



WE SERVE

HDFC Bank
Annual Report

2023



WE SERVE

At HDFC, we are dedicated to serving not only the housing needs of our nation but also in contributing to the development goals of all Sri Lankans irrespective of their background. Our bank is committed to providing accessible and affordable financing solutions to individuals and families, empowering them to achieve their dream of self sufficiency and financial freedom.

Through our comprehensive range of products combined with personalized assistance, we strive to make the path to success smoother and more attainable for everyone. We work closely with our customers and use our efforts in sustainability to address the challenges facing our community and contribute to the overall development and prosperity of our nation.

We serve...so that we may create a brighter future, while making dreams a reality for all.

HDFC Bank of Sri Lanka
Annual Report

2023

1

Introduction to the Report

Welcome to our 14th Integrated Annual Report	4
About HDFC	6
Milestones (from inception to 2023)	10
Product Portfolio	12
Financial Highlights	14

2

Stewardship

Chairman's Message	19
Board of Directors	22
Profiles of the Board of Directors	28
Corporate Management	31
Heads of Divisions	35
Regional and Branch Management	36

5

Risk & Governance

The Chairman's Message on Corporate Governance	90
Corporate Governance	91
Assurance Report of the Auditor General on Corporate Governance	98
Compliance Review	100
Risk Management	138
Directors' Statement on Internal Control over Financial Reporting - 2023	149
Assurance Report of the Auditor General on Internal Controls	151
Board Subcommittee Reports:	
Board Human Resources & Remuneration Committee	153
Board Nomination Committee	156
Board Related Party Transaction Review Committee	159
Board Audit Committee Report	161
Board Integrated Risk Management Committee Report	163
Board Cost Rationalization Committee	165
The Report Of The Directors	167
CEO's & CFO's Responsibility Statement	171

6

Financial Reports

Statement of Directors' Responsibilities for Financial Reporting	174
Independent Assurance Report to the Board of Directors of HDFC Bank of Sri Lanka in the Integrated Annual Report - 2023	175
Auditor General's Report	177
Statement of Profit or Loss and Other Comprehensive Income	184
Statement of Financial Position	185
Statement of Changes in Equity	186
Statement of Cash Flow	187
Accounting Policies	188
Notes to the Financial Statements	195

3

Strategic Review

Value Creation Model
Strategic Aspirations
Our Economic Impact
Connecting with Stakeholders
Materiality Assessment
Integrating Sustainability

7

Supplementary Information

Share Information	240
Value added Statements	243
10 Year Summary	244
Notice of Annual General Meeting	246
Form of Proxy	247
Corporate Information	Inner Back Cover

4

Management Discussion & Analysis

40	Our Operating Context	56
42	Risk and Opportunities	58
43	Review of Business Segments	59
44	Financial Capital	61
47	Manufactured Capital	66
51	Human Capital	70
	Intellectual Capital	76
	Social and Relationship Capital	80
	Natural Capital	85
	Awards & Recognition	87

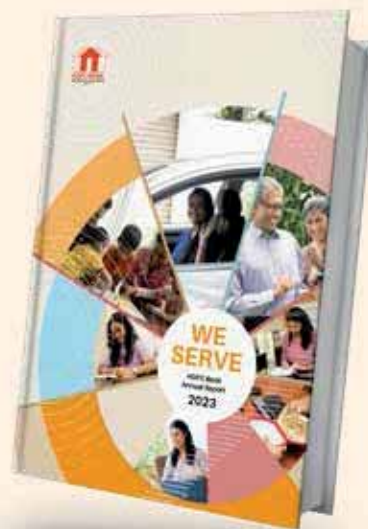
Welcome to our 14th Integrated Annual Report

HDFC Bank of Sri Lanka
Annual Report 2023

Welcome to our 14th Integrated Annual Report, which covers the financial year from 1st January 2023 to 31st December 2023.

The report provides a comprehensive review of the bank's strategy, financial and operational performance over the 12-month period including its value creation for the stakeholders in the short, medium and long term based on the six capitals defined by the Integrated Reporting Framework.

While we have made every effort to provide a clear and accurate depiction of the bank's progress during the period to our valued stakeholders, we have also endeavoured to highlight how we have utilized our strengths to maximize value for each stakeholder group in a year marred by ongoing economic pressures and political uncertainty.



This Report Includes

- ✓ A comprehensive discussion on HDFC bank's strategy, capital management, risk and compliance.
- ✓ Under each capital report, discuss how value is created for each stakeholder group.
- ✓ Discusses operational aspects during FY and achievements in terms of product diversification, digitalisation, capacity development and contribution to sustainability.
- ✓ Provides a review of corporate governance and risk management.



Report Navigation

The Report content is divided into several sections to ensure clarity and ease of navigation for the reader. In addition, icons, text boxes and tables are also used throughout the report to bring the attention of the reader to significant facts and figures relevant to each section.

Reporting Scope and Boundary

The Report presents the financial and operational aspects of the HDFC Bank for our usual annual reporting cycle (mentioned above). Hence, the report includes operational developments and results related to Manufactured Capital, Intellectual Capital, Human Capital, Social and Relationship Capital and Natural Capital discussed in the light of the prevailing operating context, the Bank's strategy and resource allocation for the period, stakeholder interests, risk environment and governance.

The financial aspect is included in the financial capital and financial statements. During the year under review, neither there were any significant changes from the previous reporting cycle in terms of scope and boundary, nor were there any restatement of information compared to the previous Annual Report.

Reporting Frameworks

The report is prepared in accordance with the guidelines of the Integrated Reporting Framework specified by the International Integrated Reporting Council (IIRC). In addition, the report confirms to all the relevant laws, rules and regulations, financial reporting standards and guidelines. Conformity to these has enabled the Bank to facilitate consistent and transparent reporting practices.

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

Non-Financial

- International Integrated Reporting Framework
- United Nations Sustainable Development Goals (SDG)

Value Creation through Integrated Thinking

We continue to create sustainable value for our stakeholders in the short, medium, and long term. In doing so, we take an integrated approach encompassing the Bank's strategies, capitals, business model, stakeholder considerations, governance framework, performance, outputs, and outcomes. By comprehending the interconnection between these elements, we strive to better manage the stakeholder expectations and deliver enhanced value, staying focused on the Bank's strategic objectives.

Therefore, through an integrated reporting framework, we provide our stakeholders with an inclusive and comprehensive assessment of Banks' value creation process. The purpose is to allow the stakeholders to evaluate the present position and prospective outlook of the Bank that ultimately determines the capacity to meet their expectations.

Guiding Principles



Connectivity

This report provides a holistic view of the Bank's strategy, governance, performance, and prospects.



Stakeholder Engagement

The report provides insight into how the Bank engages with its stakeholders and manages their concerns.



Materiality

The Bank has identified matters that significantly influence its ability to create value over the short, medium and long term.



Reliability and Completeness

The report provides timely and accurate information, including both positive and negative impacts and outcomes for the financial year. This is confirmed by the internal and external assurance of our financial statements and information.



Consistency and Comparability

The report showcases information that is consistent over a period of time and thus, comparable from year to year.

Assurance

The financial statements in this report have been audited by the Auditor General for their accuracy and completeness. Further, Ernst & Young provides independent assurance on HDFC Bank's consolidated financial statements and sustainability reporting.

Forward-Looking statements

This report may contain forward-looking statements that include information based on the assumption of the Bank's business prospects, market conditions, future financial performance, and operations etc. These statements may involve significant risks and uncertainties, as the actual results may differ from those projected in the forward-looking statements.



Queries and Feedback

We value your feedback to further improve the Report in future. Please provide your feedback to;
The Chief Financial Officer
Anura Hettiarachchi
Email: anura.h@hdfc.lk
Phone: +94 11 2356802, 2446241, 2447354

The HDFC Bank's Annual Report is available in all three languages in print format to address the varied language preferences of stakeholders.

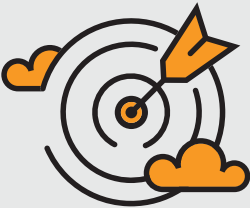
The English digital version of the Report can be downloaded from our official website; <https://hdfc.lk/>

We strongly encourage our stakeholders and readers to access the digital version.



Vision

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



Mission

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



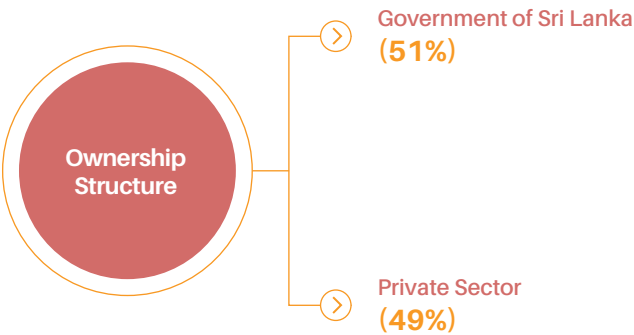
Values

- Ethical
- Agile
- Resilient
- Respect for Diversity
- Transparent

Overview of HDFC

The Housing Development Finance Corporation bank of Sri Lanka (HDFC Bank of Sri Lanka) commenced its operations in 1984 as a building society and later transformed into a state-owned enterprise, a specialized bank in 2003 and a listed entity in the Colombo Stock Exchange in 2005.

With shared ownership between the public and private sectors, the Government of Sri Lanka holds a majority of shares (51%) through the National Housing Development Authority (NHDA). As a specialized bank, HDFC Bank remains committed to its core objective of providing financial solutions for sustainable housing in creating value for the stakeholders and maintaining profitability.



The Bank continues to serve a wide clientele that includes Retail, Corporates and SMEs with financial solutions that mainly include housing loans, further expanding it to Credit, Deposit and Savings products for Retail and Institutional customers. Over the years, the Bank has increased its focus on SME development finance and corporate lending contributing to the social advancement of the nation.

Business Segments

Retail Banking	Corporate and Development Finance
HDFC Bank’s retail banking segment includes a range of loans, leasing, savings, deposits and investment plans targeting individuals and SMEs.	HDFC Bank’s corporate and development finance provides corporate and development loans.

Market Share

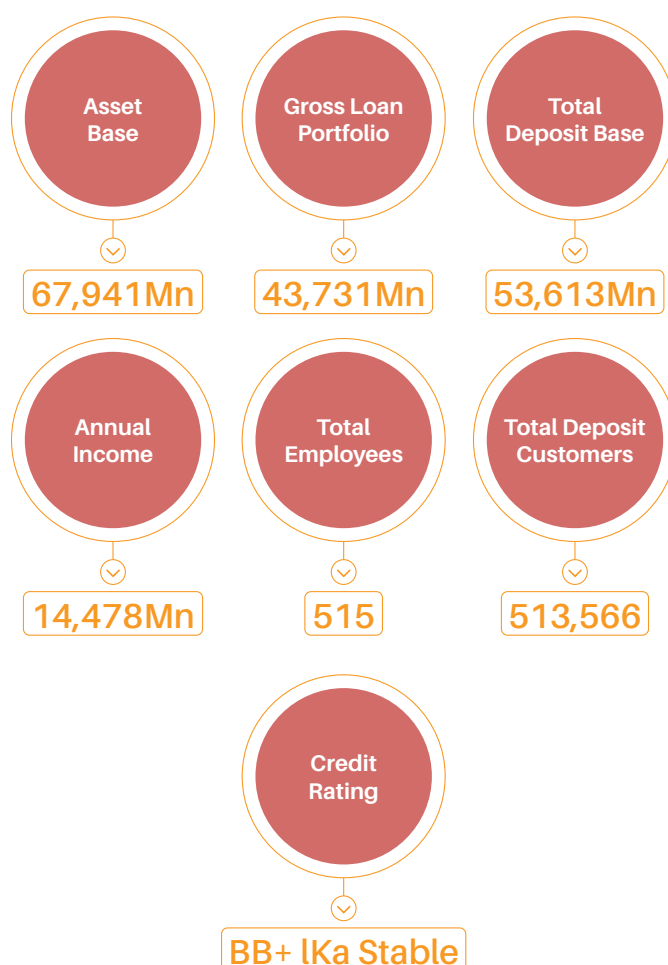
Assets & Liabilities	Bank	2023 (Rs.Mn)	%	2022 (Rs.Mn)	%	2021 (Rs.Mn)	%	2020 (Rs.Mn)	%
Gross Loans & Advances	Licensed Specialised Banks	957,577	4.6	991,723	4.5	923,361	4.7	796,756	5.4
	HDFC Bank	43,731		44,637		43,572		42,659	
Deposits	Licensed Specialised Banks	1,885,091	2.8	1,856,219	2.7	1,747,218	2.9	1,538,222	3.1
	HDFC Bank	53,613		50,245		49,813		47,947	
Total Assets	Licensed Specialised Banks	2,284,991	3	2,191,514	2.9	2,103,019	3	1,837,445	3.3
	HDFC Bank	67,941		62,882		62,964		61,030	

Notes

- (a) Licensed Specialised Banks data - CBSL Statistics
 (b) HDFC Bank data - Annual Report
 (c) LSB Gross Loans (excludes FCY)
 (d) LSB Deposits (excludes FCY)
 (e) LSB Total Assests (Includes Cash and Due From Banks, Investments, Net Loans and Advances, Investment Properties, Fixed Assets(net) & Other Assets)
 2023 CBSL data - * Provisional

HDFC Bank's Competitive Edge

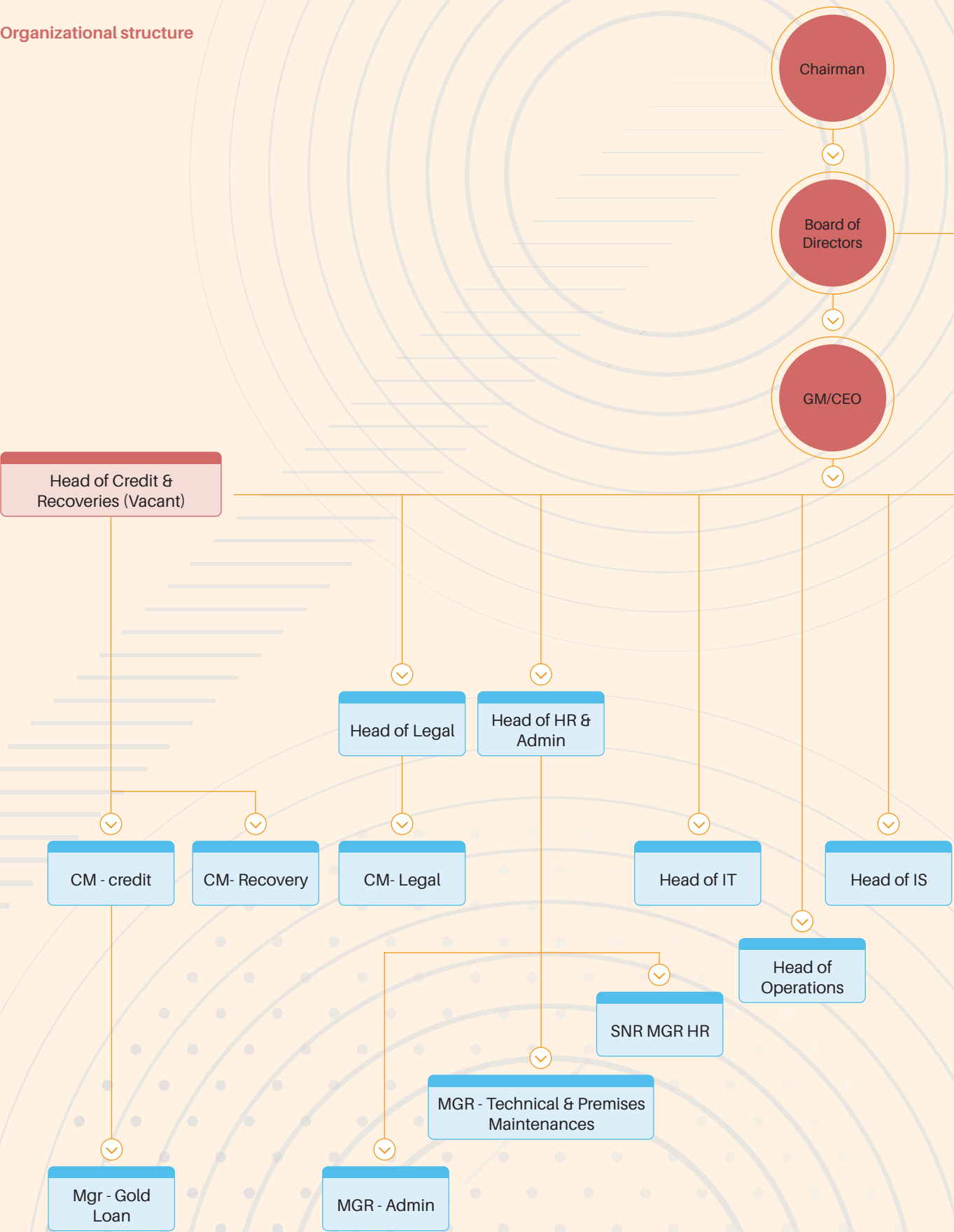
- The Bank is on a definite growth trajectory fueled by the new era of progress that was ushered in with the listing of the Bank on the Colombo Stock Exchange in 2005.
- With a larger ownership stake in the Government of Sri Lanka and being under the direct supervision of the Ministry of Finance and Planning, the Bank receives continuous Government support in achieving its goals.
- The Bank is also one of authorized LSBs to offer EPF-backed housing loans to borrowers.
- The Bank consistently support the Government's vision to provide affordable housing for Sri Lankans. With a portfolio predominantly focused on housing loans, the Bank strives to empower individuals to realize their homeownership aspirations.
- The Bank takes a prudent financial management approach, aggressively optimizing the Bank's current resources and reducing expenses in the context of the high-risk profile of long-term housing loans.
- The Bank is led by a strong Board of Directors who are well equipped in terms of competency and experience to guide the Executive Leadership and the management team to attain the strategic objectives towards creating value for the stakeholders.
- The Bank has a competent loan and credit team who manage the housing and EPF loan portfolios utilizing their extensive experience in serving rural and grassroots communities as well as low to middle-income SME clientele. Further, the Bank's ability to authorize and approve EPF loans, positions it uniquely within the industry.

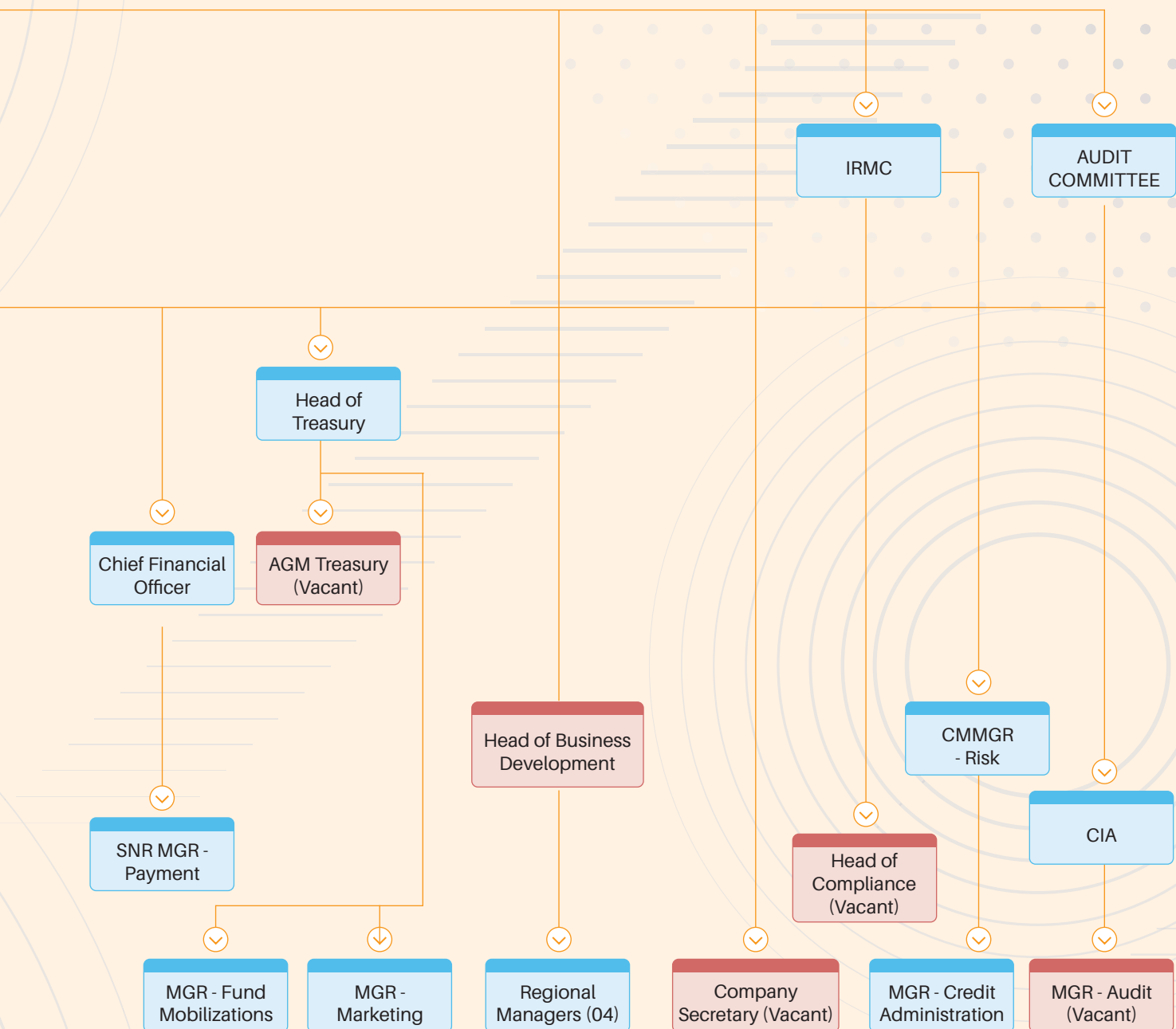


Branch Network

The Bank has established a network of 39 branches island-wide, dispersed across six regions and is administered by the Regional Manager. Through this network, we utilize a team of 49 mobile banking officers that provides financial services to a customer base in both rural and urban areas, serving them at their convenience. Furthermore, the customers and the stakeholders have the privilege of engaging with us via our corporate website: www.hdfc.lk and e-banking portal.

Organizational structure





Milestones (from inception to 2023)

HDFC Bank of Sri Lanka
Annual Report 2023

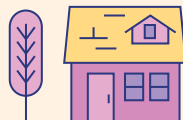
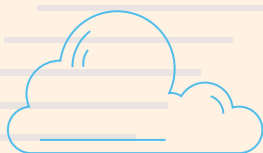


✓ 1984

Initiated as a Building Society, registered under the National Housing Act.

✓ 1997

To provide housing funds and accept public deposits, the parliament passed the Housing Development Finance Corporation of Sri Lanka Act No. 7 of 1997, establishing a public corporation.



✓ 2000

Gazetting of the Housing Development Finance Corporation of Sri Lanka Act No. 07 of 1997, paving the way for the Housing Development Finance Corporation of Sri Lanka.

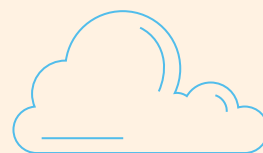


✓ 2003

Amendment of the Housing Development Finance Corporation of Sri Lanka Act No. 7 of 1997 for the forming of a specialised bank. The Bank was renamed the "Housing Development Finance Corporation Bank of Sri Lanka" (hereafter referred to as the "HDFC Bank of Sri Lanka").

✓ 2005

Listed on the Colombo Stock Exchange, the Bank began attracting investments from potential investors.



✓ 2011

The HDFC Act was amended to broaden the operations of the Bank, providing flexibility to conduct business as specified in Schedule IV of the Banking Act No. 30 of 1988.

✓ OUR GROWTH JOURNEY

For the past 10 years, we have experienced steady growth in our deposits and loans, as we have maintained profitability in a positive momentum.



✓ 2012

The Bank diversified its product portfolio in providing customers with other forms of financial solutions.

✓ 2015

The Bank established a new division to undertake Corporate Finance in ensuring financial access to SMEs and Corporates.



✓ 2017

The Bank implemented its core banking system, taking its initial step towards digitalisation and technology advancement.



✓ 2019

The Bank introduced e-banking services to customers.

✓ 2020

The Bank partnered with Just Pay Mobile Banking Platform in ensuring customer convenience and easy accessibility to its products and services.



✓ 2023

The Bank reached Rs. 7.5Bn minimum capital requirement and recorded the highest profits in the 40-year history.

Governed by the Housing Development Finance Corporation of Sri Lanka Act No.7 of 1997 (amendment of Act No.15 of 2003 and Act No. 45 of 2011), the Bank has historically provided funds to serve the nation's housing needs. But at present, the Bank's portfolio is a diversified mix of deposits and loan products intended to resolve the financial needs of those with lesser financial avenues. Due to this focus, the Bank's core customer segments are individuals and MSMEs from the low to middle-income brackets, served without prejudice against their financial strengths. The Bank now provides a range of products while providing repayment and restructuring facilities to match the financial capabilities of every customer.

Specialisations And Diversifications

Apart from our core focus on mortgage-based housing loans and EPF loans, gold loans have gained steady growth. Under our current portfolio, we provide retail and institutional customers' access to a holistic and inclusive range of loans and deposit-based products.

