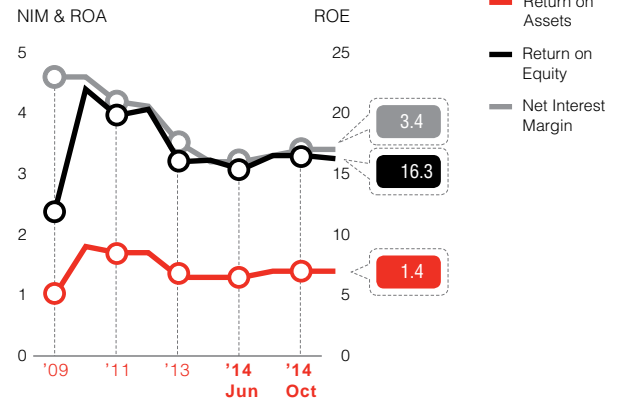
Deposits grew at moderate levels hovering around the 12% mark. The reduced interest rate environment that prevailed during the year made bank deposits less attractive to investors, causing a shift of funds from the banking and finance sector to capital market products and other asset classes. This is well reflected in the deposit growth rate of 10% as at November 2014 in comparison to December 2013.

Trend in Borrowings

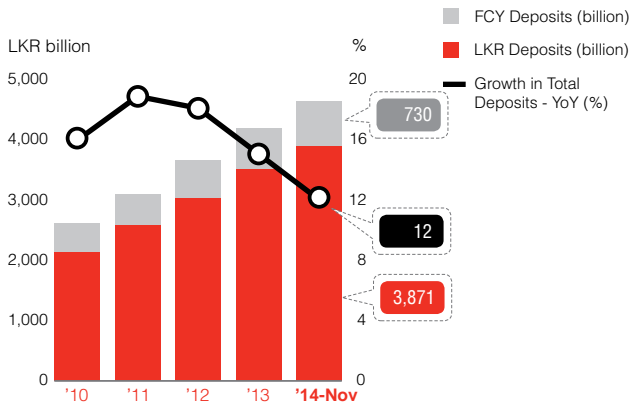


Behaviour of Industry Profitability

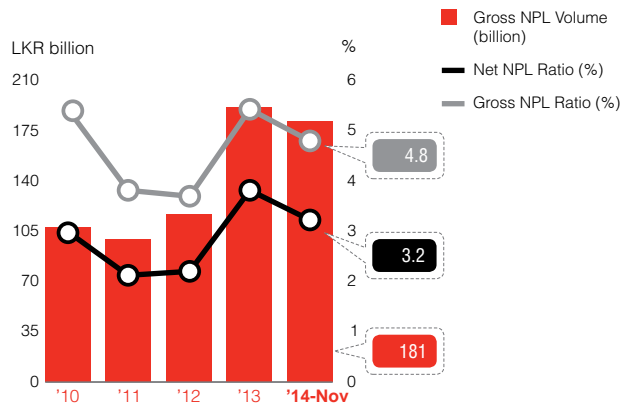
Industry Profitability



Trend in Deposits



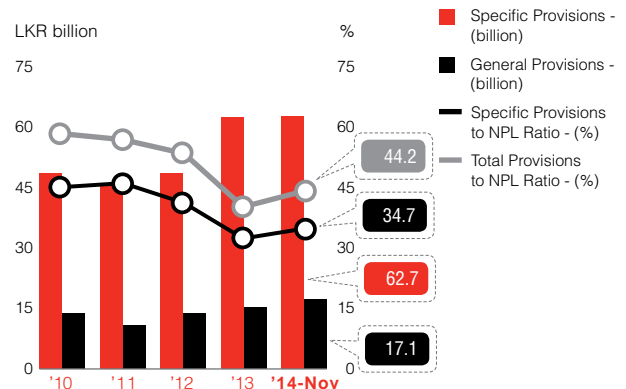
Trend in Non-Performing Loans



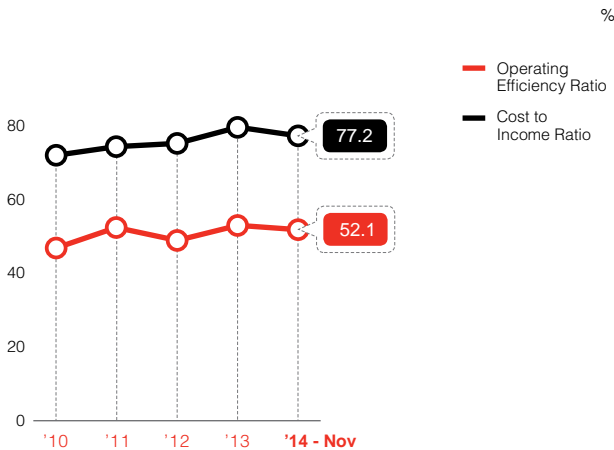
Profitability

Profits during the first eleven months of 2014 improved compared to corresponding period of 2013 due to the lag effect in reducing interest rates on interest income compared to interest expenses, gains made on investments securities and lower level of provisions with improved NPL levels.

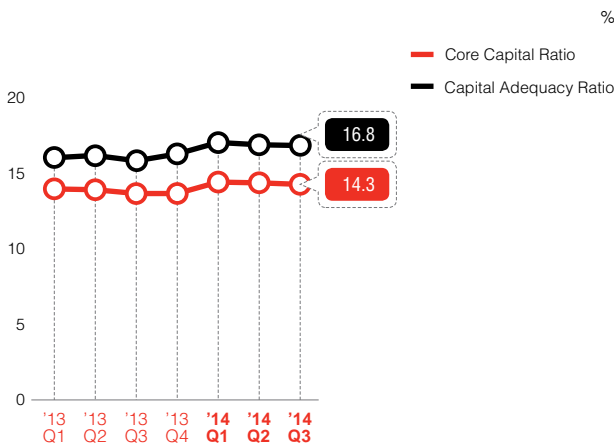
Trend in Provisions



Efficiency Ratios



Capital Adequacy Ratios



Banking Sector Consolidation

In 2013, the Central Bank of Sri Lanka, in its Road Map for the Banking & Financial Sector of Sri Lanka highlighted the need for at least five Sri Lankan banks with LKR 1 trillion or more assets by 2016. The need for such larger systemically important banks within the industry was triggered by the mammoth development projects that were being carried out in the country. The Road Map also brought to light the need for a large development focused bank which provides substantial impetus to development banking activities of the country.

Considering the development financing business embodied within the Bank and its counterpart DFCC Bank PLC, (together with DFCC Vardhana Bank PLC) the two entities were identified for the establishment of a significantly larger development focused commercial banking entity. In this context the two banks jointly engaged in a series of discussions during 2014, with Boston Consulting Group (India) Private Ltd. acting as consultants to advise the banks on the amalgamation process.

