



BUILDING FUTURES, one piece at a time



A strong future is not built overnight, it is carefully assembled, piece by piece, with vision, resilience, and unwavering dedication. In 2024, HDFC continued its transformation, ensuring that every financial solution contributes to a stable and sustainable tomorrow.

As a total solution provider for housing development and households, HDFC goes beyond traditional banking, offering comprehensive financial support that empowers individuals and their families. With an expanding portfolio, including gold loans and leasing facilities, the bank understands and caters to the evolving small, middle and upper-middle income segments making homeownership and household stability are more accessible than ever.

From financial inclusion to doorstep banking, HDFC remains committed to the triple bottom line of People, Planet, and Profit. Where every decision, every innovation, and every partnership fortify the foundation for long-term prosperity, ensuring that together, we build not just homes, but futures that stand the test of time.

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OUR VISION

To be the premier financial partner in ensuring sustainable housing and living standards.

OUR MISSION

Committed to provide financial solutions for sustainable living and assist entrepreneurs in value addition.

OUR VALUES

**Ethical
Agile
Resilient
Respect for Diversity
Transparent**

WELCOME TO OUR 15TH INTEGRATED ANNUAL REPORT 2024

INSIGHTFUL REPORTING, EMPOWERING STAKEHOLDERS

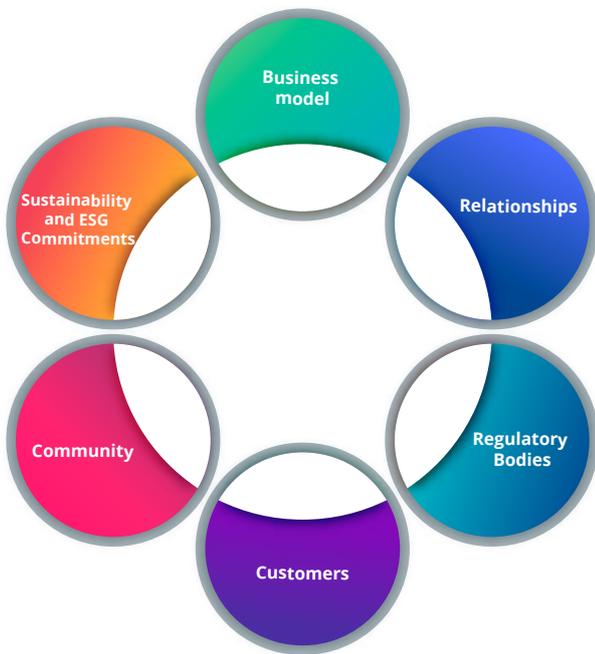
INTRODUCTION TO THE REPORT

Our 15th integrated report presents all activities and outcomes achieved by the Housing Development Finance Corporation of Sri Lanka (hereafter referred to as HDFC or HDFC Bank) for the financial year which ended on 31 December 2024.

As a listed company, we uphold accountability to our shareholders and prospective investors by providing valuable information to aid their decision-making. The report delivers a transparent and accurate view of our value creation process, helping stakeholders evaluate the Bank's operations, strategy, and activities aimed at creating value, particularly for shareholders and investors.

REPORTING PERIOD

The integrated report was compiled for the period spanning 1 January 2024 to 31 December 2024. Any outcome or event that is material subsequent to this date and any such occurrence before the date of the board's approval has also been included.



OUR PUBLISHED REPORTS

The following are our previously done Integrated Reports.



THE REPORTING BOUNDARY

The non-financial or operational segment of the integrated report covers developments and outcomes for Manufactured, Intellectual, Human, Social and Relationship, and Natural Capital, analysed within the context of the operating environment, the Bank's strategy, resource allocation, stakeholder priorities, risk management, and governance framework. Financial information can be found predominantly under the financial section, which forms the second half of this report and also within the non-financial disclosures (mainly capital reports). Throughout the year under review, there were no notable changes in scope or boundary from the previous reporting cycle, and no information was restated from the prior Annual Report.

THE REPORTING PROCESS

Process - Operational Disclosures	Process - Financial Disclosures
<p>The Integrated Report was prepared from an integrated perspective. Information gathering is based on discussions with the Board, the Management and all relevant Heads of Departments. These discussions and interviews covered key activities and outcomes from each area of our financial business, risk, governance, information technology, finance, Human Resources and other pertinent departments, covering all areas of the bank's operations.</p>	<p>The financial information included in this report—comprising highlights, the financial capital report, financial statements, notes, and other supplementary data—pertains to the relevant review period and has been verified both internally and externally.</p>



ASSURANCE

The financial information in the Annual Report, commencing from page 206 to 274, has been audited by the Auditor General, ensuring compliance with regulatory guidelines and auditing best practices. Ernst & Young has provided independent assurance that the report aligns with the <IR> Framework on pages 197-198 principles established by the IIRC. The final report has received approval from the Bank's CFO, CEO, and Chairman of the Board. The Board of Directors and executive team maintain strict independence from the auditors, engaging them solely in their capacity as independent auditors.

INTEGRATED THINKING

Using the Integrated Reporting framework, we highlight key connections across various functions of the Bank. The report demonstrates how financial, manufactured, human, social relationship, intellectual, and natural capital were managed to create stakeholder value and how they contributed towards the Bank's objectives. These elements, along with performance and outlook, are aligned with our strategic focus on being a specialised housing Bank, catering to a broader segment whilst providing financial inclusion to the underserved segment.

ADHERING TO REPORTING FRAMEWORKS

This report is guided by the following principles and requirements, which mainly include statutory and regulatory frameworks, apart from voluntarily adopted principles and guidelines.

Financial

- Sri Lanka Accounting Standards (SLFRSs & LKASs)
- Banking Act No. 30 of 1988 and amendments
- Companies Act No. 07 of 2007
- Financial Transactions Reporting Act No. 6 of 2006
- Inland Revenue Act No. 10 of 2006
- Finance Act No. 5 of 2005
- National Audit Act, No.19 of 2018

Governance

- CBSL Corporate Governance Directions for Licensed Specialised Banks
- Code of Best Practice on COrporate Governance by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.
- Revised listing requirements under section 09 on corporate governance rules for listed companies by the Colombo Stock Exchange

Non-financial Reporting and Sustainability

- International Integrated Reporting Framework
- Reporting Guidelines issued by The Institute of Chartered Accountants of Sri Lanka
- United Nations Sustainable Development Goals (SDG)

REPORTING PRINCIPLES

Strategic Focus and Forward Thinking

- Highlights the bank's strategic direction and plans and activities that align with it.
- Connections to value creation are showcased within the report (refer to the materiality and capital reports and the value creation model).

Stakeholder Engagement

- Methods of engaging stakeholders are detailed on pages 43 to 49.
- Emphasis on understanding and effectively addressing stakeholder expectations.

Material Topics

- Covers significant aspects of material to the bank's operations.
- The Materiality section explains the relevance of these topics to stakeholders.

Clarity and Brevity

- Focus on conciseness by reducing qualitative content.
- Provides comprehensive insights into the bank's business approach and value creation.

Accuracy and Completeness

- Audited financial statements and externally verified data ensure reliability.
- The validation process involves department heads, financial management, and independent auditing.

Consistency and Comparability

- Includes a consistent number of years of quantitative data for analysis and comparison.
- The 2024 report reflects enhancements over the previous year's publication.

Welcome to our 15th Integrated Annual Report 2024

STATEMENT OF APPROVAL BY THE BOARD

The board has confirmed that the report thoroughly covers all key aspects and provides an accurate depiction of the company's performance for the year under review. It highlights HDFC's strategic goals and commitments during the reviewed year and includes short-term plans where relevant.

The board is confident that the 2024 integrated annual report aligns fully with all essential statutory and regulatory requirements, including the updated Framework and relevant financial, governance and statutory requirements. The report, overseen by the higher management, underwent thorough internal and external reviews. After evaluation by the audit and risk committee, the board approved the integrated annual report and financial statements for the year of 31st December 2024.

FORWARD-LOOKING STATEMENTS

The report includes certain forward-looking statements on the Bank's activities, performance and outlook. These statements and projections include risks, uncertainties and events that are subject to future circumstances. Any number of factors, of any nature, could differ the actual results from these said statements and those implied within these statements and forecasts.

FEEDBACK

We appreciate your constructive and insightful feedback on this report. Please feel free to share all comments and suggestions with us at:

The Chief Financial Officer
 Mr. Anura Hettiarachchi
 Email: anura.h@hdfc.lk
 Phone: +94 11 2356802, 2446241, 2447354

REPORT NAVIGATION

The following icons and colours are used to demonstrate connectivity between sections.

Capitals



Financial



Manufactured



Human



Intellectual



Social and Relationship



Natural

Stakeholders



Shareholders/
Investors



Customers



Employees



Partners and service providers



Regulators



Community and the Environment



ABOUT HDFC

COMPREHENSIVE INSIGHT – HDFC BANK

Across four decades since 1984, HDFC Bank has established itself as the preferred financial partner of thousands of Sri Lankans (particularly those in low to middle-income groups). By offering diverse yet tailored financial solutions that match people's financial capabilities, we have fostered trust and supported the aspirations of many in our communities. Through this customer-centric approach and inclusive services, we have brought financial stability to many, and with an increasing focus on creating financial literacy, we have empowered our customers to realise that financial independence is a choice and not a chance of destiny.

By ensuring our financial stability, we have ensured the financial sustenance of many.



OUR STABILITY AND GROWTH



**In the year under review, our healthy financial position and stable growth became an encouraging factor, leading to an upgrade in its rating by Fitch Ratings. The Bank takes a prudent financial management approach, aggressively optimising the Bank's current resources and reducing expenses in the context of the high-risk profile of long-term housing loans*

INITIAL BACKDROP

At the time of inception, the Bank was formed as a building society, which was subsequently transformed into a state-owned enterprise. The Bank became a specialised bank in 2003 and a listed entity on the Colombo Stock Exchange in 2005.

BUSINESS SEGMENTS

The Bank's two primary areas of focus are in Retail Banking, which entails accepting deposits and granting credit to individual customers. The Bank provides credit mainly for the purpose of financing housing needs and improvement requirements of individuals. Financial products range from savings and term deposits to loans, leasing and investment plans.

Corporate and Development Finance entails institutional customers, including SMEs. These customers receive financing,

with a focus on SME growth and also corporate lending, empowering social and economic progress.



Retail Banking



Corporate and Development Finance

HOW WE SERVE



** HDFC is one of a handful of Licensed Specialised Banks (LSBs) authorised to provide EPF-backed housing loans and is constitutionally dedicated to providing Housing Loans.*

BANK STRUCTURE

HDFC Bank shares ownership with the state and private sectors. A majority of 51% of our shares are held by the Government of Sri Lanka through the state owned Enterprises while the remaining 49% is retained within the private sector.



PRODUCT PORTFOLIO

PORTFOLIO OVERVIEW

Historically governed by the Housing Act, the Bank was established to support the nation's housing needs. Today, our portfolio has evolved into a diverse mix of loan and deposit products, aimed at empowering individuals and small to medium-sized enterprises (SMEs) with limited financial access. Our core customer base consists primarily of low to middle-income individuals and SMEs, who are served with fairness, irrespective of their financial status. We offer flexible repayment and restructuring options tailored to the unique financial capacities of every customer, ensuring inclusive financial support across our portfolio.

SPECIALISATIONS AND DIVERSIFICATION

While housing and EPF-backed mortgage loans remain central to our mission, we have strategically expanded into other high-demand financial solutions. Our growing loan portfolio includes:

- Gold loans
- Development loans for SMEs and corporate clients
- Lifestyle and education loans
- Special purpose loans

We also provide a comprehensive range of deposit-based products to both retail and institutional customers, supporting a wide spectrum of financial needs.

As one of only four Licensed Specialised Banks (LSBs) authorised to offer housing loans backed by the Employees' Provident Fund (EPF), we play a key role in meeting the rising demand for EPF-linked financing. These loans are backed by the customer's provident fund balance, serving as collateral and reducing default risk for both the customer and the Bank. Furthermore, the EPF reimburses arrears annually, enabling us to manage credit risk effectively and maintain low non-performing loan levels within this segment.

LOAN PHILOSOPHY

Our lending approach is centred on understanding each customer's financial situation, livelihood, and lifestyle. This allows us to offer well-structured, flexible financing solutions that include home loans, SME loans, gold loans, education financing, and other need-specific products. We are committed to financial inclusion, ensuring our offerings adapt to the realities of our customers' lives.

LOAN SCHEMES

- Kedella
- Situ Sevana
- Shrama Udana
- HDFC Lifestyle Loan
- Sirisara
- HDFC Gold Advance

- HDFC Educational Loans
- VIP Loans
- Loans against fixed deposits
- LECO
- Special loans for employees of public enterprises
- Special loans for doctors
- Loans for academic professionals
- Loans for the armed forces

DEVELOPMENT LOANS

- Athwela
- Small and Medium Enterprise Loans
- Dirimaga
- Tharuna Diriya
- Business Loans
- SEPI loan scheme

LEASING

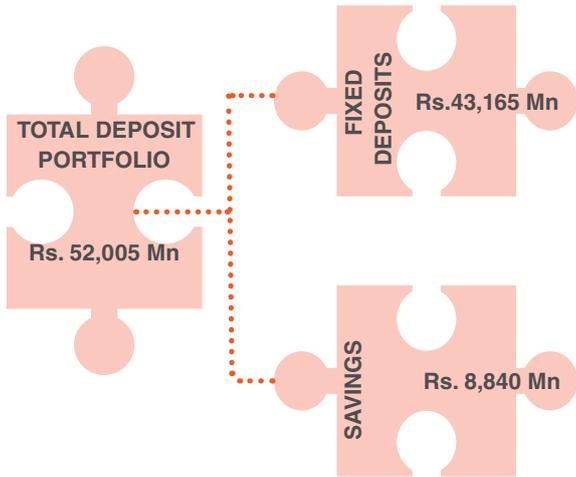
- HDFC Leasing

LOAN PRODUCTS



Deposits and Savings: The Bank's deposit portfolio is diverse with term deposits, savings products.





DEPOSITS

- HDFC Max
- Fixed deposits

INVESTMENT PLANS

- HDFC Set for Life
- HDFC Vishrama Rakawarana
- Thilina Rakawarana
- Arumbu



SAVINGS PRODUCTS

- Prathilaaba
- Thilina
- HDFC Smart Goals
- HDFC Salary Saver

SAVINGS PRODUCTS



DIGITAL AND OTHER SERVICES

- Mobile Banking (palmtop team)
- E-Banking – HDFC Click
- JustPay connectivity
- SMS Alert Service



FINANCIAL HIGHLIGHTS

	2024	2023	Change
	LKR.Mn	LKR.Mn	%
Results for the year			
Income	8,507	14,329	(41)
Profit before Taxation	412	2,650	(84)
Provision for Taxation	603	1,348	(55)
Profit after Taxation	-191	1,302	(115)
Revenue to the Governments	606	1,362	(56)
At the year end			
Shareholders' Fund	7,713	7,995	(4)
Deposits from Customers	52,005	53,613	(3)
Gross Loans & Advances to Customers	43,226	43,622	(1)
Total Assets	65,443	67,733	(3)
Information per Ordinary share			
Earnings (Basic) (Rs.)	-2.95	20.12	(115)
Financial Ratios			
Return on Average shareholders' Fund (%)	-2.43	17.70	(114)
Return on Average Assets (%)	-0.29	1.99	(114)
Shareholders Equity to Total Assets (%)	11.79	11.80	(0)
Statutory Ratios			
Liquid Assets(SLAR) (%)	N/A	41.18	-
Liquidity Coverage Ratio(LCR) (%)	223	394	(43)
Net Stable Funding Ratio(NSFR) (%)	128	143	(10)
Leverage Ratio (%)	11.94	9.54	25
Common Equity Tier 1 - Minimum Required 7.00%	32.53%	35.84%	-9%
Total Tier I (%) - Minimum Required - 8.50%	33.66%	37.02%	-9%
Total Capital (%) - Minimum Required -12.50%	34.65%	39.03%	-11%
Other Information			
Branches	39	39	-
Employees (Number)	494	515	(4)
Credit Rating - Fitch/Lanka Rating	BB+(lka) Stable	BB+(lka) Stable	

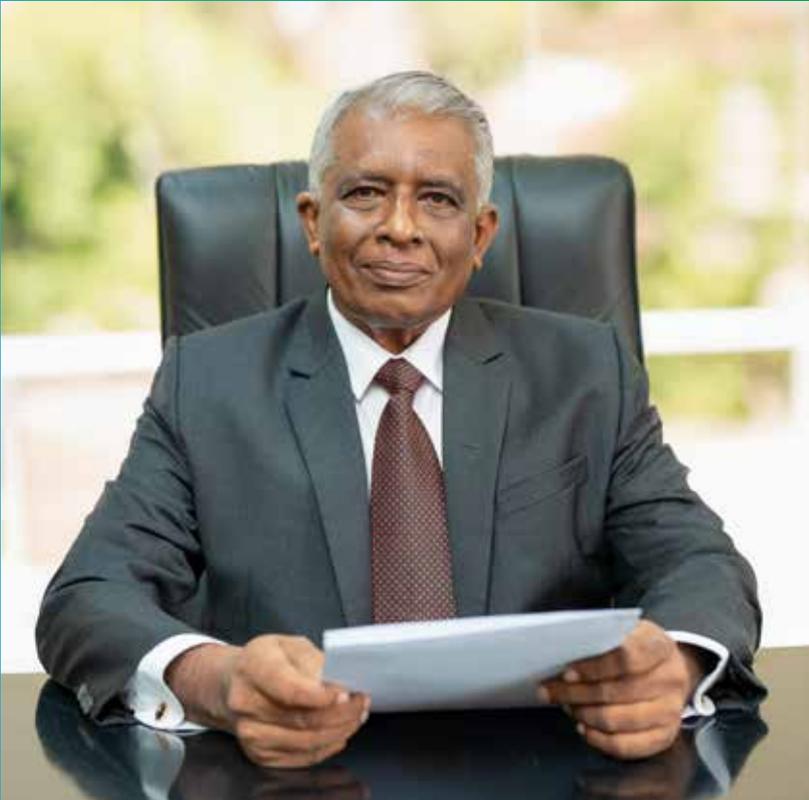




STEWARDSHIP

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CHAIRMAN'S MESSAGE

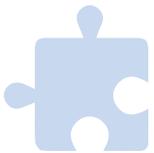


“IN THE YEAR UNDER REVIEW, THE BANK STEERED TOWARDS ADDRESSING CREDIT DIVERSIFICATION, RATIONALISATION OF CREDIT RISK AND REDUCING, NPL RATIO”



Dear Stakeholders,

As the newly appointed Chairman of the HDFC Bank on 25/09/2024, I address you with immense honour and gratitude.



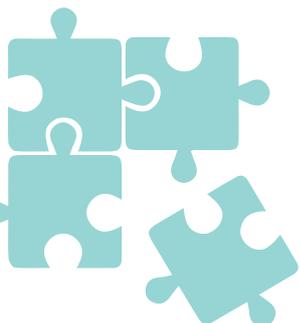
I hereby present the Integrated Annual Report and the audited financial statements for the financial year 2024, which ended on December 31.

OPERATIONAL FRAMEWORK AND FOCUS

HDFC concentrated primarily on its long-term asset products, specifically mortgage and provident fund loans. However, the bank shifted its focus towards gold loans, leasing and personal loans during the year's final quarter as a business strategy, to narrow asset-liability/maturity mismatches and to be in line with regulatory requirements. The Bank maintained its focus on retail lending.

In the year under review, the Bank steered towards addressing credit diversification, rationalisation of credit risk and reducing, NPL ratio; these were to be met with the harsh reality of the Banks's high-risk profile due to borrowers being mainly low to middle-level income earners coupled with government policy of holding up of realisation securities of defaulters. Nevertheless, by integrating the risk and credit management functions, the Bank proactively mitigated large exposures while taking prudent measures to restructure the debt and arrange payment plans for borrowers.

In 2024, Bank also initiated the development of an RFP for a new Core Banking System to be in line with current operational and regulatory needs and also due to the age of the existing system, which was developed in 2014 and implemented in 2017.



CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE

The Bank has maintained sound liquidity levels and high capital adequacy, successfully maintaining the regulatory minimum requirements of Rs. 7.5 Bn over the past year. The bank's strategy has included the retention of profits and earnings to strengthen its capital position. The maturity mismatch between long-term loans and short-term deposits became a primary challenge during the year; moreover, there was a challenge in realising investment properties due to low demand for development projects, as 2024 is an election year.

With over 70% of deposits maturing within the next year, it will be imperative to foster stronger relationships with our long-term deposit holders. This includes Samurdhi societies, the Sri Lanka Social Security Board and the National Housing Development Authority, which is critical. We anticipate that these relationships will endure in the coming years.

Due to certain corrective measures implemented, the Bank had to restate the prior year figures. The Bank reported a profit (before Tax & VAT) of Rs. 412 Mn. However, it turned to a loss of Rs. 191 Mn, which is a substantial drop compared to the PBAT in 2023, which comprised of gain on sold government securities. The decline in profitability is partially attributed to a greater focus on liquidity management. The Bank's Liquidity Coverage Ratio remained at 223%, denoting stability; however, the improvement in liquidity limited funds available for lending activities, constrained profitability.

In order to improve the Bank's Net Stable Funding Ratio and support its assets and activities, the Bank adopted strategies to optimise the balance sheet structure. This called for aligning asset-liability maturities, matching long-term funding with long-term assets, and improving the overall Net Stable Funding Ratio (NSFR).

The Bank also conducted necessary financial stress testing to ensure that funding remains stable under conditions of duress. Strategies to further improve our financial stability are being taken through an integrated operational framework, where the finance department, credit division and risk department work together to minimise any negative exposures. The Bank NPL is somewhat higher than the industry, provides concessions to our valued nation by restructuring and rescheduling Covid-impacted clientele and take legal action on willful defaulters as the last resort.

HUMAN CAPITAL DEVELOPMENT AND INDUSTRIAL RELATIONS

Investment in human capital became a priority, as it was necessary to develop a talent pipeline that is adequately competent for undertaking management positions in the future. During 2024, the Bank initiated plans to attract and train a group of 25 Management Trainees, which also complements the Bank's succession plan. At the time of penning this message, they have undergone a mandatory assessment by

the government's examination department and will be absorbed into the team in the ensuing financial year.

As a responsible and rewarding employer, we ensure optimal benefits to our staff while ensuring a proper work environment. By identifying gaps in knowledge and skills, the Bank provided ongoing training initiatives, with an investment of around Rs. 4.5 Mn dedicated to staff development. Moreover, the human resource department carried out resource planning based on our operational requirements and gaps left through resignations and retirements. The team focused on hiring the best-suited candidates for the job roles and the organisation.

Employees enjoyed opportunities for upskilling and professional development while receiving the benefits of a balanced work-life approach. The Bank also ensured that all staff members receive fair and impartial treatment on workplace challenges, effectuating formal and transparent processes of redress while safeguarding their right to a safe and inclusive work environment.

The Bank and the CBEU entered into the Collective Agreement for the period 01.01.2024 to 31.12.2024 after lengthy negotiations and currently maintain a cordial relationship.

NAVIGATING GOVERNANCE AND REGULATORY CHANGES

The institution has navigated regulatory requirements with greater commitment in 2024 and has met the base capital thresholds. Aligned with good governance requirements and regulations, the Bank ensured the proper functioning and continuity of all mandatory Board Sub-Committees. The Cost Rationalisation Committee aimed at reducing overheads, increasing efficiencies and enhancing financial sustainability through prudent resource allocation. Moreover, the Bank also increased its focus on creating a more robust business continuity plan in the year.

To address governance and risk management concerns, especially in terms of credit risk management, the Bank strengthened internal credit and risk controls and enhanced transparency as a listed entity on the Colombo Stock Exchange. Further actions included efforts to better assess the credibility of borrowers and collateral, bolster recovery functions, and reduce non-performing loans (NPLs), aligning with the Bank's current year operational focus and regulatory obligations.

The Bank, as per the Act, has a provision for a Board comprising 11 (eleven) members; however, as at the end of 2024, the number of directors serving on the board was only 7(seven), which included four newly appointed directors as Non-Executive Independent Directors. During the year under review, Six Directors submitted their resignations, and the current members are a mix of nominated and elected members. Moreover, recent retirements warrant new appointments, which will be undertaken at the upcoming AGM in June 2025.



Chairman's Message

I take this opportunity to welcome all new Directors to the Board and thank all former Directors who resigned for their efforts towards the Bank's stability and future growth.

CONSOLIDATION AND EXPANSION PLANS

The functions of the HDFC Bank as per the Act are;

- (a) to grant any loan, credit facility or any type of accommodation to any individual, company, partnership, any institute or to Housing Finance Corporation for housing purposes, for the redemption of residential property in accordance with the directions issued by the Monetary Board under section 76 of the Banking Act, No. 30 of 1988.
- (b) to subscribe for, and purchase, shares and securities of every description, in companies having as their object, the development of housing;
- (c) to engage in, and promote, the development of the infrastructure related to housing;
- (d) to provide amenities and facilities to persons living in housing schemes;
- (e) to provide legal, engineering, architectural, surveying and other support services to individuals and institutions engaged in the construction of houses;
- (f) to undertake research, surveys and studies on construction techniques, building materials and other matters related to housing and human settlement;
- (g) to formulate schemes for the mobilisation of resources for the purpose of extending credit for housing purposes;
- (h) to formulate and implement schemes for the provision of housing for the economically disadvantaged sections of society;
- (i) to conduct training programmes, seminars and symposia on matters relating to housing;
- (j) to provide technical and management assistance to housing finance corporations, including assistance relating to the preparation of standard instruments and documents
- (k) to act as an agent of the Government or the Central Bank;
- (l) to guarantee the financial obligations of housing finance corporations and to underwrite the issue of stocks, shares, bonds, debentures and securities of housing finance corporations and of companies having as their object, the development of housing;
- (m) to purchase the rights of any housing finance corporation under any mortgage entered into by such housing finance corporation with any other person.

The newly elected government has presented proposals in its policy framework, which will certainly open opportunities for HDFC Bank to play a very important and effective role by supplementing and complementing the declared policy initiatives. Some of such identified objectives are;

URBAN HOUSING

- Encouraging the private sector to develop affordable housing projects in urban areas and providing appropriate land for these initiatives.
- Promoting investments from Sri Lankans living abroad in

affordable housing projects in urban areas.

- Implementing programs to provide official residences for government employees close to their workplaces.
- Facilitating the provision of affordable housing for residents of low-income settlements in Colombo through government intervention.
- Developing comprehensive housing projects in urban and semi-urban areas, including essential facilities such as healthcare, education, sports, transportation, and parks.

RURAL HOUSING

- Revising the relevant laws to address issues related to land ownership for housing development.
- Enhancing access roads to residential areas.
- Establishing housing loan schemes to support home construction.

ESTATE HOUSING

- Providing financial and infrastructural support to enhance housing, water and sanitation facilities for Malayagam communities.
- Allocating lands for Malayagam communities to construct permanent homes.
- Developing affordable housing schemes in areas surrounding estates.

A PRODUCTIVE LAND MANAGEMENT SYSTEM INTEGRATES A CONTROL PLAN

INTRODUCTION

According to the Land Commissioner Department, 82% of Sri Lanka's total land area, which stands at 6.6 million hectares, belongs to the government, while the remaining 18%, amounting to 1.2 million hectares, is private land. 32% of the 5.4 million hectares that belong to the state, which is 1.7 million hectares, are forests. In general, lands have been categorised as agricultural, commercial, or residential according to their usage for ease of administration and management.

The ordinances and regulations imposed during the colonial period to control land resources have made a significant impact on land management in Sri Lanka. The governments after independence did not make any special effort to scientifically amend these laws for the well-being of the country and its people. Instead, some land reforms and policies aimed at land distribution, driven by narrow intentions, have contributed to socio-economic inequality. Issues related to land ownership have remained unresolved for a long time, leading to various social disparities.

PRINCIPLES

- Optimum land utilisation
- Protecting the sensitive areas
- Efficient and productive land administration and management



ACTIVITIES

LAND UTILIZATION

- A new legal framework and land act that makes effective land administration and management
- National land use plan
- A National Land Council to coordinate and oversee land management
- Up-to-date state land inventory
- An electronic system for land registration and digitising land reports
- Making the land valuation process formal and efficient
- A network of quasi-judicial institutes to resolve land-related issues quickly and fairly
- Land usage and development permits will be made simple and efficient through scientific and technological methods

PROTECTING LAND IN SENSITIVE AREAS

- Action to preserve and protect environmentally and historically sensitive areas

LAND REGISTRATION

- Deeds to the people who have been living on state lands for a long period
- An Integrated Land Information Infrastructure (ILII) connecting all local government authorities and land management institutions
- An efficient, transparent, and accountable land-related public service.

LAND USE MANAGEMENT

- An integrated land use map
- Disaster mitigation, climatic resilience and adaptation mechanisms through land use plans.
- Local development plans that align with the National land use Planning policy
- A land suitability map based on spatial data analysis

SURVEYING AND MAPPING

- Expand the control network for surveying and mapping, and increase the productivity of land surveys through enhanced technology.
- LiDAR surveys or appropriate technologies to cover the entire country and extract accurate elevation data.
- Connecting all surveys to the national Grid for seamless integration
- A mechanism to obtain the optimum service of new survey graduates
- Collection and storage of accurate and timely spatial data needed for development projects on a priority basis
- Providing reliable and accurate data sources and introducing new technology to update the spatial data needed for geo-information production.
- A National Spatial Data Integration treaty to facilitate comprehensive data management

A SCIENTIFICALLY MANAGED CONSTRUCTION INDUSTRY - EXCELLENT QUALITY WORKFORCE

The development and sustenance of the construction industry, which reflects the country's economic development, depend on state and private investment in infrastructure and projects. Before the 2022 downfall, the construction industry contributed 7% to the country's GDP and provided direct and indirect employment to over 1 million individuals. Despite the recent crisis, the industry has the potential for significant growth with the right investments and strategies.

Currently, most of the constructors and advisors in the field are from the private sector, and the construction companies owned by the government show less performance due to interventions and inefficient control.

Shortcomings in the procurement process, inefficiency, weak project management practices, political interventions, corruption, and the implementation of projects without proper financial support pose considerable challenges to the industry's stability. These issues hinder the performance of the construction projects, resulting in delays, excessive costs, and low-quality products. Further, outdated planning methods and standards, the inability to use new project management methods, and the lack of trained professionals negatively affect the industry. Job security and worker welfare in this field are not favourable.

Due to a lack of low-cost raw materials, new technological innovations, and limited investments in research and development, the industry has achieved only a tiny portion in the international arena. Further, brain drain has affected the industry's lack of trained labour, daily operations, and development.

Past governments invested loans from local banks and two-party and multi-party loans in construction projects, and the lack of benefits from these projects contributed greatly to the country's loan crisis.

PRINCIPLES

- A creative construction industry
- Transparent and fair procurement
- Monitoring, supporting, and regulating the construction sector
- Fair competition and equal access among entrepreneurs
- Quality employment with job security, fair wages, and opportunities for skill development based on new architectural knowledge

ACTIVITIES

- Analysing and proposing amendments to the Construction Industry Development Act
- A broad ethics system for all stakeholders in the construction industry
- Coordination of all construction training institutes in the country and the regulation of construction technology education
- Financial guarantees through the Construction Guarantee Fund



Chairman's Message

to companies recognised by the CIDA

- An arbitration centre and a pool of arbitrators to resolve construction conflicts quickly
- Recommending the priority of main construction projects according to the national development plans
- Certifying the transparency of the procurement process to increase the participation of local bidders
- Methodically implementing the electronic bidding system in the construction sector
- Protecting local industrialists by involving international companies in the construction sector under specific conditions
- Certifying that state institutions follow similar procurement rules
- Training the state and private sector technical staff on estimation and procurement processes
- An ID for each worker in construction that determines and certifies their social recognition and skill level.
- A long-term insurance plan and retirement benefits for registered construction workers
- Increasing the knowledge in the field about new project management and contract management
- Certifying the participation of state sector construction institutes in managing national disaster situations and training the workforce
- A special research and development unit for the construction industry to introduce new technology and low-cost raw materials
- Preparing plans and specifications to update and modify the industry according to global developments and international standards
- State sponsorship for local industrialists to enter international construction projects
- Making environmental accountability essential for all construction projects, with a deep assessment of environmental risks

IMPROVE ASSET QUALITY

Reducing our NPL position and enhancing our asset quality will remain equally vital focus areas in the upcoming financial year. Complying with regulations and ensuring the bank's financial growth, these two areas will be infused into our strategy for the year and operational framework. We will balance this alongside the regulatory mandate to provide financial relief to SMEs. Measures such as loan restructuring, moratoriums and concessions will be provided in the coming year, similar to 2024.

Capital requirements under Basel III (Banking Act Direction No. 4 of 2004) will be a guiding framework to ensure capital adequacy across the long term; this will also enable us to support our loan portfolio.

BRANCH NETWORK

Consolidating and strengthening governance and decision-making processes by re-establishing the regional set-up structure is one of the main objectives.

CUSTOMER INCLUSION

Customer inclusion through our palm-top banking team remains a highly viable option. By increasing the number of field staff in a logical and strategic manner, the Bank can increase its reach to more towns, locales and communities that lack access to inclusive financial services. The team will also be crucial to increasing financial literacy among individuals and groups in the grassroots, where the potential of this human capital is crucial for the sustainable growth of the Bank and its customers.

A new version of the ATM/Debit card will be in place with a longer validity period with enhanced features.

APPRECIATION

I express my heartfelt gratitude to the Board of Directors and Chairman, Mr Jayasinghe, for their strategic guidance through the financial year and their leadership in controlling the Bank's exposures that continued to stem from the economic crisis. We convey our appreciation to the Central Bank of Sri Lanka for ensuring that all financial stakeholders, including LSBs, remain aligned with its roadmap for economic stability. Even amidst a tightly controlled environment, their influence has enabled structural corrections to the Bank's stability and sustainability. My deep appreciation is extended to the Ministry of Finance, our loyal patrons and customers, dedicated business partners, and all other stakeholders.

The collective commitment of these stakeholders ensured our ability to uphold financial stability and our capacity to make future economic value.



P.J. Jayasinghe
Chairman



GM/CEO'S MESSAGE



OUR IMMEDIATE FOCUS WAS CHANGING THE COURSE OF THE BANK TOWARDS A STABLE FINANCIAL POSITION. THIS REQUIRED US TO MONITOR MATURITY MISMATCHES AND THE BANK'S LIQUIDITY POSITION

Dear Readers and Stakeholders,

I am pleased to present the Annual Report for the year 2024, which incorporates the Bank's performance and strategic direction.

As the newly appointed CEO/ General Manager, I assumed duties on September 26th, 2024. I am immensely honoured that my long tenure with the Bank since 2004 and the confidence of our Board of Directors and Shareholders have bestowed me with this honour, especially at a time when the Bank needs prudent strategic planning and executive direction.

As one of two Licensed Specialised Banks (LSBs) dedicated to housing finance, we serve a wide cross-section of customers but with a strong focus on serving individuals and businesses with financial deficits. A majority of our borrowers are those with modest financial means, below-average earnings and volatile repayment capacities. However, this aligns with the functions and powers vested in the Bank through the Act of Incorporation, which empowers our actions to ensure financial inclusion.

While this has created immense social value, it has also impacted our financial performance due to low repayments, high operational costs and a low-interest rate environment. Nevertheless, we expedited services to provide inclusive financial services while maintaining a balance with financial stability. During the year, we revised strategies to ensure a better financial position, stronger balance sheet and overall financial sustainability.

THE REGULATORY LANDSCAPE

The banking industry and the financial sector underwent stricter regulatory requirements during the year. Along with increasingly tight regulatory policies and a macroeconomic environment facing structural changes, the Bank navigated the year boldly. While economic growth and low inflation enabled an improved backdrop for increased lending and deposit growth, persistent poverty and weakened disposable income posed challenges to growing the deposit portfolio. Our limited foreign currency exposure and a focus on the domestic market helped insulate certain risks, but the Bank required proactive risk management and regulatory compliance to sustain performance and stability.

The 2023 Central Bank Act helped enhance the regulator's autonomy, which helped strengthen banking supervision. This context increased compliance requirements for the Bank, particularly in capital adequacy and risk management. The Central Bank eased its monetary policy in November 2024, setting the new overnight policy rate at 8%. The introduction of a unified policy interest rate replaced the previous dual-rate mechanism of the SDGR and SLFR. As a result, market lending rates underwent a decline, prompting increased credit to the private sector.

Furthermore, recent regulations required banks to address capital shortfalls from non-performing loans and from debt restructuring and moratorium impacts. The proposed Regulatory Authority for Microfinance and Credit in 2024 raised concerns about our MSME-focused operations. The proposed mandate could impose stricter regulations on community-based lending while limiting the microfinance portfolio.

An informative synopsis of the Bank's Operating Environment can be accessed on pages 63 to 66.

STRATEGY OF THE YEAR

Upon assuming the new duties along with the Chairman Mr Jayasuriya, our immediate focus was changing the course of the Bank towards a stable financial position; this required us to monitor maturity mismatches and the Bank's liquidity position. Concerns over asset-liability non-alignments resulted in restructuring the balance sheet while focusing strongly on long-term funding and particularly a diversified funding strategy.

Including the above, the overall strategic focus included six priorities; they included a broad-based focus, particularly on improving the Bank's financial health and stability. This required a further granular focus on reducing bad loans and underperforming loan portfolios, improving the Bank's credit rating and elevating risk consciousness across the Bank.

Due to the below-par performance of loan repayments and widening NPLs, the Bank's strategic focus shifted from long-term objectives to maintaining operational stability and improving our financial health in the short term. This became strongly pursued in the four months that led to the end of 2024 and well into 2025.

In terms of raising the credit rating of the Bank, I am pleased to announce that we have achieved a BB+ (lka) stable rating from Fitch Ratings, marking an improvement from the negative outlook assigned in 2023.

A synopsis of the 2024 strategic focus can be found on pages 36 to 38 of this report.

FINANCIAL PERFORMANCE

Amidst a highly regulated environment, low repayment capacities and tightly controlled internal credit processes, the Bank achieved a Gross Income of Rs 8.5 Bn; the overall slump was registered as a 40.5% reduction. The Gross income included interest income of Rs 8.2 Bn, which was restrained due to the low-interest policy of the financial regulator, the reduction in loan repayments, bad loans and restructured debt. Interest income from loans and advances totalled Rs 5.8 Bn during the year, while comprehensive income increased by around Rs 400 Mn.

The lower interest rate environment also reduced the Bank's interest expenses by 39% to Rs. 5.4 Bn during the year. Interest expenses included dues to Savings/depositors of Rs 5.3 Bn, which dropped by 39% from Rs 8.8 Bn in the year under review. Due to the securities-holders and other borrowers remaining without large deviations. As a result of the relatively lower interest expense, the Bank's net interest income rose to Rs 2.8 Bn, compared to Rs 2.3 Bn reported in 2023; this is a 22% improvement over the two periods.

Net fee and commission income experienced a decline due to a reduction in the amount and value of loans granted across the year. The controls in loans granted and stringent controls were required to enhance liquidity, resulting in adequate capital reserves and improved liquidity ratios.

The Bank succeeded in reducing its impairment charges to Rs 278 Mn compared to Rs 467 Mn in 2023; this is the result of a decline in loans granted during the year and an improvement of collections, the Bank's capital reserves underwent improvements, including an uptick in the CET1 ratio to 35.8% by the end of 2023 through the disposal of a treasury bond.



This infusion and retained profits enabled us to maintain a very healthy level of capital reserves, higher than the minimum regulatory threshold. The improved CET1 ratio indicates our ability to absorb losses and reflects a substantial buffer of high-quality capital. Despite the restrictions we faced, our liquidity remains sufficient, as indicated by a capital buffer of over Rs 8 Bn. The Bank's liquidity coverage ratio stood at 223%, above the minimum of 100%. However, we are cognizant of the potential risks that linger with our small capital base and increased exposure to market-sensitive government securities.

By the end of 2023, the Bank's profit before income tax decreased to Rs 63 Mn, a 97% decrease compared to Rs 2 Bn in 2023. The Bank's profit after taxation (PAT) contracted by 115% to Rs (190) Mn compared to Rs 1.3 Bn in the previous year. Moreover, our growth was challenged by unexpected losses from property revaluations, which impacted our bottom line. Moreover, income tax payout compounded this challenge, further impacting the decline in profit. Total assets of the Bank stood at Rs 65 Bn by the end of 2024, compared to Rs 68 Bn in 2023, while liabilities also declined to Rs 57 Bn compared to Rs 59 Bn in the previous year. Net asset value per share was Rs 119 compared to Rs 124 in 2023.

A detailed review of the year's financial capital performance can be read on pages 67 to 73.

BUSINESS SEGMENT PERFORMANCE

- Loan Portfolio and NPL

In 2022, at the height of the economic crisis, the Bank pivoted from corporate loans to an enhanced focus on retail products, ensuring housing loans for low and middle-income individuals. We implemented measures, such as extended repayment periods and default waivers, to assist customers amid economic challenges. Despite these efforts, the non-performing loan (NPL) ratio has remained relatively unchanged, though loans granted after 2020 show a promising NPL rate below 10%; these loans form 50% of our present loan portfolio and reflect a better credit quality.

During the year, we took measures to increase disbursements of gold loans by conducting staff training and increasing promotional activities. This was a continuation from the previous year, which resulted in a significant increase in loan disbursements, from approximately Rs 40-50 Mn monthly disbursements to over Rs 200 Mn. By the end of the year and into early 2025, monthly gold loan disbursements have risen to Rs 250 Mn.

Furthermore, we undertook a root-cause analysis of our loan portfolio to identify vulnerabilities. As a result, we recognised gaps in our microfinance offerings, which led to their discontinuation for the foreseeable future. Moreover, the evaluation helped the Credit Division to refine the loan-granting processes.

Across 2024, we focused strongly on reducing our NPL position, in line with our strategic objectives for the financial year. This was envisioned through recovery and legal measures while focusing on mitigating risks. However, our NPL ratio remained higher than expected at 44%.

Across the operational year, our Business Development Division drove engagement with the public and customers, aiming to expand the portfolio through various campaigns. Moreover, the team deployed personal selling strategies, such as cross-selling, upselling, and direct visits, which resulted in increased volumes despite marketing budget constraints. These efforts resulted in positive trends, particularly in gold, leasing, and personal loans. All these segments were expanded with effective control over all 39 of our branches.

By the end of the financial year, the total loan portfolio amounted to Rs 43.2 Bn, surpassing the outflow of Rs 43.7 Bn in 2023. This includes a substantial proportion in housing loans, with the rest formed by gold loans, staff loans and leasing disbursements. On a collateral basis, housing loans remain the highest, followed by EPF-backed loans and SME loans.

A detailed review of our loan portfolio is provided under Business Performance on pages 39 to 42

ENHANCED CREDIT MANAGEMENT

Our credit department worked diligently and with sheer dedication to enhance the quality of credit and collateral, while refining lending practices and stringently exercising proper controls across the credit management process.

Stringent quality control standards were set in place over the years, but these took on a more adaptive approach as the credit and risk departments intensified their focus on credit quality. Stringent standards were enhanced based on previous criteria, alongside the establishment of new approaches. A primary aspect was a stricter focus on borrowers' repayment capacities.

We placed a strong emphasis on assessing customer payment patterns and residual income for enhancing the quality of loans being granted. Thereby, we ensured that they met a minimum threshold. Through careful consideration, we adopted a dynamic, income-based formula over a fixed debt burden ratio (DBR). This enabled a more personalised approach to assessing customer repayment capacity, character and financial capacity.

FOCUS ON COLLECTION AND RECOVERIES

One major aspect of reducing our NPL position and managing it effectively is a focus on collections and recoveries. In 2024, monthly collections reached between Rs 1.2 Bn and Rs 1.4 Bn, aided by recovery camps where customers met Bank officials for settlements and waived penalties. During the year, we planned



GM/CEO's Message

tailored recovery plans, which included rescheduled loans and specific recovery targets for branch staff.

Direct engagement through client visits also became effective while recovery officers monitored the financial payments of at-risk customers to prevent transition to NPL status. The Bank currently manages numerous legal proceedings with around 25% nearing resolution. Our goal was to reduce the NPL position by Rs 1 Bn, which called for consistent and regular communication with borrowers, mobile reminders and visits. We also streamlined processes between the Relationship Managers and the Recoveries Department to ensure seamless functioning.

- Savings and Deposits

The Bank's total savings/deposit base amounted to Rs 52 Bn, over Rs 53.6 Bn reported in 2023. The total includes Rs 8.8 Bn in savings deposits and Rs 43 Bn in fixed deposits. Savings deposits have increased by over Rs 290 Mn during the year, while fixed deposits have declined by Rs 1.9 Bn. A major portion of our deposits mature within one year (less than 12 months), contributing to the asset-liability mismatch mentioned previously.

A review of the Bank's loan portfolio and deposit base on Business Performance can be accessed on pages on 39 to 42.

FOCUS ON CUSTOMERS

Apart from the concessions outlined above as part of effective recovery efforts, we also provided average interest rates rather than the current rates and waived interest calculations on a case-by-case basis. We endeavoured to support customers who are financially overwhelmed with practical and tailored plans for repayment, including payment deferments and loan tenure extensions. These financial moratoriums were also extended to customers in the tourism and agriculture sectors, as advised by the Government.

The Bank extended relief measures to individuals, especially SMEs. This was mandated by the Central Bank as part of its efforts to restructure debt and support businesses. The Government extended the suspension of the Parate Right Execution till June 2025 to help build debtor businesses instead of seizing assets and exerting further financial pressure.

Our doorstep banking team (palmtop field staff) ensured continued service to hundreds of our customers who face challenges in accessing financial services. The team worked around the clock to collect payments, gather deposits and handle utility bill payments, apart from educating customers on the Bank's financial services. The staff of our 39 branches worked closely with their customers to identify possible lapses in payments and to provide support with the mediation of the credit division. Meanwhile, the credit and risk division worked together to resolve large repayment issues while the business development division conducted various financial awareness and literacy programs. The latter programs included measures to increase awareness among the Bank's immediate community on safeguarding their financial transactions from vulnerabilities and in protecting the confidentiality of their financial information. Please refer to the Social and Relationship Capital management

report on pages 93 to 100 read about value creation for customers.

PRODUCT DEVELOPMENT

The Bank complied with regulatory guidelines on reducing credit facilities provided to borrowers; this prompted a hiatus on long-term credit facilities and the promotion of such products by the Bank. However, our focus veered towards short-term loans, such as gold and personal loans, which carry better profit margins and good credit quality.

Due to their short-term nature and high-quality collateral, the impact on non-repayments or defaults was minimised. Consequently, we launched a new product, 'Gold Expo', which enables customers to purchase gold through a 12-month instalment plan, which grants complete ownership at the end of the credit period. The product exemplifies the Bank's efforts to enhance financial affordability and accessibility.

STRATEGIC HUMAN RESOURCE GROWTH

As part of our restructuring efforts, we have recruited a new Head of Treasury from a leading bank in Sri Lanka. During the year, we also provided various training programs for our team to enhance retention and develop their professional skills as well as their personal attributes. During the year, 111 training programs took place across the Bank network, with 45 internal programs and 66 externally-organised programs. Internal programs included on-the-job training and orientation programs, awareness sessions on information security and special training on recovery, in addition to product training and customer service improvement programs.

External training programs were diverse and included a range of topics and subject matters, including awareness of financial crime, compliance and regulation, legal and regulatory aspects, accounting, reporting and taxation, risk management and cyber security and technology; Moreover, training programs focused on employee development and workplace skills, industry-specific training and procurement and strategy, ESG, green finance and sustainability as well as training on safety and emergency response.

Investments in staff exceeded Rs 1.6 Bn during the year, underscoring our commitment to their financial and professional growth. This included investment in training and development programs to enhance their skills. Salaries and bonus payments took on the majority of our investments to ensure staff remuneration and financial well-being.

Our Human Capital report on pages 78 to 86 provides an in-depth review of how we amplified human resource potential during the year.



DIGITAL ADVANCEMENTS

A new core banking system is slated for implementation in 2024 to enhance operational convenience and management efficiency. This will be based on a model that reduces reliance on physical documents. The new core banking system was entrusted to a leading technology service provider. It will be designed in line with bank's operational framework and requirements by the Central Bank of Sri Lanka (CBSL), which involves standards related to Basel III, leverage, and liquidity, alongside frameworks for Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT).

The new system will offer user-friendly interfaces and provide real-time data access, ensuring streamlined processing, which will help lower operational expenses and elevate customer satisfaction. Moreover, it supports our shift towards digitisation, which will considerably cut down on administrative costs while fostering sustainability.

I am pleased to state that we re-launched our corporate website in 2024, rejuvenated with a new look and feel. The new website has been enhanced with an attractive and engaging website interface and upgraded with new features and functionalities. Customers and the public can access the website for online transactions, which makes our digital services versatile and accessible, with safety embedded into the portal.

FUTURE OPPORTUNITIES AND GOVERNMENT RELATIONS

Our principal objective is to ensure short-term stability, geared towards long-term sustainable growth. This will require us to address negative exposures to short-term assets and long-term liabilities. Encouraging a healthy mix of long-term funding, including deposits from depositors and financial asset investments, will enable us to sustain future financial stability and the health of our balance sheets. Moreover, a diversified funding strategy will enable us to expand the Bank's loan portfolio by extending credit to retail and institutional borrowers.

This will enable us to focus particularly on SME financing and mitigating liquidity risks. Competitive products will also play a central role in building depositor confidence through products such as HDFC Prathilaba. This will require prudent promotional campaigns and efforts to provide competitive rates to depositors. Moreover, investments in stable financial assets, such as government securities, can ensure a steady flow of capital. This approach will also enhance resilience against economic volatility, enabling HDFC to capitalise on emerging opportunities in Sri Lanka's recovering economy while meeting regulatory requirements and delivering value to stakeholders.

ACKNOWLEDGEMENTS

Looking back at the year and the challenges we weathered, I am grateful to all our stakeholders, both internal and external, for their contributions to the Bank's stability. I extend my appreciation to our valued clientele for your continued trust in

the Bank to guide you in your financial needs. To our dedicated staff, I am immensely grateful for exercising due diligence and for supporting the leadership to bravely steer the Bank in the right direction.

I extend my sincerest appreciation to Chairman, Mr P.J.Jayasinghe and the entire Board of Directors and all sub-committees for the strategic guidance provided amidst the year's challenges, especially the highly regulated environment.

I also extend my appreciation to the Governor of the Central Bank for continuing to regulate and administer necessary policies across the financial and banking system, safeguarding the interests of financial institutions and customers.

I am optimistic that through the oversight of the regulator and the prudent work of our leadership, we will be able to steer the Bank towards greater flexibility and stability.



C.R.P. Balasuriya
Acting GM/CEO
DGM- Treasury



BOARD OF DIRECTORS



MR. P. J. JAYASINGHE
(Chairman / Non-Executive,
Independent Director)

MR. P. A. LIONEL
(Non-Executive, Independent
Director)

MR. W. M. ANANDA
(Non-Executive, Independent
Director)

DR. KRISHANTHA PATHIRAJA
(Non-Executive, Independent
Director)





MR. W. N. I. C. FERNANDO
(Non-Executive, Independent
Director)

MR. K. B. WIJAYARATNE
(Non-Executive, Independent
Director)

MR. H. K. K. A. JAYASUNDARA
(Non-Executive, Independent
Director)

MR. A. N. HAPUGALA
(Non-Executive, Independent
Director)



PROFILES OF THE BOARD OF DIRECTORS

MR. P. J. JAYASINGHE

(Chairman / Non-Executive, Independent Director)

Mr. P. J. Jayasinghe was appointed as Chairman / Board Member of the HDFC Bank with effect from 25th October 2024.

Mr. Jayasinghe has served at the renowned state-owned Commercial Bank, the Bank of Ceylon (BOC), from May 1977 to August 2015. By the time of his retirement, he was a Deputy General Manager. As a Key Management Person (KMP) at BOC, he has handled branch banking, overseas branches, corporate credit, recovery, treasury, human resource management, and support service areas and has functioned as Secretary to the Corporate Management Committee, Credit Committee and as a Member of Asset and Liabilities Committee, Trustee Board of BOC Employees' Pension Fund and BOC Employees' Provident Fund. Further, he has covered up the duties of the General Manager. Thereby, he has gained a vast amount of experience in all important areas of the Banking and Finance industry.

He has discharged his duties as an independent non-executive director of four subsidiary/associate companies of the BOC dealing with real estate, property development and hotel industry as the Bank's nominee. He also contributed to the education and professional development of the banking sector over a long period by being a member of the Governing Board of the Institute of Bankers of Sri Lanka.

He served 13 months in the LFC sector as Chairman/ Non-Executive Director of TFC, as invited by the Central Bank of Sri Lanka. He has also carried out CEO functions of the Institute of Bankers of Sri Lanka from July 2017 to 31.12.2018 as the Director General.

He graduated from Sri Jayawardenapura University, securing a B. Com (special) degree. He is an Associate of the Institute of Bankers of Sri Lanka. He also holds a Higher National Diploma in Human Resource Management from the National Institute of Business Management. He has participated in a large number of local and overseas training programmes to expand the horizon of knowledge and skills relating to banking and finance.

MR. P. A. LIONEL

(Non-Executive, Independent Director)

Mr. P. A. Lionel was appointed as a Board Member of the HDFC Bank with effect from 17th September 2021 and retired from the Board on 31st January 2025.

Mr. Lionel was the former Senior Deputy General Manager at the Bank of Ceylon. He joined the Bank of Ceylon in 1983 as a management trainee after graduating from the University of Colombo. He is a career banker with nearly 41 years of experience in banking and financial services. He held the positions of senior Deputy General Manager (treasury, investment and international operation), Deputy General Manager (human resources) and Deputy General Manager (investment banking) of the Bank of Ceylon. He was the Chairman of the investment committee of the Bank of Ceylon from 2011 to 2014.

He received broad experience and extensive training in treasury management and Forex dealing in London from 1988 to 1989. Further, he headed the treasury of Bank of Ceylon Karachi during the period from 1998 to 2001.

He was a member of the Credit Committee and Asset and Liability Management Committee for 10 years and has specialized in cross-border funding and cross-selling of financial instruments. He has 20 years of experience in the primary and secondary market of government securities and has held the position of CEO of the Primary Dealer Unit of BOC.

Under his leadership, the BOC treasury achieved several milestones. There were two issuances of USD 500 Mn bonds each in 2012 and 2013, the first-ever largest international bond issuance by a Sri Lankan bank. The first-ever USD debenture in Sri Lanka and the largest debenture issue for a government institution (UDA) were also structured by him. During that period, he structured several large foreign currency syndicate Loans with several foreign banks to mobilise foreign funds to Sri Lanka.

Mr. Lionel joined the Corporate Management of National Savings Bank in the year 2015 after retiring from BOC, functioning as the Head of the Treasury and the Asset Management Division for three years. Under his guidance, the Treasury and Forex activities of National Savings Bank were set up, showing their presence in the forex market.

Mr. Lionel was the President of the Sri Lanka Forex Association, which is the apex body of forex dealers of local and foreign banks in Sri Lanka in the year 2013 and was instrumental in providing support for the enhancement of the forex market in Sri Lanka. He also held different positions in the association for about ten years and assisted in expanding training and educational opportunities for forex dealers of banks and money brokering companies.

He was a Non-Executive Director on the Boards of Lanka Hospital (Private) Limited and Lanka Diagnostic Limited for nearly six years. He was also a director of Cey Bank Unit Trust, Lanka Securities Limited, Property Development Limited and Kolondeniya Hydro Power project. He was a governing member of the Institute of Bankers, Sri Lanka from 2010 to 2015. He was also a member of a cabinet-appointed Procurement Committee of Ceylon Petroleum Corporation from 2013 to 2015. Presently, he is a member of the Panel of Management appointed by the Monetary Board of Central Bank of Sri Lanka for a distressed finance company. Mr. Lionel obtained his Bachelor of Education Degree from the University of Colombo in 1980.



MR. W. M. ANANDA*(Non-Executive, Independent Director)*

Mr. W. M. Ananda was appointed as a Board Member of the HDFC Bank with effect from 24th February 2021.

Mr. Ananda (Special Grade SLAS Officer) is presently working as the Additional Secretary (Housing & Construction) in the Ministry of Urban Development Constructions and Housing. He started his career as an Assistant Director of Establishments in the Ministry of Public Administration in 1998.

He held many posts as an Assistant Divisional Secretary of Pasbagekorale & Doluwa in Kandy District. He was subsequently attached to the Central Provincial Council and held many posts, such as Assistant Secretary and Cooperative Commissioner of the Central Province. Thereafter, he held Division Secretary posts in Wilgamuwa and Pallepola in Mathale District and Nuwara-Eliya in Nuwara-Eliya District. He has also served as the Secretary to the Uva Provincial Council.

He holds a Bachelor of Science Degree from the University of Peradeniya, a Post Graduate Diploma in Management Studies from the University of Peradeniya, Master of Arts (Sociology) from the University of Kelaniya.

DR. KRISHANTHA PATHIRAJA*(Non-Executive, Independent Director)*

Dr. Krishantha Pathiraja was appointed as a Board Member of the HDFC Bank, with effect from 30th June 2022.

He served as a Consultant and advisor in reputed government and private sector organizations and as Senior Lecturer of the Sri Lanka Police Academy- Katana, Kalutara and Aththidiya and External Member Faculty Board of Social Science and Language faculty at the University of Sabaragamuwa, Sri Lanka.

He is working as a Director / Consultant in well-known Sri Lanka private companies. Also, he was appointed as a Scientific Advisory Board Member to the DK International Research Foundation in Tamilnadu, India on 10th January 2022. He was appointed as the Executive Director of the International American Council for Research and Development (IACRD), USA on 17th December 2022.

Dr. Krishantha specialised in Business Administration, Strategic Management and Information Technology. Dr. Krishantha holds a PhD (Hons) in Business Administration from the Public University of California, and he is a fellow member of the California Public University, USA and a PhD (Hons) in Information Technology from Global Peace University India and PhD (Academic) in Strategic Management from IIC University of Technology in Cambodia. Additionally, he is a Professional Member of the British Computer Society in the UK, The Chartered Institute of Information Communication Technology and a member of the National Computer Centre UK.

Dr. Krishantha Pathiraja is a former Chairman of the Palmyrah Development Board and a former Consultant to the Hon. State Minister of Foreign Affairs, Sri Lanka.

MR. W. N. I. C. FERNANDO*(Non-Executive, Independent Director)*

Mr. W. N. I. C. Fernando was appointed as a Board Member of the HDFC Bank with effect from 25th September 2024.

Mr. Nishan Fernando is a Fellow Chartered Accountant and a Chartered Global Management Accountant with Associate Membership of the Chartered Institute of Management Accountants, UK. He holds a Master's Degree in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura, and is a Graduate of the Sri Lanka Institute of Directors.

He has over 30 years of experience, during which period he has held the position of CFO/ Head of Finance at leading corporates in Sri Lanka. Mr. Nishan is a Past President of the Institute of Chartered Accountants of Sri Lanka. He has served on the International Accounting Education Standards Board of the International Federation of Accountants and its Consultative Advisory Board. He has also served on the Board of the South Asian Federation of Accountants.

He had been representing Sri Lanka in the Asia Oceanian Standard Setters' Group for over ten years and functioned as its Vice Chair and Chair from 2020 - 2023. He had been a Commission Member of the Securities and Exchange Commission of Sri Lanka and also served on the Accounting and Auditing Standards Monitoring Board and Governing Boards of the Postgraduate Institute of Management and the National Institute of Business Management. He has been serving on the Sri Lanka Accounting Standards Committee for over eighteen years and chaired it between 2009 and 2013, during which period Sri Lanka fully converged with IFRS.

He also chaired the SLFRS Implementation and Interpretation Committee of CA Sri Lanka till 2023. He is presently functioning as the Managing Director of BDO Consulting (Private) Limited. He is functioning as a member of the Dispute Resolution Panel of the Colombo Stock Exchange and of the Academic Board of the Management Faculty of the University of Sri Jayewardenepura. He functioned as the Chairman of First Capital Holdings PLC and First Capital Treasuries PLC for nearly 10 years until mid-2024.



Profiles of the Board of Directors

MR. K. B. WIJAYARATNE

(Non-Executive, Independent Director)

Mr. Kithsiri B. Wijayarathna was appointed as a Board Member of the HDFC Bank with effect from 25th September 2024.

Mr. Wijayarathna is a partner at Wijayarathne Associates. Currently, he is the Senior Director of Richard Pieris Finance Limited.

He was the Senior Deputy General Manager of the National Savings Bank and was employed for about 10 years. Further, he was the Head of Finance and Administration at the Trade Union Insurance Company EC in Saudi Arabia for more than 13 years. The company has five branches all over the Kingdom and a head office in Bahrain. Mr. Wijayarathna Counts over 38 years' experience in the Audit and Financial services sector locally and overseas having served in senior management positions at premier financial institutions with extensive experience mainly in the field of Insurance and Banking.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA), a Fellow Member of the Certified Management Accountants of Sri Lanka (FCMA), a Senior Member of the Association of Accounting Technicians of Sri Lanka (FMAAT) and Fellow Member of the Institute of Bankers of Sri Lanka (IBSL). Also, Mr. Wijayarathna is the Management Representative Member of the Executive Council of the Organization of Professional Association (OPA). He holds an Honours Degree in BSc in Business Administration from the University of Sri Jayawardenepura Sri Lanka, and a Diploma in Public Finance and Management (DPFM) from the Sri Lanka Institute of Development Administration (SLIDA).

MR. H. K. K. A. JAYASUNDARA

(Non-Executive, Independent Director)

Mr. H. K. K.A. Jayasundara was appointed as a Board Member of the HDFC Bank with effect from 22nd November 2024.

Mr. Jayasundara is a Special Grade Officer of the Sri Lanka Administrative Service with 24 years of experience in public service. He entered into the Sri Lanka Administrative Service in February 2000. Currently, he is the Commissioner General of Labour of the Department of Labour.

Mr. Jayasundara obtained his Bachelor's Degree in Arts (Political Science-Special) from the University of Colombo, Sri Lanka, in 1996. He has also obtained a Master's Degree in Development Policy from KDI School of Public Policy and Management in Korea. Mr. Jayasundara is also an attorney-at-law of the Supreme Court of Sri Lanka.

Mr. Jayasundara possesses sound knowledge in the field of labour law and in the purview as the Commissioner General of Labour, he practically engages with operationalising labour related legislations such as the EPF Act, Industrial Disputes Act, Wages Boards Ordinance, Shop and Office Employees Act, Payment of Gratuities Act, Termination of Employment Act, Trade Union Ordinance etc...

MR. A. N. HAPUGALA

(Non-Executive, Independent Director)

Mr. A. N. Hapugala was appointed as a Board member of the HDFC Bank with effect from 31st January 2025.

Mr. A. N. Hapugala, Director General, Department of Treasury Operations, Ministry of Finance, Sri Lanka, has served in the public sector for more than thirty years, beginning in 1992 as an Accountant of the Sri Lanka accounting service, including twenty years in the Treasury. Mr. Hapugala holds a Master's Degree in Financial Economics from the University of Colombo and a Bachelor's Degree (B.Sc.) in Management from Sri Jayawardenapura University in Sri Lanka. Additionally, he has obtained two Post-Graduate Diplomas in Accountancy from the University of Sri Jayawardenapura in Sri Lanka and a Diploma in Public Finance Management from the Institute of Development Administration. Further, he is a Member of the Association of Public Finance Accountants from the Institute of Chartered Accountancy of Sri Lanka.



CORPORATE MANAGEMENT



C.R.P. Balasuriya
*Acting General Manager/
CEO & DGM - Treasury*



H.A. Anura
Chief Financial Officer



W.N.D. Botejue
AGM - HR & Admin



K.T.D.D. De Silva
AGM - Legal



W.M.L.R. Wijesundara
AGM-Treasury



A.M. Neelachandra
Chief Manager - IT



I. Nishantha
Chief Manager - Risk Management



Corporate Management



G.P. Priyadarshani
Chief Internal Auditor



R.P.G. Lenora
Compliance Officer



P S Attygalle
Company Secretary

MR. C.R.P. BALASURIYA

Acting General Manager / CEO

Master in Financial and Economics, B Com (Special), MAAT

Date of Appointment - 22nd March 2004

Mr Balasooriya has over 35 years of experience in the banking industry. Mr Balasooriya commenced his banking career at Peoples Merchant Bank in 1988. At Peoples Merchant Bank, he served in several senior managerial positions in Credit, Accounting and Treasury Management, and Corporate Finance. Subsequently, he joined HDFC Bank in 2004. Since then, he has worked in the positions of Accountant- Finance, Accountant - Treasury, Senior Manager Treasury, Chief Manager Treasury, AGM – Treasury and was appointed as DGM – Treasury in 2020 and appointed as acting GM/CEO on 26.09.2024.

During his career, Mr Balasooriya has attended several local and foreign training programs and workshops covering various aspects of banking. He holds a B.com(Special) degree from the University of Sri Jayawardenapura and has read his Master's in Finance and Economics from the University of Colombo. He is also an Associate Member of the AAT Institute of Sri Lanka.

MR. H.A. ANURA

Chief Financial Officer

MBA, PGDM (RJT), B.Sc. Accy (Sp) (USJ), FIPA (Au), FFA(UK), MAAT, Inter. of CA Sri Lanka

Date of Appointment - 01st October 2004

Mr Anura has two and a half decades of work experience in banking, credit, recovery, fund mobilisation, branch operation, accounting, financial management, taxation, auditing, treasury management, compliance, corporate financial reporting and annual reports, budgeting and financial planning. He has attended several local and foreign training programmes in corporate-level management.

He began his career in accounting at BMC and Ceylon Fisheries Corporation in 1996, joined the Regional Development Bank in 1998 and worked in the capacities of Audit/ Executive Officer and Assistant Manager. He subsequently joined HDFC Bank in 2004 as the Manager of the Gampaha branch. From 2007, he also served in the capacities of Accountant Treasury, Accountant Finance and Senior Manager Finance and Chief Manager Finance.

MS. W.N.D. BOTEJUE

Assistant General Manager - HR & Admin

Bsc. Business Administration (Special), CBA (CA Sri Lanka), CBF

Date of Appointment - 01st July 1995

Mrs Botejue holds over 31 years of experience in the private and banking sectors, in the fields of management, finance, and HR, in addition to other disciplines. Before joining HDFC Bank, she worked as an Accountant in the export sector. She joined HDFC Bank in 1995 as a Credit Officer. Since then, she has worked in the positions of Accountant Treasury, Manager Accounts Control, Senior Manager (Human Resources) and Chief Manager (Human Resources & Administration), AGM (Administration) and was appointed as AGM HR & Admin in 2023.

MS. K.T.D.D. DE SILVA

Assistant General Manager – Legal

Attorney-at-Law and Notary Public

Masters in Business Administration (MBA), Masters in Law (LLM)

and Advanced Diploma in Banking Finance and Insurance laws

Date of Appointment - 01st September 1999

Mrs De Silva holds 30 years of experience as an Attorney at-Law and started her HDFC career as a lawyer attached to the legal department in 1999. Thereafter, she was appointed as the Company Secretary in 2006 and was thereafter promoted to the AGM –HR. During the year 2023 she was appointed as AGM - Legal.



MS. W.M.L.R. WIJESUNDARA

AGM - Treasury

MBA, PGDM (USJP), E-MSc (Strategic Management), BSc (Hons) in Finance, Business & Computational Mathematics (UOC), CMA (ANZ) and AIB (SL),

Date of Appointment - 02nd January 2025

Ms. W.M.L.R. Wijesundara is the Assistant General Manager – Treasury, with over 18 years of extensive experience in the banking and finance sector. She holds a Bachelor of Science in Finance, Business & Computational Mathematics (Hons) from the University of Colombo and followed by a Master of Business Administration and Executive MSc in Strategic Management from Asia e University.

She has also completed a Postgraduate Diploma in Management from the University of Sri Jayawardenepura. Ms. Wijesundara's professional credentials include a Diploma in Banking and Finance with the Associateship from the Institute of Bankers of Sri Lanka (IBSL), along with membership in the Institute of Certified Management Accountants. Additionally, she holds a Certificate in Treasury & Foreign Exchange Operations from the Central Bank of Sri Lanka. Her expertise spans treasury operations in money market, bonds and forex in local and foreign markets, payments and settlements expertise, financial management, new system implementation, process automation and Credit operations, making her a key contributor to strategic financial planning and treasury management. Further, her insights are blended with two foreign market exposures on completion of successful tenors at Bank of Ceylon, Chennai and London Branches.

MR. A.M. NEELACHANDRA

Chief Manager - IT

B.Sc, NIBM, CCPSP, PgDip-Information Technology

Date of Appointment – 01st December 1997

Mr Neelachandra has over 26 years of experience as an IT Professional in the Banking and Public Sectors. He has extensive experience in a wide range of UNIX-based systems and has also worked in the Computer and Technology Council for two years.

MR. I. NISHANTHA

Chief Manager - Risk Management

MBS, FMVA, Bsc. Business (sp.), AIB, LICA

Date of Appointment – 26th June 2000

Mr Nishantha is an Associate Member of the Banking Institute of Sri Lanka and has obtained his Master of Business Studies (MBS) degree from the University of Colombo. Recently, he designated as Financial Modelling and Valuation Analyst offered by Corporate Finance Institute based on Canada.

He embarked on his banking career in 2000 by joining HDFC Bank, and over the last twenty-one years has held several positions in recoveries, finance, credit administration and branch operations before being appointed as the Head of Risk Management in December 2011. He played a key role in the new core banking implementation process, which was concluded in 2017.

MS. G.P. PRIYADARSHANI

Chief Internal Auditor

FCA, ACMA, MAAT, Member of IBSL, Master in Economics, BBA (Accountancy) Sp Degree

Date of Appointment – 25 October 2021

Ms. Priyadarshani has over 15 years of experience in the Auditing field. Prior to joining HDFC Bank, she served as Superintendent of Audit in the National Audit Office. In her auditing career, she has experience in Banking Sector, State Owned Enterprises, Government Corporations, and Boards.

MS. R.P.G. LENORA

Compliance Officer

MSc Applied Finance (USJ), PGDM(OUSL), ABE (UK), Dip Bank Integrated Risk Mgt (IBSL), Dip Compliance (IBSL), Adv Dip Credit Mgt (IBSL)

Date of Appointment - 01st August 2024

Ms. R.P.G. Lenora is a highly experienced Compliance Officer with over 23 years of expertise in the banking and finance industry. She holds a Master of Science in Applied Finance from the University of Sri Jayawardenepura and a Postgraduate Diploma in Professional Practice in English. Her professional qualifications also include a Diploma in Bank Integrated Risk Management, an Advanced Diploma in Credit Management, and a Diploma in Compliance from the Institute of Bankers of Sri Lanka (IBSL). Additionally, she has earned a Diploma in Business Management (QCF Level 6) from ABE UK. With a strong academic foundation and extensive practical experience, Ms. Lenora has developed a deep understanding of regulatory frameworks, risk management, and compliance practices essential to the financial sector.

MS. P.S. ATTYGALLE

Company Secretary

ACIS, ACCS, Dip Applied Personal Management, Industrial Law & Relations

Date of Appointment - 03rd June 2024

Ms. P.S. Attygalle is an accomplished Company Secretary with over eight years of experience in the banking and finance sector. She holds a Diploma in Applied Personal Management & Industrial Law/Relations and has earned the Graduateship from The Institute of Chartered Secretaries and Administrators. She is also an Associate Member of both the Institute of Chartered Secretaries and Administrators and the Institute of Chartered Corporate Secretaries of Sri Lanka. With a solid background in corporate governance, regulatory compliance, and organisational administration, Ms. Attygalle has consistently contributed to the effective functioning and legal integrity of the institutions she has served.



HEADS OF DIVISIONS



Mrs. M.R.S. Fernando
Chief Manager - Legal



Mr. W.D. K. Senevirathne
Chief Manager - Recoveries



Mr. T.H.K.P. De Silva
Chief Manager - IS



Mr. D.N. Dharmaratna
Chief Manager - Credit



Mr. H.P.N.I. Vijayapathirana
Chief Manager -
Business Development



Ms. C.P.K. Hewage
Senior Manager - HR



Ms. L.D.S.H. Liyanage
Senior Manager - Payment



Mrs. M.U.S. De Costa
Senior Manager - (Branch
Network & Banking Operations)



Mr. G.D.K.H. Perera
Manager (Deposits and
Business Development)



Mr. B.M.P. Perera
Manager Credit Administration



Mrs. K.H.D. Priyanka
Manager - Marketing



Ms. N.L. Wijesiri
Manager (Technical & Premises
Maintenance)



Ms. J.A.L.K. Jayalath
Unit Manager - Gold Loan



REGIONAL MANAGERS



R.A.J.N. Ranasinghe
Region 01



B.W.M.C. Kumarasiri
Region 02



I.K.Dawatanga
Region 03



H.M.U. Samaraweera
Region 04

BRANCH MANAGERS



Mr. B.G.H.P. Dilshan
Ambalangoda



Mr. J.A.D.A. Rupasinghe
Ampara



Mr. K.M.D.A.U. Perera
Anuradhapura



Mr. D.R.G.D.B.
Jayathilaka
Avisawella



Ms. M.G.D.P.
Seneviratne
Badulla



Mr. L. Jayashankar
Batticaloa



Mr. K.A.A.P.S. Kumara
Ja-Ela



Mr. D.K.P. De Silva
Colombo



Mr. D.S.R. Dissanayake
Dambulla



Mr. H.D.S. Senarathna
Embilipitiya



Mr. T.V.D. Nayanajith
Galle



Ms. W.B.M.A. Fernando
Gampaha



Mr. P.A. Viraj Sampath
Horana



Mr. A.I. Kiriella
Hyde Park



Mr. R.H.M.C. Pradeep
Chilaw



Branch Managers



Ms. S. Suyaniya
Jaffna



Ms. R.S.I. Silva
Kalutara



Mr. R.A.C.S. Pushpa
kumara
Kandy



Mr. K.L.M.P.
Sumanarathna
Kegalle



Mr. H.A.S.L. Hapangama
Peliyagoda



Mr. A.M.U.S.B.
Attanayake
Kuliypitiya



Mr. D.A.N.P.K. Piyadasa
Kurunegala



Mrs. C.A.K. Abeykoon
Matale



Mr. R.L.W.C. Kumara
Matara



Mr. W.A.R.P. Gunarathna
Monaragala



Mr. G.G.N.T. Nilgala
Nikawaratiya



Mrs. S.K.P. Samanthi
Nittambuwa



Ms. A.U.T. Fernando
Nugegoda



Mr. H.H.R.M. Hettige
Nuwara - Eliya



Mr. T.H.M.A. Hewage
Kiribathgoda



Mr. H.N.J. Perera
Piliyandala



Mr. H.R.M. Tharaka
Polonnaruwa



Mr. M.H.D.P.
Chandrathilaka
Rathnapura



Ms. C.P. Atapattu
Tangalle



Mr. M.A.S. Deshapriya
Tissamaharama



Mr. T. Velshkuma
Trincomalee



Mr. N. Parthipan
Vavuniya



Mr. W.A.Y. Soysa
Homagama



Mr. U.P.A.M.S. Passaperuma
Gampola





STRATEGIC REVIEW

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VALUE CREATION MODEL

INPUTS

Financial Capital

- Shareholders Fund
- Deposit Base
- Total Assets
- Borrowings and Debentures
- Investments
- Interest and non-interest income



HUMAN CAPITAL

- Policy Framework
- Performance Evaluation
- Recruitment and Retention
- Competitive Benefits and Remuneration
- Training and Development



INTELLECTUAL CAPITAL

- Organisational Knowledge
- Housing Finance knowledge and processes
- Doorstep Banking
- Unique Products
- Tailored Information Systems



SOCIAL AND RELATIONSHIP CAPITAL

- Multi-channel digital touch-points
- Geographically diverse network
- Retail and Palmtop banking
- Diverse Loan and Deposit products
- Partners
- Diverse Suppliers
- Partnership with institutions
- Focus on developing smallholders and SMEs
- Regulator Relations
- Supporting communities/SMEs
- Development Projects
- CSR



MANUFACTURED CAPITAL

- Branches
- Property, Plant and Equipment
- Tech infrastructure
- ATM network.