The Bank is one of the four LSBs dedicated and authorised to provide housing loans against the Employee Provident Fund (EPF), for which there is a growing demand. EPF-backed loans are a prudent credit instrument as the assigned employee provident fund becomes the loan collateral, which lowers the risk for both the customer and the Bank, in the event of defaulted payments. Each year, the EPF reimburses the Bank the arrears on EPF-backed loans; this enables the Bank to maintain financial flexibility ensuring cash flows on non-performing loans each year.

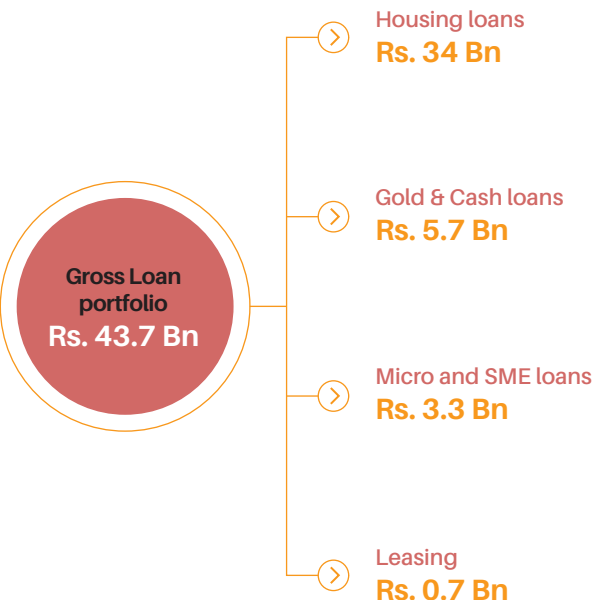
Loans: We consider the financial capacity, livelihoods and lifestyles of all our customers when selecting customer's for loans and restructuring loans. Our loan products now cover home loans, lifestyle loans, small and medium enterprise loans, gold loans, educational loans and leasing in addition to loans for special purposes.

Advance schemes

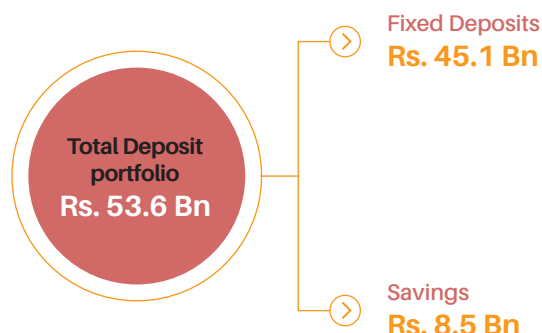
- Mortgaged Backed Housing Loans
- EPF Backed Housing Loans
- Mortgage Backed Lifestyle Loans
- Gold Loans
- Mortgage Backed Educational Loans
- Loans against Fixed Deposits
- Guarantee Loans
- Finance Leasing

Development loans

- Business Loans to MSMEs
- Loans to Corporations
- Concessionary Rate Refinance schemes for MSMEs



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



Deposits

- HDFC Max
- Fixed deposits

Savings Products

- Prathilaba
- Thilina
- HDFC Smart Goals
- HDFC Salary Saver



Investment plans

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

Digital And Other Services

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

HDFC launches a new savings account for monthly income earners



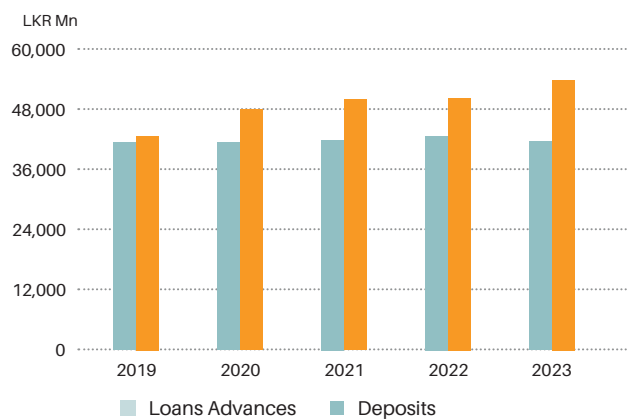
Mr. Kamal Perera, Manager – Deposits and Business Development handing over the product promotional material to the GM/CEO Mr. Nishaman Karunapala



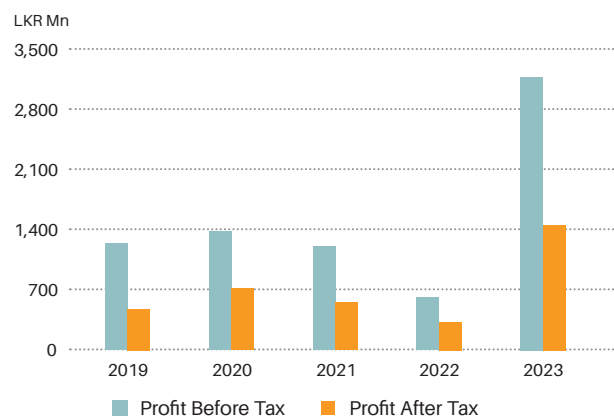
Mr. C.R.P. Balasooriya, DGM-Treasury and Marketing handing over the account passbook to the first customer

	2023 LKR.Mn	2022 LKR.Mn	Change %
Results for the year			
Income	14,478	8,878	63
Profit before Taxation	2,800	612	358
Provision for Taxation	1,423	286	398
Profit after Taxation	1,376	326	322
Revenue to the Governments	1,437	289	397
Gross Dividends			
At the year end			
Shareholders, Fund	8,128	6,716	21
Deposits from Customers	53,613	50,245	7
Gross Loans & Advance to Customers	43,731	44,637	(2)
Total Assets	67,941	62,882	8
Information per Ordinary share			
Earnings (Basic) (Rs.)	21.27	5.04	322
Financial Ratios			
Return on Average shareholders' Fund (%)	18.54	4.99	272
Return on Average Assets (%)	2.10	0.52	304
Share Holders Equity to Total Assets (%)	11.96	10.68	12
Statutory Ratios			
Liquid Assets(SLAR) (%)*	41.18	31.52	31
Liquidity Coverage Ratio(LCR)	394.00	334.00	18
Net Stable Funding Ratio(NSFR)	143.00	199.00	28
Leverage Ratio	9.54	10.26	7
Common Equity Tier 1 -Minimum Required 7.00%	35.84%	25.54%	35
Total Tier I (%) - Minimum Required -8.50 %	37.02%	26.56%	36
Total Capital (%) - Minimum Required -12.50 %	39.03%	27.61%	38
Other Information			
Branches	39	39	-
Employees (No of Staff)	515	588	(12)
Credit Rating - Fitch/Lanka Rating	BB+(lka) Stable	BB+(lka) Negative	

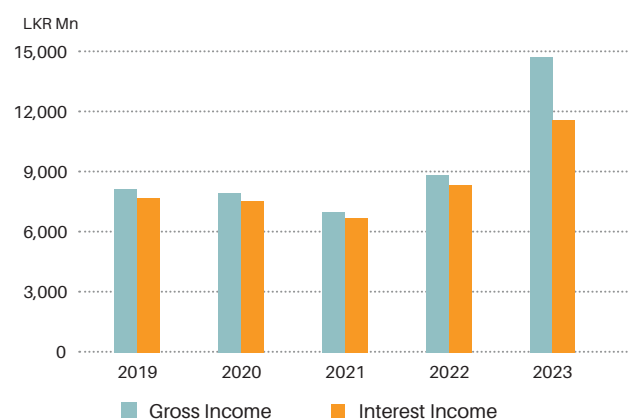
Loans Advances & Deposits



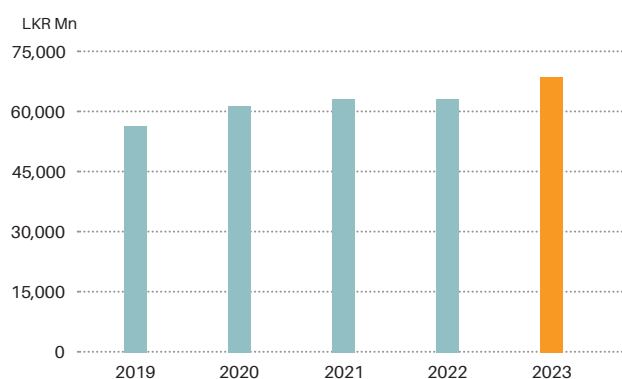
Profitability



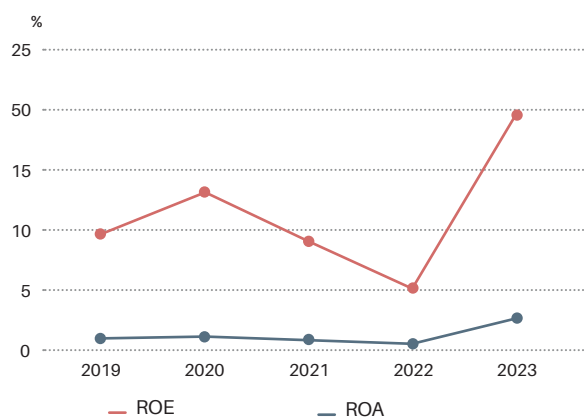
Income



Total Assets

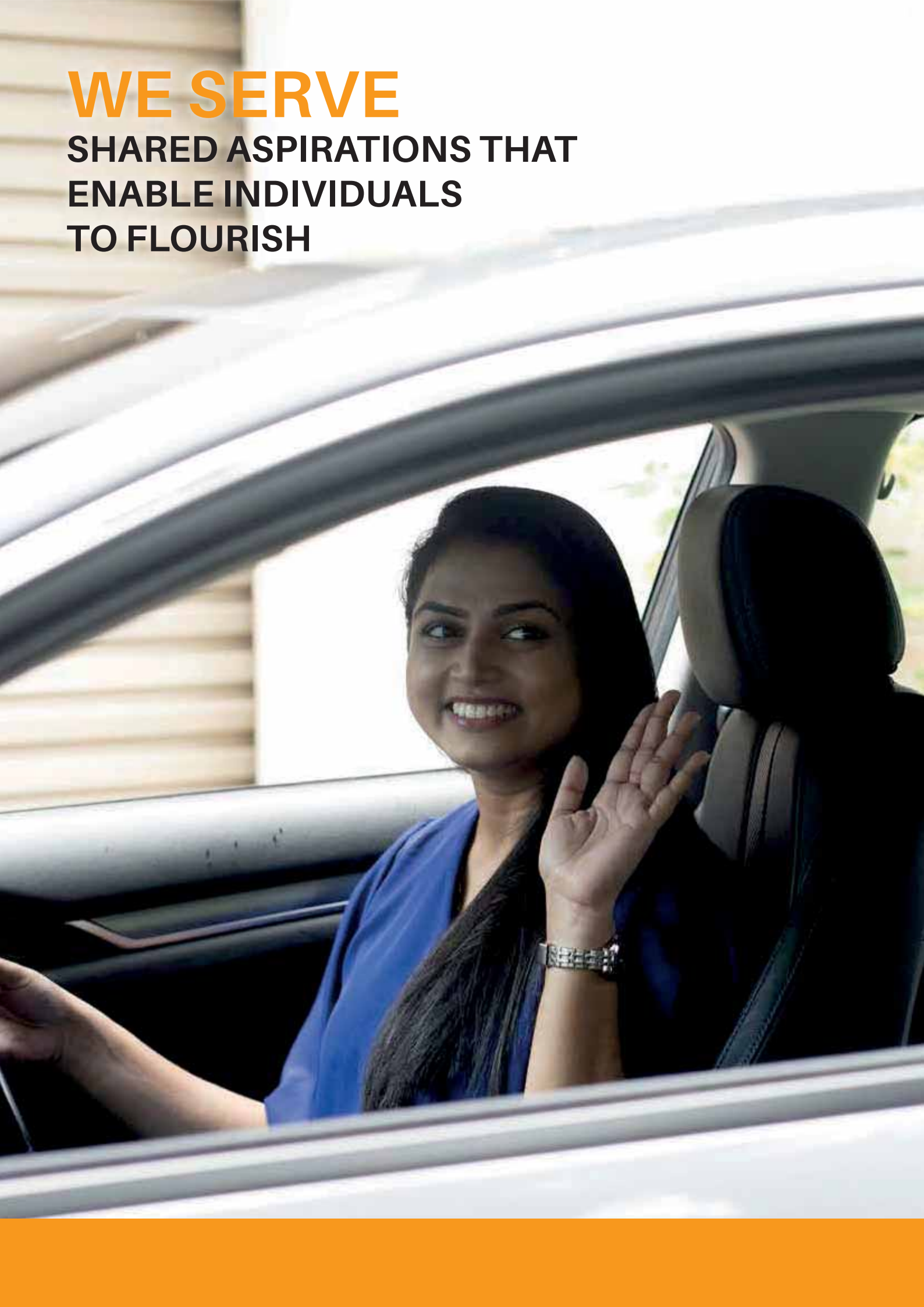


ROA & ROE



WE SERVE

**SHARED ASPIRATIONS THAT
ENABLE INDIVIDUALS
TO FLOURISH**





LEASING

A man with short dark hair, wearing a dark blue suit, white shirt, and a red tie with a small white pattern, stands with his hands in his pockets. He is looking directly at the camera with a slight smile. The background is a blurred indoor setting with warm lighting. On the left side of the image, there are decorative graphic elements consisting of concentric circles and horizontal lines with dots.

Our above average profit this year affirms our prudent approach in response to an evolving macroeconomic and industry landscape. We will endeavor to continue the same growth trajectory whilst being open to revisiting our strategy to suit the shifting dynamics of the operating landscape

On behalf of the Board of Directors, I extend a warm welcome to you to the 39th Annual General Meeting of HDFC Bank of Sri Lanka. It gives me great pleasure to present to you, on behalf of your Board of Directors, the Annual Report of the Bank for the financial year ended 31st December 2023. It has been with the shareholders for the prescribed period of time, and I shall, with your permission, take it as read.

The macroeconomic headwinds that prevailed during the year largely triggered by the economic crisis in early 2022 continue to hinder the growth of businesses, impacting the economy at large alongside consequential challenges emerging in the operating environment. We continue to navigate this turbulence adopting an inclusive approach to the Bank's financial and operational performance. Whilst demonstrating strategic agility, we remain steadfast in our commitment to growth, building resilience to uncertainties, in driving balance sheet stability and profitability.

Our above average profit this year affirms our prudent approach in response to an evolving macroeconomic and industry landscape. We will endeavor to continue the same growth trajectory whilst being open to revisiting our strategy to suit the shifting dynamics of the operating landscape.

Contributing to a sustainable society remains a core focus area in our strategy and we continue to achieve this objective through financial inclusion of the underprivileged segment of the society and our continued commitment to minimize our internal and external footprint through appropriate energy, water and waste management.

Macroeconomic Background and Industry Performance

During the financial year, a pervasive inflationary climate, rising interest rates and increased taxation dominated the macroeconomic metrics, contracting all key sectors and recording a negative growth rate during the first half of the year. The economy began gaining momentum only towards the latter part of the year backed by the relaxation of monetary policies, improved supply conditions, a gradual easing of import restrictions, and improved business and investor confidence, along with the effects of policy measures and structural reforms aimed at fostering economic expansion. As a result, the economy grew by 1.6 percent from a year earlier in the third quarter of 2023, its first expansion in a year and a half. Key economic indicators such as inflation and interest rate improved in signs of economic stabilization despite the remaining challenges.

The financial sector too encountered obstacles and continues to operate under challenging conditions. The economic contraction during the first nine months of the year resulted in a

stressed financial position for economic and business entities. Consequently credit growth witnessed a substantial decline with considerable deterioration in credit quality, requiring banks to implement stringent credit assessment protocols. Unsurprisingly, non-performing loans also remained stubbornly high during the period as the growing pressure on disposable income impacted people's loan repayment capacity, necessitating banks to implement prudent NPL management practices. On the other hand, banks were compelled to take into consideration the near destitute situation faced by the borrowers and businesses due to the economic conditions and offer relief measures to support the clients in navigating their financial difficulties. Amidst these upheavals, the digital drive of the industry also remained a core concern as banks had to adapt to the customer's digital demands and the rapidly shifting industry landscape marked with advances in technology, to remain competitive.

HDFC Bank Performance

As a bank that operates largely in the lower and middle-income customer segment offering housing loans and financial support for SMEs, the bank was unfavorably impacted by the complexities of its operating landscape. The subdued performance of the construction sector, which is directly associated with housing, was a critical blow to business expansion which necessitated the bank to refrain from credit expansion and concentrate on other areas to generate revenue. Product diversification became a central focus and we placed greater emphasis on existing product categories, such as deposits, leasing, pawning and investment plans to guarantee our income. The negative impact of credit conditions was offset by the disposal of investment in treasury bonds, above the minimum capital requirement and which yielded an extraordinary net capital gain of Rs. 1.32Bn. Prudent recovery measures also contributed positively to our achievement during the period. All these efforts were bolstered by a solid risk management foundation for the Bank. Consequently, the Bank recorded a profitability of Rs. 1,376Mn during the financial year along with healthy capital and liquidity buffers.

Integrating Sustainability

Contributing to a sustainable society remains a core focus area in our strategy and we continue to achieve this objective through financial inclusion of the underprivileged segment of the society and our continued commitment to minimize our internal and external footprint through appropriate energy, water and waste management.

A significant achievement during this phase was the initiation of the Waste Plastic Collection Program in partnership with ECO Spindles to encourage proper disposal of plastic and polythene amongst the general public.

Corporate Governance

We have a robust corporate governance foundation that guides us on the industry's best practices and ethical business conduct. As the foundation of our commitment to transparency, accountability and ethical conduct of all our operations, we continue to strengthen this corporate governance foundation in guiding the Bank towards achieving the core principles of governance across all levels of its operations in driving our growth and creating value for all the stakeholders.

The Way Forward

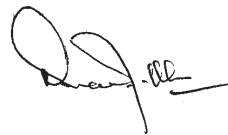
Considering the improved macroeconomic situation at the end of the financial year, we anticipate a broader recovery in the near term. Therefore, we look forward to capitalizing on opportunities arising from the improved operating landscape that would be more conducive for the business entities, particularly the financial institutions. Having implemented a well-thought-out strategic plan during the year, we intend to reap the benefit of it in the next financial year. As planned, we will drive balance sheet growth, and technology transformation and work towards ensuring service excellence to maintain our competitive position within the industry landscape. In this endeavour, we will uphold the highest standards of governance and risk management.

In the long term, we plan to establish HDFC Bank of Sri Lanka as a Development Finance Institution dedicated to facilitating Small and Medium Enterprises growth through development financing.

Appreciation

I take this opportunity to thank the Board of Directors for their stewardship in this turbulent period. I also wish to express my gratitude to the Board sub-committees for assisting the Board of Directors in realizing the Bank's strategic goals.

My sincere appreciation also goes to the officials of the Central Bank of Sri Lanka and the Ministry of Finance, our loyal customers, business partners and all other stakeholders who have played a vital role in maintaining the Bank's stability and continued value creation during a challenging period. I trust with our collective effort we can drive the sustainable growth of the bank while contributing to the economic development of the nation in the years to come.



D Soosaipillai
Chairman

Despite the formidable challenges that persisted throughout the year, we were able to record the highest-ever profit in the 40-year history of the HDFC Bank, mainly driven by our flexibility to adapt strategies in response to the dynamics of the industry landscape and the macroeconomic environment



The financial year 2023 exhibited a gradual yet consistent recovery from a challenging situation. Nevertheless, the ramifications of the economic crisis that erupted in 2022 continued to overshadow the progress with new challenges emerging in the macroeconomic landscape. These emerging economic challenges and uncertainties continue to hinder the growth of most of the industry sectors including the banking sector. In this milieu, I present to you the Annual Report and the Audited Financial Statements of the Housing Development Finance Corporation Bank of Sri Lanka for the financial year ended 31st December 2023.

The Bank adopted a holistic approach taking a comprehensive view of the bank's financial and operational performance while ensuring strategic agility in responding with prudence to the external challenges. While keeping our motivation and commitment intact and further building our resilience by learning from the hardships, we continued to pave the way for success in the years ahead.

Despite the formidable challenges that persisted throughout the year, we were able to record the highest-ever profit in the 40-year history of the HDFC Bank, mainly driven by our flexibility to adapt strategies in response to the dynamics of the industry landscape and the macroeconomic environment. Navigating a turbulent period, we remained steadfast in our commitment to serve the nation with accessible and affordable financial solutions for families and individuals in contributing to the overall development of the Country.

Volatile Operating Backdrop

The ongoing economic uncertainties and political volatility unveiled the entrenched economic challenges further exacerbating the economic situation. Thus, inflationary pressures, high interest rate regimes and escalating taxes dominated the macroeconomic podium heightening uncertainty and impacting investor confidence. The economy contracted by 7.9 percent in the first half of 2023 (World Bank), reflecting the prolonged impact of the economic distress in 2022, combined with the tighter monetary and fiscal policies implemented to achieve greater macroeconomic stability.

It was only towards the last quarter of 2023, that the economy showed signs of recovery supported by easing of monetary conditions, improved supply conditions, gradual relaxation of import restrictions, improved business and investor sentiments as well as impact of policy measures and structural reforms that were being implemented to promote economic growth.

Inflationary pressure remained a key challenge during the period, which in turn had a negative impact on the purchasing power of consumers. The curtailed spending of the consumers, which is mostly limited to essential items, further contributed to increased food insecurity. Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100) increased to 4.0% in December 2023 from 3.4% in November 2023. Besides, the high-interest rate environment also posed a challenge for businesses and individuals, affecting their capacity to manage debt and pursue growth prospects.

During the year, we were able to record the highest profits in the 40-year history of the Bank, which is a significant achievement considering the multifaceted challenges that existed in the macroeconomic landscape. Further, we were also able to maintain capital compliance, meeting the regulatory requirements and ensuring adequate capital buffer for the bank

Supply chain issues also remained a significant concern during the period with delays in procuring raw materials, logistical issues, and shortages of essential items for production, adding further pressure to the industries that were already grappling with economic headwinds.

Performance of the Banking Industry

The prevailing macroeconomic situation had a negative impact on the banking sector as challenges such as intensified credit risk, liquidity constraints, interest rate fluctuations and regulatory concerns continue to impede the sustainable progress of the sector. Heightened credit risks compelled the banks to adopt rigorous credit assessment protocols to determine the financial health of the customers. Apart from that, the Banks were obliged to maintain healthy liquidity levels on par with the industry requirement. This required the Banks to place significant emphasis on prudent strategic planning, risk management, and operational efficiency. Amidst these challenges, the Banks also have to keep up with the evolving regulatory landscape of the Banking sector.

The non-performing loans (NPLs) and impairment also increased during the period as the borrowers were unable to meet their debt obligations.

This required Banks to implement prudent NPL management practices to identify and manage potential risks associated with non-performing loans. Likewise, the high-interest rate environment also compelled banks to consider competitive interest rates to support and retain the clientele. The digital drive also dominated the industry with customers' increased preference for digital banking in the evolving banking landscape.

The situation required the bank to focus on adaptability and fortitude to drive growth against economic fluctuations and shifting market conditions.

Approach and Performance of HDFC Bank

HDFC Bank also aligned itself with the needs of the hour and took measures to support its clients. Being a specialized housing bank, the bank primarily offers affordable housing loans to low- and middle-income customers to ensure access to sustainable housing in addition to extending its financial assistance to small and medium enterprises. Therefore, the subdued performance of the construction sector during the period, which is directly related to housing, had an adverse implication on the Bank's performance. As a result, the business volumes remained significantly low, even recording negative growth on some occasions.

In this circumstance, we opted to refrain from concentrating on credit growth and instead diversified our revenue streams to counteract the impact of the economic headwinds to maintain profitability and improve the bank's competitive position within the industry. Considering the substantial setback in the housing segment, the bank focused on diversifying its products and services offerings to other areas such as deposits, leasing, pawning and investment plans.

We aggressively pushed on leasing, which has been in our portfolio for 6 years. As a medium-term credit instrument, leasing provided the bank with a stable and predictable income stream. The capital shortfall experienced during the phase also required the bank to venture into short-term investments such as pawning, a genuine necessity at that time, to overcome the situation, earning a reasonable profit for the bank. We also offered three new EPF products (smart, flexi and advantage) with additional benefits to the customers based on their credit quality. Furthermore, given the high-interest rate environment, measures were also taken to offer competitive interest rates to the customers while offering flexible payment plans to accommodate the customer's financial situation.

Considering our increased vulnerability to economic headwinds, as a niche banking institution that is largely focused on middle- and low-income segments, we further concentrated on attracting the upper-middle and the upper-income category into our customer base during the period while persisting to serve our core customer segment – middle- and low-income category. This strategy played a crucial role in placing us in a more secure position to leverage improved opportunities in the future.

Furthermore, we leveraged our proficient team to mobilize deposits, resulting in a substantial increase in our deposit funds. These funds were subsequently allocated for investments, which were instrumental in increasing our profitability.

We also strengthened our recovery efforts by better facilitating the customers without resorting to drastic measures and even supporting them to enhance their financial literacy in making effective financial decisions. With understanding and adaptability, this novel approach to recovery bolstered our collection efforts leading to a successful outcome.

As a result, we were able to recover a considerable percentage of funds from our long overdue loan customers though this achievement was not reflected in the NPL ratios. The NPL ratios continued to be unaffected mainly due to slow credit growth and low interest margins.