Thus far, there have been no definite decisions on any aspects of such consolidation and the final decision would be dependent on factors such as arrangements being agreed whilst safeguarding the interest of the investors, customers, employees and other stakeholders of the banks. Moreover the consolidation of the banks will be dependent on regulatory approvals and the passage of facilitative legislation.

Strategic Direction of the Bank

The Bank is prepared to evolve and be a part of the larger national thrust through the establishment of a significantly larger banking entity, to provide the much needed development focused commercial banking support to a resurgent Sri Lankan economy.

Our Seven Pillars of Strategy

The Bank's business model is underpinned by seven pillars of strategic execution, duly backed by a strong corporate governance framework (page 111) and a structured approach to corporate social responsibility (pages 93 to 98). The five-year strategic plan 2014-2018, prepared in-house, is thus driven by the very people who will deliver the results, and contains the following key elements:

- **Profitable balance sheet growth**

Aggressive broadening of the asset base through new products; exploring untapped markets coupled with optimum management of net interest margins and share of fee income; efficient allocation of resources.

- **Operational excellence**

Focusing on customers' needs; keeping employees energized and empowered; continuous improvement of systems and procedures to achieve greater efficiency and effectiveness.

- **Strong sales culture**

Identifying and optimizing customer value creation; capitalizing on cross selling opportunities.

- **Growth in fee-based income**

Seeking opportunities for cross selling within the Group and additional services such as consultancy, legal and custodial services through a linked platform across the Group.