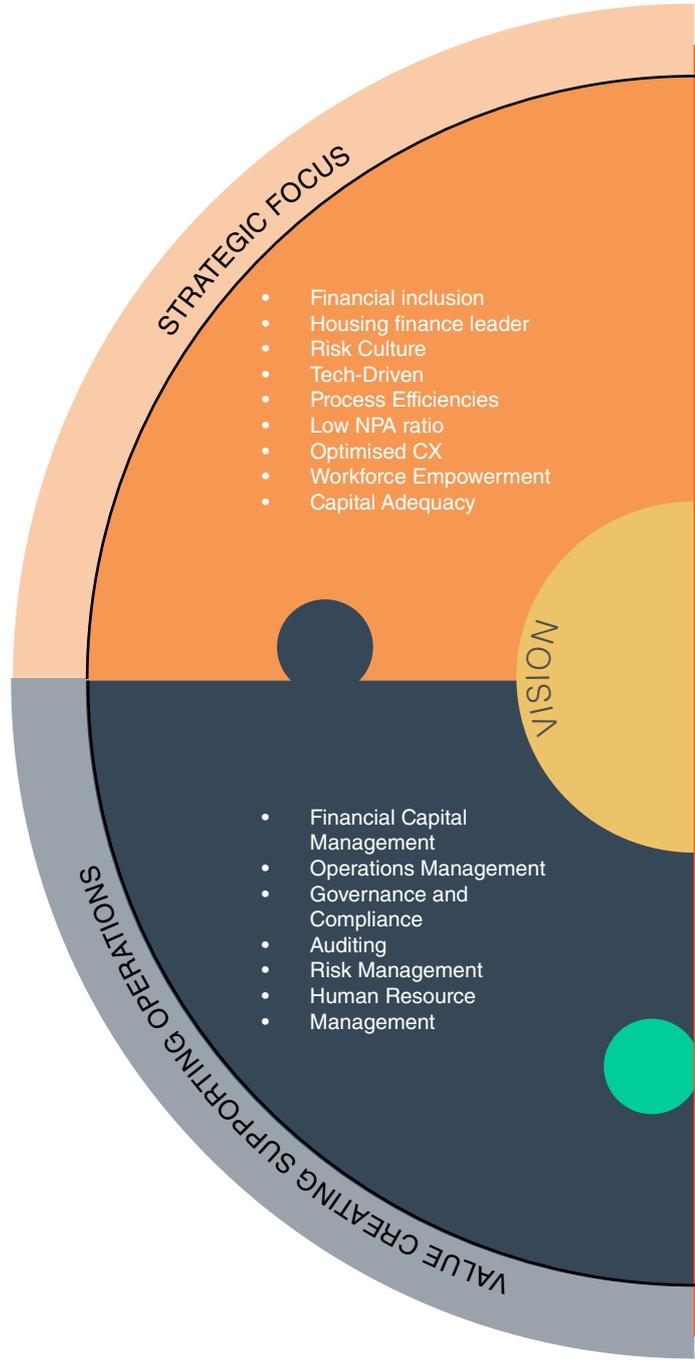


Natural Capital

- Plastic waste recycling
- Renewable energy
- Utilities consumption
- Nurturing nature



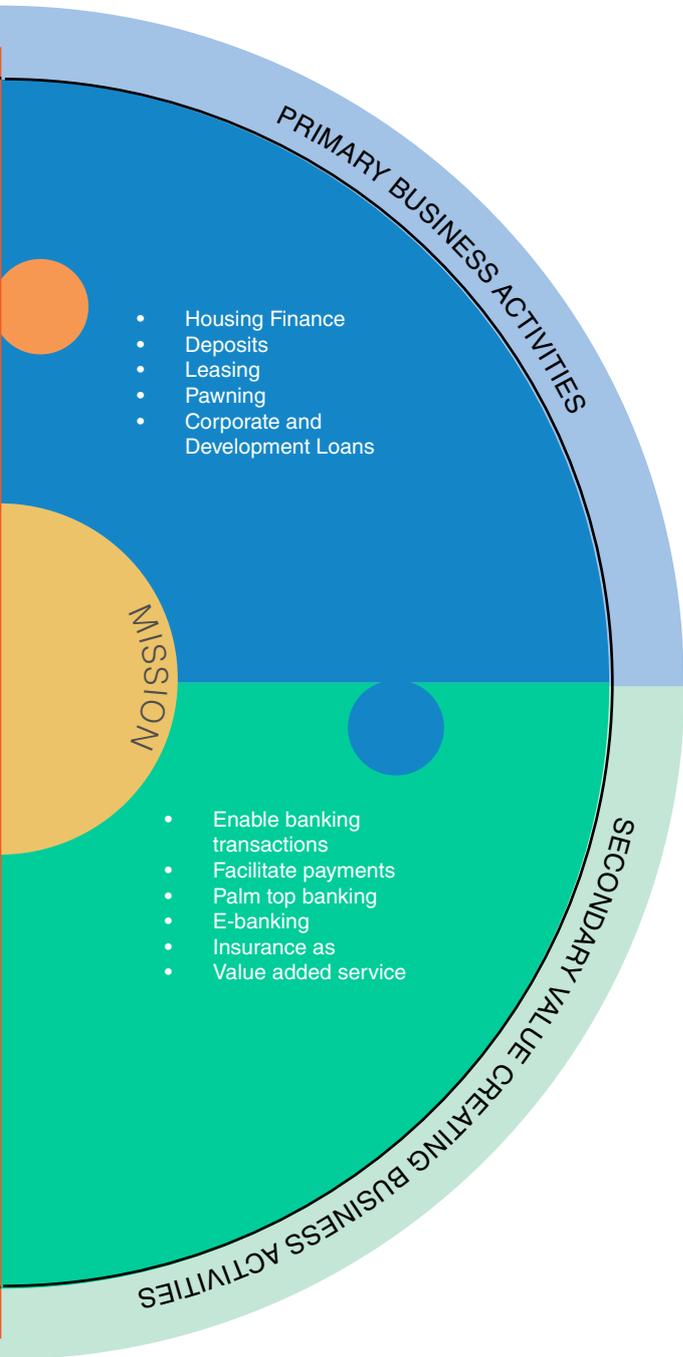
ACTIVITIES THAT CREATE VALUE



EXTERNAL AND REGULATORY ENVIRONMENT



ACTIVITIES THAT CREATE VALUE



RISK MANAGEMENT

DESIRED OUTCOMES

Financial Capital

- Continuous Profitability
- Tax revenue to GOSL
- Adequate capital base
- Good asset quality
- Credit quality

HUMAN CAPITAL

- Training for all employees
- Professional growth
- Advancements and Successes
- Multi-skilling
- Increased productivity
- High retention rate
- Self-driven initiations
- Creative thinking
- Increased knowledge in banking and technology
- Compliance with regulations
- Work with HDFC values
- Focus on Strategic objectives
- Achieve goals

INTELLECTUAL CAPITAL

- New technological solutions
- Diversified products
- Palmtop banking
- Core banking system
- Loan and collection Management solutions
- Brand value

SOCIAL AND RELATIONSHIP CAPITAL

- Financial inclusivity through palmtop banking
- Value-added provisions
- New financial instruments
- Digital banking and mobile services

MANUFACTURED CAPITAL

- Increasing Assets and PPE
- Growing branches and ATMs
- Increasing tech infrastructure

Natural Capital

- Paper recycling and reuse
- Solar energy generation
- Efficient power consumption
- Trees planted



STRATEGIC ASPIRATIONS

STRATEGIC PRIORITIES OF 2024

The strategic priorities of the Bank changed during the year under review; this was necessitated as our internal and external operating environments encountered various challenges, requiring a strategic alignment with the regulatory restrictions, financial allocations, operational strengths and opportunities.

THE STRATEGIC PRIORITIES

Priority	Explanation
1. Improve shareholders' wealth	It became imperative to strengthen the Bank's financial position through prudent financial management, in an effort to increase shareholder returns and bolster the Bank's stability and sustainable economic growth. This is imperative as the Bank continues to be a stable and standalone entity.
2. Bring down the NPL position	The Bank faced high NPL ratios due to borrowers' inability to make repayments. This arose due to the domino effect of the economic downturn, which trickled down to the grassroots. Reduced disposable income and lost employment, poor financial literacy, and over-leveraging by borrowers have aggravated this condition. Difficulties in recoveries, pending legal action against borrowers and regulatory restrictions due to Parate Execution, particularly concerning SMEs, made it challenging to lessen the blows from rising NPLs. Moreover, higher interest rates consequently impact our ability to improve shareholders' wealth (strategic priority 1).
3. Vibrant player in the housing market	HDFC Bank is the only Bank exclusively dedicated to providing housing finance. While other banks do provide housing loans alongside other purposes, HDFC Bank has an exclusive focus on providing housing loans to low and middle-income earners. This will continue to be our focus as mandated by the Bank's Act of Incorporation and as its comparative advantage within the banking sector.
4. Restructure the balance sheet to address maturity mismatches	A well-structured balance sheet is essential for maintaining financial stability, especially in addressing maturity mismatches. Maturity mismatches occur when the duration of liabilities significantly differs from that of assets, potentially leading to liquidity pressures or funding gaps. By restructuring the balance sheet, the organisation aims to align its assets and liabilities more effectively, ensuring that long-term commitments are supported by appropriate funding sources while maintaining flexibility to meet short-term obligations. This strategic approach fosters resilience against market fluctuations, strengthens investor confidence, and enhances overall financial health.
5. Improve credit rating	A strong credit rating is imperative to the Bank's reputation as a specialised licensed bank. It reflects the bank's financial health and enhances trust among stakeholders. The focus will be on fortifying financial and credit practices, enhancing healthy cash flows and maintaining vigilance over the bank's financial and operational performance.
6. Improve Risk based culture	A risk-based culture will emphasise proactive risk management, in line with strategic goals and operational targets. This will require growing education and awareness creation among employees and the management, while embedding risk awareness into core processes of the bank, such as credit and loan management (particularly approvals and credit quality).



APPROACHES TO ACHIEVING THE STRATEGIC PRIORITIES

The following provides a performance overview against each of the Bank's strategic priorities during the year under review.

1. Improve shareholders 'wealth	Approach
	<ul style="list-style-type: none"> Focus on generating revenue through sustainable revenue growth Diversified secondary revenue Capitalise on untapped market potential
Initiatives and Outcomes	
Disposal of treasury bonds	<ul style="list-style-type: none"> CET 1 ratio to 32.53% by the end of 2024, highest among peers in the sector (small-mid-sized)
2. Bring down the NPL position	Approach
	<ul style="list-style-type: none"> Strengthening credit assessment through a stringent evaluation process to reduce defaults Enhance recoveries through faster negotiations and settlements Provide restructured loans to defaulted borrowers Fostering financial literacy among borrowers Identifying potential repayment issues
Initiatives and Outcomes	
Enhanced credit assessment and stringent management	<ul style="list-style-type: none"> Strict borrower evaluations and ratings Centralised loan disbursements for better oversight Enhanced accountability in loan management Proactive measures to evaluate the asset quality of collateral Stringent controls to ensure asset quality and minimise risks
Loan restructuring	<ul style="list-style-type: none"> Discussions and negotiations with borrowers to restructure loans, extend repayment and adjust terms. Rs 5,618 Mn in restructured and rescheduled loans
Write-offs and provisions	<ul style="list-style-type: none"> Rs 278 Mn in impairment provisions
Zero risk-weighted EPF-backed loans	<ul style="list-style-type: none"> Rs 17.75 Bn in EPF loans 44% of the total portfolio of collateral-based loans
3. Vibrant player in the housing market	Approach
	<ul style="list-style-type: none"> Enhance customer experience with streamlined processes Market research to analyse trends and changes in customer requirements Develop tailored financial products, enhancing affordability and inclusivity
Initiatives and Outcomes	
4. Restructure the balance sheet to address maturity mismatches	Approach
	<ul style="list-style-type: none"> Asset liability matching Adequate liquidity reserves
Initiatives and Outcomes	
Diversification of the loan book (reduce concentration on housing loans)	<ul style="list-style-type: none"> Increased focus on short-term loans



Strategic Aspirations

Increased short-term security investments	<ul style="list-style-type: none"> • Reduced stress on liquidity • Marginally increased loan-to-deposit ratio to 77% in the first half of 2024
5. Improve credit rating	Approach
	<ul style="list-style-type: none"> • Enhanced asset quality • Strong capital buffers aligned with regulatory requirements and the financial health of the Bank • Risk management • Governance and compliance
Initiatives and Outcomes	
Capital adequacy ratio aligned with regulatory requirements and the financial health of the Bank	<ul style="list-style-type: none"> • 34.65% CAR
Enhanced risk management	<ul style="list-style-type: none"> • Frequent evaluation of the credit sanction, approval and management processes • Authority levels for loan approvals and evaluations • Integrated credit and risk functions
Enhanced disclosures and regular communication with credit rating agencies	<ul style="list-style-type: none"> • BB+ Fitch Rating affirmed with a stable outlook
6. Improve Risk based culture	Approach
	<ul style="list-style-type: none"> • Promoting risk awareness through training • Comprehensive risk management framework that identifies, assesses and mitigates risks • Encouraging ownership of risk-related actions and pragmatic thinking
Initiatives and Outcomes	
Training programs focused on various aspects of risk management	<ul style="list-style-type: none"> • 14 programs • 107 participants • Staff were inculcated in risk mitigation actions
	<ul style="list-style-type: none"> • Risk management practices are integrated directly into strategic objectives, especially in relation to technological resilience • Business recovery plan • Enhanced focus on cyber risks and operational resilience • Continuous risk alerts • Regular risk assessments to ascertain gaps and areas for improvement • Strengthened credit evaluation process aligned with baseline security standards and more stringent due diligence checks. • Increased focus on high-quality collateral • Enhanced risk reporting with granular reporting on cyber risks, operational risks and credit concentration risks • Overall risk exposures remained well under control despite market fluctuations and operational challenges <p>(Please refer to the risk review for a detailed performance review.)</p>
Enhanced communications	Over 12 BIRMC meetings



BUSINESS PERFORMANCE

In 2024, the Bank manoeuvred in a recovering but challenging macroeconomic landscape. Despite the persistent effects of the economic crisis, we maintained our focus on financing the needs of individuals and SMEs, focusing particularly on housing and short-term loans, such as gold and personal loan products. Regulatory oversight from the Central Bank of Sri Lanka increased operational concerns but ensured stability. The overnight price policy, requirements for capital buffers and adequate liquidity levels became key regulatory impacts during the year. The Bank's deposit mobilisation efforts continued to maintain a solid base of funds, despite a low interest rate environment, higher income tax brackets and higher cost of living, which increased preference for withdrawals.

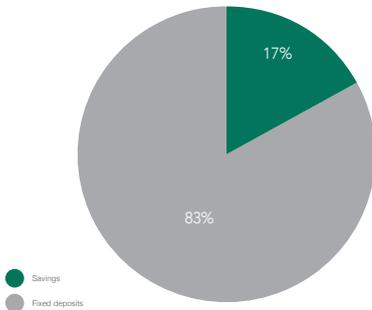
DEPOSITS

The Bank's deposits totalled Rs. 52 Bn at the close of the financial year, 2024, compared to Rs 53.6 Bn reported in the previous year. The slight decline is reflected in the reduction in fixed deposits over the period.

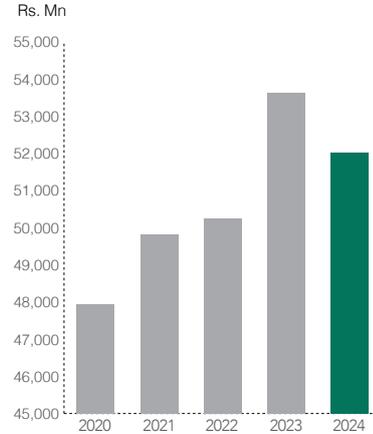
Deposits form a significant base of the Bank's funding, which also helped bolster liquidity levels during the year. Deposits included a majority, which matured within three months, amounting to Rs 19 Bn. This was followed by Rs 16 Bn deposits, which were maturing between 3 and 12 months. The overall nature of contractual maturities enabled the Bank to enhance its liquidity in managing short-term obligations. Many depositors maintained their term deposits with the Bank despite the reduction in policy rates.

Savings deposits, which formed the second highest base in deposits, totalled Rs. 8.8 Bn by the end of the financial year. Fixed deposits totalled Rs 43 Bn for the year 2024. 83% of the total deposit base due to depositors was formed by Fixed Deposits, and 17% was formed by savings deposits. The Bank does not accept any other form of deposit from depositors in line with the Bank's legal and operational mandate.

Deposit Portfolio (2024)



Total Deposit Base



The deposit base has increased in comparison to the Rs 50 Bn recorded in 2022, during a period when depositors enjoyed high interest rates.

DEPOSIT PORTFOLIO (BASED ON TERM)

Period	Total Capital Rs
1 month	12,222,010,604.72
2 months	6,287,610,336.95
6 months	10,534,434,893.00
1 year	5,743,307,890.94
2 years	1,077,208,702.28
3 years	1,240,655,244.37
4 years	4,463,290,921.70
5 years	1,596,473,205.41
	43,164,991,799.37

LOANS AND ADVANCES

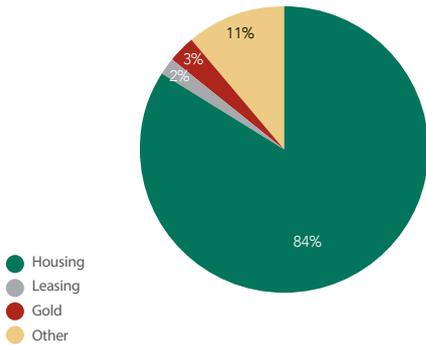
The Bank's loan book recorded an overall total of Rs 43,226 Mn (Rs 43 Bn). The loan portfolio decreased marginally from Rs.43,621 Mn in 2023 to Rs.43,226 Mn. This was a direct result of our strategy of more stringent borrower assessment and



Business Performance

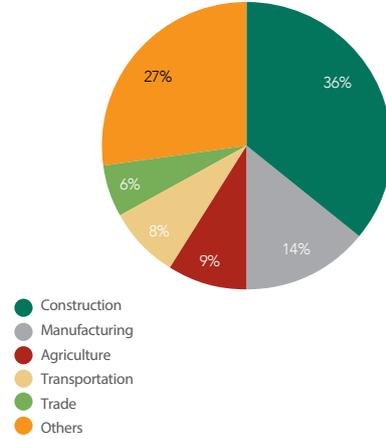
rating of borrowers based on stricter controls on loan approvals to increase credit quality. Moreover, growth in loan portfolio was managed to preserve the Bank's liquidity position amidst reducing interest income and regulatory guidance/directives to enhance bank liquidity position and to ensure adequate capital buffers.

Loan Portfolio Composition (2024)



	2022	2023	2024
Housing	81%	83%	84%
Leasing	2%	2%	2%
Gold	1%	2%	3%
Other	16%	13%	11%

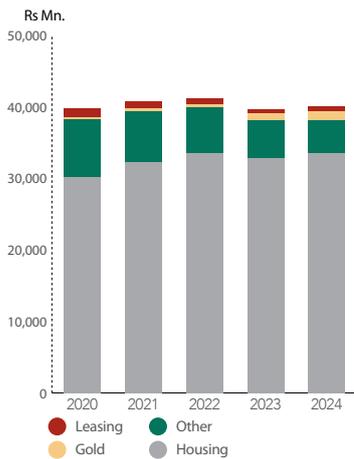
Loans and Advances by Industry



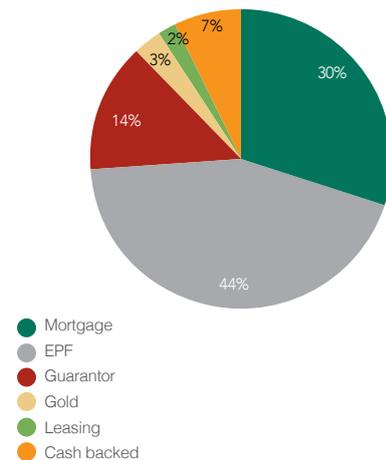
LOAN PORTFOLIO

The total loan portfolio had an aggregated total of Rs 39,942 Mn by the end of the financial year. The overall total is a marginal increase from the previous year's total of Rs 39,627 Mn and reflects the Bank's overall strategy to reduce loan disbursements to preserve capital and liquidity health consciously. Moreover, the prevailing economic environment has made it challenging to secure loan repayments from borrowers, which has resulted in debt restructuring and moratoriums aimed at supporting individuals and businesses that have been affected by the economic downturn.

Loan Portfolio Growth/Composition



Collateral-wise Loan Distribution (2024)



The graph below outlines industry segmentation of the loan portfolio



GOLD LOANS

The Gold loan portfolio saw an increase of 46% to Rs 1.3 Bn during the year. The increase came as a result of concentrated efforts to promote and endorse gold loans to our clientele and the public with the objective of improving the maturity gap. This was executed through regional promotions, social media engagements and branch communications. Gold loans saw one of the highest recorded growths at 46% during the year under review.

EPF-BACKED LOANS

EPF-backed loans granted for housing purposes amounted to Rs 17,753 Mn by the close of the financial year. This is a growth of 17% over 2023. As collateral, EPF forms 44% of the total loan portfolio in the year under review.

LEASING

The portfolio for leasing saw a slight reduction by 7% to Rs. 571 Mn compared to Rs. 613 Mn reported in the previous financial year.

STRENGTHENING THE CREDIT GRANTING PROCESS

The Bank made efforts to enhance the credit-granting process and to ensure credit quality. This purpose was supported by several key measures:

1. Enhanced Quality Standards: We implemented stringent quality standards, based on previous benchmarks and also introduced fresh standards to ensure a more thorough evaluation process.
2. Debt Burden Ratio Strengthening: We strengthened our assessment of borrowers' repayment capacities by honing in on individual debt burden ratios. This entailed a dynamic approach to our calculation formula that adapted to various income slabs over a one-size-fits-all approach. We also factored in the type of collateral when evaluating debt burden.
3. Customer Payment History Analysis: We adopted a strict examination of our customers' repayment patterns, looking at their previous payment trends and behaviours. This enabled the Bank to have more creditworthy customers at the point of customer's on boarding process.
4. Residual Income Evaluation: We established a minimum threshold for residual income, which took into consideration the income left after all loan payments. If a customer's residual income falls below this threshold, the loan is not granted.

MANAGEMENT OF COLLECTION AND RECOVERIES

During the year, we focused significantly on improving collection efforts to reduce the Non-Performing Loan (NPL) volume. Although the NPL ratio cannot be controlled due to stagnant portfolio growth, recoveries witnessed an upswing. Collections averaged between Rs 1,200 Mn to Rs 1,400 Mn per month.

SUPPORTING OUR EXISTING CLIENT BASE

Recognising the challenges posed by the economic climate, we introduced various concessions to support our customers. Measures such as extending repayment periods and offering default waivers were crucial in providing financial relief during difficult times.

Recovery camps have been set up where NPL customers are invited to branches through letters, and penalties are waived for full settlements, facilitating an environment for better recovery outcomes.

The bank has implemented tailored recovery plans that include the following:

- Rescheduling loans to extend payment periods for some customers facing difficulties
- In cases where arrears have accumulated, the repayment terms have been adjusted accordingly.
- Branch staff are allocated specific recovery amounts as part of these plans to ensure focused attention on NPL accounts.
- For loans that have been in default for over two months, branch managers and recovery officers take proactive steps, particularly with accounts that fall into the above 60-days' delinquency bracket and those categorised as high-risk in the watchlist. The strategy entails directly engaging with NPL clients. Moreover, recovery officers are tasked with monitoring customers who default for shorter periods, ensuring they do not escalate into NPL status.
- Additionally, cases governed by the Parate Law have been addressed, with approximately 15 cases settled before litigation; others remain active in the courts, with Parate actions paused from December until March 31.

To address defaults and NPLs, letters and SMS notifications are sent at every recovery step. Relationship Managers (RMs) report directly to the Recoveries department, ensuring a streamlined communication process. Such initiatives underscore the importance of follow-ups and customer engagement as integral components of the recovery strategy.



Business Performance

IMPROVEMENT AND PERFORMANCE

While the overall portfolio has been stable, we noted a lower NPL ratio (below 10%) of loans granted after 2020. This accounts for over 50% of our loan portfolio, indicating a positive trend. Moreover, we sought to stimulate growth in our gold loan portfolio through staff training, resulting in an increase in disbursements from previously low numbers to approximately Rs. 250 Mn monthly.

FUTURE STRATEGIES

We aim to improve credit quality gradually while continuing to grow our portfolio in a controlled manner. Our revised corporate business plan has received board approval, which enables us to explore multiple channels, including branches, head office, mobile banking, and doorstep banking, to promote our loan offerings. We plan to continue to apply the successful strategies from our gold loans to expand our leasing products in the near future. We are optimistic that in the ensuing financial year, our efforts will yield an improved NPL ratio and higher credit quality.



CONNECTING WITH STAKEHOLDERS

HDFC Bank has a profound understanding of its accountability to all stakeholders. Apart from the established stakeholder expectations and benefits, we also understand the need to be transparent and reliable in all matters pertaining to stakeholders.

Engaging with our stakeholders aligns with the communication policy of the Bank and is based on the frequencies of value creation for stakeholders (e.g. loan approvals communicated to customers through digital communication methods). Our communication with each stakeholder group is based on the values of transparency, accessibility, responsiveness and inclusivity, ensuring that we remain reliable and approachable at all times.



Shareholders/Investors

Public Sector Major shareholder (National Housing and Development Authority) 51%
Public individual shareholders – 49%



Customers

Depositor base 52,005 Mn
Credit/borrowers – 43,226 Mn



Employees

494 Employees



Partners and service providers

190 service providers and suppliers
04 institutional partners
4 memberships in professional bodies



Regulators

CBSL
The Government
National Housing Development Authority (NHDA)
Ministry of Finance and Economy
Colombo Stock Exchange
Securities Exchange Commission of Sri Lanka
Chartered Institute of Sri Lanka (CA Sri Lanka)



Community and the Environment

IMPORTANCE OF OUR STAKEHOLDERS

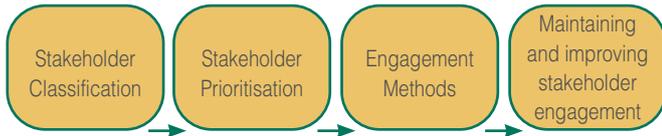
Stakeholders	Shareholders and Investors	Customers	Employees	Partners	Regulators	Community
Reason for Importance (Value of stakeholders to the Bank)	Their ability to infuse financial capital to sustain operations.	Sustaining customers' housing needs remains the purpose of HDFC Bank. Enables business growth and key reason for our expansions. Loans restructured and new schemes were introduced around customer needs.	Central to continued and integrated operations. Their contributions sustain the Bank and its growth.	To obtain services that facilitates bank's functions.	Compliance ensures license to operate.	Social license to operate (acceptance)



Connecting with Stakeholders

ENGAGEMENT PROCESS

We have followed the engagement process demonstrated below, in communicating with our stakeholders. The Bank has established its stakeholders and maintains the above classification, with no new stakeholders being introduced or identified in the year under review.



ENGAGEMENT PRIORITISATION MATRIX

To enhance the effectiveness of stakeholder engagement, HDFC Bank Sri Lanka prioritises stakeholders based on their influence over the bank's operations. This approach enables the bank to customise its strategies, ensuring that the most significant concerns and interests of stakeholders are addressed efficiently.

Stakeholder Influence		Customers Shareholders & Investors
	Keep Informed	Manage Closely
	Community	Employees Regulators Partners
	Monitor	Keep Satisfied
	Stakeholder Interest	

- Rs 3.1 Bn in market capitalisation
- Profitability Rs (191) Mn
- EPS (2.95%)
- Return on Equity (ROE) Rs (2.43) Mn
- BB+ credit rating

KEY EXPECTATIONS

- Sustainable financial performance
- Transparent communication
- Consistent return on investments
- Strategic decisions aligned with long-term growth and value creation

OUR RESPONSE

- Maintaining revenue
- Ensuring profitability
- Ensuring return on investment
- Prudent financial management and investment
- Robust Corporate Governance & Risk Management

Challenges

- Weakened gross profit margin
- Share price volatility
- Asset liability mismatches

Opportunities

- Reduced asset liability mismatches will strengthen financial position
- Enhanced focus on restructuring the balance sheet to result in higher profit margins



SHAREHOLDERS

Shareholders are prioritised based on their inputs to the Bank's stability and growth. The Bank is accountable to its majority state-sector shareholder as well as thousands of private shareholders. By becoming a listed entity, the Bank's shareholder relations broadened and we have maintained open communication with stakeholders and have factored in their feedback, interests and concerns to strategic decisions and operational actions.

STRATEGIC OUTLOOK

- Efforts to reduce asset liability mismatches and restructure the balance sheet. We have taken efforts to reduce the mismatch, anticipating profit margin growth and an enhanced ability to increase revenue from short-term loans and financial services.
- Maintaining adequate capital buffers to ensure the safety of shareholder investments
- Sufficient liquidity to meet short-term obligations
- Short-term security investments were pursued increasingly in 2024



HOW WE ENGAGE



SDG IMPACT



RELATED REPORTS

- Financial capital report
- Financial Notes



CUSTOMERS

Maintaining regular communications with customers, particularly borrowers, is critical to the financial stability and operations of the Bank. As we are entrusted with their financial growth, we have an astute commitment to uphold their right to comprehensive information, regular updates and awareness on product/service possibilities.

- **Rs. 5,043 Mn in interest on deposits**
- **Rs. 5,618 Mn restructured and rescheduled loans**

KEY EXPECTATIONS

- Secure, high return on investments
- Affordable funding for various purposes
- Convenience in accessing and utilising services
- Friendly and reliable customer service
- Good reputation
- Financial stability
- Diverse financial products for investment and savings

OUR RESPONSE

- Attractive market rates
- Various loans for various purposes, with affordable repayment plans based on individual financial capacities
- Personalized loan structures based on payment capacities
- Accessibility through doorstep banking and digital services, i.e. HDFC website
- Financial literacy
- Amongst the first top 100 corporates in Sri Lanka

Challenges

- Regulatory restrictions on diversifying the lending portfolio and increasing lending amounts
- High risk profile makes it challenging to provide loan amounts outside of the threshold
- Funding restrictions to implement advanced technologies

Opportunities

- State backing provides safety to deposits
- HDFC's mission of providing funding to low and middle income earners enables affordable and flexible loans
- Doorstep banking ensures accessibility and provides financial inclusion
- Increased engagement through media initiatives. E.g. draws and competitions that are also rewarding

STRATEGIC OUTLOOK

- Expanding brand network
- Diversified digital channels and enhanced convenience
- Employee training for enhanced customer service
- Product diversifications in lending based on regulatory approval
- More personalized financial solutions based on market need identification and customer research
- Strengthening cyber security for increased transactions and diversified transactions through our website.

HOW WE ENGAGE



Connecting with Stakeholders

SDG IMPACT



RELATED CAPITAL REPORT

- Human Capital
- Social and Relationship Capital



EMPLOYEES

Ensuring employee satisfaction involves a highly focused approach to employee development. At HDFC Bank, we ensure that employees receive all possible avenues for professional growth and career succession. Moreover, we ensure that their tenure is remunerated through competitive financial benefits, which will further enhance their retention, productivity and organisational satisfaction.

- Rs 1,646 Mn in employee financial remuneration
- Comprehensive training schedule expedited with Rs 4 Mn investment
- More female staff members working in senior leadership positions

KEY EXPECTATIONS

- Enhanced employee value proposition
- Opportunities for career and professional advancements
- Job security and economic growth
- Fair and equitable treatment from peers and higher management
- Collective bargaining
- Work autonomy

OUR RESPONSE

- Ongoing training programs
- Transparent communication channels and multiple engagement methods
- Provide competitive salary and benefits
- Ensure equal opportunity and non-discrimination
- Ensure job security and career growth
- Rewards and recognition for performance aligned with KPIs
- Establish channels for open communication, and Employee motivation through engagement activities
- Flexible working environment
- Creating a safe workspace
- Complying with applicable labour laws
- Ensuring that employee rights are safeguarded
- Professional and sustainable relationship with the CBEU
- Financial and non-financial benefits, such as medical screening

Challenges

- Concern on employee migration
- Less scope for expanding experience on financial technologies

Opportunities

- Increased training and development programs
- Job security and financial growth
- Access to succession and career growth
- Benefits on par with the industry
- More work-life balance and flexible working environment

STRATEGIC OUTLOOK

- Increased leadership development programs and built a pipeline of leaders to provide leadership
- Mentorships for career growth
- Training to equip advanced digital skills and an efficient work ethic
- 360-degree feedback mechanism
- Strongly maintain a culture of accountability and risk consciousness



HOW WE ENGAGE



SDG IMPACT



RELATED CAPITAL REPORT

- Human Capital



PARTNERS

The Bank works with several partners, which provide support to our mission in providing affordable financing and financial services. Many of our strategic partnerships are based on expanding access to financial services in line with regulatory commitments and stakeholder expectations.

- 47 new service providers during the year
- Rs 26 Mn in payments to suppliers and vendors

KEY EXPECTATIONS

Timely payment, ethical and transparent business practices, financial stability, and regulatory compliance

OUR RESPONSE

- Exploring mutual interests with institutions
- Providing opportunities to local vendors and service providers aligned with state-mandated procurement guidelines
- Timely payment within pre-determined standards and conditions
- Transparent communication and reliable information exchanges
- Objective and fair treatment
- Professional and financial services obtained from institutions with industry credibility and good reputations

Challenges

- Financial constraints and economic volatilities impact partnerships
- Dependency on third-parties for technological adoptions

Opportunities

- Enhancing digital partnerships to facilitate increased digital services/transactions
- Collaborative opportunities with institutional partners and industry bodies

STRATEGIC OUTLOOK

- Enhance communication and relationship building
- Increased collaborations with institutional partners
- Adopt an enhanced supplier screening process which prioritises social and environmental sustainability standards
- Reviewing individual contractual agreements and making amendments for mutual benefits

HOW WE ENGAGE



Connecting with Stakeholders

SDG IMPACT



RELATED CAPITAL REPORT

- Social and Relationship capital - Partners



REGULATORS AND STATE AUTHORITIES

The Bank is committed to its duty towards the country's regulatory authorities, including the Central Bank of Sri Lanka (CBSL) and its majority shareholder, the National Housing Development Authority (NHDA) and the Ministry of Finance and Economy.

Moreover, the Bank also adheres to the listing rules and regulations of the Colombo Stock Exchange and the Securities Exchange Commission of Sri Lanka; we have also adopted financial, corporate and governance regulations set forth by the Chartered Institute of Sri Lanka (CA Sri Lanka).

- Capital adequacy ratio – well-above the statutory minimum
- Rs 606 Mn in Government Taxes
- No penalties incurred
- A decrease in loans approved due to CBSL restrictions on lending

KEY EXPECTATIONS

- Full compliance with rules and regulations
- Working with accountability and integrity
- Maintaining financial transparency and full disclosure of developments and performance

OUR RESPONSE

- Actively monitoring the regulatory landscape to ensure compliance
- Adhering to laws and regulations to avoid penalties and ensure stability
- Upholding regulations and changes to promote industry growth and reinforce stakeholder confidence and the long-term confidence of public and private shareholders.
- Enhanced risk management, particularly in credit management
- Enhanced governance practices in line with changes to the Banking
- Timely tax submissions and disclosures

- Timely submission of interim and annual financial reports and audited financial statements

Challenges

- Stringent compliance requirements due to the high-risk profile
- Macroeconomic pressures that impact capital and credit management
- Regulatory mandates on technological adoption

Opportunities

- Favourable regulatory environment to align with national priorities for housing and SME financing
- Policy support for digitalisation
- Sustainability

STRATEGIC OUTLOOK

- Enhancing governance in line with applicable regulatory changes
- Assessing the effectiveness of risk controls, particularly in relation to Credit Process, technological improvements and financial products
- Improving the quality of reporting through detailed reports focused on ESG.
- Aligning internal controls to adopt and implement changes to financial regulations

HOW WE ENGAGE



SDG IMPACT



RELATED CAPITAL REPORT

- Social and Relationship capital - Regulators
- Corporate governance report
- Compliance status





COMMUNITY AND ENVIRONMENT

Engaging with the community and safeguarding the environment is important to the Bank in obtaining social acceptance.

KEY EXPECTATIONS

- Financial inclusion and environmental impact reduction

OUR RESPONSE

- Providing affordable housing finance to low- and middle-income borrowers
- Financial literacy to individuals/businesses with limited knowledge, particularly in managing credit and avoiding overleveraging.
- Financial services to people with limited access to financial services
- Loan restructuring to avoid being blacklisted

Challenges

- Funding restrictions limit our capacity to organise community development projects

Opportunities

- Doorstep banking can enable widespread financial inclusion and accessibility
- Financial literacy to low and middle income earners/ borrowers
- Products such as Kedella and Shrama Udana loans for EPF members empower underserved/ marginalized groups
- Scope for reducing operational impacts on the environment

STRATEGIC OUTLOOK

- Initiate a strategy that focuses primarily on social and environmental sustainability
- Enhance financial literacy initiatives
- Allocate funding for community development projects, based on the bank's financial health and working capital position.
- Allocate funds for green initiatives, including green bonds
- Embed environmental sustainability and consciousness into employee and stakeholder mindsets through awareness programs
- Integrate sustainability practices into Bank processes, particularly in relation to energy, water and resource management
- Take granular approaches to minimising the Bank's impact on the environment

HOW WE ENGAGE

Website

Digital financial literacy

Social media campaigns

Print communications (vacancies, importance notices and regulatory changes)

SDG IMPACT



RELATED CAPITAL REPORT

- Social and Relationship capital – Customers and Community
- Natural Capital – Contributions to minimising the Bank's impact on the environment



MATERIALITY ASSESSMENT

MATERIALITY

As a financial institution, the Bank encounters various material matters which impact its ability to create economic value for all stakeholders. The dynamic developments of the external environment and the challenges that emerge from the internal work environment, coupled with stakeholder expectations, create a myriad of aspects that have a direct impact on the organisation's ability to operate effectively and consistently. In essence, these topics are aspects that are relevant to stakeholders and the bank's performance.

How we assessed our material topics in 2024

- **Identify**

15 topics established for 2024

Inputs - Engagements with stakeholders (pages 43 to 49), Board and Sub-Committee reviews and discussions (pages 175 to 193), Risk review (pages 159 to 170), Macroeconomic environment (pages 63 to 66) and assessment of the internal operating environment (pages 63 to 66).

- **Prioritise – Prioritising significant impacts/topics/issues**

Material topics 1, 9, 10 and 15 prioritised during the year, due to regulatory requirements and focus on financial performance

- **Integrate**

Material concerns of 2024 integrated with our strategic priorities

- **Evaluate**

Customer Survey
Employee Satisfaction Survey
IT assessments
Risk reviews/assessments (BIRMC meetings)

- **Manage and Report**

Capital Management Reports within the 2024 Annual Report aptly demonstrate how we addressed all material topics.

THE PROCESS

Identify

We identified our potential material topics based on already established ones; however, we continued to consider stakeholder inputs (page 43 to 49 stakeholder engagement) and analysis of the external environment (operating environment on page 63 to 66) in reviewing topics that were most pertinent to the Bank's performance in line with the six strategic priorities (Strategic Priorities page 34 to 61).

Prioritise

We have prioritised certain topics based on their relevance to stakeholders and the Bank in the year under review.

Integrate

Material topics have been integrated into our strategic planning and operations. As a result, they have been embedded into our strategic priorities, action plans and processes.

Evaluate

The effectiveness of these approaches was evaluated at regular management and staff meetings and Board discussions. Board subcommittees have also assessed how these issues/topics have been addressed.

All departments prepare and provide reports to the Board and the relevant leadership personnel to evaluate the progress of key material aspects. (E.g. financial performance is reviewed periodically by the senior management through prudent and timely reporting by the finance/accounting department)

Manage and Report

The Board and the Management have taken relevant actions to enhance the effectiveness of plans and planned approaches.

The progress of these material topics can be observed within the capital management reports within this annual report, for the year 2024. Moreover, the outcomes of our management approaches have been made known to each stakeholder of the bank (both internal and external)



MATERIAL TOPICS OF 2024

The following material issues have been categorised in relation to the 'Bank' or relevant 'Stakeholder' group.

High priority for Regulators and the Bank

FINANCIAL STRENGTH, STABILITY AND GROWTH (REDEFINED TOPIC)			
As a state-backed financial institution, HDFC Bank is has a regulatory and legal obligation to maintain financial stability, particularly during a period when state-owned enterprises (SOEs) are being restructured and optimised for effectiveness. As a publicly traded company, we are also responsible to our private shareholders for delivering financial growth that enhances their investment returns.			
Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Revenue growth Enhanced profit margin Diversified investments Addressing maturity mismatches Prudent management and reduction of NPLS Enhanced credit rating 	<ul style="list-style-type: none"> Improve shareholders' wealth Bring down the NPL position Restructure the balance sheet to address maturity mismatches Improve credit rating 	<ul style="list-style-type: none"> Financial capital - Shareholders and investors Social and relationship capital - Regulators and State Authorities 	<ul style="list-style-type: none"> Strength CAR Common Equity Tire 01 -32.53% Total Tire 01 Capital – 33.66% Total Capital -34.65% Performance Revenue - 8507 Profit - (191)
Stability	Liquidity Coverage Ratio - 223%		
Related SDGs	 		

INFRASTRUCTURE INVESTMENT			
The Bank has taken a cautious and slow approach to capital expenditures, as the Bank is obligated to maintain sufficient capital buffers. Any significant infrastructure developments, including branch expansions, will severely limit our capital buffers, which will add strain on the Bank's financial health. In 2023, we met our capital obligations by fulfilling the minimum regulatory capital requirement of Rs 7.5 Bn.			
Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Investment in technological infrastructure Asset maintenance and optimised usage Procurement/development projects based on a structured bidding/ tender process, which requires prudence and extensive planning before expenditures 	<ul style="list-style-type: none"> Not related to the year's strategic focus; Nevertheless, we continued to make necessary asset optimisations and incurred expenditures on property and equipment. 	<ul style="list-style-type: none"> Employees Customers Manufactured capital 	
Related SDGs	 		



Materiality Assessment

DIGITAL ADVANCEMENTS

We continue to adopt digital services and resources that enhance customer convenience and the Bank's agility in providing services. These advancements are also related to internal work efficiencies and productivity, enabling our employees to work effectively with digitalised processes and digitised resources.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Improved and increased digital communication tools Advanced digital solutions to increase agility and better functionality of online/digital platforms 	<ul style="list-style-type: none"> Not related to the year's strategic focus; Nevertheless, we continued to optimise tech resilience while enhancing efficiencies and digital channels. 	<ul style="list-style-type: none"> Employees Customers - Social capital Intellectual capital 	<ul style="list-style-type: none"> Core banking system upgrade (planning stage) Website relaunch New WhatsApp business account
Related SDGs <div style="display: flex; gap: 10px;">    </div>			

INCLUSIVE AND INNOVATIVE PRODUCT DIVERSIFICATION

We strive to make our financial products (deposits and loans) more relevant and tailored to a wide range of client needs. We have embedded financial inclusion into our product development initiatives while balancing the interests of the Bank and its stakeholders.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Products that reduced maturity mismatches (Short-term loan products, e.g. gold loans) Inclusive products that address the needs of all communities Tailored loan restructuring Long-term investment and savings products Low market interest rates Affordable interest schemes and repayment plans are aligned with individual payment abilities 	<ul style="list-style-type: none"> Vibrant player in the housing market 	<ul style="list-style-type: none"> Customers - Social capital 	<ul style="list-style-type: none"> One new short-term loan product was introduced in 2024 (Gold Loan) Improved financial inclusion through tailored loans and debt restructurings Rs 11,768 Mn in loans granted in 2024
Related SDGs <div style="display: flex; gap: 10px;">    </div>			



ENHANCED ACCESSIBILITY TO SERVICES

Enhancing our channels and increasing ways of accessing our services is an integral part of our mission. We work to reach as many individuals from the grassroots level and up through personal doorstep banking, town storming and digital channels. Moreover, we place importance on training employees to improve their customer service while adopting convenient functions and tools to provide efficient turnarounds.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Doorstep banking service Enhanced employee training on service Enhanced website with improved user interface and features 	<ul style="list-style-type: none"> Vibrant player in the housing market 	<ul style="list-style-type: none"> Customers - Social capital Employees - Human capital 	<ul style="list-style-type: none"> Website relaunched with increased and improved feature functionalities Doorstep services are carried out across the island with limited branch accessibility No branches were closed during the year, ensuring year-round service

Related SDGs



SAFEGUARDING CONSUMER RIGHTS

Protecting consumer rights in the financial services industry is essential due to its sensitive nature. With the rise of digital services, risks such as cyber threats and network issues can jeopardise customer data. To address this, necessary measures have been implemented to safeguard customers' interests and ensure the security of their financial information. Moreover, our recovery mechanisms focus on safeguarding borrower interests even at times of prolonged defaults. We strive to provide optimal benefits to borrowers, ensuring that their financial constraints are given due consideration.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Regulatory compliance with consumer rights and protection guidelines Fair and timely solutions for grievances by debtors We emphasise to our staff clear communication of services and loan terms. Reliable compliant resolution Enhancements in cybersecurity and IT Programs on safe online banking and financial scams 	<ul style="list-style-type: none"> Not related to the year's strategic focus; however, we took measures to reduce the financial burden on our clients with loans and financial constraints. Moreover, we conducted initiatives to educate them on safeguarding their financial interests and information. 	<ul style="list-style-type: none"> Customers - Social capital 	<ul style="list-style-type: none"> Multiple programs to create awareness on safeguarding financial information and safe transactions Enhanced IT governance and resilience

Related SDGs



Materiality Assessment

COMPREHENSIVE EMPLOYEE VALUE PROPOSITION

A comprehensive employee value proposition (EVP) is crucial for attracting, retaining, and empowering a skilled workforce. It represents the organisation's commitment to creating a supportive and inclusive work environment, ensuring employees feel valued and motivated. By addressing training, rights, safety, and diversity, the EVP supports employees' professional and personal development while reinforcing organisational success.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Comprehensive training Employee rights and collective bargaining Employee health and safety Diversity and equality Work-life balance 	<p>Not associated with our 2024 strategic priorities; however, we place strategic importance on HRM – creating elevated value for our staff.</p>	<ul style="list-style-type: none"> Employees – Human capital (Refer to Risk Review for a detailed narration on our Risk Management approach.) 	<ul style="list-style-type: none"> Improved retention from 88.3% in 2023 to 96.1% in 2024 14 recruitments Succession planning and leadership development Increased investments in training and development Staff emerged as the winners of the inter-bank six-a-side cricket tournament

Related SDGs



PRUDENT RISK MANAGEMENT HIGH PRIORITY FOR REGULATORS AND THE BANK

Effective risk management is crucial for organisational resilience and sustainable growth. In the financial sector, this requires transparent processes, accountability, and adherence to high ethical standards. By fostering responsible practices, institutions can enhance stakeholder trust and bolster their reputation.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Improving the risk management mechanism through regular assessments Educating employees through training programs on risk awareness and management Transparent and accountable credit evaluation and approval Anti-money laundering initiatives Responsible lending and managing NPLs IT governance and bolstered security 	<ul style="list-style-type: none"> Improve risk-based culture Bring down the NPL position Improve credit rating 	<p>Employees - Human capital</p>	<ul style="list-style-type: none"> Bolstered risk management framework Enhanced focus on cyber risks New protocols for business recovery Ongoing work on disaster recovery and business continuity More detailed reporting Regular risk assessments Training programs on various aspects related to risk

Related SDGs



GOVERNANCE AND COMPLIANCE: HIGH PRIORITY FOR REGULATORS AND THE BANK

Governance and compliance are fundamental pillars that ensure our stability within the banking sector. Accountability to governance and compliance assures our ability to create value for shareholders, customers, regulators and partners through ethical banking and transparent conduct. It is vital to reduce non-compliance risks and to raise the level of integrity placed on our brand.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Compliance with new governance regulations for the banking sector Controlled lending and reduction in loans granted due to regulatory guidance Risk and credit management are integrated with oversight through the Risk Department and the Credit Division 	<ul style="list-style-type: none"> Improved credit rating Better credit asset quality 	<ul style="list-style-type: none"> Regulators and state authorities - Social and relationship capital Employees - Human capital (Refer to the Corporate Governance report for a detailed narration on governance framework and status on compliances) 	<ul style="list-style-type: none"> Enhanced risk assessment and a robust integrated credit and risk management approach New company secretary tasked with ensuring governance and compliance Zero non-compliances Enhanced credit management process

Related SDGs



BUSINESS CONTINUITY: HIGH PRIORITY FOR THE BANK

Succession planning and disaster recovery are critical components of how we ensure operational continuity and business resilience. These strategies ensure continuity in leadership, even during unforeseen circumstances, and by proactively identifying future leaders and establishing robust recovery mechanisms, the bank safeguards its long-term stability and growth.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Leadership skill development /mentoring Management trainee program in the pipeline Disaster recovery plan Selective recruitment 	<ul style="list-style-type: none"> Not related to the year's priorities, but this was strengthened through a focus on creating a pipeline of prospective leaders. 	<ul style="list-style-type: none"> Employees - Human capital 	<ul style="list-style-type: none"> Training programs Business continuity plan

Related SDGs



Materiality Assessment

ENHANCED COMMUNICATION AND BETTER STAKEHOLDER ENGAGEMENT

For HDFC Bank, these principles are integral to fostering trust among stakeholders. Despite being a relatively small bank, we strive to emphasise quality stakeholder engagements and value creation, realising that numerous small but well-implemented approaches can make a big impact in their lives.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Enhanced communication through social media Employee training programs and regular communications Formal supplier screening process/bidding-based selections and need-based interactions Regular reporting to regulatory authorities and rectifications to align with requirements 	<ul style="list-style-type: none"> Not related to the year's priorities. 	<ul style="list-style-type: none"> External stakeholders - social capital Employees - Human capital 	<ul style="list-style-type: none"> Please refer to the relevant capital reports to understand value creation for stakeholders.

Related SDGs



COMMUNITY DEVELOPMENT AND DEVELOPMENT FINANCE

As a specialised housing bank, it is our mission to support communities and individuals in pursuing sustainable living. Not only our customers, but we also reach the public to promote our inclusive products and educate them on how our services can be accessed.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Financial literacy and education to stop overleveraging credit obtained, and better financial management Restructured loans to provide financial relief Financial inclusion through doorstep banking for those with physical limitations and financial unawareness Social equity through access to financial services, including persons and MSMEs with financially constrained livelihoods 	<ul style="list-style-type: none"> No related priorities, but the above is embedded into our mission - providing affordable, inclusive and tailored credit plans to customers with acceptable collateral. 	<ul style="list-style-type: none"> Community - Social capital Customers - Social capital 	<ul style="list-style-type: none"> Outreach activities on a branch level
Related SDGs	 		

ENVIRONMENTAL SUSTAINABILITY AND ACCOUNTABILITY

We have grasped the strong connection between economic growth and environmental stewardship, which is increasingly evident in a world that faces climate-related adversities. As a medium-sized state sector bank with limited funding and a low to middle-income customer profile, we have taken a cautious approach to this cause, as we focused on fulfilling our financial obligations to stakeholders. Nevertheless, we have taken small but important steps to increase environmental consciousness and to manage the impact on the environment.

Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> Waste and energy management Energy management Green funding 	<ul style="list-style-type: none"> Not strategically prioritised during 2024, however, we have integrated measures into operations. 	<ul style="list-style-type: none"> Community - Social and relationship capital Natural capital 	<ul style="list-style-type: none"> Renewable energy powers the Hyde Park branch Optimal branch network of 39 and stagnant expansions keeps our carbon footprint in control
Related SDGs	   		



Materiality Assessment

MACRO-ECONOMIC FACTORS: HIGH PRIORITY FOR THE BANK			
Monitoring macroeconomic developments, including key statistics and daily occurrences, is imperative to analysing their impact on the bank's financial performance and their impact on our stakeholders.			
Approach	Related Strategic Priorities	Related Stakeholders and Capitals	Key Highlights
<ul style="list-style-type: none"> We prioritise financial services (deposit mobilisation and lending) based on national economic policies and regulatory requisites that change sporadically. Providing reduced market lending rates to borrowers, providing financial relief to those with repayment constraints. Promoting deposits and savings Direct communications with the Central Bank of Sri Lanka, ensuring prompt compliance with policy changes and guidelines 	<ul style="list-style-type: none"> Improve shareholders' wealth 	<ul style="list-style-type: none"> Regulators and state authorities - Social and Relationship capital Shareholders - Financial capital Customers - Social and Relationship capital Employees - Human capital 	<ul style="list-style-type: none"> Introduced the single policy interest rate (Overnight Policy Rate - OPR) set at 8% in November by CBSL. This simplified the monetary policy framework. Statutory reserve ratio 2% (reduced in August of 2023 and maintained in 2024), which enabled increased market liquidity, which helped the downward adjustment of lending rates. Deflationary environment and stabilised market lending rates External sector improvements also supported monetary policy easing
Related SDGs   			

Changes in comparison to 2023 reporting on Materiality

- Employee-related material topics considered under 'Comprehensive Employee Value Proposition'
- Energy and water management, and Waste management are considered under 'Environmental Sustainability'.
- Anti-money laundering initiatives and Responsible lending and managing NPLs are considered under 'Prudent Risk Management'
- Improved reporting on materiality



INTEGRATING SUSTAINABILITY

SUSTAINABILITY DASHBOARD (UN SDGS)

Driven by social sustainability and financial inclusion, we are committed to advancing the UN Sustainable Development Goals (SDGs). Our operations are inherently interlinked with certain goals within the agenda, which focuses on the economic empowerment of financially underserved individuals, SMEs and communities. Inadvertently, we focus on poverty reduction and fostering equitable financial development of our customers while extending our services to the broader community.

The Sustainable Development Goals

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Doorstep banking for financially underserved customers	√																
2. Investments in digital channels									√								
3. Enhanced digital banking safety protocols									√								
4. Debt moratoriums	√							√									
5. Financial literacy initiatives				√				√									
6. Proper waste management mechanisms								√					√		√		
7. Clean energy generation							√										
8. More females in leadership roles				√						√							
9. Equal opportunities for career and economic growth								√		√							
10. Increased investment in staff training				√	√			√		√							
11. Inclusive and Tailored Credit Facilities to Low and Middle-Income Customers	√							√		√							
12. Adherence to guidelines by regulators and the State												√				√	√
13. Low physical footprint													√		√		

1. DOORSTEP BANKING FOR FINANCIALLY UNDERSERVED CUSTOMERS

We provide our customers with doorstep banking, taking our services closer to those with issues in physical and digital accessibility. Customers can leverage a number of services, including loan payments, utility bill settlements and deposits. Information and product awareness are made accessible through the palmtop banking team, which expedites doorstep banking from rural villages to city locales.



2. INVESTMENTS IN DIGITAL CHANNELS

In recent years, we have invested funds to enhance our digital infrastructure, services and channels to deliver accessible banking services; this includes upgrading our website, revamping our online banking portal and integrations with third-party service providers, such as Just Pay. We encourage our customers to embrace these advanced digital channels to ensure better accessibility to all our services.



3. ENHANCED DIGITAL BANKING SAFETY PROTOCOLS

The bank adheres to the Central Bank's Baseline Security Standards to mitigate cyber threats and ensure compliance with Know Your Customer (KYC) requirements to prevent financial crimes. Safety measures also ensure data security and customer privacy, ensuring secure transactions over online/digital mediums. Our partnership with JustPay has enabled safe mobile transactions through Lanka Pay's highly secure and advanced data security standards. These help promote trust and accessibility and support resilient infrastructure and inclusive innovation.

These measures foster a secure digital banking environment, promoting trust and accessibility in financial services, which supports resilient infrastructure and inclusive innovation.



Integrating Sustainability

4. DEBT MORATORIUMS

Each year, since the pandemic and the economic crisis, the Bank has offered debt moratoriums to thousands of customers, which has surpassed. Done under the supervision of the Central Bank and through a case-by-case customer approach, this has enabled us to support several key Sustainable Development Goals. Moratoriums include debt restructuring, concessions and increased payment periods that offer relief to customers facing financial hardships and poverty. This reflects the Bank's commitment to compassionate banking, ensuring financial resilience for vulnerable populations.



5. FINANCIAL LITERACY INITIATIVES

By educating customers on financial products and responsible borrowing, the bank empowers individuals to make informed financial decisions. These initiatives align with economic inclusion and support sustainable livelihoods, particularly for underserved communities. The bank utilised its online communication mediums and social media, to create awareness among customers and the general public on proper and safe conduct of digital/online financial transactions.



6. PROPER WASTE MANAGEMENT MECHANISMS

The Bank has committed to ensuring proper waste management, particularly plastics. This advocates responsible consumption and disposal amongst employees and by the surrounding communities and is promoted through plastic collection hubs across multiple locations. Waste collection hubs have been installed in collaboration with a third-party recycling firm, promoting partnerships to achieve sustainable waste management practices. The Bank also disposes of its e-waste responsibly through a service provider which recycles such equipment and devices. All these endeavours support minimised environmental impacts and promote sustainable practices within Bank offices and among stakeholders.



7. CLEAN ENERGY GENERATION

We have made a modest contribution to SDG 7 (Affordable and Clean Energy) by generating solar-powered energy at our branch in Hyde Park Corner and 2 other branches. This enables us to minimise branch carbon outputs by adopting renewable energy, and requires replication among the Bank's other 36

branches, but remains constricted due to budgetary limitations. Nevertheless, it has reduced our reliance on fossil fuels and aligns with environmental stewardship. In the future, we aim to explore partnerships with renewable energy providers for cost optimisations. Moreover, we will be focusing on green financing in the coming year to facilitate sustainability-related projects related to individual housing or institutional projects.



8. MORE FEMALES IN LEADERSHIP ROLES

The Bank promotes SDG 5 (Gender Equality) by fostering female leadership, as evidenced by former female Chairpersons and existing female peers working in higher management positions. The bank's inclusive policies create opportunities for women to excel in leadership roles, advancing gender equality and empowering women in the financial sector.



9. EQUAL OPPORTUNITIES FOR CAREER AND ECONOMIC GROWTH

The Bank has taken strides to reduce inequalities by providing equal opportunities for career and economic growth to all employees, irrespective of their social backgrounds. The Bank also has effective procedures in place to address workplace harassment, discrimination and other concerns. A grievance handling and whistle blowing policy ensure a safe and supportive work environment for all 494 staff members.



10. INCREASED INVESTMENT IN STAFF TRAINING

The Bank has invested in the professional and skill development of staff, ensuring increased opportunities for training programs and learning. Apart from the usual training schedule, the Bank encourages staff to undertake relevant higher studies and provides an honorarium to cover educational expenses.



11. INCLUSIVE AND TAILORED CREDIT FACILITIES TO LOW AND MIDDLE-INCOME CUSTOMERS

By offering inclusive and tailored loan repayment structures, the Bank supports SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities). Products, such as Kedella Housing Loan and Shrama Udana, cater to diverse housing needs, enabling affordable financing, promoting sustainable communities (SDG 11), financial inclusion and economic empowerment. The Kedella Housing Loan, supported by the National Housing Development Authority, facilitates homeownership, fostering sustainable communities and improving living standards for low-income families.

The Bank’s objective is to provide financial services, including affordable financing, to those with less financial means. This has enabled us to contribute to reducing poverty and SDG 8 (Decent Work and Economic Growth) by providing credit facilities to low and middle-income customers. Schemes, such as the Sirisara Loan for home appliances and furniture, also ensure access to essential financing and social stability for underserved populations.



We proactively commit to enhancing our contributions to the SDGs to accelerate progress, adopting even more ambitious initiatives. Our long-term aim is to make a bold and strong commitment to climate action, incorporating international agreements ratified by Sri Lanka. The path will not be linear and taken as an individual entity. Our focus is to partner with other stakeholder organisations to ensure an ecosystem of sustainable development goals.

12. ADHERENCE TO GUIDELINES BY REGULATORS AND THE STATE

The Bank contributes to SDG 16 (Peace, Justice, and Strong Institutions) by ensuring compliance with Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) regulations. Through KYC processes and adherence to Central Bank standards, the bank prevents illicit financial activities, promoting transparent and accountable financial systems. Moreover, the Bank has contributed to SDG 16 (Peace, Justice and Strong Institutions) by steadfastly adhering to regulatory guidelines set by the CBSL and other state authorities: these encompass governance directives, financial and accounting standards, risk management requirements, adequate capital buffers and liquidity to safeguard stakeholder interests and depositor funds.



13. LOW PHYSICAL FOOTPRINT

Our low-branch network has enabled us to maintain a minimal environmental footprint and control increases in substantial carbon emissions. Although it is not a complete solution to achieving environmental sustainability, it has helped us to reduce our operational impacts, optimise existing infrastructure and pursue energy-efficient practices. Our branch footprint is one of the lowest among banks in the country.



MANAGEMENT DISCUSSION & ANALYSIS



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OPERATING CONTEXT

MACRO OPERATING ENVIRONMENT

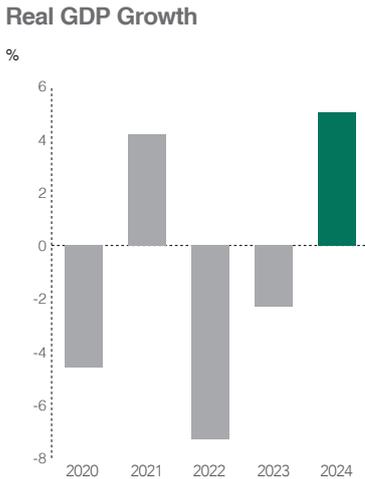
2024 saw some exceptional changes occurring within our operating environment; this included local macroeconomic developments, especially within the banking and finance sector, and global trends with direct or indirect concerns.

KEY IMPACTS

- Rebounding Sri Lankan economic environment
- Regulatory requirements on capital and liquidity
- Interest rate reduction and overnight policy rate (OPR)
- Reduced disposable income despite disinflation
- Improved demand for credit from the private sector

SRI LANKAN MACRO ENVIRONMENT

- The Economy



Source: Annual Economic Review, Central Bank of Sri Lanka, 2024
The nation surpassed expectations as it rebounded from the economic downturn with a growth of 5% in 2024. This was driven mainly by industry activities, including manufacturing and construction. The country witnessed deflation driven by low energy prices, an accommodative monetary policy and an increase in net foreign exchange inflows

The country achieved a primary balance surplus for two years, which underlines the country's improving trajectory. Economic recovery was bolstered through the IMF-EFF program and near-complete external debt restructuring. Moreover, improved fiscal performance, especially revenue collection, also enabled economic stability in 2024.

Despite a widening in the trade deficit due to higher imports (12.1% increase), the external current account recorded a surplus for two consecutive years, including 2024. This is due to increased tourism earnings, improvement in service exports, and a growth in foreign remittances contributed to the surplus. Exports increased to USD 12.7 Bn in 2024, surpassing USD 11.9 Bn from 2023.

Workers' remittances increased during the year by 10.1% to USD 6.6 Bn while Gross Official Reserves increased to USD 6.1 Bn, surpassing the reserves in 2023 (USD 4.4 Bn). The exchange rate also shows an appreciation of 10.7% in 2024 against the USD.

- Social Indicators (Financial Inclusion)

The 2024 Annual Economic Review from the Central Bank of Sri Lanka offers some insightful yet provisional data on the country's financial infrastructure. About banking density, there are 17 branches per 100,000 Sri Lankans. Moreover, there are 9081 credit cards in use per 100,000 persons. The report also notes that there are 33 ATMs, CRMs and CDMs for every 100,000 people within the island.

- Environment and Finance

CBSL completed five years of its sustainable finance roadmap and agreed with the International Finance Corporation (IFC) in 2024 for another five-year term. The updated roadmap will be launched in 2025, which will emphasise the social sustainability aspect.

Furthermore, CBSL participated in various knowledge-sharing and capability-building programs to promote and enhance sustainable financing, address climate-related financial risks. The regulator also maintained its collaborations with local think tanks and corporate sector chambers to elevate sustainable finance. Approaches such as these enable CBSL to monitor adherence by financial institutions and conduct evaluations for future improvements.

- Credit Rating

In 2025, at the time of compiling this report, Fitch Ratings upgraded the national ratings of 10 banks after a scale recalibration. As a result, 10 banks, including HDFC Bank, received the status of having a stable outlook due to their creditworthiness. Simultaneously, Fitch Ratings affirmed the National Long-Term Ratings of five Sri Lankan banks.

Fitch Ratings undertook this recalibration based on recent improvements in the nation's financial conditions, allowing for a sovereign credit rating upgrade of CCC+. The change reflects the country's underlying financial health and provides positive sentiments for the nation's bankers.

- Credit to the private sector

Credit to the private banking sector by Licensed Specialised Banks expanded by Rs 27.9 Bn amidst the single rate policy and reduced rate environment. LSBS.



Operating Context

BANKING SECTOR

The banking sector comprised 30 licensed banks, which included 24 Licensed Commercial Banks (LCBs) and 6 Licensed Specialised Banks (LSBs). The overall banking outlets and ATMs increased to 7613 and 7286, respectively. LCBs also include 11 foreign banks.

Category	2024	2023
Bank branches and other outlets (LCB and LSB)	7,613	7,521
ATMs	7,286	6,942
Licensed specialised bank outlets (LSB)	706	705

Assets of the sector accounted for nearly 62% of the financial sector's assets. Assets reached Rs 22.2 Tn by the end of the calendar year, with an increase of Rs 1781 Bn. Total assets of LSBs stood at Rs 2.4 Bn, which is a growth of 6.6%. Profitability of the sector improved in 2024, attributed to higher net interest income and reversal of impairment charges due to ISB restructuring.

The movement of interest rates within the banking sector was as follows:

AWSR witnessed a decline from 15.33% to 12.48% in 2024, indicating reduced rates on savings accounts due to the sector's response to the Central Bank's monetary policy easing. CBSL slashed policy rates from 9% to 8.25% in September 2024.

The average interest rates provided on new savings deposits also fell from 14.96% to 11.59%, indicating the probable causes of lower demand for new savings accounts amidst reduced market rates and encouraged lending.

The AWPR of Licensed Commercial Banks offered to prime customers reduced in response to the Overnight Policy Rate (OPR) introduced in November 2024. This was an effort to boost economic activity following the economic crisis of the two previous years.

The Average Weighted Lending Rate (AWLR), which indicates the average interest charged on all loans (existing and new), declined from 14.21% to 11.93% during the year, indicating a slower pass-through of reduced policy rates to existing loans.

Cost of new borrowing, as indicated by the AwnlR, declined from 14.38% to 10.77%, reflecting the reduced interest for new loans to attract more borrowers to stimulate economic activity.

KEY RATE MOVEMENTS

- A 50-basis point reduction in March 2024 (SDFR 8.50% and SLFR 9.50%)
- Introduction of the overnight policy rate at 8% in November 2024. SDFR was set at 7.50% while SLFR was set at 8.50%.

POLICIES/REGULATIONS

The following were key measures introduced by the Central Bank to licensed banks during 2024.

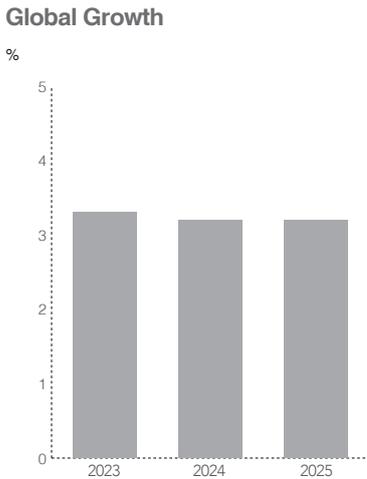
- Directions on "Large Exposures of Licensed Banks" were issued, effective from 1st January 2026, to mitigate credit concentration risks and ensure banking sector stability.
- A Circular on "Guidelines for Business Revival Units" was issued to support economic recovery by restructuring Post-COVID-19 Revival Units into Business Revival Units, addressing impaired assets and macroeconomic challenges.
- A Determination on "Statutory Liquidity Ratios" replaced the Statutory Liquid Assets Ratio (SLAR) with Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to align with modern liquidity standards.
- Directions on Offshore Banking Business were issued to facilitate offshore operations, specifying authorised businesses, eligible customers, and permitted transactions, while revoking prior offshore banking orders.
- Regulations on licensing, shareholder suitability, bank ownership, governance, audits, large exposures, related party transactions, and offshore banking.
- Amendments to Basel III Capital Requirements assigned a 20% risk weight to exposures guaranteed by the National Credit Guarantee Institution Limited (NCGIL) and included NCGIL in the list of financial institutions.
- Directions on "Corporate Governance" were issued to enhance board composition, independence, subcommittee effectiveness, risk oversight, and related party transaction monitoring.
- Banking Act Determination to specify licensed banks for accommodation granted to related parties
- Gazette Notification on outlined approved limits for accommodations granted by licensed banks to their related parties.
- Circular on SME Relief Measures introduced for Small and Medium Enterprises (SMEs) impacted by the Easter Sunday attack, the COVID-19 pandemic, and recent macroeconomic challenges. Measures agreed upon by the Sri Lanka Banks' Association (Guarantee) Ltd.
- In 2024, CBSL took strong action towards enhancing financial consumer protection. This was exemplified through the enforcement of Financial Consumer Protection regulations during the year, which will be the blueprint for fairness, transparency and accountability in financial services, ensuring consumers' access to clear and accurate information.

In 2024, Sri Lanka's Parate Execution Law, which allows banks to seize and sell borrowers' property without court approval to recover unpaid loans, faced significant controversy amid the country's economic recovery efforts. On February 8, 2024, the government suspended the law for nine months until December 15, 2024, responding to pressure from small businesses and individuals struggling financially, with the aim of reviewing and potentially reforming it to balance lender and borrower interests as part of IMF-backed economic stabilisation measures.



However, after the suspension expired, the law was reportedly reinstated by late 2024, sparking renewed criticism from opponents who called it harsh and inhumane, while supporters in the banking sector defended its role in maintaining financial discipline; as of April 7, 2025, debates continue without clear evidence of permanent changes, reflecting ongoing tensions over debt recovery policies.

GLOBAL ENVIRONMENT



Source: IMF, World Economic Outlook, October, 2024

Global economic growth stood steady at 3.2% in 2024, which shows a consistent growth compared to 2023 and 2025.

In April 2024, the IMF projected inflation to decelerate to 5.9%, compared to 6.9% in 2023. Over the past two years, central banks worldwide significantly raised policy rates to tackle inflation. Amidst this, global growth has remained steady while some have experienced slowdowns. Moreover, recent developments have weakened housing channels in several countries. Since the global financial crisis and during the pandemic, the increased use of fixed-rate mortgages, stricter regulatory loan-to-value (LTV) limits, and population shifts to less supply-constrained areas have reduced the impact of monetary policy on housing markets. However, rising house prices in already-overvalued markets and growing household debt in some regions counteract these trends, amplifying monetary policy effects.

HOW WE MANAGE OUR RESOURCES TO MATCH THE ENVIRONMENT

SWOT ANALYSIS

The following summarises the capabilities of our operations and the Bank’s resources and highlights our strengths and weaknesses, as well as opportunities and threats. It serves as a map of our potential for growth and capacity to capitalise on potential opportunities.

Strengths

- A housing bank mandated by an Act of parliament
- Government is the majority shareholder (51%)
- Strong Public Private Partnership
- A leading EPF backed housing loan provider
- Low capital adequacy requirement for a housing bank

Weaknesses

- High Maturity/Rate Mismatch
- Maximum authorized capital limitation imposed by the HDFC Act
- High Financial cost of funds-lower level of CASA
- Lack of sales-oriented culture and marketing force

Opportunities

- Huge untapped EPF backed housing loan market
- Growing financial needs for lifestyle requirements
- Increased opportunity to cater to short term financial requirements
- Increased opportunity for lending due to structural shifting from agriculture to services and industries
- Green Finance & Sustainable Financing Opportunities

Threats

- Intense competition in the Housing Finance Market
- Lack of long-term low-cost funding sources
- Shrinkage of disposable Income leading to lower credit affordability
- Uncertainty due to potential mergers and acquisitions
- Cyber Security risks
- Increase in Government taxations, shrinking bottom lines
- Disruptive Technologies, demands high cost and commitment



Our Operating Context

CAPITALISING ON STRENGTHS AND OPPORTUNITIES AND MINIMISING WEAKNESSES AND THREATS

The following provides an overview of how the Bank can leverage its strengths and opportunities while minimising or reversing its weaknesses and threats to achieve its strategic imperatives.

SWOT

- A housing bank mandated by an Act of Parliament
- Government is the majority shareholder (51%)
- Strong Public Private Partnership (PPP)
- A leading EPF-backed housing loan provider
- Low capital adequacy requirement for a housing bank

- High Maturity/Rate Mismatch
- Maximum authorised capital limitation imposed by the HDFC Act
- High Financial cost of funds and a lower level of CASA
- Lack of sales-oriented culture and marketing force

- Huge untapped EPF-backed housing loan market
- Growing financial needs for lifestyle requirements
- Increased opportunity to cater to short-term financial requirements
- Increased opportunity for lending due to structural shifting from agriculture to services and industries
- Green Finance & Sustainable Financing Opportunities

- Intense competition in the Housing Finance Market
- Lack of long-term low-cost funding sources
- Shrinkage of disposable Income leading to lower credit affordability
- Uncertainty due to potential mergers and acquisitions
- Cybersecurity risks
- Increase in Government taxation, shrinking bottom lines
- Disruptive Technologies demand high cost and commitment

Our Approach

- Promote the mandate and government backing to build trust, be different from competitors and attract low-risk borrowers,
- Leverage government support to secure funding and credibility to attract customers.
- Collaborations with private entities to access funding, expertise and innovative technologies.
- Promote affordable housing loans backed by EPF to capture a larger market share.
- Utilise low capital requirement for more resource allocation towards loan disbursement, digital transformations and customer acquisition to maximise returns.

- Use Asset-Liability management to match loans and funding tenures and capitalise on public-private partnerships to improve liquidity.
- Advocate for Act amendments; issue preference shares; attract PPP equity. Use low capital adequacy to fund loans and operations efficiently.
- Promote digital banking and partner with fintechs to promote deposits and promote EPF-linked accounts.
- Implement CRM and analytics, enhance sales and customer service training with incentives and conduct digital marketing campaigns. Moreover, use PPPs for tech expertise.

- Expand EPF-backed loans with competitive rates. Market them as secure and affordable options through digital campaigns and EPF partnerships.
- Introduce personal loans and credit products for lifestyle needs, bundled with housing loans for cross-selling.
- Offer short-term loans (e.g., microloans, overdrafts) with quick approvals via digital platforms.
- Develop tailored loan products for service and industrial sector workers.
- Launch green home loans for energy-efficient housing and sustainable projects. Partner with international agencies for green funding and certifications.

- Provide competitive EPF-backed loan rates and green finance products. Enhance customer experience with digital platforms and personalised offerings.
- Secure long-term funding from multilateral agencies or government schemes and issue bonds.



FINANCIAL CAPITAL



Effective financial capital and financial management are central to the Bank’s stability and sustained growth. It involves the strategic allocation and management of financial resources to maintain operational efficiency, comply with regulations and enable long-term growth. For the Bank, this entails managing adequate capital buffers, liquidity and risk while optimising shareholder wealth and safeguarding their investments.

2024 HIGHLIGHTS

- 223% Liquidity Coverage Ratio
- 128% Net Stable Funding Ratio

THE VALUE DELIVERED

Managing financial capital prudently, in adherence to statutory protocols, enables us to sustain growth, and ensure sustainable banking practices to meet strategic goals. It enables the Bank to maximise its retained funds while perpetuating long-term value creation for stakeholders.