Therefore, in terms of financial performance, our gross income remained at LKR 14.5 Bn for the year, demonstrating a 63% increase compared to the previous financial year. The Bank recorded an interest income of LKR 11.3 Bn while total operating income remained at LKR 5.6 Bn, a growth of 75% compared to the previous year. The profit before tax also witnessed a 613% increase from LKR 302 Mn in 2022 to LKR 2.2 Bn during the financial year 2023. Earnings per share also witnessed an increase of 322%.

Competent Workforce

Although the employee turnover during the period remained considerably low despite the economic instability, the macroeconomic circumstances continued to put pressure on our retention efforts. Against this backdrop, we focused on improving employee productivity implementing strategies and practices that enhance efficiency, motivation, and job satisfaction. To this end, better internal controls were put in place including improved processes and procedures relating to human resources in clearly defining the roles and responsibilities of the employees as well as increasing efficiency and cost reduction, laying the foundation for the future.

This was also a time that emphasized the necessity to develop further capacity of our staff members, who primarily have the technical competency to serve the housing and EPF loan clientele, to promote other financial channels. Hence, the employees were also provided exposure to professional development opportunities through various training programs conducted internally and externally.

Key Milestones

During the year, we were able to record the highest profits in the 40-year history of the Bank, which is a significant achievement considering the multifaceted challenges that existed in the macroeconomic landscape. Further, we were also able to maintain capital compliance, meeting the regulatory requirements and ensuring adequate capital buffer for the bank. Apart from that, we also paid the highest tax for the government and additional monetary benefits to the stakeholders, particularly the employees. We paid an ex-gratia payment for the employees in recognizing their invaluable contribution to the bank. Given the improvement witnessed in profitability, we also anticipate paying a dividend to the shareholders in the next financial year.

Fostering a Sustainable Future

Our contribution to sustainability is embedded in our vision and mission highlighting our commitment to providing affordable financial solutions to grassroots-level communities in ensuring sustainable housing and living standards. By specifically developing tailored financial solutions to suit the needs of the low- and middle-income segments, we consistently strive to empower the communities at the bottom level of the income strata contributing to social sustainability.

During the year, in contributing to environmental sustainability, we also initiated a Waste Plastic Collection Program in partnership with ECO Spindles to assist the general public with proper plastic and polythene disposal by placing waste collection bins at our branches and selected public locations.

Promising Future

As we step into a new phase of growth powered by an improved macroeconomic landscape, we will continue our sustainability efforts, with a greater focus on business and development loans in emerging as a development bank that provides financial and technical assistance to foster economic growth and development. To this end, we will also extend our financial support to greenhouse cultivation considering its potential benefits for agriculture, the environment, and the overall economy. In addition, we are also contemplating providing agriculture machinery to the farmers in the near term.

While we aggressively drive portfolio growth in the next financial year, we will also make an effort to draw upper and upper-middle-income segments into our clientele while continuing to facilitate low- and middle-income segments. This will allow us to achieve a well-balanced distribution among our customer segments without compromising our revenue generation.

In increasing our digital footprint, we will also drive technology transformation by upgrading outdated systems with new technology. The decision was taken during the financial year to carry out technology upgrades and thus will be implemented over a period of time. In the next financial year, the bank plans to utilize the enhanced Core Banking System and the Human Resource Information System which will facilitate greater efficiency and flexibility for the customers as well as the employees.

Moreover, we will strive to foster a customer-centric culture in providing a seamless customer experience. To this end, the bank encouraged the branch officers to visit the customers at their doorstep in addition to the palmtop team who currently visit them to maintain interaction. We believe this novel approach to customer handling coupled with quick and friendly service delivery will enhance customer satisfaction in our products and service offerings. As we move ahead, we intend to continue this commitment, further facilitating improvement in processes, policies and credit evaluation.

The bank's core focus will be on strengthening the core fundamentals of banking; people, process and technology in positioning ourselves within an evolving and competitive banking industry landscape.

In this process, we will uphold strong corporate governance and prudent risk management in consolidating the foundation of our operations, ensuring ethical business conduct demonstrating accountability and transparency of our business activities to the stakeholders.

As we remain optimistic about the future, we fully comprehend the crucial role that HDFC bank should play in the economic development of Sri Lanka. Hence, we remain geared to capitalize on the opportunities arising in the coming years with anticipated improvements in the operating environment.

Acknowledgements

As we navigate a dynamic industry landscape, I want to take a moment to express my heartfelt gratitude to all of you for your unwavering dedication and outstanding contribution to the bank.

Hence, I wish to express my sincere gratitude to the Chairman for his wise counsel and stewardship in steering the bank ahead at a formidable period. I am also deeply indebted to our valued customers who have placed their trust in us and remained loyal throughout unprecedented challenges in the operating environment. I also express gratitude to our service providers who have remained steadfast on their enduring journey, reaping mutual benefits along the way.

On behalf of the management, I wish to thank the relevant officials of CBSL, CSE, SEC, Finance Ministry and CRIB for the support and guidance provided in sustaining our operations. I also extend my sincere thanks to the Board of Directors for entrusting me with the responsibility to navigate the Bank during a challenging economic backdrop and providing invaluable guidance for the same.

Last but not least, I wish to thank the Corporate Management, Heads of Divisions and all staff for working tirelessly to achieve our overarching strategic objectives ensuring sustainable growth in the long term. I believe this collective effort will help us to take advantage of new opportunities in the next financial year in creating value for the bank, customers, shareholders and other stakeholders.



Nishaman Karunapala
CEO/General Manager

Board of Directors



- 1 **Mr. E. D. P. Soosaipillai**
(Chairman / Non-executive, Independent Director)
- 3 **Mr. W. M. Ananda**
(Non-Executive, Independent Director)

- 2 **Senior Professor A. Jayamaha**
(Non-Executive, Independent Director)
- 4 **Mr. P. A. Lionel**
(Non-Executive, Independent Director)



5 **Mr. D. M. M. Wijayarathna**
(Non-Executive, Independent Director)

7 **Dr. Krishantha Pathiraja**
(Non-Executive, Independent Director)

6 **Mr. P. M. K. Hettiarachchi**
(Non-Executive, Independent Director)

8 **Mr. Rajiv Sooriyaarachchi**
(Non-Executive, Non-Independent Director)

Mr. E. D. P. Soosaipillai

(Chairman / Non-executive, Independent Director)

Mr. E. D. P. Soosaipillai was appointed as a Director and the Chairman of the HDFC Bank with effect from 12th April 2023.

Mr. D. Soosaipillai is a fellow of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. In a career spanning over 36 years in the governance of financial and reporting systems both at the operational and strategic levels, Mr. Soosaipillai brings to the table a core discipline in finance, a core competency in Risk Identification, Assessment and Management at operational levels and Forward Risk Assessment at a strategic level and three decades of experience in senior management in the financial services industry.

His decade and a half of board level executive experience spans several leading specialised leasing companies in the capacity of Finance Director, Chief Executive Officer and Managing Director, whilst his experience as a Non-Executive Director includes the boards of LFC's, a Systemically Important LCB and Regional Plantation Companies.

He was briefly engaged by the World Bank as a Short-Term Consultant on a Payables Assessment assignment in the Maldives as part of a wider Public Finance Management project in 2012.

Senior Professor A. Jayamaha

(Non-Executive, Independent Director)

Senior Prof. Jayamaha was appointed as a Board Member of the HDFC Bank with effect from 10th August 2020.

Senior Prof. Jayamaha completed his first degree B. COM. Special degree in 1982 and an M. Com degree in 1991 from the University of Kelaniya. In 2005, he moved to the University of Southern Queensland, Australia, to pursue his Doctoral studies, and in 2010 he was awarded the Degree of Doctor of Philosophy in Accounting and Finance. His PhD research at the University of Southern Queensland, Australia, was on "Accounting and Financial Practices and Efficiency of Small Financial Institutions in Sri Lanka". His work focused on the efficiency of small and medium-sized enterprises in Sri Lanka and the findings were presented in national and international Conferences. The work was also published in many peer-reviewed local and international journals and has appeared in many researches around the World.

Senior Prof. Jayamaha counts for over 40 years of service at the University of Kelaniya, serving as Head of the Department of Human Resource Management, Head of the Department of Accountancy, Coordinator of the Master of Business Administration programme in the Faculty of Commerce and Management Studies and Dean of the Faculty of Graduate Studies of the University of Kelaniya.

Senior Prof. Jayamaha is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and practitioner and precedent partner of Jayamaha, Pushpakumara and Company. As a qualified Chartered Accountant, he rendered his duties as a consultant for numerous extension programs thereby contributing to the policy-making endeavours for the National Education system of Sri Lanka. Further, Senior Prof. Jayamaha is also a Director and a Board Member of the Sri Lanka Accounting and Auditing Monitoring Board since 2021.

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. W.M. Ananda (Special Grade SLAS Officer) is presently working as the Additional Secretary (Housing & Construction) in the Ministry of Urban Development 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. Then he was 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. Then he 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.

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.

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 million 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 mobilize foreign funds to Sri Lanka.

Mr. Lionel joined the Corporate Management of National Savings Bank in the year 2015 after retirement 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. D. M. M. M. Wijayarathna
(Non-Executive, Independent Director)

Mr. D. M. M. M. Wijayarathna was appointed as a Board Member of the HDFC Bank with effect from 07th December 2021.

Mr. Maduranga Wijayarathna (LL.B Hons – University of Colombo) is presently working as an Attorney-at-Law in the Supreme Court of Sri Lanka and Notary Public, Company Secretary, Commissioner for Oaths. He is a Council Member of the BAR Association of Sri Lanka and a former Secretary of the Moratuwa Lawyers Association.

As the President of the Sri Lanka Young Lawyers Association, he engages in major civil and political activities taking part as a professional and a social activist and currently holds the post of Vice President of Lawyers for Justice Association.

Mr. P. M. K. Hettiarachchi
(Non-Executive, Independent Director)

Mr. Manjula Hettiarachchi was appointed as a Board member of the HDFC Bank, with effect from 28th April 2022.

Mr. Manjula Hettiarachchi, Additional Director General, Department of Development Finance, Ministry of Finance, Sri Lanka, has served in the public sector for twenty years, beginning in 2002 as an Assistant Director of the Sri Lanka Planning Service.

Additionally, he is performing the duties of the National Insurance Trust Fund Board's Chief Executive Officer and the Project Director for the ADB-funded Small and Medium-sized Enterprises Line of Credit (SMELoC) Project.

Mr. Hettiarachchi holds a Master's Degree in International Development Economics from the International University of Japan 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 Development Economics from the University of Colombo in Sri Lanka and the Institute of Development Economics in Chiba, Japan. Further, he holds a Certificate of Intermediate Banking Studies from the Institute of Banking Studies.

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.

Dr. Krishantha Pathiraja, Chairman of Palmyrah Development Board, Ministry of Plantation and Agriculture, Sri Lanka, has served in the private and public sector for nineteen years, since 2004. He served as a Consultant and Advisor in reputed private sector organizations and is currently working as Chairman of Palmyrah Development Board, Consultant to Hon. State Minister of Foreign Affairs, and Brand Ambassador of LAKSALA. He also serves as Senior lecturer of Sri Lanka Police Academy- Katana and External Member Faculty Board of Social Science and Language at the University of Sabaragamuwa, Sri Lanka.

He was appointed as a Director of Sugathadasa National Sports Complex Authority on 01st of January 2024. He was also appointed as a Scientific Advisory Board Member to the DK International Research Foundation in Tamilnadu, India on 10th January 2022. Further, he was appointed as the Executive Director of the International American Council for Research and Development (IACRD), USA on 17th December 2022.

Dr. Krishantha specializes in Business Administration, Strategic Management and Information Technology. He holds a PhD (Hons) in Business Administration from the Public University of California and is a fellow member of the California Public University, USA. He also has a PhD (Hons) in Information Technology from Global Peace University India and a PhD 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 the National Computer Center UK.

Mr. Rajiv Sooriyaarachchi

(Non-Executive, Non-Independent Director)

Mr. Rajiv Sooriyaarachchi was appointed as a Board Member of the HDFC Bank with effect from 30th June 2022.

Mr. Rajiv Sooriyaarachchi serves as the Chairman of the National Housing Development Authority. In addition, he is a member of the Board Director Urban Development Authority, Urban Settlement Development Authority, Hotel Developers (Lanka) Limited & Tea Rubber & Coconut Estates Board.

He was appointed as Vice-Chairman of Airport and Aviation Services (Sri Lanka) (Private) Limited in December 2019. He brings in a wealth of experience spanning over 30 years and has extensive knowledge in the industries of Insurance, Consumer Electronics and International Business Administration.

He played a pivotal role in overseeing administrative and operational functions of all airports under AASL and works closely with both local and international industry key stakeholders. In dealing with media organizations, he was also acting as a key spokesman of AASL in the capacity of full-time Executive Director of AASL other than Chairman. He also served as the Chairman of the HR and Remuneration Board sub-committee at AASL.

Prior to being appointed as the Vice-Chairman of AASL, Mr. Rajiv functioned as the Chairman of Puttalam Salt Limited during 2010-2015. He also served as the Chairman of the Cooperative Rural Bank Union Ltd - Gampaha during 2011-2015. Further, he has also served as Vice Chairman of Cooplife Insurance Company Ltd since 2022 and has held directorship positions in Cooperative Insurance Company Ltd since 2016 and Road Development Authority between 2007 and 2010.

Corporate Management



1 **Mr. Nishaman Karunapala**
CEO/General Manager

3 **Ms. K.T.D.D. De Silva**
Assistant General Manager - Legal

2 **Mr. C.R.P. Balasuriya**
Deputy General Manager - Treasury

4 **Mr. H.A. Anura**
Chief Financial Officer

Corporate Management



5 **Ms. W.N.D. Botejue**
Assistant General Manager - HR & Admin

7 **Mr. A.M. Neelachandra**
Chief Manager - IT

6 **Mr. I. Nishantha**
Chief Manager - Risk Management & Compliance Officer (Acting)

8 **Ms. G.P. Priyadarshani**
Chief Internal Auditor

Mr. Nishaman Karunapala *CEO/General Manager*

Nishaman Karunapala's extensive experience in the financial services industry reflects his multifaceted expertise particularly in corporate strategy, systems and process development, credit risk management, business development, trade, project finance, leasing and factoring.

He was the founding Director and Chief Executive Officer of Melsta Regal Finance Ltd, a former subsidiary of Melstacorp PLC. He played a pivotal role in establishing the company. His tenure at Melsta Regal spanned five years before its acquisition by a consortium of foreign and private equity investors. Nishaman led the strategizing and positioning of the entity as a revolutionary player in the industry with novel product offerings. Subsequently, he served as CEO of the Merchant Bank of Sri Lanka & Finance PLC and Director of MBSL Insurance Co. Ltd.

Nishaman's 35-year career began at reputed multinationals such as A. Baur & Co. Ltd. and Ansell Lanka. He played a key role in establishing Orient Finance PLC in 2003 and served 9 years until his departure as Deputy General Manager. He has also held key roles at Seylan Merchant Bank and Mercantile Leasing Limited. His training and exposure span in the UK, Ireland, Singapore, India, Japan and the Philippines concerning development banking, systems and operational procedures of reputed corporates and financial institutions.

His management advisory work spans diverse sectors including e-commerce, agriculture, manufacturing and hospitality. He also possesses exposure in securing local and foreign-funded grants, strategic guidance to strengthen governance, operational performance and facilitate external equity financing. His journey reflects a blend of leadership, industry knowledge, and commitment to sustainable financial practices.

His involvement as Vice Chairman of the Finance House Association of Sri Lanka and Chairman of the Leasing Association of Sri Lanka demonstrates his commitment to industry development. He was also a committee member of the Ceylon Chamber of Commerce, a former Director of the Credit Information Bureau of Sri Lanka and a Council Member of the Sri Lanka Institute of Credit Management.

He received his MBA in Banking and Finance from the Post Graduate Institute of Management (PIM) and BSc in Business Administration (Special) Degree from the University of Sri Jayawardenepura. He also holds a Postgraduate level Diploma in Modern Commercial Banking from PIM and is a Member of the Certified Management Accountants (Australia).

Mr. C.R.P. Balasuriya *Deputy General Manager - Treasury*

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.

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.

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 Higher Diploma in Banking Finance and Insurance
Date of Appointment - 01st September 1999

Mrs De Silva holds 29 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.

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 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.

Mr. I. Nishantha

Chief Manager - Risk Management & Compliance Officer (Acting)

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.

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.

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.

Mrs. Priyadarshani has over 12 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

Heads of Divisions



Ms. 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



Ms. M.U.S. De Costa
Senior Manager - Operations



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



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



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



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



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



Ms. D.M. Vithasha S. Wijesinghe
Company Secretary (Acting)

Regional and Branch Management

Regional Managers



Mr. R.A.J.N. Ranasinghe
Region 1



Mr. B.W.M.C. Kumarasiri
Region 2



Mr. I.K. Dawatanga
Region 3



Mr. H.M.U. Samaraweera
Region 4

Branch Managers



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



J.A.D.A Rupasinghe
- Ampara



Ms. R.A. Pilapitiya
- Anuradhapura



Mr. D.R.G.D.B. Jayathilaka
- Avissawella



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



Mr. L. Jayashankar
- Batticaloa



Mrs. G.W.S.K Wijesinghe
- Chilaw



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



Ms. N.A.A.N.S. Nissanka
- Gampola



Ms. D.T.A. Jayasinghe
- Homagama



Mr. P.A. Viraj Sampath
- Horana



Mr. A.I. Kiriella
- Hyde Park



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



Ms. S. Suyaniya
- Jaffna



Ms. R.S.I. Silva
- Kalutara



Mr. L.S.B. Rathnayake
- Kandy



Mr. R.A.C.S. Pushpakumara
- Kegalle



Mr. H.A.S.L. Hapangama
- Kiribathgoda



Mr. A.M.U.S.B. Attanayake
- Kuliyaipitiya



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



Ms. C.A.K. Abeykon
- Matale



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



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



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



Ms. 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
- Peliyagoda



Mr. H.N.J. Perera
- Piliyandala



Mr. H.R.M. Tharaka
- Polonnaruwa



Mr. P.A. Senarathna
- Rathnapura



Mrs. C.P. Atapattu
- Tangalle



Mr. M.A.S. Deshapriya
- Tissamaharama



Mr. A.G. Stephan
- Trincomalee



Mr. T. Velshkuma
- Vavuniya

WE SERVE

**THE NATION BY EMPOWERING
THE NEXT GENERATION
OF SRI LANKANS**





FUTURE GENERATION SAVINGS

INPUTS



FINANCIAL CAPITAL

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



MANUFACTURED CAPITAL

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



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



NATURAL CAPITAL

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



HUMAN CAPITAL

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

ACTIVITIES THAT CREATE VALUE

OUTPUTS

- Housing Loans - Mortgaged
- Housing Loans - EPF Backed
- Housing Loans - Guarantor
- Gold Loans
- SME Business Loans

BUSINESS ACTIVITIES AND STRATEGIC FOCUS

STRATEGIC FOCUS

PRIMARY BUSINESS ACTIVITIES

SECONDARY VALUE CREATING BUSINESS ACTIVITIES

VALUE CREATING SUPPORTING OPERATIONS

OUTPUTS

- Corporate Business Loans
- Leasing
- Fixed Deposits
- Savings

ACTIVITIES THAT CREATE VALUE

- Financial inclusion
- Housing finance leader
- Risk Culture
- Tech-Driven
- Process Efficiencies
- Low NPA ratio
- Optimised CX
- Workforce Empowerment
- Capital Adequacy

- Housing Finance
- Deposits
- Leasing
- Pawning
- Corporate and Development Loans

- Enable banking transactions
- Facilitate payments
- Palm top banking
- E-banking
- Insurance as Value added service

- Financial Capital Management
- Operations Management
- Governance and Compliance
- Auditing
- Risk Management
- Human Resource Management

DESIRED OUTCOMES



FINANCIAL CAPITAL

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



MANUFACTURED CAPITAL

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



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



NATURAL CAPITAL

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



HUMAN CAPITAL

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

HDFC Bank's strategic plan outlines the long-term objectives, goals, and initiatives the bank aims to achieve in ensuring sustainable growth and profitability. Therefore, the bank has aligned its operations and activities to achieve the core areas highlighted in its strategic plan in creating maximum value for the stakeholders. Although the prevailing macroeconomic situation and political instability during the year continue to create obstacles to achieving our desired strategic objectives, we have maintained profitability through adaptability and agility in our strategic direction.

Where we are now

Facing subdued credit growth due to the prevailing macroeconomic situation	Reduced business volumes due to subdued demand for the housing market	Limitations in the target audience (only focused on low-middle-income earners)	Maintained a healthy liquidity position	Compelled to offer competitive interest rates and flexible payment schemes under the high-interest regime
Experiencing a high non-performing loan (NPL) ratio	Equipped with a long-term employee cadre and low turnover	Steady digital drive to suit the evolving banking landscape	Robust Compliance and Risk culture	Increased vulnerability to economic headwinds due to being a niche banking institution

Where we want to be

The bank has formulated a four-year strategic plan (2021 -2025) to fulfil its strategic goals.

Leader in the housing finance market	Remain as a stable and standalone entity	Robust and dynamic workforce	Culture of Risk Consciousness	Technologically relevant	Full compliance with regulatory requirements
As one of the two housing banks mandated by acts of parliament, we aspire to emerge as the market leader in housing finance.	Ensure financial stability by consistently injecting sufficient capital to achieve self-sufficiency and stimulate growth.	Nurture a cadre that is skilled in all technical aspects of banking, risk management and finance	Foster a risk-conscious culture within the bank through proper training and streamlining of processes for credit and financial transactions	Adoption of technology across the bank's operations enabling efficient functioning of both back-office and front-office processes.	Establish robust compliance with all banking and technology-related regulations.

How we plan to get there

Improving employee productivity	Aggressive deposit mobilization	Product Diversification	Diversification of Customer segments	Technology Advancement	Adopt effective recovery measures
Focus on improving employee productivity through implementing strategies and practices that enhance efficiency, motivation, and job satisfaction. Also, provide opportunities for professional growth through exposure to training and development.	Seek and attract deposit customers to strengthen the bank's liquidity position and funding base.	Diversifying our products and services offerings to other areas such as deposits, leasing, pawning and investment plans. This has enabled us to sustain our revenue streams maintaining profitability and the bank's competitive position within the industry.	Concentration on attracting the upper-middle and the upper-income category into our customer base in addition to our core segment (low-middle income group) in securing our market space for better opportunities in future.	Drive technology transformation by upgrading outdated systems with new technology.	Implement effective recovery measures to mitigate the risk of loan defaults and credit losses. This in turn will reduce nonperforming loan ratio.

Through its financial activities, HDFC Bank aim to support the economic prosperity in Sri Lanka. Given below is how we contributed to the overall economic development during the financial year.

Generate Employment Opportunities

We currently provide direct employment to 515 individuals across the head office and extensive branch network. We also contribute to indirect employment creation through financing SMEs and MSMEs.

Financial Inclusion of communities

We empower communities through access to affordable housing finance and entrepreneurial financial solutions to improve their living standards.

Payment of Taxes

We adhere to regulatory guidelines set forth by the Department of Inland Revenue by paying taxes to the Government, thereby fostering economic growth.

Support a Digital Economy

Aligning with the increasing customer preference to use digital channels for financial transactions and evolving banking landscape, we continue to drive digital transformation for greater efficiencies and enhanced customer experience.

Direct Economic Value Generated

The economic value generated is utilized for the benefit of all stakeholders. Therefore, we pay salaries and benefits for the employees, payment for partners and suppliers, payment of taxes and invest in social and environmental sustainability.

Rural Development

HDFC supports the development of rural economies via its island-wide branch network. Through our strategic presence in key locations, we actively promote rural development by offering assistance to businesses and individuals in those areas.







Economic Value Generation and Distribution

	2023 Rs. Mn.	2022 Rs. Mn.	Change %
Value Generated on Accrual Basis			
Total revenue from banking services	7,362	6,840	7.63
Revenue from financial investments	7,116	2,038	249
Value distributed:			
Total operating cost	9,436	6,213	52
Customers			
Interest to depositors	8,418	5,134	64
Interest to lenders	465	546	(15)
Employees			
Employee salary and remuneration	900	980	(8)
Total training and development investment	4	1	300
Total benefits and incentives	373	283	31.8
Total Retirement benefits	311	280	11
Capital providers			
Payment to capital providers	-	-	-
Government			
Payment to Government (taxes paid)	1,437	289	397
Government assistance			
Financial assistance	-	-	-
Tax relief	-	-	-
Financial incentives	-	-	-
Other benefits	-	-	-
Value retained			
Retained profit	1,376	326	322
Depreciation and amortisation	178	185	(4)
Loan Loss Provision	467	320	46

By adopting an integrated perspective to our Banking operations, we undertake stakeholder engagement as part of our ongoing business activities. As stakeholder involvement plays a vital role in shaping our strategic outcome, we maintain proactive engagement with identified stakeholders through continued dialogue to obtain invaluable insights and feedback. This has contributed to the sustainable growth of the Bank ensuring persistent value creation for stakeholders.

Identifying our Stakeholders

The Bank has identified the following six stakeholder groups; namely shareholders and investors, customers, employees, partners, regulators, and community. The below table depicts our key stakeholder categories and key stakeholder expectations that offer insight into fulfilling our role as a responsible corporate citizen.