- **Cost optimization**

Balancing costs and benefits without compromising on the brand value of the Bank.

- **Best in class, engaged and inspired team**

Focusing on delivering on business goals through people programmes, plans and initiatives; having an efficient and agile structure with an appropriate mix of skills, technical knowledge and analytical capability coupled with streamlined work processes to enable flawless administration and execution.

- **Exemplary governance, transparency and compliance**

Identifying and managing the various types of risks faced; cultivating an ethical culture throughout the organization while ensuring compliance with all applicable laws, regulations and standards.

Stakeholders

How the Bank Identifies its Stakeholders

It is a truism that value is not created by or within the Bank alone, but is created through relationships with many important stakeholders. Accordingly, the Bank places great emphasis in the identification and timely engagement of key stakeholders who significantly contribute towards the value creation process of the Bank.

We define stakeholders as being entities or individuals that can reasonably be expected to be significantly affected by the Bank's activities, products, and services; and whose actions can reasonably be expected to affect the ability of the Bank to successfully implement its strategies and achieve its objectives.

Stakeholder Engagement Methodology

We will next provide insights on the nature and quality of the Bank's relationships with its key stakeholders, and to what extent the Bank understands, takes into account and responds to their legitimate needs and interests.

Investors*			
Method of engagement	Frequency of engagement	Key topics and concerns raised	How the Bank responded to such topics and concerns
Annual Report	Annually	<ul style="list-style-type: none"> Financial performance of the Bank and the Group Business overview, business strategy and challenges Business growth targets and sources of growth Asset quality of the Bank Operational strategy of the Bank and operational efficiencies Strategic focus and the activities carried out by the Group companies Prospects of the proposed merger between the Bank and DFCC Bank PLC Governance and risk framework Effective tax rate of the Bank The Bank's role in the evolving industry scenarios 	We maintain a high level of accessibility to the senior management of the Bank in engaging investors.
Annual General Meeting	Annually		
Extraordinary General Meeting	As and when required		
Interim financial statements	Quarterly		We maintain transparency, consistency, clarity and openness to scrutiny in investor engagements.
Press releases on financials	Quarterly		
Investor presentations on financials	Quarterly		More details on individual engagement activities are given in the Investor Relations section of this report (pages 223 to 242).
Email notifications on quarterly result releases	Quarterly		
Announcements made to the Colombo Stock Exchange	As and when required		
One to one investor meetings	As and when required		
Investor forums/investor webinars	Quarterly		
Earnings calls	As and when required		
Road shows	As and when required		
Participation in international investor forums	As and when required		
Prospectus	As and when required		
Investor relations web page within the NDB Corporate website	Ongoing		

*Investor relations at the Bank covers current shareholders as well as potential investors (local and foreign), stock brokers, analysts, rating agencies, media and regulators.

Customers

Method of engagement	Frequency of engagement	Key topics and concerns raised	How the Bank responded to such topics and concerns
Customer satisfaction survey	Annually	<ul style="list-style-type: none"> • Level of customer service and quality of customer interactions through key touch points. • Availability of branches, ATMs and other physical touch points • Types of products and services • Product pricing (interest rates, other fees and charges) • Efficiency of relationship staff • Appearance of the Bank in leading social media sites 	<p>A dedicated 24-hour call centre and a Customer Relationship Management Unit promptly attend to Customer enquiries and concerns.</p> <p>Customers may raise their feedback through the Branch Network (Branch Managers are the dedicated service ambassadors), 24-hour Call Centre and via Online messages/by e-mailing us at contact@ndbbank.com or by writing to The Manager - Customer Relationship Management, National Development Bank PLC, No. 40, Navam Mawatha, Colombo 02. Such feedback from customers is taken into consideration when simplifying Bank's processes and developing new products and services.</p> <p>The Bank's corporate website explains our complaints handling procedure, including the escalation process for redressing through the Financial Ombudsman.</p> <p>As per the Customer Charter and CBSL regulations all interest rates and Key Fact Documents related to the Bank's products are published in the corporate website and also displayed within the branch premises across the network.</p>
Brand health tracker	Annually		
Mystery customer survey	As and when required		
Branch and ATM network	Ongoing		
Virtual presence	Ongoing		
<ul style="list-style-type: none"> • NDB Bank corporate Facebook page • NDB <i>Shilpa</i> Facebook page • Cinnamon to the world Facebook page • Salary Max Facebook page • NDB Corporate Youtube channel • NDB Twitter 			
Research on products/ services usage and needs	As and when required		
Research on marketing communication effectiveness	As and when required		
Extended banking hours	Ongoing		
Customer suggestion boxes	Ongoing		
Customer visits	Ongoing		
Customer get-togethers	As and when required		
Customer workshops	As and when required		
Print and electronic media	As and when required		
NDB Bank corporate website	Ongoing		
Online messages (NDB Bank Online)	Ongoing		
Contact@ndb.com	Ongoing		
Contact Centre	Ongoing		

