

The Human Resources and Remuneration Committee comprises of three Non-Executive Directors namely Mr. A.D. Gunewardene (Chairman), Mr. A.R. Rasiah and Dr. (Ms.) D. Weerakoon. The Committee held one meeting during the year. The Chief Executive Officer (CEO) of the Bank is present at the meetings of the Committee as an invitee, except when matters relating to the CEO are being discussed.

The objectives of the Committee as per its charter are:

- To assist the Board of Directors in formulating and establishing a set of comprehensive remuneration policies and practices within the Bank.
- To review and recommend to the Board, appropriate remuneration policies for the CEO, Executive Director and Key Management Personnel of the Bank.
- To recommend to the Board, objectives and targets to be set for the CEO, Executive Director and Key Management Personnel of the Bank.
- To evaluate the performance of the CEO, Executive Director and Key Management Personnel of the Bank, against the agreed objectives and targets and make suitable recommendations to the Board.

In order to achieve the above objectives, the Committee has been adopting the following, as its guiding principles.

- Ensuring that the shareholder and employee interests are aligned.
- Setting base pay and total remuneration at a level that can attract, motivate and retain high quality staff talent.
- Regular remuneration surveys to ensure that remuneration is linked to market.
- Setting remuneration levels in such a manner that a significant portion of the remuneration is linked to performance.
- Setting up a framework of regular performance appraisals to enable the staff to obtain feedback from their superiors in furtherance of achieving their objectives and targets.

In its deliberations, the Committee has been keen to ensure that the compensation and benefits structure of the Bank harmonises and strengthens the performance driven culture of the Bank within agreed risk parameters.

As part of creating this performance driven culture in the Bank, employees are entitled to a Variable Bonus at the year-end. The size of the bonus pool is determined by the Bank achieving pre-agreed targets. The Committee annually revises the criteria for achieving the bonus pool in order to ensure that risk and reward is aligned and also that the medium term objectives of the Bank are taken into account when achieving that year's targets. The distribution of the bonus pool is dependent upon the ratings achieved by the staff during the year-end performance appraisal.

During the year, the Bank engaged the services of an external consulting firm to carry out a remuneration survey. The results of this survey will be used in formulating staff remuneration for year 2010.

During the year, the Committee evaluated the performance of the CEO, Executive Director and Key Management Personnel of the Bank against their pre-agreed objectives and targets. The Committee also agreed on the objectives and targets of the CEO, Executive Director and Key Management Personnel of the Bank for the following year. The proceedings of the Committee meetings are regularly reported to the Board of Directors.

A.D. Gunewardene

Chairman

Human Resources and Remuneration Committee

18th February 2010