Stakeholder Group	Who are they?	What they want?
 <p>Shareholders and Investors</p>	Institutional and public individual shareholders	Financial performance & return on investment, long-term growth of the Bank for long-term returns, financial stability
 <p>Customers</p>	Retail and institutional clientele, including MSMEs, private and state sector clients	Innovative financial solutions, efficient and convenient service
 <p>Employees</p>	Branch and Head office staff, Palmtop officers and CBEU	Career development and a conducive work environment
 <p>Partners</p>	Suppliers, Industry memberships, financial service providers	Timely payment, ethical and transparent business practices, financial stability, regulatory compliance
 <p>Regulators</p>	Ministry of Finance and Economy and Policy Development, CBSL, CA Sri Lanka, SEC, CSE	Full compliance with rules and regulations
 <p>Community</p>	Society and Environment	Financial inclusion, community investment, Environmental conservation

Prioritizing our Stakeholders


In order to make stakeholder engagement more meaningful, the Bank prioritises its stakeholders based on their level of influence on the Bank's operations. In this way, the Bank is better positioned to tailor its strategies to address the most critical concerns and interests of the stakeholders.

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





Engaging with our Stakeholders

The table below depicts the way in which we maintain engagement with our stakeholders and the Bank's strategic response to their concerns.

Stakeholder Group	Engagement Strategy & Frequency	Bank Response
Shareholders and Investors 	<ul style="list-style-type: none"> Annual General Meeting (Annual) Annual Report (Annual) Yearly and interim financial reports and statements (Periodic) In-person discussions and meetings (as and when required) Bank website (frequently) Announcement to CSE (as and when required) Company Secretary (as and when required) E-mails (frequently) 	<ul style="list-style-type: none"> Increasing revenue and profitability Ensuring return on investment Prudent financial management and investment Robust Corporate Governance & Risk Management
Customers 	<ul style="list-style-type: none"> Branch and head office visits (as and when required) Palmtop/doorstep banking (daily) Email, website, YouTube and Facebook to communicate information (frequently) E-banking and JustPay for digital transactions (frequently) Outdoor and in-branch promotional campaigns (as decided) Mass media advertising (as decided) In-person meetings (as and when required) Call Centre (frequently) 	<ul style="list-style-type: none"> Secure high return on investments Provide competitive interest rates Ensure convenient and accessible service Create customized products to suit diverse customer requirements Ensure security and privacy of customer information

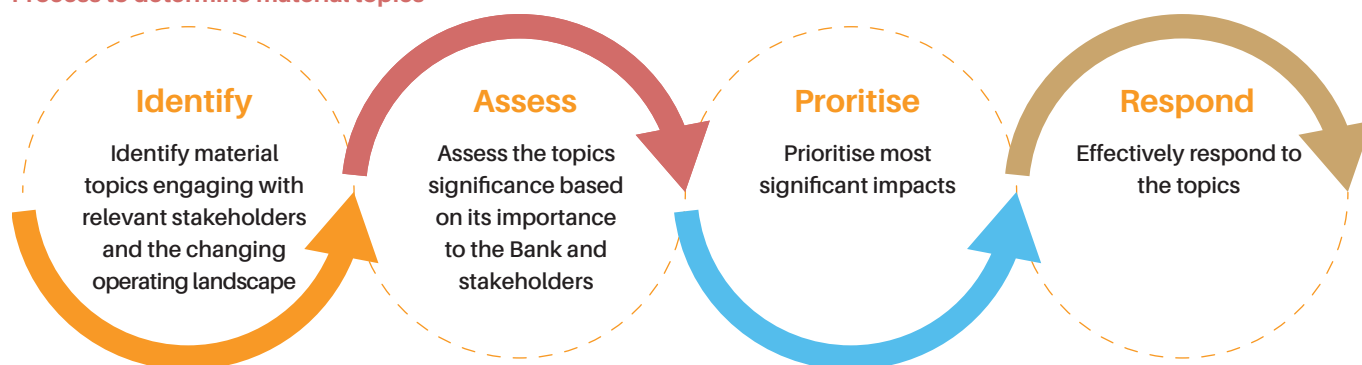
Stakeholder Group	Engagement Strategy & Frequency	Bank Response
Employees 	<ul style="list-style-type: none"> • Intranet (frequently) • E-mails (frequently) • Skip level and town hall meetings (as scheduled) • Induction and training programs (as scheduled) • HDFC Newsletter (quarterly) • Award program (annually) • Satisfactory survey (annually) 	<ul style="list-style-type: none"> • Provide competitive salary and benefits • Ensure equal opportunity and non-discrimination • Provide adequate opportunities for training and development • Maintain a conducive work environment • Ensure job security and career growth • Rewards and recognition for outstanding performance • Establish channels for open communication • Employee motivation through engagement activities
Partners 	<ul style="list-style-type: none"> • Tender notices and process (as and when required) • E-mail (as and when required) • In-person meetings (as and when required) • Site visits (as and when required) 	<ul style="list-style-type: none"> • Timely payment • Transparent communication • Adherence to ethical business practices
Regulators 	<ul style="list-style-type: none"> • Interim reports and annual report submissions (periodically) • In-person meetings (as and when required) • Industry forums (occasional) • Regulatory inspections (as and when required) • Participation in policy planning (occasional) 	<ul style="list-style-type: none"> • Compliance with all the required laws and regulations • Timely tax submissions and disclosures • Timely submission of interim and annual financial reports and audited financial statements
Community 	<ul style="list-style-type: none"> • Website (continually) • Advertisements (as decided) • Social media (continually) 	<ul style="list-style-type: none"> • Community development through financial inclusion • SME financing in powering the national economy

Value delivered to stakeholders in 2023

Shareholders and Investors 	Shareholders Earnings per Share – LKR 21.27 Return on Average Assets – 2.10% Return on Average Shareholder's funds – 18.54%
Customers 	Total Customer Base – 513,566 New Product – HDFC Salary Saver
Employees 	Spending on Training and Development – 4.3 mn Staff Retention Rate - 88% Spending on Staff Benefits – 1584 mn
Regulators 	Tax for the Government: 1437Mn

Material topics are the most significant internal and external matters that can impact the Bank's ability to create value in the short, medium, and longer-term and meet the expectations of the stakeholders. Hence, material topics in this report are identified in relation to its significance to the stakeholders and the Bank. Through continued engagement with its stakeholders, the Bank has identified its key stakeholder concerns thereby prioritising the most significant impacts to the Bank.

Process to determine material topics



Stakeholder Group	Relevant Material Topic	Why it is material to HDFC Bank
Shareholders & Investors Customers Employees	Financial Strength and Economic Performance	Consolidate shareholder/investor and customer relations ensuring continued value creation and return on their investments. This will also uphold the Bank's reputation as stable and a trustworthy financial institution.
Customers Employees	Responsible lending and managing NPL	Minimise the risk of NPL and improve the financial stability
Customers Employees Partners and suppliers	Investment in infrastructure (both physical and technological)	Assist business growth and value creation.
Employees Customers Partners	Digital transformations	Leads to increased process efficiency, time management, and greater stakeholder satisfaction.
Employees Customers Regulators	Anti-money laundering initiatives	Prevent the bank from fraudulent financial activities thereby increasing Bank's accountability.
Customers	Diversified products for financial inclusion	A diverse product portfolio to suit the varying financial needs of the customers will ensure the availability and accessibility of financial services to all individuals
Customers Partners	Improved customer accessibility through varied channels (branch network, palm top banking team, website)	Ensure customer satisfaction, and attract, and retain new customers leading to revenue growth.
Customers	Customer privacy and data protection	As an ethical responsibility, which in turn will ensure customer trust and loyalty.
Employees Regulators	Compliance	Ensures that the Bank operates within the framework of applicable rules and regulations.



Stakeholder Group	Relevant Material Topic	Why it is material to HDFC Bank
Shareholders Customers Employees Partners Regulators	Risk Management	Proactive risk management will safeguard the interests of the Bank and the stakeholders.
Customers Regulators Community	Financial consumer rights	Protecting consumer rights will lead to increased customer loyalty and trust improving the Bank's reputation.
Employees	Talent management (employment/ recruitment, training, recognition, succession etc.)	Employee capacities and experience will contribute to sustainable value creation enabling business growth.
Employees	Health and Safety	Ensure a healthy and safe work environment that leads to enhanced motivation and performance
Employees	Employee rights and collective bargaining	Endorses a respected and conducive environment, which attracts and retains people
Employees	Diversity, and equal opportunity	Ensures a conducive work environment.
All stakeholders	Business continuity	Ensures continued value creation for all.
Customers Community	Marketing and labelling	Ensure brand awareness and dissemination of product and service information
Customers Community	Development finance and community development	Demonstrate the Bank's commitment to social responsibility
Customers Community	Green-energy funding	Demonstrate the Bank's commitment to environmental sustainability
Employees Community	Energy and Water management	Resource conservation, reduction in negative environmental impact ensuring sustainable value creation
Employees Community	Waste management	Reduce negative environmental impact ensuring sustainable value creation
All stakeholders	Macro-economic factors	Developments in the macro environment will impact the Bank's strategic direction and the ability to create value.

Management of Material Topics

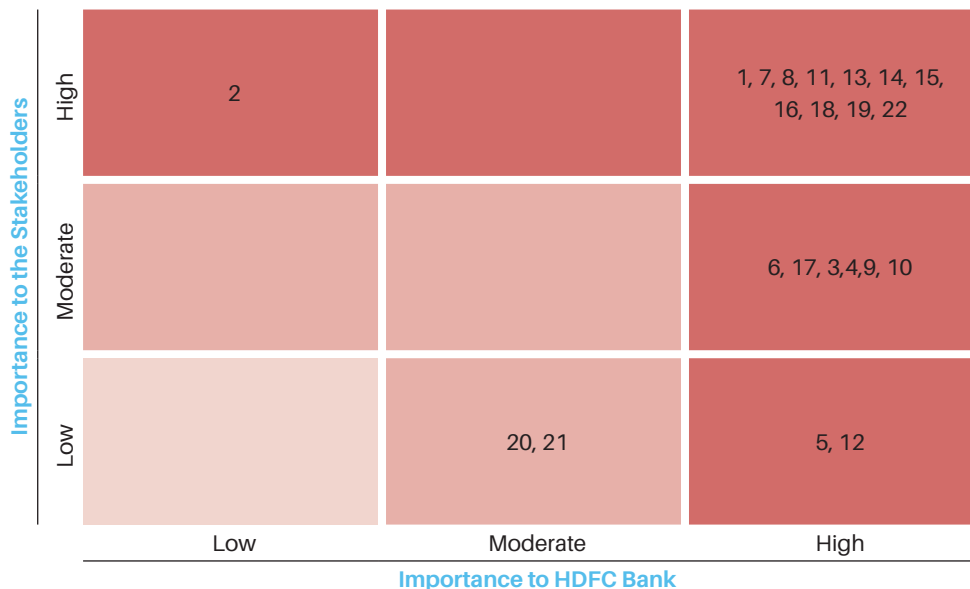
No	Material Topic	Level of importance		How HDFC Bank respond to material issues
		To the Bank	To the stakeholders	
1	Financial Strength and Economic Performance	H	H	Formulate and implement strategies for continued growth
2	Responsible lending and managing NPL	H	L	Conduct comprehensive credit evaluation prior to lending
3	Investment in infrastructure (both physical and technological)	H	M	Invest in both physical and digital infrastructure to sustain operational efficiency and competitive edge
4	Digital transformations	H	M	Automate manual processes and integrate digital tools and technologies into various aspects of operations on an ongoing basis
5	Anti-money laundering initiatives	H	L	Carry out Customer due diligence and Know Your Customer (KYC) processes to understand the customer's identity and financial background. Implement appropriate Risk Management processes.
6	Diversified products for financial inclusion	H	M	Continues effort to introduce diversified financial solutions (with payment schemes structured to their financial capacities) to meet the varying needs of the clientele
7	Improved customer accessibility through varied channels (branch network, palm top banking team, website)	H	H	Island-wide branch network for ease accessibility, user-friendly website, skilled team of palm top banking personnel to ensure enhanced customer service delivery
8	Customer privacy and data protection	H	H	The IT department ensures all security protocols are in place and continues improvement to the security standards as per the industry requirement
9	Compliance	H	M	Establish a robust governance framework backed by strong leadership that ensures ethical business transactions in line with the CBSL rules and regulations and industry best practices
10	Risk Management	H	M	Ongoing implementation of proactive risk management for timely risk mitigation and in protecting the interests of the Bank and the shareholders
11	Financial consumer rights	H	H	Establish clear policies and disclosures and communicate to the client through the Marketing department
12	Talent management (employment/recruitment, training, recognition, succession etc.)	H	L	Continued skill development of employees for increased competitive advantage and sustainable growth of the Bank
13	Health and Safety	H	H	Carry out initiatives to ensure the health and well-being of the employees
14	Employee rights and collective bargaining	H	H	Address employee issues and concerns to ensure employee satisfaction and continued growth of the Bank
15	Diversity, and equal opportunity	H	H	Ensure a diverse and equal opportunity work environment

Low Impact L Medium Impact M High Impact H

No	Material Topic	Level of importance		How HDFC Bank respond to material issues
		To the Bank	To the stakeholders	
16	Business continuity	H	H	Continued assessment of operating context and formulate strategies to ensure business stability and growth
17	Marketing and labelling	H	H	Ongoing communication of products and services to the customers through the palm top team, branch staff and promotional activities
18	Development finance and community development	H	H	Establish a separate department to overlook SME development schemes and corporate finance
19	Green-energy funding	H	H	Continued funding for green energy-based projects and sustainability projects.
20	Energy and Water management	M	L	Implement solar power generation systems in selected branches and ensure mindful usage of energy and water within the Bank minimizing wastage
21	Waste management	M	L	Timely collection and handover of waste to local municipality garbage collection. Initiate Waste Plastic Collection Programs to collect plastic waste and hand it over for recycling.
22	Macro-economic factors	H		Regular monitoring of changes in the external environment and monetary policy changes

Low Impact  Medium Impact  High Impact 

The below materiality matrix shows the importance of each material aspect to the Bank and its stakeholders.



Our commitment to sustainability is inherently intertwined with our vision and mission that emphasises financial inclusion of low- and middle-income communities through affordable housing and other entrepreneurial financial products. Going beyond, as a responsible business entity, the bank also strives to contribute to sustainability through consistent efforts to make a difference in the people and the planet we live in.

Our emphasis on Sustainability

Economic	Social	Environment
<ul style="list-style-type: none"> Financial inclusion of the low- and middle-income communities through the provision of financial solutions aimed at affordable housing and enterprise development Improvement of financial literacy of low-income segment Economic value generation for all stakeholders 	<ul style="list-style-type: none"> Social upliftment of grassroots-level communities through ensuring their financial well-being thereby improving their living standards Ethical Business Conduct Equality and Diversity in the Workplace 	<ul style="list-style-type: none"> Initiating Waste Plastic Collection Program contributing to effective waste management Focus on transitioning to renewable energy Conscious consumption of energy and water

Economic

Economic value generation

Our overall strategic objective focuses on economic value generation for the stakeholders. In this regard, the bank seeks to create a broader impact going beyond just financial returns, taking into account the diverse interests and the needs of all stakeholders involved. In addition, in increasing value for the stakeholders the bank concentrate on providing fair wages and benefits to the employees, quality products and services to the customers, adheres to responsible and ethical business practices, and contributes positively to the community in which it operates.

Financial Inclusion

Financial inclusion of the grassroots level communities (low- and middle-income category) is a vital aspect of HDFC Bank's sustainability agenda. With a primary focus on housing loans, the bank strives to fulfil the housing dream of those who are in a financially deprived position. By empowering such communities through affordable and sustainable housing finance, the bank was able to contribute to the overall well-being of these communities, raising their living standards. This in turn has contributed to poverty reduction.

Financial Literacy

The bank provides financial literacy to its customers through proper dissemination of information regarding its products and service offerings. We believe that greater awareness of our financial solutions will facilitate informed financial decision-making, empowering individuals and businesses to make sound financial choices aligned with their goals.

Social

Social Upliftment

By empowering the grassroots-level communities with affordable housing and other entrepreneurial financial solutions, the bank contributes to the social upliftment of these communities. Addressing an individual's basic need, the need for "shelter", the banks play a proactive role in fostering economic growth and self-sufficiency.

Ethical Business

The bank promotes ethical business practices in ensuring the well-being of the business as well as the society at large. In this regard, the bank fosters positive relationships with its stakeholders, while being conscious of its impact on the larger ecosystem. Transparency and accountability of our business transactions have also facilitated trust amongst stakeholders enhancing the integrity of our operations.

Employee equality and diversity

We strive to maintain equality at the workplace, by providing equal opportunities for all for professional growth, promotions, and benefits such as diversity is ensured through fair recruitment practices and non-discriminatory standards within the workplace.

Environment

We contribute to environmental conservation by initiating a program for waste management, maintaining energy and water conservation at the workplace and gradually transitioning towards renewable energy. During the year, 597 kgs of waste was collected for recycling. Likewise, solar power rooftops were implemented in two branch offices.

Commitment to Sustainability Development Goals

As a bank that is focused on financial empowerment of the lower strata of society, we have made a significant contribution to the Sustainability Development Goals adopted by the United Nations and this involvement continues to increase with our growing emphasis on integrating sustainability into our agenda. Our focus on integrated thinking provides a platform to consider the broader impacts of our decisions on financial performance, environmental sustainability, and social well-being aligning with the SDG's holistic approach to development, recognizing the interconnectedness of social, economic and environmental issues.

	SDG	Our Contribution
	Goal 1: no poverty	We strive to reduce poverty by inclusive and affordable credit facilities for low- and middle-income customers.
	Goal 3: good health and well-being	We conduct programs aimed at ensuring the health and safety of employees.
	Goal 4: quality education	We provide professional development opportunities for employees for skill and capacity enhancement aligned with the identified training needs.
	Goal 5: gender equality	We ensure gender equality at the workplace while fostering a non-discriminatory work environment. Female professionals are entitled to the same remuneration, benefits as well as leadership opportunities as their male counterparts based on their job category. We also have an unbiased recruitment process that does not discriminate an individual based on their gender, ethnicity or any other criteria.
	Goal 6: clean water and sanitation	All employees at the head office and branches have access to clean drinking water and water for sanitation purposes.
	Goal 7: clean and affordable energy	We will gradually progress towards the adoption of renewable solar energy.

	SDG	Our Contribution
	Goal 8: decent work and economic growth	We have nurtured a conducive work environment for our employees enabling their personal and professional growth. In addition, all employees are provided with industry-par remuneration, benefits, performance-based rewards and promotions.
	Goal 9: industry, innovation and infrastructure	We continue to embrace technology for greater efficiency and enhanced customer experience. Innovative products to suit customer requirements.
	Goal 10: reduce inequalities	We provide equal opportunities for employees based on their job category. In addition, our efforts in uplifting the communities in the low-middle-income category have contributed to reducing inequalities.
	Goal 11: sustainable cities and communities	We have contributed to building sustainable cities and communities through affordable housing financing and development finance. Financial inclusion of low-income earners with housing finance.
	Goal 12: responsible consumption and production	We encourage mindful consumption of water and electricity at the workplace. In addition, proper product information is disseminated to the customers through the palmtop team, branch offices and social media platforms, promotional activities
	Goal 16: peace, justice and strong institutions	We comply with the Prevention of Money Laundering Act No. 5 of 2006 and the Convention of the Suppression of Terrorist Financing Act No. 25 of 2005. Hence, we remain vigilant of money laundering activities including suspicious transactions related to terrorist financing.
	Goal 17 partnership for the goals	Supporting the government to rebound economically, the bank makes timely tax payments based on taxable income.

WE SERVE
FAMILIES BY PROVIDING
OPPORTUNITIES
FOR GROWTH





HOUSING LOANS

Global Economy

The Global growth showcased a slowdown in 2023 with the effects of the pandemic, war in Ukraine and cost of living crisis still overshadowing the progress. Yet the economy demonstrated resilience at the incept of the year, though it continues to be challenged by low growth prospects owing to tightening monetary conditions across the globe to fight inflation, trade disruptions, withdrawal of fiscal support amidst debt, and extreme weather situations. Despite the resilient outlook, the economy still lagged behind the pre-pandemic trends, which is especially seen in the emerging and developing economies than in the advanced economies.

Global growth remained at 3.0 percent in 2023, a slow from 3.5 percent in 2022, well below the historical average. Inflation decelerated to 5.9 percent in 2023 from 9.2 percent in 2022 driven by the decline of food and energy prices in the first half of 2023. Advanced economies like the United States continue to show resilience though the Euro area presented a downward trend. As for the emerging markets, continue to be strong, though China, notably, exhibited a weakened confidence alongside a growing real estate crisis.

Overall, the global slowdown is facilitated by a recovery in the services sector, tight labour markets, tighter monetary policy stance necessary to bring inflation under control and commodity price shock. A key risk remains the persistent inflation that may disrupt the energy and food markets while the slowdown in China may impact the growth around the world. Public debt also continues to pose a challenge for many countries with high-interest rates demanding tighter monetary conditions. The lower-than-expected recovery in China is also anticipated to impact the growth in China, as well as the Asian region. Consequently, the world economy is projected to further slowdown in 2024 to 2.4 percent.

Local Economy

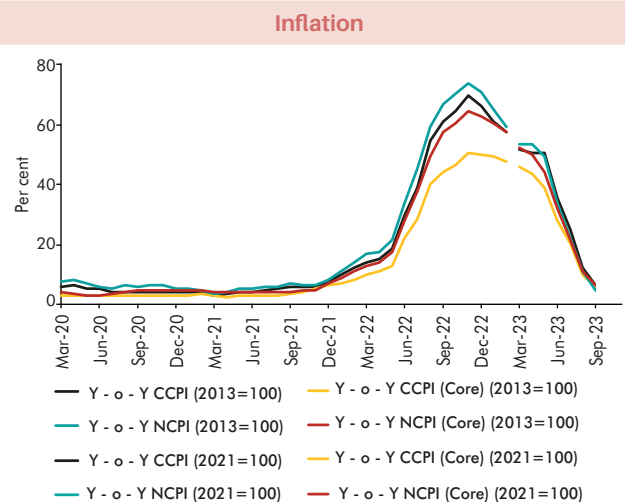
The persistent economic uncertainties continue to loom on the macroeconomic landscape during 2023. The economy contracted during the first quarter of the year driven by a significant slowdown in the manufacturing and services sectors. During the second quarter of the year 2023, the overall industrial activities reported a contraction of 11.5 percent while the performance of the service sector declined by 0.8 percent compared to the same quarter of the previous year. The high interest rate environment prevailing during the period added pressure on people's real income impacting consumption patterns and limiting consumer spending only to consumer goods.

High input costs also led to a decline in export volumes. The economy continues to demonstrate a subdued performance during the second quarter indicating the prolonged impact of the continued economic distress combined with tighter monetary and fiscal policies to bring greater economic stability.

It was towards the latter part of the year, the economy showed signs of recovery supported by the policy normalization led by easing of monetary policy conditions, improvements in supply chain conditions with strengthened foreign exchange liquidity, relaxation of import restrictions, improved business and investor confidence, and the overall impact of the policy measures and structural reforms implemented to promote economic growth. The recovery is projected to continue while improving the negative output gap in the economy and leading towards economic growth over the medium term.

High Inflation

Colombo Consumer Price Index (CCPI) (2021=100 based headline inflation (year-on-year) decelerated further in June 2023 to 12.0 per cent, indicating an easing of price pressures across many categories, including energy and food prices. CCPI-based food inflation (year-on-year) and core inflation (year-on-year), which indicate underlying inflation, moderated towards June 2023 strengthening the disinflation process. As per the latest projections of the Central Bank, headline inflation is decelerated towards the latter part of the year (third quarter) supported by the impact of tight monetary and fiscal policies, the anticipated improvements in energy and food prices and their spillover effects, and price improvement of goods and services due to exchange rate appreciation. However, Sri Lanka's inflation increased to 4 percent in December 2023 reflecting an increase in food inflation.



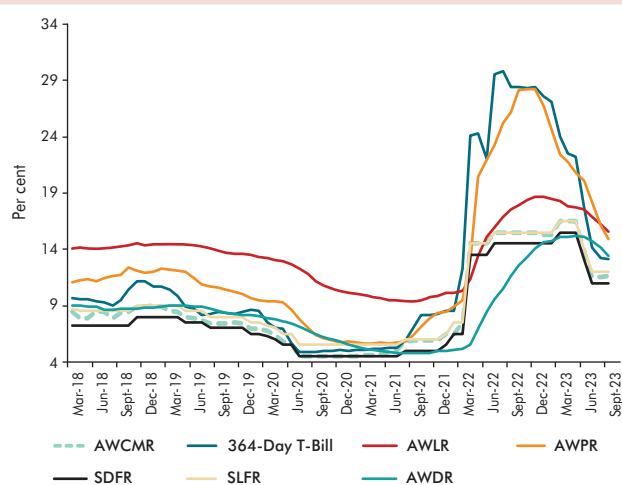
Source: Department of Census and Statistics

High-Interest Rates

Market interest rates declined in response to the measures taken to ease monetary conditions, improved liquidity conditions in the domestic money market along with the market guidance provided by the Central Bank. This led to a reduction in policy interest rates by 100 bps creating further space for market interest rates to adjust downwards and normalize in the period ahead. With the moderation of market lending interest rates, credit to the private sector is expected to increase further in the period ahead, thereby supporting the envisaged rebound of domestic economic activity.

Policy interest rates are further reduced in view of the stable inflation outlook over the medium term and subdued demand pressures. In the context of current and expected macroeconomic developments, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank were further reduced by 100 bps to 9.00 per cent and 10.00 per cent, respectively, in November 2023.