Employees

Method of engagement	Frequency of engagement	Key topics and concerns raised	How the Bank responded to such topics and concerns
Employee Surveys <ul style="list-style-type: none"> Employee Satisfaction Survey HR ISO Survey Internal Department Survey 	Annually Annually Annually	<ul style="list-style-type: none"> Introducing the staff to the Bank's corporate values Inducting the staff to the Bank's corporate culture Inclusion and geo-functional engagement Updating the staff of the latest developments within the Bank Development of the individual's knowledge, skills and competencies Achieving work life balance and advocating health and well-being Skills development and training for employees' children Rewards and recognition for significant achievements 	<p>The employees of the Bank are highly engaged via the host of activities described herein. Our employees are recognized for their competencies and achievements, making our culture one based on meritocracy.</p> <p>The management maintains a high level of accessibility via an 'open door policy', where the employees may talk to the senior management, on any area that is a concern for him/her.</p>
Cultural Induction Programmes <ul style="list-style-type: none"> Employee Induction Programme 'In Retrospect' Programme Soft Skills Training Programme 	Quarterly Quarterly Ongoing		
Periodic Staff Meetings <ul style="list-style-type: none"> Town hall meetings The Leadership Team meetings Business Review meeting Branch Conference Regional Managers meeting Branch Managers meeting Department meetings 	Quarterly Weekly Monthly Annually Monthly Quarterly Ongoing		
Staff Societies <ul style="list-style-type: none"> Recreation Club Toastmasters Club Cross Functional Staff Committees 	Ongoing (Annual calendar of staff events) Ongoing Ongoing		
Technologically Driven Platforms <ul style="list-style-type: none"> Idea Xpress (online suggestion scheme) Human Resource Information System (HRIS) NDB Cloud (Bank's Intranet) E-Notice Board (Staff Email Notices) 	Ongoing		
Bank Policies <ul style="list-style-type: none"> Whistle-blowing policy Open door management policy 			
Recognition Schemes <ul style="list-style-type: none"> Retail Banking Awards 'Spirit of Achievers' (NDB Value based recognition) Staff Talent Programmes 	Annually Quarterly Ongoing		
Welfare Agenda <ul style="list-style-type: none"> Employee Volunteerism Programmes (Sustainability & CSR agenda) HR Welfare Programmes (covering staff and their family members) 			

Suppliers

Method of engagement	Frequency of engagement	Key topics and concerns raised	How the Bank responded to such topics and concerns
Supplier visits	As and when required	<ul style="list-style-type: none"> • Treating suppliers as a key success partner of the business • Ensuring that supplier labour and environmental practices are acceptable to the criteria of the Bank • Fair pricing • Ensuring supplier satisfaction with the Bank's engagement 	<p>The Bank has a Procurement Policy in place with a view to ensure that the Bank sources its requirements from the most preferred suppliers.</p> <p>The Bank maintains a supplier database.</p> <p>The Bank also actively engages itself with the suppliers in ensuring a sound business relationship and value for money, for both parties.</p>
Supplier meetings	As and when required		