STAKEHOLDERS IMPACTED



VALUE CREATED

Gross income Rs 8.5 Bn	Interest Income Rs 8.2 Bn
Equity Base Rs 7.7 Bn	Retained Profit Rs 5.9 Bn

HOW WE ENHANCED FINANCIAL CAPITAL

- Compliance with regulatory liquidity requirements.
- Addressing balance sheet concerns and asset-liability maturity mismatches
- A focus on reducing liabilities, particularly short-term
- Maintaining transparent financial management and reporting.
- Allocating investments across debt instruments, government securities, and other financial tools.

LIMITATION

- Low-interest income due to low rate policy
- Reduction in loans granted due to liquidity concerns
- Long-term asset and liability maturity mismatch

OPPORTUNITIES

- Lower interest expenses through single rate policy
- A focus on short-term loans to enhance revenue and asset quality of collaterals
- Diversified financial asset portfolio with long maturity periods



Financial Capital

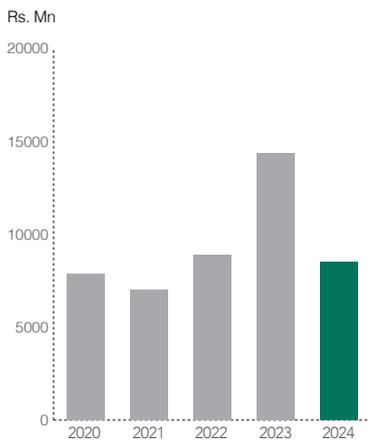
CONTRIBUTION TO UN SDGS

Goal	How we contributed
	Effective financial management promotes stability, ensuring the safety of deposits for clients, ensuring job safety and safeguarding investor capital.

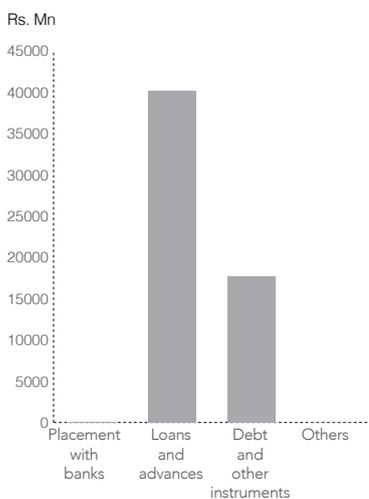
REVENUE COMPONENTS

The year under review witnessed the reduction of our Gross Income by 40.6% to Rs 8.5 Bn. A combination of factors resulted in this reduction, including reduced interest income and decelerated growth in fee and commission income. Net fee and commission income dropped to Rs 330 Mn from Rs 353 Mn reported in 2023. Despite undergoing a substantial reduction compared to 2023, the income has fallen in line with that of 2022, when high interest rates created an upward trend in interest income.

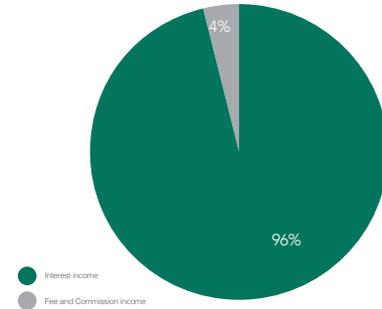
Gross Income



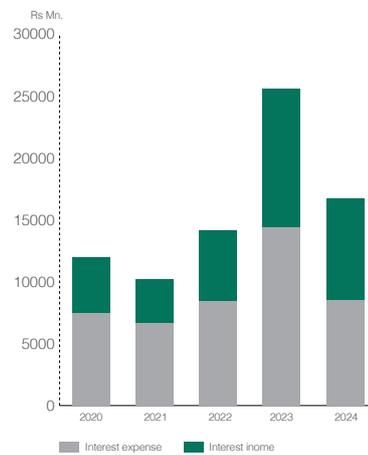
Interest Income Composition



Interest Income vs Non-Interest Income



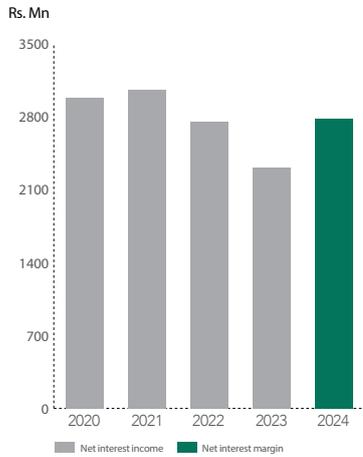
Interest Income vs Interest Expenses



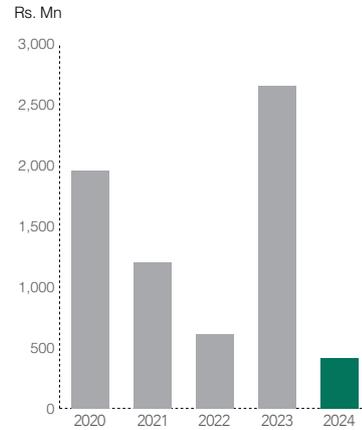
Net interest income increased 20.3% to Rs 2.8 Bn compared to Rs 2.3 Bn in 2023; this is the direct result of a 39% drop in interest expenses, which somewhat offset the 27% reduction in interest income. These were the twin effects of a low interest rate policy adopted by the financial regulator to stimulate economic growth, which impacted both interest income from loans and dues to depositors. Interest income dropped drastically due to the low interest rate environment, decreasing to Rs. 8.2 Bn from Rs 11.2 Bn reported in 2023. The higher interest rate environment in 2023 boded well for the Bank in ensuring financial stability despite suffering a reduction in the financial year under review.



Net Interest Income



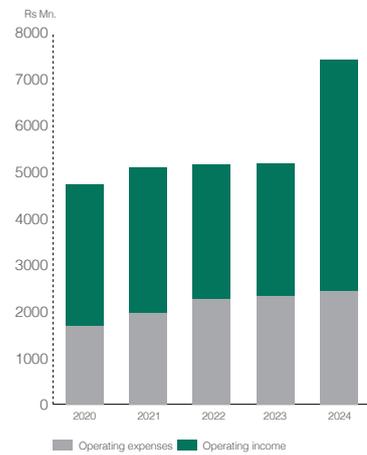
Operating Profit



OPERATING INCOME, EXPENSES AND PROFIT

During the year under review, operating income exceeded operating expenses by Rs 2.3 Bn. Total Operating Income dropped to Rs 3.1 Bn in comparison to Rs 5.4 Bn from 2023. Net operating income stood at Rs 2.8 Bn for the financial year, a reduction from Rs 4.9 Bn in 2023.

Operating Income vs Operating Expenses



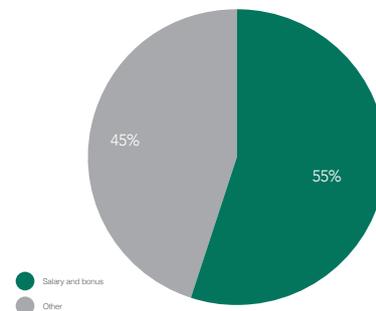
As a result, operating profit was recorded as Rs 412 Mn for 2024. This is still lower than the Rs 2.6 Bn in operating profit achieved in 2023.

OPERATING EXPENSES

Operating expenses for the year under review increased moderately to Rs 2.4 Bn compared to Rs 2.3 Bn in the year under review. This is a 4% increase from the previous year and is a result of increased personnel expenses and other operating expenses. Personnel expenses form the majority of operating expenses at 68%; this is followed by 25% of other expenses and 7% of depreciation and amortisation expenses.

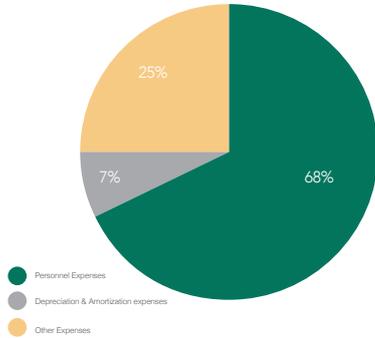
Personnel expenses increased by 4% during 2024 to Rs 1.6 Bn. This was primarily due to a 21% increase in salary and bonuses of Rs 1.1 Bn, which underlines the Bank's commitment to proper remuneration and allocations for ETF and EPF. Other expenses increased by 7.6% to Rs 609 Mn, driven by several line items, including computer licensing. The reduction in income resulted in a lower income tax expense for the year under review. We disbursed Rs 602 Mn in taxes for 2024, after a provision of Rs 52 Mn from the previous financial year.

Personnel Expenses

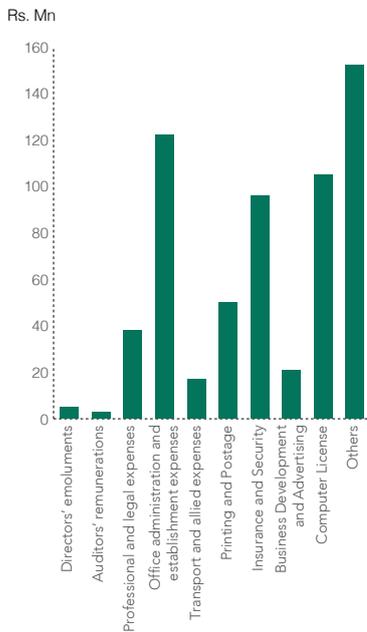


Financial Capital

Expenses



Other Expenses 2024



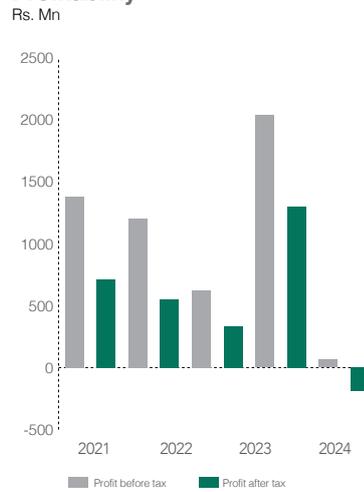
In 2024, depreciation and amortisation expenses comprised 7% of total operating expenses, representing the systematic allocation of tangible and intangible asset costs over their useful lives.

PROFITABILITY

The profit before tax for the year was Rs 0.412 Bn, which is a decline from Rs 2.6 Bn in 2023. Profit after tax was recorded as a negative result for the year under review at Rs -190 Mn.

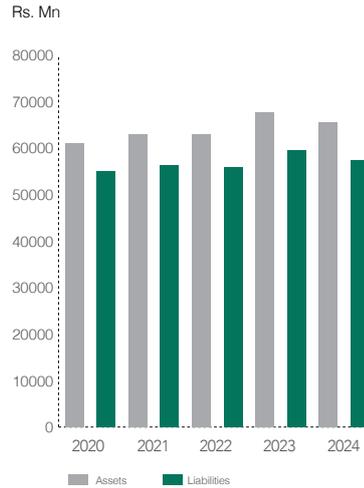
Net operating income stood at Rs 2.8 Bn for the year 2024, which is a decline from Rs 5 Bn reported in the previous year. The drop in revenue prompted by a drop in interest income became the primary reason for the contraction of the bottom line and the treasury bond resale in 2023

Profitability



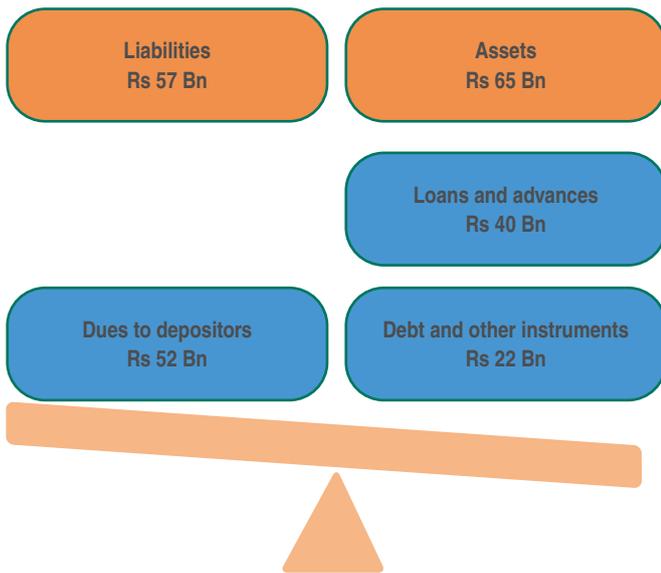
FINANCIAL POSITION

Assets vs Liabilities



ASSETS

The Bank's balance sheet demonstrates a decline in asset base from Rs 67 Bn to Rs 65 Bn. This is due to lower loans and advances, which stood at Rs 40 Bn. Financial investments were reported as Rs 22 Bn in comparison to Rs 25 Bn reported in the previous year. Moreover, property, plant, and equipment have declined to Rs 187 Mn from Rs 222 Mn reported in the previous year.



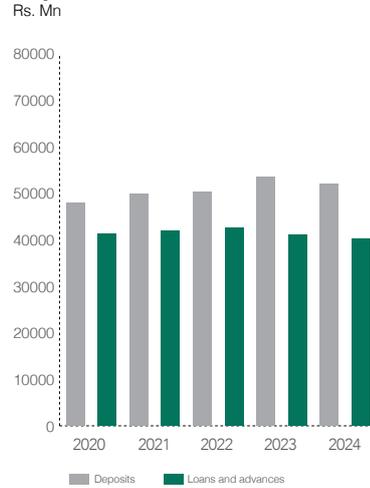
*The above graph indicates the items that are among the highest values and does not represent the total Liabilities and Assets. Please refer to the Statement of Financial Position on page 208

LIABILITIES

Total liabilities have also declined from Rs 59 Bn to Rs 57 Bn in the year under review. This positive outcome is due to a reduction in liabilities owed to banks, which was recorded as 566 Mn for 2024, compared to Rs 800 Mn in the previous financial year. Moreover, there is a slight reduction in deposits to Rs 52 Bn from the previous year's overall deposit base.

Debt securities issued amounted to Rs 1.4 Bn, increasing only marginally, while dues to other borrowers increased by 7% to 1.6 Bn from Rs 1.5 Bn. Retirement benefit obligations crossed Rs 1 Bn against Rs 872 Mn reported in the previous financial year.

Deposits and Loans

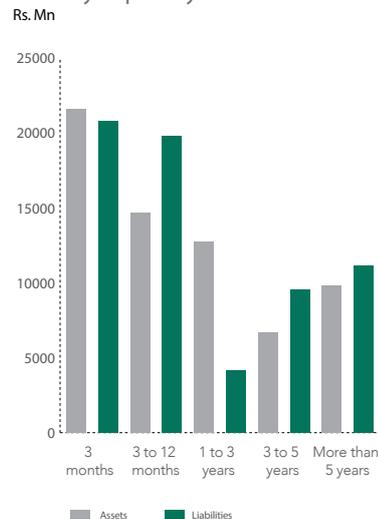


Loans and advances form a bulk of the Bank's assets, while deposits from depositors form the largest portion of liabilities. These two aspects are critical to maintaining an asset-liability balance. (A review of deposit mobilisation and loans and advance portfolio is provided under the Business Segment Review.

MATURITY GAP

The Bank has adopted the assessment of asset-liability maturities to address mismatches; this ensures that liabilities do not exceed assets, especially in the short term. The following graph provides an overview of the maturity gap between assets and liabilities that the Bank held during 2024. Short-term assets and liabilities are balanced, however, liabilities somewhat outweigh assets in the medium-long-term. The Bank worked tirelessly to increase liquidity and to manage higher long-term liabilities.

Maturity Gap Analysis



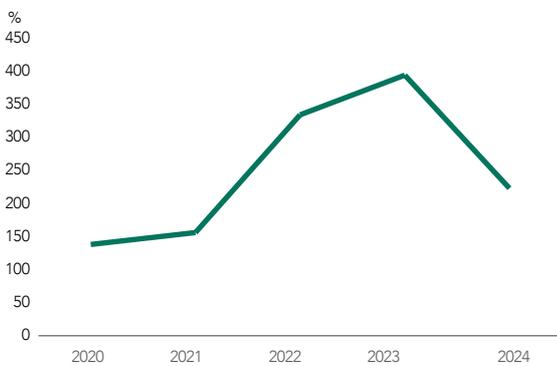
Financial Capital

LIQUIDITY

The Bank's liquidity position remained stable throughout the year under review. The Bank maintained a prudent level of capital for short-term obligations and ensured a Liquidity Coverage Ratio of 223%, which was above the minimum requirement of 100%. Despite seeing a decline, it is seen as a positive indicator of the Bank's Rupee Liquidity.

Throughout the year, the Bank's financial resilience under challenging conditions was carefully evaluated, with oversight from the Asset and Liability Committee. The committee ensured that the Bank adhered to healthy liquidity levels, aligning with the regulations set by the Central Bank of Sri Lanka.

LCR



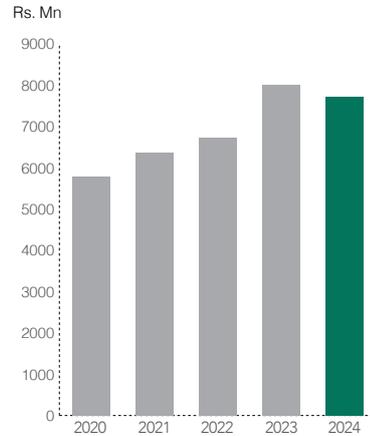
EQUITY / SHAREHOLDER CAPITAL

During the year under review, shareholder capital reached a total of Rs 7.7 Bn compared to Rs 8 Bn in the previous year. The following outlines the equity position of the Bank. The bank's cumulative profit (retained earnings) indicates the profits retained over time, which also underscores the Bank's strong history of positive profit margins.

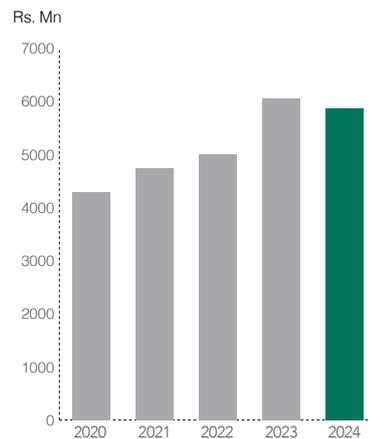
Indicator	2024	2023
Shareholders' equity (Total Equity)	Rs 7.7 Bn	Rs 7.99 Bn
Statutory reserve fund	Rs 354 Mn	Rs 354 Mn
Other reserves	Rs 531 Mn	Rs 623 Mn
Retained earnings	Rs 5.9 Bn	Rs 6 Bn

The Return on Average Assets (ROA) was recorded as -0.29%, compared to 1.99% in 2023. Similarly, the Return on Average Equity (ROAE) was recorded as -2.3 for 2024. The ratio of Shareholder Equity to Total Assets was recorded as 8.48 % for the year under review.

Shareholders Equity



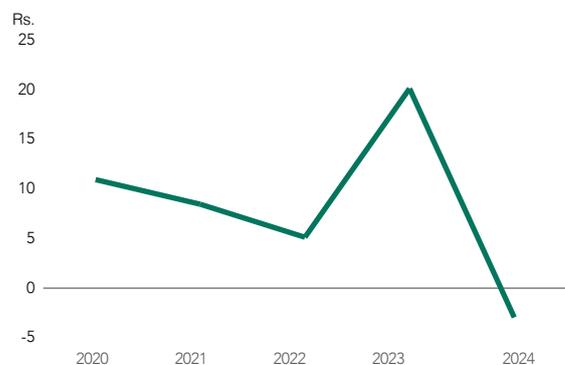
Retained Earnings



EARNINGS PER SHARE

Earnings per share fell sharply to negative territory due to the reduction in profit.

EPS



CAPITAL RESERVES

The Bank continued to benefit from a core capital of Rs 7.7 Bn in 2024, maintaining capital reserves well-above the regulatory threshold. However, this has decreased from the core capital of Rs 8 Bn achieved in 2023.

The Tire 01 capital ratio of the bank is 33.66% Compared to 37.02% in 2023. Further CET 1 Capital is 32.53%, which was 35.84% in 2023

Capital Component	2024	2023
Common Equity Tier 1 (CET 1)	Rs 7.1 Bn	Rs 7.6 Bn
Total Tier 1	Rs 7.3 Bn	Rs 7.8 Bn
Tier II	Rs 7.6 Bn	Rs 8.2 Bn

The Bank achieved the minimum capital requirement of Rs 7.5 Bn in 2023 through retained earnings.

OUTLOOK

The following outlines short-term, medium-term, and long-term strategies for the Bank to optimise its financial capital and strengthen stability. The plan focuses on balance sheet growth, regulatory compliance, and sustainable profitability.

Short-term (1-12 months)	Medium-term (1-3 years)	Long-term (More than 3 years)
Maintain liquidity coverage	Growth in short-term based loans	Increasing credit to environmentally and socially sustainable industries
Prudent funding mix – geared for longer maturities	Grow non-interest income through investments and banking services	
Controlling liabilities and debt reduction	Focus on long-term funding	
Prudent budget allocations and stringent controls	Restructured balance sheet with prudent asset-liability matching	
Address regulatory compliance	Increasing non-housing loan portfolios	
Regain profitability		



MANUFACTURED CAPITAL



Manufactured capital, encompassing physical assets such as buildings, IT infrastructure, ATMs, and branch networks, is pivotal to the operations and growth of the Bank. As we navigate economic uncertainties and focus on liquidity, investments in manufactured capital, such as digital financial services and branches, are critical for sustaining operations and embracing further advancements in service delivery.

2024 HIGHLIGHTS

- Re-launch of the website
- Enhanced digital services

THE VALUE DELIVERED BY MANUFACTURED CAPITAL

Manufactured capital forms the backbone of our capacity to provide financial services and sustain operations. Its tangible resources enable us to deliver banking services, support digital transformation, and expand reach across cities and villages.

STAKEHOLDERS IMPACTED



HOW WE OPTIMISED MANUFACTURED CAPITAL

- Limiting expansions and focus on improvements and optimisations to existing branches
- Improvements to digital services, including online banking

LIMITATION

Our focus on improving the balance sheet limited expansions

OPPORTUNITIES

Investments in digital banking can reduce the need for physical locations, thereby reducing the need for high capital expenditures.

KEY FIGURES (INCLUDING OUTCOMES)

Property, plant and equipment Rs 187 Mn (2024)	Total space 138, 618 sq. ft.	Collective space 105,774 sq.ft.
Head office space 29,344 sq.ft.	Warehouse space 3,500 sq.ft.	



CONTRIBUTION TO UN SDGS

Goal	How we contributed
	Our presence enables island wide financial service delivery, enabling economic growth for customers as well as employees.
	Digital financial services increase accessibility and help contribute to innovation.
	Digital banking services reduce the need for paper and resource consumption – it helps sustainable financial service delivery and usage.

PHYSICAL ASSETS

PROPERTY, PLANT AND EQUIPMENT

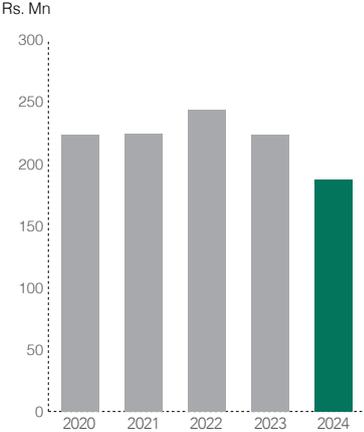
The Bank’s property, plant and equipment better represents its manufactured capital, which represents the freehold land and buildings, computer equipment, furniture and fittings that the Bank manages. These are critical for the Bank’s effective operational continuity and to support service delivery. PPE provides the physical infrastructure necessary for routine operations and customer interactions.

Rs. 218 Mn
Average per Branch Revenue

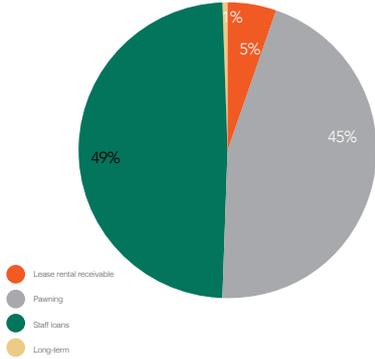
The proper management and maintenance of our PPE is vital to minimise operational disruptions, optimise resource/asset utilisation and enhance our ability to provide services effectively.

The Bank’s PPE amounted to Rs. 187 Mn by the end of the financial year, which included Rs. 10 Mn in Freehold Land and Buildings, Rs. 85 Mn in computer hardware, and Rs. 91 Mn in office equipment, furniture and fittings. PPE has declined during the year from Rs. 222 Mn reported in 2023.

Property, Plant & Equipment



PPE Composition



BRANCH NETWORK

As a financial service provider, our branches fulfil the role of being the first and direct physical customer touchpoints. Our branches are allocated at 39 locations apart from the Head Office and enable accessibility to comprehensive services.

Province	Number	Locations
Central	5	Nuwara Eliya, Kandy, Gampola, Matale, Dambulla
Eastern	3	Ampara, Batticaloa, Trincomalee
Northern	2	Jaffna, Vavuniya
Southern	5	Ambalangoda, Galle, Matara, Tangalle, Tissamaharama



Manufactured Capital

Province	Number	Locations
Western	13	Colombo, Homagama, Horana, Hyde Park, Nugegoda, Piliyandala, Avissawella, Gampaha, Ja-Ela, Kiribathgoda, Nittambuwa, Peliyagoda, Kalutara
North Western	4	Chilaw, Kuliyaipitiya, Kurunegala
North Central	2	Anuradhapura, Polonnaruwa
Uva	2	Badulla, Monaragala
Sabaragamuwa	3	Ratnapura, Embilipitiya, Kegalle

Collectively, our branches serve 513,613 customers across all nine provinces. The highest branch concentration is in the Western province with 13 branches, and the least number of branches is within the Northern, North Central and Uva provinces. The Head Office located at Sir Chittampalam A. Gardiner Mawatha, Colombo 2, sits at a prime location at the centre of commercial Colombo.

DIGITAL FOOTPRINT

The Bank's digital footprint includes a network of channels, which provide fast and convenient financial services. In recent years, we have enhanced these options while taking special efforts to improve our website in the year under review (more information under the Intellectual Capital Report). Despite having a slow digital journey, we have increased momentum gradually, ensuring that we adopt technologies in line with regulations and the marketing department's carefully evaluated requirements based on customer feedback and gaps within the previous web interface/functionalities.

PREVIOUS DIGITAL JOURNEY (KEY MILESTONES)

ATM

Our first ATM outlet was established 17 years ago. Apart from our connectivity to the island's interconnected ATM network through LankaPay, we have established 23 outlets that provide customers with convenience in accessing funds at any hour.

POINT OF SALE SYSTEM (POS)

The Bank operates a POS system, which streamlines transactions. The system is connected with LankaPay's common POS and enables debit card payments through JCB-certified POS terminals.

Common Electronic Fund Transfer Switch (CEFTS)

The Bank is a member of CEFTS, which facilitates real-time domestic interbank fund transfers. Customers can access this service conveniently through internet banking, mobile banking, or over-the-counter transactions, enhancing flexibility and accessibility.

HDFC CLICK

Click has been serving our digital transactions since 2013, supporting a range of transactions, which include interbank transfers, bank-to-bank payments and utility bill settlements. The portal has also been optimised with security protocols while our IT department continues to adopt measures to align its safety with. Based on the regulator's requirement, we have been able to enhance the safety of customers' financial information and facilitate safe online transactions.

The Bank is in the process of implementing ISO 27001 Information Security Management System to showcase the Bank's commitment to managing information security risk effectively, ensuring the confidentiality, integrity and availability of customer data and other critical information. By implementing the ISMS bank will be able to adhere to a systematic risk-based approach to information security, addressing people, processes and technology. As a result, the Bank can build trust with customers, partners and stakeholders while preventing unwanted financial consequences due to malicious outbreaks.

MOBILE BANKING

The Bank obtained the services of Lankapay's JustPay system in 2021 by integrating it with its mobile apps, enabling customers to make retail payments of up to Rs.50,000 by transferring funds directly from their current or savings accounts to a merchant's account.

(2024) REBRANDING THE WEBSITE

The Bank re-launched its corporate website in 2024 designed to offer an enhanced user experience, improved accessibility, and a wealth of new features to better serve the customers.



OUTLOOK

The Bank's focus on strengthening liquidity has replaced plans for significant investments in manufactured capital. As a result, we will continue to redirect investments and resources to bolstering financial resilience. However, the Bank is likely to adopt a cautious approach to necessary capital expenditures, such as renovations and upgrades to physical assets. We will continue to focus on technological adoptions, ensuring that digital services, such as online banking and mobile transactions, are enhanced and their capacities improved.

Short (next financial year)	Medium (1-3 years)	Long (Beyond 3 years)
Increase transaction volumes through JustPay	Selective branch expansion	Selective branch expansion (outlets in underserved areas)
Branch maintenance	Expand the digital banking scope	Smart branches
Upgrade cybersecurity systems	ATM network growth	Green infrastructure
	Digital infrastructure upgrade	



HUMAN CAPITAL



This chapter outlines the Bank’s approach to strategic human resource management, which aligns with the Bank’s strategic direction of ensuring stability while fulfilling routine operational requirements. We illustrate how our HRM strategies are integrated with human capital development and provide benefits for both employees and the Bank.

STAKEHOLDERS IMPACTED



Directly



Indirectly



2024 Highlights



The new chairman of HDFC Bank assumes duties

Mr P.J. Jayasinghe, the new Chairman assumed duties on 28th October 2024. Mr Jayasinghe has served at the Bank of Ceylon (BOC), one of the country’s renowned state owned commercial bank, from May 1977 to August 2015. By the time of his retirement, he was a Deputy General Manager.



Mr. C.R.P. Balasuriya assumes duties as the Acting General Manager /CEO of HDFC Bank

Mr. C.R.P. Balasuriya has been appointed as the Acting CEO/General Manager, effective 26 September 2024. Prior to this new appointment, he served as the Deputy General Manager (Treasury) of HDFC Bank and continue to oversee the Treasury functions.

BUILDING BONDS BEYOND WORK



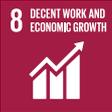
Staff Get-Together organised by the welfare society of the Bank, held at MAS Thulhiriya



THE VALUE DELIVERED BY HUMAN CAPITAL MANAGEMENT

Effective human capital management drives workforce growth, which directly results in Bank's success and stakeholder satisfaction. Moreover, it drives better results for all stakeholders when employees are empowered to work productively, efficiently and transparently. HRM is the touchstone of employee growth, performance, satisfaction and retention.

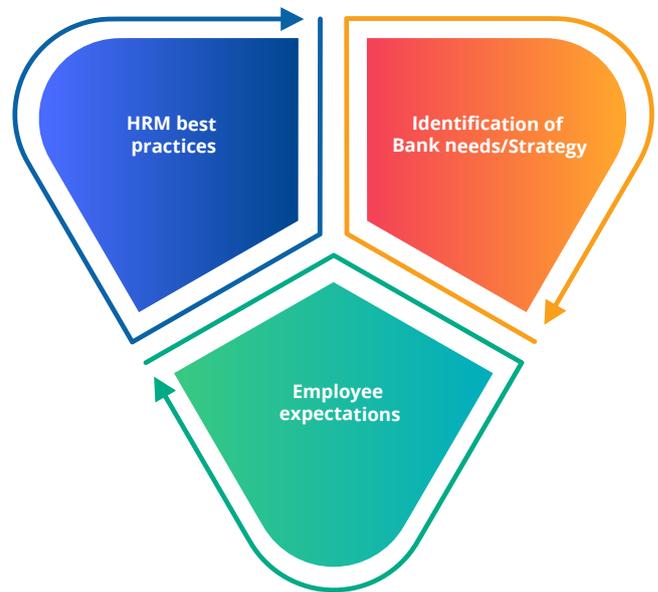
CONTRIBUTION TO UN SDGS

Goal	How we contributed
 1 NO POVERTY	Employees' financial remuneration and benefits are on par with the banking industry with access to affordable lending schemes and fringe benefits.
 3 GOOD HEALTH AND WELL-BEING	Annual medical screenings and medical reimbursements ensure employee health.
 4 QUALITY EDUCATION	Investments in employee training, equipping them with relevant skills
 5 GENDER EQUALITY	Promoting women's leadership roles, equitable policies across strategic human resource management.
 8 DECENT WORK AND ECONOMIC GROWTH	Enhancing staff and Bank productivity, providing safe jobs and empowering the retention of staff.
 10 REDUCED INEQUALITIES	Equal career advancement opportunities based on individual performance and job opportunities for staff in regional, and semi-urban areas with Bank branches.

THE HRD AND GOVERNANCE

As skilled and experienced HRM practitioners, our Human Resources Department ensures that the Bank's goals and strategic plans are considered when projecting requirements, planning and implementing approaches to recruitment, training and development, performance management, and rewards.

The HRD also ensures that the Bank's HRM policies and practices align with the best standards and are in tandem with applicable laws and regulations. Our people ensure that employees across the organisation receive the right engagement and motivation for increased productivity, and those employees are treated fairly, particularly in matters of professional grievances.



The Bank has in place a recruitment policy, training and development policy and a succession planning policy to ensure that there are no gaps in resourcing. These are apart from policies that safeguard employee rights and workplace safety (page 78 to 86).

During the year, the Bank's HRD reviewed and improved certain policies, in line with evolving Bank needs and trends in the industry.

STRATEGIC APPROACH TO HRM

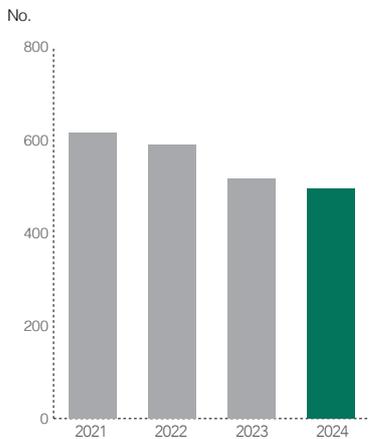
As a responsible employer, we focus holistically on HRM. This incorporates proactive workforce development and retention strategies that align with the needs and strategic imperatives of the Bank, HRM best practices and employee interests.



Human Capital

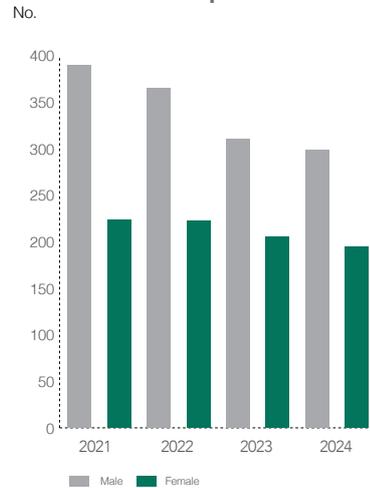
WORKFORCE PROFILE

Total Staff



The number of staff in 2024 shows a decline in comparison to the previous years. Compared to the 515 employees in 2023, the number has dropped by 21 to 494 in the year being reviewed. This is a reduction of 4.1%.

Gender-wise Composition

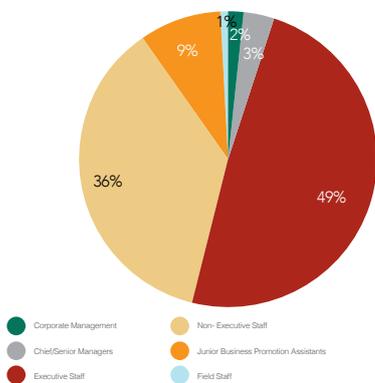


During the year, employees at the executive level of the Bank outnumbered all other levels, with 49% of the total workforce working in related positions.

2024: 1.53
2023: 1.51

The male-to-female ratio within the Bank shows a slight increase in 2024, due to a decrease in female employees compared to males.

Employment Representations



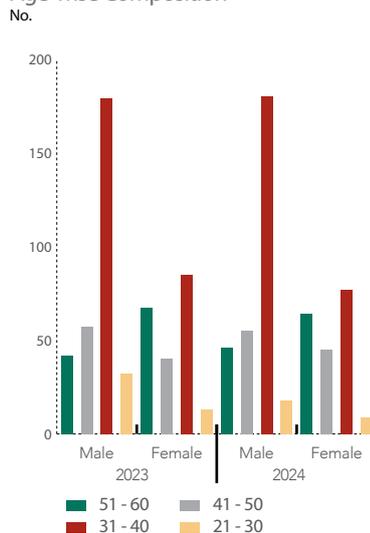
WORKPLACE DIVERSITY AND INCLUSIVITY

GENDER-WISE EMPLOYMENT

The gap between male and female coworkers has increased during the year, which has occurred organically. The Bank does not make gender-blind selections, but provides equal opportunities to everyone who applies for vacant positions and promotions.

26.3% of Executive Staff are female peers
58% of higher management positions held by female professionals

Age-wise Composition



AGE-WISE EMPLOYMENT

The age representations within the HDFC team are a dynamic amalgamation of young professionals and more seasoned Bankers. The Bank has not recruited anyone under the age of 20; this demonstrates the Bank's commitment to hiring those above the employable legal age limit and to recruiting professionals with higher education and those with the right experience.

100% commitment to transparent and ethical recruitment

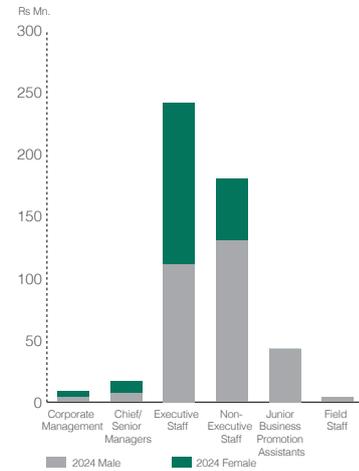
CATEGORY-WISE EMPLOYMENT GENDER ANALYSIS

The Bank has a higher concentration of executive-level staff, with 26% female employees holding positions, in comparison to 22.5% male peers. This level is followed by Non-Executive staff, with a majority of 26% being male employees.

*Out of the 26 staff members in Chief/Senior Management and Corporate Management positions, 15 positions are held by female peers, which accounts for 58% of all such positions.

Category	2023		2024	
	Male%	Female%	Male%	Female%
Corporate Management	0.97	0.97	0.81	1.01
Chief/Senior Managers	0.97	2.33	1.42	2.02
Regional Managers	0.78	0.00	0.00	0.00
Executive Staff	21.36	26.80	22.47	26.32
Non-Executive Staff	26.60	9.71	26.32	10.12
Junior Business Promotion Assistants	5.44	0.00	8.70	0.00
Business Promotion Trainee	3.30	0.00	0.00	0.00
Palmtop Assistants	0.78	0.00	0.00	0.00
Field Staff	0.00	0.00	0.81	0.00

Employees by Category



Province	Staff
Central	48
Eastern	19
North western	20
Northern	12
North Central	11
North Western	24
Sabaragamuwa	28
Southern	50
Uva	19
Western	263
Total	494

EMPLOYMENT BASIS

460 employees work within the Bank on a permanent basis while 27 work on a probationary basis. Additionally, the Bank works with 7 contractors on various functions.

RETENTION

During the year, the turnover of staff decreased to 4.14% in comparison to 6.81% in 2023. This decline is in tandem with the decline in the total number of employees during the year. Nevertheless, the level of employee retention has improved during the year, in relation to the total workforce.

Turnover	2024		2023	
	Male	Female	Male	Female
Gender wise	5.22	2.5	8.16	4.71
Overall	4.14		6.81	

Retention	2024		2023	
	Male	Female	Male	Female
Gender wise	97	95	85.40	93.18
Overall	96.11		88.34	



Human Capital

AVERAGE SERVICE PERIOD

	2024	2023
Average period of employee service	15.85	16.35

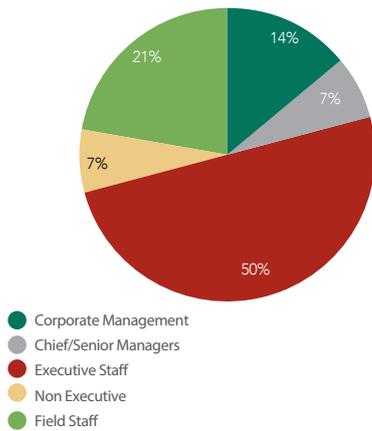
The average period of service decreased to 15 years in the year under review, reducing by 0.5 years compared to 2023.

RECRUITMENT

Fulfilling internal vacancies and additional duties and responsibilities, the Bank recruited a total of 14 new employees (10 male and 4 female) during the year under review. This number has remained unchanged from the number of those recruited in the previous year.

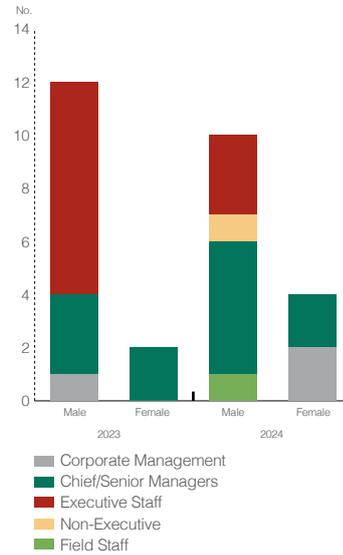
50% of these recruitments have occurred within the executive staff level, which includes 7 recruits. In 2024, the majority of recruits were executive staff.

Recruitments 2024



	2023		2024	
	Male	Female	Male	Female
Corporate Management	1	-	-	2
Chief/Senior Managers	-	-	1	-
Executive Staff	3	2	5	2
Non Executive	-	-	1	-
Field Staff	8	-	3	-
Total	12	2	10	4

Recruits by Employment Category



Recruitment takes place internally and externally through a variety of sources. Internal recruitment is undertaken for vacancies within the Bank, particularly those within managerial and higher management positions. Externally, recruitment includes applicants sought and sourced through job postings on our website, social media platforms, online job boards, and employment sections of newspapers. Most of our executive staff hired during the year work in the head office or branches, while our field staff is also recruited as needed.

RECRUITMENTS BY BRANCH/DIVISION

	2024	
	Male	Female
Ampara Branch	2	-
Anuradhapura Branch	1	-
Branch Network & Banking Operations Division	1	-
Business Development	1	-
Company Secretary Division	-	2
Compliance Division	-	1
Information Security Division	2	-
Information Technology Division	1	1
Internal Audit Division	1	-
Monaragala Branch	1	-
Total	10	4



PARENTAL LEAVE

Parental leave at HDFC Bank is viewed as more than a mandatory absence from work; we view it as a necessary investment in the personal well-being and professional endurance of our staff, particularly our female peers. We also encourage soon-to-be fathers to benefit from parental leave, ensuring time away from work to enjoy this personal milestone.

During the year, 08 female peers entered maternity leave, while 10 male employees also obtained paternity leave during the year under review.

	2023		2024	
	Male	Female	Male	Female
Number of employees entitled to parental leave	310	205	299	195
Number of employees that took parental leave	8	9	10	8
Number of employees that returned to work before December 31st 2024	8	9	10	7

87.5% return-to-work rate by female employee after maternity leave

A LEARNING ENVIRONMENT (TRAINING AND DEVELOPMENT)

Training and Development is a key lever in the growth of our employees and the Bank’s strategic focus. More than a business strategy or an HR policy, the development of our employees enhances the quality of their professional journeys, providing them with confidence and better skill sets to engage in their work successfully. As an employer in the financial services industry, training employees to update their knowledge is imperative, as it also fulfils the goal of equipping them with the know-how on regulatory changes and technical aspects of various jobs.

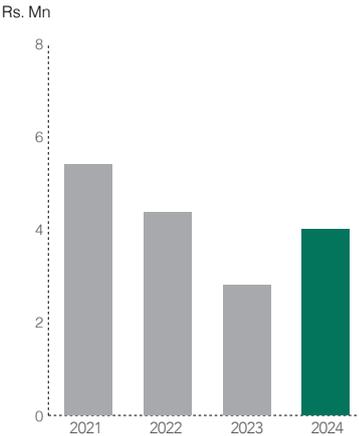
69.52%
More Investments in Training and Development

During the year, we undertook extensive training and development programs with optimal investments of around Rs 4 Mn has gone towards developing and training employees, which is 69.52% higher in comparison to the previous year.

45 Internal training programs
66 External training programs
111 Total Training Programs

Employees are also provided with honorarium payments to help cover a portion of their educational costs for studies beyond the diploma level. Moreover, the Bank also reimburse fees for annual and life memberships in professional organisations associated with fields such as accounting, human resources, marketing, Banking, and information technology. This encourages continuous professional development in line with emerging trends.

Training Investment Growth



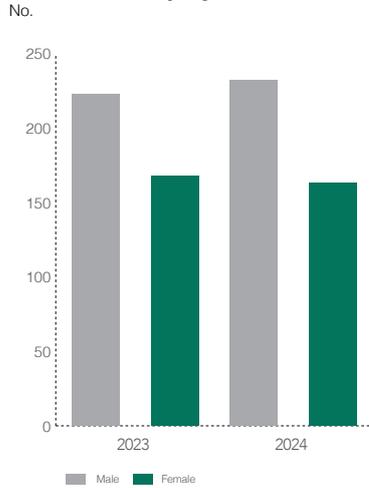
Training is also aligned with our Succession Planning Policy, aimed at preparing employees with the proven potential to work in senior positions.

The Bank also has in place a good induction process, whereby new hires are provided with information to assimilate into their new roles and the Bank’s corporate value system. The Management is provided with ample training opportunities, including the development of leadership skills.



Human Capital

Number of Employees Trained



Training programs are planned based on the requirements of the job, which aligns with stakeholder expectations, i.e. customers and regulators. The following provides examples of this, which include both internal and external training initiatives.

On average, 1.56 hours of training were provided for 395 employees, this is in comparison to 1.4 hours of training in 2023, covering 391 individuals.

TRAINING PROGRAMS

External - 66 Programmes

- AML/CFT Compliance for Financial Institutions
- Financial Consumer Protection Regulations for Financial Institutions
- Legal aspects relating to Anti-Locking and Capital Controls
- Managing the legal and regulatory framework related to financial institutions
- Programme on Corporate Governance for Financial Institutions
- Risk Assessment Workshop for Domestic Banks.
- SLFRS 9: Training Session by Ernst & Young (Day 1, Day 2, Day 3)
- The compliance symposium.
- Webinar Series: Update your technical skills on Financial Instruments topics (IAS 32/IAS 39)
- Cybersecurity for Banking and Finance
- How to perform an effective cybersecurity audit
- Financial instruments and risk management LKAS 32 / IFRS 9)
- Managing a Bank's liquidity
- SLFRS 9: Policy for ECL/IFRS Impairment model solutions for Banks
- Master Class: Financial Modelling
- Overview of Treasury Risk Officer,
- Effective Communication: Writing, Digital Communication, and Expressing legal and special needs
- Training on Telephone Etiquette & Customer Care
- Optimisation of Stress Management
- Strengthening Human Resources in the Finance Industry
- How to manage different generations
- Training session on Energy Management & Conservation
- Procurement Management and Tender Procedures (PMT)
- E-Learning Series on various topics (Fire and Emergency response, Payment of EPF and ETF)
- Special programme on pawning/Gold loans central region
- Beauty & Wellness from the inside out
- Legal Debt Recovery: Overview of debt restructuring and debt reconciliation
- Seminar on Counterfeiting
- The Compliance Symposium
- Impact of vehicle plant & machinery valuation on the quality of secured lending.



	<ul style="list-style-type: none"> E-Seminar 2024 / Sustainability Event 2024 Deep Drive Workshop on Sri Lanka Green Finance Taxonomy for Financial Institutions Integrating ESG and Sustainability for Financial Institutions
Internal - 45 Programmes	<ul style="list-style-type: none"> Awareness session on Ethics and Transparency Multiple Awareness sessions on Information Security for Branch Staff and Palmtop Officers (from I to IX) Collecting Objective Evidence for Impairment Multiple sessions on Credit Appraisal and Decision making (Days 1 to 5 for Groups 1 & 2) Regional-wise workshops for branches including Tissamaharama, Kandy, Gampola, and more Focused training on Leasing and Recovery Specialised program on Leasing Diverse topics like DMS, appeals and Supreme Court rules.

EMPLOYEE ENGAGEMENT AND WORK-LIFE BALANCE

INTERBANK CRICKET TOURNAMENT

HDFC Bank emerged as the champion at the BCIO Inter-bank Six A Side Softball Cricket Tournament 2024. The Bank defeated several banks to emerge as winner, showcasing exceptional skill and teamwork. Udana Shahiranga earned both Man of the Match and Man of the Series for his outstanding all-round performance throughout the tournament.



PERFORMANCE MANAGEMENT

The Bank's appraisal system is based on KPIs with the scope to identify engendering commitments from employees. KPIs are set at departmental/divisional levels, establishing exact expectations by the Bank's management. In 2023, the Bank established quarterly evaluations at the branch level, apart from the regular annual appraisal.

Promotions are based on individual contributions to branch/departmental/Bank performance, along with tenure and professional conduct by each employee. The following information provides a summation of these career advancements.

INCLUSIVE BENEFITS AND REMUNERATION

The Bank provides distinct benefits to all employees, irrespective of their employment type and category. Benefits include a wide range of financial and non-financial rewards for permanent staff, staff on a probationary basis and staff hired on contractual agreements.

Benefit Type	Permanent	Probation	Contract
Medical Reimbursement	√	√	-
Housing Loan	√	-	-
Distress Loan	√	-	-
Guarantor Loan	√	√	-
Bike Leasing(Mobile Bankers)	√	√	-
Bonus	√	√	√
Leave Encashment	√	√	√
Subsistence	√	√	√
Risk Allowance (Cashier & Mobile Bankers only)	√	√	√
Commission (Mobile Bankers)	√	√	√
Vehicle Loan	√	-	-



Human Capital

Benefit Type	Permanent	Probation	Contract
Festival Advance	√	√	√
Difficult Area Payment	√	-	-
Honorarium	√	-	-
Key Handling Allowance (Safe Key)	√	-	-
Branch Manager Allowance	√	√	-
Second Officer Allowance	√	√	-
Allowance for accommodation(to be paid on transfers for more than 75km one-way)	√	-	-

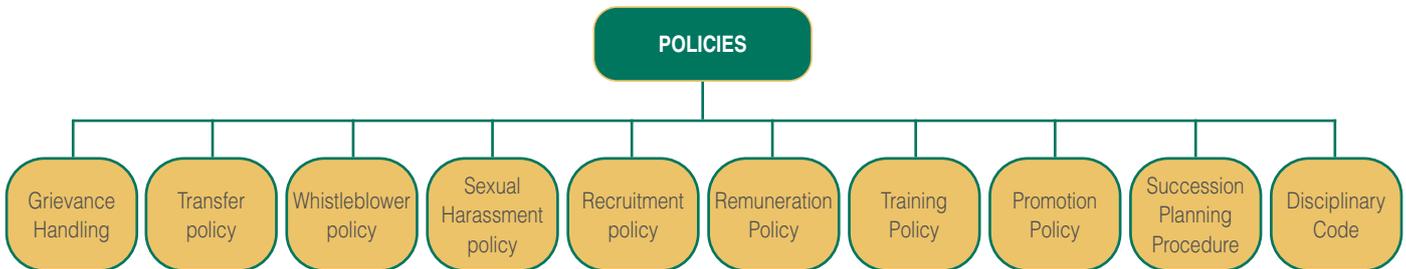
The Bank's total staff remuneration, including benefits, amounted to Rs 1,584 Mn 2023, Rs 1,646 Mn 2024. Total salary pay has increased due to the elevated cost of living and as a result of increments against performance merits.

Moreover, we met all statutory financial allocations, including EPF and ETF payments on behalf of employees. At HDFC Bank, we provide employees with financial remuneration after considering several crucial factors. These include the individual job position, responsibilities, industry bandwidths in pay and also individual performance. Employees are remunerated and rewarded based on these objective factors and not based on subjective notions.

Financial remuneration is intrinsically linked to the performance management of employees.

SAFEGUARDING EMPLOYEE RIGHTS

The Bank has in place several policies and related procedures that are intended to safeguard employee rights and their ability to work peacefully without harassment and discrimination in the workplace. The Bank adopts the following policies to safeguard employees' right to a friendly and supportive work environment.



LABOUR RELATIONS

HDFC Bank is a member of the Employer's Federation of Ceylon (EFC). The EFC is a primary stakeholder that represents employers across various sectors. Its role is to advocate fair labour practices and economic growth, ensuring a sustainable business environment for industries/businesses. As a member of this association, HDFC Bank promotes employee welfare and development while honouring labour regulations.

The Bank maintains a good rapport with the Ceylon Bank Employees' Union (CBEU), as nearly 85% of our employees are members of the CBEU. The Bank has maintained mutual understanding and trust with the Union through required communications, effective negotiations on employee benefits and contributing to harmony and mutual benefits.

OUTLOOK

The Bank will fast track plans to transition to an automated HR system



INTELLECTUAL CAPITAL



Our intellectual capital is an intangible asset that drives our competitiveness and ability to create unique value for our stakeholders. Unlike other forms of capital, intellectual capital encompasses the collective knowledge, skills and innovative capabilities of the Bank's staff. Moreover, the 'HDFC' brand capital, our unique products and technological capabilities have all enhanced this capital.

2024 HIGHLIGHTS

- New Gold Loan product
- Initiation to upgrade the core banking system
- Upgraded website and unveiling
- Process improvements by adopting productivity techniques

THE VALUE DELIVERED

At HDFC Bank, our intellectual capital is a key driver of our strength and adaptability. By empowering our people, strengthening our systems, and promoting innovation, we ensure sustained growth in a dynamic market.

STAKEHOLDERS IMPACTED



KEY FIGURES

Brand value Rs.763 Mn.

Credit Rating
BB+(Ika)(stable)

Over 40 years
of service

New Products
1

Investments in enhancing knowledge
43% increase

HOW WE ENHANCED INTELLECTUAL CAPITAL

- Promoting a culture of continued learning of various technical aspects of banking and customer service
- Advancing digital solutions and ICT infrastructure to meet current and future needs.
- Rewarding staff and providing opportunities for career and economic growth to bolster retention
- Campaigns and activities to increase brand visibility
- Considering bank's opportunities, limitations and strengths to tailor new products

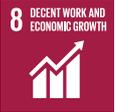
LIMITATIONS AND OPPORTUNITIES

- Restrictions on loans disbursement based on regulator's advise directed our focus on developing short-term loan products.
- Constrained budgetary spending, limited expenditure on branding activities
- Ability to capitalise on social media reach and digital stakeholder engagement
- Potential to diversify short-term loans
- Scope to develop technological solutions, in-house.



Intellectual Capital

CONTRIBUTION TO UN SDGS

Goal	How we contributed
	Training enhances employees' tacit knowledge and supports their professional growth and career progression. Over 300 employees benefited through training programs in 2024
	
	Enhanced systems and processes enable efficient scaling of sustainable solutions, such as digital banking for rural areas. (E.g. palmtop banking solution)
	Adoption of more innovative digital solutions push towards less resource consumption and reduced carbon emissions

HOUSING MARKET KNOWLEDGE IN ACTION (TACIT KNOWLEDGE)

Our understanding of the local housing and property market is the result of four decades of experience in managing finance for various housing-related needs. With 39 branches and a workforce focused on housing finance, the Bank employs staff skilled in mortgage lending, customer service and SME financing.

Our staff is adept at navigating the Sri Lankan housing dynamics, including demand for low and middle-income housing, property valuation and loan structuring. The bank further specialises in providing affordable housing loans, with an average ticket size of loans below Rs 700,000.

Metrics

Staff retention	96.11%
Training hours	619
EPF securitised housing loans	40%+
% of loans below Rs 700,000 (the ticket size)	69%

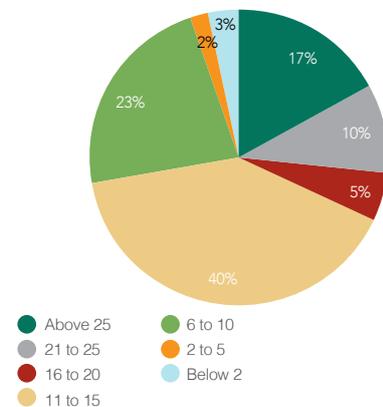
HDFC Bank in Sri Lanka leverages crucial tacit knowledge, embedded in its employees' experiences and instincts. This expertise allows staff to understand the local housing market deeply and identify rural areas, assess borrower reliability beyond credit scores, and adjust loan terms in response to economic changes. Developed through years of service to low- and middle-income communities, this knowledge is gained through direct interactions with customers and regulators such as the National Housing Development Authority.

Unlike formal systems, this informal know-how enables the bank to navigate Sri Lanka's socio-economic landscape effectively, tailor products like Kedella Housing Loans, and anticipate policy impacts. Though difficult to measure, this tacit knowledge is vital for making adaptive, context-specific decisions, providing a competitive edge for the bank.

RETAINING COLLECTIVE KNOWLEDGE

The Bank conducted regular training programs to ensure knowledge retention, particularly within core operational areas. These sessions carried the purpose of equipping staff with updated insights, reinforcing expertise and promoting consistent quality in service. Staff development workshops conducted during the year, is discussed in detail under the Human Capital report.

Employee Tenure



17% of bank staff has remained with the bank for more than 25 years; this demonstrates that there is a fair amount of tacit knowledge that has been retained within the Institution. More than 32% of employees have completed more than 15 years of service, demonstrating further longstanding tenures.



IMPROVING KNOWLEDGE

During the year, the number of training initiatives increased and in parallel, the total investment in training. (This is detailed within the Human Capital report). Both external and internal training programs were conducted for employees of various technical and non-technical levels. 45 forty-five internal training programs and 66 external training programs have taken place in 2024 - enhancing employees' existing knowledge and skills.

HOUSING LOANS RELATED OPERATIONAL CAPITAL

HDFC Bank adopts a focused approach that blends state stability with private sector agility to maximise its intellectual assets, such as its operational processes. The Bank's operational systems, such as the loan processing frameworks and risk management protocols, are an integral part of its intellectual framework.

HOUSING FINANCE PRODUCTS

The Bank's mission to finance housing-related requirements is reflected in its portfolio of lending products.

PRODUCT DEVELOPMENT

A gold loan product was introduced in line with our focus on providing short-term loans for high-quality collateral. The Bank focused specifically on pausing loans with high potential for NPLs, particularly mortgage loans. This was in response to the financial regulator's restrictions on disbursing loans to maintain stability and lower the credit risk to the Bank, we focused on short-term loan options, including gold loans, EPF loans and leasing.

GOLD EXPO

The Gold Expo Scheme provides customers the opportunity to select gold jewellery and purchase it through a convenient 12-month instalment plan. At the end of the payment period, customers gain full ownership of their chosen items. This approach makes gold ownership more accessible and also provides financial flexibility through a structured and affordable repayment plan.

The Bank has a distinctive range of products tailored towards affordability, keeping in mind the bank's agenda of supporting the financially challenged. A variety of diverse products have been created to benefit various purposes.

Apart from our loan products, we have created a range of products designed to safeguard the earnings and savings of hard-working Sri Lankans.

Savings products	Purpose			Time period			
	Savings	FD/Investment Plans	Retirement	Housing Loan	Short	Medium	Long
HDFC Prathilaba	√				√		
HDFC Smart Goals	√					√	
HDFC Thilina (Children's account)	√					√	√
Vishrama Udana		√	√				√
Vishrama Rakawarana		√	√				√
Set for Life		√					√

Loan products	Purpose			Special Benefits
	Housing	Housing-EPF backed	Collateral required/ Mortgage	
Kedella	√		√	<ul style="list-style-type: none"> Includes individuals with earnings from agri activities Individuals earning rental income and foreign remittances
Shrama Udana		√	√	<ul style="list-style-type: none"> Ability to borrow up to 75% of the EPF balance
Sirisara			√	
Leasing				<ul style="list-style-type: none"> Lowest rentals in the market Includes individuals with earnings from agri activities



Intellectual Capital

DIGITAL RESOURCES & SERVICES

In 2024, the Bank launched a refreshed version of the corporate website for enhanced user experience.



HDFC BANK PRIORITISES CUSTOMER CONVENIENCE WITH CUTTING-EDGE WEBSITE

The bank has re-launched its corporate website, designed to offer an enhanced user experience, improved accessibility, and a wealth of new features to better serve the bank's customers.

It offers trilingual functionality to accommodate diverse language preferences and a mobile-responsive layout for a seamless experience on any device. Accessibility features such as adjustable font sizes, colour contrasts, and screen reader compatibility ensure inclusivity for all users.

FEATURES OF THE REINTRODUCED WEBSITE:

MULTILINGUAL SUPPORT

The new site supports customer service in all three languages, catering to different language orientations, which supports many of our customers from various regions.

RESPONSIVE INTERFACE AND ENHANCED OPTIONS

The website now features a mobile-responsive design, providing a consistent experience across all devices. It's enhanced with adjustable font sizes, contrasting colours, and compatibility with screen readers, ensuring easy navigability.

The website seamlessly integrates with Google Maps, allowing users to conveniently find branch locations. With a remarkable 99.99 percent uptime, hosted on Amazon Web Services (AWS), it guarantees exceptional reliability.

FINANCIAL TOOLS

The website features financial calculators and a personalised chatbot to assist users with banking inquiries. Integrated online banking functionality further elevates the user experience, setting new standards for convenience.

UNIQUE FEATURES

Unique offerings include a robust content management system (CMS) with advanced approval workflows, a Web Application Firewall (WAF) for heightened security, and user-friendly inquiry forms designed for efficient information capture.

OTHER DIGITAL ADOPTIONS

We depend on digital solutions and technological infrastructure to support our plans for future growth, particularly in operational optimisations. This is especially important given the high operational overheads resulting from previous hyperinflation and the consistently high cost of doing business. We have established a dedicated team to oversee the technological progress of the Bank, responsible for ensuring that timely project completion and comply with regulations and banking requirements. The digital solutions outlined will be further detailed in the Manufactured Capital report; they serve as essential means of delivering services to our customers.

HDFC Doorstep Banking

- Unique to our high concentration on rural/semi-urban customers. HDFC Doorstep banking takes banking services closer to customers with challenges in accessibility and financial literacy

HDFC Click

- The branded platform enables customers to execute online payments and transactions, including utility payments.

Just Pay integration

- Enables real time mobile payments through any device.



TECHNOLOGICAL MILESTONES

The Bank has adopted a practical approach to advancing its digital resources and infrastructure. Since being listed on the CSE, the Bank has undergone various transformations geared towards agility, efficiency and with the ultimate focus on creating a stable financial organisation and value for all stakeholders.

Digital technologies enable us to pursue this goal with improvements and efficiencies that cannot be achieved through conventional methods of conducting operations. As a result, we have moved either partially or fully embraced technological platforms, transitioning towards digitalization and automation of core banking functions.

The following transitions have occurred in recent years.

Core banking system

- The platform has vastly made improvements in operational efficiency and productivity. Several of our core functions are performed through the CBS, including CRM, account management, payment processing, loan management and deposit mobilisation.

Loan management and originating system

- The LMS has significantly automated and streamlined the processes of loan origination, approval, disbursement, and repayment. This enhancement has resulted in faster and more efficient loan processing overall.

Delinquency management system

- The automated system also allows the bank to effectively oversee and manage delinquencies within its loan portfolio by keeping track of non-performing loan (NPL) levels and offering access to information related to collections and recoveries. Additionally, it sends timely reminders for loan repayments, adding significant value to the Bank's loan management operations.

HRMS

- The Bank has adopted a human resource management system designed to automate and optimize various HR functions. This advanced technology has improved the organization and management of HR processes, leading to greater efficiency in workforce management.

INITIAL STEPS TO UPGRADING THE CBS

In line with plans for efficiency and process optimizations, we initiated the planning process for an upgraded core banking system (CBS). The objectives further included enhanced transaction speed and security. We are currently implementing advanced security protocols to ensure enhanced protection against potential threats while maintaining the highest standards of data protection.

PRODUCT DEVELOPMENT UPDATE – 2025 LAUNCH

In response to valuable insights and proposals gathered from our frontline staff during 2024, several enhancements have been made to our existing product portfolio. Notably:

- Leasing, Gold Loans, and Personal Loan products have been restructured and improved to better meet customer needs and market demands.
- Nine (09) new products and sub-products—developed based on frontline staff proposals—are scheduled for launch in 2025.

This initiative reflects our commitment to empowering frontline employees, encouraging bottom-up innovation, and delivering relevant, impactful financial solutions to our customers.

THE 'HDFC' BRAND

We consider the historic importance of our brand and the 40-year legacy it holds as the foundation of the Bank's brand recognition and acceptance by Sri Lankans. Since its inception, the brand has been rooted in a mission of uplifting and enhancing the lives of those without adequate financial resources to achieve their dreams of a stable abode.

Over the years, HDFC Bank has transitioned from its primary focus on housing finance to a specialised bank. In 2005, after being listed on the Colombo Stock Exchange, the Bank went from being a fully state-owned bank to balancing the agility and nuances of the private corporate sector. After two decades of improvements and efficiencies, our evolution reflects our adaptability and commitment to serving the varied needs of our stakeholders, including shareholders.

The bank's brand value is now valued close to Rs 1 Bn, underscoring our ongoing commitment to growth and financial stability. HDFC Bank continues to be the banker specialising in housing finance but with a growing outlook on embracing diversified financial products to cater to diverse financing needs.

Remaining aligned with its state and private sector backdrops, the brand continues to balance itself as a reliable banker for those with financial hardships and as an organisation embracing a culture that is advancing to the future with the right services, technology and future-proof strategies.



Intellectual Capital

ENHANCED BRAND VISIBILITY

During the year, the Bank undertook promotions and social media campaigns to enhance customer engagement, promote key products, and drive brand visibility. For example, advertisements were placed strategically in select geographic areas, targeting prospective customers. These interactions and campaigns are detailed under Customer Engagements within the Social and Relationship capital report.

In February 2024, the bank re-established its official Facebook page. Since its relaunch, we have successfully rebuilt our online presence, engaging with customers through targeted campaigns and content.

	Followers (2024)
Facebook	5,000
LinkedIn	890

AWARDS AND ACCOLADES

The Bank's commitment to excellence is exemplified and recognised through several prestigious awards in 2024.

- CA Sri Lanka Compliance Certificate for outstanding performance in annual reporting, showcasing its dedication to transparency and accuracy.
- Merit Award (State Sector) at the National Business Excellence Awards by the National Chamber of Commerce of Sri Lanka.
- HDFC Bank was honoured as the runner-up in the State Sector category at the National Business Excellence Awards 2024, reflecting its commitment to superior performance.
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OUTLOOK

Our focus is on enhancing our structural capital with a new and upgraded core banking system in the next year. Moreover, when equipped with additional funding, we will continue to invest in approaches for better product and service, and digital diversifications - positioning the Bank to deliver sustainable value and adapt to emerging market demands, especially growing fintech solutions.



SOCIAL AND RELATIONSHIP CAPITAL



Social and Relationship capital is the stock of all relationships and connections with external stakeholders. It underlines our relationship with these groups, including the broader community. In gaining their acceptance and continued trust, we have carved out strategies to address their expectations, prioritising their interests alongside the stability and growth of the Bank.

THE VALUE DELIVERED BY SOCIAL AND RELATIONSHIP CAPITAL

It fosters trust and loyalty from stakeholders, while promoting efforts to consider the community as part of our stakeholder equation. We have built solid connections with individuals and organizations, which has enabled us to fulfil our purpose of incorporation and for the betterment of the country's financially vulnerable.

STAKEHOLDERS IMPACTED



External stakeholders (customers, partners, regulators, state authorities and the community)

KEY FIGURES

Over 500,000 Total customer base	190 Suppliers and Service Providers
Zero non-compliances in 2024	494 Total Employees
	Rs 606 Mn in taxes to the Government

HOW WE ENHANCED SOCIAL AND RELATIONSHIP CAPITAL

- Strengthened customer relationships through better service and tailored products.
- Intensified focus on risk management and corporate governance in line with regulatory guidelines
- Built partnerships with local businesses for new opportunities.
- Boosted community focus through financial safety and literacy programs.

LIMITATION

- Budget constraints to scale community based CSR projects
- Limited usage of advanced technologies for enhanced stakeholder interactions

OPPORTUNITIES

- Expanding into underserved areas
- Leveraging digital technologies
- Collaborating on financial inclusion initiatives
- Developing innovative products
- Strengthening local business ties
- Enhancing reputation through community programs.



Social and Relationship Capital

CONTRIBUTION TO UN SDGS

Goal	How we contributed
	Promoting financial inclusion by offering accessible banking services to communities and communities.
	Encouraging financial prudence through financial literacy programs
	Providing equal access to banking and financing opportunities for all.
	Supporting clients/borrowers with tailored, affordable and inclusive financial solutions.
	Bridging gaps by reaching rural areas and disadvantaged groups with essential banking services.
	Investing in community development initiatives and sustainable practices.

CUSTOMERS (DEPOSITORS AND BORROWERS)



ACCESSIBILITY AND SERVICE PROXIMITY

DIGITAL BANKING (HDFC CLICK)

The Bank's exclusive digital banking portal provides comprehensive services based on our customers' requirements. Through frequent changes and improvements, the portal now provides the following to customers.

Account Balances	Transaction Inquiries	Fund Transfers	Payments
Savings	Daily	Own	Utility bills,
Term deposits	Past transactions	accounts	including electricity,
Loan accounts	Deposits and Advances	Third-party accounts	water, and telecommunications
			Bill payment history

CORPORATE WEBSITE

The Company re-launched the corporate website with numerous features and improved functionality. The website is equipped with advanced security features and includes comprehensive information. It was redeveloped to be user-friendly and highly engaging, providing an attractive digital channel for customers to engage with our services.

DOORSTEP BANKING (MOBILE BANKING TEAM)

At HDFC Bank, our doorstep banking services are carried out by a team of dedicated staffers, known as the Palmtop Banking Team. They are equipped with mobile devices, which are integrated with the palmtop banking application.

They facilitate customers with doorstep bill payments equipped with their palmtop devices through visits to customers' homes and workplaces. These devices are linked to the Head office and the billing system, ensuring real-time updates.

- Wide reach: The team reaches areas, such as Batticaloa, Vavuniya, Mannar, Hambantota and Nuwara Eliya, where payment accessibility remains limited.
- Tech-driven: The use of the palmtop devices enables efficient door-to-door banking, which expands the Bank's services deep into locales, improving technology-driven financial inclusion.
- Other Services: While primarily focused on bill collections, HDFC's doorstep banking has the capacity to extend its services to other personalised and generic financial solutions.

DIVERSE DIGITAL CHANNELS

In recent years, the Bank's digital adoption has transformed customer interactions with the Bank's financial services. The following are key digital tools that enhance convenience and accessibility. Collectively, they provide a framework for modern banking, ensuring flexible and efficient options to manage deposits, loans and bill payments through the Bank.

CUSTOMER ENGAGEMENT AND ACCESS TO INFORMATION

DIGITAL ENGAGEMENTS (SOCIAL MEDIA)

In February 2024, the Bank re-established our official Facebook (Meta) page to enhance our online presence. Since the re-establishment, we have engaged with customers through targeted campaigns and diverse content strategies. Across 2024, we undertook multiple promotions and social network campaigns to drive enhanced customer engagement, promote products and increase access to information.



TARGETED CAMPAIGNS

- Geo-based campaigns: The Bank conducted highly focused campaigns on Facebook, targeting specific customer segments in branch regions, for high relevance and impactful results.
- Home Loans, Leasing, and Gold Advance: Advertisements were strategically placed in specific geographic locations to effectively connect with potential customers.
- Fixed Deposits: Campaigns to reach island-wide audiences and individual branches. Specific locations such as Colombo, Hyde Park, Kandy, Tissamaharama, and Tangalle were prioritised to increase engagement and attract customers.



HDFC bank conducted an island-wide program across all 39 branches, including the Head Office, aiming to address and fulfil the diverse financial needs of the customers.

Employing a timely and innovative communication technique, the Bank strategically displayed customized financial solutions on placards in front of branches creating engaging and informative atmosphere for customers. This initiative sought to showcase the Bank's commitment to providing financial solutions and exceptional customer service during challenging times.

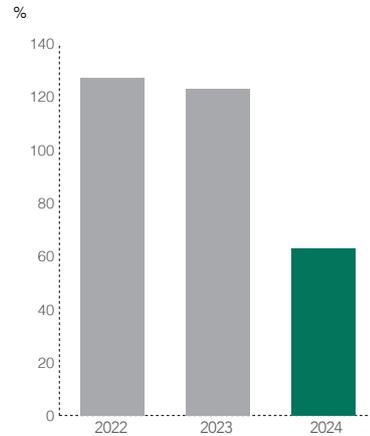
- Digital communication tools: A WhatsApp business account was initiated during the year, providing another convenient communication channel for customers. This has enhanced accessibility and the reliable exchange of information.

Reach from Facebook campaigns
222,192

COMPLAINT MANAGEMENT AND FEEDBACK MECHANISM

The Bank has established a comprehensive complaint management framework to effectively address customer grievances. The system has been integrated with technology to streamline complaint management, enabling regular monitoring and detailed customer feedback analysis.

Complaints



Complaints are reviewed formally by the designations 'Manager for Financial Consumer Relations' from the Compliance Division, who ensures a structured approach to dispute resolution. Moreover, the Operations Division tackles a range of customer complaints, including ATM malfunctions, e-banking concerns and complications in electronic fund transfers.

To effectively resolve complaints, personnel from the head office and branches work diligently. Branch managers have been given the authority to address and resolve complaints at the branch level, enhancing responsiveness and convenience. They are also required to document the process for future reference, which enhances accountability.

During the year, we received 63 customer complaints and all were resolved through proper management intermediations and through simple efforts to rectify the issues by our staff. In the year under review, we noticed a drastic drop in complaints received. This is a 49% reduction compared to the previous year.

In addition to our resolution efforts, the Bank actively seeks to understand customer satisfaction. We employ various feedback mechanisms through our call centre and social media channels, allowing us to gauge service levels effectively. This proactive strategy not only aids in addressing concerns swiftly but also enhances the overall quality of our customer interactions. The Bank complies with Financial Consumer Protection Regulations No. 01 of 2023 issued by the Central Bank of Sri Lanka and relevant best practices. The Bank reviews and updates its Customer Complaint Handling Policy in compliance with regulatory changes.

Customers can submit complaints through multiple channels, including in-person branch visits, telephone, email, postal and through social media/online channels, including the website and WhatsApp.

- Complaints are acknowledged within five working days and



Social and Relationship Capital

are assigned a unique reference number.

- Complaints will be logged in a centralised system with all necessary details.
- A responsible officer or team will be assigned to handle the complaint.
- The complaint will be investigated, including gathering documents and conducting interviews, if needed.
- Resolution is expected within 21 days. If delayed, the customer will be notified with a new resolution date, not exceeding 3 months.

The Bank has disclosed the complaint management process and customer rights through its website and all branches.

MARKETING AND COMMUNICATION

Adopting a comprehensive marketing and communication strategy, we focused on raising awareness and engagement with a broader customer audience. We utilised traditional print media and street promotions (branch level). Additionally, we used placards at all branches to enhance brand visibility and product information. Moreover, PR and publicity initiatives were undertaken through national newspaper coverage to communicate prestigious awards and recognitions received during the year, in an effort to enhance brand recognition and brand awareness.

RIGHT TO INFORMATION

The Bank respects customers' right to access product and service information and ensures regular communication through social media platforms, the official website, branch officers, and field staff (Mobile Bankers Unit). This approach helps keep clients updated on existing and new product features, empowering them to make informed financial decisions.

Mandatory and voluntary regulations and practices

CBSL Financial Consumer Protection Regulations as part of the Monetary Law Act, No. 58 of 1949

Monetary Law Act

Daily updates on rates and charges

COMMITMENT TO CUSTOMER PRIVACY AND SAFETY

We are fully committed to our responsibility to foster ethical banking practices, champion equitable practices and protect client financial security. We place utmost importance on safeguarding customer data and information and take proactive safety measures to prevent possible threats to data theft and breaches.

Customer awareness: The Bank regularly advises customers to securely manage sensitive details, such as Personal Identification Numbers (PINs) and passwords used for ATM transactions, e-banking, and mobile payments.