Market Interest Rates



Source: Central Bank of Sri Lanka

The below SWOT Analysis shows an assessment of our banking functions, emphasizing our strengths and weaknesses alongside external opportunities and threats. This serves as an invaluable tool for informed decision-making and strategic planning, guiding us towards increasing our strengths, addressing our weaknesses, and taking advantage of the opportunities while mitigating risks in the competitive banking industry.



Strengths

- 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



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



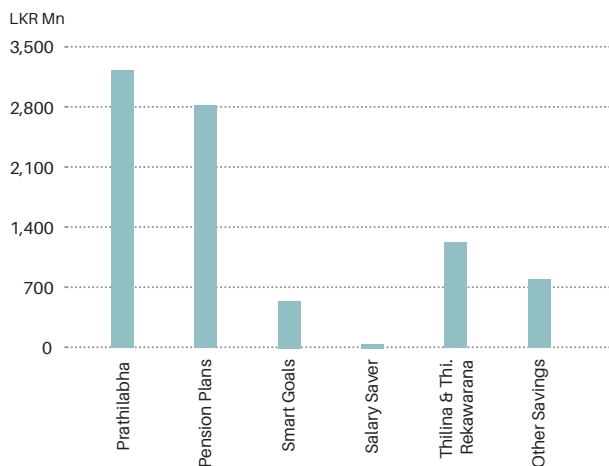
Threats

- 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

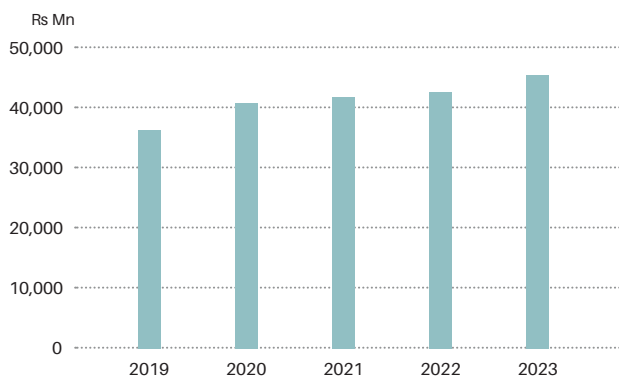
Deposits

The Bank's deposit portfolio includes 84% of fixed deposits comprising of both retail and corporate deposits. In addition, our portfolio includes general savings deposits which account for 7%, investment plan-related deposits (6%) and minor saving (3%).

Savings



Fixed deposits



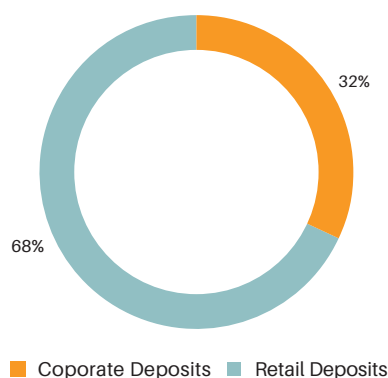
During the year, the Bank concentrated on deposit mobilization with the aim of increasing its retail deposit customer base resulting in a significant growth in the deposit portfolio. As at the end of the financial year, our total deposit base (retail & corporate) remained at LKR 53,613 Mn. The Bank's cautious approach during the year to mobilize deposits from its customers through implementing prudent strategies to ensure stability, liquidity, and risk management, resulted in recording a significant Rs. 2.9Bn growth in its total deposit portfolio.

The total general savings deposits stood at LKR 8,546 Mn witnessing an increase of LKR 604Mn compared to the previous year.

Bank's Total Corporate VS Individual Deposit base as of 31/12/2023

	Rs. Mn	As a percentage
Corporate Deposits	17,293	32%
Retail Deposits (Individual Deposits)	36,320	68%
Total Deposits	53,613	100%

Total Deposits



Period-wise Deposit Portfolio- as of 31st Dec 2023

1 Month	1%
3 Months	35%
6 Months	20%
1 Year	25%
2 Year	2%
3 Year	1%
4 Year	0%
5 Year	16%
Total	100%

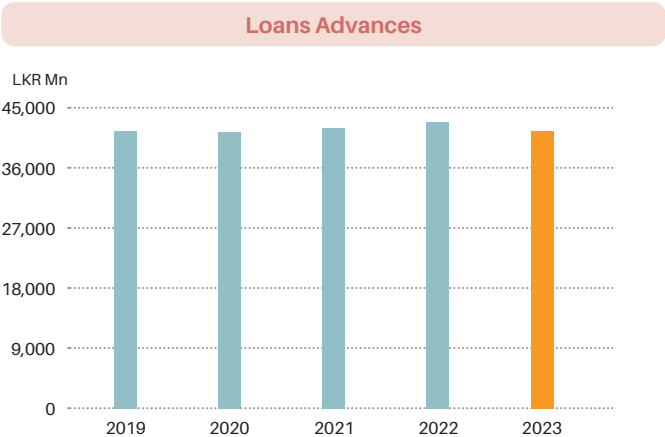
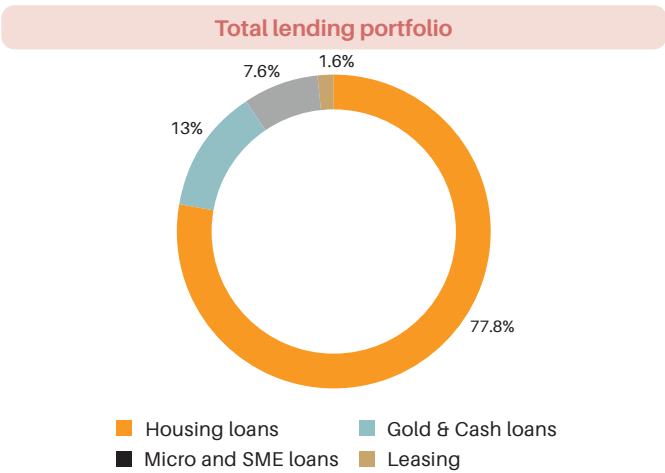
During the year, the Bank introduced a new deposit product, "Salary Saver Account", a unique savings solution for monthly income earners that offers a higher interest rate than the normal savings account. In addition, the bank continues to offer its existing saving products including HDFC Smart Goals, Thilina, and Prathilaba for its customers.

Outlook

Going forward, the Bank intends to introduce similar products specifically targeting its customer segments in supporting their financial well-being. Thus, in addition to the existing customers, we look forward to acquiring new customers to increase our retail fixed deposit composition to 65% in the near term. We also anticipate increasing our Current and Savings Account (CASA) ratio. Furthermore, we also look forward to lowering the cost of funds in contributing to increased profitability.

Lending

The Bank focused on providing quality lending to its customers during the year, despite the unfavourable operating environment. In doing so, the Bank adopted a prudent and cautious approach to ensure credit quality by adopting various measures including rigorous credit assessment protocols to determine customers' financial health before lending, focus on upper middle and upper-income customer segments to broaden the customer base, and concentration on short term products such as gold loans and leasing. The aim was to strengthen the credit quality of new credit granted thereby elevating the credit quality in the future.



During the year, the total lending portfolio (loans and advances) remained at LKR 43,731 Mn. This is mainly attributable to the Bank's focused concentration on short-term products such as gold loans and leasing in addition to capitalizing on the increased demand for EPF loans. While home loans continue to occupy a substantial space within the Bank's loan portfolio, the Bank diversified into other short-term financial instruments to sustain its profitability during the year.

Gold Loans

Although Gold loans were introduced back in 2012, during the year under review, the Bank took a strategic decision to promote gold loans aggressively considering the increased customer need for quick access to funds to meet their urgent financial needs. This also facilitated a reduction in our maturity mismatch. Hence, the gold loan portfolio increased by 52% recording a growth of LKR 521 during the financial year.

Housing Loans

Our core loan category, collateral-based housing loans continued to occupy 78% within our lending portfolio. The Bank provides housing-related loans based on collateral to support the financial needs of the underserved customer segment. These include residential mortgages and loans based on EPF balances. During the year, there was an increased demand for EPF-backed loans that led to a growth of EPF loans by 8.8% amounting to LKR 13,777mn. The Bank continues to grant EPF loans to members of the Employees Provident Fund to fulfil their various housing needs.

✓ Outlook

As we have established the foundation to facilitate high-quality lending during the year, we will capitalize on the new opportunities with greater emphasis on the growth of gold loans and leasing. In addition, we will also concentrate on the business segment targeting in MSME loans alongside our core housing financial instruments.

Financial Capital



Value creation activities in 2023

- Effective financial management strategies
- Investments in debt and other financial instruments (govt securities)
- Prudent portfolio management
- Adoption of customer centric strategies

Outcomes

- Strong liquid & capital position
- Strong equity
- Growth in income
- Growth in operating income
- Increased Profitability

Challenges

- Cost limitations under the prevailing macroeconomic situation.
- Rise in expenditure due to surge in key economic indicators

Our Financial Capital

At HDFC Bank, our paramount objective is to ensure sound and accountable financial management, safeguarding the interests of our shareholders, depositors, and stakeholders. Our financial capital, comprising diverse streams of funds, is meticulously managed to optimize earnings and profits, thus fostering sustained growth and prosperity.

Our Approach

Functioning as a Licensed Specialised Bank engaged in various business endeavours, financial capital plays a pivotal role in fostering growth and ensuring the seamless continuation of operations. Crucially, HDFC Bank bears the responsibility of being 51% state-owned, thus being answerable to the State. Furthermore, we are bound by statutory obligations to administer our financial capital with transparency, accountability, and prudence, adhering to regulatory standards at all times.

HDFC Bank is dedicated to supporting the housing dreams of Sri Lankans across the island. As a licensed specialized bank with a 40-year history in the financial services sector, HDFC Bank was established to meet property and housing-related financial needs. This mission is reflected in its loan portfolio, with 78% comprising housing loans in 2023. While maintaining the bank's core business as housing, numerous avenues were opened during last few years including business loans, Education loans, SME, leasing, gold advance etc., Savings and investment products offered by the bank include children's savings, general savings accounts, fixed deposits and senior citizens accounts.

Income

In 2023, our gross income soared to 14,478.6Mn marking a remarkable increase from the previous year's figure of 8,878 Mn, reflecting a substantial 63% surge. This substantial growth in gross income underscores our organization's robust performance and effective financial management strategies. It demonstrates our ability to capitalize on market dynamics, optimize revenue streams, and drive sustainable value creation for our stakeholders.

Impact on SDGs



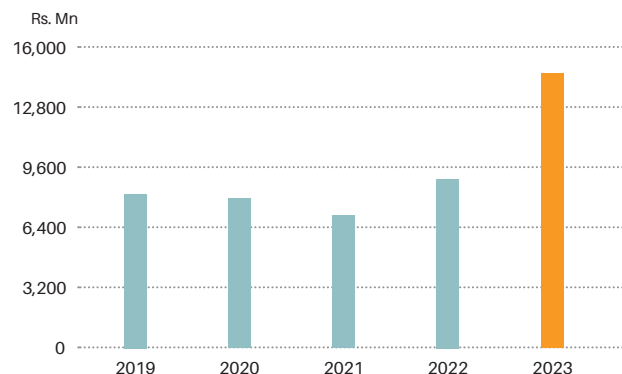
Stakeholder Groups Impacted

- Shareholders & Investors
- Customers
- Employees

Related Material Topics

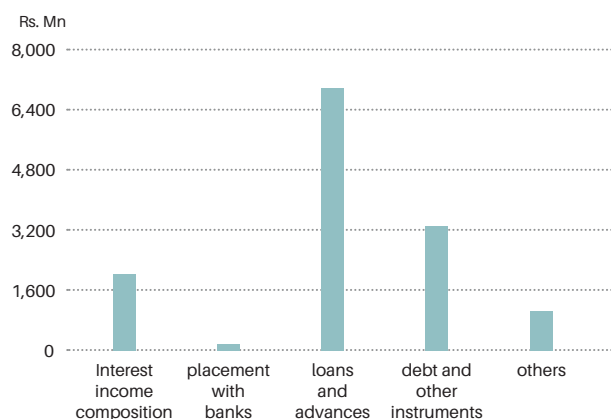
- Financial Strength and Economic Performance

Income



Interest Income and Non-Interest Income

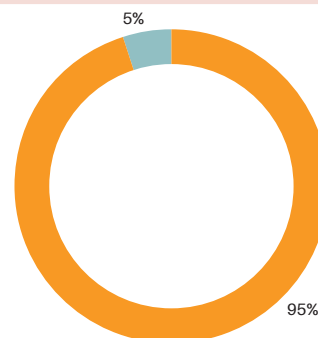
Interest income composition



In the financial landscape of 2023, our interest income experienced a notable surge, reaching an impressive Rs. 11,344 Mn. This substantial leap from the preceding year's figure of Rs. 8,425 Mn resulted in a remarkable variance of Rs. 2,919 Mn highlighting a substantial 35% growth. This surge in interest income can be directly attributed to several factors, including a significant contribution from loans and advances, alongside increased investments in debt and other financial instruments, such as Government Securities. These investments saw a substantial rise, showcasing the dynamism of our portfolio management strategies. Additionally, interest income from lending also witnessed a significant uptick, reaching a notable figure, propelled by regulatory rate revisions that enhanced our earning potential in this domain.

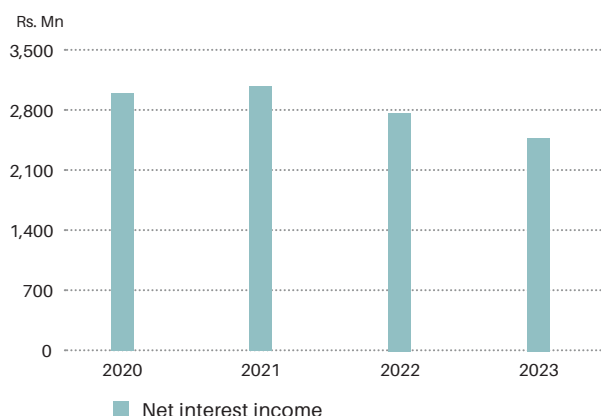
Non-interest income grew by 593% to Rs. 3,134 Mn during the year 2023

Interest income vs non-interest income



Interest income Non interest income

Net interest income and NIM

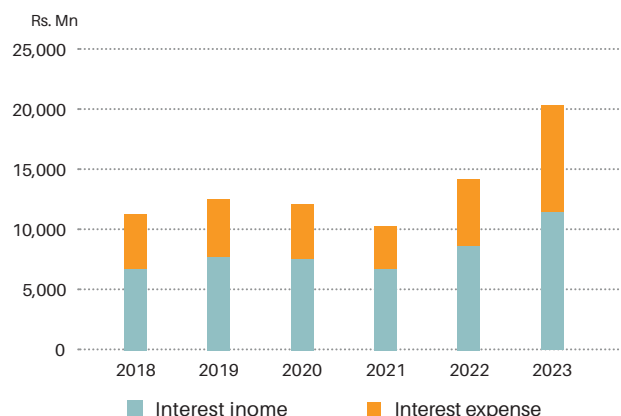


Interest expenses witnessed a significant increase, rising from Rs. 5,679 Mn to Rs. 8,884 Mn representing a notable variance of 56%. This substantial surge was predominantly fuelled by revisions in deposit rates, despite only a marginal uptick observed in the deposit portfolio. Concurrently, net interest income experienced a modest decline, transitioning from Rs. 2,746 Mn in the preceding year to Rs. 2,461 Mn depicting a 10% downturn.

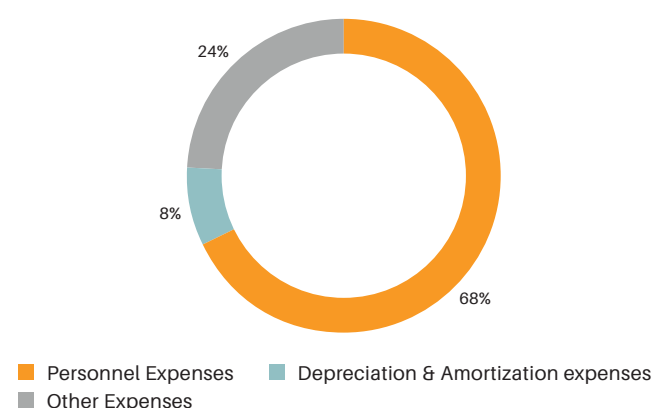
Operating Income and Operating Expenses

The net operating income witnessed a remarkable surge in FY 2023, soaring to Rs. 5,127 Mn from the previous year's Rs. 2,878 Mn, marking an impressive 78% increase. This surge can be predominantly attributed to gain on derecognition of financial instruments amounting to Rs. 2,660 Mn. Meanwhile, other operating income also experienced a substantial rise, climbing by 21% to Rs. 121 Mn from Rs. 100 Mn in the previous year, propelled by change in Fair Value of investment properties.

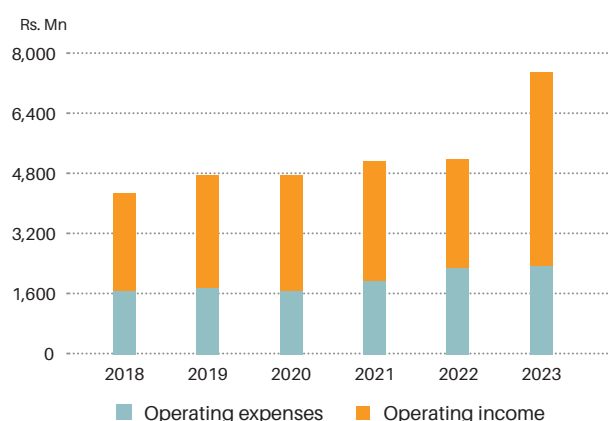
Interest income vs interest expenses



Expenses



Operating income vs operating expenses



Personnel Expenses:

In 2023, personnel expenses commanded a significant portion of all expenditures, comprising 68% of the total operating expenses. This category includes salaries, wages, bonuses, benefits, and other related costs associated with the workforce. The surge in operational expenditure was largely propelled by increments in personnel expenses.

Specifically, salaries and bonus payments escalated to Rs. 900 million from Rs. 980 million in the preceding year, reflecting the organization's commitment to rewarding its employees. Additionally, expenses apart from remuneration amounted to Rs. 684 million, marking a notable increase of 21% over the previous year's other personnel expenses mainly due to exgratia payment to staff.

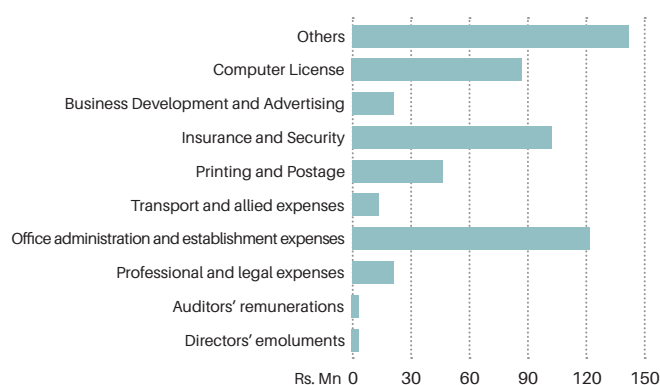
Depreciation and Amortization Expenses:

Depreciation and amortization expenses accounted for 8% of the total operating expenses in 2023. These expenses represent the gradual write-off of the cost of tangible and intangible assets over their useful lives. In the fiscal year 2023, these expenses amounted to Rs. 178 million, reflecting a slight decrease of 4% from the previous year. Amortization of Right to use Assets and Amortization of Intangible Assets witnessed a significant adjustment, displaying a 4% change.

Other Expenses:

Other expenses constituted a substantial portion of total expenditure, accounting for 24% of the operating expenses in 2023. This category encompasses a broad range of expenses not included in personnel or depreciation and amortization categories, such as rent, utilities, marketing expenses, travel expenses, and professional fees. In the fiscal year 2023, other expenses witnessed a moderate 6% increase from the previous year's expenses, totalling Rs. 566 million compared to Rs. 536 million reported earlier. This increase may be attributed to various factors such as inflationary pressures, expansion initiatives, increased regulatory compliance costs, or investments in technology and infrastructure upgrades.

Other expenses



Tax Expenses

Tax on Financial Services increased by 109% with compared to the previous year with the increase in operating income.

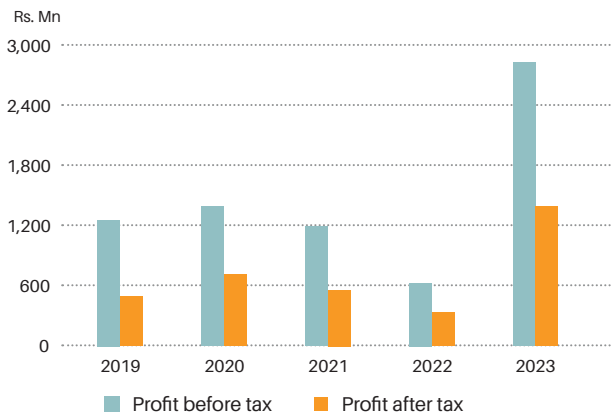
Income Tax expenses increased by 3,394% with compared to the previous year due to increase in taxable income for the year 2023.

The Bottom Line

In the wake of revenue and expense dynamics, the Bank experienced a remarkable upswing in profitability, evident in its profit before tax, which surged to Rs. 2,800 million from Rs. 612 million in the previous fiscal year. This substantial increase of 358% is indeed noteworthy, translating to a substantial gain of Rs. 2,188 million. Such a significant leap underscores the Bank's adeptness in navigating market conditions and optimizing its financial performance. Post-tax, the profit amounted to Rs. 1,376 Mn, demonstrating a remarkable increase from the Rs. 326 Mn reported in 2022.

In the year 2023, HDFC Bank has demonstrated significant growth in key financial indicators, showcasing the Bank's profit surged from Rs. 326 Mn to an impressive Rs. 1,376 Mn, reflecting a 322 % increase in Profit after Tax (PAT). This marks a sharp growth over the previous year's figures

Profitability

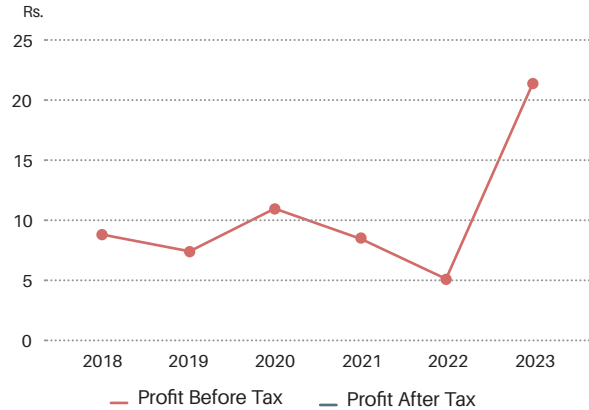


Commenting on the performance, the bank's trajectory this performance reflect unwavering commitment to financial excellence and customer-centric strategies. We are optimistic about sustaining this positive momentum.

EPS

In the context of benchmarking, the Bank's exceptional financial performance is further highlighted by its impressive growth in earnings per share (EPS). With EPS surging to Rs.21.27 from Rs.5.04 in the previous year, this represents a remarkable increase and serves as a testament to the Bank's robust profitability. This substantial improvement underscores the effectiveness of the Bank's strategies in enhancing shareholder value and signifies its ability to generate substantial earnings on a per-share basis. As EPS is a key metric used by investors to gauge a Bank's profitability and growth potential, this significant uptick reinforces the Bank's position as a strong performer in the market. It also reflects positively on the Bank's management decisions and operational efficiency, reaffirming its commitment to delivering sustainable returns to its shareholders.

EPS



Impairment

Impairment expenses for the year has increased by 46% with compared to the previous year amounting to Rs.467 million in 2023 and Rs.320 million in 2022.

ASSETS

Total Assets Growth:

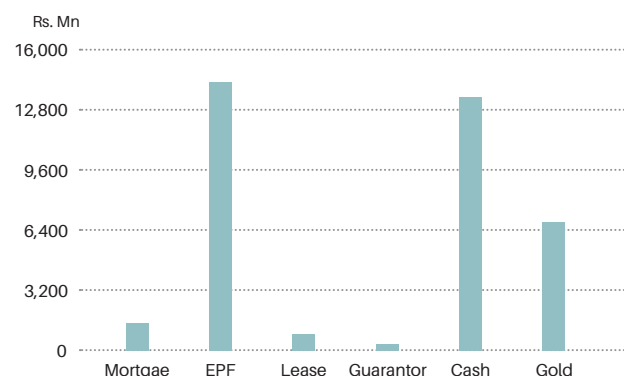
HDFC Bank's total assets demonstrated a notable growth trajectory, reaching Rs. 67,941million, compared to Rs. 62,882 million reported in the previous fiscal year. This substantial increase underscores the bank's robust financial position and strategic asset management practices, contributing to enhanced stability and growth potential.

Financial Assets (at Amortized Cost) Loan and Advances:

Loan and Advances has decreased by 3%

Under the lens of bank loan portfolio performance, the net loans and advances experienced a decline, reducing to Rs. 41,218 million from Rs. 42,630 million reported in the previous year. This constitutes 61% of the total assets. The loan portfolio encompasses a diverse range of assets, including housing, personal loans, business loans and other credit facilities extended to borrowers.

