

Report of the Board Credit Committee

The main income generation activity of the Bank is its lending operation. It has employed capital funds of its shareholders as well as deposits mobilised from its depositors to engage in this exercise. Therefore, it has cast a considerable responsibility on the Board of Directors of the Bank to employ these funds with the highest degree of prudence to ensure the safety of the funds and maximum profitability to the Bank.

The Board Credit Committee (BCC) is established to formulate the policies, strategies and directions in the Bank's credit operation and be the forerunner to the Board of Directors for it to take the necessary strategic decisions.

The membership of the Board Credit Committee is comprised of Four (04) Non-Executive Directors who meet at least once a month to deliberate on issues under its purview:

Composition of the BCC

- Mr Prasanna Premaratna – Chairman – BCC, Independent, Non-Executive Director (Appointed to BCC w.e.f. 12 September 2018)
- Ms Samadanie Kiriwandeniya – (Chairperson) Non-Independent, Non-Executive Director
- Mr Lionel Thilakarathne – Non-Independent, Non-Executive Director
- Mr Arnoldus de Vette – Non-Independent, Non-Executive Director

Mr M K L Fernando – Independent, Non-Executive Director served as the Chairman of the Committee retired from the Board on 9 June 2018 after reaching the age of 70 years. Mr H M G B Herath and Mr D J K Newunhella served in the Committee until 22 May 2018 and 31 July 2018 respectively. We take this opportunity to place on record the Committee's appreciation for the valuable service rendered by Mr M K L Fernando, Mr H M G B Herath and Mr D J K Newunhella as members of the Committee.

Company Secretary is functioning as the Secretary of the Committee. Chief Executive Officer, Head of Business, Chief Risk Officer, Head of Credit, Head of Recovery and Collection, shall attend the Meetings and Head of Co-operative Division, Head of Legal, Head of SME shall attend the Meetings by invitation to assist them and to provide expert knowledge on different areas of issues.

The main areas falling under the purview of the Board Credit Committee are as follows and it is empowered to:

- Formulate the Credit Policy and Recovery Policy of the Bank and review and recommend timely changes for the approval of the Board of Directors
- Monitor the credit growth/performance of the Bank vis-à-vis the annual budget forecasts and previous year's performance
- Analytically appraise credit proposals and recommend to the Board of Directors for approval
- Evaluate the market potential in the prevailing economic environment together with inherent risks attached and provide appropriate guidelines

- Monitor the interest rate behaviour in the market and the internal and external factors affecting such fluctuations
- Monitor the portfolio mix to ensure sectoral exposure, collateral diversification, term diversification and lending to priority sectors
- Provide relevant directions to ensure adherence to statutory and regulatory compliance requirements
- Ascertain the quality of the credit portfolio by monitoring credit collections and delinquent loan recoveries
- Evaluate and afford interest concessions where appropriate, for full and final settlements of hardcore loans and write-offs of loan capitals whenever it deems necessary and recommend to the Board of Directors

Apart from the aforesaid, the Board Credit committee has the prerogative to call for any other information or special report relating to the Credit Operation of the Bank, if it deems necessary for its scrutiny.

The Committee met Thirteen (13) times, during the year under review to discuss the normal scope of work and the proceedings of the Committee Meetings have been reported to the Board of Directors.

During the meetings held in 2018 the committee carried out following activities:

- Reviewed and agreed on the revised Terms of Reference of the Committee and recommended for approval of the Board of Directors
- Reviewed and amended the Credit Policy and Credit Manual of the Bank and recommended for approval of the Board of Directors
- Reviewed and revised payment rates of the outsourced companies who carried out recovery function and recommended for approval of the Board of Directors
- Reviewed and approved credit proposals comprising new facilities, annual review of revolving facilities, changes to terms and conditions of facilities already approved and interest rate concessions given to past due facilities
- Review the progress of recovery department on the implementation of action planned approved by Board Credit Committee on the handling of non-performing Loan facilities

For and on behalf of the Board Credit Committee.



Prasanna Premaratna
Chairman
Board Credit Committee
8 March 2019
Colombo, Sri Lanka