To further strengthen privacy, the Bank employs robust security

measures, including One-Time Passwords (OTPs) for secure e-banking logins and unique PINs for safe ATM access. The Bank's IT department continuously enhances its Information Security Strategy, aligning with industry standards to fortify data protection and ensure customer confidence.

ENHANCING CUSTOMER SERVICE

The battle for customer attention in the modern business landscape depends on exceptional customer service. At HDFC Bank, we put our best efforts into approaching customer service as a strategy, inspiring customers to remain with us for a sustainable period. At HDFC Bank, we are aware that by providing a better service, we have a higher chance of increasing customer loyalty and retention; this is particularly important as we remain the only financial source for our customers, whose financial resources are limited.

ISLAND-WIDE PRESENCE

The Bank leveraged its island-wide presence through 39 branches to provide effective customer service. During the year, no new branches were established, but existing branches were maintained and upgraded as required to ensure customer convenience and a pleasant service environment.

During the year, we undertook more efficient utilisation of branch staff, enabling more staff to visit customers and provide personalised services.

TRAINING

Two training sessions were conducted to equip staff with skills to enhance customer interactions, improve service efficiency, and strengthen relationships through best practices.

SUPPORT TO DISTRESSED BORROWERS

We took strategic efforts to support customers overburdened with financial debt in 2024. Initiatives included continued moratoriums for the tourism sector and other industries, covering 276 of 2,024 loans providing financial relief. These were based on a case-by-case evaluation and subjected to regulatory approval.

Moratoriums to the tourism sector and other industries 14% from total loans

DEDICATED REVIVAL UNIT

The Bank has a dedicated unit that coordinates in line with CBSL directions to provide optimal financial relief to distressed customers. Additionally, the credit division and business-originating branches are committed to improving service standards through regular discussions and agreed methods, ensuring continuous enhancement of customer service levels.



DIVERSE FINANCIAL PRODUCTS

Specialising in housing finance and EPF-backed loans, we provide unique financial products apart from the management of savings accounts and fixed deposits. The Bank empowers vulnerable communities with tailored products addressing needs from childhood to retirement, supporting grassroots clients in achieving their housing and entrepreneurial goals.

PARTNERS (SUPPLIERS AND SERVICE PROVIDERS, INSTITUTIONAL PARTNERS, INDUSTRY BODIES)

We collaborate with a diverse network of partners to enhance our service offerings and operational efficiency. These partnerships span suppliers, service providers, institutional partners, and industry bodies, enabling the Bank to expand its industry recognition and operate resiliently. Suppliers and service providers support the Bank's operational continuity with critical supplies and services, which contributes to enhancing our infrastructure and manufactured capital; moreover, with service providers, such as technological, telecommunications, financial and professional services, the Bank is well-positioned to function within regulatory boundaries while supporting growth objectives.

Institutional partners enable us to expand our reach among diverse customer and market cross segments, particularly in semi-urban and rural areas, offering the gamut of our financial services and financial awareness.

ENHANCING PARTNER VALUE CREATION

- Maintaining transparent and open communications
- Commitment to contracts and agreements, and maintaining payments as pre-established conditions
- Adhering to government guidelines in procurement (tender basis) to provide the optimum benefits to partners
- Prioritising collaboration with VAT-registered suppliers/service providers to ensure compliance with tax regulations and enhance mutual accountability.
- Strive to optimise economic values for the Bank and the onboarding service provider/vendor.

ACCOUNTABLE SOURCING

The Bank engages in prudent, responsible and transparent procurement practices, overseen by the Administration Division. Through the division, the Bank ensures strict adherence to the Bank's state-directed procurement policy, which mandates new suppliers/service providers/vendors to be selected through a formal tendering process. Moreover, the Bank complies with the Procurement Guidelines set forth by the Ministry of Finance.

The tender process begins with a transparent advertisement on the corporate website or mainstream newspapers to ensure wide visibility and reach. This step is aimed at inviting potential bidders who align with the objectives of the project. Following the announcement, a structured and rigorous screening process is conducted to evaluate the applications. This involves assessing the qualifications, experience, and compliance of the applicants in line with the specific project expectations and criteria.

In 2024, the National Procurement Commission (NCP) issued a Procurement Manual for Goods, Works and Non-Consulting Services, which went into effect on January 1 2025. The guidelines exclude consulting services and applies to all other goods and services, including energy, telecommunication, technology service providers etc...

The manual details all applicable details to state companies and prospective bidders on procurement methods, procurement planning, required documents, the process and bid evaluation process etc... – providing clear and comprehensive details.

The evaluation process at HDFC Bank Sri Lanka emphasises criteria such as technical expertise, financial robustness, proven experience, and compliance with banking and industry standards. Following a comprehensive assessment, top-performing companies are shortlisted based on their capacity to meet or surpass these stringent requirements. This approach guarantees a transparent and impartial selection process, prioritising excellence, operational efficiency, and alignment with the Bank's operational requirements and strategic objectives.

The Bank works with local and foreign vendors and service providers. While the Bank's formal tender process and guidelines on procurement prioritise local vendors, overseas service providers are also invited to bid on services such as software and digital solutions, solutions

KEY SERVICE PROVIDERS

The Bank engages with several strategic partnerships, primarily to enhance services, improve digital capacities and support strategic initiatives.

LANKAPAY

HDFC has partnered with Lanka Pay's Just Pay system to harness free digital transactions for Prathilaba savings account holders. The application enables real-time transfers, which aligns with the Bank's push for digital transactions, in line with the country's focus on cashless transactions.

Impact: Strengthens HDFC's digital banking offerings, making transactions more convenient for customers.



Social and Relationship Capital

DEPARTMENT OF REGISTRATION OF PERSONS (DRP)

In 2023, the Bank signed a memorandum of understanding (MOU) with the DRP to enable digital verification of customers through the DRP information system. The initiative aligns with CBSL's guidelines for non-face-to-face customer identification and verification through electronic interfaces.

Impact: Enhances customer onboarding by validating National Identity Card (NIC) details digitally, improving efficiency and security.

AMAZON WEB SERVICES (AWS)

The relaunched corporate website in 2024 is hosted on AWS, which ensures 99.99% uptime and incorporates advanced security features, such as a Web Application Firewall. Although not a direct partnership, AWS is a critical technology provider for the Bank's digital transformation.

Impact: Supports HDFC's digital banking infrastructure, ensuring reliability and accessibility for customers.

VALUE CREATION THROUGH PARTNERSHIPS

Throughout the year, we broadened our online banking services and integrated better accessibility features to ensure a smooth customer journey. We have collaborated with Lankapay's common POS switch to enable debit card payments via JCB-certified POS terminals. This partnership allows customers to enjoy the convenience and security of digital payments for online transactions.

As a member of CEFT, HDFC Bank now facilitates domestic interbank fund transfers in real-time, offering our customers convenience at their fingertips. This service is accessible through our internet banking, mobile banking platforms, or in person at our branches.

REGULATORY AND STATE AUTHORITIES

Our relationships and mutual interests shared with all our regulatory and state authorities are what form the core of our regulatory capital. Its effectiveness is mandatory for the stability of the Bank; more so, it ensures that the financial interests of our customers and shareholders are preserved and maintained with transparency and integrity, with an ethical mindset guiding all our employees to continually abide by the right morals and principles.

Unlike a privately owned bank, HDFC Bank is answerable to good governance by the government as well; this stems from us being 51% owned by the National Housing Development Authority. As a state-sector financial institution, we are also required to abide by the rules and regulations enforced by the Ministry of Finance of Sri Lanka.

- Banking Act Directions No. 24 of 2024 (AMENDMENT)
- Baseline Security Standards for Information Security Management
- BASEL III standards for minimum capital requirement, liquidity ratios, and risk management guidelines
- Monetary Law Act
- Directions, Circulars and Guidelines on corporate governance, anti-money laundering (AML) and financing of terrorism (CFT)
- Customer protection guidelines
- Reporting and auditing standards (SLFRS/LKRS)

CENTRAL BANK OF SRI LANKA (CBSL)

The Central Bank of Sri Lanka (CBSL) serves as the primary regulatory authority for HDFC Bank as we are Licensed Specialised Banks (LSBs) under the Banking Act No. 30 of 1988 (amended). As part of its directives to LSBs, we are committed to ensuring the Bank's financial stability and complying with prudential regulations, including capital adequacy, liquidity ratios, and risk management standards.

CBSL conducts regular inspections, issues directives, and guidelines on governance, anti-money laundering, and sector-specific mandates and oversees the Bank's operations to promote financial inclusion and protect depositors. This regulatory framework enables us to operate effectively within our specialised role while contributing to Sri Lanka's economic development.

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA (SEC)

As a listed commercial entity, we are required to adhere to the SEC, as it regulates the Colombo Stock Exchange (CSE). We are required to comply with rules on financial reporting, disclosures, insider trading prevention and safeguarding stakeholder interests. As a result, we are required to provide quarterly and annual financial statements audited as per Sri Lanka Accounting Standards (SLFRS/LKAS).



FINANCIAL INTELLIGENCE UNIT OF SRI LANKA (FIU)

The FIU has been established to operate within CBSL and is responsible for overseeing the compliance of financial institutions with Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) regulations.

MINISTRY OF FINANCE AND NATIONAL HOUSING DEVELOPMENT AUTHORITY (NHDA)

The two state bodies exercise oversight due to their ownership stake in the Bank. They have empowered the Bank to align with the national housing and economic policies of Sri Lanka.

AUDITOR GENERAL'S DEPARTMENT

As a state-owned entity, we are subject to audits by the Auditor General's Department to ensure accountability and transparency in all our financial transactions and financial management.

FINANCIAL OMBUDSMAN

Established under CBSL's authority, it provides an alternative dispute resolution mechanism for customers of LSBs, including HDFC Bank, addressing complaints related to banking services.

SUMMARY OF REGULATORS AND PRIMARY REGULATIONS

Regulator	Role	Key Regulations
CBSL	Primary regulator for licensing, prudential oversight, and AML/CFT	Banking Act No. 30 of 1988, (Act No. 24 of 2024 as amended) FIU regulations
SEC	Regulates listed companies for market compliance	SEC Act No. 19 of 2021 CSE Listing Rules Corporate Governance Code
FIU	Enforces AML/CFT compliance	Financial Transactions Reporting Act No. 6 of 2006 CDD Rules
Ministry of Finance National Housing Development Authority	Oversees state ownership and housing mandate	HDFC Act No. 7 of 1997 NHDA Act No. 17 of 1979 Government financial regulations
Auditor General	Audits state entities for financial accountability	National Audit Act No. 19 of 2018 SLFRS
Financial Ombudsman	Resolves customer disputes	Customer Protection Framework Ombudsman Scheme

The Bank prepares its financial statements and conducts financial reporting in line with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) developed by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). These standards have been developed on International Financial Reporting Standards (IFRS), and are mandatory for entities, such as Licensed Specialised Banks (LSBs), including HDFC Bank, ensuring transparent and consistent financial reporting. We also comply with the corporate governance rules set forth by CA Sri Lanka (pages 136 to 149).

COMMUNITY

At HDFC Bank, we prioritise impactful financial services and financial inclusion over traditional corporate social responsibility initiatives. Our focus hinges on financial literacy and accessibility to services for all, particularly those who are marginalised due to financial limitations (low and middle-income persons with little or no collateral).

Our work is to ensure that underserved and unbanked communities have access to both deposits and loans, and to those with little or no financial literacy. We strive to empower individuals with the knowledge to make informed financial decisions, especially in selecting the right savings and loan products to match their financial context.

We also provide affordable and accessible financial products tailored to meet the diverse needs of anyone who approaches us. This approach enables the Bank to address socio-economic challenges and foster sustainable development amongst communities.

ACCESSIBILITY - PALMSTEP BANKING TEAM (DOORSTEP BANKING)

Our Palmstep Banking team services customers and the community with doorstep banking services, taking banking to the grassroots and urban setups. This creates close connectivity to our financial services, which are designed with the underserved and under-banked in mind.

Even with financial limitations, the Bank has taken strides to advance its website during the year and incorporate online banking (HDFC Click) through its dedicated portal.

FINANCIAL LITERACY

Financial Literacy-based content was shared through our social media platform to create public awareness on financial fraud and related activities. This involved creating awareness on several aspects, including ensuring safety when conducting online transactions, ATM-related scams, and maintaining confidentiality on sensitive personal bank information.



Social and Relationship Capital

Name of the program	The main objective of the program	Main Content Area Covered	Total post outreach
Financial Frauds and Related Activities	Online transactions via websites without https (S/T)	Digital Financial Literacy	456
Financial Frauds and Related Activities	Educational video - tips to follow when making online transactions (S/T)	Digital Financial Literacy	
Financial Frauds and Related Activities	ATM scams (S/T)	Consumer Protection	443
Financial Frauds and Related Activities	Tips to follow when making ATM transactions (S/T)	Consumer Protection	
Financial Frauds and Related Activities	SMS alerts (S/T)	Consumer Protection	575
Financial Frauds and Related Activities	Educational video - confidentiality of personal and bank information (S/T)	Digital Financial Literacy	406
Financial Frauds and Related Activities	Display of posters (E/S/T)	Digital Financial Literacy	

PHYSICAL FINANCIAL LITERACY PROGRAM

A financial literacy program was successfully coordinated by the Monaragala branch in collaboration with the Business Development Division.

The program was conducted by the head office officers, providing valuable insights on financial management and proper banking practices to the people of the area.

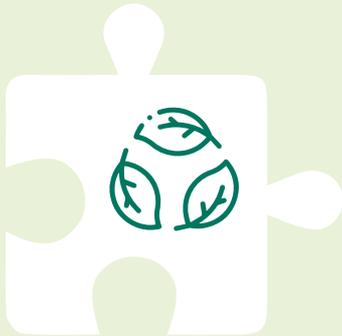
OUTLOOK

Our strategic outlook in relation to all stakeholders has been outlined in the Stakeholder Engagement report on pages 43 to 49. The following provides a time-specific approach to increasing our value to external stakeholders.

	Short (next financial year)	Medium (1-3 years)	Long (Beyond 3 years)
Customers	<ul style="list-style-type: none"> Enhanced digital tools and digital banking Personalised financial products Affordable financial products (focusing on short-term loans) 	<ul style="list-style-type: none"> Payday loans Increased SME Financing Increased debit card offerings Credit card facility 	<ul style="list-style-type: none"> Product diversifications that compete with conventional products are subject to regulatory guidelines. Innovative products that leverage disruptive technologies such as generative AI and blockchain
Partners	<ul style="list-style-type: none"> Strengthen ties with existing partners Review existing agreements to align with renewed partner and bank goals 	<ul style="list-style-type: none"> Streamline partner onboarding Collaborate with fintech companies for innovative payment and digital solutions C-branded credit card with exclusive partner benefits 	<ul style="list-style-type: none"> Expand partnerships with e-commerce platforms for offerings Joint ventures for finance solutions and products A global partner network for cross-border banking services Partner training to align with the Bank's business goals
Regulators	<ul style="list-style-type: none"> Ensure 100% compliance with governance and risk management frameworks Ensure 100% compliance with cybersecurity and digital technologies 	<ul style="list-style-type: none"> 100% compliance with governance and risk management frameworks and cybersecurity guidelines Advanced risk management approaches to monitor ESG and technological risks 	<ul style="list-style-type: none"> Set exemplary standards in governance and financial management Achieve zero regulatory non-compliances and 100% adoption Become a lead advocate for financial inclusion and property finance
Community	<ul style="list-style-type: none"> Promote financial literacy through workshops and extended programs 	<ul style="list-style-type: none"> Partner with NGOs or businesses to empower underserved communities Increased microfinancing to MSMEs. 	<ul style="list-style-type: none"> Create employment opportunities in branches and within the field staff



NATURAL CAPITAL



The Bank's requirements for operational continuity are intertwined with the use of certain natural resources. These are renewable and non-renewable in nature and are mainly used in a form that has been altered from their natural state.

Our approach to managing the use of these resources in an environmentally conscious manner includes various approaches. The highest priority is placed on consuming them responsibly with awareness of resource conservation.

THE VALUE DELIVERS

Proper management of resources and careful consumption is the ultimate measure of reducing the negative footprints of human activity. While making the planet better, we can share the economic benefits of environmental sustainability with our customers and stakeholders. It also enables the Bank to safeguard natural resources from excessive consumptions in a modest way — preserving resources for future generations.

STAKEHOLDERS IMPACTED



Employees, customers, community

HOW WE ENHANCED NATURAL CAPITAL

*Reducing unnecessary consumptions
Adopting a mindset of energy and water conservation through awareness Partnership that provided a sustainable solution for waste management*

LIMITATION

Stringent financial controls limit further investments in sustainability initiatives, such as renewable energy adoption

OPPORTUNITIES

*Ability to reduce resource dependencies through increased digitalised processes
Provide financing to green initiatives/projects and businesses*



Natural Capital

CONTRIBUTION TO UN SDGS

Goal	How we contributed
	Solar generated through three branches
	Organised waste disposal and use of digital resources to minimise paper and transportation
	Minimising potential negative impact through proper waste disposal

A CULTURE OF CONSCIOUS CONSUMPTION

Across our physical locations, we encourage staff to ensure optimum resource consumption without excessive usage and unwarranted waste. We expect our staff to exercise prudence over the usage of electricity, water, transportation fuel and gas, which ultimately carries a toll on the environment and the Bank. This is due to the physical footprint our branches and head office create and the emissions which occur from consuming power, energy, and water. We have a smaller branch footprint compared to other financial institutions, which has remained unchanged in the past five years.

	2024	2023
Power consumption	598,367 Units	901,756 Units
Water consumption	6,452 Units	6,490 Units

MEASURES OF SAVING POWER AND ENERGY

- Use of LED lighting and use of natural illumination where possible
- Air conditioners set at the optimum temperature of 26 degrees
- Regular maintenance of air conditioners and lighting
- Reduced transport to minimise fuel usage
- Shared printer system to optimise energy

WASTE MANAGEMENT

The Bank has implemented a sustainable manner to collect and dispose of waste. Common waste is segregated by staff at the point of disposal into separate waste bins, which are then handed over to the municipality's garbage collectors. Other measures include:

- Plastic waste recycling program through Eco Spindles (20 collection bins)
- Handing e-waste to collection centres
- Reusing and recycling of waste paper
- Waste bins for feminine hygiene products
- Use of digital technology to reduce paper use



One of our most sustainable measures is our partnership with Eco Spindles. The collaboration has enabled us to place plastic collection bins in 20 locations. In 2024, we gathered 703 kilograms of plastic waste, which equates to 21,090 plastic bottles. Moreover, the Bank also receives a supplement of Rs 25 for each kilogram of plastic waste. As a result of our efforts, Eco Spindle has provided the Bank with a 'certificate of recycling'. This certification highlights our commitment to safeguarding the environment and to sustainable approaches that can be taken to reduce the impacts of our operations. These bins also empower the community to adopt environmental consciousness when disposing of waste and to reduce plastic pollution.

The Bank transfers e-waste to collection centres, which are equipped to properly and safely dispose of and recycle electronic equipment. Moreover, to promote the sustainable use of natural resources, we have encouraged staff to reuse waste paper and newspapers whenever possible.



CLEAN ENERGY GENERATION

The Bank has a modest adoption of solar energy, which has remained limited to its Hyde Park Corner branch since 2019. Due to the high cost of investment, we have been disinclined to extend solar panel expansions to other branches. Nevertheless, plans for two installations at Kaluthara and Amapara branches are in progress.

DIGITAL COMMUNICATION FOR ENVIRONMENTAL SUSTAINABILITY

The Bank has transitioned to digital communications, expedited through emailing requests for proposals and quotations, replacing registered posts. Essential operational communications, including cost approvals and matters related to credit and deposits, are also handled electronically.

OUTLOOK

The Bank views the following approaches as part of its future environmental sustainability efforts.

Short-term (1-12 months)	Medium-term (1-3 years)	Long-term (More than 3 years)
Renewable energy adoptions	Expansions in clean energy at branches	Environmental sustainability certifications
Green Funding products	Measuring carbon footprint	
Enhanced consumption monitoring and decision-making	Increased plastic waste collection points	



AWARDS & RECOGNITION



HDFC BANK HONOURED AT NATIONAL BUSINESS EXCELLENCE AWARDS 2024

The bank has been awarded the Runner-Up Award in the State Sector Services category at the esteemed National Business Excellence Awards (NBEA) 2024. This prestigious accolade, organized by the National Chamber of Commerce of Sri Lanka, underscores HDFC Bank's commitment to excellence and its unwavering dedication to serving its customers and the community.



HDFC BANK RECOGNIZED WITH A CERTIFICATE OF COMPLIANCE AT THE TAGS AWARDS

HDFC was recognised with a Certificate of Compliance at the TAGS awards 2024, the prestigious Annual Report Awards organised by CA Sri Lanka.

This Achievement reflects the banks commitment to excellence in corporate reporting and transparency.



RISK & GOVERNANCE



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THE CHAIRMAN'S MESSAGE ON CORPORATE GOVERNANCE

At HDFC Bank Corporate Governance Framework is well structured and primarily based on the doctrine and principles of accountability, fairness, and transparency.

The Board of HDFC believes good governance is essential for the future sustainability of the Bank.

During the financial year 2024, the Board continued to improve compliance and internal controls to strengthen the overall governance structure.

We adopted the following statutes, regulations and social codes of best practices, with regard to the Area of Corporate Governance.

- (I) HDFC Act No 7 of 1997 (as amended)
- (II) Mandatory codes of Corporate Governance issued by the Central Bank of Sri Lanka, and compliance with relevant laws under the Banking Act.
- (III) Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants and Securities Exchange Commission of Sri Lanka.
- (IV) Compliance with the continuing listing requirements under Section 9 of the revised listing rules issued by the Colombo Stock Exchange.

In complying with the regulatory requirements, our Corporate Governance Report consists of three sections;

- SECTION ONE is relevant to Banking Act Direction No. 12 of 2007 (and subsequent amendments thereto) for Licensed Specialized Banks, issued by the Central Bank of Sri Lanka.
- SECTION TWO is relevant to the Code of Best Practice on corporate governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.
- SECTION THREE is relevant to the continuing listing requirements under section 09 of the revised listing rules issued by the Colombo Stock Exchange.

Our customers, Board of Directors, management team and staff has worked in unison in achieving the objectives of our strategic plan, while complying with the best corporate governance practices to the highest level.

The External Auditor carried out a review of the Bank's compliance with Corporate Governance Directions of the Central Bank. All the findings of the factual findings report of the auditors, issued under the "Sri Lanka Standard on Related Services Practices Statement 4400," have been incorporated into this report.



P. J. Jayasinghe
Chairman
Colombo, Sri Lanka



CORPORATE GOVERNANCE

Good governance is embedded into the corporate rules and procedures of HDFC Bank. Our performance, our decision-making and strategies are governed by a set of rules and frameworks that ensure our commitment to ethical conduct. The bank has in place a comprehensive governance framework, refined through continuous reviews and adaptations aligned with the following frameworks and guidelines by regulatory authorities.

- Housing Development Finance Corporation of Sri Lanka Act No. 7 of 1997 and amended by Act No. 15 of 2003 and Act No.45 of 2011
- Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks
- Code of Best Practices by CA Sri Lanka
- Listing Rules of the Colombo Stock Exchange (CSE)
- Guidelines of the Securities and Exchange Commission of Sri Lanka (SEC) Companies Act No. 7 of 2007
- The board charter also helps define our commitment towards governance
- The annual audited financial statements have been prepared in line with relevant accounting standards and regulatory requisites, alongside specific disclosures.

The Bank has adhered to the above frameworks, which are stringently monitored by the Bank's Company Secretary and higher leadership. Changes are duly notified to the regulatory bodies, maintaining timely and transparent disclosures.

Key Highlights during the year:

- Change in Company Secretary
 - New Chairman, Mr P J Jayasinghe, appointed on 25th October 2024
 - Compliance of Listing rules 9.3, 9.13.3, 8 and 7.8 during the year (Please refer to the compliance review)
- (a) Policy on matters relating to the Board of Directors
- (b) Policy on Board Committees
- (c) Policy on Corporate Governance, Nominations and Re-election
- (d) Policy on Remuneration
- (e) Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities

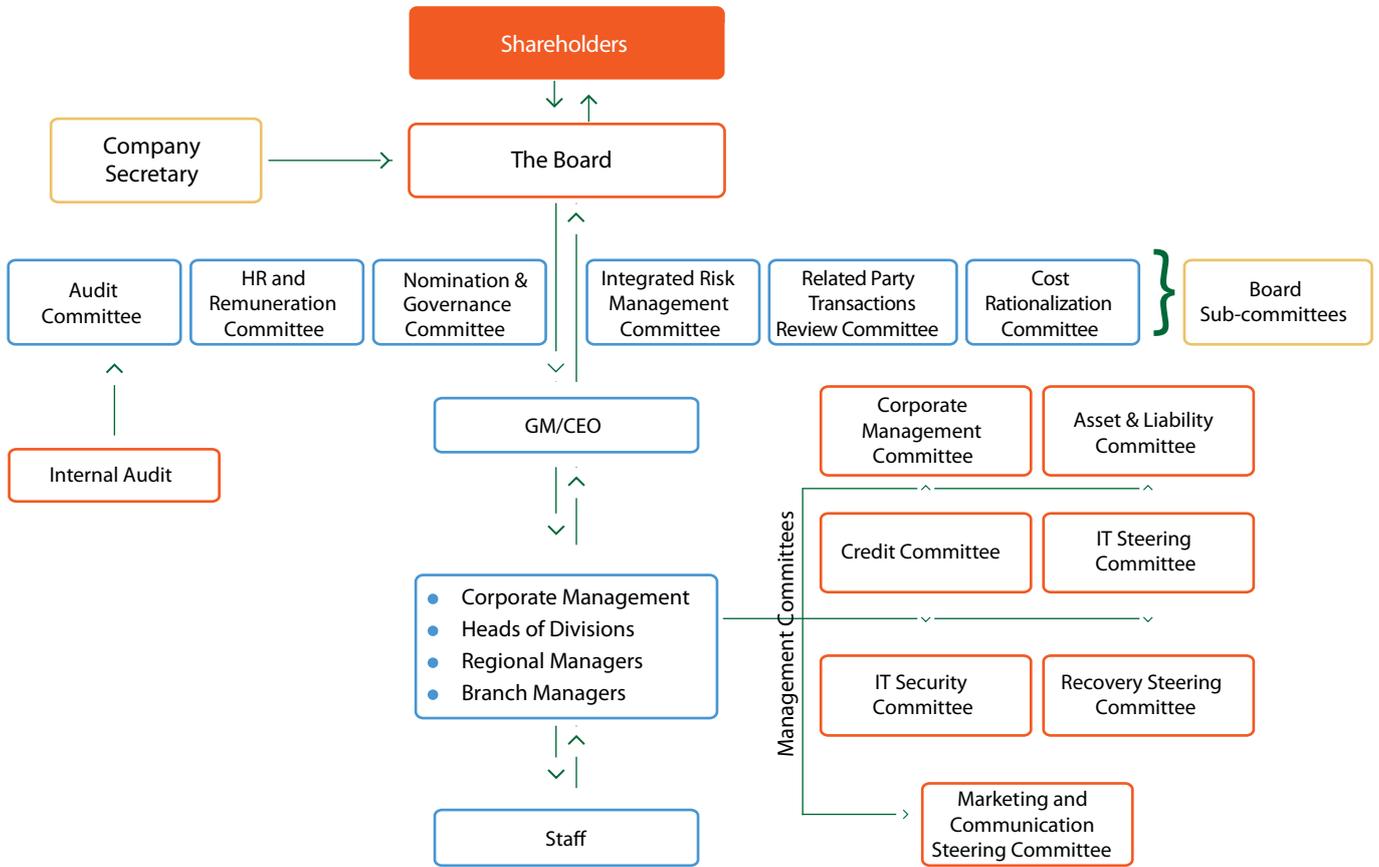
- (f) Policy on Risk Management and Internal Controls
- (g) Policy on Relations with Shareholders and Investors
- (h) Policy on Environmental, Social and Governance Sustainability
- (i) Policy on Control and Management of Company Assets and Shareholder Investments
- (j) Policy on Corporate Disclosures
- (k) Policy on Whistleblowing
- (l) Policy on Anti-Bribery and Corruption
- Review and update of Board Subcommittee Terms of References (TORs)

On 15th June 2024, the Banking (Amendment) Act No. 24 of 2024 came into effect, which provides requisites for a robust corporate governance framework within the banking sector. The Banking Act Directions were amended to align with regulatory developments, market changes and global best practices – emphasising stronger standards and oversight.

Main Revisions in line with the Amended Act:	HDFC Response
Promoting a sound corporate culture and ethical behaviour.	√
Enhancing Board responsibilities, diversity, and independence (at least half must be independent directors).	√
Requiring the Chairperson to be an Independent Non-Executive Director.	√
Improving the structure and independence of Board sub-committees.	√
Strengthening oversight of related party transactions through a dedicated committee.	√
Managing conflicts of interest more effectively.	√
Expanding Board oversight of senior management and critical functions like risk management, compliance, and internal audits.	√
Enhancing governance for foreign bank branches in Sri Lanka.	N/A



STRUCTURE OF GOVERNANCE



The corporate governance framework of HDFC Bank of Sri Lanka establishes a robust system that fulfils its objectives and compliance requirements. Moreover, it promotes and ensures stewardship, management accountability, transparency and ethical conduct. Through a well-defined governance structure, the bank delegates strategic and operational decision-making authority while implementing effective oversight mechanisms to ensure employee adherence to applicable laws and regulations.

By appropriately assigning responsibilities to leadership, the framework enables us to fulfil the expectations of all stakeholders. The Board of Directors, as the bank's highest governance body, along with its sub-committees and executive committees, is entrusted with overseeing compliance in banking, finance, governance, and operational activities.



1. BOARD LEADERSHIP AND OVERSIGHT

The Board of Directors serves as the highest governance authority of the Bank. They are responsible for guiding the bank's strategic initiatives and ensuring adherence to legal and regulatory requirements.

The framework is built on several tiers of leadership: the Board, management committees, the GM/CEO, and the Key Management team. Both the Bank's leaders and staff understand the importance of protecting stakeholder interests while fostering long-term value creation.

PRIMARY RESPONSIBILITIES

- **Collective Leadership:** The Board acts as a collective leadership body responsible for achieving the Bank's strategy and objectives.
- **Direction Setting:** At the top hierarchical level, the Board sets the direction, including the Bank's strategy, policies, and corporate culture.
- **Oversight Responsibility:** The Board has primary oversight of the ethical, effective, and transparent conduct of financial management and performance against targets.

- **Executive Accountability:** The Board ensures that executive leaders fulfil their duties in the best interest of stakeholders.
- **Guidance to Management:** The Board is responsible for guiding the Management while maintaining a balance of authority and power.
- **Protection of Interests:** The Board ensures that there is no undue influence on Bank matters, except when safeguarding shareholder and other stakeholder interests.

As per Section 13 of the Housing Development Finance Corporation of Sri Lanka Act, No.7 of 1997 (by Section 13 (n) Housing Development Finance Corporation Bank of Sri Lanka (Amendment) Act, No.45 of 2011) In fulfilling its responsibilities, the Board has the authority to grant loans, acquire or sell property, enter into contracts, hire personnel, and establish rules regarding management and staff, including aspects of recruitment, promotion, remuneration, and disciplinary measures. Additionally, the Board holds the power to invest corporate funds in securities and is authorised to borrow and raise funds for the corporation. Nonetheless, it is important to note that the Board does not exercise executive authority or engage in the routine operational activities of the Bank.

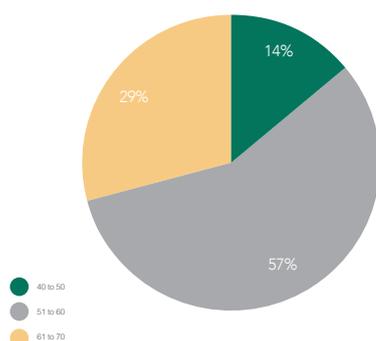
BOARD COMPOSITION

According to the HDFC Act, in compliance with CBSL requirements and CSE listing rules, the Board comprised only Independent Non-Executive Directors, without executive oversight or responsibility for the Bank's day-to-day operations. The Board consisted of 7 Directors as at 31st December 2024.

Members	Directorship	Independent	Expertise Areas	Age
Mr P J Jayasinghe	Non-Executive	Independent	Banking	69 years
Mr W.M. Ananda	Non-Executive	Independent	Public Administration	59 years
Dr P.A. Krishantha	Non-Executive	Independent	Information Technology	42 years
Mr W.N.I.C. Fernando	Non-Executive	Independent	Chartered Accountancy	58 years
Mr. K. B. Wijeyaratne	Non-Executive	Independent	Chartered Accountancy	64 years
Mr H K K A Jayasundara	Non-Executive	Independent	Public administration and labour affairs	55 years
Mr P.A.Lionel	Non-Executive	Independent	Banking	69 years

The entire Board consisted of Independent Non - Executive Directors

Age Diversity



The Board includes a majority within the age range of 50 to 60, followed by the second highest majority in directors above the age of 60.

The Bank will fulfil its obligation to ensure gender diversity within board composition by the end of 2025.

BOARD COMPETENCIES

The Directors are professionals with decades of expertise, credentials and leadership experiences in the banking sector. They possess expertise not only in banking and financial services but also in various other disciplines due to their work in multiple industries and organisations. Collectively, they have experienced banking, finance, strategic leadership and policy-making in both private and public sectors. Please refer to pages 24-26 for individual Director Profiles.

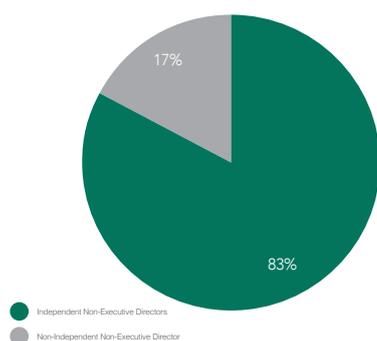


Corporate Governance

DIRECTOR PERFORMANCE EVALUATION

The Board Nominations and Governance Committee Conducts periodic performance assessments for the Directors and the GM/CEO. These will take into account meeting attendance, contributions towards the bank's strategic objectives, and compliance with governance standards.

Board Composition



PROCESS FOR APPOINTING DIRECTORS

Directors are appointed in accordance with the HDFC Act and amendments, in line with governance guidelines. The Board is made up of two ex-officio Directors – one representative of the Ministry in charge of Housing, appointed by the relevant minister and the Secretary to the Treasury or their representative of the Treasury. Additionally, there are four other appointed Directors, which include: a representative from the Central Bank of Sri Lanka (CBSL), a representative from the Minister of Housing, a representative from the Ministry of Finance, and a representative from the Ministry of Labour. There are also five shareholder Directors elected by the shareholders of the Bank at a general meeting.

The Nomination and Governance Committee reviews potential nominations and provides recommendations to the Board. Any appointment of a Director must be aligned with the clearance of the fitness & proprietary affidavit by the CBSL and proper criteria set down by the CBSL. Once approved by the Board, the necessary fitness & proprietary affidavit is submitted to the CBSL for approval. Once appointed, each Director undergoes appropriate training as required. The Bank ensures that all new appointments, as well as any removals, are communicated to the Colombo Stock Exchange.

APPOINTING DIRECTORS (PROCESS SUMMARY)

- The Nomination and Governance Committee identifies and evaluates candidates.
- The committee recommends candidates to the Board of Directors.

- The Board reviews and approves the nominations, ensuring compliance with governance and regulatory standards.
- The CBSL conducts a "Fitness and Proprietary" assessment and grants approval.
- The nominations of the shareholder directors are subject to the election at the Annual General Meeting or Extra-Ordinary General Meeting of the shareholders.
- For government-nominated directors, are based on the HDFC Act No. 07 of 1997, subject to that fitness & proprietary affidavits of such nominations are cleared by the CBSL.

During the year, four new Directors were appointed, while 6 Directors exited the Board due to resignations.

BOARD APPOINTMENTS AND RESIGNATIONS

Board appointments FY 2024

Date	Resignations	Date
Mr. W.N.I.C. Fernando	Mr. P.M.K. Hettiarachchi	10.12.2024
Mr. K. B. Wijeyaratne	Mr. E.D.P. Soosaipillai	04.10.2024
Mr. P.J. Jayasinghe	Mr. R. Sooriyaarachchi	03.10.2024
Mr. H.K.K.A. Jayasundara	Mr. D.M.M.M. Wijeyaratne	23.10.2024
	S.Prof. A. Jayamaha	28.06.2024
	Mr. B.K.P. Chandrakeerthi	01.01.2024

RE-ELECTION

Shareholder Directors are to be re-elected every 3 years. This will be done based on the assessment of the Directors' performance, experience and contributions, in addition to meeting attendance and compliance with Fit and Proper criteria based on CBSL guidelines and SEC recommendations, which will be ensured by the Nominations and Governance Committee.

BOARD REMUNERATION

The Human Resource and Remuneration Committee determine the remuneration levels of Directors (also executive leadership, staff and key management personnel). They approach this task objectively and consider responsibilities, best practices and Directors' performance when setting levels.



BOARD AGENDA

In 2024, the Board focused on a range of strategic and operational priorities, based on lessons from several prior financial years and those that concerned the Bank and its stakeholders. The agenda was also shaped by the need to balance its financial stability with stakeholder expectations, particularly in relation to the regulatory expectations of its regulators.

- Navigating Economic Recovery and Mitigating Risks
- Enhancing Credit Approval and Recovery Efforts
- Providing targeted customer relief on loans, including moratoriums, concessions and flexible repayment plans.
- Strengthening Corporate Governance and compliance
- Supporting innovation

The Chairman, with the Company Secretary, prepares the agenda, covering key topics, and documents must be shared five days before the meeting.

BOARD MEETINGS AND ATTENDANCE

As per CBSL regulatory requirements, the Board is expected to meet a minimum of 12 times during a year, or more. During 2024, the Board convened 14 times. The following tabulates Board attendances of Directors; this includes Directors whose resignations were tendered within the year.

Directors must attend at least 75% of Board meetings, and failure to attend two-thirds of meetings in a 12-month period results in losing their office. They can participate via audio-visual means. A quorum requires a majority of Non-Executive Directors, including one Independent Director. Decisions are made by majority vote, with the Chairman casting the tie-breaking vote if necessary.

Names	Directorship Status as at 31/12/2024	Number of Meetings held - 2024	Number of Meetings Required	Number of Meetings participated
Mr. P. J. Jayasinghe (Appointed to Board on 25.10.2024)	Non-Executive/ Independent Director Chairman of the Board	14	3	3
Mr. W.M. Ananda	Non-Executive/Independent Director	14	14	12
Mr. P.A. Lionel	Non-Executive / Independent Director	14	14	14
Dr. P.A. Krishantha	Non-Executive / Independent Director	14	14	12
Mr. W.N.I.C. Fernando (Appointed to the Board on 25.09.2024)	Non-Executive / Independent Director	14	06	05
Mr. K. B. Wijeyaratne (Appointed to the Board on 25.09.2024)	Non-Executive / Independent Director	14	06	06
Mr. H.K.K.A. Jayasundara (Appointed to the Board on 22.11.2024)	Non- Executive / Independent Director	14	01	01
Mr.E.D.P. Soosaipillai (Resigned from the Board 04.10.2024)	Non-Executive/ Independent Director Chairman of the Board	14	11	11
Mr. P.M.K. Hettiarachchi (Resigned from the Board 10.12.2024)	Non-Executive / Independent Director	14	13	11
Mr. D.M.M.M. Wijeyaratne (Resigned from the Board 23.10.2024)	Non-Executive / Independent Director	14	12	11
Mr. R. Sooriyaarachchi (Resigned from the Board 03.10.2024)	Non- Executive / Non-Independent Director	14	11	09
Senior Prof. A. Jayamaha (Resigned from the Board 28.06.2024)	Non- Executive / Independent Director	14	05	05



Corporate Governance

MANAGING CONFLICTS OF INTEREST

Directors have a duty to maintain impartiality on matters related to the Bank's interests. These include the following areas:

- **Voting Abstentions:** If a Director or a close relation has a significant interest in a matter requiring a vote, that Director must abstain from voting on any related resolution to maintain fairness and integrity.
- **Administration:** The Committee on Related Party Transactions is responsible for managing any conflicts that have arisen from transactions involving Directors, and handling them in the best interest of the Bank.
- **Disclosures:** Directors with conflicting interests must disclose the nature of their interest to the Board, and should be officially recorded in meeting minutes.
- In cases of conflicts, the Board will assess the conflict, which will be done by Directors who are not affected by the conflict.

BOARD AND RISK MANAGEMENT

The Board is responsible for ensuring the management and reserves oversight of risks that impact the Bank. The Board works closely with the Board Integrated Risk Management Committee (BIRMC), which works in line with the guidelines set by the Central Bank of Sri Lanka (CBSL), the revised rules of the Colombo Stock Exchange (CSE), and the code of best practices issued by CA Sri Lanka.

The BIRMC communicates regularly with the Board and submits reports on the Bank's risk profile and management strategies. The Board has empowered the BIRMC to make decisions. Moreover, the BIRMC reviews the risk management framework and discusses necessary revisions with the CEO, Chief Risk Officer (CRO) and other key personnel.

The Committee's report can be found on pages 175 to 189 in this report.

- **Approach to Risk Management**

Across 2024, the Board and the BIRMC took prudent approaches, especially in light of the country's economic situation and regulatory changes. The Board administered its decisions based on the Committee's assessment of the Bank's resilience against internal and external risks.

The Board and the BIRMC considered risks in conjunction with the Bank's capability to minimise non-performing loans while maintaining a healthy asset base. Their overarching goal was to ensure that risk exposures do not hinder the Bank's ability to remain profitable and financially stable.

2. BOARD COMMITTEES

The Bank has appointed the following Committees, including 5 mandatory committees.

- Board Audit Committee
- Board Nominations and Governance Committee
- Board Integrated Risk Management Committee
- Board Human Resource and Remuneration Committee
- Board Related Party Transactions Review Committee
- Board Cost Rationalisation Committee – (formed only for the years 2023 and 2024 as per the directive of the Banking Act Directions 01 of 2023)

The Committees have been structured and assigned responsibilities as per the Bank's policy on Board Committees.

PRIMARY ROLE OF THE COMMITTEES

These committees play a crucial role in assisting the Board in its fiduciary duties and enable the Board of Directors to maintain oversight of the Bank's strategic direction. While the Board can delegate powers and duties to these committees, it retains the right to undertake any duties and powers itself.

The terms of reference for each Committee outline their specific responsibilities and the level of judgment they can exercise while performing their duties.

ACCOUNTABILITY AND REPORTING

The Committees are answerable to the Board and report directly on any findings and recommendations. The Board, in turn, reserves authority over the decisions made by the Committees and their overall performance. The Board must provide an overview of each Committee's performance at the Annual General Meeting.

Each Committee Chair is responsible for delivering a report that outlines the committee's composition, attendance records, activities, decisions made, and significant issues addressed throughout the year. This information will be included in the Bank's Annual Report.

COMMITTEE MEETINGS

Committees are expected to meet monthly or quarterly, or more frequently if required, based on their responsibilities. A quorum for a committee meeting will be defined as a majority of its members, which must include a certain number of Independent Directors. Additionally, each Committee is responsible for keeping detailed records of attendance, meeting minutes, and the decisions made, which will be available for review by the Board or Regulator.



MEETING ATTENDANCE

NOMINATION COMMITTEE MEETINGS - 2024

Names	Directorship Status as at 31/12/2024	Number of Meetings held -2024	Number of Meetings Required	Number of Meetings participated
Mr. P.A. Lionel (Appointed to committee on 18.07.2024)	Non-Executive / Independent Director (Chairman of the Committee)	11	07	07
Mr. W.M. Ananda	Non-Executive/Independent Director	11	11	09
Mr. K.B. Wijeyaratne (Appointed to committee on 25.09.2024)	Non-Executive / Independent Director	11	02	02
Mr. P.M.K. Hettiarachchi (Resigned from Board 10.12.2024)	Non-Executive / Independent Director	11	10	08
Mr. D.M.M.M. Wijayarathna (Resigned from Board 23.10.2024)	Non-Executive / Independent Director	11	09	07
Mr. R. Sooriyaarachchi (Resigned from Board 03.10.2024)	Non-Executive / Non-Independent Director	11	09	09

HUMAN RESOURCE / REMUNERATION COMMITTEE MEETINGS – 2024

Names	Directorship Status as at 31/12/2024	Number of Meetings held -2024	Number of Meetings Required	Number of Meetings participated
Mr. P.A. Lionel	Non- Executive / Independent Director (Chairman of the Committee)	15	15	15
Dr. P.A. Krishantha	Non-Executive / Independent Director	15	15	15
Mr. W.M. Ananda (Appointed to the committee on 25.09.2024)	Non-Executive /Independent Director	15	03	03
Mr. H.K.K.A. Jayasundara (Appointed to the committee on 13.12.2024)	Non-Executive / Independent Director	15	01	01
Mr. D.M.M.M. Wijayarathne (Resigned from the Board 23.10.2024)	Non-Executive / Independent Director	15	12	12



INTEGRATED RISK MANAGEMENT COMMITTEE MEETINGS – 2024

Names	Directorship Status as at 31/12/2024	Number of Meetings held -2024	Number of Meetings Required	Number of Meetings participated
Mr. P.A. Lionel	Non-Executive / Independent Director (Chairman of the Committee)	14	14	14
Dr. P.A. Krishantha	Non-Executive / Independent Director	14	14	12
Mr. W.N.I.C. Fernando (Appointed to the committee on 25.09.2024)	Non-Executive / Independent Director	14	03	02
Mr. K. B. Wijeyaratne (Appointed to the committee on 25.09.2024)	Non-Executive / Independent Director	14	03	03
Mr. P.M.K. Hettiarachchi (Resigned from the Board 10.12.2024)	Non-Executive / Independent Director	14	13	10
Mr. D.M.M.M. Wijeyaratne (Resigned from the Board 23.10.2024)	Non-Executive / Independent Director	14	12	08
Senior Prof. A. Jayamaha (Resigned from the Board 28.06.2024)	Non-Executive / Independent Director	14	07	05

BOARD AUDIT COMMITTEE MEETINGS – 2024

Names	Directorship Status as at 31/12/2024	Number of Meetings held -2024	Number of Meetings Required	Number of Meetings participated
Mr. W.N.I.C. Fernando (Appointed to the committee on 25.09.2024)	Non-Executive / Independent Director (Chairman of the Committee)	17	03	03
Mr. P.A. Lionel	Non-Executive / Independent Director	17	17	17
Mr. K. B. Wijeyaratne (Appointed to the committee on 25.09.2024)	Non-Executive / Independent Director	17	03	03
Mr. P.M.K. Hettiarachchi (Resigned from the Board 10.12.2024)	Non-Executive / Independent Director	17	17	14
Mr. D.M.M.M. Wijeyaratne (Appointed to the committee on 28.06.2024 and Resigned from Board 23.10.2024)	Non-Executive / Independent Director	17	04	04
Mr. R. Sooriyaarachchi (Resigned from the Board 03.10.2024)	Non-Executive / Non-Independent Director	17	14	11
S.Prof. A. Jayamaha (Resigned from Board 28.06.2024)	Non-Executive/ Independent Director	17	10	10



RELATED PARTY TRANSACTION MONITORING COMMITTEE MEETINGS – 2024

Names	Directorship Status as at 31/12/2024	Number of Meetings held -2024	Number of Meetings Required	Number of Meetings participated
Mr. W.M. Ananda	Non-Executive / Independent Director (Chairman of the Committee)	04	04	04
Dr. P.A. Krishantha	Non-Executive / Independent Director	04	04	04
Mr. W.N.I.C. Fernando (Appointed to the committee on 25.09.2024)	Non-Executive / Independent Director	04	01	01
Mr. R. Sooriyaarachchi (Resigned from the Board 03.10.2024)	Non-Executive / Non-Independent Director	04	03	01
Senior Prof. A. Jayamaha (Resigned from the Board 28.06.2024)	Non-Executive / Independent Director	04	02	02

COST RATIONALISATION COMMITTEE MEETINGS – 2024

Names	Directorship Status as at 31/12/2024	Number of Meetings held -2024	Number of Meetings Required	Number of Meetings participated
Mr. P.A. Lionel	Non-Executive / Independent Director (Chairman of the Committee)	08	08	08
Dr. P.A. Krishantha	Non-Executive / Independent Director	08	08	06
Mr. K. B. Wijeyaratne (Appointed to the committee on 25.09.2024)	Non-Executive / Independent Director	08	01	01
Mr. W.M. Ananda	Non-Executive / Independent Director	08	08	07
Mr. P.M.K. Hettiarachchi (Resigned from the Board 10.12.2024)	Non-Executive / Independent Director	08	07	07
Mr. R. Sooriyaarachchi (Resigned from the Board 03.10.2024)	Non-Executive / Non-Independent Director	08	07	04



Corporate Governance

ROLE OF THE CHAIRMAN AND THE CEO

The Chairman serves as an Independent Non-Executive Member of the Board. This distinction prevents the concentration of power on one individual and ensures proper balance in authority. The Chairman engage in daily operational management and engages in providing leadership to the Board while deliberating the effectiveness of the Bank along with the support of the Management Committees. If the Chairman loses their independent status, the Board will appoint a Senior Independent Director (SID) for a maximum term of six months.

The Chief Executive Officer serves as the top-most leader/ executive, responsible for the day-to-day management of the bank's operations and business.

The present Chairman of the bank, Mr. P.J. Jayasinghe, serves as a Non-Executive, Independent Director responsible for guiding the strategic direction of the institution. He effectively leads the Board of Directors with the assistance of the General Manager/Chief Executive Officer and other key management personnel.

Mr. C.R.P. Balasuriya assumed duties as the Acting General Manager/Chief Executive Officer on 26th in September 2024. Although the GM/CEO is not part of the Board of Directors. He is appointed by the Board and requires final approval from the Ministry of Finance. The GM/CEO is accountable to both the Chairman and the Board of Directors.

BOARD SECRETARY

The Board Secretary is the crucial link between the Bank, the Board Committees and its internal stakeholders. The Secretary is appointed by the Board and provides assistance on corporate matters. She is accessible to all Directors and fulfils the role of maintaining minutes of Board meetings, drafting agendas as per the guidance of the Chairman, and organising annual general meetings and, when necessary, the Extraordinary general meetings. Additionally, the Secretary communicates with regulatory bodies to ensure compliance matters are addressed.

OUTLOOK

The Bank will maintain utmost commitment to the Central Bank of Sri Lanka's (CBSL) regulatory framework, upholding strong corporate governance. In 2024, the bank embraced CBSL directives, particularly the Banking Act Direction No. 05 of 2024 on Corporate Governance, which has strengthened board accountability, risk management, and transparency.



ASSURANCE REPORT OF THE AUDITOR GENERAL ON CORPORATE GOVERNANCE



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எனது இல.
My No. }

BAN/ C/HDFC/2024/CG/01

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உமது இல.
Your No. }

දිනය
திகதி
Date }

21 May 2025

The Chairman
Housing Development Finance Corporation Bank of Sri Lanka.

Auditor General's Report of Factual Findings of Housing Development Finance Corporation Bank of Sri Lanka on the compliance requirement of the Corporate Governance Directive issued by the Central Bank of Sri Lanka- 31 December 2024.

I have performed the procedures enumerated in an Annexure-01 to this report, with respect to the Governance Report of the Board of Directors prepared and presented to meet the compliance requirement of the Corporate Governance Directive issued by the Central Bank of Sri Lanka (CBSL). My engagement was undertaken in accordance with the principles set out in Sri Lanka Standards on Related Services 4400 (SLSRS 4400) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you to meet the compliance requirement of the Corporate Governance Directive.

I report my findings in the attached Annexure-01 to this report.

Because the above procedures do not constitute an audit or review made in accordance with Sri Lanka Auditing Standards or Sri Lanka Standards on Review Engagements, I do not express any assurance on the compliance with the Corporate Governance Directives issued by CBSL.

Had I performed additional procedures or had I performed an audit or review of the Governance Report in accordance with Sri Lanka Auditing Standards or Sri Lanka Standards on Review Engagements, Other matters might have come to my attention that would have been reported to you.

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+94 11 2 88 70 28 - 34

இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.



+94 11 2 88 72 23

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



ag@auditorgeneral.gov.lk



www.naosl.gov.lk



Assurance Report of the Auditor General on Corporate Governance

My report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

This report relates only to the item specified above and does not extend to any financial statements of Housing Development Finance Corporation Bank of Sri Lanka, taken as a whole.


G.H.D. Dharmapala
Auditor General (Acting)



COMPLIANCE REVIEW

The Compliance status of the HDFC bank for the Financial year 2024 withn regard to the Corporate Governance Framework pertaining to the Central bank of Sri Lanka, Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka is hence for the defined.

Section One

ANNEXURE 01.

NOTE: The below-mentioned numbering is used to coincide with the “section 3” of the Banking Act Direction No. 12 of 2007 issued by the Central Bank of Sri Lanka, the sections 1 & 2 are not applicable to this document. (Published in line with the Auditor General's confirmation on Corporate governance.)

Section	Requirement of Corporate Governance	Level of Compliance
3(1)	The Responsibilities of the Board	
3(1)(i)	Procedures to be carried out to ensure the Board has strengthened the safety and soundness of the Bank.	
	a) The Board approval of the Bank's strategic objectives and corporate values.	Complied with Strategic objectives and values are incorporated in the Board approved Strategic Plan for the period 2024-2028.
	Whether the Bank has communicated the Bank's strategic objectives and corporate values throughout the Bank.	Strategic Objectives are communicated to the branches and head office staff at the presentation of the Bank and Branch Budgets annually. The corporate values are included in the HDFC Web Portal which is referred to by the staff for their day-to-day operations.
	b) The Board approval of the overall business strategy of the Bank. The overall business strategy includes the overall risk policy, risk management procedures, and mechanisms and they are documented. The overall business strategy contains measurable goals, for at least the next three years.	Complied with Board approved Strategic Plan, which includes the overall business strategy for the period 2024-2028 is available. The Strategic Plan is implemented through the Divisional Activity Plan.
	c) The appropriate systems to manage the risks identified by the Board are prudent and are properly implemented.	Complied with Risk Department and Integrated Risk Management Committee was established, Risk Policy adopted by the Committee. The Integrated Risk Management Committee sets the governance structure for implementing, monitoring, and managing the key risks.
	d) The Board has approved and implemented a policy of communication with all stakeholders, including deposits, creditors, shareholders and borrowers;	Complied with Board-approved Communication Policy and Policy on Relations with Shareholders and investors is in place.
	e) The Board has reviewed the adequacy and the integrity of the Bank's internal control systems and management information system;	Complied with The Bank Audit Committee is assisting the Board to review the adequacy and integrity of the Bank's internal control systems and management information system. The Audit Committee of the Bank reviewed the periodic reports of Internal Audit, which explained the Internal Control systems and necessary measures to address the findings.



Compliance Review

Section	Requirement of Corporate Governance	Level of Compliance
f)	The Board has identified and designated key management personnel, as defined in the CBSL guidelines, who are in the position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations, and risk management;	Complied with The Board has identified and designated Key Management Personnel as per the CBSL Direction on Corporate Governance and incorporated to the Board Charter.
g)	The Board has exercised appropriate oversight of the affairs of the Bank by Key management personnel, that is consistent with Board policy;	Complied with Performance reports were considered at the Board level and from time to time observations were made for necessary improvements.
h)	The Board has defined the areas of authority and key responsibilities for the Board directors themselves and the key management personnel;	Complied with The administration and management of the affairs of the Corporation are vested in a Board of Directors as per the HDFC Act. Key responsibilities of the KMPs are specified in their respective job descriptions and the authority of Key Management Personnel are defined under delegation authority limits.
i)	The Board has periodically assessed the effectiveness of the Board directors' own governance practices, including (i) the selection, nomination, and election of directors and key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary.	Complied with The Board has a self-evaluation process and it includes the evaluation of the Board of Directors own governance practices. Self- evaluation of the performance of the Board is carried out annually assessing its own governance practices. Self-evaluation for the year 2024 was carried out in February 2025 and a summary was submitted to the Board in February 2025 for their review, discuss areas of weaknesses and to recommend changes where necessary.
j)	The Board has a succession plan for key management personnel.	Complied with The Board approved Succession Plan is in place. The Board approved the Succession Plan 2025, approved by the Board on 28th February 2025.
k)	The Board has scheduled regular meetings with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	Complied with KMPs are regularly involved in Board meetings, Board Sub Committee meetings and Management Committee Meetings on strategy, policy performance and other matters pertaining to their subject areas.
l)	The Board has taken measures and processes in place to understand the regulatory environment and that the Bank maintains a relationship with regulators.	Complied with The Board has taken measures and processes in place to understand the regulatory environment and that the Bank maintains a relationship with regulators.
m)	The Board has a process in place for hiring and oversight of external auditors.	Not applicable. As per the Constitution of Sri Lanka and Section 26 (2) of the HDFC Act, the Auditor General is the External Auditor of the Bank.



Section	Requirement of Corporate Governance	Level of Compliance
3(1)(ii)	<p>The Board has appointed the Chairman and the Chief Executive Officer (CEO).</p> <p>The functions and responsibilities of the Chairman and the CEO are in line with Direction 3(5) of these Directions.</p>	<p>Complied with</p> <p>The HDFC Act separates the positions of the Chairman and General Manager/Chief Executive Officer to a balance of power.</p> <p>The Chairman has been appointed in accordance with the HDFC Act. Whilst the General Manager/Chief Executive Officer has been appointed by the Board.</p> <p>Their functions and responsibilities are clearly defined in the HDFC Act. The Board has adopted a Board charter on 29th January 2020 which defines the Governance Framework of HDFC.</p> <p>The Chairman and CEO's functions and responsibilities have been defined in the Board Charter.</p>
3(1)(iii)	<p>The Board has met regularly and held Board meetings at least twelve times a year at approximately monthly intervals.</p>	<p>Complied with</p> <p>Board Meetings are held monthly while special meetings are scheduled on a need basis.</p> <p>14 Meetings were held during the year 2024 and attendance of Board meetings is given in the Annual Report along with the number of meetings.</p>
3(1)(iv)	<p>The Board has a procedure in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the Bank.</p>	<p>Complied with</p> <p>The Chairman advises the Company Secretary to make the agenda and all Directors are free to include matters of their own consulting the Chairman and the Company Secretary as per the Board Charter.</p>
3(1)(v)	<p>The Board has given notice of at least 7 days for a regular Board meeting to provide all directors an opportunity to attend. And for all other Board meetings, notice has been given.</p>	<p>Complied with</p> <p>Notice of the meeting, Agenda and Board papers for the Board meetings are circulated within the stipulated time except for the special board meetings.</p>
3(1)(vi)	<p>The Board has taken required action on directors who have not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or have not attended the immediately preceding three consecutive meetings held. Participation at the directors' meetings through an alternate director, however, is acceptable as attendance.</p>	<p>Complied with</p> <p>All the Directors attended the required number of meetings as given in the Annual Report 2024.</p>
3(1)(vii)	<p>The Board has appointed a company secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, and whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and carry out other functions specified in the statutes and other regulations.</p>	<p>Complied with</p> <p>The Secretary is a Chartered Secretary with additional qualifications in compliance with the provision of the Banking Act and CBSL direction.</p> <p>She is responsible for the secretaria services to the Board and to carry out functions specified in the statutes and other regulations.</p>
3(1)(viii)	<p>The process to enable all directors to have access to advice and services of the company secretary.</p>	<p>Complied with</p> <p>All the Directors have full access to the advice and service of the Company Secretary.</p>
3(1)(ix)	<p>The company secretary maintains the minutes of Board meetings and there is a process for the directors to inspect such minutes.</p>	<p>Complied with</p> <p>All records are kept with the Company Secretary who has access to the past Board papers and minutes.</p>



Compliance Review

Section	Requirement of Corporate Governance	Level of Compliance
3(1)(x)	<p>The minutes of a Board meeting contain or refer to the following:</p> <p>A summary of data and information used by the Board in its deliberations.</p> <p>The matters considered by the Board</p> <p>The fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence;</p> <p>The matters that indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations;</p> <p>The understanding of the risks to which the Bank is exposed and an overview of the risk management measures adopted; and The decisions and Board resolutions.</p>	<p>Complied with</p> <p>Necessary information is given in the Board minutes. Such as,</p> <p>Business decisions taken on particular subjects</p> <p>Resolutions passed on special subject</p> <p>Recommendation on Board sub- committee reports</p> <p>Policy decisions on matters and review of performance.</p> <p>The matters that indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations;</p>
3(1)(xi)	<p>There are procedures agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense.</p>	<p>Complied with</p> <p>Board approval has been obtained by enabling directors to seek independent professional advice whenever necessary while carrying out duties and making decisions.</p>
3(1)(xii)	<p>There is a procedure to determine, report, resolve and take appropriate action relating to directors to avoid conflicts of interest, or the appearance of conflicts of interest.</p> <p>Check that a director has abstained from voting on any Board resolution in relation to which he/she or any of his/her close relations or a concern in which a director has substantial interest, is interested.</p> <p>Has he/she been counted in the quorum for the relevant agenda item at the Board meeting?</p>	<p>Complied with</p> <p>Board approved Related Party Transaction Review Policy is available.</p> <p>Directors make declarations of their interest at appointments, annually and whenever there is a change in the same and a quarterly report is sent to the board on possible areas of conflict if any.</p> <p>As per Section 4.10 of the Related Party Transaction Review Policy (RPTRP), if a director of the bank has a material personal interest in a matter being considered at a directors' / RPTRC meeting to approve a related party transaction as required such director may not be present while the matter is being considered at the meeting and vote on the matter.</p> <p>However, RPTRP is not mentioned that whether he/she been counted in the quorum for their relevant agenda item at the board meeting.</p>
3(1)(xiii)	<p>The Board has a formal schedule of matters specifically reserved to it for decisions to identify the direction and control of the Bank that is firmly under its authority.</p>	<p>Complied with</p> <p>The authority matrix is in place as adopted on 26.07.2013 initially. Thereafter, the authority matrix was reviewed and included in the Board Charter in year 2020.</p>
3(1)(xiv)	<p>The Board has forthwith informed the Director of Bank Supervision of the situation of the Bank before taking any decision or action if it considers that the procedures to identify when the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.</p>	<p>Complied with</p> <p>There have been no situations where the Bank's solvency has been in doubt. Monthly financial statements submitted to the Board to ensure the Bank's position.</p>



Section	Requirement of Corporate Governance	Level of Compliance
3(1)(xv)	The Board has the Bank capitalized at levels as required by the Monetary Board.	Complied with Capital Adequacy Ratios were met by the Bank. The Bank complied with the minimum capital ratio of 12.5%.
3(1)(xvi)	The Board publishes, in the Bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.	Complied with The Annual Report includes the Corporate Governance Report setting out the compliance requirement with the corporate governance direction issued by the Central Bank of Sri Lanka.
3(1)(xvii)	The Board adopts a scheme of self-assessment to be undertaken by each director annually and maintains records of such assessments.	Complied with Self-assessment was carried out in February 2025 and the Bank has a scheme of self- evaluation of Directors in place and the Board Secretary annually obtains the evaluation forms from all the Directors.
3(2)	The Board's Composition	
3(2)(i)	The Board comprises of not less than 7 and not more than 13 directors.	Complied with The Board comprised of 07 Directors as at 31.12.2024.
3(2)(ii)	The total period of service of a director other than a director who holds the position of CEO, does not exceed nine years.	Complied with None of the Directors has exceeded the service of nine years as at the year-end 2024.
	In the event of any director serving more than 9 years, check that the transitional provisions have been applied with.	Complied with No Director has exceeded nine years of services as per CBSL requirements.
3(2)(iii)	The number of executive directors, including the CEO does not exceed one-third of the number of directors of the Board.	Complied with There are no Executive Directors on the Board.
3(2)(iv)	The Board has at least three independent non- executive directors or one-third of the total number of directors, whichever is higher. Check if non-executive directors can be considered independent if he/she:	Complied with The Board comprises of 07 Directors as at 31.12.2024. The Board comprises 07 Non-Executive, Independent Directors on the Board to comply with the direction during the current year.
	Holds a direct and indirect shareholding of more than 1 percent of the Bank;	Not arisen
	Currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the Bank as described in Direction 3(7) hereof, exceeding 10 percent of the regulatory capital of the Bank.	Not arisen
	Has been employed by the Bank during the two years immediately preceding the appointment as director.	Not arisen
	Has had a close relation; who is a director, CEO, a member of key management personnel, a material shareholder of the Bank or another Bank. (For this purpose, a "close relation" means the spouse or a financially dependent child)	Not arisen



Compliance Review

Section	Requirement of Corporate Governance	Level of Compliance
	Represents a specific stakeholder of the Bank.	Not arisen
	Is an employee or a director or a material shareholder in a company or business organization: which currently has a transaction with the Bank as defined in Direction 3(7) of these Directions, exceeding 10 percent of the regulatory capital of the Bank, or In which any of the other directors of the Bank are employed or are directors or are material shareholders; or In which any of the other directors of the Bank have a transaction as defined in Direction 3(7) of these Directions, exceeding 10 percent of regulatory capital in the Bank.	Not arisen
3(2)(v)	In the event an alternate director was appointed to represent an independent director, check the person so appointed meets the criteria that apply to the independent director.	Not arisen No such Director was appointed.
3(2)(vi)	The Bank has a process for appointing independent directors.	Complied with The appointments to the Board are made as per the section 03 of HDFC Act.
3(2)(vii)	The stipulated quorum of the Bank includes more than 50% of the directors and out of this quorum more than 50% should include non-executive directors.	Complied with All the Directors of the Bank are Non- Executive. The profile of the Non-Executive Directors is detailed in the Annual Report of the HDFC Bank.
3(2)(viii)	The Bank discloses the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report.	Complied with The composition of the Board and their information is disclosed in the Annual Report 2024.
3(2)(ix)	The procedure for the appointment of new directors to the Board.	Complied with The appointments to the Board are made according to sec .03(1) (a), (b) & (d) of the HDFC Act No. 07 of 1997 and Sec 04 in the amended Act No.15 of 2003. Further, the Board Charter is applicable.
3(2)(x)	All directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.	Not arisen
3(2)(xi)	A director resigns or is removed from office, the Board: Announce the director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant director's disagreement with the Bank, if any; and Issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	Complied with Public announcements are made to the CSE and CBSL.



Section	Requirement of Corporate Governance	Level of Compliance
3(2)(xii)	There is a process to identify whether a director or an employee of a Bank is appointed, elected or nominated as a Director of another Bank.	Complied with Bank has a process to identify whether a Director of a Bank is appointed, elected or nominated as a director of another Bank based on the fit and proper declarations submitted annually to the Board. Also, the Central Bank of Sri Lanka assesses the Fitness and Propriety of Directors.
3(3)	Criteria to assess the fitness and propriety of directors	
3(3)(i)	Check that the age of a person who serves as Director does not exceed 70 years.	Complied with There were no Directors who reached seventy years of age during the year under review.
	The transitional provisions have been complied with.	Not arisen
3(3)(ii)	A person holds office as a Director of more than 20 companies / entities / institutions inclusive of subsidiaries or associate companies of the Bank.	Complied With As per their declarations, the Directors do not hold directorship of more than Twenty (20) companies, entities, or institutions inclusive of subsidiaries or associate companies of the Bank as per their declarations.
3(3) (iii)	Check that a Director or a Chief Executive Officer of a licensed Bank operating in Sri Lanka appointed as a Director or a Chief Executive Officer of another licensed Bank operating in Sri Lanka before the expiry of a period of 6 months from the date of cessation of his/her office at the licensed Bank in Sri Lanka.	Complied with The Company Secretary monitors this requirement and there were no Director or CEO appointed from another Bank during the period under review.
3(4)	Management functions delegated by the Board	
3(4)(i)	The delegation arrangements have been approved by the Board.	Complied with Board-approved Delegation of Authority in place.
3(4)(ii)	The Board has taken responsibility for the matters in 3(1) (i) even in the instances such actions are delegated.	Complied with Delegation of Authority has been prepared subject to the provisions specified in the HDFC Act. No 7 of 1997 with subsequent amendments and powers and authorities specified in that document are also subject to the regulations and directions issued from time to time by the Central Bank of Sri Lanka.
3(4)(iii)	The Board reviews the delegation processes in place periodically to ensure that they remain relevant to the needs of the Bank.	Complied with The delegated powers are reviewed periodically by the Board to ensure that they remain relevant to the needs of the Bank.
3(5)	The Chairman and CEO	
3(5)(i)	The roles of Chairman and CEO are separate and not performed by the same individual.	Complied with The HDFC Act separates the positions of the Chairman and General Manager / Chief Executive Officer. The roles of Chairman and General Manager / Chief Executive Officer are held by two individuals.



Compliance Review

Section	Requirement of Corporate Governance	Level of Compliance
3(5)(ii)	<p>The Chairman is a Non-Executive Director.</p> <p>In the case where the Chairman is not an independent director, check that the Board designates an independent director as the senior director with suitably documented terms of reference.</p> <p>The designation of the Senior Director be disclosed in the Bank's Annual Report.</p>	<p>Complied with</p> <p>The Chairman is a Non-executive and Independent Director and the Bank has not designated any Director as Senior Director.</p>
3(5)(iii)	<p>The Board has a process to identify and disclose in its corporate governance report, which shall be a part of its Annual Report, any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the chairman and the CEO and Board members and the nature of any relationships including among members of the Board.</p>	<p>Complied with</p> <p>As per the declarations such relationships can be identified and those disclosures are included in the Annual report 2024.</p> <p>As stated in the declaration, there are no relationships of any kind of financial business family and other relevant relationships between the Chairman and General Manager (CEO) and among the other members of the Board.</p>
3(5)(iv)	<p>The Board has a self-evaluation process where the Chairman:</p> <p>Provides leadership to the Board;</p> <p>Ensures that the Board works effectively and discharges its responsibilities; and</p> <p>Ensures that all key and appropriate issues are discussed by the Board in a timely manner.</p>	<p>Complied with</p> <p>The Board has a self-evaluation process. The Chairman provides leadership to the Board and ensures that the Board functions effectively to discharge its responsibilities.</p>
3(5)(v)	<p>A formal agenda is circulated by the Company Secretary and approved by the Chairman.</p>	<p>Complied with</p> <p>The agenda is discussed by the Chairman verbally with the Secretary and finalized before the meeting.</p>
3(5)(vi)	<p>The Chairman ensures, through timely submission that all Directors are properly briefed on issues arising at Board meetings.</p>	<p>Complied with</p> <p>The Chairman ensures, that all Directors are properly briefed on issues arising at Board Meetings. Agenda and Board papers are circulated to the Directors giving adequate time for them to go through the Board pack. Minutes of the previous month's Board meeting are distributed to the Board members and tabled at the subsequent Board meeting for ratification / approval.</p>
3(5)(vii)	<p>The Board has a self-evaluation process that encourages all Directors to make a full and active contribution to the Board's affairs and the Chairman takes the lead to act in the best interest of the Bank.</p>	<p>Complied with</p> <p>The Board has a self-evaluation process.</p>
3(5)(viii)	<p>The Board has a self-evaluation process that assesses the contribution of Non-Executive Directors.</p>	<p>Complied with</p> <p>The Board has a self-evaluation process.</p>
3(5)(ix)	<p>The Chairman engages in activities involving direct supervision of key management personnel or any other executive duties whatsoever.</p>	<p>Complied with</p> <p>The chairman does not directly get involved in the supervision of Key Management Personnel or any other executive duties.</p>



Section	Requirement of Corporate Governance	Level of Compliance
3(5)(x)	There is a process to maintain effective communication with shareholders and the views of shareholders are communicated to the Board.	Complied with The AGM is considered as the forum to address shareholder matters.
3(5)(xi)	The CEO functions as the apex executive in charge of the day-to-day management of the Bank's operations and business.	Complied with GM/CEO is the executive in charge of the day-to-day management of the Bank's operations as per the HDFC Act.
3(6)	Board appointed Committees	
3(6)(i)	<p>The Bank has established at least four Board Committees as set out in Directions 3(6) (ii), 3(6) (iii), 3(6) (iv) and 3(6) (v) of these Directions.</p> <p>Check that each Board Committee report is addressed directly to the Board.</p> <p>The Board presents in its annual report, a report on each Committee on its duties, roles and performance.</p>	<p>Complied with</p> <p>Bank has established the following Board Sub Committees which are directly to report to the Board as set out in Directions 3 (6) (ii) 3(6) (iii), 3(6) (iv) and 3(6) (V) of these directions.</p> <p>Board Audit Committee Board HR and Remuneration Committee Board Nomination and Governance Committee Board Integrated Risk Management Committee Board Related Party Transactions Review Committee Board Cost Rationalization Committee</p> <p>Committee Minutes are directly submitted to the Board and each Committee report appears in the Annual Report.</p>
3(6)(ii)	Audit Committee	
a)	The Chairman of the Committee is an independent Non-Executive Director and possesses qualifications and related experience.	Complied with The Board has appointed a Non-Executive, Independent Director as the Chairman of the Board Audit Committee (Mr. W. N. I. C. Fernando) and he holds the required qualifications and experience as indicated under his profile.
b)	All members of the Committee are Non- Executive Directors.	Complied with All the Directors are Non-Executive.



Compliance Review

Section	Requirement of Corporate Governance	Level of Compliance
c)	<p>The Committee has made recommendations on matters in connection with:</p> <p>I. The appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;</p> <p>II. The implementation of the Central Bank guidelines issued to auditors from time to time;</p> <p>III. The application of the relevant accounting standards; and</p> <p>IV. The service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</p>	<p>Not applicable As per the Section 26 of the HDFC Act, the Auditor General is functions as the External Auditor of the Bank.</p> <p>Complied with The committee has made recommendations on matters in connection with the implementation of the Central Bank guidelines issued to auditors from time to time.</p> <p>Complied with Financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) and the formats prescribed by the regulators.</p> <p>Not applicable The external auditor is the Auditor General who has been appointed as per the Constitution of Sri Lanka and Section 26 of the HDFC Act. Hence, the committee has no role to play in the engagement of the External Auditor.</p>
d)	The committee has obtained representations from the external auditors on their independence, and that the audit is carried out in accordance with SLAuSs.	<p>Not Applicable Since the independence and effectiveness of the Auditor General is guaranteed under the Constitution of the country.</p>
e)	The committee has implemented a policy on the engagement of an external auditor to provide non-audit services in accordance with relevant regulations.	<p>Not Applicable This does not arise since the Auditor General is the Auditor of the Bank.</p>
f)	The committee has discussed and finalized, the nature and scope of the audit, with the external auditors in accordance with SLAuSs before the audit commences.	<p>Not Applicable Sub sections (3) and (4) of the section 13 of the Finance Act No 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit and Part 1 section 3(i) of the National Audit Act 19 of 2018 also determine the scope of audit in relation to auditee entities.</p>
g)	<p>The Committee has a process to review the financial information of the Bank, in order to monitor the integrity of the financial statements of the Bank, its annual report, accounts and quarterly reports prepared for disclosure, and a process in place to receive from the CFO the following:</p> <p>I. major judgmental areas;</p> <p>II. any changes in accounting policies and practices;</p> <p>III. the going concern assumption; and</p> <p>IV. the compliance with relevant accounting standards and other legal requirements, and;</p> <p>V. in respect of the annual financial statements the significant adjustments arising from the audit.</p>	<p>Complied with The committee reviews the financial information of the Bank when monthly, quarterly and annual financial statements presented to the committee. As CEO and CFO participate in BAC meetings clarifications are obtained on these areas when required.</p>



Section	Requirement of Corporate Governance	Level of Compliance
h)	The Committee has met the external auditors relating to any issue in the absence of the executive management with relation to the audit.	Complied with The Auditor General's representative is a resident at the Bank and the committee meets them regularly and is always a representative at the BAC meetings, by invitation.
i)	The Committee has reviewed the external auditor's management letter and the management's response thereto.	Complied with Detailed Management Audit Report Section 13(7) (a) for the year 2023 with responses reviewed by the Board Audit Committee held on 24/10/2024.
j)	The committee shall take the following steps with regard to the internal audit function of the Bank:	
	I. Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	Complied with BAC reviewed Internal Audit Plan 2024 at the meeting held on 09.12.2024. Adequacy of scope, functions and resources were also reviewed and the department has the necessary authority to carry out its work.
	II. Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;	Complied with The Committee reviews the internal audit plan and the results of the internal audit procedures and ensures that appropriate actions are taken for improvements.
	III. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	Complied with BAC reviewed the appraisal of the CIA at the meeting held on 23.01.2025.
	IV. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function.	Not relevant
	V. Check that the committee is appraised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	Complied With The head of IAD (CIA) appointment was recommended by the BAC and approved by the Board. Such a situation has not arisen
	VI. Check that the internal audit function is independent of the activities it audits.	Complied With Internal audit functions are independent of the activities it audits and directly report to the Board Audit Committee.
k)	The minutes to determine whether the committee has considered major findings of internal investigations and management's responses thereto.	Complied with The major internal Audit findings and the management responses were discussed by the Audit Committee and necessary recommendations were made.