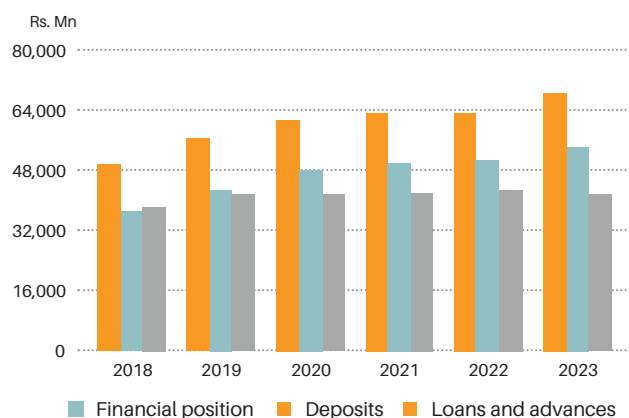
Loans



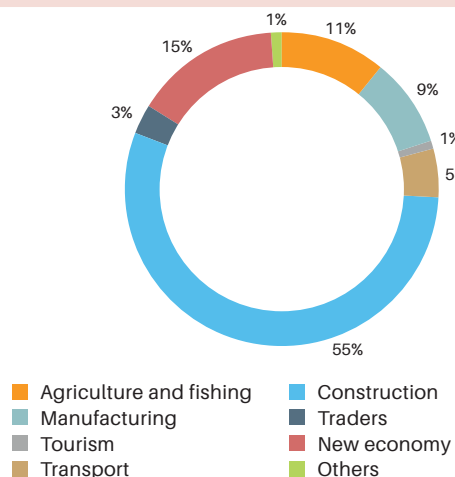
Financial Assets at amortized cost and FVTOCI

Financial Asset at Amortized Cost and Fair Value Through Other Comprehensive Income has significantly increased by 45% from 15.4 Bn in 2022 to 22.3 Bn in 2023 which is one of the main reason for the total Asset base increase of 5.1 Bn with the robust financial position and strategic asset measurement practices.

Financial position, deposits and loans and advances



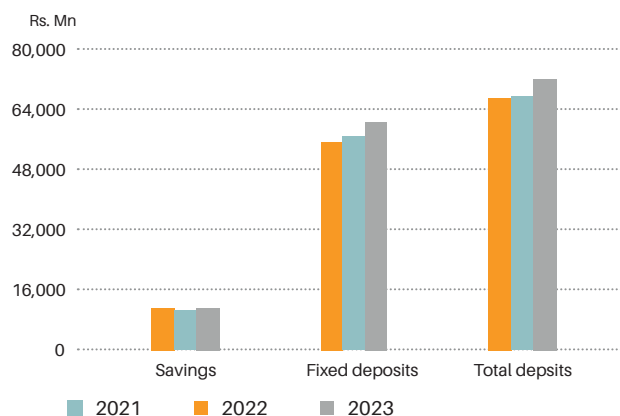
Gross loans and advances



Liabilities

The liabilities for the fiscal year 2023 demonstrate a marginal increase, rising to Rs. 59,532 million from Rs. 55,884 million reported in the previous year. The 90% of the liabilities represents the customer deposits.

Deposit Composition



Capital Reserves

During the fiscal year, HDFC Bank witnessed a significant strengthening of its capital reserves, a vital aspect of its financial robustness. The core capital of the bank surged to Rs. 8,128 million, marking an impressive 21% increase compared to the previous year a commendable 23% increase. These developments underscore HDFC Bank's strong financial performance and strategic management aimed at enhancing shareholder value and fortifying its position in the market.

The Bank has surpassed the minimum capital requirement of Rs. 7.5 billion with an impressive Rs. 8.2 billion. This excess capital underscores the Bank's robust financial standing and its capacity to navigate fluctuating market conditions effectively.

Outlook

- The Bank will make effort to reduce exposure to non-performing loans while focusing on sustaining minimum capital requirement.
- The bank will increase investments in technology advancement.
- The bank will focus on investments guided by streamlined planning to support retail expansion.

Manufactured Capital



Value creation activities in 2023

- Effectively managing island-wide Branch network
- Strengthening Technology Platform through systems upgrades and introducing new systems.

Outcomes

- 39 Branches in operation
- 6,742 ATM access
- New website and HR system, Upgrade of Core Banking System

Challenges

- Cost limitations and macroeconomic situation led to restraining branch expansion and investment in other infrastructure development

Our Manufactured Capital

HDFC Bank's Manufactured Capital refers to the physical assets and digital infrastructure maintained by the Bank to facilitate business operations and service delivery for the customers. In this regard, the Bank's branch network is vital as it is these strategically established physical locations that enable us to connect with clientele in both urban and rural localities. In addition, the Bank reach out to its customers through ATMs set up in various locations and technological platforms such as core banking system, internet banking, CEFT, JustPay, and Point of Sales System to facilitate customer convenience and increased process efficiencies.

Under the macroeconomic landscape in 2023, our investments into manufactured capital remained minimal though we continued to progress on technology advancement at a faster pace in contributing to the overall efficiency, effectiveness, and customer satisfaction within the industry. Branch expansion was kept on hold during the year due to cost constraints under the prevailing situation in the country.

Our Approach

We are focused on increasing our manufactured capital on an ongoing basis, as and when the need arises, and based on our financial strength. The Bank comprehends the vital role of manufactured capital in maintaining regular customer interaction, ensuring easy accessibility and timely service and thus makes it a priority to continually improve service levels and embrace digital tools and technologies to sustain greater customer satisfaction.

Impact on SDGs



Stakeholder Groups Impacted

- Customers
- Employees
- Partners

Related Material Topics

- Investment in infrastructure
- Digital transformation

How we create value

1. Reach out to customers through an extensive branch network
2. Increase digital footprint for internal efficiencies and better customer service delivery

1. Reach out to customers through an extensive branch network

In addition to the Head Office, HDFC Bank comprises of a branch network of 39 branches that remain the key physical touchpoints to our customer base.

39

Branches serve
over 500,000
customers

376

Employees working
across 39 branches



01	Colombo	21	Ambalangoda
02	Homagama	22	Galle
03	Horana	23	Matara
04	Hyde Park	24	Tangalle
05	Nugegoda	25	Embilipitiya
06	Piliyandala	26	Jaffna
07	Avissawella	27	Vavuniya
08	Gampaha	28	Chilaw
09	Ja-Ela	29	Kuliyapitiya
10	Kiribathgoda	30	Nikaweratiya
11	Nittambuwa	31	Anuradhapura
12	Peliyagoda	32	Polonnaruwa
13	Badulla	33	Trincomalee
14	Monaragala	34	Dambulla
15	Tissamaharama	35	Kegalle
16	Ratnapura	36	Matale
17	Ampara	37	Kurunegala
18	Batticaloa	38	Kandy
19	Nuwara Eliya	39	Gampola
20	Kalutara		

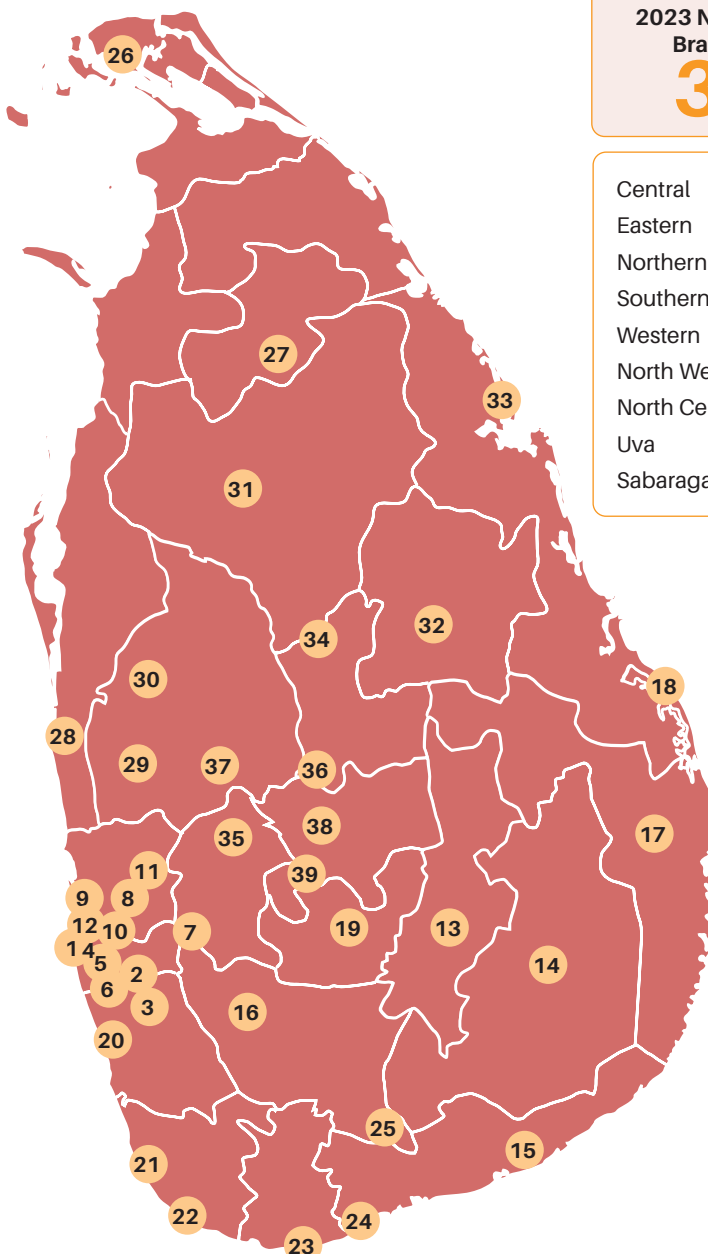
These branches are overseen by the Regional Managers and serve a customer base of 513,613 in the nine (9) provinces. However, the highest number of branches are located in the Western Province. As most of our clientele fall into the low- and middle-income stream with minimal access to digital facilities, this network has been instrumental in reaching that customer segment thereby sustaining ongoing interaction with them. These branches are provided with all the necessary physical and digital infrastructure to ensure greater customer experience.

The Branch network has also enabled job creation for the local community, contributing to the economic growth in those regions.

The Head Office is located at Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

2023 Number of
Branches
39

Central	5
Eastern	3
Northern	2
Southern	5
Western	13
North Western	4
North Central	2
Uva	2
Sabaragamuwa	3



2. Increase digital footprint for internal efficiencies and better customer service delivery

We are progressing on our digital journey, gradually and consistently focusing on the evolving needs of the customers, technology requirements within the industry and our cost limitations. As much as we understand the convenience and flexibility that technology guarantees a client, we are cognizant of the favourable impact we make on the environment with reduced manual processes and paper usage as well as the expediency for the internal and branch employees.

Core Banking System

One of the key technology platforms at the Bank is the Core Banking System which was implemented in 2017 to carry out the Bank's core banking activities.

This system serves as the backbone of our operations facilitating key activities related to customer accounts, transactions and financial services.

During the financial year, the IT department-initiated discussions on upgrading the existing system to its latest version or purchasing a new core banking system with better features. Currently, the discussions are underway awaiting management's decision.

Key Software in Use

- Oracle

ATM Outlets

The 23 ATM outlets established by the Bank provide customers with convenience and accessibility to funds outside the regular banking hours. During the financial year under review, the Bank initiated discussions to increase the number of ATMs to further improve customer accessibility.

Point of Sales (POS) System

The Bank has a Point of Sales system in place to facilitate financial transactions. As such, the Bank in partnership with Lankapay's common POS switch facilitates debit card payments through JCB-certified POS terminals.

Common Electronic Fund Transfer Switch (CEFTS)

As a CEFT Member, HDFC Bank can carry out domestic interbank fund transfers in real time at the customer's convenience. Customers can use this service by logging into their internet banking, mobile banking portals or over the counter.

Website

The Bank's website remains the core digital interaction platform for the customers and can be accessed via www.hdfc.lk. It provides detailed information about the products and services of the bank in addition to information about the bank's core objectives, island-wide network, latest news and many more to the customers, assisting them to make informed decisions.

In 2023, the Bank commenced the development of a new website to suit the evolving digital landscape. The website aims to bring a new look and feel with improved functionalities to provide users with a more engaging and user-friendly experience. The new website is proposed to be launched in the next financial year.

E-Banking transactions

The Bank has a dedicated e-banking portal, namely, HDFC Click, to carry out payments and transactions including interbank, bank-to-bank and utility payments. We remain focused on improving customer experience on the portal on an ongoing basis while ensuring the security of customer information and transactions.

Mobile Banking

The Bank partnered with JustPay in 2021 to facilitate convenient and secure retail payments using smart mobile applications. Justpay allows a maximum amount of Rs. 50,000 per transaction.

Human Resource Management System (HRMS)

During the year, the Bank commenced discussions on purchasing a new human resource management system in ensuring a more user-friendly platform with improved security features.

Information Security Platform

HDFC Bank's Information Security Policy serves as the foundation of Bank's information security platform thereby assisting to mitigate risks and protecting the IT infrastructure and information assets from potential threats. The policy has clearly outlined the responsibilities of employees, contractors, third parties and other users regarding the security of IT resources and data within the organization. Some of its key components include access

controls, network security, endpoint security, user awareness and incident response. Currently, the Bank adheres to all the Information security best practices and is planning to achieve the ISO/IEC 27001 information security management system in the near term.

At present, the Bank adheres to the following best practices;

- Policy enforcement
- Access control mechanisms to mitigate the unauthorized access
- Data protection measures to safeguard sensitive data, such as encryption, classification and data backup procedures
- Network security procedures and control implementations for auditing to detect potential breaches and violations.
- Security awareness trainings to inculcate knowledge amongst the employees regarding potential vulnerabilities and best practices for safeguarding sensitive information

IT Risk Management

The IT risk management aspect of the Bank mainly focuses on information security assets and processes. The information asset inventory involves systematic analysis of potential threats and vulnerabilities by evaluating the likelihood and impacts of the risk. Following this, the risk register is used to treat the identified risk areas to achieve acceptable levels, ensuring that the IT resources and information are well aligned to support the Bank's strategic objectives.

Outlook

- The Bank will continue to expand delivery channels to ensure flexibility and convenience for the customers.
- The Bank will persist in improving its IT security platform to protect information from unauthorized access, ensuring the confidentiality and privacy of customer information.
- The Bank will enhance the digitalization of banking activities given the growing preference of customers to perform financial transactions digitally and to ensure operational efficiency.
- Connectivity to common ATM switch, gives our customers accessibility to over 6,500 ATMs.

Human Capital



Value creation activities in 2023

- 14 recruits
- 88 trainings covering 550 training hours
- Introduce quarterly performance evaluations at the branch level
- Organized Cricket Tournament, Vesak Dansala.
- Dental & Eye Camp, Health Checkups
- Industry par remuneration & several benefits
- Honorarium Payment to reimburse educational expenses
- Overall productivity improvement

Outcomes

- New cadre with a fresh perspective for problem-solving, enhanced productivity
- Improved knowledge and skills of employees
- Better performance planning for Branch level employees
- Satisfied and motivated employees
- Safe & Healthy Workforce

Challenges

- Obligated to curtail costs as per the Central Bank directives.

Our Human Capital

Human Capital at HDFC Bank is one of our greatest assets. It is this team of individuals who bring together their knowledge and expertise to serve a clientele that is spread across the nation, building and fortifying the image of the Bank. HDFC embodies a workforce that comes from diverse backgrounds around the island.

Although 2023 has been a challenging year with macroeconomic pressures that propelled many people to leave jobs seeking better opportunities outside the country, the existing cadre at HDFC managed to maintain the Bank operational, leveraging their collaborative efforts, skills and expertise to deliver a range of services to customers. Officially guided by a range of HR policies which cover the entire human resource realm, we persist in channelling our human resource efforts to bolster the overall value-creation process.

Our Approach

We strive to build a winning team that can drive the Bank to achieve its objectives. As such, we focus on recruiting the right skill set for the right job position and continuously sharpen their skill set through exposure to a wide range of training and development opportunities. The employees' progress does not end with training, but we encourage them to progress in their career path further, coaching those who can take up leadership roles within the Bank. Employee education is constantly propelled to strengthen the capacities of the cadre and enhance their avenues for career growth.

In addition, we endeavour to nurture a conducive work environment through sustaining a non-discriminatory work culture fortified by equal opportunities, opportunities for engagement and open dialogue, support for work-life equilibrium, addressing concerns and offering a range of benefits including options to keep health and safety in check.

Impact on SDGs



Stakeholder Groups Impacted

- Employees

Related Material Topics

- Talent Management
- Health & Safety
- Employee rights and collective bargaining
- Diversity and equal opportunities

How we create value

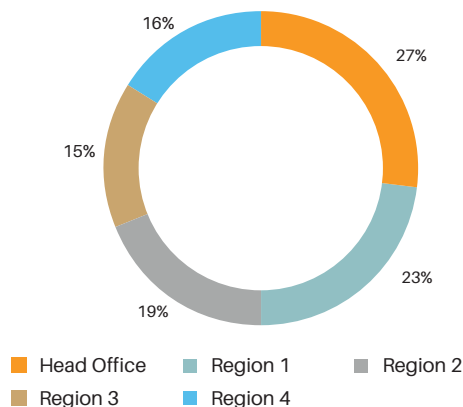
1. Recruiting the best fit for the job
2. Enhancing the knowledge and capacity of employees
3. Providing direction through assessing performance
4. Ensuring a satisfied and motivated cadre
5. Maintaining diversity and equality of opportunity
6. Effective handling of grievances
7. Ensuring Health and Safety at the workplace
8. Industry par remuneration and benefits
9. Opportunities for growth

Employee Profile

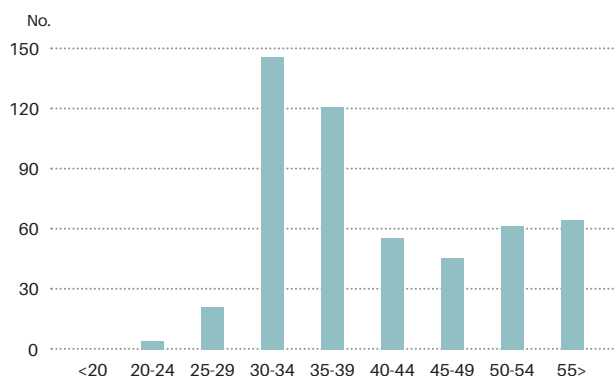
As of year-end 2023, the workforce at HDFC is comprised of 515 individuals who are spread across Island wide including Head Office. Of those, 474 belong to the 'permanent' cadre category, 13 belong to the 'probation' category and 28 belong to the 'contract' category.

The majority of the Bank's employees consist of mature employees, with approximately 62% of the employees falling into the middle age category of 30-45 years while 33% of the employees come under the above 45 years age category. Almost 5% of the staff are less than 29 years of age. The gender ratio of employees is maintained at approximately 3:2 (male-female). Our Human Resource Statistics

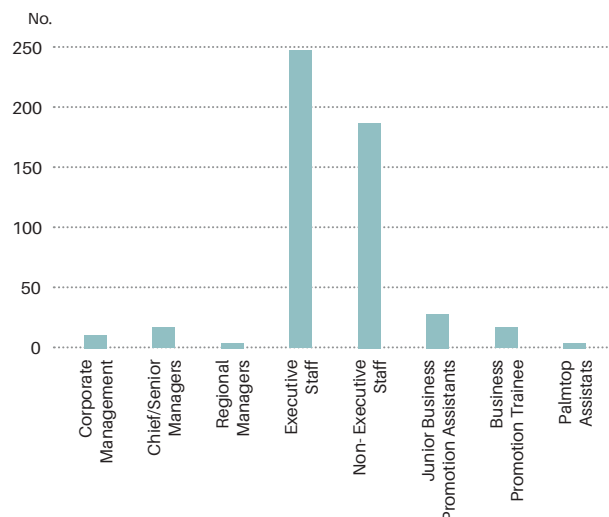
Current year



Age wise



Employees by Funtion



1. Recruiting the best fit for the job

Our approach to hiring people is established by the Bank's Recruitment Policy. Based on that, new employees are recruited when new positions become available due to the resignation of staff or the need for a new cadre. The vacant positions are announced through the Staff Request Form generated by the HR department inclusive of details of the position to be filled and the required expertise and qualifications. Upon receiving approval from the General Manager, the vacancies are initially advertised internally via intranet, providing an opportunity for the existing staff to fill the vacant positions. If such candidates are unavailable internally, the Bank seeks suitable candidates externally, advertising the vacant position in online job portals and newspapers.

HR Policies that Guide Us

- Recruitment Policy
- Training and Development Policy
- Grievance Policy
- Transfer Policy
- Sexual Harassment Policy
- Succession Planning Policy

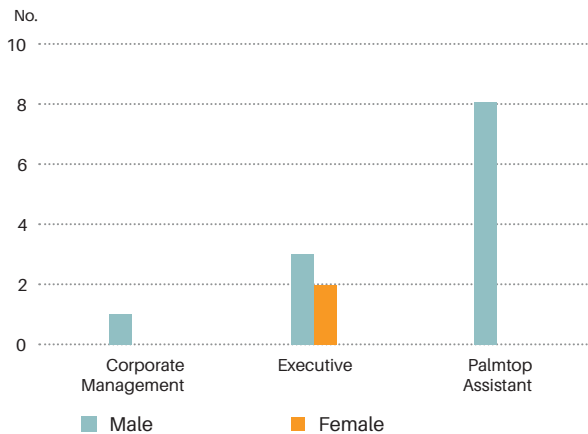
Shortlisted candidates are invited to an interview with a panel of senior management personnel, who will make the final decision to recruit based on their expertise, knowledge, and suitability for the job role. During the financial year, a total of 14 recruits were hired for various positions. Despite the macroeconomic pressure, the Bank managed to sustain a retention rate of 88.34% while the turnover ratio remained at 6.81% affirming the Bank's highly conducive work environment.

88.34%

Retention Rate

6.81%

Turnover Rate

New Recruitments**2. Enhancing the knowledge and capacity of employees**

All employees are provided with the opportunity to improve their skills and capacity through exposure to training and development as outlined by the Bank's Training and Development Policy. Given the competitive nature of the industry, the Bank's HR department focuses on improving the employee skill set identifying knowledge gaps via training needs analysis carried out by the HR division in collaboration with the Division Heads & the Branch Managers. After which, a training plan was developed for the calendar year allowing all employees the opportunity to develop the necessary knowledge and skills to perform their duties effectively to meet customer needs, in a rapidly changing regulatory, policy, and economic landscape.

In the financial year under review, 88 training programs were conducted for employees of various categories. Of these, 38 are internal training programs while 50 are external trainings. Internal training sessions were conducted by senior staff members (Heads of Departments & Corporate Management) while external resource personnel were hired to conduct some trainings. In addition, employees also participate in forums and training sessions conducted by regulatory bodies and technical organisations.

- **88** Trainings for **391** employees
- **550** Training hours
- **LKR 4.36 Mn** Training investment

Training programs mainly focused on areas such as operational aspects, financial products and services, laws and regulation, IT security, risk management, sales, marketing and digital transformation as well as leadership and management. Apart from this, on-the-job training is also given to some staff members through a transfer scheme where employees are transferred to branches to be trained in specific areas related to the Bank's operations. These professional development avenues have empowered the employees to better perform their assigned tasks catering to the evolving requirements of the industry.

Area of Focus	No of Trainings
Branch Operations and Procedures	29
Banking Products and Services	12
Compliance and Regulations.	18
Risk Management	4
Sales, Marketing & Digital Transformation	9
Information Security	8
Leadership and Management and Other	8

Type of Trainings

	No of Trainings	No of Participants
Internal	38	375
External	50	70

**3. Providing direction through assessing performance**

Performance appraisal plays a vital role in shaping the career path of the employees at the Bank. Hence, the Bank conducts performance evaluations annually to assess the employee performance against the identified KPIs at divisional and departmental level thereby giving them further direction for improvement in their specific job roles and achieving their full potential.

In the financial year under review, the Bank introduced quarterly performance evaluations at the branch level in addition to the standard annual performance appraisals.

The main objective was to assess the performance of employees at the branch level against the set KPIs simplifying the monitoring process. In this way, the bank was able to gauge a better understanding of the individual contribution to the branch or the department. Promotions are primarily based on performance evaluation in addition to considering the employee's length of service and professionalism. All key management personnel are given an equitable opportunity for career advancement as per the Recruitment Policy of the Bank.

4. Ensuring a satisfied and motivated cadre

We firmly believe that maintaining a healthy balance between one's personal life and work environment empowers individuals to reach their maximum potential. Besides, involved employees feel that they are an integral part of the bank's decision-making process. To achieve both these objectives, staff are provided with avenues for engagement through recreational activities and religious events. During the year under review, the Sports Club of the Bank organised a Cricket Tournament at SLLDC Ground, Narahenpita on 15th July, 2023 for all the employees to promote camaraderie. In addition, a Vesak Dansala and Pirikara for Pindapatha Charikawa was carried out by the Welfare Society respectively on 9th May, 2023 and 31st July, 2023, at the Head office premises drawing together employees for a religious purpose. Moreover, letters of appreciation were presented to the resource persons who conducted the programs as a token of gratitude.



Fostering work-life balance & engagement through recreational and religious events

The Bank also ensures consistent communication with its employees by facilitating open dialogue and two-way communication.

Utilizing several channels of communication, the Bank make an effort to keep all its staff members well-informed on various matters, while allowing them to provide feedback and opinion on the bank's strategic and operational decision-making. While we encourage one-to-one interaction to discuss personal issues, the communication is largely carried through digital means.