Society and Environment

Method of engagement	Frequency of engagement	Key topics and concerns raised	How the Bank responded to such topics and concerns
Sponsorships	As and when required	<ul style="list-style-type: none"> • Strategic corporate social responsibility initiatives • Inculcating the virtues of thriftiness amongst individuals (e.g. <i>Ithuru Karana Maga</i> programme) • Prompt assistance to victims of various natural hazards • Financial inclusion and affordable financing • Community empowerment and livelihood development 	<p>The Bank conducts its CSR initiatives under Strategic CSR, Philanthropic CSR and Operational CSR.</p> <p>The dedicated CSR Committee ensures that the Bank identifies and responds to societal and environmental needs on a timely and effective manner.</p> <p>In addition to the strategic and planned CSR initiatives, the Bank responds rapidly to provide relief to victims of unexpected natural disasters.</p> <p>The Bank also places great emphasis on financial inclusion as a business concern as well as a social responsibility.</p>
Relief programmes in crisis situations	As and when required		
CSR initiatives	Ongoing		
Environmental protection initiatives	Ongoing		
Financial inclusion initiatives	Ongoing		
Training programmes aimed at livelihood development	As and when required		
Press releases	As and when required		
Media briefings	As and when required		
Participation in forums/conventions/summits	As and when required		
Online Social Media	Ongoing		
Bank's corporate website	Ongoing		

Regulators and Government Authorities

Method of engagement	Frequency of engagement	Key topics and concerns raised	How the Bank responded to such topics and concerns
Submission of returns/ Information	Ongoing	<ul style="list-style-type: none"> • Update on the regulatory requirements affecting the Bank • Adherence to the laws and acts relevant to the banking/ financial sector • Adherence and compliance to all applicable regulations of the Central Bank of Sri Lanka, The Colombo Stock Exchange and other regulatory bodies • Awareness of developing regulatory and governance practices (e.g. Basel III) • Adherence to provisions of the Inland Revenue Department • Meeting legislative requirements in respect of consumer protection and engaging with the Financial Ombudsman of Sri Lanka to resolve customer grievances 	<p>The Bank prioritizes on maintaining the highest level of compliance with all legislation, regulations and rules applicable to its business.</p> <p>The Bank functions within a comprehensive compliance framework, overlooked by a dedicated Compliance Department.</p> <p>Compliance training and awareness across all employees play a key role in sustaining a culture of compliance within the Bank and in mitigating compliance risk.</p> <p>Training is delivered through various means, including staff induction programmes, e-learning, face-to-face training and focused activities such as explanatory notes and e-flyers.</p> <p>The Bank contributes to the development of policy, legislation and regulation through submissions of our comments and views to technical committees and associations we are a part of within the banking industry as well as through regular engagement with regulators.</p> <p>The Bank has in place a comprehensive core-banking system which facilitates and ensures accurate and timely regulatory reporting.</p> <p>Furthermore, the Bank maintains open and continuous dialogue with the regulatory bodies on matters of concern.</p>
Directions, circulars and guidelines	As and when required		
On-site visits	As and when required		
Consultations and meetings	As and when required		
Announcements to the Colombo Stock Exchange	As and when required		

External Initiatives

The Bank participates in several activities through memberships and affiliations.

The Chartered Institute of Management Accountants (CIMA) is a professional body with which the Bank has a training partnership. As a Corporate Training Partner, employees are entitled to attend training programmes which inculcate competencies required to drive business and individual success, and networking events facilitated by world renowned speakers.

The Bank works closely with the Institute of Bankers of Sri Lanka (IBSL). Customised and off-the-shelf programmes which include Certificate courses, Diploma courses and other subject specific seminars are conducted exclusively for the Bank's employees in-house and at IBSL as required.

A similar relationship exists with the Institute of Environmental Professionals - Sri Lanka (IEPSL). During a four-year relationship, IEPSL has undertaken education and training of Bank employees in environmental conservation for sustainable development in appraising businesses prior to lending.

The Bank is a member of the Association of Compliance Officers of Banks Sri Lanka (ACOB) which provides a forum for Compliance Officers of Banks in Sri Lanka to freely discuss issues related to the execution of their duties and to network and educate themselves on issues of compliance. ACOB maintains a close co-operative working relationship with regulators and offers assistance in the review of relevant laws, procedures and best practice.

Two officers from the Risk Management Department represent the Bank at the Association of Banking Sector Risk Professionals. This forum facilitates the promotion of best practices in risk management, solving of any issues with the regulator, educating the industry in areas of risk management and sharing of information across the industry.