Compliance Review

Section	Requirement of Corporate Governance	Level of Compliance
l)	Whether the committee has had at least two meetings with the external auditors without the executive directors being present.	Complied with This is not relevant since there are no executive directors on the Board. All committee members are non-executive directors. The Board Audit Committee (BAC) had 01 Independent Meetings with External Auditor (Superintendent of Audit of National Audit Office) in absence of the Company Secretary and General Manager/ CEO and other executive management on 09th December 2024.
m)	The terms of reference of the committee to ensure that there is; I. Explicit authority to investigate into any matter within its terms of reference; II. The resources which it needs to do so; III. Full access to information; and Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with The "Terms of Reference" of the audit committee covers all these areas. The last review date was 08th November 2024.
n)	The committee has met, at least four times and maintained minutes.	Complied with Seventeen (17) Audit Committees had been held during the year 2024 and maintained minutes.
o)	The Board has disclosed in the annual report, I. Details of the activities of the audit committee; II. The number of audit committee meetings held in the year; and Details of attendance of each individual director at such meetings.	Complied with These details are included in the Audit Committee Report of the Annual Report 2024 as follows. Details of the activities of the Audit Committee. The number of Audit Committee meetings held in the year. Details of attendance of each individual director at such meetings.
p)	The secretary of the committee is the company secretary or the head of the internal audit function.	Complied with The secretary to the BAC may be the Board Secretary or Chief Internal Auditor.
q)	Check that the "whistleblower" policy covers the process of dealing with; The improprieties in financial reporting, internal control or other matters. ii) About the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, and iii) Appropriate follow-up action.	Complied with Whistle Blowing Policy adopted on 30/08/2024. The policy covers the processes mentioned.
3(6)(iii)	Do the following rules apply in relation to the Human Resources and Remuneration Committee:	



Section	Requirement of Corporate Governance	Level of Compliance
a)	The Committee has implemented a policy to determine the remuneration (salaries, allowances and other financial payments) relating to the Directors, CEO and key management personnel of the Bank by reviewing the "Terms of reference" and minutes.	Complied with Remuneration of the Directors are decided based on the guidelines set up by the Ministry of Finance. The Remuneration of CEO / GM and KMP's is determined by the Human Resources / Remuneration Committee on the basis of the Collective Agreement and approved by the Board of Directors.
b)	The goals and targets for the Directors, CEO and the key management personnel are documented.	Complied with Since Directors are Non-executive, they are not involved in operational matters like Executive Directors. KMP's are responsible for the budgetary targets. Department/Branch wise Key Performance Indicators are set out and all KMPs are responsible for therein.
c)	The Committee has considered evaluations of the performance of the CEO and key management personnel against the set targets and goals periodically and has determined the basis for revising remuneration, benefits and other payments of performance-based incentives.	Complied with Performance Appraisal of KMPs except GM has been done for the year 2024.
d)	The "Terms of reference" provides that the CEO is not present at meetings of the committee when matters relating to the CEO are being discussed by reviewing the minutes.	Complied with TOR of the HR Committee addresses this requirement. The GM/CEO attends all meetings of the Committee, except when matters relating the GM/CEO are being discussed.
3(6)(iv)	Do the following rules apply in relation to the Nomination Committee:	
a)	The Committee has implemented a procedure to select/appoint new Directors, CEO and key management personnel.	Complied with The appointments to the Board are to be made according to provisions of the HDFC Act. Further Board Charter is also applicable. According to the Recruitment Policy, it includes the selection procedure for the GM/CEO and as per part III of 14 (1) HDFC Act. Recruitment Policy is applicable for the selection and appointment of Key Personnel Managers and the Board of Directors appoints KMPs with the recommendation of the Board Nomination and Governance Committee.



Compliance Review

Section	Requirement of Corporate Governance	Level of Compliance
b)	The Committee has considered and recommended (or not recommended) the re- election of current directors.	Partially Complied The action to obtain the necessary approvals and Compliances were take. However, due to the submission of the resignation of the Board Secretary unable to find a date prior to the Board Meeting to convene the Board Nomination and Governance Committee, the fitness and proprietary affidavit relevant for the re-election of the Director. Concern was submitted to the Boared directly, in order to obtain the Board approval, to submit same to the CBSL for approval, prior to the Annual General Meeting.
c)	The committee has set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO, and the key management personnel, by review of job descriptions.	Complied with The General Manager and Key Personnel Manager's educational and professional qualifications, and experience are defined the in the Board approved recruitment policy. Duties and Responsibilities Job competencies and Performance Reviews of KMPs are included in their job descriptions.
d)	The committee has obtained from the directors, CEO and key management personnel signed declarations that they are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the Statutes.	Complied with Declarations of Directors and CEO have been submitted to the CBSL through the Board annually. Declarations on Fitness and Prosperity relating to 09 Officers Performing Executive Functions (KMP) re-assessed at the time of promotions were obtained and approved by the Bank supervision in the year 2024 as per the section 5.2 of the Banking Act direction dated 19th December 2019.
e)	The committee has considered a formal succession plan for the retiring directors and key management personnel.	Complied with The Board approved Succession Plan is in place. However existing succession plan should have been revised in line with changes in the KMP position that had been taken place during the year under review.
f)	The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	Complied with The committee consists of the Chairman of Committee and three Non-Executive, Independent Directors. CEO shall participate meeting by invitation.
3(6)(v)	Do the following rules apply in relation to the Integrated Risk Management Committee (IRMC):	
a)	The committee shall consist of at least three non- executive directors, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks and work within the framework of the authority and responsibility assigned to the committee.	Complied with The committee consists of four Non- Executive Directors, CEO, CRO, Compliance Officer and Key management personnel of the Bank such as Officers supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.



Section	Requirement of Corporate Governance	Level of Compliance
b)	The committee has a process to assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the Bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a Bank basis and a group basis.	Complied with The risk management division of the Bank assesses credit risk, market liquidity, and operational and strategic risks to the Bank. Currently, there are no subsidiary companies or associate companies.
c)	The committee has reviewed specific quantitative and qualitative risk limits for all management-level committees such as the credit committee and the asset-liability committees, and report any risk indicators periodically.	Complied with The Bank has seven management-level committees such as Corporate Management, Asset and Liability, Credit, Marketing and Communication Steering Committee, IT Steering Committee, Recovery Steering Committee, and Information Security. Meetings were conducted and minutes were submitted to the BIRMC Meeting.
d)	The committee has reviewed and considered all risk indicators that have gone beyond the specified quantitative and qualitative risk limits.	Complied with The Bank has a Board-approved Risk Appetite Framework. It consists of Risk Appetite and Tolerance limits for more than 20 key risk areas. Having implemented a Risk appetite framework, all risks beyond the tolerance limits are being reviewed. Further, the Committee approved the Risk Appetite Framework (RAF) – Revision V held in January 2024.
e)	How many times the committee has met at least Quarterly?	Complied with The committee meets quite regularly and BIRMC has held 14 Nos of meetings during the financial year 2024. Details of meetings and attendance are given in the Annual Report.
f)	The committee has reviewed and adopted a formal documented disciplinary action procedure with regard to officers responsible for failure to identify specific risks.	No such situation has arisen
g)	The committee submits a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with Detailed minutes of the meetings are submitted to the Board immediately after the Committee Meeting.
h)	The committee has established a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations and there is a dedicated compliance officer selected from key management personnel to carry out the compliance function and report to the committee periodically.	Complied with The compliance function has been established to assess the Bank's compliance with laws regulations, and regulatory guidelines, Compliance function of the Bank is headed by the Compliance officer.



Compliance Review

Section	Requirement of Corporate Governance	Level of Compliance
3(7)	Related party transactions	
3(7)(i)	<p>There is an established and documented process by the Board to avoid any conflicts of interest that may arise from any transaction of the Bank with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:</p> <p>a) Any of the Bank's subsidiary companies; b) Any of the Bank's associate companies; c) Any of the directors of the Bank; d) Any of the Bank's key management personnel; e) A close relation with any of the Bank's directors or key management personnel; f) A shareholder owning a material interest in the Bank;</p> <p>A concern in which any of the Bank's directors or a close relation of any of the Bank's directors or any of its material shareholders has a substantial interest.</p>	<p>Complied with</p> <p>There is a system to capture Related Party Transactions (RPT) and Related Party Guidelines issued and the matters are discussed at the Related Party Committee level.</p> <p>The latest review of the Related Party Transaction Policy was conducted in 2024.</p>
3(7)(ii)	<p>There is a process to identify and report the following types of transactions been identified as transactions with related parties that are covered by this Direction.</p> <p>a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on the maximum amount of accommodation.</p> <p>b) The creation of any liabilities of the Bank in the form of deposits, borrowings and investments.</p> <p>c) The provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank.</p> <p>d) The creation or maintenance of reporting lines and information flow between the Bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.</p>	<p>Complied with</p> <p>The Related Party Transaction Policy was approved by the Board and covered the (a), (b), (c), (d) transactions.</p>
3(7)(iii)	<p>Does the Board have a process to ensure that the Bank does not engage in transactions with related parties as defined in Direction 3(7) (i) above, in a manner that would grant such parties "more favorable treatment" than that accorded to other constituents of the Bank carrying on the same business?</p> <p>a) Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the Bank's regulatory capital, as determined by the Board. For purposes of this sub-direction:</p> <p>(i) "Accommodation" shall mean accommodation as defined in the Banking Act Directions, No.7 of 2007 on Maximum Amount of Accommodation.</p> <p>(ii) The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of 5 years or more.</p>	<p>Complied with</p> <p>The Bank has implemented a process to monitor Related Party Transactions which is monitored by the Compliance Division and compliance status indicated in the compliance report submitted to the Board, on a quarterly and annual basis.</p>



Section	Requirement of Corporate Governance	Level of Compliance
b)	Charging of a lower rate of interest than the Bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty.	
c)	Providing of preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/ commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;	
d)	Providing services to or receiving services from a related party without an evaluation procedure;	
e)	Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	
3(7)(iv)	The Bank has a process for granting accommodation to any of its directors and key management personnel, and that, such accommodation is sanctioned at a meeting of its Board of directors, with not less than two-thirds of the number of directors other than the director concerned, voting in favor of such accommodation and that this accommodation be secured by such security as may from time to time be determined by the Monetary Board as well.	Complied with The Bank policies are in place to recognize and treat the Related party accommodations aligning with Banking best practices and the CBSL regulatory requirements.
3(7)(v) a)	The Bank has a process, where any accommodation has been granted by a Bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a director of the Bank, that steps have been taken by the Bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a director.	Complied with The process is available and no accommodation will be given without security.
b)	Where such security is not provided by the period as provided in Direction 3(7) (v) (a) above, has the Bank taken steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such director, whichever is earlier.	
c)	There is a process to identify any director who fails to comply with the above sub- directions to be deemed to have vacated the office of director and has the Bank disclose such fact to the public.	
d)	The process is in place to ensure clause 3(7)(v) (c) does not apply to any director who at the time of the grant of the accommodation was an employee of the Bank and the accommodation was granted under a scheme applicable to all employees of such Bank.	



Compliance Review

Section	Requirement of Corporate Governance	Level of Compliance
3(7)(vi)	There is a process in place to identify when the Bank grants any accommodation or “more favorable treatment” relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such Bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3(7)(v) above.	Complied with The related party transactions are screened stringently with a view to avoiding potential “Favorable Treatments”.
3(7)(vii)	There is a process to obtain prior approval from the Monetary Board for any accommodation granted by a Bank under Direction 3(7) (v) and 3(7) (vi) above, nor any part of such accommodation, nor any interest due thereon been remitted without the prior approval of the Monetary Board and any remission without such approval is void and has no effect.	Complied with During the year no any favorable treatment was offered to any related party has disclosed of Financial Statements.
3(8)	Disclosures	
3(8)(i) a)	The Board has disclosed, Annual audited financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied with Annual Audited Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable Accounting Standards.
b)	Quarterly financial statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied with Quarterly financial statements have been published in the newspapers in abridged form, in Sinhala, Tamil and English.
3(8)(ii)	The Board has made the following minimum disclosures in the Annual Report:	
a)	The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied with Disclosure of the compliance with applicable accounting standards and regulatory requirements in preparation of the Annual Audited Financial Statements have been made on the Statement of Directors Responsibility for Financial Reporting.



Section	Requirement of Corporate Governance	Level of Compliance
b)	The report by the Board on the Bank's internal control mechanism confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied with The Annual Report includes the below- mentioned reports where the Board confirms that the financial system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. *Report of the Board of Directors *Statement of Director's Responsibility for Financial Reporting *Directors Statement on Internal Control Over Financial Reporting
c)	The Board has obtained the external auditor's report on the effectiveness of the internal control mechanism referred to in Direction 3(8)(ii)(b) above.	Complied with Auditor General's Assurance Report on Internal Control disclosed in the Annual Report 2024.
d)	Details of directors, including names, qualifications, age, experience fulfilling the requirements of the guideline fitness and propriety, transactions with the Bank and the total of fees/ remuneration paid by the Bank.	Complied with Details of directors, including names, qualifications age and experience of the Board of Directors have been disclosed under Profile of the Board of Directors. As well Fee/remuneration paid to the Board of Directors has been disclosed in the Annual Report 2024.
e)	Total net accommodation as defined in 3(7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory capital.	Complied with The net accommodations granted as a percentage of the Bank's regulatory capital are given in the Financial Statements in the Annual Report 2024.
f)	The aggregate values of remuneration paid by the Bank to its key management personnel and the aggregate values of the transactions of the Bank with its key management personnel are set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.	Complied with Details are given in the Financial Statements in the Annual Report 2024.
g)	The Board has obtained the external auditor's report on compliance with Corporate Governance Directions.	Complied with External Auditor's Report on compliance with Corporate Governance Directions is included in the Annual Report 2024.
h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliance.	Complied with The Statements' of Directors' Responsibility for Financial Reporting clearly sets out the details regarding compliance with prudential requirements regulations laws and internal controls.
i)	A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Bank to address such concerns.	Partially Complied Unsustainable business model of the Bank has been highlighted by the Bank supervision.



Compliance review

Section Two

HDFC Bank's compliance with the Code of Best Practice on Corporate Governance by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
A. DIRECTORS				
A.1 The Board	Complied with The Board comprises only with Non-Executive Directors. Please refer Director Profiles.			
A 1.1 Meeting	Complied with Please refer status of compliance for 3(1)(iii) of CBSL Rules			
A 1.2 Board Responsibilities	Complied with The overall responsibility for the good governance of the Bank is vested with the Board.			
A 1.3 Access to Independent Professional Advice	Complied with			
A 1.4 Board Secretary	Complied with The Board Secretary plays an intermediary role between the Company and the stakeholders and Advice and services is available for all Directors for ensuring that Board procedures are correctly adhered in line with applicable laws of the Bank and she is a Chartered Secretary.			
A 1.5 Independent Judgment	Complied with			
A 1.6 Dedication of adequate time and effort by the Board and Board Committee	Complied with			
A 1.7 Act in best interest	Complied with			
A 1.8 Every Directors should receive appropriate training on first appointment to the Board and subsequently as necessary training.	Complied with schedule B			
A.2 CHAIRMAN & CHIEF EXECUTIVE OFFICER				
A 2.1 Division of Responsibilities of the Chairman & GM/CEO	Complied with			



Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
A.3 CHAIRMAN'S ROLE				
A 3.1 Role of the Chairman in preserving good corporate governance	Complied with			
A.4 FINANCIAL ACUMEN				
A 4 Availability of sufficient financial acumen and knowledge	Complied with			
A.5 BOARD BALANCE				
A 5.1 Presence of a strong independent element on the Board	Complied with			
A 5.2 A 5.3 Independent Directors	Complied with			
A 5.4 Signed declaration of independence by the Non-executive Directors	Complied with			
A 5.5 Determination of independence of the Directors by the Board	Complied with			
	The relevant details of the Directors during the period under review, are given under the Director's Profile and Director's Report of the Annual Report, on Page 24 to 26 and Page 190 to 193			
A 5.6 Alternate Director				N/A
A 5.7 Appointment of a Senior Independent Director when the Chairman is non- independent.				N/A
A 5.8 Confidential discussion with the Senior Independent Director				N/A
A 5.9 Meeting of Non-Executive Directors				N/A



Compliance review

Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
5.10 Recording of concerns in Board Minutes.	Complied with			
A.6 SUPPLY OF INFORMATION				
A 6.1 Management & Chairman's role to supply timely and appropriate information to the Board.	Complied with			
A 6.2 Adequate Notice, Agenda and Board papers for Board meeting.	Complied with			
A.7 APPOINTMENT TO THE BOARD				
A 7.1 Nomination Committee	Complied with For further details Please refer the Board Nomination & Governance Committee Report on Page 178 to 181			
A 7.2 Assessment of Board composition	Complied with The Nomination & Governance Committee reviews the composition of the Board and makes necessary recommendations.			
A 7.3 Succession Plan for CEO and all KMP	Complied with			
A 7.4 Disclosure of details of new Directors to Shareholders.	Complied with Appointments and resignations are published in the annual report.and due regulatory announcements are made.			
A 7.5 Nomination Committee is role in Board appointments.	Complied with			
A 7.6 Terms of reference for nomination committee.	Complied with schedule E			
A. 8 RE-ELECTION				
A 8.1 Appointment of Non- Executive Directors	Complied with All new appointments to the Board of Director should be in accordance with the HDFC Act No. 07 of 1997 (amendment Act No. 15 of 2003 and Act No. 45 of 2011).			



Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
A 8.2 Election of Directors by the Shareholders	Complied with As per the HDFC Act, all Shareholder Directors stand for re- election every 3 years.			
A 8.3 Resignations Directors to inform the Board reasons for resignation.	Complied with			

A.9 APPRAISAL OF BOARD PERFORMANCE

A 9.1 Appraisal of Board performance	Complied with			
A 9.2 Annual self-evaluation of the Board and its Committees	Complied with			
A9.3 The Board should have a process to review the participation, contribution and engagement of each Directors at the time of re-election.	Complied with			
A 9.4 Disclosure of the performance evaluation of Board and Board Sub Committee Performance.	Complied with			

A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS

A 10 Disclosure of information in respect of Directors.	Complied with			
A 10.1 Details in respect of Directors	Complied with The relevant details of the Directors are given under the Director's Profile of the Annual Report.			
A.11 Appraisal of the GM/CEO				
A.11 Appraisal of the GM/CEO	Complied with			
A 11.1 Financial targets for GM/ CEO	Complied with In line with Corporate Plan of the bank.			
A 11.2 Evaluation of the performance of the GM/CEO	Complied with			



Compliance review

Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
DIRECTORS REMUNERATION				
B 1 Remuneration Procedures	Complied with The Directors of the Bank are not entitled for remuneration and they get an allowance as directed by the Ministry of Finance.			
B.2 REMUNERATION COMMITTEE				
B 2.1 Committee to recommend remunerating CEO, Executive and Non-Executive Directors, senior management including post-employment benefits.		✓ Refer B1.		
B 2.2 Composition of Remuneration Committee	Complied with			
B 2.3 The remuneration committee should consult the Chairman and GM/CEO about proposals relating to remuneration.	Complied with			
B 2.4 Attractive remuneration policies for Executive Directors, CEO and senior management.		✓ Refer B1.		
B 2.5 Executive Directors' remuneration should be designed to promote the long-term success of the company.				N/A Refer B1.
B 2.6 Remuneration comparison with other companies.	Complied with			
B 2.7 Remuneration Committee sensitivity on annual salary increases.	Complied with Salary revision take place every 03 years.			
B 2.8 Performance-related elements of remuneration of the chief executive and executive directors.				N/A
B 2.9 Executive share options not offering at a discount	Complied with			
B 2.10 Designing schemes of performance-related remuneration.	Complied with			



Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
B 2.11 Early termination benefits of Directors and GM/ CEO				N/A
B 2.12 Early termination benefits of Directors (not included in the initial contract)				N/A
B 2.13 Shareholders determination for the level of remuneration of the Non-Executive Directors.				N/A
B 2.14 Factors to consider about the non-executive Directors remuneration.				N/A
B 2.15 The chairman and members of the remuneration committee to be listed in the annual report each year.	Complied with			
B 2.16 The terms of reference for remuneration committee.	Complied with Schedule H			

B.3 DISCLOSURE OF REMUNERATION

B 3.1 Disclosure of Remuneration	Complied with Refer B.1			
B 3.2 Remuneration of senior management personnel	Complied with			

C RELATIONS WITH SHAREHOLDERS

C 1 Constructive use of the Annual General Meeting and conduct of General Meetings.	Complied with			
C 1.1 Adequate notice of the AGM	Complied with			
C 1.2 Separate resolution for all separate issues	Complied with			
C 1.3 Use of proxy votes	Complied with The bank has a method of recording all proxy votes and proxy votes lodged by the shareholders on each resolution.			



Compliance review

Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
C 1.4 Availability of all Board Sub Committee Chairman at the AGM	Complied with			
C 1.5 voting at General Meeting	Complied with			

C. 2 COMMUNICATION WITH SHAREHOLDERS

C 2.1 to C.2.7 Effective Communication with Shareholders	Complied with Shareholder are requested to contact the Company Secretary (011-2423378) or assistants for them to obtain relevant information.			
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C.3 MAJOR AND MATERIAL TRANSACTIONS

C 3 MAJOR TRANSACTIONS

C 3.1 Major transactions	Complied with There were no major transactions with a related party as defined by section 185 of Companies Act No. 07 of 2007 which materially affected the HDFC's net asset base.			
C 3.2 Limited Liability Companies complying with section 185 (1), (2), (3) of Companies Act.				N/A
C 3.3 Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission (SEC) and by the Colombo Stock Exchange (CSE) which are contained in the Section 9.14 (related party transactions) of the listing rules.	Complied with			

D. ACCOUNTABILITY AND AUDIT

D 1 Reporting of Financial and Business Model Corporate, Risk Management	Complied with			
D 1.1 D 1.2 Statutory and regulatory reporting of financial statements.	Complied with			



Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
D 1.3 CEO and CFO a declaration that, in their Opinion for Financial Statement	Complied with			
D 1.4 Directors' report in the Annual Report	Complied with The Director's Report is given on Page 190 to 193 of this Annual Report.			
D 1.5 Statement of Directors' responsibility for the financial statement	Complied with The Statement of Directors' Responsibility for Financial Reporting is given on Page 196 of the Annual Report.			
D 1.6 Management discussions and analysis	Complied with Please refer 63 to 105			
D 1.7 Summoning an Extra Ordinary General Meeting to notify serious loss of capital				N/A
D 1.8 Related Party Transactions	Complied with			

D.2 RISK MANAGEMENT AND INTERNAL CONTROL

D.2 Risk Management and Internal Control	Complied with Please refer page No 171 to 172 for report on Directors' Statement on Internal Control.			
D 2.1 D 2.1.1 to D 2.1.3 Functions of the Risk Management Committee.	Complied with			
D 2.1.4 to D 2.1.8 Risk Management Committee composition, meetings and annual report	Complied with Two separate committees for Risk Management Committee and Audit Committee. Please refer page No 187 to 189 for BIRMC Report.			
D 2.2 to D 2.4 Internal Audit Functions	Complied with			



Compliance review

Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
D.3 BOARD AUDIT COMMITTEE				
D 3 Audit Committee	Complied with Please refer page No185 to 186 for Board Audit Committee Report.			
D 3.1 73. Audit Committee Composition	Complied with Please refer page No185 to 186 for Board Audit Committee Report			
D 3.2 Terms of Reference and Authority and Duties of the Audit Committee	Complied with Please refer page No185 to 186 for Board Audit Committee Report.			
D 3.3 Disclosures of the Audit Committee	Complied with Please refer the Board Audit Committee report on Page 185 to 186 for membership.			
D.4 BOARD INTEGRATED RISK MANAGEMENT COMMITTEE				
D 4.1 Risk Committee composition	Complied with			
D 4.2 Terms of Reference and Authority and Duties of the Risk Committee.	Complied with			
D 4.3 Meetings and officers in charge	Complied with			
D 4.4 Seeking external professional help	Complied with			
D 4.5 Annual Reporting	Complied with Please refer D 2.1.7			
D.5 BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE				
D 5 Related Party	Complied with Please refer page No182 to 184 for Board Related Party Transaction Review Committee.			
D 5.1 RPT will be as defined in LKAS 24.	Complied with Please refer page No182 to 184 for Board Related Party Transaction Review Committee.			



Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
D 5.2 Board Related Party Transaction Committee Composition	Complied with Please refer page No182 to 184 for Board Related Party Transaction Review Committee.			
D 5.3 Terms of Reference and Authority and Duties of the Related Party Transaction Committee	Complied with Please refer page No182 to 184 for Board Related Party Transaction Review Committee.			
D.6 Code of business conduct & ethics D.6 to D 6.7 Code of business conduct & ethics	Partially complied The Bank is currently monitoring and reviewing the mentioned policies to comply with code of business conduct & ethics.	✓		

D.7 CORPORATE GOVERNANCE DISCLOSURE

D.7 to D 7.1 Corporate Governance Disclosure	Complied with
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E SHAREHOLDERS (SECTION 2)

E Institutional Investors

E1 to E 1.1 Shareholding Voting	Complied with Shareholders are encouraged to use their votes. Further they are encouraged to execute their votes and also seek independent advice on investing or divesting decisions.
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E.2 EVALUATION OF GOVERNANCE DISCLOSURES

E 2 Evaluation of Corporate Governance initiatives	Complied with
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F. OTHER INVESTORS

F1 Investing / Divesting Decision	Complied with
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Individual shareholders, investing directly in shares of companies, should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.

F 2 Shareholder Voting	Complied with The Bank appreciates participation of individual shareholders in General Meetings and exercising their voting rights.
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Compliance review

Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
OTHER MATTERS (SECTION 3)				
G INTERNET OF THINGS AND CYBERSECURITY				
G.1 Internal and external parties access to banks network	Complied with The HDFC Bank has Data protection measures to safeguard sensitive data, such as encryption, classification and data backup procedures.			
G.2 Appointing a Chief Information Security Officer and Policy for Cybersecurity risk management.	Complied with Policy operating in areas like Security governance, Risk assessment, Risk Management through control implementation and improving user awareness.			
G.3 Allocate regular and adequate time on the Board Meeting	Complied with			
G.4 The Board ensure the effectiveness of the Cybersecurity risk management through independent periodic review and assurance.	The progress of the process is evaluating at the IT steering committee arrange on every month. So, this is the process that the Bank is currently adopted to manage the cyber security risks.			
G.5 Disclose in the annual report, the process to identify and manage Cybersecurity risk.				
H. SUSTAINABILITY, ESG RISK AND OPPORTUNITIES				
H.1 ESG Reporting	Complied with			
H 1.1 Impact of sustainability / ESG risks and opportunities in company's business plans.				
H 2 Protection of Environment and other ESG issues	Improving the current practice			
H 2.1 Recognition of significant stakeholders.				
H 3 Governance Framework	Improving the current practice			
H 3.1 Addressing sustainability factors				
H 3.1.1 Environmental Governance	Improving the current practice			
H 3.1.2 Social Governance	Improving the current practice			



Guideline	Full compliance	Partial compliance	Non compliance	Not applicable
H 4 Establishing Governance Structure H 4.1 Managing sustainability's / ESG factors	Improving the current practice			
H 4.2 ESG factors	Improving the current practice			
H 4.3 Financial and non-financial measures	Improving the current practice			
H 5 Annual Report H 5.1 Disclosures	Complied with			
H 5.2 Companies should provide information	Complied with			
H 5.3 Complying with the mandatory and voluntary codes of corporate governance.	Complied with			
H 5.4 Sustainability/ESG reporting	Improving the current practice			

I SPECIAL CONSIDERATION FOR LISTED ENTITIES

I 1 Establishment and Maintenance of Policies	Complied with			
I 1.1 Essential Policies	Complied with			
I 1.2 Any waivers	Complied with			
I 1.3 Disclosures in annual report	Complied with			
I 1.4 Availability of policies to shareholders	Complied with The Bank facilitates a procedure in providing of any of the above policies to the shareholders upon a written request.			

I 2 POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

I 2.1 Governing matters	Complied with			
I 2.2 Disclosures annual report	Complied with			



Compliance review

Section Three

HDFC's compliance with the continuing Revised listing requirements under section 09 on Corporate Governance Rules for listed companies, issued by the Colombo Stock Exchange.

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.1	CORPORATE GOVERNANCE RULES		
9.1.1	Extent of Compliance with	Complied	31 December 2024
9.1.2	Corporate Governance	The extent of compliance with Corporate Governance Section	
9.1.3	Rules	09 of the listing rules issued by CSE is tabulated below.	
9.2	POLICIES		
9.2.1	Availability of Policies	<p>Complied</p> <p>The following policies which are mandated under the revised CSE listing rules are currently in place.</p> <ul style="list-style-type: none"> • Policy on the matters relating to the Board of Directors • Policy on Board Sub-Committees • Policy on Corporate Governance, Nominations and Re-election • Policy on Remuneration • Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities • Policy on Risk Management and Internal Controls • Policy on Corporate Disclosures • Policy on Whistle Blowing • Policy on Anti-Bribery and Corruption • Policy on Control and Management of Company Assets and Shareholder Investments • Policy on Relations with Shareholders and Investors • Policy on Environmental, Social and Governance Sustainability <p>All the policies published on the Bank website by 31st December 2024.</p>	31 December 2024
9.2.2	Waivers and Exemptions	At present there are no waivers and exemptions applicable to the Bank.	
9.2.3	Disclosures in the Annual Report	The Bank will publish in 2024 annual report.	



Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.2.4	Requesting of Bank Policies by Shareholders	<p>Complied</p> <p>The Bank facilitates a procedure in providing of any of the above policies to the shareholders upon a written request.</p> <p>Since all the policies are published on the website, all the shareholders can access the same.</p>	31 December 2024
9.3 BOARD COMMITTEES			
9.3.1	Establishment of Board Committees	<p>Complied</p> <p>The Bank has a separate Committee to perform risk functions named Board Integrated Risk Management Committee.</p> <p>The Board Nominations & Governance Committee, The Board Human Resources and Remuneration Committee, Board Audit Committee and The Board Related Party Transactions Review Committee are in place.</p> <p>In May 2024, the Board Nominations Committee was renamed as Board Nominations and Governance Committee to comply with the revised CSE listing rules.</p> <p>Terms of Reference of the Board Nominations & Governance Committee, Board Audit Committee, Board Integrated Risk Management Committee, Board Related Party Transactions Review Committee and Board Human Resources Remuneration Committee had been in compliance with the revised CSE listing rules.</p>	
9.3.2	Board Committee Composition, Responsibilities and Disclosure	<p>Complied</p> <p>The composition of all Committees satisfies the revised CSE listing rules.</p> <p>Sub Committees are governed by its own Terms of Reference having a Secretary who arranges meetings, maintaining minutes and records under the supervision of the Chairman of the respective Sub Committee.</p> <p>The Chairman of the respective Sub Committee is accountable for the effective functioning of the Committee and reports on a regular basis to the Board on the prominent matters that need attention.</p>	
9.3.3	Chairman of Board Committees	<p>Complied</p> <p>During the year 2024 the of the Board of Directors was not the Chairman of Board Nominations & Governance Committee, Board Human Resource and Remuneration Committee, Board Audit Committee or the Board Related Party Transactions Review Committee.</p>	



Compliance review

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.4	ADHERENCE TO PRINCIPLES OF DEMOCRACY IN THE ADOPTION OF MEETING PROCEDURES AND THE CONDUCT OF ALL GENERAL MEETINGS WITH SHAREHOLDERS		
9.4.1	Record Maintenance	Complied The Company Secretary maintains records of all resolutions and information (Appointment of proxy, number of votes in favour & against and number of shares in respect of vote was directed to be abstained) of General Meetings.	
9.4.2	Communication and relation with Shareholders and Investors	Complied The Bank has an established Board approved policy on Relations with Shareholders and Investors.	31 December 2024
9.5	POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS		
9.5.1	Availability of policy on governing matters relating to Board of Directors	Complied The requirements are currently captured in the Board Charter, in according to HDFC Act. The Bank is in the process of updating the Board Charter with provisions of the revised CSE listing rules.	
9.5.2	Disclosures in the Annual Report	Disclosures are made in the Annual Report of the Board of Directors given on page 22 to 26	
9.6	CHAIRMAN AND CEO		
9.6.1	Chairman and CEO	Complied The Chairman is a Non-Executive Director. The position of Chairman and CEO is not held by the same individual.	
9.6.2	Disclosure of Non -Compliances	Not applicable	
9.6.3	Appointment of Senior Independent Director	Not applicable	
9.6.4	Disclosure of Non-Compliances in the Annual Report	Not applicable	



Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.7	FITNESS OF DIRECTORS AND CEOS		
9.7.1	Appointment of Fit and Proper Person	Complied	
9.7.2		<p>The Board has a formal and transparent process in place for the succession and appointment of Directors. The Board Nominations & Governance Committee processes and short-lists candidates and makes recommendations to the Board for approval. The attributes and experience required from potential appointees are identified and agreed prior to the search process, considering the combined knowledge, experience and diversity of the Board, in relation to the Bank's strategic plans and any gaps thereof.</p> <p>The candidate's other directorships and commitments are also considered to ensure sufficient time to discharge their role at HDFC, effectively. Upon completion of this process, names are referred to the Director of the Bank Supervision Department of the Central Bank of Sri Lanka for approval as a "fitness and proprietary" person, prior to the appointment. All appointments were duly notified to CSE.</p> <p>In any future appointments, the criteria stated in the revised CSE listing rules will also be taken into account.</p>	
9.7.3 (a) to (c)	Fit and Proper Assessment Criteria a) Honesty, Integrity and Reputation b) Competence and Capability c) Financial Soundness	Complied	
9.7.4	Annual Declarations from Directors and CEO	Complied	
9.7.5	Disclosures in the Annual Report	The profiles of the Directors and CEO of the HDFC Bank is given on page 24 to 26	
9.8	BOARD COMPOSITION		
9.8.1	Board at Minimum to consist of Five (5) Directors	Complied	31 December 2024
9.8.2	Minimum number of Independent Directors (Min:2 or 1/3 of total number, whichever is higher)	Complied	31 December 2024



Compliance review

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.8.3	Criteria for determining	Complied	
9.8.4	Independence	The Bank takes in to account the provisions of Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017) and Banking Act Direction No.11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka. The Bank also revised the criteria for determining the independence of a Director taking in to account the revised CSE listing rules.	
9.8.5	Declarations	Annual Declaration was obtained from the Board of Directors incorporating the provisions made under the revised CSE listing rules as at 31 December 2024.	31 December 2024
9.9	ALTERNATE DIRECTORS		
9.9	Appointment of Alternate Directors	Not Applicable	
9.10	DISCLOSURES RELATING TO DIRECTORS		
9.10.1	Policy on the maximum number of Directorships	Complied The Bank has not exceeded the maximum number of Directors as stipulated in the HDFC Act and Board Charter.	
9.10.2	Appointment of new Director	Complied The Board Nominations & Governance Committee reviews all new appointments. New appointments are monitored accordance to the mandate of HDFC Act, No.07 of 1997 CBSL Directions and revised CSE Rules.	
9.10.3	Changes to the Composition	Complied After the effective date of the revised CSE listing rules, changes in the composition of Board Committee had taken place, and an immediate market announcements had been made on same.	
9.10.4	Disclosures in the Annual Report	Please refer pages 24 to 26 for profiles of Directors. Please refer page 10 for financial highlights. Please refer page 24 to 26 for Directorships in other companies Please refer page 111 to 115 for Directors attendance	
9.11	BOARD NOMINATIONS AND GOVERNANCE COMMITTEE		
9.11.1	Availability of Nominations and Governance Committee	Complied The Board Nominations Committee was renamed as the Board Nominations & Governance Committee with effect from May 2024.	01 May 2024
9.11.2	Appointment and re-election of Directors	Complied The Committee follows a formal procedure in appointment and re-election of Directors.	



Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.11.3	Terms of Reference	Complied The Committee adopted a Revised Terms of Reference consisting the scope, authority and duties. It is aligned with the revised CSE listing rules.	
9.11.4(1)	Composition - Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors.	Complied The Bank is in compliance throughout the year with the revised CSE listing rules.	
9.11.4(2)	Composition - Independent Director shall be appointed as the Chairman of the Committee.	Complied An Independent Director functioned as the Chairman of the Committee throughout the year.	
9.11.4(3)	Composition - The Chairman and the members of the Committee shall be identified in the Annual Report	Complied The Chairman and the members of the Committee are identified in the Nominations & Governance Committee report given on page 178 to 181 of this Annual Report	
9.11.5	Functions	Complied The Terms of Reference refers to the functions of the Committee and all functions were duly satisfied throughout the year. Please refer The Board Nominations & Governance Committee Report on page 178 to 181 of this Annual Reports	
9.11.6	Disclosures in the Annual Report	Disclosure requirements are covered in the Board Nominations & Governance Committee Report given on page 178 to 181	
9.12	BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE		
9.12.1	Definition of Remuneration	The Bank has established a formal transparent policy on remuneration and defined remuneration in terms of cash and non-cash benefits.	
9.12.2	Remuneration Committee	Complied The Board Human Resources and Remuneration Committee confirming the requirements are in place.	
9.12.3	Remuneration Policy - Executive Directors / Non-Executive Director	Not Applicable	
9.12.5	Terms of Reference	Complied The Committee has adopted a Terms of Reference which define the scope, authority and duties in compliance with the revised CSE listing rules.	



Compliance review

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.12.6 (1) & (2)	Composition - Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Director.	Complied The Bank is in compliance throughout the year with the revised CSE listing rules. The Committee met fifteen (15) times during the year.	
(3)	Composition - Independent Director shall be appointed as the Chairman of the Committee.	An Independent Director functioned as the Chairman of the Committee throughout the year.	
9.12.7	Functions	Complied The Terms of Reference refers to the functions of the Committee and all functions were duly satisfied throughout the year. Please refer Board Human Resources and Remuneration Committee Report on page 175 to 177	
9.12.8	Disclosures in the Annual Report	Disclosure requirements are covered in the Board Human Resources and Remuneration Committee Report given on page 175 to 177	

9.13 BOARD AUDIT COMMITTEE

9.13.1	Audit and Risk Committees	The Bank has established two separate Committees to perform Audit and Risk Functions.	
9.13.2	Terms of Reference	Complied The two Committees have adopted Terms of References which define the scope, authority and duties.	
9.13.3 (1)	Composition - A Minimum of three (3) Directors, out of which a minimum of two (2) or a majority of the members, whichever higher, shall be Independent Directors.	Complied The Bank is in compliance throughout the year with the revised CSE listing rules.	
9.13.3 (4)	Parent company may act as the Board Audit Committee of the Subsidiary company.	Not Applicable	
9.13.3(2)	Composition - The quorum for a meeting of the Board Audit Committee shall require that the majority of those in attendance to be Independent Directors.	Complied The majority of members present were Independent Directors which satisfies the revised CSE rules.	
9.13.3(3)	Composition - The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.	Complied The Committee met seventeen (17) times during the year. The Committee reviewed the quarterly and annual financial statements and recommended same to the Board of Directors prior to publication.	
9.13.3(5)	Composition - Independent Director shall be appointed as the Chairman of the Committee.	Complied An Independent Director functioned as the Chairman of the Committee throughout the year.	



Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.13.3(6)	Composition - The CEO and the CFO shall attend the Audit Committee meetings by invitation.	Complied The GM/CEO and Chief Financial Officer were invited to attend Board Audit Committee meetings throughout the year. GM/CEO was a member of the BAC and BIRMC throughout the year.	
9.13.3(7)	Composition - The Chairman of the Audit Committee shall be a Member of a recognised professional accounting body.	The Chairman of the Board Audit Committee, is an Independent, Non-Executive Director. The requirements are covered by Directors Profile in Report given on page 24 to 26	01 October 2023
9.13.4 (1) & (2)	Functions	Complied The Bank has documented the functions of the Committee in the Board Audit Committee Terms of Reference. Please refer Board Audit Committee Report on page 185 to 186 The Terms of Reference refers to the functions of the Board Integrated Risk Management Committee. Please refer Board Integrated Risk Management Committee Report on page 187 to 189 In order to be in line with the revised CSE listing rules the functions listed under 9.13.4.1 (vii), (viii) and (ix) are covered within the scope of Board Integrated Risk Management Committee.	
9.13.5	Disclosures in the Annual Report	Disclosure requirements are covered in the Borad Audit Committee Report given on page 185 to 186 of this Annual Reports	
9.14	BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE		
9.14.1	Availability of Board Related Party Transactions Review Committee	Board Related Party Transactions Review Committee is in place.	
9.14.2	Composition - A minimum of three (3) Directors, out of which two (2) members shall be Independent Directors. Committee may also include Executive Directors. An Independent Director shall be appointed as the Chairman of the Committee.	Complied An Independent Director functioned as the Chairman of the Committee throughout the year. The scope of the Committee is limited to the operations of the Bank.	
9.14.3	Functions	Complied The Board Related Party Transactions Review Committee is responsible for reviewing the Related Party Transactions, to ensure the interests of shareholders as a whole are taken into account when entering into Related Party Transactions. The Committee has established and maintained a policy, procedure and process for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Bank's operations. Please refer the Board Related Party Transactions Review Committee Report on page 182 to 184 of this Annual Reports	01 October 2023



Compliance review

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.14.4(1)	General requirements - The Committee shall meet at least once a calendar quarter.	Complied The Committee met four (4) times during 2024. The minutes of all meetings are properly documented and tabled at the subsequent Board meetings for authorisation.	
9.14.4(2)	General requirements - The Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions.	Complied The Committee has sufficient knowledge and expertise to evaluate all aspects of Related Party Transactions.	
9.14.4(3)	General requirements - Approval by Board of Directors.	Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which have been reviewed by the Committee.	
9.14.4(4)	General requirements - Conflict of Interest	The Board Related Party Transactions Review Committee oversees the process relating to the said subject. Directors provide declarations to the Board about their material interests in business transactions at the time of appointment and thereafter on quarterly basis. Directors do not participate in, and excuse themselves from the Meeting, when the Board considers any matters in which transactions with related entities are discussed and where a conflict of interest may arise.	
9.14.5	Review of Related Party Transactions by the Board Related Party Transactions Review Committee.	Complied The Committee takes into account the provision of the said listing rules when reviewing related party transactions.	
9.14.6	Shareholder Approval	A situation to obtain the shareholder approval as per revised CSE listing rules has not arisen during the year.	
9.14.7	Immediate Disclosures	A situation has not arisen where immediate disclosure is required to be made as per revised CSE listing rules.	
9.14.8	Disclosures in the Annual Report	Disclosure requirements are covered in the Board Related Party Transactions Review Committee Report given on page 182 to 184	
9.14.9	Acquisition and Disposal of assets from/to related parties	The Bank has not acquired/disposed substantial assets from/to related parties.	
9.14.10	Exempted Related Party Transactions	The revised CSE rules are considered when evaluating the Related Party Transactions by the Committee.	
9.16 ADDITIONAL DISCLOSURES			
9.16	(i) Declaration of all material interest (ii) Review of internal controls and compliance controls (iii) Compliance with laws, rules and regulations (iv) Material Non - Compliances	Disclosure requirements are covered in the Annual Report of the Board of Directors given on page 22 to 26 Material non-compliance with any Law or Regulation has not arisen during the year 2024.	



RISK MANAGEMENT

STATEMENT ON RISK MANAGEMENT

At HDFC Bank, we recognise that well-grounded and comprehensive risk management is essential for the stability, integrity, and continuity of our operations. Our risk culture encompasses various aspects of risk management, forming a robust framework that is reinforced by a well-structured governance system.

As a specialised licensed bank, we understand the critical need to integrate risk management into our operational processes, particularly in areas such as credit management, collections and recoveries, and financial management.

REVISED RISK MANAGEMENT FRAMEWORK

In 2024, we enhanced our risk management framework by increasing our focus on cyber risks and operational resilience. We adopted new protocols, including a Business Recovery Plan, to ensure alignment with the latest regulatory standards. Additionally, we are working on disaster recovery and business continuity plans. Our risk management approach towards technology resilience has also seen improvements, with necessary resources being allocated.

We conducted over 14 Board Integrity Risk Management Committee (BIRMC) meetings throughout the year and effectively implemented the directions from these meetings. Continuous risk alerts and regular risk assessments were performed to identify areas for improvement within the risk framework. The staff has been regularly updated on emerging risks and the necessary actions to mitigate them.

Despite our efforts, several factors have hindered our progress in achieving strategic objectives:

1. Economic Recovery: A continued slow recovery of the economy has impacted our operations.
2. Regulatory Restrictions: Restrictions imposed by the Central Bank (CBSL) on the Parate Law and limitations on granting new loan facilities and mobilising deposits have affected our strategic targets for 2024.
3. SME Sector Slump: A downturn in the SME sector has also demoralised our recovery efforts.
4. Maintaining a balance between risk and profitability
5. Managing operational risks amidst rapid technological developments

To ensure alignment with our strategic objectives, we have integrated risk management practices directly into our business strategy, especially in relation to technological advancements.

KEY INITIATIVES FROM 2024

To address these challenges, the bank's risk management function explored the following

- Establishment of a Business Recovery Plan
- Enhance credit risk models to better predict and manage defaults
- Diversify funding sources
- Strengthened collateral valuation processes
- Invest in staff training and basic digital infrastructure to bolster operational resilience
- Maintain close dialogue with the Central Bank and regulators to anticipate policy shifts.
- We have enhanced our risk reporting framework, providing more granular insights into cyber risks, operational risks, and credit concentration risks.

Amidst the above challenges, the Bank complied with all regulatory requirements, including capital and solvency requirements. The Bank has applied all precautionary measures to manage the negative ramifications of the macro environment.

CONCLUSION

Our risk management strategy has demonstrated strong effectiveness, successfully keeping our risk exposure manageable amid market volatility and operational hurdles. We are dedicated to further enhancing these practices to align with the bank's goals and protect the interests of our stakeholders.



Risk Management

THE RISK REVIEW AND REPORT

In 2024, the Bank faced a myriad of challenges alongside positive improvements within the country’s macroeconomic landscape. Through the prudent and timely involvement of the Board, the Management and the Audit and Risk Committees, the Bank was able to navigate its risk profile. At HDFC Bank, Risk management also ensures a disciplined approach to approving, distributing and managing credit. It also aims to underscore proper processes in place to ensure transparency and integrity when accepting deposits on behalf of depositors.

RISK LANDSCAPE IN 2024

The country has surpassed the immediate shocks of the 2022 economic crisis and is now on a path to stability and sustainable economic recovery. Although there have been improvements that have inspired optimism, economic fragility and uncertainty remain, posing risks for smaller state organisations, such as the HDFC Bank.

Poverty: The economy is still marred by high public debt (projected to be >100% of GDP), and persistent poverty remains a lingering concern. Weak household and individual disposable income increased concerns for loan defaults. In 2024, poverty levels stood at 24.50%.

Funding and Liquidity Constraints: Access to adequate funding remains a perennial challenge, which has been aggravated by the country’s limited fiscal buffers. Due to fiscal consolidations stemming from the IMF-EFF, capital injections to small state

banks and organisations were limited. Amidst declining bank lending rates, competition for deposits and a cautious outlook by the sector resulted in elevated funding costs.

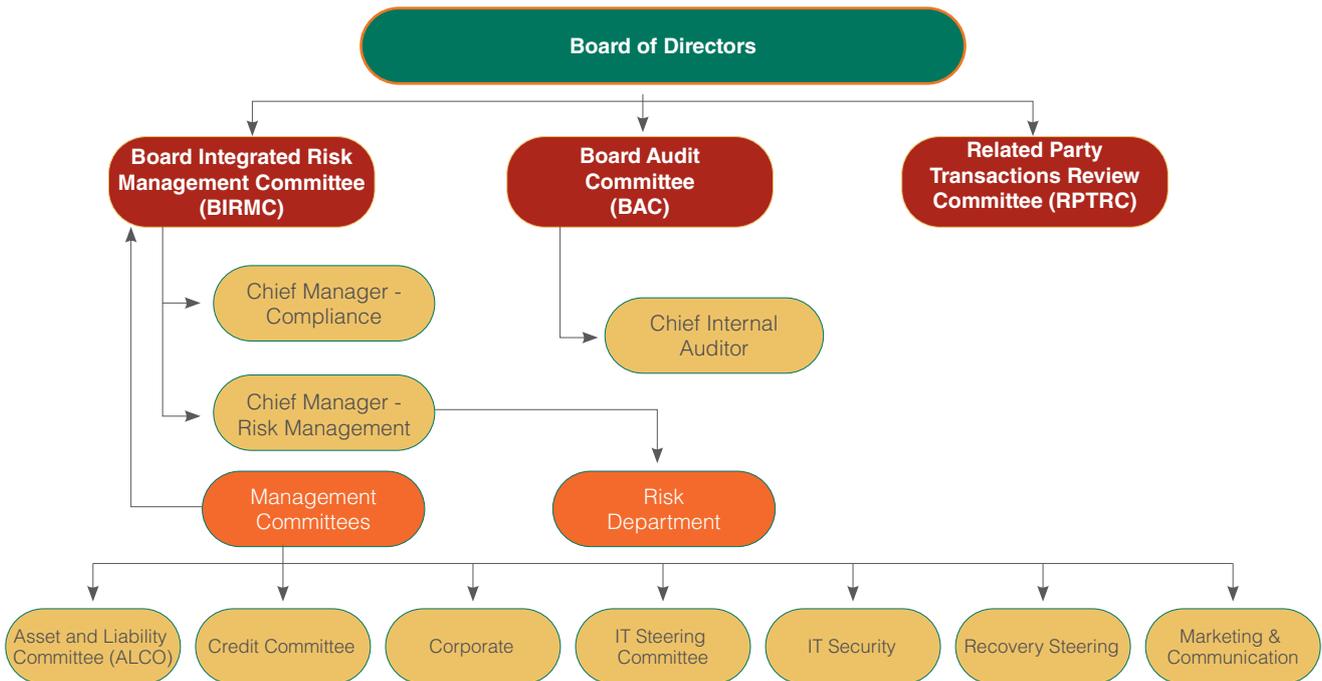
Housing market vulnerabilities: The country faced an imbalance in supply and demand, with demand growth outpacing the growth in supply. Escalating construction costs and a shortage of affordable housing limited the bank’s ability to expand the loan portfolio to low/middle-income borrowers, increasing concentration risk. Moreover, economic scarring, which stagnated real estate values in some regions, is also a challenge in recovering funds from foreclosures, which impacts credit risk.

Regulatory Pressures: Due to the structural reforms of the IMF-EFF, the financial sector operated under tight scrutiny, including a revised banking act and enhanced CBSL autonomy. Adopting certain regulations, such as the AML and governance standards, has impacted operational compliance costs.

Restrictions over Parate Law and Slump in the SME Sector held back the bank from meeting strategic objectives, stunting recovery efforts. Further, CBSL restricted the bank from granting new loan facilities and mobilising deposits as regulatory measures, distancing the bank from achieving strategic targets for the year 2024.

Operational risks: The migration of over 300,000 skilled professionals in 2024, including banking sector experts, heightened the loss of skilled staff, which undermined the potential to attract or retain loan underwriting professionals and fraud detection personnel.

RISK GOVERNANCE



In ensuring that the Bank's risk environment is managed and kept at bay, the Board and the senior management ensure that effective risk management practices are embedded into operational processes and strategic directions through the support of its relevant Board-level committees.

The Board of Directors reserves overall responsibility for risk management practices and all matters of risk management, ensuring that the various risk exposures of the bank are monitored and controlled as mandated. The Board discharges its responsibilities in risk management through the Board Integrated Risk Management Committee (BIRMC), as well as the Board Audit Committees.

The Bank's senior management plays an important role in adequately formulating and executing Bank policies and practices, overseeing risk management and addressing challenges. They are responsible for ensuring a cohesive risk management framework while guaranteeing compliance with such frameworks and policies.

The following are the two board-level committees assigned to oversee risk management functions. These committees assist the Board in completing its risk-related duties, ensuring that the risk management function operates effectively.

- Board Integrated Risk Management Committee (BIRMC)

The committee has been assigned overall risk management as per Rule 3(6)(v) of the Banking Act Directions No. 12 of 2007 on Corporate Governance for Licensed Banks in Sri Lanka.

The BIRMC is tasked with establishing a comprehensive risk management framework that will enable the bank to withstand exposure to risk events and mitigate the impact of such events.

Primary goals:

1. Support thorough risk evaluation, monitor and manage risks to prevent negative impacts
2. Make decisions in line with Bank internal policies and regulatory requirements.
3. The committee conducts monthly risk assessments together with management committees

Key functions:

- Assisting the Board of Directors in shaping the Bank's Risk Management framework.
- Implementing mitigation strategies that align with the Bank's policies, regulatory guidelines, and requirements for Licensed Specialized Banks (LSBs).
- Taking prompt corrective actions to address risks before they reach unacceptable levels
- Ensuring the Bank meets all mandatory regulations and adheres to internal policies to effectively mitigate risks.

To enhance Risk Governance, the Bank held over 12 BIRMC meetings during the year and implemented BIRMC directions effectively. Continuous Risk Alerts and regular risk assessments were conducted to identify areas for improvement in the risk framework.

The committee convenes regularly, generally on a monthly basis, to assess risks and undertake necessary risk mitigation actions, as well as to update business continuity plans. Comprised of non-executive members, the committee provides regular reports to the Board of Directors.

Management committees and their duties pertaining to risk management.

Committee	Oversight
Corporate Management Committee	The committee guides the bank's overall business strategy and monitors its implementation to achieve strategic objectives within the risk management framework.
Asset and Liability Committee (ALCO)	Regularly manages assets and liabilities to ensure liquidity and regulatory compliance.
Credit Committee	Reviews loans for regulatory adherence and alignment with the bank's lending policies and risk appetite, assessing borrower information and addressing delinquent loans.
IT Steering Committee	Oversees Information Technology risks and the implementation of relevant policies and projects. IT Steering Committee provides strategic oversight and guidance to ensure that an organisation's IT initiatives align with business goals, manage risks and deliver value.
IT Security Committee	Monitors and updates policies related to information security, evaluates awareness programs, and reports to the board annually.
Recovery Steering Committee	Prepares, tests, and updates the bank's recovery plan, integrating it with the bank's strategy and risk management.
Marketing and Communication Committee	Provides guidance on effective marketing and communication strategies to meet the bank's goals.

RISK MANAGEMENT DEPARTMENT (RMD)

- The department is headed by the Chief Risk Officer (CRO), who assists the Board's Integrated Risk Management Committee in fulfilling its risk responsibilities. The department provides further assistance in developing frameworks and policies-and monitors and reports on critical risk issues.
- They form the second line of defence and act as a monitoring unit, which oversees the daily risk management process, embedded within the Bank's Risk Management Framework. The risk management process, managed by the RMD, is seamlessly integrated into the Bank's internal control system.



Risk Management

OPERATIONAL LEVEL

Operational risk management is guided by procedures and guidelines established by the Board of Directors (BOD) and senior management. The effective implementation of these measures falls under the responsibility of the Risk Management Division, led by the Chief Risk Manager.

POLICY ENVIRONMENT

The Bank reviews its risk management policies on an annual basis. These policies are designed to help the Bank identify and analyse potential risks, establish appropriate risk limits, and periodically review them. Additionally, they aim to monitor risks effectively and ensure compliance with established controls. Regular policy reviews also allow the Bank to adapt to external developments and changes in its financial products and services.

The Bank has adopted the following risk management-related policies, apart from the 1) Integrated Risk Management Framework and the 2) Risk Appetite Framework.

Credit	<ul style="list-style-type: none"> • Credit Risk Management Policy • Loan Review Mechanism Policy
Financial Risk	<ul style="list-style-type: none"> • Liquidity Risk Management Policy • Interest Rate Risk policy • Internal Capital Adequacy Assessment Process (ICAAP) • Business Recovery Plan (RCP)
Operational	<ul style="list-style-type: none"> • Operational Risk Management Policy • Stress Testing Policy

COMPLIANCE

The Bank has conformed to the following regulations.

- Partial conformance to BASEL II requirements
- Full compliance with CBSL and ICAAP regulatory guidelines

The Bank also considers the following regulations when setting relevant risk management processes and priorities.

- Banking Act Direction No. 9 of 2021 Recovery Plans for Licensed Commercial
- Banking Act Direction No. 16 of 2021 Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks
- Banking Act Directions No.1 of 2016 Capital Requirements Under Basel III for Licensed Commercial Banks and Licensed Specialised Banks

THREE LINES OF DEFENCE

The Bank deploys the three-tiered model of defence to monitor and control operational risks. As a structured approach, the model enables effectiveness and accountability in managing risks and draws distinct demarcations between board-level risk management, management-level risk management and risk management by the risk division.

First line of defence - Management/operations

- The 1st Line of Defence focuses on management controls in the bank, emphasizing a real-time perspective. It aims to review governance and compliance arrangements to ensure that checks and balances are functioning effectively.

Second line of defence - Risk management and compliance

- The 2nd Line of Defence centres on risk oversight and involves some degree of realtime activity, with a mandate to review 1st Line of Defence activities. This encompasses the work of specialist areas, such as risk management, technical and regulatory compliance, and safety. This aims to confirm the effectiveness of governance and compliance arrangements, and to identify and action improvements.

Third line of defence - Internal Audit

- The 3rd Line of Defence involves independent assurance that evaluates the adequacy and effectiveness of both 1st Line and 2nd Line risk management approaches. This is undertaken by the Internal Auditor, to independently confirm governance and compliance effectiveness, and to recommend improvements.

RISK REGISTER AND REPORTING

The risk register is maintained and updated by the Risk Management Division, using appropriate identification and assessment tools to identify and assess main risk categories. These risks are part of the reports submitted to the management and the Board. Such reports include details on such risks, related challenges and how they were managed/mitigated during the relevant period.



RISK APPETITE AND MONITORING FRAMEWORK

The Bank has in place a comprehensive 'Risk Appetite Framework', approved by the Board. It outlines limits for each risk type, which the Bank can responsibly take on. Such limits are determined after careful consideration and due diligence on understanding the operating environment, bank strategy and operational stability.

Oversight of the risk appetite falls on the Board Integrated Risk Management Committee (BIRMC), which regularly reviews policies approved by the Board and ensures that risk monitoring limits are consistent with industry best practices. Should any risk cross the tolerance limits, those will be reviewed by the Risk Department, followed by appropriate action.

CREDIT RISK MANAGEMENT

Credit risk represents any potential financial losses which the Bank may have to incur due to the inability of borrowers or counterparties to meet their financial obligations. As a licensed specialised bank, HDFC Bank carries considerable exposure to credit risk from low and middle-income level borrowers. To counter adverse effects, the Bank has implemented stringent risk controls across the credit approval, disbursement and management process.

We have deployed an integrated approach to managing and limiting risks associated with credit management. The Risk Officer is responsible for the final credit approval and for assessing the quality of the loan/credit approved against the profile of borrowers.

Dashboard: The Risk Department is responsible for regularly reviewing exposures to credit management through a monthly dashboard, ensuring appropriate controls. Additionally, the following is overseen by the integrated Credit Risk Management approach.

SCOPE

- Pre-credit Risk Management
- Internal Credit Risk Rating for all loans above Rs. 1.5 Mn
- Credit Risk Policies and delegation of authority review of Credit Risk Management Policies
- Staff training and knowledge-sharing sessions
- Centralisation of disbursements under the Credit Admin Division
- Post Credit Risk Management
- Loan review mechanism
- Validation of risk rating models
- Risk appetite limit monitoring
- Reviewing of Watch List
- Implementation of risk-based pricing mechanism

Internal credit rating approach: The credit rating for every borrower is formed on considerable due diligence. The Bank quantitatively assesses the creditworthiness of a borrower, determining whether the borrower can be approved for credit disbursement and the interest rate to determine repayment.

KEY CREDIT CATEGORIES

Category	Asset type	Description
Mortgage loans	Land Building Receivables	The land and buildings have to be in a residential area. Financial Receivables (Mainly Portfolios)
EPF loans	EPF	The EPF of the particular borrower is assigned until the loan is fully paid.
Leasing	Vehicles	The absolute ownership of the vehicle is with the Bank until the full payment is made.
Guarantor Loan	Guarantor	The guarantor guarantees a loan after declaring their assets and liabilities

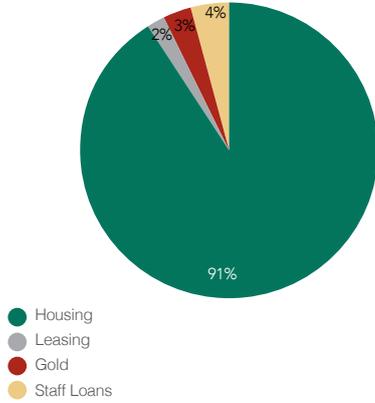
Credit evaluation process: The bank strengthened the credit evaluation process associated with baseline Security Standards with more stringent due diligence checks. Increased focus on high-quality collateral and loan restructuring strategies for default loans.

The loan portfolio showed a decrease compared to the Year 2024 due to the restriction of new Loan granting.

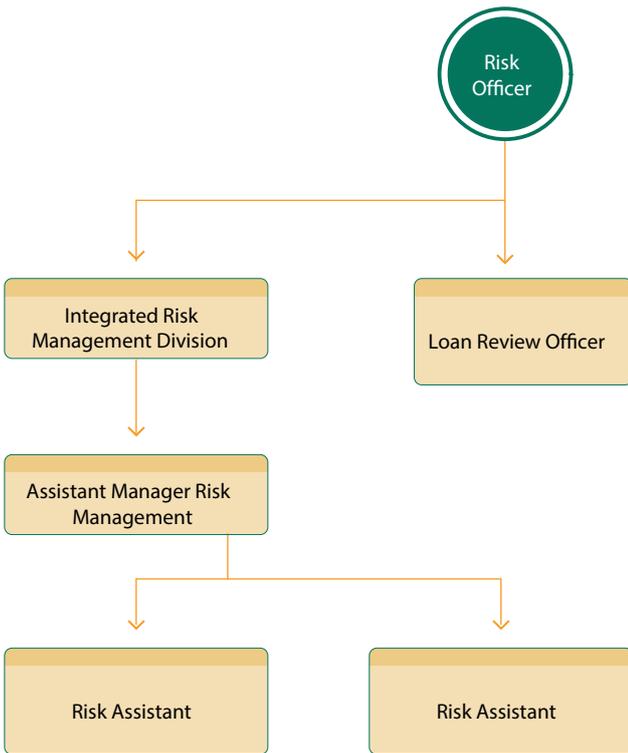


Risk Management

Loan Composition



INTEGRATED CREDIT RISK MANAGEMENT STRUCTURE



Credit and loan portfolio risk	Threshold	2024	Threshold	2023
NPL ratio (excluding EPF)	12%	24.5%	12%	23%
Guarantor loan's credit concentration	50%	13.4%	50%	16.6%
Impairment coverage	60%	52.02%	60%	46.10%

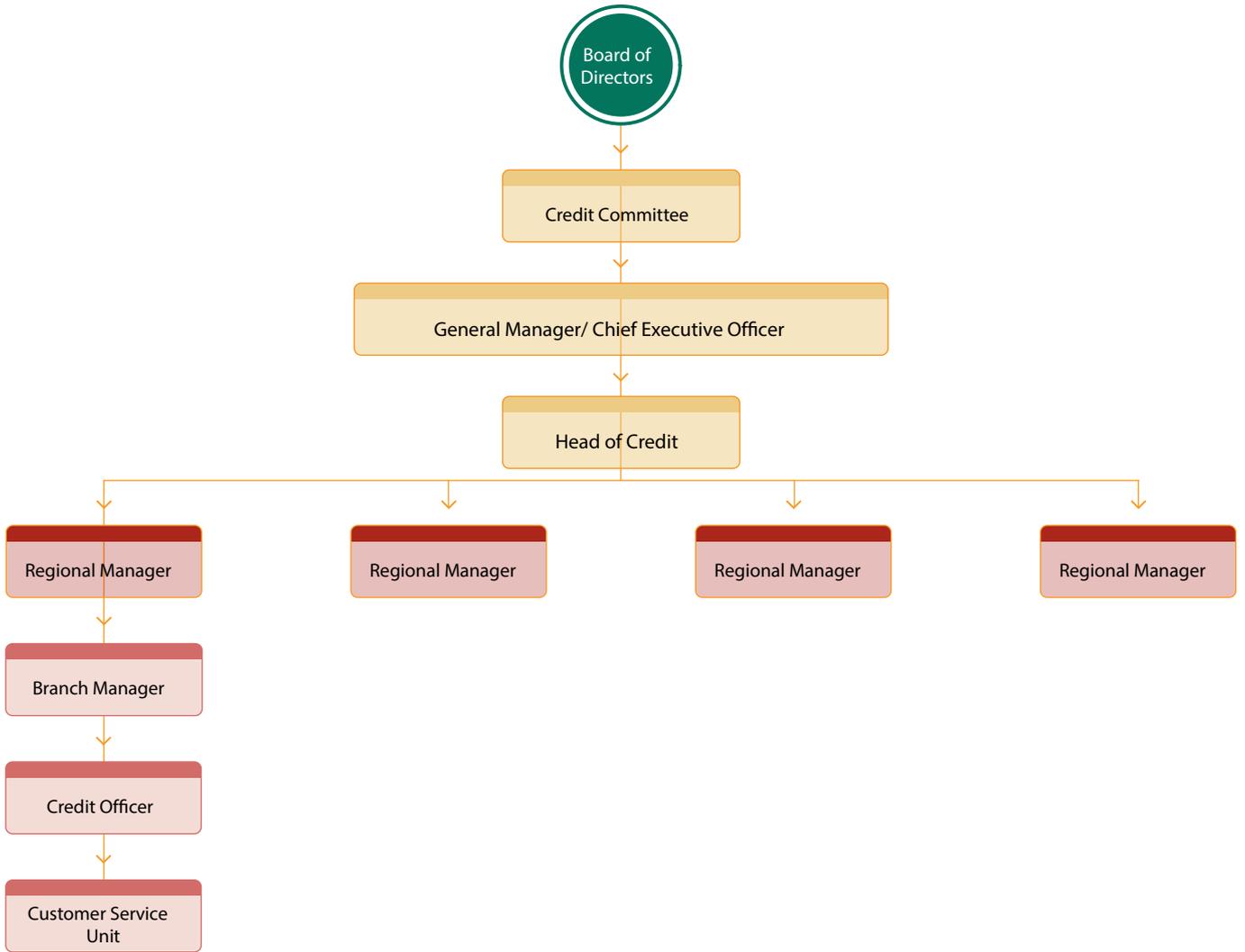
Credit Approval Levels: The Bank has established clear personnel limits and levels at various stages of the credit approval process.

- Credit requests that exceed predefined limits set by the Credit Committee must obtain Board approval.
- The Bank has adopted a significant credit threshold of Rs. 100 Mn, which is subjected to periodic reviews.

Two-way risk rating model: The rating model is based on the statistical precepts to forecast losses that could arise from a borrower's repayment ability. It also considers the default probability (PD), the collateral value which should be recovered in the event of a default and loss given default (LGD). There is also a scorecard that combines considerations for PD and LGD, which are not captured by the model.

Centralised disbursement: The Credit administration division oversees all disbursements to ensure proper allocation of funds to borrowers to ensure that no misallocation occurs and all funds are utilised strictly in accordance with approved loan purposes. This upholds financial discipline and minimises the risk of non-performing loans. The centralised disbursement approach also ensures accountability.





CREDIT SANCTIONS AND THRESHOLDS



Managing collaterals: The Bank undertakes effective collateral valuation and management for mitigating credit risks and to ensure asset quality. The Bank adheres to the following guidelines.

- Internal valuation: Loans secured by collateral valued at less than 0.1% of the Bank's Tier I equity capital are assessed by internal valuation officers.
- External valuation: For properties exceeding 0.1% of the Bank's Tier I equity capital, valuations are conducted by external valuation experts.



Risk Management

CREDIT REVIEWS

Annual reviews: The Bank conducts annual loan reviews geared to specific risks associated with each exposure. Exemptions are granted through appropriate levels of authority. Annual reviews include a comprehensive examination of corporate financial statements, a thorough assessment for compliance with covenants and on-site evaluations.

Loan reviews: Adhering to Section 2.7 of Banking Act Direction No. 07 of 2011 Loan review mechanism. The bank performs loan reviews to ensure that credit approval processes are aligned with regulatory standards and internal policies. The Bank evaluates any deterioration in the quality of the loan portfolio and collects feedback on the effectiveness of credit sanctions.

Reviews are conducted for loan amounts that are significant, within three months of loan approval or whenever there is an indication in credit quality decline.

Loan reviews are conducted by officers with extensive technical expertise in evaluating credit facilities in line with Bank policies. They are well-versed in relevant laws and regulations related to lending and take responsibility for ongoing credit analysis while taking responsibility for potential issues. Loan officers are not involved in the credit approval process, to ensure unbiased review of loans. They are free from undue influence from those associated with the review of significant loans.

Loan reviews cover the following critical areas during reviews.

- Credit quality
- Sufficiency of credit and collateral documentation
- Proper lien perfection
- Approval process
- Adherence to loan covenants Compliance with internal policies and procedures and applicable laws and regulations of the Central Bank
- The accuracy and timeliness of credit grades assigned by loan officers
- Portfolio quality and recommendations for improving portfolio quality

Following such reviews, the officers discuss with branch managers and the management on the reports which should be submitted to the BIRMC. Proper strategies and actions are proposed to address any issues and the top management is informed if actions are not taken promptly to correct significant concerns or issues.

COLLECTIONS AND RECOVERIES

The Bank takes several methods to secure loan repayments from customers with defaulted payments. As a first step, the Bank issues reminder letters to borrowers and the Bank accommodates requests for loan rescheduling, which is undertaken for customers with severe repayment difficulties. Moreover, relevant personnel undertake personal calls to encourage payments without coercion on recovering debt repayments.

CAPITAL RISK MANAGEMENT

An adequate capital buffer is an absolute necessity for the bank in order to meet the regulatory capital requirements; this ensures that there is adequate financial security to depositors and creditors, as well as sufficient capital for operational stability, continuity and growth. It also ensures that shareholder interests are safeguarded during adverse financial crunches.

The Bank enhanced its approaches to capital management during the year. As a result, the capital adequacy ratio remained at 34.65%, well above the minimum regulatory threshold. The Bank has achieved enhanced its internal capital assessment process in line with BASEL III requirements.

The Bank has achieved its minimum capital requirement of Rs. 7.5 Bn within the stipulated deadline, which was by the end of the year 2023. In 2024, Capital buffers were maintained through strong internal capital generation and by adjusting risk-weighted assets in line with market conditions.

SCOPE

- Review of the Internal Adequacy Assessment Process (ICAAP)
- Regulatory Capital Adequacy position and trends compared with limits overall risk limit system
- Stress testing of key risks and overall exposure reports on top and emerging strategic and overall business risks analysis

During the year, stress testing was conducted in line with the Internal Capital Adequacy Assessment Process (ICAAP) to assess capital adequacy.

	Unit	2024	2023	2022
Common Equity				
Tier 1 Capital Ratio	%	32.53	35.84	25.54
Common Equity				
Tier 1 Capital Ratio	Rs. Mn	7,142	7,577	6,209
Tier 1 Capital Ratio	%	33.66	35.41	26.56
Tier 1 capital	Rs. Mn	7,392	7,828	6,460
Total capital	%	34.65	37.34	27.61
Total capital	Rs. Mn	7,609	8,253	6,715

Under the Banking Act Directions No. 11 of 2019, revised BASEL III-based guidelines on capital requirements compel licensed specialised banks to uphold a regulatory minimum of 12.50%. This comprises a 7% Common Equity Tier 1 (CET1), including the capital conservation buffer, and a total Tier 1 capital, with the capital conservation buffer, amounting to 8.50%.



STRESS TESTING

As a financial institution, stress testing is critical for risk management, enabling insights into the Bank's risk profile. It enables the management to understand vulnerabilities during exceptional events and apply effective approaches. Stress testing enhances governance and risk practices and promotes the bank to better understanding of the interplay between capital, liquidity and risk.

The bank follows a stress testing policy and program with oversight from the BOD or a BOARD Committee, as part of our integrated risk management. The board and the senior management make regular reviews of stress test results, this enables them to set in place appropriate mechanisms to mitigate tail-end risks. Stress tests are conducted at varying frequencies based on business requirements, relevance and cost.

- Credit Risk
- Interest Rate Risk
- Liquidity Risk
- Market Risk
- Profitability
- Economic and Market Variables

MARKET RISK

Market risk is identified as the potential for unexpected fluctuations in interest rates, equity prices, foreign exchange rates and credit spreads. To mitigate and minimise such risks, the Bank implements various precautionary measures and mitigation strategies to minimise their impact on financial performance and the value of financial instruments, all within established guidelines.

Financial assets exposed to market changes include non-trading portfolios, such as cash, cash equivalents, placements with other banks, loans and advances at amortised costs, debt instruments and other assets. By effectively managing market risks and maintaining oversight, the Bank ensures its ongoing solvency.

SCOPE

- Review and update Liquidity & Market Risk Management Policies
- Reports on liquidity and treasury market risk analysis
- Middle office function
- Reviewing of recommendations by ALCO
- Liquidity risk monitoring on BASEL III requirements

Managing market risk: The Bank managed interest rate risks through a review of Peer Group analysis conducted quarterly to make adjustments in investment strategies.

INTEREST RATE RISK

The Ban categorises interest rate risk as a component of the broader market risk profile. This reflects potential adverse effects on net interest income due to unexpected shifts in interest rates. To assess the impacts of this risk, the bank analyses the sensitivity of its financial assets and liabilities against interest rate changes across various scenarios.

The Central Bank of Sri Lanka's monetary policy decisions in 2024 centred on managing inflation to align with a medium-term target of 5% while supporting economic recovery. The year saw several key adjustments to policy interest rates, starting with a steady stance in January, followed by reductions in March, July, and November to address subdued demand and favourable inflation dynamics. In May and September, the Bank maintained policy rates due to stable inflation expectations and deflationary pressures in the short term. CBSL introduced the Overnight Policy Rate in November to further ease its monetary policy stance as inflationary pressures moderated and the external sector stabilised.

Interest rate fluctuations were managed by rebalancing the loan and deposit portfolios and shifting investments into more resilient Short-term instruments to mitigate the impact.

Indicators	Threshold	2023	2024
Interest Sensitive Ratio (ISR)	40%	80%	72%
Interest cost to interest income (%)	70%	78.30%	66.0%

LIQUIDITY RISK

Liquidity risk refers to any inability on the Bank's side to fulfil its short-term financial obligations without incurring losses. Such a situation could arise due to the lack of adequate funds and capital or in the absence of a well-diversified portfolio of funding sources. Therefore, to safeguard the bank's financial interests and those of its creditors, the Bank monitors its financials and liquidity metrics regularly. The bank conducts regular stress testing on its liquidity position.