Consistent communication of bank matters via;

- Intranet
- Emails
- Bank Website
- Circulars and Notices
- Formal letters on occasions
- Staff meetings
- Newsletters

Employee Union Relations

Approximately 87% of our employees (that covers permanent, probationary and contract) are union members of the Ceylon Bank Employees' Union (CBEU). Through fostering positive relations, the Bank was able to maintain open communication between the management and the union leading to a better understanding of each other's concerns and priorities.

5. Maintaining diversity and equality of opportunity

The Bank strives to ensure equal opportunities for all individuals regardless of their race, ethnicity, gender, age, marital status, nationality and disability thereby promoting inclusivity, diversity and a work environment that is free from discrimination and bias. Hence, employees at the Head Office and branches are encouraged to treat others respectfully and cease any discriminatory behaviours despite conflicting points of opinion. The Bank's management makes an ongoing effort to avoid as well as resolve situations that may lead to unfavourable and biased work environments.

6. Effective handling of grievances

In accordance with the Bank's Grievance Handling Policy, employees have the advantage of raising concerns with their immediate supervisor in writing or verbally. If unable to seek a satisfactory resolution, the employee has the right to raise it with the Head of the Department. If further dissatisfied with the outcome, the employee can take the matter to the Bank's Grievance Committee, the formal mechanism set up by the Bank to address and resolve workplace grievances and complaints raised by employees. Through the establishment of such mechanisms, the bank strives to ensure a fair and unbiased approach to conflict resolution between the Bank and its workforce sustaining a fair and equitable work environment. The Bank has also put in place a Transfer Policy that allows employees the option of transfer annually based on the operational requirements of the Bank. Thus, a number of transfers are also arranged to address the grievances of the employees.

7. Ensuring Health and Safety at the workplace

Caring for the well-being and physical health of employees is a fundamental aspect of ensuring a safe and healthy work environment. Besides, it is an ethical responsibility of a responsible corporate. Hence, during the year, a dental and eye camp as well as a health checkup was carried out for all the employees free of charge.

8. Industry par remuneration and benefits

All employees receive a salary that is in line with industry standards for their respective job positions in addition to being entitled to several benefits. These benefits include medical reimbursement, loan schemes, various allowances and bonuses. During the financial year, an ex-gratia payment was given to the employees in recognition of their valuable contribution.



Eye Camp and Health Checkups conducted during the year

A list of benefits for each employee category is given below.

Benefit	Permanent	Probation	Contract	BPT
Medical Reimbursement	✓	✓	—	—
Housing Loan	✓	—	—	—
Distress Loan	✓	—	—	—
Guarantor Loan	✓	✓	—	—
Bike Leasing	—	—	—	✓
Bonus	✓	✓	✓	✓
Leave Encashment	✓	✓	✓	—
Subsistence	✓	✓	✓	✓
Risk Allowance(Cashier & Palm Top only)	✓	✓	✓	✓
Commission	—	—	—	✓
Vehicle Loan	✓	—	—	—
Festival Advance	✓	✓	✓	—
Difficult Area Payment	✓	—	—	—
Honorarium	✓	—	—	—
Key Handling Allowance(Safe Key)	✓	—	—	—
Branch Manager Allowance	✓	✓	—	—
Second Officer Allowance	✓	✓	—	—

Parental Leave

Our employees are given parental leave in the event of a newborn which enables parents to balance their professional and family responsibilities, spending crucial time with their newborn during the early stage of development. While male employees who welcome a newborn can take up to 3 days of paid leave to spend time with their newborn, female employees who require maternity leave receive 84 days of paid leave.

	2023	2022
Number of male employees who took parental leave	8	8
Number of female employees who took maternity leave	9	17

9. Opportunities for growth

Our goal for the employees does not end with training and development opportunities but goes a step further by encouraging their career advancement. As such, in accordance with the Succession Planning Policy, the Bank continues to prepare the employees who have exceeded the performance expectations for the top-level positions.

HDFC Bank is a Member of the Employee Federation of Sri Lanka

Furthermore, employees are allowed an honorarium payment to reimburse part of their educational expenses for above diploma-level study programs. In addition, the bank also reimburses membership fees for annual membership and life memberships in professional bodies related to accounting, human resources, marketing, banking and information technology.

Outlook

- The Bank is in the process of moving the existing automated HR System to a new advanced system, that is currently undergoing the approval process. This will transfer several manual processes to an automated platform minimizing the paper usage.
- The Bank will concentrate on hiring individuals who are qualified and capable of filling the vacancy positions.
- The Bank will continue to improve the knowledge of internal staff with exposure to more advanced training and creating opportunities to take responsibilities in higher positions.
- The capacity of the human resource department will also be strengthened through opportunities for acquiring knowledge and skills in HR.



HDFC League Cricket Tournament 2023



Intellectual Capital



Value creation activities in 2023

- Product diversification targeting grassroots level customers
- Ongoing technological advancement towards process efficiency and customer convenience
- Professional development of employees through training
- Focused marketing efforts

Outcomes

- Enhanced focus on Gold loans & Leasing
- Upgraded technology platform
- Knowledgeable and competent workforce
- Well informed customers

Challenges

- Capital available for investments
- Shortage of skilled labour (such as IT)
- High cost of publicity

Our Intellectual Capital

Intellectual capital at HDFC Bank refers to the intangible assets and resources that are available to create value for the stakeholders maintaining competitive edge and ensuring sustainable growth. This includes innovative capacities of the workforce and organisational culture, digital capabilities, brand visibility and the value associated with it, as well as a foundation set for ethical business conduct. Innovation arising from unique financial solutions also embodies intellectual capital. These intangible assets as a whole will ensure the Bank's competitive advantage, positioning it as a key player in the financial industry, and fostering sustained growth in an ever-evolving market landscape.

Our Approach

As we comprehend the unique role of intellectual capital in our value-creation process, we consistently make an effort to invest in enhancing the Bank's intangible assets, knowledge, and expertise. Although the year under review has been a challenging year due to the prevailing macroeconomic situation that has curtailed our spending on intellectual capital, we are gradually progressing on this path in maintaining the Bank's competitiveness in the industry.

Impact on SDGs



Stakeholder Groups Impacted

- Employees
- Customers

Related Material Topics

- Digital transformation
- Diversified products for financial inclusion
- Marketing & Labeling
- Compliance
- Risk management

How we create value

1. Developing unique financial solutions
2. Leveraging digital systems and processes
3. Increasing employee knowledge and capacities
4. Improving brand visibility
5. Enhancing corporate governance and risk management

1. Developing unique financial solutions

The Bank's unique portfolio of products is designed to serve a clientele who needs affordable financial services. A segment that mostly comprises low and middle-income categories, we assist them in fulfilling their financial aspirations through diverse products designed to cater to their distinct requirements. Being primarily a housing finance institution, the Bank continues to offer a range of housing loans for middle- and low-income earners. Similarly, during the year, given the lack of demand for housing loans under the prevailing macroeconomic condition in the country, the Bank also focused on promoting other product categories such as gold loans, EPF loans and leasing.

Financial solutions mainly targeting low- and middle-income earners include;



2. Leveraging digital systems and processes

The Bank persists in enhancing its digital capabilities, investing in and adopting technology-driven systems and processes to elevate the Bank's products and services to meet the expectations of the stakeholders. Given the increased preference for digital transactions and to ensure digital financial inclusion of low- and middle-income customer segments, the Bank is gradually progressing on this trajectory, attending to the distinctive sentiments of the customers and crafting financial solutions to efficiently meet their needs.

Core Banking System

Our Core Banking System (CBS) is the central platform that facilitates banking services and processes contributing to enhanced customer experience through improved efficiency, customer service and operational effectiveness. This system was instrumental in moving several of our functions into a digital platform such as loan management, deposit mobilisation, customer relationship management, collection and recoveries, account management and payment processing replacing the manual processes.

During the financial year, the IT department initiated discussions on upgrading the existing system to its latest version or purchasing a new core banking system with better features. At present, the discussions are ongoing awaiting the management's final decision.

Loan Management and Originating System

The Bank's Loan Management System which was implemented in 2020 has automated and streamlined the loan origination, approval, disbursement, and repayment processes leading to faster and more efficient loan processing.

Delinquency Management System

Implemented in 2020, this automated system has enabled the bank to effectively manage and address delinquencies in the loan portfolio by monitoring the NPL levels and providing access to collection and recoveries-related information. In addition, the system also provides timely reminders about loan repayments. This system implementation has added considerable value to the Bank's loan management process.

Human Resource Management System (HRMS)

The bank has implemented a human resource management system to automate and streamline various functions related to human resource management within the Bank. This technology has enabled the Bank to organize, manage and optimize HR processes, enhancing efficiency and effectiveness in workforce management.

During the year, the Bank commenced discussions on purchasing a new HR system to make it more user-friendly with improved security features.

Other Digital Platforms

✓ Corporate Website

The official website of the Bank www.hdfc.lk provides a plethora of information for the stakeholders to make informed decisions regarding our products and services. In the fiscal year, the Bank commenced the development of a new website to align with contemporary requirements. The new website is proposed to be launched in the next financial year.

✓ Internet Banking

The Bank's Internet banking facility provides efficiency, accessibility and convenience to the users, ensuring cost-effective service delivery.

✓ JUSTPAY

JUSTPAY platform has enabled real-time mobile payments using smart mobile devices.

✓ Point of Sales (POS) System

The Bank facilitated POS transactions through the HDFC debit card – enabling customers to complete their transactions at their convenience.

✓ ATM Network

- Connectivity to common ATM switch, gives our customers accessibility to 6,742 ATM's dispersed across the country.

✓ Palmtop Banking (Doorstep Banking)

The field officers are provided with palmtop software on their mobile devices to carry out financial transactions at the doorstep of the customers. This internally developed palmtop software is customized according to the requirements of the financial transactions of the Bank. Currently, 49 field personnel use this software on their mobile devices.

✓ HDFC Click

The Bank's dedicated e-banking platform is designed to carry out payments and transactions including interbank, bank-to-bank and utility payments.

3. Increasing employee knowledge and capacities

In alignment with the Bank's Training and Development Policy, all employees are given professional growth opportunities. Carried out in the form of training, seminars and workshops, the bank utilizes internal and external resource personnel to conduct these sessions. Based on the training gaps identified via a Training Needs Analysis, employees are provided with opportunities to enhance their skills and capabilities for more effective performance in their respective roles.

In the financial year under review, 88 training programs were conducted for employees of various categories. These professional development programs focused on operational areas, financial products and services, laws and regulations, IT security, risk management, sales, marketing and digital transformation as well as leadership and management.

Besides, employees are also given on-the-job training via a transfer scheme. This enables employees to be transferred to another branch to be trained in a specific area related to the Bank functions.

- **88** Trainings for **391** employees
- **550** Training hours
- **LKR 4.3 Mn** spent on Training

Exposure to professional development opportunities that have contributed to the improvement of skills and expertise of the workforce, in turn increasing the tacit knowledge of the Bank building its competitive advantage in the industry.

Engagement and Interaction

The Bank always encourages engagement, even organizing sports events, annual get-togethers, as well as religious events to allow open communication and fellowship. In addition, the Bank follows an Open-door policy where employees have the liberty to freely express their opinions and concerns to their immediate superior or any member of the hierarchy.

Organizational Culture

We nurture a value-based culture within the organisation that nurtures innovation, knowledge sharing and inclusiveness. Aligned with our vision, mission and values, the organizational culture facilitates serving customers across the nation developing financial solutions to suit their unique requirements. While we encourage open communication internally, we ensure transparency and accountability of our actions to all stakeholders, as a responsible state banking institution.

✓ Our Values

- | | |
|-------------|-------------------------|
| • Ethical | • Respect for diversity |
| • Agile | • Transparent |
| • Resilient | |

Over the years, the Bank has fostered a culture of learning and growth where every employee is encouraged to innovate and bring forth novel ideas that could make our banking operations more sustainable. Hence, all employees work as one team upholding corporate values, and serving the customers who need financial assistance.

4. Improving brand visibility

The brand image plays a vital role in the overall success of the Bank by shaping the customer perception and behaviours. A positive brand image can lead to increased trust and loyalty, associated with quality and value enabling the Bank to stand out within a competitive business landscape influencing the purchasing decisions. Hence, at HDFC Bank, we persist in raising our brand value by developing products that are tailored to the customer's needs and ensuring transparent communication of our products and services to the clientele through focused marketing and communications efforts.

Hence, during the year, the bank carried out various below-the-line marketing and communication initiatives that include targeted campaigns, social media campaigns for product promotions and brand awareness raising in addition to direct customer interactions. Furthermore, the Bank also organized interactive events such as workshops and financial literacy sessions for the customers to cultivate a positive brand image.

5. Enhancing corporate governance and risk management

The Bank's robust risk and governance framework strengthens our foundation in creating value for the stakeholders. Hence, we continually strive to enhance these frameworks aligned with the industry requirements and the changing operating environment. At HDFC Bank, we have implemented strong governance practices to ensure effective management, decision making and ethical conduct while the risk framework takes its form from the risks present for the bank within the prevailing macroeconomic conditions. (for more details refer Corporate Governance and Risk Management sections)

Outlook

- The Bank will move forward on the technology advancement to bring increased efficiency and customer convenience.
- The Bank will continue product innovation to suit the evolving customer needs
- The Bank will consolidate its robust governance and risk culture

Social and Relationship Capital



Value creation activities in 2023

- Over 500,000 number of customers given financial assistance during FY
- Introduce the "Salary Saver" Account
- Enhanced focus on EPF loans, Gold loans
- Continuous improvement of existing customer delivery channels
- Continuous customer engagement via physical and digital means
- Robust customer complaint mechanism

Outcomes

- Diversified financial solutions to suit the changing customer needs
- Enhanced customer convenience
- 123 no of complaints resolved
- Financial inclusion of low-income communities

Challenges

- Macroeconomic pressures impacted the customer's disposable income reducing consumer purchasing power. This in turn affected the Bank's lending environment.

Our Social and Relationship Capital

Over the years, the mutually beneficial relationships we have nurtured with our stakeholders (customers, partners, regulators and the community) encompass our social and relationship capital. The value that the Bank derives from these relationships, networks, and connections with individuals, groups, and other entities provides numerous benefits including access to resources, new business opportunities, fostering innovation, and contributing to brand reputation including employee retention. In other words, it is these connections that give the Bank the social license to operate.

Our Approach

Reaching out to a customer base dispersed across the nation, we continually strive to invest in their financial well-being through products and services tailored to their requirements. In this endeavour, we nurture strong business linkages that strengthen our banking operations. Likewise, we duly comply with regulations and strengthen our risk foundation, upholding the credibility of our business activities in the eyes of the customers and the larger community they represent.

Impact on SDGs



Stakeholder Groups Impacted

- Customers
- Partners
- Regulators
- Community

Related Material Topics

- Customer Privacy and Data Protection
- Responsible lending and managing NPL
- Anti Money Laundering initiatives
- Improved customer accessibility through varied channels
- Financial consumer rights

How we create value

- 1 Nurturing customer loyalty
- 2 Building strong business partnerships
- 3 Ensuring stringent compliance with regulations and proactive risk management
- 4 Fostering communities through financial assistance and sustainable initiatives

1. Nurturing customer loyalty

HDFC Bank currently serves over 500,000 customers who are comprised of individuals and Small and Medium Enterprises (SMEs) that are largely concentrated on deposits and loans. These customers are the primary source of our competitive advantage and long-term growth which makes it imperative to build resilient customer relationships.

Diversified financial solutions

In financially empowering the vulnerable communities, the Bank offers a range of products to the customers addressing their needs from childhood to retirement. Utilising a diverse product portfolio that is specifically designed for the requirements of the grassroots-level clientele, we continue to serve them in realizing their housing and entrepreneurial aspirations.

Hatch partners with HDFC Bank to provide an exclusive credit facility for its community of startups

In a one of a kind collaboration; Hatch, the award winning co-working space, start-up incubator and accelerator is partnering with HDFC Bank as their official banker, to give its community of startups access to an exclusive loan facility, the benefits of which will support these startups in strategically growing their business in the face of Sri Lanka's challenging economic climate.



Products in demand during 2023

✓ EPF Loans

The Bank provides 75% of the loan amount on the customer's EPF balance. The EPF Loans were promoted during the year given the low credit risk involved in comparison to other types of loans.

✓ Gold Loans

A convenient loan facility against any amount of gold.

✓ Leasing

A medium-term credit facility with speedy service and lowest rentals.

✓ Introduced "Salary Saver" Account in 2023

This unique saving solution was offered to the monthly income earners demonstrating the Bank's commitment to capture new market segments and meet the evolving needs of the customers. Offering a higher interest rate than the normal savings account, this allows the customers to start depositing with a minimum of Rs. 15,000.

Security Wise	Disbursed year wise Disbursed amount - Mn					Trend
	2019	2020	2021	2022	2023	
Mortgage	2,917.54	1,609.02	2,663.45	1,406.08	402.38	
EPF	2,612.46	2,712.58	3,671.14	3,584.11	3,979.10	
Guarantor	2,938.82	1,470.27	2,839.67	1,255.79	72.60	
Cash	1,737.80	1,734.24	1,761.62	3,371.18	3,745.69	
Gold	442.49	679.41	718.90	730.54	1,885.98	
Leasing	647.46	356.40	274.17	204.43	234.69	
Total	11,296.57	8,561.92	11,928.95	10,552.13	10,320.44	

Enhanced Customer Experience

To ensure superior customer experience, we make an effort to implement strategies such as personalized customer services and enhanced customer support channels through social media. At the branch level, localized business promotions are carried out to cater to specific community needs. These have been instrumental in improving the overall customer satisfaction and engagement.

Customer Convenience

A key mode of ensuring customer convenience is the access to digital services, be it mobile banking, e-banking or access to the website. The Bank also has an extensive branch network that is dispersed across six regions. The 39 branches within the network enable clients' physical access to banking services within their same locality. Although branch expansion had to be curtailed during the financial year due to cost constraints, we continue to improve the existing service delivery channels to ensure greater accessibility for the customers. Apart from that, the Bank engages a Palmtop Banking Unit that comprises a team of 49 field officers who reach their customers at their doorstep allowing convenient access to financial services.

How we ensure Customer Convenience

✓ Digital and Online Services

- Mobile Banking (JustPay)
- E-Banking (HDFC Click)
- Website
- ATM access

✓ Extensive Branch Network

A convenient loan facility against any amount of gold.

✓ Palm Top Banking Unit

49 field offers to offer doorstep financial services

✓ Social Media Engagement

Maintaining customer interaction and disseminating product information through social media platforms such as Facebook and Twitter

Complaint and Feedback Mechanism

The bank has a robust complaint management system in place, utilizing technology to efficiently handle and resolve customer complaints. This system allows the Bank to regularly monitor and analyse the complaints to identify the trends in customer concerns enabling continuous improvement in customer service and product offerings. In this process, the Bank remains committed to upholding customer rights.

The complaints are reviewed through a formal dispute resolution procedure by the assigned officer "Manager - for Financial Consumer Relations of Compliance Division". The Bank's Operations Division oversees various customer concerns including ATM issues, e-banking problems, electronic fund transfer issues and other related problems. We strive to provide swift solutions to customer concerns across head office and branches while branch managers are vested with additional responsibility to resolve complaints at the branch level. This meticulously carried out process is systematically documented for future reference. Furthermore, the Bank actively gauges customer satisfaction through inquiry handling and feedback mechanisms available on social media and the call centre. This proactive approach has enabled timely and effective handling of customer concerns, improving the overall service levels.

	2023	2022
Number of customer Complaints received	123	127

Ethical Banking

We are committed to ensuring ethical banking for customers by upholding their trust, promoting fair practices and safeguarding their financial well-being. This commitment has enabled the bank to ensure a stable and sustainable banking environment while improving the transparency of its activities to the stakeholders.

Customer Privacy

The Bank makes consistent efforts to ensure the safety of customer information and thus reminds customers on an ongoing basis to handle their personal and security information such as Personal Identification Numbers (PIN) and passwords used when accessing ATMs with electronic cards, e-banking and mobile payments cautiously. On the other hand, the Bank has also implemented measures to ensure the privacy of customer information. For instance, OTPs are issued for the customers to use when logging into e-banking, and PIN number are issued for safe ATM access. The Bank's IT department continually works on enhancing the IT security aspect focusing on refining the Information Security Strategy to align with the industry requirements.

Key focus areas - Information Security Strategy

- IT Risk Management
- Disaster Recovery
- Staff awareness on information security

Customer's Right to Information

The Bank understands the customer's right to product and service information and thus ensures regular communication of such information to the clientele. For this purpose, we utilize our social media platforms, official website, branch officers and field staff (Palm Top Unit) to keep customers informed of the existing and new product features regularly thereby supporting their informed financial decision-making.

Mandatory and voluntary regulations and practices

- Customer Charter (CBSL)
- Anti-money laundering regulations
- Know-your-Customer Policy
- Regular display of all rates and charges
- Code of best practices issued by CA Sri Lanka and CSE

Customer Protection

The Bank undertake financial transactions with customers in line with the Customer Charter for Licensed Bank, issued by the Central Bank of Sri Lanka. This 'Code of Conduct' ensures customer protection providing them adequate information about products and services to make knowledge-based decisions. In addition, we have implemented various policies and procedures to ensure fair banking transactions upholding transparency and accountability to the customers.

Marketing and Communications

The Bank executed various marketing and communication initiatives, including targeted digital campaigns, and regular updates through social media channels to build brand awareness, promote new products, and maintain transparent communication with customers. In addition, interactive events, such as workshops and financial literacy sessions, were organized to engage customers and create a positive brand image.

Number of Branch promotions during FY	826
Number of Institutional promotions during FY	614

2. Building strong business partnerships

Over the years, the Bank has fostered trusted relations with our business partners that include service providers and suppliers, institutional partnerships with state and non-state institutions, membership bodies and professional service providers. We maintain consistent interaction with them, in fulfilling our business objectives.

Service Providers and Vendors

Service providers or vendors are selected through a tender process that is advertised through the Banks' corporate website or the newspapers. They are selected through a formal screening process based on their ability to fulfil the specified expectations. Upon onboarding, these service providers are ensured timely communication and payments in line with ethical business practices.

Vendors	Service Providers
<ul style="list-style-type: none">Office equipmentFurniture and fittingsIT HardwareStationeryPropertyMotor vehiclesTools and machineryOthers	<ul style="list-style-type: none">ICT services and digital solutionsBankingInsuranceSecurityMaintenanceFood and BeveragesUtility servicesMaterialsTransport providers

Institutional Partners

We continue to maintain partnerships with several state and non-state institutions in fostering collaboration and advancing our shared objectives. One such alliance is the partnership we have established with the Industrial Development Board of Ceylon in providing financial assistance to micro, small and medium enterprises (MSME).

✓ Institutional Partners
<ul style="list-style-type: none">Industrial Development AuthorityInsurance Corporation of Sri LankaLECONational Water Supply and Drainage board

Membership in Industry Bodies

The Bank maintains memberships with various industry associations to stay informed about industry trends and standards and access valuable resources, and networking opportunities.

✓ Memberships
<ul style="list-style-type: none">Association of Compliance Officers of Bankers Sri LankaNational Chamber of Commerce of Sri LankaThe Employee Federation of CeylonSri Lanka Banks Association (guarantee) Limited

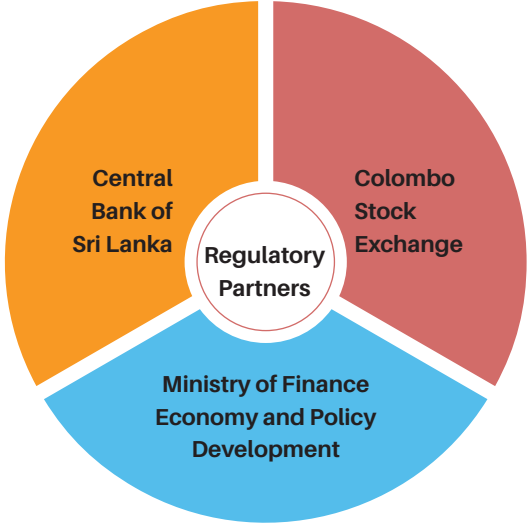
Professional Service Providers

We also maintain relations with professional service providers that include auditing firms, banking service providers, insurance, and legal service providers.

3. Ensuring stringent compliance with regulations and proactive risk management

The Bank, as a listed entity with majority state ownership, is responsible for the customer and shareholder investments. Therefore, we comply with all the necessary laws and regulations to ensure ethical business conduct and financial stability in a dynamic business environment.

These include compliance with regulatory directives and laws that affect financial transactions, regulatory capital, accounting procedures, and business practices, including governance and risk management.



During the financial year, we complied with all the necessary compliance requirements including adherence to a robust governance framework, sustaining internal controls as per the HDFC Act of Incorporation and compliance with regulations of external regulatory bodies.

In maintaining our competitive advantage, our approach to relationship management involves collaboration opportunities and market analysis to stay adaptive and competitive.

4. Fostering communities through financial assistance and sustainable initiatives

The Bank remain committed to uplifting the low- and middle-income community in Sri Lanka through financial assistance for housing. This low-cost housing finance assistance has enabled the bank to improve the quality of life of underprivileged communities contributing to the overall social and economic development of the country. In addition, a range of financial solutions is offered to grassroots-level individuals and entrepreneurs to ensure the financial inclusion of economically marginalized rural communities.

