

Report of the Board Integrated Risk Management Committee

The Board Integrated Risk Management Committee (BIRMC) is vested by the Board with the role of defining the risk appetite of the Bank, and ensuring that bank operates within its designated tolerance for risk at all times. The BIRMC is also responsible for ensuring that a robust governance structure is in place so that all existing and emerging risks are mitigated in a timely and effective manner. Any bank is exposed to various risks when it operates in a dynamic environment. The BIRMC is further responsible for the continuous development of a culture of risk awareness within the Bank and staff are aware of the latest risks. The BIRMC also appraises the performance of the Chief Risk Officer and Compliance Officer ensures that the staff of the Risk Department are suitably skilled and experienced to carry out their duties effectively.

Composition of the committee

The BIRMC comprised the following Directors and members:

- Prof S Amaratunge – Chairman, Independent, Non-Executive Director
- Mr Chaaminda Kumarasiri – Independent, Non-Executive Director (Appointed to the BIRMC w.e.f 20 June 2018)
- Mr Prabhash Subasinghe – Non-Independent, Non-Executive Director (Appointed to the BIRMC w.e.f 20 June 2018)

Mr D J K Newunhella and Mr L Abeysekera, Independent Non-Executive Directors served in the committee until 20 June 2018. Mr Navindra Liyanaarachchi Non Independent, Non-Executive Director served as a member of the committee, resigned from the Board with effect from 29 August 2018. We take this opportunity to place on record the committee's appreciation for the valuable service rendered by members who had retired from the Committee.

The Company Secretary acts as the secretary of the meeting.

Term of reference (ToR) of the committee

The BIRMC was established by the Board of Directors in compliance with the direction issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Specialised Banks.

The composition and the scope of the work of the Committee are in conformity with the above directions. The Board of Directors has approved the ToR as per the above directions.

The major function of the BIRMC is to manage and review the overall risk profile of the Bank which includes the following responsibilities:

1. The Committee shall assess all risks i.e, credit, market, liquidity, operational risks of the Bank on a monthly basis through appropriate risk indicators.
2. The Committee shall review the adequacy and effectiveness of all management level committees.
3. The Committee shall take prompt and corrective action to mitigate the effects of specific risk when such risk is beyond the prudential levels decided by the Committee.

4. The Committee shall establish a compliance function to assess the Bank compliance with laws, regulations, regulatory authorities, internal controls and approved policies in all areas of business operations. A dedicated compliance officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.

Committee activities during the year

During the year under review several value additions and procedures were introduced by the Committee to further strengthen the Risk Management Process of the Bank. The Operational Risk Policy was approved and training on loss data capture and loss reporting was rolled out to the branches. Formal lines for operational loss reporting was established with the appointment of risk champions at branch and department level.

The BIRMC reviewed the quarterly Internal capital adequacy calculations and methodology and future projections. The Bank's capital augmentation strategy in the light of changing macro economic factors.

The Committee also reviewed the significant risks arising from Credit, Market, Liquidity and Operational areas in addition to reviewing the effectiveness and efficiency of Key Management Committee meetings held during the year.

Meetings

The BIRMC met five times during the year under review. The attendance of the Committee members at the meetings of the Committee is tabled on page 113 The minutes of meetings are regularly forwarded to the Board together with a detailed report of key risks and mitigating strategies. All key risk management indicators and potential risks were discussed and reviewed at each meeting and appropriate action taken where necessary.



Prof S Amaratunge
Chairman
Board Integrated Risk Management Committee
8 March 2019