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Independent Assurance Report to National Development Bank PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2016

Introduction and scope of the engagement

The management of National Development Bank PLC ("the Bank") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2016 ("the Report").

Reasonable assurance on the information on financial performance as specified on page 49 of the Report.

Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative- GRI Standards 'In accordance' - Core guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' – Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Bank's responsibility for the Report

The management of the bank is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate

records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards 'In accordance' – Core guidelines. This report is made solely to the Bank in accordance with our engagement letter dated 18 January 2016. We disclaim any assumption of responsibility for any reliance on this report to any person other than the bank or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

Interviewing relevant the bank's personnel to understand the process for collection, analysis, aggregation and presentation of data.

Reviewing and validation of the information contained in the Report.

Checking the calculations performed by the bank on a sample basis through recalculation.

Reconciling and agreeing the data on financial performance are properly derived from the bank's audited financial statements for the year ended 31 December 2016.

Comparison of the content of the Report against the criteria for a Global Reporting Initiative GRI Standards 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations

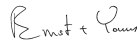
Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

The information on financial performance as specified on page 49 of the Report are properly derived from the audited financial statements of the Bank for the year ended 31 December 2016.

Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Bank's sustainability practices and policies some of which are derived from GRI Standards - 'In accordance' Core Sustainability Reporting Guidelines.



Chartered Accountants

21 February 2017
Colombo

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