The risk department produces relevant analysis and reports to ascertain the bank's liquidity position in a consistent manner. It ensures that information remains updated for the management to make relevant decisions Middle office function.

Moreover, the Asset and Liabilities Committee (ALCO) and the investment committees regularly review relevant reports. Additionally, the Bank ensures compliance with BASEL III liquidity requirements by closely monitoring its liquidity ratios, evaluating maturity mismatches, and assessing which assets cannot be used as collateral for obtaining funding. A maturity gap analysis was also conducted during the year to further assess the situation.



Risk Management

Indicators	Threshold	2023	2024
Fixed Deposits to Loan Ratio	100%	113.73	107.56
Borrowing to Total Assets	10%	5.52	4.66
Equity to total assets ratio	5%	12.20	12.24

HDFC Bank maintains a diversified base of funds, mixed with customer deposits, market deposits and contingency facilities, alongside an asset portfolio that is high in liquidity, with various currencies and maturities. The Bank's liquid assets are a mix of cash, cash equivalents, short-term deposits, and liquid debt securities, which are stable and accessible for short-term funding needs. Additionally, the Bank's non-derivative financial liabilities are structured according to their remaining contractual maturities.

In 2024, there were notable changes in the Bank's liquidity ratios, particularly in its Liquidity Coverage Ratio (LCR). The bank monitors these ratios to identify liquidity gaps. The financial regulator sets the LCR to promote short-term liquidity resilience within 30 days, in order to ensure that there are high-quality liquid assets available for the bank to cover net cash outflows in stressed scenarios. During the year, the Bank's LCR exceeded the regulatory threshold, ensuring adequate liquidity for net outflows and short-term financial obligations.

Indicators	Threshold	2023	2024
FD concentration ratio	40%	8.32	8.89
Investments to total assets	35%	35.34	34.41
Statutory liquid asset ratio	20%	41.18	-
Liquidity coverage ratio	100%	394.25	223.18
Net stable funding ratio	100%	143	128
Net loans to deposits ratio	-	73.91	77.16

The Bank conducted several steps to ensure financial stability through compliance with regulatory liquidity ratios.

- Liquidity Stress Tests: Simulated scenarios to assess the bank's ability to meet financial obligations during challenging times.
- Middle Office Function: Monitored and managed risks to ensure compliance and smooth operations.
- Operational and Monthly Risk Dashboards: Provided insights into operational and overall risks, enabling proactive management.
- Short-Term Funding Arrangements: Explored strategies to secure additional funding quickly if required.
- The Bank maintained a diversified funding base and increased liquid assets in response to market volatility, ensuring sufficient liquidity under stressed conditions.

OPERATIONAL RISKS

Exposure to negative scenarios, both internal and external, that arise from human-related factors, information technology, infrastructure vulnerabilities, and external threats such as legal and regulatory non-compliance, are considered as operational risks by the Bank. The Bank addresses the following risks as operational risks, in relation to its functions:

- People risk
- IT Risks
- Legal and compliance risks

SCOPE

- Reports on Business Continuity Plan and disaster recovery drills undertaken
- Review and update Operational Risk Management Policies
- Monitor reporting of KRIs
- Analysing Internal Loss Events and risk from external events
- Monitoring of IT system risks, legal risks, and people risk
- Baseline Security Standards / Information Security Initiatives
- Risk and control self-assessments
- Effectiveness of Management Committee Review

PEOPLE RISK

Risks associated with human activities, are considered as people risks. In order to manage and counter such risks, the bank has applied the following measures.

- Proactive measures are in place to ensure a competent and committed workforce.
- Recruitment of qualified and experienced professionals in Banking and other functional areas.
- Succession planning and management trainee program to prepare future leaders for the Bank.
- Training and development initiatives address gaps in Banking, compliance, risk, product knowledge, and more.
- Strict adherence to codes of best practices and regulations to ensure employee compliance and minimise risk exposures.
- Positive work environment focused on employee well-being, including timely remuneration and benefits for financial growth.
- Programs in place to reward and recognise hard work, promoting employee contentment and professional growth.
- Flexible work schedules to support work-life balance.
- Employee turnover remains low at 4.41%.

The Human Resource and Remuneration Committee play a crucial role in providing recommendations to build a strong workforce and identify areas for improvement to attract and retain skilled employees.



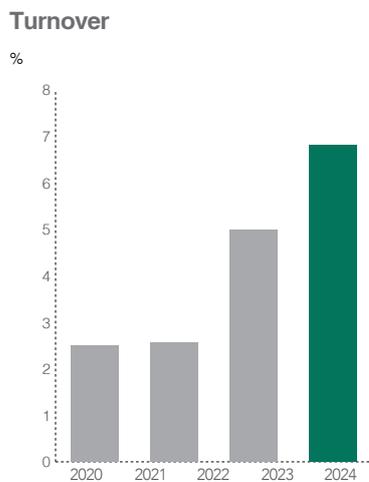
Ongoing training programs are reinforced to address knowledge gaps, while competitive remuneration and benefits are offered to promote enhanced performance. Additionally, the Board of Directors offers guidance and supports initiatives designed to cultivate a highly capable team of professionals.

Furthermore, the Bank’s Recruitment and Succession policies play a central role in aligning strategic goals with decision-making processes. This is done by attracting individuals who has the right credentials and experience for the responsibilities. Moreover, the succession policy identifies roles that are pivotal for the Bank and has established a framework for talent development, anticipating future changes in leadership.

MINIMISING TURNOVER RISKS

Employee turnover poses potential risks, especially pertaining to sudden departures from key designations, due to various reasons.

	2020	2021	2022	2023	2024
Turnover	2.49%	2.57%	4.98%	6.81%	4.41%



This percentage is insignificant in comparison to the Bank's retention rate. Therefore, to mitigate higher turnover of employees, the Bank has adopted various strategies that prioritise employee feedback and well-being. Flexible working hours are provided to accommodate individual needs.

The Bank provided employees equal access to training and education, apart from financial and non-financial incentives, including loans, membership reimbursements and honorariums.

Indicator	2023	2024
Profit per head (Rs.) Mn	2.79	0.39

IT RISKS

As financial technologies and digital solutions become more prevalent, there is a heightened exposure to cyber threats, which require increased vigilance and controls in place. Such risks include data loss, data theft and unauthorised access to sensitive information. IT risks also include hardware failures; such as issues with physical servers. The delay or failure to adopt the latest technologies can also negatively impact the bank's efficiencies and inability to adapt to competitive pressures. Together, these can result in weakened customer confidence in the Bank-and a damaged reputation for the establishment.

Addressing such gaps requires several measures: these include, - Regular audits of tech infrastructure in line with CBSL's baseline security standards - Integration of CBSL recommendations to bolster IT security - Monthly internal IT reviews - Remote secure connectivity - Ongoing firewall updates and the latest security software installations - Regular IT training on cyber security and proper usage of the Bank's systems.

The Bank takes all efforts needed to align with Banking Act Direction No. 16 of 2021 Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks and Baseline security Standards set by the Central Bank of Sri Lanka, which aims to minimise security risks. This framework encompasses security governance, risk assessment, and risk management through the implementation of controls and employee training, raising awareness of cybersecurity threats.

An IT steering committee assesses the IT department's progress in adhering to these guidelines. Over the past year, no risk events occurred, and the Bank submitted risk-related reports to the Sri Lanka Financial Sector Computer Security Incident Response Team (FinCSIRT) for 2024.

In 2024, the following measures enhanced the strength and resilience of cybersecurity and networks.

- Cybersecurity protocols were implemented/enhanced, including encryption, firewalls, and real-time intrusion detection systems. Ongoing implementation of the Baseline



Risk Management

Security Standard.

- Regular vulnerability assessments were conducted, and a dedicated cybersecurity team was tasked with ensuring compliance with international standards.
- Data protection policies were updated to comply with the latest regulations, including GDPR-like measures. Employee awareness programs on data security were held.
- Extensive staff training on cybersecurity best practices was carried out, including phishing simulations and secure data handling workshops.
- Certain security changes were conducted for the Just Pay system based on CBSL guidelines.

The Bank is in the process of implementing the ISO 27001 Information Security Management System to showcase the Bank's commitment to managing information security risk effectively, ensuring the confidentiality, integrity and availability of customer data and other critical information. By implementing the ISMS, the Bank will be able to adhere to a systematic risk-based approach to information security, addressing people, processes and technology. As a result, the Bank can build trust with customers, partners and stakeholders while preventing unwanted financial consequences due to malicious outbreaks.

LEGAL AND COMPLIANCE RISKS

Legal and compliance risks entail potential exposures from failing to meet laws and regulations, which could lead to penalties, damage to reputation, and disruption of the Bank's revenue flow.

In 2024, we saw numerous legal recovery actions, with court proceedings unfolding at different stages of their respective processes. Each case is progressing through its legal journey and will be resolved accordingly in relation to the loans that should be recovered through legal means.

Moreover, the bank participated in several regulatory consultations to stay ahead of changes. Compliance with local regulations is progressing. Regular internal and external audits were conducted, and compliance monitoring systems were updated to align with the latest regulatory changes. The Bank has in place procedures to assess and report suspicious money laundering or other suspicious activities, thereby minimising our compliance risks in line with the Prevention of Money Laundering Act No. 5 of 2006.

REPUTATIONAL RISKS

The Bank conducted regular public relations assessments

and ensured transparency in communication during times of concern. We also worked on building brand trust through customer satisfaction. Furthermore, the ongoing restrictions imposed by the Central Bank of Sri Lanka (CBSL) on loan granting and deposit mobilisation present challenges that could potentially escalate into reputational risks for the bank. Recognising the significance of this matter, the bank is proactively engaging with the regulator to address these concerns and mitigate any adverse effects. Through careful collaboration and compliance, the bank aims to ensure its operations remain aligned with regulatory expectations while safeguarding its reputation in the financial industry.

RISK OUTLOOK

Ongoing economic uncertainties pose significant concerns, especially related to reduced disposable income and escalated living costs. Additionally, the Bank is cognisant that the macro environment and the banking sector are exposed to concerns on liquidity, solvency, and the balance sheets stemming from government debt and a new tax regime.

In light of these ongoing concerns, the Bank will continue to ensure the effectiveness of its business continuity plans. Enhancing credit risk models, strengthening the credit and collateral evaluation process and maintaining close rapport with CBSL. Effective credit management and internal controls will be a primary focus, which will result in reduced consequences.



DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING - 2024

RESPONSIBILITY

In line with the Banking Act Direction No. 12 of 2007, Section 3 (8) (ii) (b), the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the internal control mechanism in place at Housing Development Finance Corporation Bank of Sri Lanka ('the Bank'). In considering such adequacy and effectiveness of internal controls, the Board recognizes that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed to highlighting any deviations from the limits and indicators that comprise the risk appetite of the Bank.

In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank. The process also includes enhancing the system of internal controls over financial reporting to cater for changes in the business environment or regulatory guidelines. The process is regularly reviewed by the Board in line with the 'Guidance for Directors of Banks on Internal Controls issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of the internal control system as given in the guidance.

The management assists the Board in the implementation of the Board's policies, procedures on risk and internal controls. It is the duty of the management in identifying and assessing the risks faced and designing, operation and monitoring of suitable internal controls to mitigate and control these risks factors.

Key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Board Sub Committees are established by the Board to assist the Board in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and the business directions that have been approved. The board sub-committees are:
 - Board Audit Committee
 - Board Integrated Risk Management Committee
 - Board Nomination and Governance Committee
 - Board Human Resources and Remuneration Committee
 - Board Related Party Transaction Review Committee
 - Board Cost Rationalization Committee
- Internal Audit department verify the compliance with policies and procedures and the effectiveness of internal control systems on an ongoing basis during their course of audits. Audits are carried out on all branches and departments including Information System audits and finance audits driven by the risk based annual audit plan approved by the Board Audit Committee. The Audit Committee reviews the findings of the internal audit assignments. The Committee also reviews the scope and the adequacy of coverage of the approved audit plan and proposes necessary improvements thereto. Also detailed discussions on any unsatisfactory audits, reviewing the action plans to address these areas and the implementation status are done with the view of improving all affairs of the bank.
- The Board Audit Committee of the Bank also reviews internal control issues identified by the External Auditor, Regulatory Authorities, Board Sub Committees and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The Committee also reviews the internal audit functions with particular emphasis on risk assessment, and quality of internal audits. The minutes of the Board Audit Committee meetings are tabled at the meetings of the Board of Directors of the Bank on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the 'Board Audit Committee Report' on page 185 to 186
- In assessing the effectiveness of internal control system over financial reporting, the Chief Financial Officer of the Bank is responsible to ensure that all procedures and controls that are connected with significant accounting and disclosures requirements are complied with. These in turn are subject to oversight review by the Internal Audit Department and the Risk Department for continuity of design and effectiveness on an ongoing basis. The comments/recommendations made by the External Auditors in connection with the internal control system over financial reporting during the year will be taken into consideration to further strengthen the internal control system over financial reporting process.
- In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will take place pertaining to impairment of loans and advances and financial statement disclosures related to risk management.
- The Board took necessary steps to implement requirements of the Sri Lanka Accounting Standard-SLFRS 9 (Financial Instruments) in 2018. The Board will continuously strengthen the processes and controls around management information systems and reports required for effective management, validation and compliance in line with Accounting Standards.
- The Board has identified certain resource constraints, particularly in the areas of technology and personnel, which may cause concerns over the adequacy and effectiveness of internal controls. The Board is in the process of addressing the issues and take every efforts to ensure the internal controls are maintained satisfactorily.



Directors' Statement on Internal Control over Financial Reporting - 2024

- Based on the foregoing, the Board is of the view that the system of internal controls over financial reporting is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

CONFIRMATION

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors, the Auditor General has reviewed the above Directors' Statement on internal control over financial reporting included in the Annual Report of the Bank for the year ended 31st December 2024 and has reported to the Board of Directors that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Bank. Their independent assurance report on the Directors' Statement on Internal Control is given on the pages 173 to 174 of this Annual Report.



Chief Internal Auditor



Chief Financial Officer



Acting General Manager / CEO

BY ORDER OF THE BOARD,



Mr. W. N. I. C. Fernando
Chairman Audit Committee



Mr. P. J. Jayasinghe
Chairman



ASSURANCE REPORT OF THE AUDITOR GENERAL ON INTERNAL CONTROLS GENERAL ON INTERNAL CONTROLS



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය } BAN/C/HDFC/2024/IC/01
எனது இல. }
My No. }

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය } 19
திகதி } May 2025
Date }

The Chairman
Housing Development Finance Corporation Bank of Sri Lanka

Independent Assurance Report of the Auditor General to the Board of Directors on the Directors’ Statement on Internal Control over Financial Reporting of Housing Development Finance Corporation Bank of Sri Lanka.

Introduction

This report is to provide assurance on the Directors’ Statement on Internal Control over Financial Reporting (the “Statement”) of Housing Development Finance Corporation Bank of Sri Lanka included in the annual report for the year ended 31 December 2024.

Management’s Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the “Guidance for Directors of Banks on the Directors’ Statement on Internal Control” issued in compliance with the Section 3 (8) (ii) (b) of the Banking Act Direction No. 12 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

My Responsibility and Compliance with SLSAE 3050 (Revised)

My responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the Internal Control of the Housing Development Finance Corporation Bank of Sri Lanka.

I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised)-Assurance Report for Banks on Directors’ Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

දුරක 306/72, පොල්දොර පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, குளத்தொடி வீதி, பத்தரமுல்லை, இலங்கை.

No. 306/72, Poldews Road, Battaramulla, Sri Lanka.

+94 11 2 88 70 28 - 34

+94 11 2 88 72 23

ag@auditorgeneral.gov.lk

www.naosl.gov.lk



Assurance Report of the Auditor General on Internal Controls

This Standard required that I plan and perform procedures to obtain limited assurance about whether management has prepared, in all material aspects, the Statement on Internal Control over Financial Reporting.

For purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for Directors and appropriately reflected the process the Directors have adopted in reviewing the system of Internal Control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of Bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require me to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050(Revised) also does not require me to consider whether the processes described to deal with material Internal Control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on my judgement, having regard to my understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

My Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the Annual Report is inconsistent with my understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of Internal Control System over the financial reporting of the Bank.


G.H.D. Dharmapala
Auditor General (Acting)



BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE



Dr. P. A. Krishantha
Non executive Independent Director and
Committee Chairman

COMPOSITION & MEETINGS

In Compliance with Section 6.3 of Banking Act Direction No 05 of 2024 on Corporate Governance and Colombo Stock Exchange Listing Rules 9.12, the Board Human Resources and Remuneration Committee of the Housing Development Finance Corporation Bank (HDFC Bank) is in place. The composition and the scope of work of the Committee are in conformity with the provisions of the aforesaid regulatory guidelines and Committee Terms of Reference (TOR).

The primary purpose of the Board Human Resources and Remuneration Committee (the "Committee") of HDFC Bank of Sri Lanka (HDFC Bank) is to determine Remuneration Policy relating to bank staff set goals and target for General Manager / Chief Executive Officer ("GM / CEO") and the Key Management Personnel ("KMP"), evaluate the performance of GM / CEO and the Key Management Personnel, determine the designation or title as per the approved cadre/ Organizational Structure, development and oversight human resources strategy and policies, take decision of determine appeals on disciplinary matters, grievances of employees in line with the adopted Board approved policies.

The member of the Board Human Resource and Remuneration Committee are appointed by the Board of Directors of the HDFC Bank. As at 31st December 2024, the Committee is comprised of following members;

Name	Directorship status	Membership Status
Mr. P.A. Lionel – (Appointed to the committee on 08.11.2021 and retired from Board 31.01.2025)	Non-Executive, Independent	Chairman
Dr. P.A. Krishantha – (Appointed to the committee on 24.08.2022)	Non-Executive, Independent	Director
Mr. W.M. Ananda – (Appointed to the committee on 25.09.2024)	Non-Executive, Independent	Director
Mr. H.K.K.A. Jayasundara – (Appointed to the committee on 13.12.2024)	Non-Executive, Independent	Director

Brief profiles of the Directors are given on page 24 to 26

SECRETARY TO THE COMMITTEE

Mrs. Prashanie Attygalle - Company Secretary

THE COMMITTEE TERMS OF REFERENCE (TOR)

The role and the responsibilities of the Board Human Resource and Remuneration Committee are defined in this TOR based on the Rules governing the Board Human Resource and Remuneration Committee as specified by the Direction No. 05 of 2024 (Corporate Governance) for licensed Banks in Sri Lanka and the Corporate Governance in the Listing Rules of the Colombo Stock Exchange (CSE).

The Board Human Resources & Remuneration Committee functions in accordance within the agreed Committee TOR and is committed to the principles of accountability, transparency and ensuring that remuneration structures are equitable and aligned with the industry and performance of the Bank.

The TOR shall be reviewed and updated by the Committee on a periodic basis (once in every Three years) or whenever needed as it deems appropriate for the Board to approve.



Board Human Resources and Remuneration Committee

MEETINGS OF THE COMMITTEE

The Committee held fifteen (15) meetings during the year in reference. The following Directors serve / served on the Committee and the attendance at the meetings is given in the table below.

Name of the member	Board Human Resource and Remuneration Committee															Regulatory Requirement/ Number of Meetings Relevant	Number of Meetings participated
	Dates of Meetings																
	12.01.2024	28.02.2024	25.03.2024	02.04.2024	25.04.2024	08.05.2024	27.05.2024	18.06.2024	12.07.2024	30.07.2024	14.08.2024	04.09.2024	06.11.2024	04.12.2024	24.12.2024		
Mr. P.A. Lionel	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	15	15
Mr. W.M. Ananda (Appointed to committee on 25.09..2024)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P	03	03
Dr. P.A. Krishantha	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	15	15
Mr. H.K.K.A. Jayasundara Appointed to committee on 13.12.2024)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	01	01
Mr. D.M.M.M. Wijeyaratne (Resigned from Board 23.10.2024)	P	P	P	P	P	P	P	P	P	P	P	P	N/A	N/A	N/A	12	12

* P - Present, A - Absent, E - Excused, N/A - Not applicable

REGULAR ATTENDEES BY INVITATION

The General Manager/ Chief Executive Officer shall be invited to attend the Board Human Resources and Remuneration Committee Meeting except when matters relating to the GM/CEO are being discussed.

DUTIES AND RESPONSIBILITIES

As per directions issued to Licensed Specialized Bank from the Central Bank.

THE COMMITTEE SHALL;

- Determine the Remuneration Policy (salaries, allowances, special payments / benefits made at termination or retirement, and other financial and non-financial benefits) relating to Directors, General Manager / Chief Executive Officer (GM/CEO) and Key Management Personnel of the Bank.
- The Committee shall set goals and targets for the Directors, GM/CEO and the Key Management Personnel.
- The Committee shall evaluate the performance of the GM/CEO and Key Management Personnel against the set target and goals periodically and determine the basis for revising remuneration, benefits and other payments performance-based incentives.
- The Committee shall submit recommendations / information to the Board:
 - To change of designations, titles, which is a new designation or title (not in the approved cadre / organizational structure of the Bank).
 - On Bank sponsored foreign training and attending overseas seminars by the staff members of the Bank.
- Service extension appeals.
- To take decisions or determine appeals on disciplinary matters, appeals on disciplinary matters, grievances of employees in line with the disciplinary code of the Bank.
- on all employee related matters beyond the Management Authority level (except the specific matters vested under the Board's Authority).
- On adoption of a suitable Terms of Reference for the Committee and to review / revise the same.
- Ensure that the prior written approval of the Shareholders is obtained for any special payments/financial and non-financial benefits to be made to the Directors, GM/CEO and Key Management Personnel at the termination of employment or at the retirement. Approval to be obtained from the Secretary to the Treasury.
- Coordinate with the Integrated Risk Management Committee to ensure that the compensation made to the Directors, GM/CEO and Key Management Personnel is within the risk appetite limits of the Bank.
- Establish a policy on claw - back arrangements for performance - based payments made to GM/CEO and Key Management Personnel under the circumstances of inter alia fraud and misappropriation of funds, to the extent of the financial loss caused to the Bank. Such policy shall articulate the process to be followed by the licensed bank prior to giving effect to the claw back arrangements ensuring procedural propriety, fair hearing and transparency.

The claw-back procedure should be incorporated into the employment contracts of CEO and Key Management Personnel and a similar arrangement shall be implemented for the existing CEO and Key Management Personnel.

 - The Committee shall recommend to the Board;



any matter referred to the Committee and in particular the following;

- (a) The Collective Agreement of the Bank with the Ceylon Bank Employees' Union (CBEU)
- (b) The organizational structure for the Bank.
- (c) Necessary cadre Recruitments, Scheme of Recruitments (SOR) of cadre.
- (d) Creation of new Posts or Positions, Placements, Cadre and Cadre Budget.
- (e) Relevant Policies pertaining to all Human Resource matters.
- (f) All employee related matters which are beyond the management and HR committee authority levels.

SUMMARY OF ACTIVITIES IN 2024

The Committee during the period under review took necessary measures to carry out the relevant responsibilities assigned and successfully recommended several important policies related to the staff such as promotion Policy, Transfer Policy, Succession Planning and Implementation Policy and Grievances Handling policy.

The Committee recommended the signing of the Collective Agreement of the Bank with the Ceylon Bank Employees' Union (CBEU).

To enhance morale, motivation and co-operation among the staff members, a staff get together was organized by the Welfare Society which was recommended by BHRRRC.

The Committee was further called upon to consider the qualifications, experience and suitability of several persons to fill some Key Management Personnel (KMP) Positions that fell vacant during the year and recommended regarding appointments, extensions and role/designation changes of several KMPs of the Bank in line with and to support the Bank's strategic direction.

The Committee recommended the obtaining of consultancy service to implement the Core Banking System of the Bank.

The Committee instructed to review and revise of the main policy documents to suit the industry and employees of the HDFC Bank for the year 2024.

EMPLOYMENT REPORT

The table below reflects the employment report of the Bank as at 31st December 2024

Category	Total as at 31st December 2024	
	Male	Female
Corporate Management	04	05
Chief/Senior Managers	07	10
Regional Managers	00	00
Executive Staff	111	130
Non-Executive Staff (Secretaries, Banking Assistants, General purpose workers, Office Assistants, Drivers, Business Promotion Assistants, Junior Business Promotion Assistants, Business Promotion Trainees, Palmtop Assistants)	177	50
Total	299	195

AGE MIX AS AT 31ST DECEMBER 2024

Age	Male	Female
51-60	46	64
41-50	55	45
31-40	180	77
21-30	18	9
Below 20	0	0
Total	299	195

CONCLUSION

The Bank will continue to focus on introducing new HR strategies and strengthening HR Policies.



Dr. P.A. Krishantha
Chairman

Board Human Resources & Remuneration Committee
21.05.2025



BOARD NOMINATION AND GOVERNANCE COMMITTEE



Mr. A.N. Hapugala
Non executive Independent Director and Committee Chairman

In Compliance with Section 6.4 of Banking Act Direction No 05 of 2024 on Corporate Governance and Colombo Stock Exchange Listing Rules 9.11, the Board Nomination and Governance Committee of the Housing Development Finance Corporation Bank (HDFC Bank) is in place. The composition and the scope of work of the Committee are in conformity with the provisions of the aforesaid regulatory guidelines and Committee Terms of References (TOR).

COMPOSITION & MEETINGS

The Board Nomination & Governance Committee was appointed by the Board of Directors of the HDFC Bank. As at 31st December 2024, the composition of the Board Nomination & Governance Committee is as follows:

Name	Directorship status	Membership Status
Mr. P. A. Lionel - (Appointed to Committee on 16.07.2024)	Non-Executive, Independent	Chairman
Mr. W. M. Ananda - (Appointed to Committee on 24.02.2021)	Non-Executive, Independent	Director
Mr. K. B. Wijeyaratne - (Appointed to Committee on 25.09.2024)	Non-Executive, Independent	Director

Brief profiles of the Committee Members are given on page 24 to 26

SECRETARY TO THE COMMITTEE

Mrs. Prashanie Attygalle- Company Secretary

THE COMMITTEE TERMS OF REFERENCE (TOR)

The duties and responsibilities of the Board Nomination and Governance Committee are defined in the Board Nomination and Governance Committees Terms of Reference (ToR). The ToR consists of the constitution, authority, responsibilities and manner of operation of the Committee.

The directors of the Banking Act Direction No. 05 of 2024 (Corporate Governance) for Licensed Banks and the Colombo Stock Exchange Listing Rules on Corporate Governance - section 09 were incorporated as good governance measures in the ToR.

The TOR shall be reviewed and updated by the Committee on a periodic basis (once every three years)



MEETINGS OF THE COMMITTEE

The Following Directors serve/ served on the Board Nomination & Governance Committee. The Committee met Eleven times (11) during the year and the attendance by the members at the meetings is given in the table below.

	Meeting Dates and participation											Eligible to Attend	Attend	
	22/04/2024	26/04/2024	08/05/2024	03/07/2024	18/07/2024	25/07/2024	28/08/2024	02/09/2024	25/09/2024	04/12/2024	31/12/2024			
Mr. P.A. Lionel (Appointed to committee on 18.07.2024)	N/A	N/A	N/A	N/A	Attend	07	07							
Mr. W.M. Ananda	Attend	Attend	Attend	Excused	Attend	Attend	Attend	Attend	Excused	Attend	Attend	Attend	11	09
Mr. K.B. Wijeyaratne (Appointed to committee on 25.09..2024)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Attend	Attend	Attend	02	02
Mr. P.M.K. Hettiarachchi (Resigned from Board 10.12.2024)	Attend	Attend	Attend	Attend	Excused	Attend	Attend	Attend	Attend	Excused	N/A	N/A	10	08
Mr. D.M.M.M. Wijeyaratna (Resigned from Board 23.10.2024)	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Excused	Attend	N/A	N/A	N/A	09	08
Mr. R. Sooriyaarachchi (Resigned from Board 03.10.2024)	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	N/A	N/A	N/A	09	09

N/A - Not Applicable

COMMITTEE RESPONSIBILITIES

The Board Nomination & Governance Committee is mainly responsible for formulating relevant policies for Directors and Key Management Members and also responsible for the following;

GENERAL GOVERNANCE MATTERS

- Exercise general oversight with respect to the corporate governance by the Board of Directors;
- Implementation of transparent procedure to identify, nominate and recommend new directors, CEO and the key management personnel.
- Review and recommend to the Board for approval:
 - The Bank's approach to corporate governance, including practices, principles, guidelines and related policies and monitor compliance and report exceptions to the Board;
 - significant corporate policy addressing communication, disclosure and confidentiality of corporate or material information and monitor compliance and report exceptions to the Board; and
 - The required capabilities, expectations and responsibilities of Directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.
- Regularly review the Board Terms of Reference and recommend to the Board for approval any required revisions.
- Quarterly evaluate the status of independence of the Independent / Non - Executive Directors in terms of the Direction 2.5 b) and whether such Directors have any conflicts of interest that may impede the ability to perform duties independently and notify the changes to the independent status (if any) to the Director of Bank Supervision, Central Bank of Sri Lanka.
- Identify the training needs of the Directors and make recommendations to the Board relating to training, capacity building and professional development programs for the Directors on a regular basis.
- Review the structure, size, qualifications and composition of the Board and Board committees to ensure effective discharge of duties and responsibilities.
- Review communication and disclosure of the Bank's corporate governance practices and compliance with governance guidelines and any applicable laws and regulations.



BOARD NOMINATION AND GOVERNANCE COMMITTEE

ORIENTATION AND CONTINUING EDUCATION

9. Approve policies regarding orientation, training and continuing education of Directors so that they may maintain and enhance their skills and abilities as Directors and to ensure that their knowledge and understanding of the Bank's business remains current.
10. Take reasonable steps to ensure that all new Directors receive a comprehensive orientation so that each director fully understands the nature and operations of the Bank's business, the role of the Board and the Board Sub-Committees and the contribution that each director is expected to make (including, in particular, the commitment of time and resources that the Bank expects from its Directors).
11. Ensure that the Directors are updated on the applicable laws, regulations, macroeconomic policies, latest technological developments and emerging financial sector and market developments relevant to the banking industry on a continuous basis

NOMINATION OF DIRECTORS:

12. Maintain a Board Competency map updated at least quarterly, so that new proposals are filtered to benefit the Board's overall competency levels and benefit the Bank itself or,

Prior to recommending proposed candidate(s) for nomination for election/re-election or appointment to the Board, adopt a process to:

 - i. consider what competencies and skills the Board, as a whole, should possess;
 - ii. consider and recommend from time to time, the requirements of additional/new expertise to the Board and the succession arrangements for retiring Directors; and
 - iii. assess what competencies and skills each existing director possesses.
13. In consultation with the Board and the GM/CEO on an ongoing basis, identify individuals qualified to become new Directors, based on:
 - i. the personal attributes and qualifications of potential candidates, including their experience, expertise and industry knowledge; and
 - ii. any legal requirements, including those related to director independence and financial literacy.
 - iii. ensure the Directors, CEO and the Key Management Personnel are fit and proper persons to hold office as specified in Central Bank Directions 3 and 8.2 and set out in applicable laws and regulations.

14. Identify and recommend to the Board for approval the proposed candidate(s) for nomination for election/re-election to the Board at the next annual meeting of the shareholders of the Bank or for appointment to fill any vacancy that is anticipated or has arisen on the Board. In making its recommendation, the Committee shall assess and consider:
 - i. the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
 - ii. the competencies and skills that the Board considers each existing director to possess;
 - iii. the competencies and skills each new nominee will bring to the boardroom; and
 - iv. the ability of each new nominee to devote sufficient time and resources to his/her duties as a director.
 - v. Propose the maximum number of listed Bank Board representations which any Director may hold, and disclose this in the Bank's annual report;
 - vi. The Committee shall consider and recommend (or not recommend) the re-election of current Directors, through periodic evaluation of the performance and contribution made by the director concerned towards the overall discharge of the Board's responsibilities.

NOMINATION OF GM/CEO AND KEY MANAGEMENT PERSONNEL

15. The Committee shall implement a procedure to select / appoint new General Manager/ Chief Executive Officer (GM/CEO) and Key Management Personnel.
16. The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility be considered for appointment or promotion to the post of CEO and the key management positions.
17. The Committee shall ensure the GM/CEO and Key Management Personnel are fit and proper persons to hold office as specified in Central Bank Directions 3 and 8.2 and set out in applicable laws and regulations.
18. The Committee shall ensure that the Bank has a robust succession plan for GM/CEO and Key Management Personnel with an effective and transparent process to:
 - i. identify qualified and competent persons (internal/ external) to fill the positions of GM/CEO and Key Management Personnel for succession in short, medium and long term given the size, scale, diversity and complexity of operations of the Bank;
 - ii. groom the selected successors for the respective positions by identifying and mitigating the skill/knowledge gaps of the respective area; and
 - iii. review the succession plan at least on an annual basis.



19. The Committee shall consider and recommend from time to time, the requirements of additional / new expertise and the succession arrangements for retiring CEO and Key Management Personnel.
20. To adopt a suitable Terms of Reference for the Committee and to review / revise the same.

The Committee during the period under review took necessary initiatives according to the mandate of the Board Nomination & Governance Committee, as given above.

SUMMARY OF ACTIVITIES IN 2024

During the year, the Committee considered the suitability of several candidates and recommended the appointment of four Directors to the Board of Directors of the Bank and further reviewed and recommended the appointment and continuation of Directors of the Bank. In the process, the Committee assessed the qualifications, experience, skills and competencies of the Directors vis à vis the gaps and needs of the Boards in line with any applicable regulatory requirements. The Committee was conscious of the overall composition of the boards and striking the ideal balance in terms of expertise and experience on the Boards.

The Committee also assessed the fitness and propriety of the continuing Directors of the Bank and affidavits and declarations submitted by Directors were forwarded to the Regulator for approval as required by the regulations.

The Committee further deliberated and recommended regarding appointments of the key management personnel of the Bank during the year.



A.N. Hapugala
Chairman
 Board Nomination and Governance Committee
 21.05.2025



BOARD RELATED PARTY TRANSACTION REVIEW COMMITTEE



Mr. K. B. Wijeyaratne
Non-executive Independent Director and Committee Chairman

The Board Related Party Transactions Review Committee (the "Committee") is constituted by the Board of Directors (the "Board") to review proposed related party transactions for the determination of whether or not transactions are on terms more favorable than terms available to any unconnected third party under the same or similar circumstances. The Board of Directors of the Bank constituted the Board Related Party Transactions Review Committee with effect from June 2014.

The roles and the responsibilities of the Board Related Party Transaction Review Committee are defined in the Terms of Reference (TOR) based on the Rules governing the Related Party Transaction Review Committee as specified by the Direction No. 05 of 2024 (Corporate Governance) for Licensed Banks in Sri Lanka, Listing Rules of the Colombo Stock Exchange and the Housing Development Finance Corporation of Sri Lanka Act No.7 of 1997 and all its amendments.

COMPOSITION & ATTENDANCE OF MEETINGS

The Board appointed Board Related Party Transactions Review Committee comprised of four Non-Executive, Independent Directors, which includes the chairman of the Committee

Meetings of the Committee were held on a quarterly basis with 4 meetings for the year 2024.

The Board Related Party Transaction Committee is appointed by the Board of Directors of the HDFC Bank. The Committee comprised of the following members as at 31st December 2024;

Name	Directorship status	Membership Status
Mr. K.B. Wijeyaratne - (Appointed to committee on 27.01.2025)	Non-Executive, Independent	Chairman
Mr. W.M. Ananda - (Appointed to committee on 24.02.2021)	Non-Executive, Independent	Director
Dr. P.A.Krishantha - (Appointed to committee on 17.05.2023)	Non-Executive, Independent	Director
Mr. W.N.I.C. Fernando - (Appointed to committee on 25.09.2024)	Non-Executive, Independent	Director

Brief profiles of the Directors are given on page 24 to 26

SECRETARY TO THE COMMITTEE

The Bank Board Secretary (also referred to as the "Company Secretary") performed duties as the Secretary to the Committee. Mrs. Prashanie Attygalle - Company Secretary

THE COMMITTEE TERMS OF REFERENCE (TOR)

The duties and the responsibilities of the Board Related Party Transactions Review Committee are defined in the Board Related Party Transactions Review Committee -Terms of Reference.

TOR made based on the rules governing the Board Related Party Transactions Review Committee as specified in the further to the provisions contained in Section 9 of the Listing Rules of the CSE so as to ensure compliance with the Rules pertaining to Related Party Transactions as set out in the Listing Rules of the CSE, which required mandatory compliance from 01 January 2016. The composition and the scope of work of the Committee are in conformity with the said Rules.

The purpose of the Committee is to ensure transparency and fairness for all stakeholders. The Committee shall ensure compliance with the provisions of Section 47 and 76K of the Banking Act, with respect to accommodation granted to any of its related parties defined in Direction 7.1 - No. 05 of 2024 (Corporate Governance) , Section 2 in Direction No 04 of 2024 (Approved Securities for Accommodation granted to RPT and Section 9.14 of the CSE Rule 9 (Corporate Governance) as applicable, except for any accommodation granted to a CEO or a member of the key management personnel under a scheme applicable to the employees of the Bank.



MEETINGS OF THE COMMITTEE

The Committee met Four times (04) during the year in reference. The following Directors serve/ served on the Committee and the attendance at the meetings is given in the table below.

	Meeting Dates and participation				Eligible to Attend	Attend
	07/03/2024	25/06/2024	12/09/2024	09/12/2024		
Mr. W.M. Ananda - Committee Chairman (Appointed to committee on 24.02.2024)	Attend	Attend	Attend	Attend	04	04
Dr. P.A. Krishantha (Appointed to committee on 17.05..2023)	Attend	Attend	Attend	Attend	04	04
Mr. W.N.I.C. Fernando (Appointed to committee on 25.09..2024)	N/A	N/A	N/A	Attend	01	01
Mr. R. Sooriyaarachchi (Resigned from Board 03.10.2024)	Excused	Excused	Attend	N/A	03	01
Senior Prof. A. Jayamaha (Resigned from Board 28.06.2024)	Attend	Attend	N/A	N/A	02	02

N/A - Not applicable

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

1. The Committee reviews proposed related party transactions;
 - a. In its analysis and evaluation of the proposed transaction, the Committee shall consider;
 - i. Identity of the parties to the transaction;
 - ii. Nature/basis for the related party relationship;
 - iii. Interlocking officer-ships/ directorships;
 - iv. Description of the transaction;
 - v. Benefit and purpose of the transaction;
 - vi. Value of the transaction;
 - vii. Pricing method used and the rationale;
 - viii. Documented benchmarks/comparable pricing of similarly situated unrelated transactions, where applicable;
 - ix. Potential risks that may arise as a result of or in connection with the related party transaction; and
 - x. Any other relevant information regarding the transaction.
 - b. Whether the related party transaction would impair the independence of a Non-Executive Director.
 - c. Whether the related party transaction would present a conflict of interests for any Director or Key Management Persons (KMP) of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Responsible Persons or related party, the direct or indirect nature of the director's, officer's or related party's interest in the transaction and the ongoing nature of any proposed relationship
2. The Committee ensures that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed related party transactions, and where necessary, they should obtain independent professional and expert advice from an appropriately qualified person.
3. At each subsequent scheduled meeting of the Committee, the management to update the Committee as to any proposed material changes in any previously reviewed related party transactions and seek approval of the Committee for such proposed material changes prior to the completion of the transaction
4. Where necessary, the Committee request the Board of Directors to approve the subject related party transactions. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant related party transaction.
5. In determining whether to obtain the approval of the Board of Directors for a related party transaction, the Committee to take into account, among other factors that is deemed appropriate:
 - a) The facts and circumstances provided by Senior Management as described above
 - b) Upon consultation with the Chairman of the Board of Directors and the Chairman of the Nominating and/or Audit Committee, the impact of the proposed related party transaction on a director's independence (in the event the related party is a Director, an immediate family member of a Director or an entity in which a director is a Partner, Shareholder or Key Responsible Persons)
 - c) Whether the related party transaction requires immediate market disclosure, as described under Section 08 of the CSE Listing Rules.
6. No Director shall participate in any discussion of a proposed related party transaction for which he or she is a related party, except that the Director, at the request of Related Party Transactions Review Committee, may participate in discussions for the express purpose of providing information concerning the related party transaction to the Committee. In such circumstances, the transaction shall be escalated to the Board for approval.
7. The Committee to establish guidelines for recurrent related party transactions for Senior Management to follow in its ongoing dealings with the related party. Thereafter, the Committee, on an annual basis, shall review and assess



Board Related Party Transaction Review Committee

ongoing relationships with the related party to see that they are in compliance with the Committee's guidelines and that the related party transaction remains appropriate.

8. The Committee to review disclosures presented by the management in any financial statements and published by the company, as required by the Listing rules, the Companies Act and any other regulations.
9. The Committee to advise and recommend to the Board to obtain shareholder approval as required by the Listing rules, the Companies Act and any other regulations on recurrent and non-recurrent related party transactions and on acquiring or disposing of substantial assets.
10. The Committee to follow the guidelines stipulated in CBSL Direction No. 05 of 2024 relating to accommodation granted to Directors and connected parties, accommodation granted to employees and writing - off of accommodation to related parties.

SUMMARY OF BRPTRC

Demonstrating good governance, the committee reviews related party transactions that require consideration by the committee under the Corporate Governance Directions of the CSE and the Banking Act Direction.



K.B. Wijeyaratne
Chairman
Board Related Party Transactions Review Committee
21.05.2025



BOARD AUDIT COMMITTEE REPORT



Mr. W.N.I.C. Fernando
Non executive Independent Director and Committee Chairman

This report is presented by the Audit Committee for the financial year that concluded on December 31, 2024, in accordance with the Colombo Stock Exchange's "Listing Rules", the Central Bank of Sri Lanka's "Corporate Governance Directions", and the "Code of Best Practices on Corporate Governance", which was jointly released by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

The Committee comprises four (04) Non-Executive Independent Directors as of the end of the year.

- Mr. W.N.I.C Fernando (Chairman)
- Mr.P.A. Lionel (Director)
- Mr.K.B. Wijeyaratne (Director)
- Mr.P.M.K. Hettiarachchi (Director)

BOARD AUDIT COMMITTEE MEETINGS – 2024

TOTAL NUMBER OF MEETINGS HELD DURING THE YEAR - 17

Names	Directorship Status as at 31/12/2024	Number of Meetings applicable to the period of office - 2024	Number of Meetings participated
Mr. W.N.I.C. Fernando (Appointed to Committee on 25.09.2024)	Non- executive / Independent Director (Chairman of the Committee)	03	03
Mr. P.A. Lionel	Non- executive /Independent Director	17	17
Mr. K. B. Wijeyaratne (Appointed to Committee on 25. 09.2024)	Non- executive / Independent Director	03	03
Mr. P.M.K. Hettiarachchi (Resigned from Board 10.12.2024)	Non- executive / Independent Director	17	14
Mr. D.M.M.M. Wijeyaratne (Appointed to Committee on 28.06.2024 and Resigned from Board 23.10.2024)	Non- executive / Independent Director	17	04
Mr. R. Sooriyaarachchi (Resigned from Board 03.10.2024)	Non- executive / Non Independent Director	17	11
Prof. A. Jayamaha (Resigned from Board 28.06.2024)	Non- executive /Independent Director	17	10

AUDIT COMMITTEE MEETINGS

Seventeen (17) meetings were held during the financial year ended 31 December 2024 and attendance of Committee members at meetings are given in the table above. The General Manager /CEO, Chief Internal Auditor, Chief Risk Officer, Compliance Officer and Chief Financial Officer attended meetings by invitation. The Chief Internal Auditor functioned as the Secretary to the Committee until 03.06.2024, after which the Board Secretary functioned as the Secretary to the Committee with effect from 04.06.2024. The Other officials were invited to attend meetings on a need basis.

A representative of the National Audit Office (the External Auditor of the Bank) attends Board Audit Committee (BAC) meetings on invitation of the BAC.

- External Audit and Other Statutory Audits

The external audit of the Bank is carried out by the Auditor General in terms of the Constitution of the country. The Committee reviewed findings of external auditors and statutory examinations conducted by the Central Bank of Sri Lanka and liaised with Corporate Management for taking proactive actions to obviate violations, frauds and errors.

INTERNAL FINANCIAL CONTROLS, ACCOUNTING PRACTICES AND BANK FINANCIAL STATEMENTS

Based on the work of the Bank's assurance providers, in spite of the presence of technology and human resource limitations,



Board Audit Committee Report

nothing has come to the attention of the Committee that indicates that the Bank's system of internal financial controls and accounting practices provide a basis for unreliable annual Financial Statements. The Committee is satisfied that the Bank's Annual Financial Statements are in compliance, in all material respects, with the requirements of the Companies Act and Sri Lanka Accounting Standards and recommended the Financial Statements for approval of the Board. The committee ensures the integrity of the bank's financial statements by reviewing financial reports, monitoring accounting policies, and assessing compliance with regulatory requirements. It discusses audit findings, significant transactions, and judgmental areas while ensuring appropriate disclosures. The committee evaluates risk management and internal controls based on assurances from key executives and reviews responses to the Auditor General's reports

SUMMARY OF ACTIVITIES PERFORMED DURING THE YEAR

- Financial Reporting

The Chief Financial Officer provides all the confirmations on the accuracy and appropriateness of financial reporting processes and the resulting financial reports based on which the Committee conducts its monitoring and evaluation process on the quality of financial reporting.

The Chief Financial Officer is responsible to prepare financial statements in compliance with Sri Lanka Accounting Standards and other regulatory requirements. The Committee ensured the integrity of the Financial Statements, including the Annual and Interim Statements and monthly Financial Statements and any other formal announcements relating to financial performance by monitoring significant financial reporting issues, changes in accounting policies and practices and any other concerns relevant to Financial Reporting. Recommendations necessary for financial reporting improvements including compliance with regulatory requirements were made to the Board.

- Internal Controls, Risk Management Systems and Compliance Requirements.

The Bank's internal controls and risk management systems were kept under review by the Committee and made recommendations for continuous improvement with efforts to ensure the procedures are adequate to meet the regulatory requirements and to identify and manage significant risks faced by the Bank. The Committee also oversaw compliance with the mandatory requirements and the systems and procedures to ensure fulfillment of such requirements.

- Internal Audit Function

The internal audit function ensures effective governance, risk management, and compliance within the bank. This includes reviewing the adequacy of its scope, resources, and authority, approving and monitoring audit plans, and ensuring audit findings are properly addressed. It also oversees internal controls, IT risks, and the use of technology for improved efficiency. The committee evaluates the performance of CIA and ensures independence in auditing. Additionally, it conducts procedures to ensure safeguarding of the bank's assets, minimizing liquidity risk, and ensures strategic plans

and budgets are effectively managed as key operational and management tools

- Other Function

The committee oversees internal investigations, staff discipline, and cost reductions based on the outcomes of the other Board Sub-Committees to ensure management addresses key findings. It has full authority to investigate matters, access necessary resources, and seek external expertise. The committee reviews COPE recommendations, prepares performance reports, and ensures a robust whistleblowing policy. It also manages relations with external auditors, and assesses risk management, internal controls, and business continuity plans to strengthen governance and operational efficiency

WHISTLEBLOWING

The Bank's Whistleblowing Policy continued an integral part of the Corporate Fraud Risk Management Framework, enabling employees to report legitimate concerns about any wrongdoing within the Bank. Staff members could voluntarily escalate concerns to the Chairman of the BAC through the Company Secretary or Chief Internal Auditor, with their identities which are kept confidential. Reported issues are investigated following standard procedures. In 2024, the BAC reviewed the policy and proposed enhancements to strengthen it as a transparent and effective communication channel for reporting genuine concerns.

BOARD REPORTING

The Committee meeting minutes were presented at Board meetings, ensuring Board members had insight into the Committee's discussions and decisions



W.N.I.C Fernando
Chairman
Board Audit Committee
21.05.2025



BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT



Mr. K. B. Wijeyaratne
Non-Executive Independent Director and Committee Chairman

The primary purpose of the Board Integrated Risk Management Committee (the "Committee") of HDFC Bank of Sri Lanka (the Bank) is to assist the Board of Directors (the Board), in determining the Bank's Risk Management framework and overall strategies and ensuring that procedures at Board and Management level are in place to identify, assess and manage risks to safeguard the Bank's assets and interests by clearly communicating that policy and those strategies to the Management.

COMPOSITION & MEETINGS

The Board appointed Integrated Risk Management Committee comprised of four Non-Executive, Independent Directors including the Chairman of the Committee. The Committee comprised of the following as at 31st December 2024.

Name	Directorship status	Membership Status
Mr.P.A. Lionel (Appointed to committee on 24.08.2022)	Non-Executive, Independent	Chairman
Dr. P.A. Krishantha (Appointed to committee on 24.08.2022)	Non-Executive, Independent	Director
Mr. W.N.I.C. Fernando (Appointed to committee on 25.09.2024)	Non-Executive, Independent	Director
Mr. K.B. Wijeyaratne (Appointed to committee on 25.09.2024)	Non-Executive, Independent	Director

Brief profiles of the Directors are given on page 24 to 26

SECRETARY TO THE COMMITTEE

The Bank Board Secretary (also referred to as the "Company Secretary") performed duties as the Secretary to the Committee. Mrs. Prashanie Attygalle - Company Secretary

THE COMMITTEE TERMS OF REFERENCE (TOR)

The duties and the responsibilities of the Board Integrated Risk Management Committees are defined in the Board Integrated Risk Management Committee-Terms of Reference. TOR was made based on the rules governing the Board Integrated Risk Management Committee as specified in the Banking Act Direction no 05 of 2024 on Corporate Governance for Licensed Banks issued by the Central Bank of Sri Lanka ("CBSL"), applicable Listing Rules on Corporate Governance (Section 09) of the of the Colombo Stock Exchange.

The Terms of Reference shall be reviewed and updated by the Committee on a periodic basis once every two years.



Board Integrated Risk Management Committee Report

MEETINGS OF THE COMMITTEE

The Committee met fourteen times (14) during the year in reference. The following Directors serve/ served on the Committee and the attendance at the meetings is given in the table below.

Name of the Committee Member	Meeting Dates and participation														Eligible to Attend				
	18/01/2024	15/02/2024	15/03/2024	26/04/2024	05/05/2024	27/05/2024	24/06/2024	22/07/2024	20/08/2024	04/09/2024	18/09/2024	15/10/2024	20/11/2024	31/12/2024	Attend	Attend			
Mr.P.A. Lionel	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	14	14
Dr. P.A. Krishantha	Attend	Attend	Attend	Excused	Attend	Excused	Attend	Attend	Attend	Attend	14	12							
Mr. W.N.I.C. Fernando (Appointed Committee on 25.09.2024)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Excused	Attend	Attend	Attend	Attend	03	02
Mr. K. B. Wijeyaratne (Appointed Committee on 25.09.2024)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Attend	Attend	Attend	Attend	Attend	03	03
Snr. Prof. A. Jayamaha (Resigned Board on 28.06.2024)	Attend	Excused	Attend	Attend	Excused	Attend	Attend	N/A	N/A	N/A	07	05							
Mr. P.M.K. Hettiarachchi (Resigned Board on 10.12.2024)	Attend	Attend	Attend	Attend	Excused	Attend	Attend	Excused	Attend	Attend	Attend	Attend	Attend	Excused	N/A	N/A	N/A	13	10
Mr. D.M.M.M. Wijeyaratne (Resigned Board on 23.10.2024)	Excused	Attend	Excused	Attend	Excused	Excused	Excused	N/A	N/A	N/A	N/A	12	08						
N/A - Not Applicable																			

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Board Integrated Risk Management Committee will fulfill its role and thereby assist the Board of Directors to carry out its responsibilities relating to the following areas.

- Establish an independent risk management function responsible for integrated risk management of the bank.
- The Committee shall assess all aspect of risk management including updated business continuity plan at quarterly meetings.
- Work with key management personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
- Assess all risks areas relating to the Bank including but not limited to credit risk, market risk, liquidity risk, operational risk, Information Security risk, strategic risk reputational risk, compliance risk, fiduciary and regulatory risk through appropriate risk indicators and management information. on a monthly basis
- Develop the Bank's the Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the Bank will accept, or avoid, in order to achieve its strategic business objectives covering quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices.
- Advise and report to the Board on the bank's exposures against the risk appetite.
- The Committee should review the Bank's risk policies including the RAS on an annual basis.
- Review the internal controls in place to prevent the leakage of material information to unauthorized persons.
- Oversee the processes to ensure that the Bank's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- Review and assess the Bank risk management process, including the adequacy of the overall environment and controls in areas of significant risks and updated business continuity plan
- Oversee the functioning of RO. The Committee shall receive regular reports and communication from RO and other relevant functions with respect to the risk profile, exposures against the established risk appetite limits and limit breaches.
- The management of the Bank is responsible for independently identifying relevant risks and notifying the committee who will in turn make decisions on behalf of the Board within the framework of the authority and responsibility assigned by the Board.
- Review the adequacy and effectiveness of all management level committees such as Assets and Liability committee, Credit Committee, IT Steering committees etc.
- Assess all aspects of risk management including business



- continuity plans and disaster recovery plans at least annually. Implementation should be assessed at least quarterly.
15. The Board should be briefed on matters discussed at the Committee meeting, at the subsequent board meeting seeking the views, concurrence and specific directions of the Board. The minutes of the meetings should be tabled at the board meeting subsequent to the Committee meeting.
 16. The Committee is empowered by the Board to review and/or investigate in to, any matter or activity, within its terms of reference, and is authorized to retain external counsel or other independent professionals to assist in the conduct of any investigation or obtain advice or expertise if deemed necessary.
 17. Oversee the strategies implemented by CEO and the key management personnel for capital and liquidity management and management of all relevant risks of the bank, such as credit, market, operational, information security and strategic risks, to ensure consistency with the stated risk appetite;) review the adequacy and effectiveness of all management level committees that are related to risk taking activities, such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
 18. Take prompt corrective action to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels decided by the Committee on the basis of the bank's policies and regulatory and supervisory requirements.
 19. The Committee should challenge, probe and then make judgments on issues that fall within the purview of the Committee.
 20. Take prompt corrective actions against the Officers responsible for failure to identify specific risks as recommended by the Committee.
 21. Submit a risk assessment report within a week of each meeting to the Board seeking the views, concurrence and/or specific directions of the Board.
 22. Establish an independent compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines and approved policies on 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.
 23. Establish an effective communication and coordination mechanism with the Audit Committee to facilitate exchange of information to ensure effective management of all risks, including emerging risks, and any adjustments needed to the integrated risk management framework of the bank.
 24. Without prejudice to the tasks of the Human Resources and Remuneration Committee, examine whether the incentives provided to the employees take into consideration the levels of risk, capital, liquidity and earnings of the bank.
 25. A Risk Officer or Head of Risk management should be appointed designated as a key responsible person and shall carry out the risk functions and report to the Committee periodically.
 26. A dedicated Compliance Officer designated as a key responsible person shall carry out the compliance function and report to the committee periodically.
 27. A Chief Information Security Officer will be appointed designated as a key responsible person and shall be responsible to the Committee for the Bank's IT and IS security and report to the Committee periodically.
 28. The Committee should annually assess the performance of the Compliance Officer, the Risk Officer and the Chief Information Security Officer.
 29. The Committee shall ensure that the Risk Officer develops and implements the Board approved integrated risk management framework of the Bank.
 30. The Committee shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views and specific directions.
 31. The Committee shall review and recommend to the Board for approval the Bank's ICAAP submission to the CBSL

ACTIVITIES IN 2024

1. Review of the Internal Capital Adequacy Assessment Process
2. Constant status updates on the HDFC Bank cold center Implementation
3. Review of Risk Appetite Statements as 31.05.2024
4. Recommendation for setting of customer complaint resolution Policy Manual
5. Review of Loan review mechanism Policy
6. Revision of the Committee Terms of Reference
7. Recommendation for the Treasury Management Manual
8. Recommendation of the Investment policy of the Bank
9. Status of Operational Risk Dashboard
10. Review Banking Industry Analysis
11. Business Recovery Plan for year 2024
12. Review of Overall Risk dash Board
13. Integrated Risk Management Framework

SUMMARY OF COMMITTEE

The committee established a risk management framework which supports relevant risk evaluations, monitoring and management of risk in order to create a strong risk culture of the Bank. Assess all risks and sets the risk appetite of the Bank through appropriate risk indicators, dashboards and management information. Decisions are made in compliance with the Bank's internal risk policy guidelines and regulatory supervisory requirements.



K.B. Wijeyaratne
Chairman
 Board Integrated Risk Management Committee
 21.05.2025



THE REPORT OF THE DIRECTORS

The Board of Directors of HDFC Bank, with a great pleasure, presenting the Annual Report 2024 to the shareholders, together with the audited financial statements for Financial Year 2024 and the Auditor's Report for the period under review.

01. GENERAL

- HDFC is a public quoted licensed specialized bank under the Banking Act No. 30 of 1988. The Bank until 10th December 2019 under the Ministry of Housing and Construction and thereafter attached to the Ministry of Finance, Economy and Policy Development.
- As already stated, the Annual Report covers the financial year 2024 (1st January to 31st December) and prepared in accordance with the statutory, regulatory requirements and prevailing best accounting practices.
- Further, Annual Report complies with the requirements of the Housing Development Finance Corporation Act No. 07 of 1997 and its amendments, Companies Act No. 07 of 2007 (where applicable), Banking Act No. 30 of 1988 and Listing Rules of the Colombo Stock Exchange, etc.
- All information which are material and for the best interest of the Shareholders and for the Bank were disclosed, and the relevant financial statements were reviewed and approved by the Board.

02. PRINCIPAL ACTIVITIES

- The Principal Business of the Bank continued as providing financial assistance for housing purposes and related activities without any change to the mandate of the Bank. In addition, the Bank engage in business activities as provided in the schedule (iv) of the Banking Act No. 30 of 1988. During the period under review, there were no significant changes in the nature of the principal activities.

03. REVIEW OF BUSINESS

- The Vision and Mission statements of the Bank are given on page 03 of the Annual report.
- The Chairman's Message (pages 12 to 16 and GM/CEO's review pages 17 to 21 discuss the overall financial position, performance, state of affairs and significant events that took place in the Bank during the period under review.
- An operational review during the financial year 2024 and operational results are given in Income Statement from page 206 of this Annual Report. These reports form an integral part of the Annual Report of the Board of Directors.

04. FUTURE DEVELOPMENTS

- The future developments of the Bank will be aligned with the aforesaid HDFC Act, and policy decisions of the state for development of housing. For further details, please refer the above mentioned Chairman's Message and GM/CEO's review. (Pages 12 to 16 and pages 17 to 21 of this Annual Report)

05. FINANCIAL STATEMENTS

- The financial statements were prepared in accordance with Sri Lanka Accounting Standards and in conformity with the Companies Act No. 07 of 2007 and Banking Act No. 30 of 1988. The financial statements for the year ended 31st December 2024 forms an integral part of the Annual Report of the Board of Directors.

Financial Statements of the Bank are given on pages 206 to 274 of this Annual Report.

06. SIGNIFICANT ACCOUNTING POLICIES

- The significant accounting policies adopted in preparation of Financial Statements during the year are given on pages 212 to 222 of the Annual Report. The impact of changes in equity is given on page 209 to 210 of the Annual Report.

07. AUDITORS' REPORT

- The Auditor General of Sri Lanka, who is the auditor of HDFC Bank, performed the audit on the Financial Statement of HDFC Bank for the period under review and the relevant Auditor's Report is contained in pages 199 to 205 of the Annual Report.

08. GOING CONCERN

- Directors after making necessary inquiries have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

09. INCOME

- The income of the Bank for the year ended 31st December 2024 was LKR. 8,507 Mn. An analysis of the income is given in Notes 4 to 5 and 9 and pages 223 to 225 to the Financial Statements.

10. PROFIT AND APPROPRIATION

- The profit before income, Tax VAT & SSCL on Financial Services of the Bank for the year ended 31st December 2024 was LKR. 412 Mn. and the profit after tax for the year ended 31st December 2024 was LKR. (191) Mn.

For the year ended 31st December	2023 Rs. Mn.	2024 Rs. Mn.
VAT, DRL & NBT on financial services	616	348
Provision for taxation	732	255
Profit on ordinary activities after tax	1,302	(-191)
Retained profit / (accumulated losses) b/f	6,056	5,866
Profit available for appropriation	1,302	(-191)



For the year ended 31st December	2023 Rs. Mn.	2024 Rs. Mn.
Appropriation First & Final Dividend proposed	-	-
Transfer to Reserve Funds	253	-
Retained Profit carried forward	6,056	5,866

11. RESERVES

- The total Reserves as at 31st December 2024, is LKR. 6751 Mn. The details are given in the statement of Financial Position, on notes 46 to 48 of the Financial Statement.

12. STATUTORY PAYMENTS

- The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.

13. PROVISION FOR TAXATION

- Income tax for 2024 has been provided at 30% on the taxable income arising from the operations of the Bank and has been disclosed in Note 13 to the Financial Statements on pages 226 of this Annual Report.

14. DIVIDEND

- Dividends will not be proposed for the financial year 2024, even though the bank has maintained regulatory minimum capital requirement, to maintain adequate capital cushion.

15. PROPERTY, PLANT AND EQUIPMENT, FREEHOLD PROPERTY

- Capital expenditure on property, plant and equipment amounts to LKR. 252 Mn., the details of which are given in Note 26 & 27 of the Financial Statements on pages 237 to 240

16. MARKET VALUE OF FREEHOLD PROPERTIES

- Details of the market value of freehold properties are given on Note 26.B of the Financial Statements on page 238

17. EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

- There have been no material events occurring after the date of the statement of financial position that would require adjustments or disclosure in the financial statements.

18. STATED CAPITAL

- The stated capital of the Bank as at 31st of December 2024 was LKR. 962 Mn. consisting of 64,710,520 ordinary shares.

19. SHARE INFORMATION AND DEBENTURES

- Information relating to holdings of shares and debentures is given in pages 276 to 278 of this Annual Report.

20. EQUITABLE TREATMENT TO ALL STAKEHOLDERS

- All shareholders have been treated equitably in accordance with the original terms issued to them.

21. THE BOARD OF DIRECTORS

Please refer chapter on Board of Directors on pages 22 to 26 for full list of Directors and their qualifications and experience.

Appointments, Resignations and Retirement to the Board during the period under review.

No.	Name	Appointments during the review period DD/MM/YYYY	Resignations during the review period DD/MM/YYYY	Retirement during the review period DD/MM/YYYY
01.	Senior Prof. A. Jayamaha (Director)	-	28/06/2024	-
02.	Mr. R. Sooriyaarachchi (Director)	-	03/10/2024	-
03.	Mr. E. D. P. Soosaipillai (Chairman)	-	04/10/2024	-
04.	Mr. D. M. M. M. Wijeyaratne (Director)	-	23/10/2024	-
05.	Mr. P. M. K. Hettiarachchi (Director)	-	10/12/2024	-
06.	Mr. W. N. I. C. Fernando (Director)	25/09/2024	-	-
07.	Mr. K. B. Wijeyaratne (Director)	25/09/2024	-	-
08.	Mr. P. J. Jayasinghe (Chairman)	25/10/2024	-	-
09.	Mr. H. K. K. A. Jayasundara (Director)	22/11/2024	-	-

22. BOARD SUB COMMITTEES

- As stipulated under the Corporate Governance Directives of the Central Bank of Sri Lanka, Colombo Stock Exchange, etc. relevant Sub Committees were appointed and the



The Report of the Directors

membership, duties, responsibilities and performance of the above Sub Committees are given on pages 175 to 189 of the Annual Report.

23. DIRECTORS MEETINGS

- Please refer the section on Board and Board Sub Committee attendance at meetings, on pages 111 to 115 this Annual Report.

24. DIRECTOR' RESPONSIBILITY FOR FINANCIAL REPORTING

- The Directors are responsible for the preparation of financial statements of the Bank to reflect a true and fair view of the state of affairs of the HDFC Bank. Please refer the statement of Directors' responsibility for Financial Reporting is given on pages 196 which form an integral part of the Annual Report of the Board of Directors.

25. THE DIRECTORS INTEREST

- The Bank made the necessary declarations of the Directors interest given on page 272 other than those disclosed the Directors have no direct or indirect interest in a contract or a proposed contract that has to be disclosed to the shareholders. Directors abstained from participating at the discussions or in the approving process or voted on matters or contracts in which they were interested.
- The Directors disclosed their interest (if any) to ensure that they would refrain from voting on issues they have an interest.

26. DIRECTORS' INTEREST IN SHAREHOLDING

- Directors' shareholdings are as follows:

	31/12/2024	01/01/2024
Mr. E. D. P. Soosaipillai (Chairman)	-	Nil
Snr. Prof. A. Jayamaha (Director)	-	1000
Mr. W. M. Ananda (Director)	Nil	Nil
Mr. P. A. Lionel (Director)	2,000	2000
Mr. D. M. M. Wijeyaratne (Director)	-	Nil
Mr. P. M. K. Hettiarachchi (Director)	-	Nil
Dr. P.A. Krishantha (Director)	1000	1000
Mr. R. Sooriyaarachchi (Director)	-	Nil
Mr. P. J. Jayasinghe (Chairman)	Nil	-
Mr. H. K. K. A. Jayasundara (Director)	Nil	-
Mr. W. N. I. C. Fernando (Director)	1000	-
Mr. K. B. Wijeyaratne (Director)	2000	-
Total	6,000	4,000

27. DIRECTORS' INTERESTS IN DEBENTURES

- Individual debenture holding of Directors were as follows:

As at December 31, 2024	2024	
	No. of Debentures	Value (Rs.)
Mr. P. J. Jayasinghe (Chairman)	Nil	Nil
Mr. W. M. Ananda (Director)	Nil	Nil
Mr. P. A. Lionel (Director)	Nil	Nil
Dr. P.A. Krishantha (Director)	Nil	Nil
Mr. H. K. K. A. Jayasundara (Director)	Nil	Nil
Mr. W. N. I. C. Fernando (Director)	Nil	Nil
Mr. K. B. Wijeyaratne (Director)	Nil	Nil
Total	Nil	Nil

28. RELATED PARTY TRANSACTIONS

- Board wish to declare that, Bank during the period under review, complied with the rules of the Colombo Stock Exchange and Directions Issued by the Central Bank of Sri Lanka on Related Party Transactions. Details of significant related party transactions are given in page 272 of the Annual Report;

29. DIRECTORS' REMUNERATION

- Directors' remuneration, for the financial year ended 31st December 2024 is given on Note 12 to the financial statement on page 226 of this Annual Report.

30. ENVIRONMENTAL PROTECTION

- The Bank has complied with the relevant environmental laws and regulations to the best knowledge of the Board. The Bank has not engaged in any activity that is harmful or hazardous to the environment.

31. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

- During the period under review, Bank's Risk Department and Board Integrated Risk Management Committee (BIRMC) and the Board took relevant initiatives pertinent to the area of Risk Management. Please refer Risk Assessment Report on pages 159 to 170 of this Annual Report.
- Further, during the period under review, the Board Audit Committee (BAC) reviewed the internal control process on a regular basis. Both the BIRMC and BAC and directly submit committee minutes to the Board.
- Please refer the Board Audit Committee Report on pages 185 to 186 and Independent Auditors Report on pages 173 to 174 on Internal Controls of this Annual Report.



32. CORPORATE GOVERNANCE

- Please refer Corporate Governance report given on pages 106 to 158 of this Annual Report as required by Corporate Governance Directions for Licensed specialized Banks, issued by the Central Bank of Sri Lanka along with the findings of the "Factual Findings Reports" of auditors issued under 4,400 (SLSRS).

33. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

- The Bank's Compliance Officer directly reports the compliance status of the Bank pertaining to governing laws to the BIRMC. To the best of the knowledge of the Directors, there has been no direct or indirect violation of laws or regulations in any jurisdiction which the Bank is bound to disclose nor has there been any irregularities involving management of employees that could have been a material financial effect on the Bank.
- The Bank has complied with all the regulatory and prudential requirements arising from the provisions in the statutes applicable to the Bank including the HDFC Act NO 07 of 1997 (and its amendments) Banking Act No. 30 of 1988, directions and determinations issued by the Central Bank of Sri Lanka under the Banking Act, Monetary Law Act No. 58 of 1949, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995, Prevention of Money Laundering Act No. 5 of 2006, Financial Transactions Reporting Act No. 6 of 2006, Convention on the Suppression of Terrorist Financing Act No. 25 of 2005, Inland Revenue Act No. 10 of 2006, Value Added Tax Act No. 14 of 2002, Finance Act No. 5 of 2005, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission Act No. 36 of 1987, Financial Leasing Act No. 56 of 2000, Payment of Gratuity Act No. 12 of 1983, Employees' Provident Fund Act. No 15 of 1958, Employees' Trust Fund Act No. 46 of 1980 etc. and amendments to such statutes.

34. APPOINTMENT OF AUDITORS

- The Auditor General continues to be the Auditor of the bank as stipulated in the HDFC Act No.07 of 1997 and as per the constitution of Sri Lanka.

35. AUDITORS REMUNERATION AND INTEREST IN CONTRACT WITH THE BANK

- The Auditors were paid Rs. 3.1 Mn for the year ended 31st of December, 2024 as audit fees by the Bank. The Auditors do not have any other relationship or interest in contracts with the Bank.
- As far as the Directors are aware the Auditors do not have any relationship with or interest in the Bank other than those disclosed above.

36. AUDIT COMMITTEE

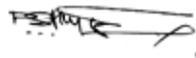
The composition of the Audit Committee and their report is given on pages 185 to 186 of this Annual Report.

37. NOTICE OF MEETING

The Fortieth (40th) Annual General Meeting of the Housing Development Finance Corporation Bank of Sri Lanka ("HDFC Bank") will be held on Monday, Twenty third (23rd) day of June 2025 at 10.00 a. m. at The Sri Lanka Foundation (Auditorium New Wing), No.100, Sri Lanka Padanama Mawatha Independence Square, Colombo 07

Notice of the Meeting given on page 282 of the Annual Report.

Signed in accordance with a resolution of the Board of Directors



P. S. Attygalle
Company Secretary
21.05.2025



CEO'S & CFO'S RESPONSIBILITY STATEMENT

The Annual Financial Statements of the HDFC Bank of Sri Lanka (The Bank) as at 31 December 2024 are prepared and presented in compliance with the following regulatory requirements:

- I. Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
- II. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- III. HDFC Bank Act No. 7 of 1997 and (Amendment) Act No. 15 of 2003 and amended act No 45 of 2011
- IV. Directions, circulars and guidelines issued to Licensed Banks by the Central Bank of Sri Lanka
- V. Listing Rules of the Colombo Stock Exchange
- VI. Statements of Alternative Treatments (SoAT) on Accounting issued by The Institute of Chartered Accountants of SL
- VII. Companies Act No. 7 of 2007
- VIII. Banking Act No. 30 of 1988 and amendments thereto
- IX. The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2017)

The Accounting Policies of the Bank are in compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) issued by The Institute of Chartered Accountants of Sri Lanka and have been consistently applied by the Bank.

Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the External Auditors. All significant items have been disclosed and explained by way of Notes to the Financial Statements.

We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Statement of Profit or Loss and the cash flows of the Bank for the year ended 31 December 2024. We also confirm that the Bank has adequate resources to continue its operations into the foreseeable future and accordingly adopt the going concern basis in preparing these Financial Statements.

We accept responsibility for the integrity and objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; so that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Bank is reasonably presented. To ensure this, the bank has taken proper and sufficient care in implementing internal control systems, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which are reviewed, evaluated and updated on an ongoing basis. The Internal Auditor of the bank has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal control and accounting.

The Financial Statements of the Bank were audited by the Auditor General. The report issued by them is available on page 199 to 205 of this annual report. The audit and the non-audit services provided by the Auditor General are discussed by the Board Audit Committee, to ensure that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka or impair the Auditor General's independence

The Board Audit Committee reviews the adequacy and the effectiveness of the Internal Control Systems including the effectiveness of the internal controls over financial reporting to provide reasonable assurance that all transactions are accurately and completely recorded in the books of account and the processes by which compliance with Sri Lanka Accounting Standards (SLFRS/ LKAS) and other regulatory provisions relating to financial reporting and disclosures are ensured. The Board Audit Committee Report is available on the annual report of the Bank. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

The Board of Directors and the Management of the Bank accept responsibility for the integrity and the objectivity of the Financial Statements.

We confirm to the best of our knowledge that

- The Bank has complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the Bank other than those disclosed in Note 51 of the Annual Financial Statements.
- All taxes, duties, levies and all statutory payments by the bank and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank as at the reporting date have been paid, or where relevant provided for.



Anura Hettiarachchi
Chief Financial Officer



C.R.P. Balasuriya
Acting General Manager / CEO



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STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

This statement by the Board of Directors is made to differentiate the respective responsibilities of the Directors and Auditors in relation to financial reporting. The responsibility of Directors in relation to financial reporting of the Housing Development Finance Corporation Bank of Sri Lanka is set out in the following statement.

In terms of the provisions of HDFC Act No. 07 of 1997 as amended by Act No. 15 of 2003 and Act No. 45 of 2011 the Directors of the Bank are responsible for ensuring that the Bank maintains proper books of accounts of the Bank in such form and manner determined by the Board. The Board is responsible for the presentation of the Annual Report and Accounts at the Annual General Meeting comprising of shareholders.

Accordingly, the Board of Directors confirms that the Financial Statements of the Bank give a true and fair view of the,

- financial position of the Bank as at December 31, 2024; and
- financial performance of the Bank for the financial year 2024.

The accounts of the Bank are vested with an external auditor, the Auditor General of Sri Lanka to be audited so long as majority of the issued shares of the Bank are held by the Government of Sri Lanka.

The Board is responsible for the adequacy and effectiveness of the internal control mechanism placed at the Bank which complies of regular reviews, internal audit, safeguard assets of the bank and the internal control systems are designed to highlight any deviations from the limits and indicators that comprise the risk appetite of the Bank. The results of such reviews are given on page 173 to 174 of the Annual Report under "Directors' Statement on Internal Control" and "Assurance report of the Auditor General on Internal Control" is given on page 173 to 174 of the Annual Report

The Financial Statements for the year 2024, prepared and presented in this Annual Report have been prepared based on Sri Lanka Accounting Standards (SLFRS) and LKAS's issued by the Institute of Chartered Accountants of Sri Lanka and are in agreement with the underlying books of account and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Banking Act No. 30 of 1988 and amendments thereto, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC).

In addition, these Financial Statements comply with the prescribed format issued by the Central Bank of Sri Lanka for the preparation of Annual Financial Statements of Licensed Specialised Banks.

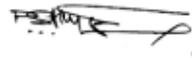
The financial statements of the Bank have been certified by the Chief Financial Officer and the CEO/ General Manager as stipulated by Sections 150(1) and 151 of the Companies Act No. 07 of 2007.

Further, the Board of Directors desires to confirm that the Bank has undertaken to satisfy the requirements under the Section 9 "Corporate Governance", on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange which came into effect from 01st October 2023, where applicable, in the year 2024.

The Board of Directors also confirms that the Bank has complied with the prudential requirements, regulations, laws and internal controls and there were no material non-compliances.

The Directors are of the view that they have honoured their utmost responsibilities, as set out in this statement.

By order of the Board



Company Secretary

21 May 2025
Colombo



INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF HDFC BANK OF SRI LANKA ON THE INTEGRATED ANNUAL REPORT - 2024



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysi@lk.ey.com
ey.com

Independent practitioner's assurance report to the Board of Directors of Housing Development Finance Corporation Bank of Sri Lanka on the Integrated Annual Report 2024

SCOPE

We have been engaged by Housing Development Finance Corporation Bank of Sri Lanka to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Housing Development Finance Corporation Bank of Sri Lanka's Information on how its strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in Housing Development Finance Corporation Bank of Sri Lanka's (the "Entity's") Integrated Annual Report for the year ended 31 December 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

CRITERIA APPLIED BY HOUSING DEVELOPMENT FINANCE CORPORATION BANK OF SRI LANKA

In preparing the Subject Matter, Housing Development Finance Corporation Bank of Sri Lanka applied the Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject

matter information may not be suitable for another purpose.