Treasury officers of the Bank hold membership in the Sri Lanka Forex Association.

The Bank joined the 'Sri Lanka - China Business Council' during the year to get closer to the Chinese business community. The Bank is also represented at the sub-committee for Corporate Social Responsibilities at the American Chamber of Commerce.

Translating Values Into Practice

The Bank's core values based on integrity, care, passion, teamwork and service underpin its vision to be a world-class Sri Lankan bank. They cut across all aspects of daily life, including relationships with investors, customers, employees, regulators, local communities and other stakeholders.

The values of the Bank are instilled in several ways. At the time of induction, employees learn how values impact on the Bank's core competencies, while these are reinforced during day-to-day work as well as formal performance evaluations.

Core Competencies	Value Drivers		
Customer focus	Service	Care	Passion
Superior execution	Integrity	Passion	Care
Openness to innovation and change	Passion	Service	Teamwork
People leadership and development	Care	Teamwork	Passion
Growth and commercial mindset	Passion	Service	Teamwork
Teamwork	Care	Passion	Service

A higher degree of onus and expectation is placed on the Senior Management Team for the achievement of the Bank's core competencies within the values framework. While we emphasize service excellence and business growth that lead to value creation for shareholders, we ensure that these are achieved within our values by upholding ethical and transparent business practices.

Materiality and Value Creation

As explained in the section Report Boundary and Materiality (page 7), the Bank has determined certain aspects as material to the Bank and its stakeholders through an identification process.

Material Aspects

We regard an aspect to be material if it substantively affects the Bank's ability to create value over the short, medium and long term. Relevance and significance of an aspect determine its materiality as high, medium or low, with significance being decided based on both the magnitude of the impact as well as probability of occurrence.

An aspect can be important from two different perspectives, namely, the Bank and its stakeholders. This is depicted through a two-dimensional diagram, known as the materiality matrix. The Bank has thus identified and classified the economic, social and environmental aspects as being important along these two dimensions, which are represented in the materiality matrix shown below.

Materiality Matrix

Importance to stakeholders	High		16	1, 2, 6, 7, 9, 10, 11, 12, 13, 20, 21
	Medium		3, 4, 5, 8, 14, 15	17, 19
	Low		18	
		Low	Medium	High
		Importance to the Bank		

Rating of Material Aspects

No.	Aspect	GRI Indicator	Importance to the Bank	Importance to stakeholders
1	Economic performance	G4-EC1	High	High
2	Market presence	G4-EC6	High	High
3	Indirect economic impact	G4-EC7	Medium	Medium
4	Energy	G4-EN3	Medium	Medium
5	GHG emissions	G4-EN15 G4-EN16 G4-EN17	Medium	Medium
6	Employment	G4-LA1 G4-LA2 G4-LA3	High	High
7	Labour management relations	G4-LA4	High	High
8	Occupational health and safety	G4-LA6	Medium	Medium
9	Training and education	G4-LA9 G4-LA10 G4-LA11	High	High
10	Diversity and equal opportunity	G4-LA12	High	High
11	Equal remuneration for women and men	G4-LA13	High	High
12	Labour practices grievance mechanisms	G4-LA16	High	High
13	Non-discrimination	G4-HR3	High	High
14	Freedom of association and collective bargaining	G4-HR4	Medium	Medium
15	Human rights grievance mechanisms	G4-HR12	Medium	Medium
16	Local communities	G4-SO1	Medium	High
17	Anti corruption	G4-SO3	High	Medium
18	Compliance	G4-SO8	Medium	Low
19	Product and service labelling	G4-PR3 G4-PR5	High	Medium
20	Marketing communications	G4-PR7	High	High
21	Customer privacy	G4-PR8	High	High

Management Approach

The location of an aspect mapped on the materiality matrix determines its relative importance in affecting the Bank's ability to create value over time. The various forms of capital which represent stores of value change from time to time, based on the business strategy and activities undertaken. The Bank has access to and makes use of these forms of capital in creating value for itself (deriving value) and its stakeholders (delivering value) through its business model.

The Management Discussion and Analysis that follows explains why we consider an aspect to be material, what we do to manage them and how we evaluate our approach and results. They are elaborated further with supporting indicators and measures where applicable.