HOUSING DEVELOPMENT FINANCE CORPORATION BANK OF SRI LANKA'S RESPONSIBILITIES

Housing Development Finance Corporation Bank of Sri Lanka management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)), and the terms of reference for this engagement as agreed with the Housing Development Finance Corporation Bank of Sri Lanka on 20 May 2025. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Partners: D K Halangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manabunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajjewan FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shukthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited



Independent Assurance Report to the Board of Directors of HDFC Bank of Sri Lanka on the Integrated Annual Report - 2024

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies

and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.

- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.
- We also performed such other procedures as we considered necessary in the circumstances.

EMPHASIS OF MATTER

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of Housing Development Finance Corporation Bank of Sri Lanka for the year ended 31 December 2024, in order for it to be in accordance with the Criteria.

Ernst + Young

21 May 2025
Colombo



AUDITOR GENERAL'S REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

BAN/C/HDFC/FA/2024/01

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

28 February 2025

Chairman

Housing Development Finance Corporation Bank

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Housing Development Finance Corporation Bank for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the Financial Statements of the Housing Development Finance Corporation Bank (the "Bank") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the Financial Statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Auditor General’s Report

1.3 Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, are of most significance in my audit of the Financial Statements of the current period. These matters were addressed in the context of my audit of the Financial Statements as a whole, and in forming my audit opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key audit matter	How my audit addressed the key audit matter
<p>Expected Credit Losses of Loans and advances measured at amortised cost as disclosed in note 21 is determined by management based on the accounting policies described in Note 3 (B) (i) to the financial statements.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> • The involvement of significant management judgements, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; and • The materiality of the reported amount of expected credit losses. <p>Key areas of significant judgements, assumptions and estimates made by management in the assessment of</p>	<p>In addressing the adequacy of the expected credit losses of loan and advances, my audit procedures included the following key procedures</p> <ul style="list-style-type: none"> • Assessed the Bank’s expected credit loss computations with the underlying methodology including responses to economic conditions to its accounting policies, based on the best available information up to the date of my report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of expected credit losses, policies and procedures by the Board of directors and management. • Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank. <p>Evaluated the reasonableness of credit quality assessments and related stage classifications.</p> <p>the following procedures were performed:</p>



Key audit matter	How my audit addressed the key audit matter
<p>expected credit losses for loans and advances include forward-looking macroeconomic scenarios, associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty. Information of such key estimates, assumptions and judgements are disclosed in note 21.</p>	<p>the following procedures were performed:</p> <ul style="list-style-type: none"> • For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> • Tested the arithmetical accuracy of the underlying individual impairment calculations. • Evaluated the reasonableness of key inputs used in the expected credit losses with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery actions of the collaterals. • For loan and advances assessed on a collective basis for impairment: <ul style="list-style-type: none"> • Tested the key inputs and the calculations used in the allowances for expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. My testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenarios. • I assessed the adequacy of the related financial statement disclosures set out in notes 3.B(i), and 21

1.4 Other information included in the Bank's 2024 Annual Report

The other information comprises the information included in the Bank's 2024 Annual Report, but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.



Auditor General's Report

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Bank's 2024 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Bank.

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a



material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Auditor General's Report

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 The Section 39 of the Banking Act No.30 of 1988 (as amended by Banking Act No.24 of 2024) include specific provisions for following requirement.

2.1.1 The disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No.05 of 2024 issued by Central Bank of Sri Lanka.

2.2 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements;

2.2.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.2.2 The Financial Statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

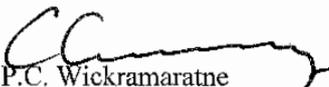
2.2.3 The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.3 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.3.1 to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered into by the Bank which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.



- 2.3.2 to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- 2.3.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- 2.3.4 to state that the resources of the Bank had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.


W.P.C. Wickramaratne
Auditor General



INCOME STATEMENT

For the Year Ended 31st December 2024	Notes	Bank	
		2024 LKR	2023 (Restated) LKR
Gross income		8,506,638,243	14,328,642,183
Interest income		8,169,744,660	11,194,951,163
Interest expenses		(5,387,994,800)	(8,883,618,281)
Net interest income	04	2,781,749,859	2,311,332,883
Fee and commission Income		330,337,224	352,723,810
Fee and commission expenses		-	-
Net fee and commission income	05	330,337,224	352,723,810
Net gain/(loss) from trading	06	-	2,660,959,818
Net fair value gains/(loss) from financial instruments at fair value through Profit or Loss	07	-	-
Net gain/(losses) from derecognition of financial assets	08	-	-
Net other operating income	09	6,556,360	120,007,391
Total operating Income		3,118,643,443	5,445,023,902
Less: Impairment Charges	10	278,006,812	466,844,859
Net operating income		2,840,636,631	4,978,179,043
Less: Operating expenses			
Personnel expenses	11	1,646,378,472	1,584,053,360
Depreciation & amortization expenses		172,764,178	177,779,279
Other Expenses	12	609,279,768	566,318,760
Total operating expenses		2,428,422,418	2,328,151,400
Operating profit/(loss) before VAT & SSCL on Financial Services		412,214,213	2,650,027,643
Less : Value Added Tax (VAT) on financial services		298,468,196	522,753,872
Social Security Contribution Levy (SSCL) on financial services		49,876,256	92,987,021
Operating profit/(loss) after VAT & SSCL on Financial Services		63,869,761	2,034,286,750
Share of associate companies' profits/(losses)		-	-
Profit/(loss) before tax		63,869,761	2,034,286,750
Less: Income tax expense	13	254,525,963	732,084,848
Profit/(loss) for the year		(190,656,202)	1,302,201,902
Profit attributable to :			
Equity holders of the parent		(190,656,202)	1,302,201,902
Non-controlling interests		-	-
Total		(190,656,202)	1,302,201,902
Earnings per share on profits	14		
Basic Earning per ordinary share (Rs.)		(2.95)	20.12
Diluted earnings per ordinary share (Rs.)		(2.95)	20.12

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 206 to 274



STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31st December 2024	Notes	Bank	
		2024 LKR	2023 (Restated) LKR
Profit/(loss) for the year		(190,656,202)	1,302,201,902
Items that will be reclassified to income statement			
Exchange differences on translation of foreign operations		-	-
Net gains/(losses) on cash flow hedges		-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income		-	-
Share of profits of associates and joint ventures		-	-
Debt instruments at fair value through other Comprehensive Income		(36,087,132)	24,085,514
Less: Tax expense relating to items that will be reclassified to income statement		10,826,140	(7,225,654)
Others		-	-
Net other comprehensive income reclassified to income statement		(25,260,991)	16,859,860
Items that will not be reclassified to income statement			
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income		-	-
Change in fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss		-	-
Re-measurement of post-employment benefit obligations		-	-
Changes in revaluation surplus		-	-
Share of profits of associates and joint ventures		-	-
Re-measurement of post-employment benefit obligations		(95,090,050)	26,007,217
Less: Tax expense relating to items that will not be reclassified to income statement		28,527,015	(7,802,165)
Others		-	-
Other comprehensive income not be reclassified to income statement		(66,563,035)	18,205,052
Total Other Comprehensive Income for the Year		(91,824,026)	35,064,911
Total Comprehensive Income for the Year net of tax		(282,480,229)	1,337,266,814
Attributable to :			
Equity holders of the parent		(282,480,229)	1,337,266,814
Non-Controlling Interest		-	-
Total		(282,480,229)	1,337,266,814

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 206 to 274



STATEMENT OF FINANCIAL POSITION

As at 31st December 2024	Notes	Bank	
		2024	2023 (Restated)
		LKR	LKR
Assets			
Cash and cash equivalents	16	324,619,439	237,281,596
Balances with central bank	17	-	-
Placements with banks	18	36,283,124	33,313,701
Derivative financial instruments	19	-	-
Financial assets recognized through profit or loss	20	-	-
- measured at fair value		-	-
- designated at fair value		-	-
Financial assets at amortised cost			
- loans and advances	21	40,130,468,733	41,009,685,622
- debt and other instruments	22	17,697,880,565	7,162,774,257
Financial assets measured at fair value through other comprehensive income	23	4,739,113,040	16,814,671,833
Investment in subsidiaries	24	-	-
Investments in associates and joint ventures	25	-	-
Property, plant and equipment	26	187,198,254	222,574,623
Intangible Assets	27	65,642,998	101,895,224
Right of Use Assets	28	262,449,082	304,420,217
Investment properties	29	1,284,000,000	1,284,000,000
Goodwill and intangible assets	30	-	-
Deferred tax assets	31	505,382,153	458,743,341
Other assets	32	210,322,200	103,718,613
Total assets		65,443,359,587	67,733,079,024
Liabilities			
Due to banks	33	566,485,896	799,829,802
Derivative financial instruments	34	-	-
Financial liabilities recognized through profit or loss	35	-	-
- measured at fair value		-	-
- designated at fair value		-	-
Financial liabilities at amortised cost	36	-	-
- due to depositors		52,005,315,939	53,613,103,535
- due to debt securities holders		-	-
- due to other borrowers		1,615,416,188	1,525,526,578
Debt securities issued	37	1,427,189,326	1,425,438,591
Lease Liability	38	303,181,636	335,679,257
Retirement benefit obligations	39	1,025,619,153	872,627,706
Current tax liabilities	40	151,034,918	573,853,895
Deferred tax liabilities		-	-
Other provisions	41	-	-
Other liabilities	42	354,887,314	310,310,213
Due to subsidiaries	44	-	-
Total Liabilities		57,449,130,369	59,456,369,576
Debt Capital			
Perpetual Bond	43	281,250,000	281,250,000
Equity			
Stated capital/Assigned capital	45	962,092,936	962,092,936
Statutory reserve fund	46	353,799,215	353,799,215
Retained earnings	47	5,865,868,596	6,056,524,798
Other reserves	48	531,218,483	623,042,499
Total shareholders' equity		7,712,979,230	7,995,459,449
Non-controlling interests	49	-	-
Total equity		7,712,979,230	7,995,459,449
Total equity and liabilities		65,443,359,587	67,733,079,024
Contingent liabilities and commitments	50	30,798,151	305,616,211
Memorandum Information			
Number of Employees		494	515
Number of Branches		39	39
Net assets value per share (Rs)		119.19	123.56

The significant accounting policies and notes on pages 212 to 274 form an integral part of these financial statements. These financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS).

We certify the above Financial Statement give true and fair view of the State of affairs of HDFC Bank of Sri Lanka as at 31 December 2024 and its profit for the year ending 31 December 2024.



Anura Hettiarachchi
Chief Financial Officer



C. R. P. Balasuriya
Actg. General Manager / CEO

The Board of Directors is responsible for the preparation and presentation of these Financial Statements which were approved by the Board of Directors and signed on their behalf,



P. J. Jayasinghe
Chairman
Date: 28.02.2025
Colombo



W.N.I.C. Fernando
Director



P.S. Attyagalle
Company Secretary



STATEMENT OF CHANGES IN EQUITY

In Rupees	Note	Bank										Total equity
		Stated capital / Assigned capital					Reserves					
		Ordinary voting shares	Ordinary non voting shares	Assigned capital	Statutory reserve fund	OCI Revaluation reserve	FVTOCI Reserve	Retained earnings	Other reserve	Total	Non-controlling interest	
Balance as at 01-01-2023	34-37	962,092,936	-	-	288,689,120	(46,022,342)	-	-	503,779,736	6,716,407,086	-	6,716,407,086
Total comprehensive income for the year	34-37	-	-	-	-	-	-	(58,214,455)	-	(58,214,455)	-	(58,214,455)
Adjusted balance as at 01-01-2023		962,092,936	-	-	288,689,120	(46,022,342)	-	-	503,779,736	6,658,192,631	-	6,658,192,631
Profit/(loss) for the year	35	-	-	-	-	-	-	-	1,302,201,902	-	-	1,302,201,902
Other comprehensive income (net of tax)	30	-	-	-	-	18,205,052	-	-	16,859,860	-	-	35,064,911
Total comprehensive income for the year		962,092,936	-	-	288,689,120	-27,817,291	-	-	16,859,860	6,251,855,083	503,779,736	7,995,459,449
Transactions with equity holders, recognized directly in equity												
Share issue/increase of assigned capital		-	-	-	-	-	-	-	-	-	-	-
Bonus issue		-	-	-	-	-	-	-	-	-	-	-
Right issue		-	-	-	-	-	-	-	-	-	-	-
Investment fund transfer		-	-	-	-	-	-	-	-	-	-	-
Transfers to reserves during the period		-	-	-	65,110,095	-	-	-	(195,330,285)	130,220,190	-	-
Dividends to equity holders	33-36	-	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office		-	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation of property, plant and equipment		-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-
Total transactions with equity holders		-	-	-	65,110,095	-	-	-	(195,330,285)	130,220,190	-	-
Balance as at 31-12-2023		962,092,936	-	-	353,799,215	-27,817,291	-	-	16,859,860	6,056,524,799	633,999,926	7,995,459,449



Statement of Changes in Equity

In Rupees	Note	Bank											
		Stated capital / Assigned capital					Reserves						
		Ordinary voting shares	Ordinary non voting shares	Assigned capital	Statutory reserve fund	OCI Revaluation reserve	FVTOCI Reserve	Retained earnings	Other reserve	Total	Non-controlling interest	Total equity	
Balance as at 01-01-2024	34-36	962,092,936	-	-	353,799,215	(27,817,291)	-	16,859,860	6,056,524,799	633,999,926	7,995,459,449	-	7,995,459,449
Total comprehensive income for the year	34-37	-	-	-	-	-	-	-	(190,656,202)	-	(190,656,202)	-	(190,656,202)
Profit/(loss) for the year (net of tax)	34-37	-	-	-	-	-	-	-	(190,656,202)	-	(190,656,202)	-	(190,656,202)
Other comprehensive income (net of tax)	30	-	-	-	-	(66,563,035)	-	(25,260,991)	-	-	(91,824,026)	-	(91,824,026)
Total comprehensive income for the year		962,092,936	-	-	353,799,215	(94,380,326)	-	(8,401,132)	5,865,868,597	633,999,926	7,712,979,230	-	7,712,979,230
Transactions with equity holders, recognized directly in equity		-	-	-	-	-	-	-	-	-	-	-	-
Share issue/increase of assigned capital		-	-	-	-	-	-	-	-	-	-	-	-
Bonus issue		-	-	-	-	-	-	-	-	-	-	-	-
Right issue		-	-	-	-	-	-	-	-	-	-	-	-
Transfers to reserves during the period	34-36	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office		-	-	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation of property, plant and equipment (if cost method is adopted)		-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with equity holders		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31-12-2024		962,092,936	-	-	353,799,215	(94,380,326)	-	(8,401,132)	5,865,868,597	633,999,926	7,712,979,230	-	7,712,979,230

Note: The overdue interest overcharged of Rs. 58 Mn from 2017 to 2022 was adjusted to the opening reserve balance of 2023, and the respective overcharge of Rs. 150 Mn was restated to the 2023 income statement.



STATEMENT OF CASH FLOW

For the Year Ended 31st December 2024	Bank	
	2024 LKR	2023 (Restated) LKR
Cash Flows From Operating Activities		
Interest Receipts	6,247,970,926	10,855,657,853
Interest payments	(5,722,763,913)	(9,009,305,963)
Net commission Receipts	249,610,466	297,123,909
Trading Income	-	-
Payments to Employee	(1,475,388,357)	(1,461,656,220)
VAT & SSCL on Financial Services	(464,764,143)	(807,168,853)
Receipt from other operating activities	57,422,809	75,754,682
Payments on other operating activities	(595,770,257)	(544,323,963)
Operating profit before changes in operating assets and liabilities	(1,703,682,469)	(593,918,556)
(Increase)/Decrease In Operating Assets :		
Balances with Central Bank of Sri Lanka	-	-
Financial Assets at amortised cost - Loans and Advances	2,041,952,154	1,435,241,949
Other Assets	20,996,512	296,999,862
Net cash generated from operating activities assets	2,062,948,666	1,732,241,811
Increase / (Decrease) In Operating Liabilities		
Financial Liabilities at amortised cost - due to Depositors	(1,217,404,554)	3,533,896,056
Financial Liabilities at amortised cost - due to Debt Security Holders	0	(0)
Financial Liabilities at amortised cost - due to Other Borrowers	(264,558,919)	(197,115,556)
Other Liabilities	(66,076,161)	148,368,057
Net cash generated from operating liabilities	(1,548,039,635)	3,485,148,557
Net cash generated from operating activities before income tax	(1,188,773,437)	4,623,471,813
Income Tax Paid	(680,168,353)	(482,309,698)
Net cash (used in)/from operating activities	(1,868,941,790)	4,141,162,114
Cash Flows From Investing Activities		
Purchase of property, plant and equipment /Intangible Assets	(11,151,862)	(23,641,475)
Proceeds from Sale property, Plant and equipment/Intangible Assets	7,442,430	638,934
Net Cashflows from Investments	1,959,720,164	(4,220,787,942)
Dividends received from investments	268,900	179,520
Others	-	-
Net cash (used in)/from Investing activities	1,956,279,632	(4,243,610,963)
Cash Flows From Financing Activities		
Net proceeds from the issue of Ordinary share capital	-	-
Net proceeds from the issue of Other equity instruments	-	-
Repayment of Subordinated debt	-	-
Interest paid on subordinated debts	-	-
Dividends paid to non - controlling Interest	-	-
Dividends paid to holders of equity instruments	-	-
Dividends paid to shareholders of the parent company	-	-
Others	-	-
Net cash (used in)/from financing activities	-	-
Net increase/(decrease) in cash & cash Equivalents	87,337,842	(102,448,847)
Cash & cash equivalents at beginning of the period	237,281,596	339,730,442
Cash & cash equivalents at the end of the period	324,619,439	237,281,596
Reconciliation Of Cash and Cash Equivalents		
Cash In Hand	174,104,903	96,476,085
Cash at Bank	150,514,536	140,805,511
	324,619,439	237,281,596



ACCOUNTING POLICIES

1. CORPORATE INFORMATION

REPORTING ENTITY

HDFC Bank of Sri Lanka was incorporated in Sri Lanka as a Building Society in 1984 under section 11 of the National Housing Act of 1956. Subsequently it was converted to a corporation under the Housing Development Finance Corporation of Sri Lanka Act.No.7 Of 1997 and obtained the status of a specialized Bank under Housing Development Finance Corporation of Sri Lanka (Amendment) Act No 15 of 2003 and as amended by it to carry out the business of all activities of schedule iv of Banking Act No 30 of 1988 with amendments thereafter. HDFC bank's Head office is located at NHDA Secretariat Colombo-02, Sri Lanka.

2. BASIS OF PREPARATION

2.A). THE STATEMENT OF COMPLIANCE

The Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows are drawn up in conformity with the accounting standards issued by the Institute of Chartered Accountants of Sri Lanka applied consistently on a historical cost basis and fair value accounting wherever it is necessary. The financial statements are presented in Sri Lanka Rupees.

Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka mandated for all specified business enterprises were used to prepare these financial statements. The comparative figures were also restated as per the above standards. These Financial Statements also provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.B). FUNCTIONAL AND PREPARATION CURRENCY

The financial statement of the Bank is presented in Sri Lankan Rupees which is the currency of the primary economic environment in which the Bank operates. The financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS) No -1 "Presentation of Financial Statements"

2.C). RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank as per the provisions of the Banking Act No. 30 of 1988 and amendments thereto and Sri Lanka Accounting Standards.

The Board of Directors acknowledge their responsibility as set out in the 'Directors' Responsibility for Financial Reporting' and the clarification given on the 'Statement of Financial Position'.

2.D). FORMAT OF ACCOUNTS AND PRIOR YEAR FIGURES

Financial statements are presented in accordance with the format of accounts prescribed by the Central Bank of Sri Lanka and the Accounting Policies adopted by the bank are consistent with those of the previous financial year as permitted by the Sri Lanka Accounting Standard (LKAS) No .01 "Presentation of Financial Statements".

2.E). PRESENTATION OF FINANCIAL STATEMENTS

The assets and liabilities of the Bank presented in the Statement of Financial Position are grouped by their nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis of the maturity patterns of assets and liabilities of the Bank is presented in Maturity Gap Analysis Report.

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position if and only if there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.F). MATERIALITY AND AGGREGATION

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 01 on 'Presentation of Financial Statements'

2.G). COMPARATIVE INFORMATION

The comparative information is reclassified where necessary for the better presentation and to conform to the current year's presentation.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

3.A). GOING CONCERN

The management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going-concern basis.



3.B). VALUATION OF ASSETS

3.B.I) LOANS AND ADVANCES TO CUSTOMERS

Loans and Advances to customers are stated in the Statement of Financial Position net of ECL for possible future loan losses.

Expected Credit Loss (ECL) of Financial Assets

Overview of Expected Credit Loss (ECL) principles The Bank records an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'Financial Instruments'. Equity instruments are not subject to ECL under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The Bank's policies for determining if there has been a significant increase in credit risk are set out in impairment policy. The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank's policy for grouping financial assets measured on a collective basis is explained in impairment policy. The Bank has established a policy to perform an assessment at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Further the Bank includes credit facilities restructured up to 2 times under Stage 2.
- Stage 3: Loans considered credit impaired The Bank records an allowance for the LTECLs. Further, the Bank includes credit facilities restructured more than 2 times under Stage 3.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default (PD): The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in impairment policy.
- Exposure at Default (EAD): The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities and accrued interest from missed payments. The EAD is further explained in impairment policy.
- Loss Given Default (LGD): The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in impairment policy.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs as set out in impairment policy. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

ECL and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in impairment policy.



Accounting Policies

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecasted EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above including the use of multiple scenarios but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit impaired (as defined in Note 38.2.2.1), the Bank recognises the LTECLs for these loans. The method is similar to that for Stage 2 assets with the PD set at 100%.
- Loan Commitments: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down based on a probability weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The calculation is made using a probability weighting of the three scenarios.

Adjustments to ECL model as a result of challenging macroeconomic outlook

In assessing expected credit losses, the Bank incorporated the effects of current macro-economic conditions and the government and other support measures on a reasonable and supportable basis. Taking into consideration of the challenging macroeconomic conditions, the ECL provisions recognised as management overlays were further increased during the year. Further, the management recognised additional ECL provisions through increasing the probability weightage for the worst-case scenario and reducing the weightage for the base-case scenario in multiple economic scenario adjustment. The Bank continued to examine the individually significant customers and ensured adequate provisions were made in the Financial Statements as required. When assessing the ECL provisions for individually significant customers, several prudent measures such as extending the recovery cash flows, discounting the property values to reflect a more reasonable estimate of the fair value etc. were applied.

Forward looking information

The Bank incorporates forward looking information into both its assessment as to whether the credit risk of an instrument has been increased significantly since its initial recognition and its measurement of ECL. When estimating the ECLs, the Bank considers three economic scenarios namely base case, best case and worse case.

Base case (Most Likely) scenario

The base case scenario is the Bank's view of the most likely future macroeconomic conditions. It reflects the Management's assumptions used for strategic planning and budgeting process.

Upside (Best Case) scenario

the upside scenarios is fixed by reference to average economic cycle conditions and is based on a combination of more optimistic economic events over long term horizons.

Downside (Worst Case) scenario

The downside scenario is fixed by reference to average economic cycle conditions and is based on a combination of more pessimistic economic events and uncertainty over long term horizons.

Quantitative economic factors are based on economic data and forecasts published by Central Bank of Sri Lanka and international organisations such as International Monetary Fund (IMF). In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs such as:

Quantitative factors

- GDP growth
- Unemployment rates
- Exchange rates
- Inflation price indices
- Interest rates

Qualitative factors

- Government policies
- Status of industry and business
- Regulatory impact

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in impairment policy.

1. Collective ECL Method
2. Individual ECL Method.



Collective ECL Provisions

Collective ECL provisions for possible loan losses are made in accordance with the Sri Lanka Financial Reporting Standard No. 09 on 'Financial Instruments: Recognition and Measurement' in the Financial Statements of the Bank. The Bank makes the collective ECL provision on the rolling rate method where the individual ECL is not material and adjusted loss given default (LGD) Ratio considering industry variables.

Individual ECL Provisions

Acquired Properties for Sale

Properties mortgaged to HDFC Bank are auctioned if the customers are in default for a reasonable period of time and the properties which are not disposed of at such auctions are recognized as acquired properties which are presented under the loans & advances. The valuations of such properties with Cash flow predicted with reasonable assurance are made on an individual basis.

Loans over Rs. 10 Mns & Guarantor Loans over 36 months in arrears

Individual ECL is made for the loans excluding pawning, cash and guarantee loans over 36 months in arrears, over Rs.10Mn with reasonable assurance for future cash recoveries.

Cash & Gold Loans

These loans assessed based on net realizable value of the securities based on current market value of the items. If there is no ECL, applied 0.5% ECL as minimum requirement.

3.B.II). PROPERTY, PLANT & EQUIPMENT

These are recorded initially at cost plus other expenses which are necessary to bring the assets to the useable condition the details of fair value by using the latest valuation report which is not more than 3 years for land and building as per the Sri Lanka Accounting Standard (LKAS) No. 16 is disclosed separately.

Basis of Recognition

Property, Plant & Equipment are recognized, if it is probable that future economic benefits associated with the asset will flow to the bank and the cost of the asset can be reliably measured.

Basis of Measurement

The property, plant and equipment are stated at cost less accumulated depreciation, which is provided for on the basis specified below.

Depreciation Policy

Depreciation is provided at the following rates on a straight-line basis over the estimated lives of different types of assets.

Class of Assets	% per Annum
Buildings	6 2/3
Office Equipment	12.50
Furniture & Fittings	10.00
Motor Vehicles & Bicycles	20.00
Plant and Machinery	25.00
Tools & Equipment	12.50

Total annual depreciation is provided from the date of use to the date of disposal.

3.B.III). INTANGIBLE ASSETS

The Bank's intangible assets consist of the value of purchased computer software.

Basis of Recognition

An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated ECL.

Useful Economic Life and Amortization

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Income Statement in the expense category consistent with the function of the intangible asset.



Accounting Policies

De-recognition

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income in the Income Statement in the year the asset is derecognized.

The Bank does not possess intangible assets with indefinite useful economic life.

Class of Assets	% per Annum
Computer software -Foreign	25.00
Computer software –Local	25.00
Core Application Software	10.00

3.B.IV). INVESTMENT PROPERTY

Investment properties are recorded at current market value and the difference between carrying value and the market value is presented under other income.

3.C) FINANCIAL ASSETS

3.C.I) RECOGNITION AND MEASUREMENT

The financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Loans and advances are initially recognized on the date at which they are originated at fair value which is usually the loan amount granted and subsequent measurement is at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method, minus ECL.

All other financial assets are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

3.C.II) CLASSIFICATION

On initial recognition, the Bank classifies financial assets into one of the following categories:

- Measured at amortized cost,
- Fair value through other comprehensive income (FVOCI); and,
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Financial Assets measured at Amortized Costs

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model (explained in note 5.3.2.3) whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets at Fair value through other comprehensive income

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial Assets at Fair value through profit or loss

All financial assets are other than those classified at Amortized Costs or FVOCI are classified as measured at FVTPL.

Financial Assets are mandatorily fair valued through profit and loss when the instruments

- are held for trading, or
- are managed, evaluated and reported internally on a fair value basis., or
- designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, or
- Contains an embedded derivative that significantly modifies the cash flows which would otherwise have been required under the contract.

Financial Assets Designated at Fair Value through Profit or Loss

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



The Bank has not designated any financial asset upon initial recognition at fair value through profit or loss as at the Reporting date.

Business model assessment

The Bank assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.G. Whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessments of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the bank's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have the option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is considered for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

3.C.III) RECLASSIFICATION

- Financial assets except financial assets that would have met the definition of loans and receivables at initial recognition may be reclassified out of the fair value through the profit or loss category and into another category in rare circumstances.

- Policy applicable

Financial assets are not reclassified after their initial recognition, except and only in those rare circumstances when the Bank changes its objective of the business model for managing such financial assets.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

- Timing of reclassification of financial assets

Consequent to the change in the business model, the Bank reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.



Accounting Policies

Measurement of reclassification of financial assets

- Reclassification of Financial Instruments at 'Fair value through profit or loss'
- To Fair value through other comprehensive income

The fair value on the reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognized in OCI.

- To Amortized Costs

The fair value on the reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

- Reclassification of Financial Instruments at 'Fair value through other comprehensive income'
- To Fair value through profit or loss

The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

- To Amortized Costs

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and used to adjust the reclassified fair value. The adjusted amount becomes the amortized cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

- Reclassification of Financial Instruments at 'Amortized Costs'
- To Fair value through other comprehensive income

The asset is remeasured to fair value, with any difference recognized in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

The fair value on the reclassification date becomes the new carrying amount. The difference between amortized cost and fair value is recognized in profit and loss.

3.C.IV) DERECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognized when the contractual right to receive cash flows from the asset has expired; or when Bank has transferred its contractual right to receive the cash flows of the financial assets, and either –

- Substantially all the risks and rewards of ownership have been transferred;

or

- Bank has neither retained nor transferred substantially all the risks and rewards, but has not retained control of the financial asset.

3.C.V) FAIR VALUE MEASUREMENT

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active, if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank based on the net exposure to either market or credit risk are measured based on a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities based on the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as the end of the reporting period during which the change has occurred.



3.C.VI) IDENTIFICATION AND MEASUREMENT OF ECL

Policy applicable

Recognition of ECL of Financial Assets

The Bank recognizes loss allowances for Expected Credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No ECL is recognized on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Bank considers debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. 12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components: The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Modification of Financial Assets.

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in the forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in the derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification

a Any costs or fees incurred and modification fees received b adjust the gross carrying amount of the modified financial assets amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with ECL. In other cases, it is presented as interest income calculated using the effective interest rate method.



Accounting Policies

Write-off of Financial Assets

The Bank writes off a loan or an investment debt security, and any related allowances for ECL, when Bank determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

3.D) FINANCIAL LIABILITIES

3.D.I) RECOGNITION AND MEASUREMENT OF FINANCIAL LIABILITIES

Policy applicable

On initial recognition, the Bank classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortized cost; and
- Financial liabilities at fair value through profit or loss,

Classification and Subsequent Measurement of Financial Liabilities

The subsequent measurement of financial liabilities depends on their classification.

- Financial Liabilities at Amortized Cost

Financial Liabilities issued by the Bank that are not designated at fair value through profit or loss are recognized initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. After initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposit and debentures are classified as financial liabilities measured at amortized cost.

The EIR amortization is included in 'Interest expense' in the Income Statement. Gains and losses too are recognized in the Income Statement when the liabilities are derecognized as well as through the EIR amortization process.

- Financial Liabilities at Fair Value through Profit or Loss
- Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes

3.D.II) DERECOGNITION OF FINANCIAL LIABILITIES

Bank derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3.D.III) DUE TO BANKS, CUSTOMERS, DEBT SECURITIES ISSUED AND OTHER BORROWING

Financial liabilities are recognized when Bank enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of financial liabilities is at amortized cost, using the effective interest method to amortize the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

3.D.IV) PROVISIONS

Provisions are recognized when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation.

3.D.V) SALE AND REPURCHASE AGREEMENTS

When securities are sold subject to a commitment to repurchase them at a predetermined price ("repos"), they remain on the statement of financial position and a liability is recorded in respect of the consideration received.

Securities purchased under commitments to sell ("reverse repos") are not recognized on the statement of financial position and the consideration paid is recorded in "Financial assets at amortized cost - Loans to and receivables from banks", "Financial assets at amortized cost - Loans to and receivables from other customers" as appropriate. The difference between the sale and repurchase price is treated as interest and recognized over the life of the agreement for loans and advances to banks and customers.

3.E) RETIREMENT BENEFITS

RETIREMENT BENEFITS

Defined benefit plans, Provision is made in the Accounts for retirement gratuities payable under the payment of Gratuities Act No.12 of 1983 for employees from the time of joining the bank and provision for special gratuity as per CBEU collective agreement for special employees who have completed more than 15 years using Actuarial valuation. The item is grouped under other liabilities in the Statement of Financial position.



RETIREMENT BENEFITS – DEFINED CONTRIBUTION PLANS

Employee provident fund

The Bank and employees contribute to the Employee's Provident Fund at 12% and 8% on the salaries of each employee, respectively to the Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

The Bank contributes at the rate of 3% of the salaries of each employee to the Employees Trust Fund managed by Employee Trust Fund Board.

3.F) OTHER LIABILITIES

Other liabilities include fees, expenses and amounts payable for gratuity/pensions and other provisions. These liabilities are recorded at amounts expected to be payable at the Financial Position date.

3.G) REVENUE RECOGNITION

Interest Income on Loans and Advances

Interest income is recognized on an accrual basis for all loans using the effective interest rate method.

Overdue Interest Income

Overdue interest for late payment of loan installment is recognized on a cash basis for the loans except for EPF Loans.

3.H) EXPENSES

Interest on Deposits, Borrowings

In terms of the provisions of the Sri Lanka Accounting Standard (LKAS) No. 39 borrowings are recognized on an effective interest rate method and charged to the income statement.

Other Expenses

All expenditures incurred in operations and in maintaining the Properties, Plants and Equipment in a state of efficiency are charged to the Income statement in arriving at the profit or loss for the year and are recognized on an accrual basis.

3.I) TAXATION

Income tax expense comprises the net of current year tax and deferred tax. Income tax expense is recognized in the Income Statement except to the extent it relates to items recognized directly in Equity in which case it is recognized in Equity.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the tax authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the Statement of Financial Position date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and expense as required by the Sri Lanka Accounting Standard (LKAS) No. 12 on "Income Taxes".

Deferred Taxation

Deferred taxation is provided on the liability method. The tax effect of timing difference which occurs when items are allowed for income tax purposes in a period different from when they are recognized in financial statements is included in the provision for deferred tax at the current rate of taxation.

Value-Added Tax on Financial Services

The basis for the computation of Value Added Tax on Financial Services is the accounting profit before Emoluments are paid to employees and income tax, which is adjusted for the depreciation computed on prescribed rates. The amount of Value Added Tax charged in determining the profit for the period is given in the Financial Statements.

3.J) THE STATEMENT OF CASH FLOW

The Cash Flow Statement has been prepared by using the "Direct Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) No. 7 on 'Statement of Cash Flow', whereby gross cash receipts and gross cash payments on operating activities, investing activities and financing activities are recognized. Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.K) STATUTORY RESERVE FUND

5% of the net profit after tax is transferred to the statutory Reserve fund before all distributions as per CBSL Direction.

3.L) GENERAL RESERVE FUND

10% of the net profit after tax is transferred to the General Reserve fund before dividend distribution as per the HDFC Act.



Accounting Policies

3.M) DIVIDENDS ON ORDINARY SHARES

Dividends on Ordinary Shares are recognized as a liability and deducted from equity when they are approved by the Annual General Meeting. Dividends on Ordinary Shares for the year that are recommended by the Directors after the Statement of Financial Position date for approval of the Shareholders at the Annual General Meeting are disclosed separately to the Financial Statements.

3.N) EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Bank by the weighted-average number of Ordinary Shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to the Ordinary Shareholders by the weighted-average number of Ordinary Shares outstanding adjusted for the effects of all dilutive potential Ordinary Shares.

3.O) INVENTORY VALUATION

The consumable stocks are recorded at cost and the issues of inventory items are based on the first in first out (FIFO) method.

3.P) INTEREST IN OTHER ENTITIES

No material interest in other entities as at the balance sheet date.

3.Q) SLFRS 16 LEASES

The right to use assets are reflected in the assets which the bank has acquired on operational lease and the discounting rate used is the financial cost of fund of the bank in 2019 initially and thereafter, the respective cost of fund used before the month of the lease agreement signed on a cumulative basis during the period.

The useful life of the assets is the period of the lease agreement, and the depreciation method is the straight-line method over the useful life of the assets.

The depreciation provided using the straight-line method is debited to the income statement under depreciation and amortized cost. The finance cost which arose using the discounting rate debited to the income statement and grouped under interest cost.

3. R) FOREIGN CURRENCY TRANSLATION - TRANSACTIONS AND BALANCES

Monetary assets and liabilities denominated in foreign currencies are retranslated to Sri Lankan Rupees using the spot rate of exchange prevailing at the reporting date. All differences arising on nontrading activities are taken to 'Other Operating Expenses' in Profit or Loss.



NOTES TO THE FINANCIAL STATEMENTS

4. NET INTEREST INCOME

In Rupees	2024	2023
Interest income		
Cash and cash equivalents	-	-
Balances with central banks	-	-
Placements with banks	3,141,922	3,827,768
Derivative financial instruments	-	-
Financial assets recognized through profit or loss		
- measured at fair value	-	-
- designated at fair value	-	-
Financial assets at amortised cost		
- loans and advances	5,835,844,399	6,739,184,308
- debt and other instruments	556,408,236	3,298,193,586
Financial assets measured at fair value through other comprehensive income	1,428,500,654	1,021,863,883
Reverse repo with primary dealers	345,849,448	131,881,618
Total interest income	8,169,744,660	11,194,951,163
Interest expenses		
Due to banks	47,979,242	172,217,990
Derivative financial instruments	-	-
Financial liabilities recognized through profit or loss		
- measured at fair value	-	-
- designated at fair value	-	-
Financial liabilities at amortised cost		
- due to depositors	5,043,003,112	8,418,658,670
- due to debt securities holders	202,053,135	201,774,991
- due to other borrowers	50,205,093	46,138,142
Others	44,754,218	44,828,487
Total interest expenses	5,387,994,800	8,883,618,281
Net interest income	2,781,749,859	2,311,332,883

In year 2023, interest income was adjusted with the estimation error of Rs. 150 Mn due to penal interest recognised above the CBSL maximum limit.

A. NET INTEREST INCOME FROM SRI LANKA GOVERNMENT SECURITIES

In Rupees	2024	2023
Interest income	1,829,090,379	4,167,677,268
Less: Interest expenses	-	-
Net interest income	1,829,090,379	4,167,677,268



Notes to the Financial Statements

5. NET FEE AND COMMISSION INCOME

In Rupees	2024	2023
Fee and commission income	330,337,224	352,723,810
Fee and commission expenses	-	-
Net fee and commission income	330,337,224	352,723,810
Comprising		
Loans	234,102,536	206,182,154
Cards	7,575,628	4,960,280
Trade and remittances	-	-
Investment banking	-	-
Deposits account	74,396,291	131,822,498
Guarantees	18,136	18,491
Others	14,244,633	9,740,387
Net fee and commission income	330,337,224	352,723,810

6. NET GAIN/(LOSS) FROM TRADING

In Rupees	2024	2023
Foreign exchange	-	-
- From banks	-	-
- From other customers	-	-
Fixed income securities	-	-
Equity securities	-	-
Derivative financial instruments	-	-
Treasury Bond	-	2,660,959,818
Total	-	2,660,959,818

7. NET FAIR VALUE GAINS/(LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In Rupees	2024	2023
Gains on financial assets at fair value through profit or loss	-	-
Losses on financial assets at fair value through profit or loss	-	-
Gains on financial liabilities at fair value through profit or loss	-	-
Losses on financial liabilities at fair value through profit or loss	-	-
Total	-	-

8. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS

In Rupees	2024	2023
Recognised at:		
Fair value through other comprehensive income	-	-
Total	-	-



9. NET OTHER OPERATING INCOME

In Rupees	2024	2023
Gain/(Loss) on investment properties	-	119,500,000
Gain/(Loss) on sale of property, plant and equipment	6,287,460	327,871
Gain/(Loss) on revaluation of foreign exchange	-	-
Recovery of loans written-off	-	-
Less: Loans written off	-	-
Dividend income	268,900	179,520
Total	6,556,360	120,007,391

10. IMPAIRMENT CHARGES

In Rupees	2024	2023
Placement with banks		
Stage 1	(1,573)	(120,540)
Financial assets at amortised cost - loans and advances (Note 21(b))		
Stage 1	4,019,394	38,972,365
Stage 2	(68,265,769)	81,753,587
Stage 3	341,297,247	386,115,221
Financial assets at amortised cost – debt instruments (Note 22(b))		
Stage 1	(712,059)	(41,449,449)
Stage 2	-	-
Stage 3	-	1,543,675
Financial assets measured at fair value through other comprehensive income (Note 23(b))		
Stage 1	-	-
Stage 2	-	-
Stage 3	-	-
Contingent liabilities & commitments (Note 45(a))		
Stage 1	-	-
Stage 2	-	-
Stage 3	-	-
Investment in subsidiaries (Note 24(a))	-	-
Investments in associates and joint ventures (Note 25(a))	-	-
Property, plant and equipment (Note 26(c))	-	-
Investment properties (Note 27(b))	-	-
Special gold loan loss	1,669,570	-
Total	278,006,812	466,844,859



Notes to the Financial Statements

11. PERSONNEL EXPENSES

In Rupees	2024	2023
Salary and bonus(Note 9.1)	1,075,100,076	899,998,396
Non-statutory special payments to Directors/CEO and KMP at the termination of employment or at the retirement	-	-
Contributions to defined contribution/benefit plans	148,301,211	134,115,272
Provision for defined benefit obligations (Note 36)	160,260,780	176,587,412
Share based expenses	-	-
Ex- Gratia to Key Management Personnel	-	6,729,832
Ex- Gratia to other than KMPs	544,711	125,925,930
Others	262,171,694	240,696,518
Total	1,646,378,472	1,584,053,360

12. OTHER EXPENSES

In Rupees	2024	2023
Directors' emoluments	4,559,333	3,665,333
Auditors' remunerations	3,122,870	3,561,060
Non-audit fees to auditors	-	-
Professional and legal expenses	37,904,488	21,440,195
Office administration and establishment expenses	122,550,479	121,908,695
Transport and allied expenses	17,179,647	14,836,322
Printing and Postage	50,241,506	46,245,209
Insurance and Security	95,812,105	102,474,961
Fine & Surcharge	-	1,000,000
Business Development and Advertising	21,409,221	21,986,508
Computer License	104,828,073	87,748,201
Others	151,672,047	141,452,276
Total	609,279,768	566,318,760

13. INCOME TAX EXPENSES

In Rupees	2024	2023
Current tax expense		
Current year	209,797,929	852,675,255
Prior years' provision	52,013,693	(56,049,621)
Deferred tax expense	-	-
Effect of change in tax rates	-	-
Temporary differences	(7,285,658)	(64,540,784)
Prior years' provision	-	-
Total	254,525,963	732,084,850

a. INCOME TAX RECONCILIATION

In Rupees	2024	2023
Amounts Recognised in Profit or Loss	254,525,963	732,084,848
Amounts Recognised in Other Comprehensive Income	(39,353,155)	15,027,819
	215,172,808	747,112,667



b. AMOUNTS RECOGNISED IN PROFIT OR LOSS

In Rupees	2024	2023
Current Tax Expense		
Tax on current year's profits	209,797,929	852,675,255
(Over)/ under provision in respect of previous years	52,013,693	(56,049,621)
	261,811,622	796,625,634
Deferred Tax Expense		
Charge/ (reversal) on temporary differences	(7,285,658)	(64,540,784)
Impact on changes in tax rates	-	-
	(7,285,658)	(64,540,784)
Total income tax expense recognised in profit or loss	254,525,963	732,084,850

c. AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

In Rupees	2024	2023
Deferred Tax Expense		
Charge/ (reversal) on temporary differences	(39,353,155)	15,027,819
Impact on changes in tax rates	-	-
Total income tax expense recognised in other comprehensive income	(39,353,155)	15,027,819

d. CHANGE TO DEFERRED TAX CHARGE/ (REVERSAL) RECOGNISED ON OTHER COMPREHENSIVE INCOME DERIVED FROM DEFERRED TAX ASSETS

Year	2024	2023
Deferred tax assets	-	-
Deferred tax charge/ (reversal) to Other Comprehensive Income	-	-

e. RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSES

In Rupees	2024	2023
Profit/(loss) before tax	63,869,761	2,034,286,750
Disallowable expenses for tax Purpose	958,527,516	1,414,599,724
Allowable expenses for tax Purpose	(323,070,845)	(602,890,277)
Income tax for the period (Accounting profit @ applicable tax rate)	19,160,928	609,162,421
Adjustment in respect of current income tax of prior periods	52,013,693	(56,049,621)
Deferred Tax	(7,285,658)	(64,540,784)
Add: Tax effect of expenses that are not deductible for tax purposes	287,558,255	424,379,917
(Less): Tax effect of expenses that are deductible for tax purposes	(96,921,254)	(180,867,083)
Tax on Current Year Profit	209,797,930	852,675,255
Tax expense for the period	254,525,963	732,084,850
Effective Tax Rate with Deferred Tax	317%	39%
Effective Tax Rate(on Current Year Tax)	328%	42%



Notes to the Financial Statements

F. THE DEFERRED TAX (CREDIT)/CHARGE IN THE INCOME STATEMENT COMPRISE OF THE FOLLOWING

In Rupees	2024	2023
Deferred tax assets	157,592	97,529,731
Deferred tax liabilities	(7,443,250)	32,988,947
Other temporary differences	-	-
Deferred tax (credit)/charge to income Statement	(7,285,658)	(64,540,784)

14. EARNINGS PER SHARE

In Rupees	2024	2023
Net profit attributable to ordinary equity holders	(190,656,202)	1,302,201,902
Adjust:		
Interest on preference shares	-	-
Interest on convertible bonds	-	-
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	-	-
Weighted average number of ordinary shares for basic earnings per share	64,710,520	64,710,520
Effect of dilution	-	-
Convertible bonds	-	-
Convertible preference shares	-	-
Others	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	-	-
Basic earnings per ordinary share (Rs.)	(2.95)	20.12
Diluted earnings per ordinary share (Rs.)	(2.95)	20.12

15 A. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS – AS AT 31.12.2024

In Rupees - Bank	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
ASSETS				
Cash and cash equivalents	324,619,439	-	-	324,619,439
Balances with central banks	-	-	-	-
Placements with banks	36,283,124	-	-	36,283,124
Derivative financial instruments	-	-	-	-
Loans and advances	40,130,468,733	-	-	40,130,468,733
Financial assets measured at Amortised Cost	17,697,880,565	-	-	17,697,880,565
Financial assets measured at fair value through other comprehensive income	-	-	4,739,113,040	4,739,113,040
Equity instruments	-	-	-	-
Total financial assets	58,189,251,860	-	4,739,113,040	62,928,364,900
Other Assets	-	-	-	2,514,994,686
Total assets	58,189,251,860	-	4,739,113,040	65,443,359,587



In Rupees	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Other	Total
LIABILITIES				
Due to banks	566,485,896	-	-	566,485,896
Derivative financial instruments	-	-	-	-
Financial liabilities	-	-	-	-
- due to depositors	52,005,315,939	-	-	52,005,315,939
- due to debt security holders	1,427,189,326	-	-	1,427,189,326
- due to other borrowers	1,896,666,173	-	-	1,896,666,173
Total financial liabilities	55,895,657,333	-	-	55,895,657,333
Non Financial Liabilities	-	-	-	1,834,723,021
Equity	-	-	-	7,712,979,230
Total liabilities & Equities	55,895,657,333	-	-	65,443,359,584

B. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS – AS AT 31.12.2023

In Rupees - Bank	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
ASSETS				
Cash and cash equivalents	237,281,596	-	-	237,281,596
Balances with central banks	-	-	-	-
Placements with banks	33,313,701	-	-	33,313,701
Derivative financial instruments	-	-	-	-
Loans and advances	41,009,685,622	-	-	41,009,685,622
Financial assets measured at Amortised Cost	7,162,774,257	-	-	7,162,774,257
Financial assets measured at fair value through other comprehensive income	-	-	16,814,671,833	16,814,671,833
Equity instruments	-	-	-	-
Total financial assets	48,443,055,175	-	16,814,671,833	65,257,727,008
Other Non Financial Assets	-	-	-	2,475,352,018
Total assets	48,443,055,175	-	16,814,671,833	67,733,079,024



Notes to the Financial Statements

In Rupees - Bank	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
LIABILITIES				
Due to banks	799,829,802	-	-	799,829,802
Derivative financial instruments	-	-	-	-
Financial liabilities at amortised cost	-	-	-	-
- due to depositors	53,613,103,535	-	-	53,613,103,535
- due to debt security holders	1,425,438,591	-	-	1,425,438,591
- due to other borrowers	1,806,776,576	-	-	1,806,776,576
Total financial liabilities	57,645,148,504	-	-	57,645,148,504
Non Financial Liabilities	-	-	-	2,092,471,072
Equity	-	-	-	7,995,459,449
Total liabilities & Equity	57,645,148,504	-	-	67,733,079,021

16. CASH AND CASH EQUIVALENTS

In Rupees	2024	2023
Cash in hand	174,104,903	96,476,085
Balances with banks	150,514,536	140,805,511
Money at call and short notice	-	-
Total	324,619,439	237,281,596

17. BALANCES WITH CENTRAL BANKS

In Rupees	2024	2023
Statutory balances with central banks		
- Central bank of Sri Lanka	-	-
- Other central banks	-	-
Non-statutory balances with central banks		
- Central bank of Sri Lanka	-	-
- Other central banks	-	-
Total balances with central banks	-	-

18. PLACEMENTS WITH BANKS – SRI LANKA

In Rupees	2024	2023
Sampath Bank PLC	36,288,005	33,320,155
Impairment for expected credit losses	(4,881)	(6,454)
Total	36,283,124	33,313,701



19. DERIVATIVE FINANCIAL INSTRUMENTS

In Rupees	2024	2023
Interest rate derivatives		
Interest rate swaps	-	-
Interest rate futures	-	-
Interest rate options	-	-
Others	-	-
Foreign currency derivatives		
Currency swaps	-	-
Forward foreign exchange contracts	-	-
Others	-	-
Others	-	-
Total	-	-

20. FINANCIAL ASSETS RECOGNIZED THROUGH PROFIT OR LOSS

In Rupees	2024	2023
Measured at fair value		
Sri Lanka Government Securities		
Equity securities	-	-
Corporate debt securities	-	-
Others	-	-
Sub total	-	-
Designated at fair value		
Sri Lanka Government Securities		
Equity securities	-	-
Corporate debt securities	-	-
Others	-	-
Sub total	-	-
Total	-	-

a. ANALYSIS

In Rupees	2024	2023
By collateralisation		
Pledged as collateral	-	-
Unencumbered	-	-
Gross total	-	-
By currency		
Sri Lankan Rupee	-	-
United States Dollar	-	-
Gross total	-	-



Notes to the Financial Statements

21. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES

In Rupees	2024	2023
Gross loans and advances		
Stage 1	16,938,320,311	18,355,914,633
Stage 2	5,258,788,065	6,317,369,075
Stage 3	21,029,188,548	18,948,624,518
	43,226,296,923	43,621,908,225
(Less): Accumulated impairment & IIS	-	0.00
Stage 1	(288,972,714)	(284,953,320)
Stage 2	(211,411,306)	(279,677,075)
Stage 3	(2,027,135,168)	(1,685,837,921)
IIS	(568,309,002)	(361,754,287)
	(3,095,828,191)	(2,612,222,603)
Net loans and advances	40,130,468,733	41,009,685,622

A. ANALYSIS OF GROSS LOANS AND ADVANCES

In Rupees	2024	2023
By product		
Overdrafts	-	-
Trade finance	-	-
Lease receivable	596,295,503	650,341,732
Credit cards	-	-
Pawning	1,438,850,304	1,000,104,689
Staff loans	1,817,725,503	1,718,027,674
Term loans	-	-
Short-term	-	-
Long-term	39,373,425,613	40,173,393,980
Others	-	-
Sri Lanka Government Securities	-	-
Others	-	-
Gross total	43,226,296,923	43,541,868,075
By currency		
Sri Lankan Rupee	43,226,296,923	43,541,868,075
United States Dollar	-	-
Great Britain Pound	-	-
Others	-	-
Gross total	43,226,296,923	43,541,868,075
By industry		
Agriculture and fishing	3,832,185,701	4,661,307,441
Manufacturing	6,069,153,788	3,824,696,595
Tourism	507,086,406	238,059,210
Transport	3,340,797,747	2,140,071,083
Construction	15,316,981,455	23,937,924,215
Traders	2,634,025,928	1,407,314,207
New economy	684,334,928	6,700,198,249
Others	10,779,927,734	632,297,076
Gross total	43,226,296,923	43,541,868,075



b. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2024	2023
Stage 1		
Opening balance as at 01/01	284,953,320	245,980,955
Charge/(Write back) to income statement	4,019,394	38,972,365
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12	288,972,714	284,953,320
Stage 2		
Opening balance as at 01/01	279,677,075	197,923,488
Charge/(Write back) to income statement	(68,265,769)	81,753,587
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12	211,411,306	279,677,075
Stage 3		
Opening balance as at 01/01	1,685,837,921	1,563,135,618
Charge/(Write back) to income statement	341,297,247	385,045,174
Write-off during the year	-	-
Other movements	-	(262,342,870)
Closing balance at 31/12	2,027,135,168	1,685,837,921
Total Expected Credit Loss Allowance on Loans and Advances	2,527,519,189	2,250,468,316

c. LEASE RENTALS RECEIVABLE (DISCLOSE AS PER SLFRS 16)

In Rupees	2024	2023
Lease rentals receivable within one year	266,392,072	290,536,957
Lease rentals receivable one to five years	328,951,046	358,766,068
Lease rentals receivable more than five years	952,385	1,038,706
Total	596,295,503	650,341,732

22. FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER INSTRUMENTS

In Rupees	2024	2023
Sri Lanka Government securities		
Treasury Bills	10,697,444,096	3,659,271,382
Treasury Bonds	1,804,925,199	1,830,657,582
Corporate debt instruments	1,756,644,406	1,752,623,638
Trust certificates	-	-
Reverse Repo	3,517,933,151	-
Impairment for expected credit losses	(79,066,286)	(79,778,344)
Total	17,697,880,565	7,162,774,257



Notes to the Financial Statements

A. ANALYSIS

In Rupees	2024	2023
By Collateralisation		
Pledged as collateral	-	-
Unencumbered	-	-
Gross total	-	-
By currency		
Sri Lankan Rupee	-	-
United States Dollar	-	-
Other	-	-
Gross total	-	-

B. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2024	2023
Stage 1		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		
Stage 2		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		
Stage 3		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In Rupees	2024	2023
Sri Lanka Government Securities	4,739,113,040	16,814,671,833
Equity securities	-	-
Corporate debt securities	-	-
Others	-	-
(Less): Impairment	-	-
Net financial assets at fair value through other comprehensive income	4,739,113,040	16,814,671,833



A. ANALYSIS

In Rupees	2024	2023
By collateralisation		
Pledged as collateral	-	-
Unencumbered	4,739,113,040	16,814,671,833
Gross total	4,739,113,040	16,814,671,833
By currency		
Sri Lankan Rupee	4,739,113,040	16,814,671,833
United States Dollar	-	-
Others	-	-
Gross total	4,739,113,040	16,814,671,833

B. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2024	2023
Stage 1		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		
Stage 2		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		
Stage 3		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		

24. INVESTMENTS IN SUBSIDIARIES

In Rupees	2024	2023
Quoted equity investments	-	-
Unquoted equity investments	-	-
(Less): Impairment	-	-
Net total	-	-



Notes to the Financial Statements

A. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2024	2023
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Net write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In Rupees	2024	2023
Associates	-	-
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
Sub total	-	-
Joint Ventures	-	-
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
Sub total	-	-
Total	-	-

Note: Please provide details of associates and joint ventures separately

A. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2024	2023
Associates	-	-
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Net write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-
Joint Ventures	-	-
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Net write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-



26. PROPERTY, PLANT AND EQUIPMENT

A. PROPERTY, PLANT AND EQUIPMENT - BANK

In Rupees

Description	Freehold Land and Buildings	Leasehold Properties	Computer Hardware	Office Equipment, Furniture and Fittings	Others	Total
2024 (Current year)						
Cost/fair value						
Opening balance at 01/01/2024	17,575,000	-	262,888,630	442,211,648	133,111,413	855,786,691
Additions	-	-	9,786,721	8,382,425	0	18,169,146
Disposals	-	-	3,175,100	4,085,922	5,325,000	12,586,022
Exchange rate variance	-	-	-	-	-	-
Adjustments/Transfer	-	-	-	-	(2,485,875)	(2,485,875)
Closing balance at 31/12/2024	17,575,000	-	269,500,251	446,508,151	125,300,538	858,883,940
(Less): Accumulated depreciation/Amortization						
Opening balance at 01/01/2024	6,743,100	-	164,406,000	333,697,109	128,365,861	633,212,070
Charge for the year	518,700	-	23,071,113	26,039,317	1,284,404	50,913,535
Additions	-	-	-	-	-	-
Disposals	-	-	3,105,042	4,009,877	5,325,000	12,439,919
Exchange rate variance	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
Closing balance at 31/12/2024	7,261,800	-	184,372,071	355,726,549	124,325,265	671,685,686
(Less): Impairment	-	-	-	-	-	-
Net book value at 31/12/2024	10,313,200	-	85,128,180	90,781,602	975,273	187,198,254
Market value at 31/12/2024						
2023 (Previous year)						
Cost/fair value						
Opening balance at 01/01/2023	17,575,000	-	253,315,746	431,493,492	132,668,431	835,052,669
Additions	-	-	20,846,010	15,696,710	442,981	36,985,702
Disposals	-	-	11,273,126	4,978,555	-	16,251,681
Exchange rate variance	-	-	-	-	-	-
Adjustments/Transfer	-	-	-	-	-	-
Closing balance at 31/12/2023	17,575,000	-	262,888,630	442,211,648	133,111,413	855,786,691
(Less): Accumulated depreciation/Amortization						
Opening balance at 01/01/2023	6,224,400	-	152,343,832	309,582,622	123,905,557	592,056,411
Charge for the year	518,700	-	22,999,640	28,805,989	4,460,302	56,784,631
Additions	-	-	-	-	-	-
Disposals	-	-	10,937,472	4,691,502	-	15,628,974
Exchange rate variance	-	-	-	-	-	-
Adjustments/Transfer	-	-	-	-	-	-
Closing balance at 31/12/2023	6,743,100	-	164,406,000	333,697,109	128,365,859	633,212,068
(Less): Impairment	-	-	-	-	-	-
Net book value at 31/12/2023	10,831,900	-	98,482,630	108,514,538	4,745,554	222,574,623
Market value at 31/12/2023						



Notes to the Financial Statements

A. FULLY DEPRECIATED AND DEPRECIABLE PROPERTY, PLANT AND EQUIPMENT INCLUDE AMORTIZATION ON INTANGIBLE ASSETS

	Fully depreciated	Depreciating	Total
in 2024			
Free hold PPE			
Land and Buildings	-	7,780,500	7,780,500
Computer Hardware	86,217,860	176,670,770	262,888,630
Computer Software	96,859,370	294,571,756	391,431,126
Office Equipment, Furniture and Fittings	205,559,566	236,652,081	442,211,648
Plant and Machinery	41,186,561	5,109,599	46,296,159
Tools	81,695	56,036	137,731
Motor Vehicle	84,191,648	-	84,191,648
Free hold PPE Total	514,096,699	720,840,743	1,234,937,442
Leased hold PPE			
Motor Vehicle	-	-	-
Leased hold PPE Total	-	-	-
Total Fully depreciated and depreciable PPE	514,096,699	720,840,743	1,234,937,442
in 2023			
Free hold PPE			
Land and Buildings	-	7,780,500	7,780,500
Computer Hardware	86,217,860	176,670,770	262,888,630
Computer Software	96,859,370	294,571,756	391,431,126
Office Equipment, Furniture and Fittings	205,559,566	236,652,081	442,211,648
Plant and Machinery	41,186,561	5,109,599	46,296,159
Tools	81,695	56,036	137,731
Motor Vehicle	84,191,648	-	84,191,648
Free hold PPE Total	514,096,699	720,840,743	1,234,937,442
Leased hold PPE			
Land and Buildings	-	-	-
Motor Vehicle	-	-	-
Leased hold PPE Total	-	-	-
Total Fully depreciated and depreciable PPE	514,096,699	720,840,743	1,234,937,442

B. INFORMATION ON FREE HOLD LAND AND BUILDING OF BANK

Location	Extent	Building - Square feet	Net Book Value	No. of Buildings	Market Value
Kalutara Branch - No. 13, Gnanodaya Mw, Kalutara South, Kalutara.	P 7.53	3,953	10,313,200	1	55,000,000

Date of Valuation	23rd January 2024
Name of the Valuer	D.L. Samarasinghe ,AIV(SL)
Qualification of the Valuer	Incorporated Independent Valuer



c). Temporarily Idle Property, Plant and Equipment

There was no idle property, plant and equipment as at 31st December 2024 (2023: NIL).

d). Property, Plant and Equipment Retired from Active Use

There was no Retired from Active Use property, plant and equipment as at 31st December 2024 (2023: NIL).

e). Title Restriction on Property, Plant and Equipment

There were no restrictions on the title of property, plant and equipment as at 31st December 2024 (2023: NIL).

f). Property, Plant and Equipment Pledged as Security against Liabilities

There were no items of property, plant and equipment pledged as securities against liabilities as at 31st December 2024 (2023: NIL).

g). Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensations received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up as at 31st December 2024 (2023: NIL).

h) All fully depreciated assets are used for the bank's operations.

HDFC Bank was depreciated its' assets on a straight-line basis over the estimated lives of different types of assets. As per the depreciation policy annual depreciation is provided depreciation for the year of use and no is provided for the year of disposal. The Bank has deviated from the section 55 of the LKAS 16, in consideration of the practical difficulties of calculating depreciation from the date of use of different classes of assets.

From year begin from 01-01-2024 onwards bank change its 'current practice and depreciation policy in line with the standard. So, commence from 01-01-2024 depreciation computation done prospectively.

27. INTANGIBLE ASSETS (IN RUPEES)

In Rupees	Computer Software Local	Computer Software Foreign	Core Banking & Core Banking Realated Software	Total
2024				
Cost				
Opening balance at 01/01/2024	41,229,788	105,474,949	246,623,189	393,327,926
Additions	4,604,613	-	3,450,000	8,054,613
Closing balance at 31/12/2024	45,834,401	105,474,949	250,073,189	401,382,539
(Less): Accumulated Amortization				
Opening balance at 01/01/2024	-	-	-	-
Charge for the year	34,381,923	93,870,813	163,179,966	291,432,702
Closing balance at 31/12/2024	5,697,042	6,855,278	31,754,518	44,306,839
Net book value at 31/12/2024	40,078,965	100,726,091	194,934,484	335,739,541
(Less): Impairment	-	-	-	-
Net book value at 31/12/2024	5,755,436	4,748,858	55,138,704	65,642,998
2023				
Cost				
Opening balance at 01/01/2023	39,182,988	104,614,295	246,623,189	390,420,472
Additions	2,046,800	860,654	-	2,907,454
Closing balance at 31/12/2023	41,229,788	105,474,949	246,623,189	393,327,926
(Less): Accumulated Amortization				
Opening balance at 01/01/2023	-	-	-	-
Charge for the year	28,775,857	87,015,537	131,425,448	247,216,842
Closing balance at 31/12/2023	5,606,066	6,855,276	31,754,518	44,215,860
Net book value at 31/12/2023	34,381,923	93,870,813	163,179,966	291,432,702
Net book value at 31/12/2023	6,847,866	11,604,136	83,443,223	101,895,224



Notes to the Financial Statements

A. FULLY AMORTIZED AND AMORTIZABLE INTANGIBLE ASSETS

Intangible assets	Fully Amortized	Amortizable	Total
Computer Software Local	18,805,526	20,527,463	39,332,988
Computer Software Foreign	78,053,844	27,421,105	105,474,949
Core Banking Software	-	246,623,189	246,623,189
Total	96,859,370	294,571,756	391,431,126

b. There were no restriction on the title of the intangible assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

28. RIGHT OF USE ASSETS

In Rupees	2024	2023
ROUA net of Depreciation	262,449,082	304,420,217
Total	262,449,082	304,420,217

SLFRS 16 - "Leases", requires lessee to recognise all leases on their Statement of Financial Position as lease liabilities with the corresponding right-of-use assets w.e.f. 01.01.2019.

LEASES AS LESSEE

The Bank has obtained certain branches and office premises under Lease. The leases generally run for a period of 10 years, with an option to renew the lease after that date.

B. RIGHT OF USE ASSETS

In Rupees	2024	2023
Balance as at 01/01	304,420,217	367,323,891
Additions during the year with opening adjustments	35,572,669	11,565,112
Prepayments	-	2,310,000
Less: Amortisation charge for the year	(77,543,805)	(76,778,786)
Balance as at 31/12	262,449,082	304,420,217

29. INVESTMENT PROPERTIES (IN RUPEES)

A. INVESTMENT PROPERTIES AT FAIR VALUE

The Bank has subsequent measured its Investment Properties at fair value. The reconciliation shows the carrying amount of the investment properties as of the reporting date.

In Rupees	2024	2023
Opening balance at 01/01	1,284,000,000	1,284,000,000
Additions	-	-
Disposals	-	-
Exchange rate variance	-	-
Adjustments	-	-
Closing balance at 31/12	1,284,000,000	1,284,000,000



There were no direct expenses incurred for the properties in the financial year.

In Rupees	2024	2023
Fair value		
Opening balance at 01/01/	1,284,000,000	1,284,000,000
Additions(Valuation Gain)	-	-
Disposals	-	-
Exchange rate variance	-	-
Adjustments	-	-
Closing balance at 31/12/	1,284,000,000	1,284,000,000
(Less): Accumulated depreciation		
Opening balance at 01/01/	-	-
Charge for the year	-	-
Additions	-	-
Disposals	-	-
Exchange rate variance	-	-
Adjustments	-	-
Closing balance at 31/12/	-	-
(Less): Impairment	-	-
Net book value at 31/12	1,284,000,000	1,284,000,000
Market value at 31/12	1,284,000,000	1,284,000,000

B. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2024	2023
Opening balance at 01/01/	-	-
Charge/ (Write back) to income statement	-	-
Net write-off during the year	-	-
Exchange rate variance and other adjustments	-	-
Closing balance at 31/12	-	-

C. INVESTMENT PROPERTIES VALUATION DETAILS

In Rupees	Bank			
Location	Extent (Perches)	Deed No.	2024	2023
No; 441 Sangarajah Mw,Kotahena,Aluthkade East (Number buildings - 00, Valuation date - 21st January 2024, Valuation method - Direct comparison method)	59.20	1127	325,000,000	325,000,000
No. 192 Srimath Bandaranayake Mw,,Kotahena Colombo 13. (Number buildings - 05 - Decayed & Dilapidated , Valuation date - 21st January 2024, Valuation method - Direct comparison method)	123.20	1124	838,000,000	838,000,000
No. 192 (Part) Sri Sangarajah Mawatha,Kotahena Colombo 13. (Number buildings - 01 - Decayed & Dilapidated, Valuation date - 21st January 2024, Valuation method - Direct comparison method)	15.00	1126	102,000,000	102,000,000
Avissawella -Housing Project (Number buildings - 00, Valuation date - 24th January 2024, Valuation method - Potential usage for residential activities)	103.90	1370	19,000,000	19,000,000
Total			1,284,000,000	1,284,000,000



Notes to the Financial Statements

REVALUATION OF LANDS

No 441 Sri Sangaraja Mw, Kotahena, Aluthkade East Deed No. 1127
No.192 Srimath Bandaranayake Mw,,Kotahena Colombo 13.
No.192 (Part) Sri Sangarajah Mawatha,Kotahena Colombo 13.

Name of the Valuer	E.M.C.N. Kumarihami ,AIV(SL)
Qualification of the Valuar	Incorporated Independent Valuer
Valuation Date	31st December 2024

Revaluation of Avissawella Housing Project

Name of the Valuar	W.K.K.A.P. Kodithuwakku,AIV(SL)
Qualification of the Valuar	Incorporated Independent Valuer
Valuation Date	31st December 2024

ANALYSIS OF THE VALUATION - AVISSAWELLA HOUSING PROJECT

The entire land to be valued is 32.70 perches of land and situated within the Urban council of Seethawaka, and 1.4 Km away from Colombo - Ratnapura main road and about 1.5 Km off Awissawella town center.

The survey plan related to these two plots of land has not been approved by the local government. There must be permission to use land for residential purposes and the valuation is based on that. Subject to the relevant approval, the valuation has been done assuming that there is an approval done for these lands. (Subdivision & condominium approvals)

My expectation and exercise are to determine the value of the property and all improvements to the land. Under this caption, all infrastructure such as drains, Roads, Boundary demarcation, Land development, etc. is not separately considered. The rates are adopted considering all the facilities.

The demand in the area is such that it is not difficult to find a suitable purchaser for a property of this nature in case of a forced sale.

In view of the present demand for lands in the locality and considering the location and facilities available, I adopt a rate of Rs.200,000/- per perch for the land. So, the valuation is made considering its potential usage for residential activities.

ANALYSIS OF THE VALUATION - BMC LAND

This approach generally provides the best value estimate for vacant land where the highest and best used would be to raze the existing improvements. Presently to enter this property from main access road through the BMC premises. Current market value indicate that land plots in the area fetch around Rs. 5,000,000 to Rs. 8,500,000 per perch. For the subject site has 30 feet wide road a rate of Rs. 6,800,000 can be adopted.

All the buildings are decayed or dilapidated. Therefore the buildings are not considered in the valuation. Rate per perch was adopted by considering demolition cost and site clearance cost.

On direct comparison method of valuation considering the present trend in the property market and rates are proposed after having taken into consideration the features inherent to subject property, shape, extent of locality, accessibility, nature of development in the vicinity and market conditions.

30. GOODWILL AND INTANGIBLE ASSETS

In Rupees	2024	2023
Goodwill		
Opening balance 01/01/	-	-
Adjustments	-	-
(Less): Impairment	-	-
Sub-total (closing balance at 31/12/)	-	-
Other Intangible Assets	-	-



Opening balance at 01/01/	-	-
Adjustments	-	-
(Less): Impairment	-	-
Sub-total (closing balance at 31/12/)	-	-
Total	-	-

31. NET DEFERRED TAX ASSETS/(LIABILITIES)

In Rupees	2024	2023
Opening balance 01/01/	458,743,340	409,230,375
Charge for the year recognized in		
- profit and loss	85,991,968	34,485,147
- other comprehensive income/Retained Earnings	(39,353,155)	15,027,819
Closing balance 31/12/	505,382,153	458,743,341
Deferred Tax Assets(31.a)	685,049,304	656,679,880
Deferred Tax Liabilities(31.b)	179,667,150	197,936,539
Net Differed Tax Assets/(Liabilities)	505,382,153	458,743,341

A. DEFERRED TAX ASSET

In Rupees	2024	2023
Balance as at 01/01	656,679,880	566,952,314
Reversed/ (Originated) during the year - recognised in profit or loss	(157,592)	97,529,731
Impact due to change in tax rate - recognised in profit or loss	-	-
Reversed/ (Originated) during the year - recognised in other comprehensive income	28,527,015	(7,802,165)
Impact due to change in tax rate - recognised in other comprehensive income	-	-
Balance as at 31/12	685,049,304	656,679,880

B. DEFERRED TAX LIABILITY

In Rupees	2024	2023
Balance as at 01/01	(197,936,540)	(157,721,940)
Reversed/ (Originated) during the year - recognised in profit or loss	7,443,250	(32,988,946)
Impact due to change in tax rate - recognised in profit or loss	-	-
Reversed/ (Originated) during the year - recognised in other comprehensive income	10,826,140	(7,225,654)
Impact due to change in tax rate - recognised in other comprehensive income	-	-
Balance as at 31/12	(179,667,150)	(197,936,540)
Net deferred tax asset/ (liability)	505,382,153	458,743,340

C. AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

In Rupees	2024	2023
Recognized in profit or loss	7,285,658	64,540,785
Recognized in other comprehensive income	39,353,155	(15,027,819)
	46,638,813	49,512,966



Notes to the Financial Statements

D. DEFERRED TAX ASSETS / (LIABILITIES) ARE ORIGINATED DUE TO THE TEMPORARY DIFFERENCE ON FOLLOWING ASSETS AND LIABILITIES.

Composition of Net deferred tax asset/ (liability)	2024		2023	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	LKR	LKR	LKR	LKR
a. Deferred tax asset				
Accelerated depreciation for tax purposes – Property, plant and equipment	5,173,566	1,552,070	1,752,910	525,873
Expected credit loss – loans to and receivable from other customers	(53,707,733)	(16,112,320)	309,058,306	92,717,492
Expected credit loss – Debt and other instruments	(713,631)	(214,089)	(39,996,313)	(11,998,894)
Post employment benefit obligation	58,724,984	17,617,495	51,656,616	15,496,985
Debt instruments at fair value through other Comprehensive Income	-	-	-	-
Right-of-use assets	(10,002,491)	(3,000,747)	2,627,586	788,276
	(525,306)	(157,592)	325,099,104	97,529,731
b. Deferred tax liability				
Accelerated depreciation for tax purposes – Property, plant and equipment	24,810,834	7,443,250	9,536,843	2,861,053
Actuarial Loss - OCI	95,090,050	28,527,015	(26,007,217)	(7,802,165)
Debt instruments at fair value through other Comprehensive Income	36,087,132	10,826,140	(24,085,514)	(7,225,654)
Revaluation Gain on Investment Properties	-	-	(119,500,000)	(35,850,000)
	155,988,016	46,796,405	(160,055,887)	(48,016,766)
Net deferred tax asset/ (liability)	155,462,709	46,638,814	165,043,216	49,512,966

32. OTHER ASSETS

In Rupees	2024	2023
Receivables	117,007,225	48,915,478
Deposits and prepayments	731,331	560,331
Sundry debtors	58,959,959	36,438,674
Others	33,623,683	17,804,129
Total Other Assets	210,322,200	103,718,613

33. DUE TO BANKS

In Rupees	2024	2023
Borrowings	566,485,896	799,829,802
Securities sold under repurchase (repo) Agreements	-	-
agreements	-	-
Others	-	-
Total due to Banks	566,485,896	799,829,802



34. DERIVATIVE FINANCIAL INSTRUMENTS

In Rupees	2024	2023
Interest rate derivatives		
Interest rate swaps	-	-
Interest rate options	-	-
Others	-	-
Foreign exchange derivatives		
Currency swaps	-	-
Forward foreign exchange contracts	-	-
Others	-	-
Others		
Total	-	-

35. FINANCIAL LIABILITIES RECOGNIZED THROUGH PROFIT OR LOSS

In Rupees	2024	2023
Measured at fair value		
Debt securities	-	-
Due to non-bank customers	-	-
Other financial liabilities	-	-
Sub total	-	-
Designated at fair value		
Debt securities	-	-
Due to non-bank customers	-	-
Other financial liabilities	-	-
Sub total	-	-
Total	-	-

36. FINANCIAL LIABILITIES AT AMORTISED COST

In Rupees	2024	2023
Due to depositors	52,005,315,939	53,613,103,535
Debt securities issued by the bank	-	-
Securities sold under repurchase (repo) Agreements	-	-
Others Borrowers	1,615,416,188	1,525,526,578
Total	53,620,732,126	55,138,630,113

a. ANALYSIS OF AMOUNT DUE TO DEPOSITORS

In Rupees	2024	2023
By product		
Demand deposits (current accounts)	-	-
Savings deposits	8,840,324,139	8,546,935,633
Fixed deposits	43,164,991,799	45,066,167,902
Other deposits	-	-
Total	52,005,315,939	53,613,103,535
By currency		
Sri Lanka Rupee	52,005,315,939	53,613,103,535
United States Dollar	-	-
Great Britain Pound	-	-
Others	-	-
Total	52,005,315,939	53,613,103,535



Notes to the Financial Statements

In Rupees	2024	2023
b. CUSTOMER CATEGORY		
Banks	-	-
Finance Companies	579,430	567,475
Other Customers	52,004,736,509	53,612,536,060
Total Due to Depositors by Customer Category	52,005,315,939	53,613,103,535
c. MATURITY		
Due within One Year	36,366,838,054	43,581,696,972
Due after One Year	15,638,477,884	10,031,406,563
Total Due to Depositors by Maturity	52,005,315,939	53,613,103,535

37. DEBT SECURITIES ISSUED

In Rupees	2024	2023
Issued by the bank	1,427,189,326	1,425,438,591
Issued by other subsidiaries	-	-
Total	1,427,189,326	1,425,438,591

A. DEBENTURE ISSUED BY THE BANK

In Rupees	2024	2023
Balance as at 01/01	1,423,966,000	1,423,966,000
Debenture Redeemed	-	-
Interest Payable	170,524,991	170,524,991
Interest Paid	(169,052,400)	(169,052,400)
Balance as at 31/12	1,425,438,591	1,425,438,591

B. DEBENTURES DUE

In Rupees	2024	2023
Due within 1 year	-	-
Due after 1 year	1,427,189,326	1,425,438,591
Total	1,427,189,326	1,425,438,591

C. DETAILS OF DEBT SECURITIES ISSUED(IN RUPEES)

Type	Face Value In Rupees	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Balance	
					2024	2023
Issued by the bank						
Listed, secured, Redeemable & Rated 10 Year Debenture (Fixed Annual)	1,408,770,000	12%	20th November 2015	20th Nov. 2025	1,427,189,326	1,425,438,591
Sub total					1,427,189,326	1,425,438,591



D. INTEREST RATE OF COMPARABLE GOVERNMENT SECURITIES

Debenture Type	Interest rate %		Gov. security Interest rate %	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Debenture - 10 Years - 2015 (Fixed Annu. 2025)	12.00	12.00	13.63	13.63

E. INTEREST COVER

Debenture Type	Interest Cover Ratio (Times)	
	31.12.2024	31.12.2023
Debenture - 10 Years - 2015(Fixed Annu. 2025)	7.26	7.57

F. DEBT/EQUITY

Debenture Type	Debt/Equity Ratio	
	31.12.2024	31.12.2023
Debenture - 10 Years- 2015 (Fixed Annu. 2025)	19%	18%

MARKET PRICE OF DEBENTURES DURING THE YEAR

Type of Debentures	2024			2023		
	Highest Price	Lowest Price	Last Trading Price	Highest Price	Lowest Price	Last Trading Price
Debenture - 10Years- 2015 (Fixed Annu. 2025)	N/T	N/T	N/T	N/T	N/T	N/T

N/T=Not Traded

38. LEASE LIABILITY

Year	2024	2023
Opening Balance	335,679,257	379,693,095
Additions & Opening Adjustment	35,572,669	10,978,941
Amortization interest	44,754,218	44,828,487
Payments	(112,824,508)	(99,821,266)
Closing Balance	303,181,636	335,679,257

A. MATURITY ANALYSIS OF LEASE LIABILITY

Year	2024	2023
Less than one year	23,993,009	26,564,786
One to five years	129,592,022	143,482,811
More than five years	149,596,606	165,631,660
Total	303,181,636	335,679,257



Notes to the Financial Statements

B. AMOUNTS RECOGNISED IN PROFIT OR LOSS

Year	2024	2023
Interest on lease liability	44,754,218	44,828,487
Amortisation charge for the year(Refer to note 21)	77,543,805	76,778,786
Total	122,298,023	121,607,273

C. AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

Year	2024	2023
Lease rental payments	112,824,508	99,821,266
Total	112,824,508	99,821,266

39. RETIREMENT BENEFIT OBLIGATIONS

Year	2024	2023
Present value of defined benefit obligation		
Normal Gratuity Provision	637,169,438	555,214,160
Special Gratuity Provision	388,449,715	317,413,546
Less: Fair value of plan assets	-	-
Total	1,025,619,153	872,627,706

A. CONTRIBUTIONS TO DEFINED BENEFIT PLANS

Actuarial Valuation of Gratuity Liabilities as at 31 December 2024	Normal Gratuity	Special Gratuity	2024 Total	2023 Total
Accounting Disclosures :	Rs.	Rs.	Rs.	Rs.
Change in the Present Value of The Dified Benefit Obligation (PV-DBO)				
Provision for PV-DBO as at 01 January 2024	555,214,159	317,413,547	872,627,706	846,978,307
Interest Cost for the period	72,177,841	41,263,761	113,441,602	152,456,095
Current Service Cost for the period	31,782,434	15,042,823	46,825,257	24,131,316
Gratuity paid for those who left during the period	(61,059,588)	(28,154,163)	(89,213,752)	(121,373,458)
Gratuity payable for those who left during the period		-	-	(3,557,337)
Actuarial (Gain)/Loss on PV-DBO	39,054,592	42,883,748	81,938,339	(26,007,217)
Provision for PV-DBO as at 31 December 2024	637,169,437	388,449,716	1,025,619,152	872,627,706

AMOUNTS RECOGNIZED IN THE BALANCE SHEET AND INCOME STATEMENT

Liability recognised in the balance sheet

Provision for Gratuity as at 31 December 2024	637,169,437	388,449,716	1,025,619,152	872,627,706
Unrecognized actuarial Gains/(Losses) as at 31 December 2024	-	-	-	-
Liability recognized in the balance sheet as at 31 December 2024	637,169,437	388,449,716	1,025,619,152	872,627,706

Expenses recognized in the income statement

Interest Cost	72,177,841	41,263,761	113,441,602	152,456,095
Current Service Cost	31,782,434	15,042,823	46,825,257	24,131,316
Expenses recognized in the Income Statement (Note 09)	103,960,275	56,306,584	160,266,859	176,587,411



Actuarial Valuation of Gratuity Liabilities as at 31 December 2024	Normal Gratuity	Special Gratuity	2024 Total	2023 Total
Accounting Disclosures :	Rs.	Rs.	Rs.	Rs.
Expenses recognized in Other Comprehensive Income statement				
Net Actuarial (Gain)/Loss recognized immediately	39,054,592	42,883,748	81,938,339	(26,007,217)
Expenses recognized in Other Comprehensive Income statement	39,054,592	42,883,748	81,938,339	(26,007,217)
Movements in the Net Liability Recognised in the balance sheet				
Opening Net Liability as at 01 January 2024	555,214,159	317,413,547	872,627,706	846,978,307
Expences recognized in the Income Statement	103,960,275	56,306,584	160,266,859	176,587,411
Expenses recognized in Other Comprehensive Income statement	39,054,592	42,883,748	81,938,339	(26,007,217)
Gratuity paid/payable for those who left during the period	(61,059,588)	(28,154,163)	(89,213,752)	(124,930,796)
Closing Net Liability as at 31 December 2024	637,169,437	388,449,716	1,025,619,152	872,627,706

B. ACTUARY DETAILS

Name of the Actuary	M Poopalanathan
Date of the Actuarial Computation	24th January 2025
Method of Valuation	Projected Unit Credit Method

Valuation Assumptions:

Mortality : A 1967/70 Mortality Table
 Disability : 10% of the Mortality
 Staff Turnover Rates :

Age	Rate
20-24	29%
25-34	10%
35-44	6%
45-54	3%
>54	0%

Normal Retirement Age : 60 Years (The employee who are aged over the specified retirement age have been assumed to retire on their respective next birthday)

Rate of Discount : 11.0% p.a.

Salary Escalation Rates : Basic Salary :8.0% with the next revision due in July every year
 COLA :8.0% with the next revision due in July every year

Retiring Gratuity Formula : Normal Gratuity - Half month's consolidated Salary for each completed year of service for those with at least 5 years service in the event of employees leaving of the company other than death.

In the event of death : For permanent Staff: two month's consolidated Salary for each completed year of service subject to minimum of 6 month's salary

For Others: half of the above benefit is payable

Special Gratuity - Only at retirement, Half month's consolidated salary for each completed year of service for those with at least 15 years service.



Notes to the Financial Statements

Table 2: A Summary Results (Category wise)

CATEGORY	No. Emps	TOT Basic Salary (Rs.)	Normal Gratuity Provision (Rs.)	Special Gratuity Provision (Rs.)	Total PV-DBO (Rs.) (Normal + Special Gratuity)	AFWLT (Years)
Permanent	266	53,305,906	510,785,232	338,299,530	849,084,762	9.4
Trainee	223	26,205,766	126,384,205	50,150,186	176,534,390	12.2
TOTAL	489	79,511,672	637,169,437	388,449,716	1,025,619,152	10.7

Table 3: Sensitivity Analysis of Present Value of Defined Benefit Obligation

Assumption changed (while all other assumptions remain unchanged)	Total PV-DBO (Rs.) (Normal+Special Gratuity)
1% increase in discount rate	962,586,716
1% decrease in discount rate	1,097,229,199
1% increase in Salary Escalation rate	1,098,184,122
1% decrease in Salary Escalation rate	960,798,383

Detailed Accounting Disclosures :

	Normal Gratuity + Special Gratuity
Break up of actuarial (gain)/loss on the defined benefit obligation (Rs.)	
Experience adjustment (Financial and Demographic)	= 20,597,454.00
Due to changes in financial assumptions	= 42,983,939.00
Due to changes in demographic assumptions	= 18,356,946.00
Total	= 81,938,339.00
Distribution of Present Value of Defined Benefit Obligation In Future Years (Rs.)	
During fiscal year ending December 31 2025	= 105,611,375.00
During fiscal year ending December 31 2026	= 112,586,882.00
During fiscal year ending December 31 2027	= 120,337,799.00
During fiscal year ending December 31 2028	= 99,596,832.00
During fiscal year ending December 31 2029	= 53,298,494.00
Beyond next 5 years	= 534,187,771.00
	= 1,025,619,153.00
Weighted Average Duration of Defined Benefit Obligation (Years)	= 7

40. CURRENT TAX LIABILITIES

In Rupees	2024	2023
Opening balance 01/ January	573,853,895	259,537,961
Prior Year Adjustments	(7,815,994)	-
Charge for the year - Income Tax	265,165,368	796,625,634
Total	831,203,269	1,056,163,594
Tax Payments during the year	(680,168,353)	(482,309,698)
Closing balance 31/ December	151,034,918	573,853,895



41. OTHER PROVISIONS

In Rupees	2024	2023
Other		
Total		

42. OTHER LIABILITIES

In Rupees	2024	2023
Sundry creditors	181,418,780	234,720,757
Interest payable	-	-
Impairment in respect of off-balance sheet credit exposures (Note 10)	-	-
Other payables	173,468,534	75,589,456
Total	354,887,314	310,310,213

43. PERPETUAL BOND

In Rupees	2024	2023
Capital	250,000,000	250,000,000
Interest	31,250,000	31,250,000
Total	281,250,000	281,250,000

44. DUE TO SUBSIDIARIES

In Rupees	2024	2023
	-	-
Total	-	-

45. STATED CAPITAL/ASSIGNED CAPITAL

In Rupees	2024	2023	2024	2023
Ordinary shares	No. of Shares	No. of Shares	LKR	LKR
Capital	64,710,520	64,710,520	962,092,936	962,092,936
Total	64,710,520	64,710,520	962,092,936	962,092,936

46. STATUTORY RESERVE FUND

In Rupees	2024	2023
Opening balance at 01/01/	353,799,215	288,689,120
Restatements	-	-
Transfers during the period	-	65,110,095
Closing balance at 31/12/	353,799,215	353,799,215



Notes to the Financial Statements

47. RETAINED EARNINGS

In Rupees	2024	2023
Opening balance at 01/ January	6,056,524,798	5,007,867,636
IFRS 16 Adjustments/Restatements		(58,214,455)
Profit for the year	(190,656,202)	1,302,201,902
Transfers to other reserves and adjustments	-	(195,330,285)
Dividend	-	-
Closing balance at 31/ December	5,865,868,596	6,056,524,798

48. OTHER RESERVES

A. BANK - CURRENT YEAR (2024)

Description	Opening balance at 01/01/2024	Movement/ transfers and IFRS 9 Adjustments	Closing Balance 31/12/2024
General reserve	633,999,931	-	633,999,931
Revaluation reserve	-	-	-
Cash flow hedge reserve	-	-	-
Foreign currency translation reserve	-	-	-
OCI reserve	(27,817,282)	(66,563,035)	(94,380,316)
FVTOCI Reserves	16,859,860	(25,260,991)	(8,401,132)
Others	-	-	-
Total	623,042,499	(91,824,026)	531,218,483

B. BANK - PREVIOUS YEAR (2023)

In Rupees	Opening balance at 01/01/2023	Movement/ transfers and IFRS 9 Adjustments	Closing Balance 31/12/2023
General reserve	503,779,736	130,220,190	633,999,931
Revaluation reserve	-	-	-
Cash flow hedge reserve	-	-	-
Foreign currency translation reserve	-	-	-
OCI reserve	(46,022,344)	18,205,052	(27,817,282)
FVTOCI Reserves		16,859,860	16,859,860
Others	-	-	-
Total	457,757,392	165,285,101	623,042,499

49. NON-CONTROLLING INTERESTS

In Rupees	2024	2023
N/A	-	-
Total	-	-



50. CONTINGENT LIABILITIES AND COMMITMENTS

Year	2024	2023
Bonds	-	-
Letters of credit	-	-
Other contingent items	-	-
Undrawn loan commitments	18,078,151	301,896,211
Guarantees	12,720,000	3,720,000
	30,798,151	305,616,211

A. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

Year	2024	2023
Opening balance at 01/01	4,774,247	3,362,659
Charge/ (Write back) to income statement	(4,444,932)	1,411,589
Net write-off during the year	-	-
Exchange rate variance and other adjustments	-	-
Closing balance at 31/12	329,315	4,774,247

51. MATERIAL LITIGATION AGAINST THE BANK

In the normal course of business, the bank is a party to various types of litigation, including litigation with borrowers who are in default in terms of their facility agreements.

Based on the assessment carried out, the Bank is of the view that the legal cases filed against the Bank will not have a material impact on the reported financial results or the future operations of the Bank.

52. TAX ASSESSMENTS AGAINST THE BANK

The following tax assessments are outstanding, against which the Bank have duly appealed.

Tax Type	Year of Assessment	Balance Tax Payable/ (Refund Claimed)	Interest payable	Penalty Payable	Total	Remark
IT	2018/2019	112,566,675	71,630,351	15,220,336	199,417,362	Reserve for determination (TAC)
IT	2019/2020	144,542,076	71,548,328	-	216,090,404	Under the TAC hearing process
IT	2020/2021	32,816,210	19,197,483	6,563,242	58,576,935	As per records, the bank set off the balance tax payable against the refund available
VAT on FS	2016/2017					TAC has annulled the assessment
VAT on FS	2019/2020	1,760,123			1,760,123	Intention submitted to TAC
VAT on FS	2020/2021	12,213,994		6,106,997	18,320,991	CGIR's Decision is pending (AR)
DRL	2019/2020	860,189			860,189	TAC has annulled the assessment
SSCL	2340	2,692,000	-	-	2,692,000	CGIR's determination is pending (Appeal)

The bank made appeals to the Commissioner General and the Tax Appeals Commission against the assessment and determination. As per the appeal, there is no tax payable by the bank.

Further to that the appeals involve a highly technical interpretation of the law, which should be determined in several stages, ultimately reaching the Supreme Court.



Notes to the Financial Statements

53. RESTATEMENT OF COMPARATIVES

In the year 2017 to 2022 & 2023 penalty interest over charged by the bank Rs. 58 mn & 150 mn reversed from the respective financial statements and restated accordingly.

Effect of restatement for the year ended 31 December 2022 and 31 December 2023 on the income statement and the statement of financial position on the financial statements of HDFC Bank of Sri Lanka are as follows:

STATEMENT OF FINANCIAL POSITION

In Rs. Mn	Reported Previously 2022 (Rs. Mn)	Impact (Rs. Mn)	Current Presentation 2022 (Rs. Mn)	Reported Previously 2023 (Rs. Mn)	Impact (Rs. Mn)	Current Presentation 2023 (Rs. Mn)
Assets						
Financial assets at amortised cost						
- loans and advances	42,630	58	42,572	41,218	208	41,010
Liabilities						
Current tax liabilities	260		260	619	45	574
Other liabilities	299		299	341	31	310
Equity						
Total shareholders' equity	6,716	58	6,658	8,128	132	7,995

INCOME STATEMENT

In Rs. Mn	Reported Previously 2022 (Rs. Mn)	Impact (Rs. Mn)	Current Presentation 2022 (Rs. Mn)
Interest Income	11,345	150	11,195
Tax on Financial Services	646	31	616
Income Tax expenses / (Reversal)	777	45	732
Profit for the year	1,376	74	1,302

54. FINANCIAL RISK MANAGEMENT

54.1 INTRODUCTION AND OVERVIEW

The Bank has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk

54.1.1 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Banks' risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee, the Board Audit Committee and the Board Credit Committee. Board Integrated Risk Management Committee consists of non-executive members who report regularly to the Board of Directors on their activities. There are several executive management sub committees such as Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to



reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

54.1.2 ASSET AND LIABILITY COMMITTEE (ALCO)

ALCO is chaired by the General Manager and has representatives from Finance Department, Credit Department, Operation Department and Risk Department. The Committee meets regularly to monitor and manage the assets & liabilities of the Bank and also overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying regulatory requirements.

54.1.3 RISK MEASUREMENT & REPORTING

The Bank's risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Bank also carries out Stress Testing to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to Integrated Risk Management Committee on a periodic basis. Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept (Risk Appetite).

54.1.4 RISK MITIGATION

As part of its overall risk management, the Bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

54.2 CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

MANAGEMENT OF CREDIT RISK

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee. Bank Credit Risk Monitoring Unit reporting to the Executive Credit Management Committee through the Chief Risk Officer is responsible for management of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Regular audits of business units and Bank credit processes are undertaken by Internal Audit.



Notes to the Financial Statements

EXPOSURE TO CREDIT RISK

The table below set out information about credit quality of financial assets and allowance for impairment/ expected credit losses held by the Bank against those assets.

CREDIT QUALITY ANALYSIS

The Bank's Delinquency status

Delinquency status	Description
Stage 1	
Regular	Performing
1 - 30 days	Performing
Stage 2	
31-60 days	Under Performing
61-90 days	Under Performing
Stage 3	
Above 90 days	Non- performing

	2024			
	Stage 1	Stage 2	Stage 3	Total
As at December	Rs.	Rs.	Rs.	Rs.
Financial assets at amortised cost - Loans and advances				
Grade 0 - 2 Performing Loans	16,938,320,311	5,258,788,065	-	22,197,108,376
Grade 3: NPA Special Mention	-	-	519,857,708	519,857,708
Grade 4: NPA Substandard	-	-	201,266,489	201,266,489
Grade 5: NPA Doubtful	-	-	187,434,428	187,434,428
Grade 6: NPA Loss	-	-	20,120,629,923	20,120,629,923
Total loans and receivables from other customers	16,938,320,311	5,258,788,065	21,029,188,548	43,226,296,923
Expected credit loss allowance	(288,972,714)	(211,411,306)	(2,027,135,168)	(2,527,519,189)
IIS			(568,309,002)	(568,309,002)
Net loans and receivables from other customers	16,649,347,596	5,047,376,759	18,433,744,377	40,130,468,733
Financial assets at amortised cost - Debt & other instruments				
Investment in debentures	1,678,612,838	-	78,031,567	1,756,613,806
Government debt securities-treasury bills & bonds	12,502,369,295	-	-	12,502,369,295
Reverse Repo	3,517,933,151	-	-	3,517,933,151
Total debt and other instruments	17,698,915,284	-	78,031,567	17,776,916,251
Expected credit loss allowance	(1,034,719)	-	(78,031,567)	(79,066,286)
Net debt and other instruments	17,697,880,565	-	-	17,697,849,965
Financial assets at FVOCI				
Government debt securities-treasury bills & bonds	4,739,113,040	-	-	4,739,113,040
Total Financial assets at FVOCI	4,739,113,040	-	-	4,739,113,040
Expected credit loss allowance	-	-	-	-
Net Financial assets at FVOCI	4,739,113,040	-	-	4,739,113,040
Placements with banks				
Investment in fixed deposits	36,288,005	-	-	36,288,005
Total placements with banks	36,288,005	-	-	36,288,005
Expected credit loss allowance	(4,881)	-	-	(4,881)
Net placements with banks	36,283,124	-	-	36,283,124



As at December	2024			
	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Commitments and Contingencies *				
Guarantees	12,720,000	-	-	12,720,000
Undrawn loan commitments	16,981,382	100,340	996,429	18,078,151
Total commitments and contingencies	29,701,382	100,340	996,429	30,798,151
Expected credit loss allowance	(281,133)	(2,168)	(46,014)	(329,315)
Net commitments and contingencies	29,420,249	98,172	950,415	30,468,836
As at December	2023			
	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Financial assets at amortised cost - Loans and advances				
Grade 0 - 2 Performing Loans	18,355,914,633	6,317,369,075	-	24,673,283,707
Grade 3: NPA Special Mention	-	-	1,537,285,821	1,537,285,821
Grade 4: NPA Substandard	-	-	1,255,284,409	1,255,284,409
Grade 5: NPA Doubtful	-	-	3,512,206,895	3,512,206,895
Grade 6: NPA Loss	-	-	12,643,847,393	12,643,847,393
Total loans and receivables from other customers	18,355,914,633	6,317,369,075	18,948,624,518	43,621,908,225
Expected credit loss allowance	(284,953,320)	(279,677,075)	(1,685,837,921)	(2,250,468,316)
IIS			(361,754,287)	(361,754,287)
Net loans and receivables from other customers	18,070,961,313	6,037,692,000	16,901,032,309	41,009,685,622
Financial assets at amortised cost - Debt & other instruments				
Investment in debentures	1,674,561,471	-	78,031,567	1,752,593,038
Government debt securities-treasury bills & bonds	5,489,928,963	-	-	5,489,928,963
Reverse Repo	-	-	-	-
Total debt and other instruments	7,164,490,434	-	78,031,567	7,242,522,001
Expected credit loss allowance	(1,746,777)	-	(78,031,567)	(79,778,344)
Net debt and other instruments	7,162,743,657	-	-	7,162,743,657
Financial assets at FVOCI				
Government debt securities-treasury bills & bonds	16,814,671,833	-	-	16,814,671,833
Total Financial assets at FVOCI	16,814,671,833	-	-	16,814,671,833
Expected credit loss allowance	-	-	-	-
Net Financial assets at FVOCI	16,814,671,833	-	-	16,814,671,833
Placements with banks				
Investment in fixed deposits	33,320,155	-	-	33,320,155
Total placements with banks	33,320,155	-	-	33,320,155
Expected credit loss allowance	(6,454)	-	-	(6,454)
Net placements with banks	33,313,701	-	-	33,313,701
Commitments and Contingencies *				
Guarantees	3,720,000	-	-	3,720,000
Undrawn loan commitments	288,901,946	10,065,840	2,928,425	301,896,211
Total commitments and contingencies	292,621,946	10,065,840	2,928,425	305,616,211
Expected credit loss allowance	(4,520,121)	(194,628)	(59,498)	(4,774,247)
Net commitments and contingencies	288,101,825	9,871,212	2,868,927	300,841,964

* To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.



Notes to the Financial Statements

54.2.1 MEASUREMENT OF EXPECTED CREDIT LOSSES (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 3.B

Significant increase in Credit Risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. Bank determines significantly increase credit risk when customers exceed 30 days past due.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne.

Incorporation of Forward-Looking Information

The Bank incorporates forward looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are GDP growth, unemployment rates, inflation, exchange rates and interest rates.

The Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions

An overview of the approach to estimating ECLs is set out in Note 3.B.Summary of significant accounting policies and in Note 3.B. Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (CBSL) and a team of economists within its Risk Department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2024.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

For corporate and investment banking financial instruments, LGD values are required to be assessed and reviewed at least every three months and approved by the head of finance of the bank. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.



The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Sector classification of loans

The loan classification of the bank for reporting purpose has been incorporated as per the sectorial classification of Central Bank of Sri Lanka.

Of the total sector classification, this report categorised them in top major sectors, in accordance to the size of the portfolios.

The highest sector under this classification as per the banks closing books, 2024 is the Housing Loan, Commercial, Agriculture, Pawning, Industrial, and Other Loans, Loans against deposits, Staff loans, Leasing, SME Loans.

Sector wise portfolios as per CBSL

1. Agriculture, Forestry & Fishing : Cultivation of perennial crops, Cultivation of non-perennial crops category
2. Manufacturing : Manufacture of textiles and apparel, Manufacture of food products and beverages and others.
3. Tourism : Provision of accommodation services, Hotel management services and other loans falls under this category.
4. Transportation & Storage : Air transport, Water transport and others
5. Construction : Purchase of land, construction and development of all types of residential buildings or remodeling and renovating existing residential structures fall under this category.
6. Infrastructure Development : Construction/development of highways and railways, Construction/development of utility projects and others
7. Wholesale & Retail Trade
8. Information Technology And Communication Services
9. Financial Services
10. Professional, Scientific & Technical Activities
11. Arts, Entertainment & Recreation
12. Education
13. Health Care, Social Services & Support Services
14. Consumption
15. Lending To Ministry Of Finance
16. Lending To Overseas Entites

Corporate loans (Services, Manufacturing and Industry loans)

For corporate loans, the borrowers are assessed by specialized credit employees of the Bank. The credit risk assessment is based on the behaviour of the customer and credit quality based on the past due status. Further, the bank considers following aspects while assessing the risk of a customer :

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties are captured, which includes information provided by Credit Information Bureau. This includes external rating grades issued by rating agencies, independent analyst reports, press releases and articles, which contains relevant information of clients/industry and applicable to the credit analysis and decision making processes.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.



Notes to the Financial Statements

Consumer lending and retail loans

Consumer lending comprises Housing Loans, Consumer loans and Personal Loan. These products along with retail mortgages and some of the less complex small business lending are rated by (Corporate and retail credit scoring models) primarily driven by days past due (Credit Information Bureau reports). Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, economic condition, changes in personal income/salary levels based on records of repayment capacity, repayment sources, personal indebtedness and expected interest repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

Grouping financial assets measured on a collective basis

Asset classes where the Bank calculates ECL on an individual basis includes all customers above the individually significant threshold of LKR 10mn of the loan outstanding value, cash loan, gold loan & vested property, guarantee loans on litigation and guarantee loans DPD above 1095 days.

Asset classes where the Bank calculates ECL on a collective basis include:

- All loans which are not individually impaired.

The Bank groups these exposures into smaller homogeneous portfolios as described below:

- Product Type
- Collateral Type
- Nature of Business
- Utilisation/Revolving Amount
- Income/Repayment source
- Loan Amount
- LTV
- LTI
- Repayment history

54.3 LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Hence the bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

MANAGEMENT OF LIQUIDITY RISK

The Bank sets the strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Bank's liquidity policies and procedures. Central Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquid ratios, maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Bank's liquidity position.

The most important of these is to maintain the minimum 100% liquid assets ratio to meet the regulatory requirement. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale.



54.3.1 EXPOSURE TO LIQUIDITY RISK

The key measure used by the Bank for managing liquidity risk is the ratio of state of high quality liquid assets to that net cash outflow over the next 30 calendar days. For this purpose liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. A similar calculation is used to measure the Bank's compliance with the liquidity limit established by the, Central Bank of Sri Lanka. Details of the reported Bank ratio of net liquid assets to liabilities from customers at the reporting date and during the year were as follows:

54.3.2 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The tables below summarise the maturity profile of the undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2024. Although the cash outflows have been considered based on the earliest date of repayment, it is believed that most of the customers would not expect the repayments on the earliest possible date. Therefore, the behavioural maturity profile would be different to the contractual maturities shown in the below tables.

As at 31 December 2024	Total	Less than 3 months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	324,619,439	324,619,439	-	-	-	-
Placements with banks	36,283,124	-	36,283,124	-	-	-
Loans & Advances	44,636,269,649	2,216,568,161	16,156,572,560	10,493,185,972	7,463,576,583	8,306,366,373
Financial assets measured at fair value through other comprehensive income	4,739,113,040	4,739,113,040	-	-	-	-
Financial assets measured at Amortised Cost	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	17,697,849,965	14,328,918,437	5,738,321	3,311,548,207	-	-
Other Assets	210,322,200	153,916,123	40,379,341	10,235,418	284,317	5,507,001
Total Financial Assets	67,644,457,416	21,763,135,200	16,290,618,346	13,814,969,597	7,463,860,900	8,311,873,374
Financial Liabilities						
Due to Banks	566,485,896	518,480,740	48,005,156	-	-	-
Deposits	52,005,315,939	18,683,433,794	17,683,404,261	3,998,106,320	9,430,290,530	2,210,081,035
Other Borrowings	1,615,416,188	1,360,398,374	255,017,814	-	-	-
Debt Security Issued	1,427,189,326	-	1,427,189,326	-	-	-
Lease Liability	567,919,883	2,344,455	6,338,000	94,479,547	74,659,553	390,098,327
Current Tax Liabilities	151,034,918	-	151,034,918	-	-	-
Other Liabilities	354,887,314	217,197,917	81,967,979	-	-	55,721,418
Debt Capital	281,250,000	-	31,250,000	-	-	250,000,000
Total Financial Liabilities	56,969,499,462	20,781,855,279	19,684,207,453	4,092,585,867	9,504,950,083	2,905,900,780
Total Net Financial Assets / (Liabilities)	10,674,957,954	981,279,920	(3,393,589,107)	9,722,383,730	(2,041,089,183)	5,405,972,594



Notes to the Financial Statements

54.3.3 CONTRACTUAL MATURITIES OF COMMITMENTS AND CONTINGENCIES

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 December 2024

Contingent Liabilities	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank guarantee (without impairment)	-	2,050,000	1,670,000	-	-	3,720,000
Other Contingent items	301,896,211	-	-	-	-	301,896,211
Total Contingent Liabilities	301,896,211	2,050,000	1,670,000	-	-	305,616,211

As at 31 December 2023

Contingent Liabilities	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank guarantee (without impairment)	-	1,300,000	4,270,000	-	-	5,570,000
Other Contingent items	199,374,084	-	-	-	-	199,374,084
Total Contingent Liabilities	199,374,084	1,300,000	4,270,000	-	-	204,944,084

54.3.4 LIQUIDITY RESERVE

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose.

	2024	
	Carrying Amount	Fair Value
Cash and Cash equivalents	324,619,439	324,619,439
T Bill/ Bonds	4,739,113,040	4,739,113,040
debt and other instruments	17,697,880,565	17,697,880,565
Financial assets measured at fair value through OCI	-	-
Placements with banks	36,288,005	36,288,005
	22,797,901,048	22,797,901,048

* The carrying amounts approximate their fair values as they are short term in nature (less than twelve months).

54.3.5 LIQUIDITY COVERAGE RATIO

The Bank has a Liquidity Coverage Ratio (LCR) as defined by the regulator. The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day period. The ratio is defined as the amount of High Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

The LCR complements the Bank's stress testing framework. By maintaining a ratio in excess of minimum regulatory requirements, the LCR seeks to ensure that the Bank holds adequate liquidity resources to mitigate a short-term liquidity stress.

Commencing from 1 April 2015, all licensed specialised banks maintained Liquidity Coverage Ratios (LCR) as prescribed by CBSL in respect of Rupee Liquidity Minimum Requirement for local currency operations and All Currency Liquidity Minimum Requirement for the overall operations effective from 1 January 2019 onwards 100%.

The Monetary Board, considering the extraordinary circumstances caused by the current macroeconomic conditions, issued a direction to Licensed Banks to permitting to maintain LCR at a level not less than 100%.



Minimum Requirement (%) - effective from

Effective from 1 July 2021

100%

The following were the Liquidity Coverage Ratios (%) of the Bank as at 31 December:

	2024	2023
Rupee Liquidity Requirement for Local Currency Operations	223	394

54.3.7 DUE TO BANKS & DUE TO OTHER CUSTOMERS (DEPOSITS) TO LOANS AND RECEIVABLES FROM BANKS & OTHER CUSTOMERS (ADVANCES) RATIO

The Bank is aware of the importance of due to banks & other customers as a source of funds for its lending operations.

This is monitored using the following ratio, which compares loans and receivables to customers as a percentage of due to banks & Due to other customers (Deposits).

Due to banks & due to other customers to Loans and receivables from banks & other customers Ratio.

As at 31st December 2024	131.00%
As at 31st December 2023	120.33%

The table below sets out the availability of financial and non-financial assets held by the Bank on the basis of being encumbered or unencumbered as of 31.12.2024 and 31.12.2023.

	2024				2023			
	Encumbered		Unencumbered		Encumbered		Unencumbered	
	Pledged as collateral	Other	Other	Total	Pledged as collateral	Other	Other	Total
Cash and cash equivalent	-	-	324,619,439	324,619,439	-	-	237,281,596	237,281,596
Placements with banks	-	-	36,283,124	36,283,124	-	-	33,313,701	33,313,701
Equity Instruments at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	-	-	40,130,468,733	40,130,468,733	-	-	41,009,685,622	41,009,685,622
Financial assets measured at fair value through other comprehensive income	-	-	4,739,113,040	4,739,113,040	-	-	16,814,671,833	16,814,671,833
Financial assets measured at Amortised Cost	-	-	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	-	-	17,697,880,565	17,697,880,565	-	-	7,162,774,257	7,162,774,257
Equity Instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Other assets	-	-	2,514,994,687	2,514,994,687	-	-	2,475,352,015	2,475,352,015
Total	-	-	65,443,359,587	65,443,359,587	-	-	67,733,079,024	67,733,079,024



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54.4 MARKET RISK

Market risk' is the risk that changes in market prices - such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to the changes in the obligator's/ issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the bank's solvency while optimizing the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at 31st December 2024	Market risk measure		
	Carrying amount	Trading portfolios	Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	324,619,439	-	324,619,439
Placements with banks	36,283,124	-	36,283,124
Financial assets at amortised cost - Loans and advances	40,130,468,733	-	40,130,468,733
Financial assets measured at fair value through other comprehensive income	4,739,113,040	-	4,739,113,040
Financial assets measured at Amortised Cost	-	-	-
Financial assets at amortised cost - debt instruments	17,697,880,565	-	17,697,880,565
Other assets	2,514,994,687	-	2,514,994,687
	65,443,359,587		65,443,359,587
Liabilities subject to Market risk			
Due to banks	566,485,896	-	566,485,896
Due to depositors	52,005,315,939	-	52,005,315,939
Due to other borrowers	1,896,666,188	-	1,896,666,188
Debt securities issued	1,427,189,326	-	1,427,189,326
Current tax liabilities	151,034,918	-	151,034,918
Other liabilities	1,683,688,103	-	1,683,688,103
	57,730,380,369		57,730,380,369
As at 31st December 2023			
Assets subject to Market risk			
Cash and cash equivalent	237,281,596	-	237,281,596
Placements with banks	33,313,701	-	33,313,701
Financial assets at amortised cost - Loans and advances	41,009,685,622	-	41,009,685,622
Financial assets measured at fair value through other comprehensive income	16,814,671,833	-	16,814,671,833
Financial assets measured at Amortised Cost	-	-	-
Financial assets at amortised cost - debt instruments	7,162,774,257	-	7,162,774,257
Other assets	2,475,352,018	-	2,475,352,018
	67,733,079,027		67,733,079,027
Liabilities subject to Market risk			
Due to banks	799,829,802	-	799,829,802
Due to depositors	53,613,103,535	-	53,613,103,535
Due to other borrowers	1,806,776,578	-	1,806,776,578
Debt securities issued	1,425,438,591	-	1,425,438,591
Current tax liabilities	573,853,895	-	573,853,895
Other liabilities	1,518,617,176	-	1,518,617,176
	59,737,619,577		59,737,619,577



54.5 THE FOLLOWING IS A SUMMARY OF THE BANK'S INTEREST RATE GAP POSITION ON NON-TRADING PORTFOLIOS.

The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet.

As at 31st December 2024 (LKR.000')	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Non-Sensitive	Total
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	324,619,439	324,619,439
Placements with banks	-	36,283,124	-	-	-	-	36,283,124
Financial assets at amortised cost - loans and advances	1,992,195,994	14,525,892,968	9,431,691,224	6,709,958,737	7,470,729,809	-	40,130,468,733
Financial assets measured at fair value through other comprehensive income	4,739,113,040	-	-	-	-	-	4,739,113,040
Financial assets measured at Amortised Cost	-	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	14,328,918,437	57,383,321	3,311,548,207	-	30,600	-	17,697,880,565
Other assets	-	-	-	-	-	2,514,994,687	2,514,994,687
Total Financial Assets	21,060,227,470	14,619,559,413	12,743,239,431	6,709,958,737	7,470,760,409	2,839,614,126	65,443,359,587
Financial Liabilities							
Due to banks	518,480,740	48,005,156	-	-	-	-	566,485,896
Financial liabilities at amortised cost - due to depositors	18,683,433,794	17,683,404,261	3,998,106,320	9,430,290,530	2,210,081,035	-	52,005,315,939
Financial liabilities at amortised cost - due to other borrowers	1,360,398,374	255,017,814	-	-	-	-	1,615,416,188
Debt securities issued	-	1,427,189,326	-	-	-	-	1,427,189,326
Perpetual Bond	-	31,250,000	-	-	250,000,000	-	281,250,000
Lease Liability	-	-	-	-	-	303,181,636	303,181,636
Other liabilities	-	-	-	-	-	1,531,541,385	1,531,541,385
Total Financial Liabilities	20,562,312,907	19,444,866,556	3,998,106,320	9,430,290,530	2,460,081,035	1,834,723,021	57,730,380,369
Interest rate sensitivity gap	497,914,563	(4,825,307,143)	8,745,133,111	(2,720,331,792)	5,010,679,375	1,004,891,105	7,712,979,218
1% increase	4,979,146	(48,253,071)	87,451,331	(27,203,318)	50,106,794	-	67,080,881
1% decrease	(4,979,146)	48,253,071	(87,451,331)	27,203,318	(50,106,794)	-	(67,080,881)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are



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considered include a 100bp parallel fall or rise in all yield curves across the board. The above table contains the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

As at 31st December 2023 (LKR.000')	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Non-Sensitive	Total
Financial Assets							
Cash and cash equivalents	-	-	-			237,281,596	237,281,596
Placements with banks	-	33,313,701	-			-	33,313,701
Financial assets at amortised cost - loans and advances	1,978,418,709	12,349,817,493	10,209,375,454	7,288,409,685	9,183,664,281		- 41,009,685,622
Financial assets measured at fair value through other comprehensive income	16,346,742,833	467,929,000	-	-			- 16,814,671,833
Financial assets measured at Amortised Cost	625,333,367	3,033,938,014	1,763,692,176	66,965,436			- 5,489,928,994
Financial assets at amortised cost - debt instruments	57,997,938	45,643,532	1,569,173,223		30,600		- 1,672,845,294
Other assets						2,475,352,018	2,475,352,018
Total Financial Assets	19,008,492,848	15,930,641,740	13,542,240,853	7,355,375,122	9,183,694,881	2,712,633,615	67,733,079,058
Financial Liabilities							
Due to banks	251,594,711	450,075,000	98,160,090				- 799,829,801
Financial liabilities at amortised cost - due to depositors	21,656,457,829	18,512,879,248	4,088,865,271	7,218,167,279	2,136,733,908		- 53,613,103,535
Financial liabilities at amortised cost - due to other borrowers	1,525,526,578	-	-				- 1,525,526,578
Debt securities issued	-	19,131,104	1,406,307,487				1,425,438,591
Perpetual Bond	-	31,250,000	-		250,000,000		- 281,250,000
Lease Liability	-	-	-			335,679,257	335,679,257
Other liabilities	-	-	-			1,756,791,815	1,756,791,815
Total Financial Liabilities	23,433,579,118	19,013,335,352	5,593,332,848	7,218,167,279	2,386,733,908	2,092,471,072	59,737,619,577
Interest rate sensitivity gap	(4,425,086,271)	(3,082,693,612)	7,948,908,006	137,207,843	6,796,960,973	620,162,543	7,995,459,482
1% increase	(44,250,863)	(30,826,936)	79,489,080	1,372,078	67,969,610		73,752,969
1% decrease	44,250,863	30,826,936	(79,489,080)	(1,372,078)	(67,969,610)		(73,752,969)



54.6 OPERATIONAL RISK

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to its Bank Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

55. CAPITAL MANAGEMENT

55.1 REGULATORY CAPITAL

The Bank's lead regulator the Central Bank of Sri Lanka sets and monitors capital requirements for the Bank as a whole. The individual banking operations are directly supervised by the lead regulators. The Group capital management goals are as follows;

- a. Ensure regulatory minimum capital adequacy of 12.5% requirements are not compromised.
- b. Bank to maintain its international and local credit rating and to ensure that no downgrading occurs as a result of deterioration of risk capital of the Bank.
- c. Ensure above industry average Capital Adequacy Ratio for the banking sector is maintained.
- d. Ensure maintaining of quality capital.
- e. Ensure capital impact of business decisions are properly assessed and taken into consideration during product planning and approval process.
- f. Ensure capital consumption by business actions are adequately priced.
- g. Ensure Bank's average long-term dividend pay-out ratio is maintained.

Central Bank of Sri Lanka sets and monitors regulatory capital requirement on solo basis. The Bank is required to comply with the provisions of the Basel II and Basel III in respect of regulatory capital. The current statutory minimum capital is Rs. 7,500 Mn and the bank capital is above the statutory minimum as at the date, refer note no 43-48.

55.2 CAPITAL MANAGEMENT

Capital Adequacy is a measure of a bank's ability to withstand the associated risks of its business. Regulators find it necessary that every bank holds adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks. Capital Adequacy Ratio (CAR) is measured under Basel-III and takes into account the Credit, Market and Operations risks. Keeping with the international standards of Basel Committee on Banking Regulations and Supervisory Practices, Sri Lanka has been following Basel III CAR calculation.



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55.3 CAPITAL ADEQUACY

CAPITAL ALLOCATION

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit, and is subject to review by the Bank Asset and Liability Management Committee (ALCO).

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

AVAILABLE CAPITAL

Basel III accord recognises three capital elements, namely CET 1 Capital, Additional Tier1 Capital and Tier 2 capital.

CET 1 capital includes equity capital, reserve fund, published retained earnings (accumulated retained losses), general and other reserves, and unpublished current year's profit/ (losses) and gains reflected in OCI. Goodwill (net), other intangible assets, revaluation losses of PPE, deferred tax assets, cash flow hedge reserve, shortfall of the cumulative impairment to specific provisions, defined benefit pension fund assets, investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at CET 1 capital.

Additional Tier 1 capital includes qualifying instruments as per the regulatory directions. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Additional Tier I capital.

Tier 2 capital includes qualifying tier 2 capital instruments, revaluation gains, and general provisions etc. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Tier 2 capital.

As per the Banking Act Direction No 01 of 2016 dated 29 December 2016 on Capital Requirements under BASEL III which was effective from 1 July 2017 and the amendments thereto under Directions No. 11 of 2019 dated 20 December 2019, the minimum required capital ratios to be maintained by the Bank are as follows.

- Every licensed specialised bank shall maintain, at all times, the minimum capital ratios prescribed in the table below and shall ensure compliance with Schedule I to the Banking Act Directions No 01 of 2016 on Capital Requirements under Basel III for licensed banks.
- Licensed specialised banks which are determined as Domestic Systemically Important Banks (D-SIBs) from time to time shall maintain Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1(CET1), as given in the table below.

Components of Capital	Capital Adequacy Ratio to be maintained by Licensed Banks	Capital Adequacy Ratio to be maintained by Licensed Banks determined as DSIBs
Common Equity Tier 1 including Capital Conservation Buffer	7.50%	8.50%
Total Tier 1 including Capital Conservation Buffer	8.50%	10.00%
Total Capital Ratio including Capital Conservation Buffer	12.50%	14.00%



CAPITAL BASE	2024	2023
As at 31st December	(Rs.000')	(Rs.000')
Total Common Equity Tier I (CET1) Capital		
Paid-up Ordinary Shares/Common Stock/Assigned Capital	647,105	647,105
Share Premium	314,988	314,988
Reserve Fund	353,799	357,297
Published Retained Profits/(Accumulated Losses)	5,865,869	6,177,773
Accumulated other comprehensive income (OCI)		
General and Other Reserves	531,218	641,416
Sub Total	7,712,979	8,138,579
Total Adjustments to CET1 Capital		
Deferred tax assets (net)	505,382	458,743
Other intangible assets (net)	65,643	101,895
Advances granted to employees of the bank for the purchase of shares of the bank under a share ownership plan		
Investments in the capital of banking and financial institutions where the bank does not own more than 10 per cent of the issued ordinary share capital of the entity		
Common Equity Tier I (CETI) Capital after Adjustments	7,141,954	7,577,941
Additional Tier 1 (AT1) Capital after Adjustments		
Qualifying Additional Tier 1 Capital Instruments	250,000	250,000
Total Tier 01	7,391,954	7,827,941
Tier 2 Capital after Adjustments		
Additions		
General Provisions(Stage 1&2 Impairment)	216,901	425,290
Deductions		
Investments in the capital of financial institutions and where the bank does not own more than 10 per cent of the issued capital carrying voting rights of the issuing entity		
Tier II Capital	216,901	425,290
Capital Base	7,608,855	8,253,231
Total risk adjusted balances (credit risk, market risk, operational risk)	21,957,835	21,144,727
Risk Adjusted Capital Ratios		
Common Equity Tier 1 Capital Ratio *	32.53%	35.84%
Tier 1 (Total Tier 1 capital / Total risk adjusted balances) **	33.66%	37.02%
Tier 11(Capital base / Total risk adjusted balances) ***	34.65%	39.03%

* Minimum 7.00 ** Minimum 8.50% ***Minimum 12.50%



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RISK ADJUSTED ON - BALANCE SHEET EXPOSURE -RS.000'

As at 31st December	Balance		Risk Weights	Risk Adjusted Balance	
	2024	2023	(%)	2024	2023
Exposures					
Cash- Local Currency	174,105	96,476	0%	-	-
Sri Lanka Govt Treasury Bills & Bonds	20,759,415	22,304,601	0%	-	-
Central Bank of Sri Lanka	-	-	0%	-	-
Claims on Public Sector Entities (PSEs) (AAA to AA-)	-	-	20%	-	-
Claims on Public Sector Entities (PSEs) (BBB+ to BB-)	426,295	-	100%	426,295	-
Claims on Public Sector Entities (PSEs) (Below BB-)	-	426,295	150%	-	639,443
Loan & Advances					
Claims Secured by Residential Property					
Claims that qualify for regulatory capital purposes	6,288,889	8,768,830	35%	2,201,111	3,069,091
Claims that not qualify for regulatory capital purposes	1,744,940	179,977	100%	1,744,940	179,977
Housing loans against EPF.	18,604,574	16,789,163	0%	-	-
Cash Margin Loans	2,689,558	2,774,850	0%	-	-
Gold Loans	-	-	0%	-	-
Loan to Value Ratio equal to or less than 70%	496,226	32,467	0%	-	-
Loan to Value Ratio over 70% and less than 100%	927,500	231,190	20%	185,500	46,238
Loan to Value Ratio equal to or over 100%	-	716,940	100%	-	716,940
Trading Investment					
Retail claims that qualify for regulatory capital purposes	-	-	75%	-	-
SME exposures secured on Immovable Property	398,856	868,427	60%	239,314	521,056
Other SEM exposures	6,291	120,206	75%	4,718	90,154
Individual exposures	4,035,398	6,075,241	75%	3,026,549	4,556,431
Retail claims that do not qualify for regulatory capital purposes	39,107	456,980	100%	39,107	456,980
Claims Secured by Real State					
100%					
Non Performing Assets					
Past Due Residential Mortgage Loans					
Specific provisions are more than 20%	6,141	7,255	50%	3,070	3,628
Specific provisions are less than 20%	1,713,167	2,888,495	100%	1,713,167	2,888,495
Housing loans on Guarantors & others, Lease					
Specific provisions are more than 20%	659,557	1,566,400	100%	659,557	1,566,400
Specific provisions are less than 20%	3,020,699	21,960	150%	4,531,049	32,940
Due From local Commercial Banks Less Than Three Months (AAA to BBB-)	150,515	140,806	20%	30,103	28,161
Due From local Commercial Banks Less Than Three Months (BB+ to B-)	-	-	50%	-	-
Due From local Commercial Banks More than Three Months (AAA to AA-)	-	-	20%	-	-
Due From local Commercial Banks More than Three Months (A+ to BBB-)	390,949	387,981	50%	195,474	193,991
Due From local Commercial Banks More than Three Months (BB+ to B-)	-	-	100%	-	-



As at 31st December	Balance		Risk Weights	Risk Adjusted Balance	
	2024	2023	(%)	2024	2023
Claims on Financial Institutions/Primary Dealers/ Finance Companies (AAA to AA-)	135,608	135,608	20%	27,122	27,122
Claims on Financial Institutions/Primary Dealers/ Finance Companies (A+ to BBB- and unrated)	214,882	308,851	50%	107,441	154,425
Claims on Financial Institutions/Primary Dealers/ Finance Companies (BB+ to B-) & unrated		10,093	100%		10,093
Claims on Other Financial Institutions (A+ to A-)	-	-	50%	-	-
Claims on Corporate (AAA+ to AA-)	-		20%		
Claims on Corporate (A+ to A-)	547,167	543,116	50%	273,584	271,558
Claims on Corporate (below BB-)	-		150%		
Claims on Corporate (Unrated)			100%		
Fixed Assets	187,198	222,575	100%	187,198	222,575
Other Assets	1,756,771	1,692,139	100%	1,756,771	1,692,139
Retail claims that qualify for regulatory capital purposes - Off Balance Sheet					
Total Risk Weighted Assets On Balance Sheet	65,373,809	67,766,922		17,352,070	17,367,836
Retail claims that qualify for regulatory capital purposes - Off Balance Sheet	12,720	3,720	100%	12,720	3,720
Total Risk Weighted Assets	65,386,529	67,770,642		17,364,790	17,371,556
Total risk adjusted balance for operational risk				4,605,765	3,773,171
Total risk adjusted balance for Market risk					
Total risk adjusted balances (credit risk, market risk, operational risk)				21,970,555	21,144,727

56.0 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Fair value hierarchy	2024		2023		
	Carrying amount	Fair value	Carrying amount	Fair value	
	Rs.	Rs.	Rs.	Rs.	
Financial assets					
Cash and cash equivalent	Level 2	324,619,439	324,619,439	237,281,596	237,281,596
Placements with Banks	Level 2	36,283,124	36,283,124	33,313,701	33,313,701
Financial assets measured at Amortised Cost	Level 2	-	-	-	-
Financial assets at amortised cost - Debt & other instruments	Level 2	17,697,880,565	17,697,880,565	7,162,774,257	7,162,774,257
Financial assets at amortised cost - Loans and advances	Level 2	40,130,468,733	40,130,468,733	41,009,685,622	41,009,685,622
		58,189,251,860	58,189,251,860	48,443,055,175	48,443,055,175
Financial liabilities					
Due to banks	Level 2	566,485,896	566,485,896	799,829,802	799,829,802
Due to depositors	Level 2	52,005,315,939	52,005,315,939	53,613,103,535	53,613,103,535
Due to other borrowers	Level 2	1,896,666,188	1,896,666,188	1,806,776,578	1,806,776,578
Debt securities issued	Level 2	1,427,189,326	1,427,189,326	1,425,438,591	1,425,438,591
		55,895,657,348	55,895,657,348	57,645,148,506	57,645,148,506



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RELATED PARTY TRANSACTIONS

57. DIRECTORS INTEREST IN CONTRACTS WITH THE BANK

Name	Related Party	Office Holding	Transactions (Rs.Mn)	Nature of Transactions	% Regulatory Capital
Rajiv Sooriyaarachchi	Director / National Housing Development Authority	Director (Retired)	670.63	Rent/ Savings	9.04%
Mr.P.A.Lionel	Director HDFC	Director	0.11	Savings	0.00%
Mr. W. N. I. C. Fernando	Director HDFC				
Mr.W.M.Ananda	Director HDFC / Spouce	Director	0.19	EPF Loan/ Savings	0.00%
Total			670.93		9.12%

58.1 TRANSACTIONS WITH KMPS

The transactions made with KMPS as follows (Balance as at 31.12....)

	2024 Rs.000'	% of Regulatory Capital
Loans and Advance	31,659	0.43%
Deposits	20,702	0.28%
Total	52,362	0.71%

58.2 TRANSACTIONS WITH THE GOVERNMENT OF SRI LANKA AND ITS RELATED ENTITIES

The Bank enter into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities.

(a) The transactions entered with the Government of Sri Lanka and its related entities on a collective basis is as follows.

	Outstanding Balance	
	2024 (‘000)	2023 (‘000)
Items in the Statement of Financial Position		
Assets		
Placements with banks	-	-
Financial assets at amortised cost - debt and other instruments	-	-
Financial assets measured at fair value through other comprehensive income	-	-
Financial assets measured at Amortised Cost	-	-
Financial assets at amortised cost - loans and receivables to other customers		71,016
		71,016
Liabilities		
Financial liabilities at amortised cost		
Due to depositors		16,615,566
Due to other borrowers	-	-
Debt Capital	281,250	281,250
	281,250	16,896,816

Financial assets measured at fair value through other comprehensive income (Note 18.1)



	During the year	
	2024 ('000)	2023 ('000)
Items in the Statement of Profit or Loss		
Interest income		28,673
Interest expenses		31,250
Cash dividends paid during the year		

(b) Further transactions detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities;

- Investments in Treasury Bills, Treasury Bond, Sovereign and Development Bonds and money market placements.
- Payment of statutory rates, taxes and deposit insurance premium
- Payment for utilities mainly comprising of telephone, electricity and water
- Payment for employment retirement benefits - ETF

(c) Individually significant transactions -The Bank uses an internal assessment methodology in order to identify significant transactions with the Government of Sri Lanka and Government related entities in accordance with the disclosure requirements of LKAS 24. Accordingly, there are no individually significant transactions that require disclosure during the year.

59. EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

There has been no material event after the date of Statement of Financial Position that requires adjustments or disclosure in the Financial Statement.

60. MINIMUM SHARE HOLDERS FOR COMPLIANCE

OPTION - 5

	MINIMUM SHARE HOLDERS FOR COMPLIANCE		
	Float-adjusted Market Capitalization	Public Holding Percentage	Number of public Shareholders
Minimum	Less Than 2.5 Bn	20%	500
Available	0.74 Bn	36.08	2,150

61. MATURITY GAP ANALYSIS

As at 31st December 2024 (LKR.)	Up to 12 Months		More than 12 Months			Total
	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	
Assets						
Cash & Cash Equivalent	324,619,439	-	-	-	-	324,619,439
Placement with Banks	-	36,283,124	-	-	-	36,283,124
Loans & Advances	1,992,195,994	14,525,892,968	9,431,691,224	6,709,958,737	7,470,729,809	40,130,468,733
Financial assets measured at fair value through other comprehensive income	4,739,113,040	-	-	-	-	4,739,113,040
Financial assets measured at Amortised Cost	-	-	-	-	-	-



Notes to the Financial Statements

As at 31st December 2024 (LKR.)	Up to 12 Months		More than 12 Months			Total
	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	
Financial assets at amortised cost - debt instruments	14,328,918,437	57,383,321	3,311,548,207	-	30,600	17,697,880,565
Property Plant & Equipments	-	-	-	-	187,198,254	187,198,254
Intangible Assets	-	-	-	-	65,642,998	65,642,998
Lease ROUA	-	-	-	-	262,449,082	262,449,082
Investment Properties	-	-	-	-	1,284,000,000	1,284,000,000
Differed Tax Assets	-	-	-	-	505,382,153	505,382,153
Other Assets	153,916,123	40,379,341	10,235,418	284,317	5,507,001	210,322,200
Total Assets	21,538,763,032	14,659,938,755	12,753,474,848	6,710,243,055	9,780,939,897	65,443,359,587
Percentage 31st Dec 2024	32.91	22.40	19.49	10.25	14.95	100.00
Percentage 31st Dec 2023	28.46	23.55	20.08	10.89	17.02	100.00
Liabilities						
Due to Banks	518,480,740	48,005,156	-	-	-	566,485,896
Deposits	18,683,433,794	17,683,404,261	3,998,106,320	9,430,290,530	2,210,081,035	52,005,315,939
Other Borrowings	1,360,398,374	255,017,814	-	-	-	1,615,416,188
Debt Security Issued	-	1,427,189,326	-	-	-	1,427,189,326
Lease Liability	-	-	-	-	303,181,636	303,181,636
Retirement Benefits obligations	6,399,239	83,201,283	175,709,263	129,720,774	630,588,595	1,025,619,153
Current Tax Liabilities	-	151,034,918	-	-	-	151,034,918
Other Liabilities	217,197,917	81,967,979	-	-	55,721,418	354,887,314
Debt Capital	-	31,250,000	-	-	250,000,000	281,250,000
Equity Capital	-	-	-	-	7,712,979,230	7,712,979,230
Total Liabilities	20,785,910,063	19,761,070,736	4,173,815,583	9,560,011,304	11,162,551,917	65,443,359,587
Percentage 31st Dec 2024	31.76	30.20	6.38	14.61	17.06	100.00
Percentage 31st Dec 2023	34.75	29.24	8.57	10.96	16.48	100.00

62. ASSETS PLEDGE

Type of Facility	Amount of facility	Nature of Security	Value of security	Balance as at 31-12-2024
	Rs Mn		Rs Mn	Rs Mn
(1) Overdraft (Sampath Bank)	300	Unsecured	-	38
(2) Borrowing (Term Loan) (Sampath Bank)	1,000	Unsecured	-	99.72
(3) Money Market Loan (Sampath Bank)	300	Unsecured	-	300
(4) Borrowing (Term Loan) (BOC)	500	Unsecured	-	-
(5) Overdraft (BOC)	500	Unsecured	-	-

Type of Facility	Amount of facility	Nature of Security	Value of security	Balance as at 31-12-2024
	Rs Mn		Rs Mn	Rs Mn
(1) Listed, Secured, Redeemable Debenture	1,409	Unsecured	-	1,408





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SHARE INFORMATION

As at 31-12-2024

DISTRIBUTION AND COMPOSITION OF SHAREHOLDERS (AS PER RULE NO. 7.6(X) OF THE COLOMBO STOCK EXCHANGE)

Shareholdings	December 31, 2024								
	Resident			Non Resident			Total		
	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%
1 - 1,000	1,598	809,489	1.25	5	1,570	0.00	1,603	811,059	1.25
1,001 - 10,000	425	1,587,681	2.45	5	18,000	0.03	430	1,605,681	2.48
10,001 - 100,000	101	2,875,151	4.44	2	124,647	0.19	103	2,999,798	4.63
100,001 - 1,000,000	17	3,188,738	4.93	1	133,180	0.21	18	3,321,918	5.14
Over 1,000,000	3	46,817,064	72.35	1	9,155,000	14.15	4	55,972,064	86.50
Total	2,144	55,278,123	85.42	14	9,432,397	14.58	2,158	64,710,520	100.00

Shareholdings	December 31, 2023								
	Resident			Non Resident			Total		
	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%
1 - 1,000	1,633	827,517	1.28	4	1,303	0.00	1,637	828,820	1.28
1,001 - 10,000	431	1,598,360	2.47	4	13,000	0.02	435	1,611,360	2.49
10,001 - 100,000	107	3,137,029	4.85	2	124,647	0.19	109	3,261,676	5.04
100,001 - 1,000,000	16	2,939,366	4.54	1	133,180	0.21	17	3,072,546	4.75
Over 1,000,000	3	46,781,118	72.29	1	9,155,000	14.15	4	55,936,118	86.44
Total	2,190	55,283,390	85.43	12	9,427,130	14.57	2,202	64,710,520	100.00

COMPOSITION OF SHAREHOLDERS (AS PER RULE NO. 7.6(X) OF THE COLOMBO STOCK EXCHANGE)

	December 31, 2024				December 31, 2023			
	No. of Share holders	%	No. of Shares	%	No. of Share holders	%	No. of Shares	%
Individuals	2,058	95.37	6,081,012	9.40	2,101	95.41	6,061,466	9.37
Institution	100	4.63	58,629,508	90.60	101	4.59	58,649,054	90.63
Total	2,158	100.00	64,710,520	100.00	2,202	100.00	64,710,520	100.00



TWENTY LARGEST SHAREHOLDERS (AS PER RULE NO. 7.6(III) OF THE COLOMBO STOCK EXCHANGE)

	Name of Shareholder	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
		2024	2024	2023	2023
1	National Housing Development Authority	32,180,000	49.73	32,180,000	49.73
2	Sampath Bank PLC/ LOLC Holding PLC	9,707,740	15.00	9,707,740	15.00
3	Thurston Investments Ltd.	9,155,000	14.15	9,155,000	14.15
4	Sampath Bank PLC/ Senthilverl Holdings (Pvt.) Ltd.	4,929,324	7.62	-	-
5	Condominium Management Authority	300,000	0.46	300,000	0.46
6	Urban Development Authority	300,000	0.46	300,000	0.46
7	Dr. R.R. De Silva	295,126	0.46	295,126	0.46
8	Mr. S. Abishek	267,696	0.41	128,709	0.20
9	Sampath Bank PLC/Mr. A. Sithampalam	258,054	0.40	258,054	0.40
10	Miss. S. N.C. W. M. T. R. Kandegeedara	233,325	0.36	235,325	0.36
11	Miss S. Durga	200,413	0.31	-	-
12	Finco Holdings (Pvt.) Ltd.	185,000	0.29	185,000	0.29
13	The Associated Newspapers of Ceylon Ltd.	180,000	0.28	180,000	0.28
14	Mr. D. A. De Soysa	170,000	0.26	170,000	0.26
15	Dr. S. Yaddehige	133,180	0.21	133,180	0.21
16	Ravi Exports (Pvt.) Ltd.	125,000	0.19	192,200	0.30
17	National Water Supply & Drainage Board	120,000	0.19	120,000	0.19
18	Road Development Authority	120,000	0.19	120,000	0.19
19	State Engineering Corporation	120,000	0.19	120,000	0.19
20	Seylan Bank PLC/A. C. Senanka	110,642	0.17	110,642	0.17
	Total	59,092,500	91.33	53,890,976	83.30

MARKET PRICES (AS PER RULE NO. 7.6(XI) OF THE COLOMBO STOCK EXCHANGE)

	2024	2023
	Rs.	Rs.
Highest	49.20	39.00
Lowest	28.10	25.00
Year end	48.60	31.60

INFORMATION ON RATIOS (AS PER RULE NO. 7.6(XI) OF THE COLOMBO STOCK EXCHANGE)

	2024	2023
Dividend per share (Rs.)	-	-
Dividend payout ratio (%)	-	-
Net Assets value per share (Rs.)	119.19	123.56
Earnings per Share (Rs.)	(2.95)	20.12



Share Information

DIRECTORS AND GENERAL MANAGER /CEO SHAREHOLDING (AS AT 31ST OF DECEMBER 2024)

Name	2024	2023
Mr. P. J. Jayasinghe	Nil	Nil
Mr. W.M. Ananda	Nil	Nil
Mr. P.A. Lionel	2,000	2,000
Dr. P. A. Krishantha	1000	1000
Mr. W. N.I.C. Fernando	1000	Nil
Mr. K. B. Wijeyaratne	2000	Nil
Mr. H. K.K.A. Jayasundara	Nil	Nil
Mr. C. R. P. Balasuriya (Acting GM/CEO)	Nil	Nil

PUBLIC HOLDING (AS PER RULE NO. 7.13.1 OF THE COLOMBO STOCK EXCHANGE)

Name	2024	2023
Number of Public Shareholders	2,158	2,195
Public shareholding	23,344,637	23,346,637
Percentage of public holding	36.075%	36.078%



VALUE ADDED STATEMENTS

For the period ended 31st December

LKR “000”	%	Bank		
		2024	%	2023
Interest Income		8,169,745		11,194,951
Other Income		336,894		3,133,691
Gross Income		8,506,638		14,328,642
Cost of Service		5,994,560		9,436,094
Total Value Additions		2,512,078		4,892,548
Value Distributed				
To Employees				
(Remuneration & Benefits)	65.5	1,646,378	32.4	1,584,053
To Government				
Income Tax	10.1	254,526	15.0	732,085
Value Added Tax & SSCL Fs	13.9	348,344	12.6	615,741
Nation Building Tax	-	-	-	-
Crop insurance Levey	0.1	2,554	0.3	13,722
Stamp Duty	0.0	160	0.0	121
	24.1		27.8	
To Share Holders (Dividend)	-	-	-	-
Retained in the Business				
Retained Income	10.4	260,115	39.8	1,946,826
Depreciation	(7.6)	(190,656)	28.6	1,302,202
Loan Loss Provision	6.9	172,764	3.6	177,779
	11.1	278,007	9.5	466,845
Total Value Distributions	100.0	2,512,078	100.0	4,892,548



10 YEAR SUMMARY

Year ended 31st December (LKR. Mn)	2015	2016	2017	2018
OPERATING RESULTS				
Income	4,925	5,928	6,978	7,120
Interest Income	4,660	5,473	6,614	6,679
Interest Expense	2,539	3,509	4,742	4,441
Net Gain/(Loss) from Trading	-	-	-	-
Other Income	265	455	365	442
Operating Expenses	1,288	1,409	1,472	1,668
Provision for Loss	89	160	-57	93
Profit Before Tax	1,009	848	821	919
Income Tax & Finance VAT	500	365	407	354
Profit After Taxation	509	483	414	564
LIABILITIES AND SHAREHOLDERS' FUNDS				
Customer Deposits	28,593	32,123	36,655	37,016
Borrowings	9,037	8,863	7,917	6,653
Other Liabilities	920	872	920	860
Shareholders' Funds	3,364	3,821	4,232	4,757
Total	41,913	45,679	49,724	49,285
ASSETS				
Loans and Advances	26,685	30,260	34,968	37,949
Cash, short term funds and investments	11,852	11,807	11,027	7,592
Financial assets at amortised cost - debt instruments	2,043	2,053	2,115	2,014
Property, plant and equipment	435	478	513	466
Other assets	898	1,080	1,101	1,264
Total	41,913	45,679	49,724	49,285
RATIOS				
Return on Average Shareholders Funds (%)	16.30	13.46	10.29	12.56
Income Growth (%)	7.9	20.3	17.7	2.0
Return on Average Assets(%)	1.33	1.10	0.87	1.14
Deposits and Borrowings to Advance (%)	141.0	135.4	127.5	115.1
PPE on Shareholders Funds (%)	12.9	12.5	12.1	9.8
Total Assets to shareholders funds (times)	12.46	11.95	11.75	10.36
SHARE INFORMATION				
Market Value per Share (Rs)	For Rs 10/= Shares			
High (Rs)	76.5	70.0	44.5	30.0
Lower (Rs)	58.5	46.5	31.7	23.0
Close (Rs)	67.1	47.2	32.7	26.0
Earnings per Share (Rs)	7.87	7.47	6.40	8.72
Price Earnings Ratio	8.53	6.32	5.11	2.98
Net Assets per Share(Rs)	51.98	59.05	65.39	73.51
PROFILE				
Ownership - Government %	51	51	51	51
- Private %	49	49	49	49
No of employees*	561	570	567	561
No of branches	38	38	39	39
No of ATM (Access)	854	3,000+	4,350	4,850

*- from 2020, consider contract employees also



	2019	2020	2021	2022	2023	2024
	8,090	7,856	7,004	8,878	14,329	8,507
	7,683	7,457	6,612	8,425	11,195	8,170
	4,783	4,475	3,556	5,679	8,884	5,388
	-	-	-	-	2,661	-
	407	400	392	452	473	337
	1,740	1,674	1,953	2,266	2,328	2,428
	323	327	296	320	467	278
	1,244	1,381	1,199	612	2,650	412
	769	673	651	286	1,348	603
	476	708	547	326	1,302	-191
	42,504	47,947	49,813	50,245	53,613	52,005
	6,866	5,542	5,090	4,135	4,032	3,890
	1,465	1,759	1,707	1,785	2,092	1,835
	5,119	5,782	6,354	6,716	7,995	7,713
	55,955	61,030	62,964	62,882	67,733	65,443
	41,216	41,215	41,837	42,630	41,010	40,130
	11,984	17,186	17,293	15,890	22,575	21,120
	877	526	1,674	1,631	1,673	1,678
	380	351	349	386	324	253
	1,498	1,752	1,810	2,346	2,151	2,262
	55,955	61,030	62,964	62,882	67,733	65,443
	9.63	12.99	9.02	4.99	17.70	-2.43
	13.6	-2.9	-10.8	26.8	61.4	-40.6
	0.90	1.21	0.88	0.52	1.99	0.29
	119.8	129.8	131.2	127.6	140.6	139.3
	7.4	6.1	5.5	5.8	4.1	3.3
	10.93	10.56	9.91	9.36	8.47	8.48
	35.0	41.5	49.8	42.5	39.0	49.2
	20.0	14.0	28.6	22.0	25.0	28.1
	32.0	36.2	30.5	27.8	31.6	48.6
	7.35	10.94	8.46	5.04	20.12	(2.95)
	3.54	3.31	3.61	5.51	1.57	(16.50)
	79.11	89.35	98.18	103.79	123.56	119.19
	51	51	51	51	51	51
	49	49	49	49	49	49
	558	633	614	588	515	494
	39	39	39	39	39	39
	5,132	5,075	5,526	5,845	6,742	6,433



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the fortieth (40th) Annual General Meeting of the Housing Development Finance Corporation Bank of Sri Lanka ("HDFC Bank") will be held on Monday, Twenty-third (23rd) day of June 2025 at 10.00 a. m. at the Sri Lanka Foundation (Auditorium New Wing), No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo-07 and the following Ordinary Business will be transacted.

1. To read the notice convening the meeting.
2. To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the Bank for the year ended 31st December 2024 and the Auditor's Report thereon.
3. To re-elect Dr. P. A. Krishantha as a Non- Executive, Independent Director of the Bank in terms of section.3 (4)(e), of HDFC Act No. 07 of 1997 (and subsequent amendments).
4. To appoint three (03) Shareholding Directors.
5. To re-appoint the Auditor General of Sri Lanka, as the Auditor of the HDFC Bank for the financial year ending December 31, 2024 and authorise the Board of Directors to determine and approve their remuneration for the financial year ending December 31, 2024.
6. To authorise the Board of Directors to determine donations for the year 2025.
7. To transact any other business of which due notice shall be given.

By order of the Board of HDFC Bank of Sri Lanka,



P.S. Attyagalle
Company Secretary
HDFC Bank
Colombo.

21.05.2025



FORM OF PROXY

I / We..... of
 Being a Shareholder / Shareholders of Housing
 Development Finance Corporation Bank of Sri Lanka hereby appoint
 of NIC No.:or
 failing him/her*

1. Mr./Ms. ofwhom failing
2. Mr./Ms. ofwhom failing
3. Mr./Ms. ofwhom failing
4. Mr./Ms. ofwhom failing
5. Mr./Ms. ofwhom failing

as my / our proxy to vote for me / us on my / our behalf at the Annual General Meeting of the Bank to be held on 23rd June 2025 at 10.00 a.m. and at any adjournment thereof, and at every poll which any be taken in consequence thereof.

Signed this 2025.

.....
 Signature

Note :

1. A shareholder entitled to attend, or attend and vote at the meeting is entitled to appoint a proxy holder to attend, or attend and vote as the case may be, in his / her stead and a shareholder who is entitled only to attend and speak at the meeting is entitled to appoint a proxy holder to attend and speak on his / her behalf.
2. A proxy holder need not be a shareholder of the Bank.
3. The form of proxy should be returned to The Secretary, Housing Development Finance Corporation Bank, P. O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02 not less than 48 hours before the time appointed for holding the meeting.

Instructions for completion

1. To be valid, this form must be filled, signed and deposited with the Company Secretary, HDFC Bank, P. O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02, not less than 48 hours before the time appointed for holding the meeting.
2. The form of proxy must be signed by the appointer or by an Attorney duly authorized in writing.
3. In the case of a company or corporation or an incorporated body the form of proxy must be either under its common seal or under the hand of an officer or an Attorney duly authorized.
4. In the case of joint holder, only one needs sign. The Votes of the senior holder who renders a vote will only be counted.
5. If you wish to appoint any person other than the Chairman as your proxy, please insert the relevant details at 1 to 5.



INSTRUCTIONS FOR COMPLETION

1. To be valid, this form must be filled, signed and deposited with the Company Secretary, HDFC Bank, P. O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02, not less than 48 hours before the time appointed for holding the meeting.
2. The form of proxy must be signed by the appointer or by an Attorney duly authorized in writing.
3. In the case of a company or corporation or an incorporated body the form of proxy must be either under its common seal or under the hand of an officer or an Attorney duly authorized.
4. In the case of joint holder, only one needs sign. The Votes of the senior holder who renders a vote will only be counted.
5. If you wish to appoint any person other than the Chairman as your proxy, please insert the relevant details at 1 to 5.



CORPORATE INFORMATION

NAME AND ADDRESS:

HDFC Bank of Sri Lanka (Housing Development Finance Corporation Bank of Sri Lanka).

P.O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

REGISTERED HEAD OFFICE:

Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Telephone : 2356800, 2446241, 2446239, 2447354
Fax : 2446392, 2356829, 2356827
Web Site : www.hdfc.lk
E-mail : info@hdfc.lk

LEGAL FORM:

A Licensed Specialized Bank incorporated under the provisions of Housing Development Finance Corporation, Act No. 07 of 1997, amended by Act No. 15 of 2003 and Act No. 45 of 2011.

STOCK MARKET LISTING:

The ordinary shares & Debentures of the Bank are listed in the main board of the Colombo Stock Exchange (CSE).

BOARD OF DIRECTORS:

Mr. P.J.Jayasinghe (Chairman)
Mr. W.M. Ananda
Dr. P.A. Krishantha
Mr. W. N. I. C. Fernando
Mr. K. B. Wijeyaratne
Mr. A. N. Hapugala

COMPANY SECRETARY:

Mrs. Prashanie Attygalle
Chartered Secretary
Telephone : 2423378
E-mail : prashanie.a@hdfc.lk

REGISTRARS:

SSP Corporate Services (Pvt.) Limited
Address: 101, Inner Flower Road, Colombo 03.
Telephone : 2573894
Fax : 2573609
E-Mail : sspsec@slt.net.lk

YEAR OF INCORPORATION AS A BUILDING SOCIETY:

1984

AS A LICENSED SPECIALIZED BANK:

2003

AUDITOR:

Auditor General

CREDIT RATING:

The Bank has been assigned BB + (lka) Outlook Stable by Fitch Rating Lanka (Pvt) Ltd

BANKERS:

Bank of Ceylon
Corporate Branch, Echelon Square, Colombo 01.
Sampath Bank
No.110, Sir James Pieris Mawatha, Colombo 02.
People's Bank
No. 75, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Commercial Bank of Ceylon Limited
Commercial House, Union Place Branch, Colombo 02.
Nations Trust Bank
No 242, Union Place, branch, Colombo 02.
MCB Bank Limited
Main Branch, No. 8, Leyden Bastian Road, Colombo 01.
Pan Asia Banking Corporation PLC
No. 450, Galle Road, Colombo 03.
DFCC Bank
No. 73, W A D Ramanayake Mawatha, Colombo 02.

CORPORATE MANAGEMENT

Mr. C.R.P. Balasuriya CEO/GM (Acting)- DGM - Treasury
Mr. H.A. Anura - Chief Financial Officer
Mrs. W.N.D. Botejue - AGM – HR and Admin
Mrs. K.T. D. D. De Silva - AGM - Legal
Mrs. W. L. R. Wijesundara - AGM - Treasury
Mr. A.M. Neelachandra - Chief Manager – IT
Mr. I. Nishantha - Chief Manager - Risk Management
Mrs. G.P. Priyadarshani - Chief Internal Auditor
Mrs. R. P. G. Lenora - Compliance Officer
Mrs. Prashanie Attygalle – Company Secretary

INVESTOR INFORMATION

Mr. Anura Hettiarachchi
Chief Financial Officer
Telephone : 2356800, 244624, 2446239 D/L 4717864
Fax : 2356829
E-mail : anura.h@hdfc.lk

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