Furthermore, the Bank initiated a Waste Plastic Collection Program contributing to environmental sustainability. To this end, the Bank partnered with ECO Spindles to assist the general public with proper plastic and polythene disposal by placing waste collection bins at our branches and selected public locations. Apart from that, the Bank continue to embrace digitalization of its operations, incorporating online processes like paperless approvals and digital touchpoints to reduce its ecological footprint.

	Waste collected (2023) kg	Waste collected (2022) kg
Waste Plastic Collection Program	645	251

Natural Capital



Value creation activities in 2023

- Mindful usage of water and energy
- Waste disposal mechanism
- Gradual investments in renewable energy generation

Outcomes

- Opening Green Branches
- Reduce depletion of water and electricity
- Timely and appropriate disposal of waste (aligned with reduce, reuse, recycle concept)

Challenges

- Absence of an Environmental Policy for the Bank
- Difficulties in creating organizational awareness of the importance of managing natural capital

Our Natural Capital

All the renewable and non-renewable resources utilized in the operational and functional aspects of the Bank in driving sustainable value creation are referred to as Natural Capital. These include responsible consumption of resources such as water, electricity (energy) and fuel in carrying out the day-to-day business activities at the Head Office and the branches as well as waste management, an important component of environmental preservation and regeneration of ecosystems.

Our Approach

The Bank strives to manage these resources effectively without depletion in facilitating its routine operations. Hence, we continually strive to implement measures to ensure mindful consumption of these resources including effective waste management towards minimizing the harmful impact on the environment. Also, we make an ongoing effort to transition to solar energy (solar rooftops) at our branches, while embracing technology at a faster pace replacing our manual processes with digital systems considerably reducing paper consumption.

Impact on SDGs



Stakeholder Groups Impacted

- Community
- Customers
- Employees

Related Material Topics

- Development Finance and community development
- Green funding
- Energy and Water management
- Waste management

How we create value

1. Responsible consumption and mindful actions

1. Responsible consumption and mindful actions

Mindful use of Water and Electricity

At the Head Office and the Branches, we encourage employees to consistently use water and electricity consciously while regularly monitoring their usage. In addition, optimizing energy consumption was also carried out through the use of LED lighting, operating A/Cs at energy-efficient temperatures (24 degrees), and reducing transport distances to minimize fuel usage.

	2023
Water Consumption (at Branches)	6490 Units
Energy Consumption (at Head Office & Branches)	901756 Units

Effective Waste Management

We responded to the challenge of waste management by implementing proper waste disposal measures within the Bank head office, across the branch network and other key locations. By initiating a plastic recycling program partnering with the Plastic Recycler - Eco Spindles, we placed waste disposal bins in 20 selected locations for separate categories of waste which include food, polythene, plastic and glass. Collected waste was later handed over to the municipality garbage collection. Also, feminine hygiene disposal bins were also introduced to maintain a clean and hygienic restroom environment.



As at 31st July 2023, HDFC Bank was able to collect 597 kilograms of plastics through its bin network, equal to 17,910 plastic bottles. Of the total plastic collected 120kgs were collected from six of our branches. This effort was recognised by Eco Spindle bestowing us with a “Certificate of Recycling”. In further supporting our sustainability endeavours, currently, the Bank receives Rs.25/- from Eco Spindles for every kilogram of waste plastic collected from our branch locations.

E-waste is handed over to e-waste collection centres that are properly equipped to handle the disposal and recycling of electronic devices.

Furthermore, to reduce paper usage, we encourage employees to reuse wastepaper whenever possible. In addition, to ensure space management, we introduced commonly hired printers minimizing the cost.

We also encourage the recycling of waste materials such as newspapers, used paper and cartridges.

✓ **Waste Plastic Collection Program**

- The Bank partnered with Plastic Recycler - ECO Spindles to assist the bank staff and the general public with proper plastic and polythene disposal
- Waste Collection bins placed in 20 locations
- Introduce Bins for feminine Hygiene



Waste plastic collection bin placement at Niwaththakachethiya MV A'pura - Under the bank's waste plastic collection and recycling project

Use of technology leading to reduced paper usage

The Bank continues to embrace technology at a faster pace in ensuring process efficiency and minimizing manual processes. The core banking platform, loan originating system, human resource system, and e-banking facility are key examples in this regard.

Hyde park corner Branch in 2019 it has been planned to install panels at our Kaluthara and Ampara branches, increasing our use of renewable energy.

Further, the bank has commenced emailing “Request for proposals/Quotations” without sending them through registered post in addition to emailing information related to key operational functions such as approval of costs, and credit and deposit-related matters.

All these systems and processes have led to a considerable reduction in paper usage.

✓ **Outlook**

- The Bank will persist in promoting environmentally conscious behaviour among the employees
- The Bank will gradually move into a technology-driven platform reducing manual processing
- The Bank will explore avenues to provide financial assistance to sustainable business initiatives in future

Awards & Recognition

HDFC Bank of Sri Lanka
Annual Report 2023

2023

- Most Socially Responsible Bank (Sri Lanka) – Global Business Magazine Awards – Global Business (UAE)- 2023
- Certificate for Recycling (Environmental Contribution) – Eco Spindles - 2023
- Brands Annual – Brand Finance/LMD - 2023
- LMD 100 – LMD/Media Services – 2021/22

HDFC Bank recognized for Environmental Contribution

HDFC bank was presented with a Certificate of Recycling from Eco Spindles, a prominent plastic recycler, for the commitment towards environmental sustainability. The certificate stands as a testament to the bank's significant strides in waste plastic collection and recycling under its environmental project with Eco Spindles.

This certificate recognizes the bank's unwavering dedication to the preservation of the environment through its waste plastic collection initiative, done through the strategic placement of dedicated waste PET plastic collection bins across selected branches and public spaces.

These bins served as a collecting point for people, encouraging active participation in waste management and the promotion of recycling practices. This certificate serves as a symbol of appreciation for the contribution made by the Bank in mitigating plastic pollution. It highlights the Bank's commitment to environmental sustainability and its proactive role in fostering a greener, more sustainable future.



2022

Compliance Award in the State Owned Banks category – TAGS Award 2022 by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)



2021

Bronze Award in the State banks category - 56th CA Awards 2021 - Chartered Accountants of Sri Lanka



Merit Award for Business Excellence – NBEA Awards 2021 (National Chamber of Commerce of Sri Lanka)



WE SERVE
THOSE WHO HAVE
ENTERED THE GOLDEN
YEARS OF THEIR LIVES.





VISHRAMA RAKAWARANA

The Chairman's Message of Corporate Governance

HDFC Bank of Sri Lanka
Annual Report 2023

At the 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 2023, 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
- (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 with 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 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.



D. Soosaipillai
Chairman
Colombo, Sri Lanka

Corporate governance forms the basis of ensuring transparency, accountability, and ethical conduct within a Bank, thereby fostering trust among stakeholders and promoting sustainable business practices. Therefore, at HDFC Bank, we continue to concentrate on strengthening our corporate governance foundation continuously improving our rules, structures and processes to ensure transparency and integrity of our operations in delivering value for the stakeholders. In doing so, the Board of Directors of the Bank plays a vital role in providing supervision in the establishment of robust systems and processes to ensure smooth operations and strong stakeholder relations.

Hence, this report on corporate governance highlights areas that are critical to the proper functioning of the Bank including the role of leadership in the same. In addition, the report draws attention to the Bank's adherence to governance practices, as required by the HDFC Act, CBSL directives and the Code of Best Practices by CA Sri Lanka and the SEC (from pages 90 to 137).

Corporate of our Governance Framework

The corporate governance framework established by the bank ensures leadership's accountability in maintaining transparency, credibility, and compliance. The bank allocates power and authority over strategic and operational decisions through its governance structure while establishing efficient supervision to ensure employees' adherence to rules and regulations.

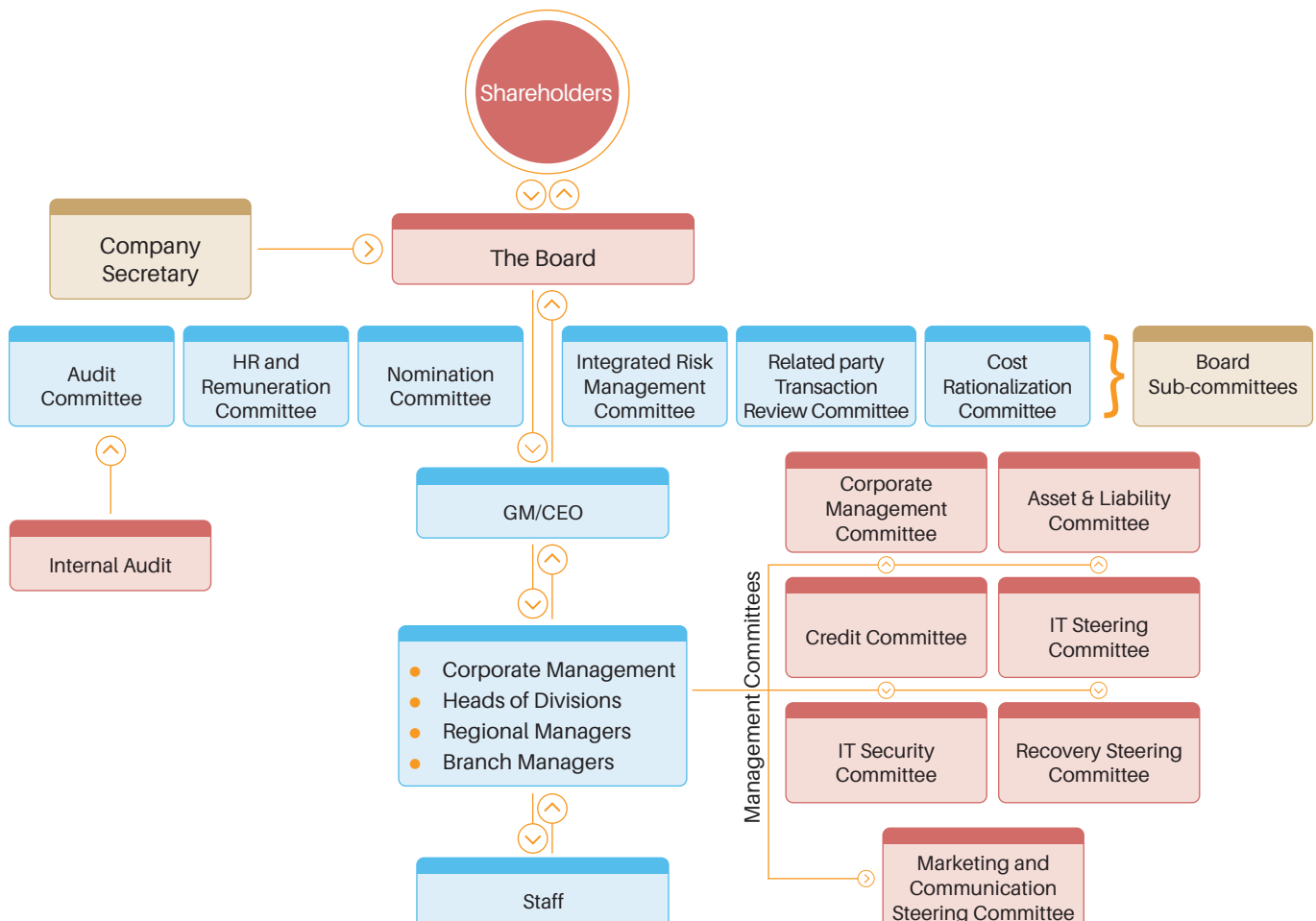
Furthermore, through appropriate delegation of responsibilities to the leadership, corporate governance allows the leadership to meet the expectations of all the stakeholders. The bank's highest governance body (the Board of Directors) along with Board sub-committees and executive committees are vested with the responsibility of ensuring compliance relating to banking, finance, governance and operations.

Approach to Governance

The Bank has implemented a thorough governance framework supported by years of review and adjustments which comprises a well-defined governance structure, board charter, and regulatory frameworks. This framework guarantees financial and operational accountability to our shareholders, regulators, government entities, customers, and other stakeholders.

The Governance Structure

The Bank's governance framework adheres to the principles of optimal governance standards, external regulations, and the Board Charter. Central to this structure are three levels of leadership: the Board, the General Manager/CEO, and the Key Management personnel, including management committees. The Bank's leaders and staff comprehend the significance of safeguarding stakeholder interests and sustaining long-term value creation.



The Board

The Board plays the role of collective leadership with responsibility towards achieving the Bank's strategy and objectives surrounding it. As the top hierarchical level of the Bank, the Board sets the direction of the Bank, including its strategy, policies and corporate culture. The Board carries primary oversight on the effective, ethical and transparent conduct of financial management and performance against targets and ensures that the executive leaders fulfil their duties in the best interest of stakeholders. They are responsible for guiding the Management but ensure that they maintain a balance of authority and power, without undue influence on the matters of the Bank, except in safeguarding shareholder and other stakeholder interests.

The Board is empowered to delegate authority and responsibilities pertaining to specific function to any committee/committees as it deems fit.

Board Composition

According to the HDFC Act, the Board comprises only Non-Executive Directors, without executive oversight or responsibility for the Bank's day-to-day operations. The Board consisted of 9 Directors as at 31st December 2023

Board Appointments, Resignations And Removal Of Directors

The Bank appoints Directors according to the HDFC Act (and amendments there) following the applicable governance directions. Two ex-officio Directors namely representative of the Ministry of the Minister in charge of the subject of Housing nominated by the minister and secretary to the Treasury or his representative of together with four other directors being a representative of the CBSL, representative of the Minister in charge of Housing, representative of the Minister in charge of finance and representative of the Ministry of Labour and 5 shareholder directors. All appointments are subject to the Central Bank's fit and proper criteria. Thereafter, the nomination committee considers nominations and provides necessary recommendations on nominees to the Board. Once approved, the fit and proper documents will be submitted to CBSL for their approval. The Bank notifies all new appointments to the Colombo Stock Exchange and CBSL as well as their removals. Once appointed, each Director receives appropriate training as required.

The Nomination Committee recommends the re-election of Directors according to provisions of the HDFC Act; the committee also considers the performance and contribution to Board's responsibilities when being considered for re-elections.

Skills, Qualifications And Experiences

Our Board of Directors is diverse in age, professional experience and expertise. They are experts in various technical and industrial areas, with varying insights and experiences in banking, finance, strategic leadership and policy making. They have a collective backdrop of experiences from the public and private sectors.

More information on the experience and professional qualifications of our Directors can be gathered on pages 28 to 30.

Powers Of The Board

The powers of the Board derive from the HDFC Act of Incorporation and subsequent amendments, while the Board Charter describes the roles and responsibilities, as well as the powers of the Board for discharging duties. The Board oversees the performance of the Corporate Management (Key Management Personnel) and ensures that they remain compliant with the directions of the HDFC Act, the Banking Act and CBSL directives and guidelines, the Company Act, CSE listing rules and the codes of best practice on corporate governance.

In discharging functions, the Board has the power to grant loans, acquire and dispose of property, enter into agreements, employ personnel, and set rules for management and employees including their recruitment, promotion, remuneration and disciplinary controls. Moreover, they also have the power to invest corporation funds in securities and have the authority to borrow and raise funds. However, the Board does not have any executive authority or power vested in them to undertake routine operations of the Bank.

Board's Roles And Responsibilities

The board takes over the duties and responsibilities of safety and soundness of the bank, the management affairs of the bank and ensures the effective role of the key management personnel. They are responsible for conducting Board functions while recognising the defined responsibilities of the Board as set forth by statutory laws, best practices of governance and banking, and rules, directions and guidelines as stipulated by legislative and regulatory authorities. The Board's main responsibilities are:

Bank strategy and values	Approving and overseeing the strategic objectives and corporate values of the bank while communicating them to the bank and conducting regular board meetings.
Business strategy, risk management and policies	Approving the bank's business strategy, identifying risks, approve risk policy and risk management mechanisms and ensure the implementation of proper procedures and systems to manage risks
	Review policies with key management when required, establish communication lines and oversee progress towards objectives
Recruitment of management	Appoint chairman, CEO key management personnel and accompany secretary as per CBSL Direction and define their responsibilities Ensure a proper succession plan for key management
Performance and Evaluation	Directors should assess their performance annually, including periodic assessment of their governance practices Monitor and evaluate performance of GM/CEO and management personnel
Internal controls and management information systems	Review the strength of internal control systems and management information systems Ensure proper oversight of bank affairs by KMPs in line with Board policy Due diligence in appointing external auditors
Capital Adequacy Stakeholder relations	Ensuring that the bank is well-capitalised as required by statutory conditions Approve the implementation of a stakeholder communication policy Assess regulatory environment and maintain effective relationships with regulators

The Board And Risk Management

Primary responsibility and oversight of the Bank's risk management and mitigation rest with the Board. The Board has delegated responsibilities to the Integrated Risk Management Committee or the BIRMC. The committee's terms of reference align with the guidelines of CBSL, revised CSE rules and code of best practise issued by CA Sri Lanka which the Board adheres to in determining the composition and nature of work undertaken by the Committee. The Committee comprises at least 3 Directors of the Bank meets regularly to reassure the strength of the existing risk management framework, review it and make necessary revisions with discussions over the CEO, CRO and other key responsible person.

The Board receives regular communication and reports from the committee, which works closely with KMPs to ascertain the Bank's risks and management. The committee makes decisions on behalf of the Board, as per the boundaries of authority delegated in line with responsibilities allotted to the BIRMC.

During the year, the Board and the BIRMC approached risk management prudently, given the volatile economic crisis of the country. The BIRMC obtained relevant management information, monitoring the risk profile closely, while the Board sought reports from the Committee in assessing the Bank's strength against all internal and external risks. The Committee assessed the management's adherence to appropriate risk appetite levels while ensuring that the management followed prescribed steps to mitigate potential or current risks. The Board and the BIRMC assessed such risks alongside the Bank's ability to minimise its non-performing loans while maintaining a healthy level of assets, in addition to ensuring that risk exposures do not impede the Bank's ability to remain profitable and financially stable.

Board agenda 2023

The Board focused on various matters in 2023, apart from their assessment and discussion on minimising the impacts of the economic crisis and the volatilities the bank faces with its borrowers. The economic crisis emphasised the need of the Board to focus more on strengthening the credit approval and recovery efforts, while providing appropriate relief to customers.

Information And Advice

The Board can obtain reports, statements and information prepared by the KMPs and Board committees on any operational and professional matter. They receive access to information and resources necessary to fulfil their duties effectively. Furthermore, the Board can obtain independent professional advice on reasonable requests at the expense of the Bank.

The Board PAC software enables them to access information on meetings, such as Board papers, which provides them enough time to peruse and make necessary preparations before meetings.

Minutes of Board meetings will be recorded and provided in adequate detail to the Board to deliberate meeting proceedings and enable them to make necessary actions or decisions. The minutes shall contain a summary of the information used for Board deliberations, decisions and resolutions of the Board, matters discussed, issues of contention, risk exposures and risk management measures, in addition to confirmations by the executive leadership on their adherence to applicable laws and regulations and strategies and policies mandated by the Board.

Conflicts Of Interest

In activities and commitments related to the Bank or related parties, Directors should avoid any incident or aspect that could potentially cause a conflict related to the Bank's activities. If a Director or close relation has considerable interest in any matter which requires voting, the related Director/Directors in question should abstain from voting on any resolution.

Further to this, the related party transaction review committee monitors and administers any conflict that could arise from related party transactions by Directors, ensuring that the Bank maintains transparency and ethical conduct to safeguard the bank's interests. Directors with any interest in contracts should disclose the nature of their interest to the Board and record it in minutes.

In the event of such a conflict of interest, the Board will consider if it is material during a Board meeting with the participation of directors who bear no involvement in the conflict. These fall in line with the provisions of the HDFC Act, CBSL and CSE rules.

Board Meeting Process

The Board meets regularly at meetings, which are held at least 12 times during a year. Meetings occur with the active participation of a majority of Directors, who receive 14 days' notice before each meeting or seven days if meetings do not change as per the Board meeting calendar. This becomes an exception for urgent Board meetings, where the 14-day formal notice is waived.

Directors receive an agenda of matters that will be addressed during the meeting along with relevant papers to be taken up at meetings. Directors can include proposals and matters in the agenda related to risk management and business promotion. The agenda will be circulated either as a hard copy or uploaded to the Board PAC software. Minutes of meetings will be recorded to deliberate the Board's prudent performance of responsibilities. It serves as a reference point for regulatory authorities to evaluate Board's deliberations.

Board Meeting Attendances

Each Director must attend at least two-thirds of all meetings within the fiscal year. If there are considerable absences, a Director must submit an appeal to the Chairman with explanations for his/her absence. As per the Board Charter, the CBSL holds final authority in either accepting or rejecting such appeals.

Names	Directorship Status as at 31/12/2023	Number of Meetings held - 2023	Number of Meetings Entitled	Number of Meetings participated
Mr. E.D.P. Soosaipillai (Appointed to Board on 12.04.2023)	Non -executive/ Independent Director Chairman of the Board	13	11	11
Senior Prof. A. Jayamaha	Non- executive / Independent Director	13	13	12
Mr. W.M. Ananda	Non- executive / Independent Director	13	13	12
Mr. P.A. Lionel	Non- executive / Independent Director	13	13	12
Mr. D.M.M.M. Wijayarathna	Non- executive / Independent Director	13	13	10
Mr. P.M.K. Hettiarachch	Non- executive / Independent Director	13	13	13
Dr. P.A. Krishantha	Non- executive / Independent Director	13	13	11
Mr. R. Sooriyaarachchi	Non- executive / Non Independent Director	13	13	12
Mr. B.K.P. Chandrakeerthi Appointed to Board on 12.04.2023)	Non- executive / Independent Director	13	11	10
Mrs. R.M.R.W. Manchanayake Resigned from Board 27.02.2023)	Non -executive/ Independent Director Chairman of the Board	13	01	01
Mr. L.E. Susantha Silva Resigned from Board 20.02.2023)	Non- executive / Independent Director	13	01	01

Directors' Remuneration

Director allowances are paid as per the PED Circular No. 3/2015 on SOEs and Subsequent amendments.

Setting Remuneration Levels

The Human Resources and Remuneration Committee plays a key role in determining levels of remuneration at the executive leadership level, key management personnel and employees. They make necessary recommendations to the Board in determining remunerations of GM/CEO and key management personnel; they base their decisions on the collective agreement, which gets renewed every three years. In setting remuneration levels, the committee considers fair and equitable levels of thresholds that reflect the responsibilities, industry standards and performance of employees. The committee understands that remuneration should provide leadership and employees with the right incentives for good performance.

In obtaining final approval for the desired remuneration levels, the committee presents its recommendations to the Board of Directors of the Bank and the relevant Minister, who assigns the right financial incentive to the executive leadership and KMPs.

Board Committee Evaluation

The Board undertakes a self evaluation, annually. The Board evaluated its performance during the year under review. Each member has evaluated his performance and findings submitted to the Board.

Board secretary

The Board Secretary is a vital link between the Bank and its stakeholders. The Secretary is highly experienced and qualified in providing advice and consultation for Directors while ensuring their adherence to relevant Laws and Regulations. The Board appoints the Company Secretary to obtain professional advice related to corporate matters and is accessible to all Directors.

The Board receives secretarial services from the Secretary in compliance with CBSL guidelines. She is also responsible for maintaining minutes of Board Meetings. The Company Secretary

also drafts the Board agenda according to Chairperson's guidance.

The Secretary also organises the Annual and Extraordinary General Meetings while assisting the Chairperson to ensure that all relevant aspects are met. It is also the responsibility of the Secretary to maintain communication with regulators on behalf of the Bank to ensure that compliance-related aspects are communicated and confirmed.

Board committees

The Board has the power to appoint committees with responsibilities and the authority to act on good judgement to ensure the strategic and operational effectiveness of the Bank. The sub-committees assist the board in fulfilling its fiduciary duties, enabling the Board to oversee the Bank's strategic direction. The Board can delegate powers and duties to any committee, yet despite such delegation, the Board may undertake such duties and powers. The Committees are answerable to the Board and report directly to the Board on their findings and recommendations, while the Board reserves authority over committee decisions and their performance. Moreover, the Board Secretary functions as Secretary to each subcommittee except Board Audit Committee.

The Board Charter sets clear demarcations on the scope of the Board sub-committees while the terms of reference specify the committee's responsibilities and the level of judgement they can exercise when executing their duties.

The Bank has five sub-committees: The Board Audit Committee, Board Human Resource and Remuneration Committee, Board Nomination and Governance Committee, Board Integrated Risk Management Committee and the Board Related Party Transaction Review Committee. As per directives under CBSL Corporate Governance Rules, the Board shall report on the performance of each committee, at the Annual General Meeting.

Attendance At Committee Meetings

	Names	Directorship Status as at 31/12/2023	Number of Meetings held -2023	Number of Meetings Entitled	Number of Meetings participated
Nomination committee meetings - 2023	Mr. P.M.K. Hettiarachchi	Non- executive / Independent Director (Chairman of the Committee)	04	04	04
	Mr. W.M. Ananda	Non - executive / Independent Director	04	04	04
	Mr. R. Sooriyaarachchi	Non- executive / Non Independent Director	04	04	02
	Mr. D.M.M.M. Wijayarathne (Appointed to committee on 08.06.2023)	Non - executive / Independent Director	04	01	01
	Mrs. R.M.R.W. Manchanayake (Resigned from Board 27.02.2023)	Non- executive / Independent Director (Chairman of the Committee)	04	01	01

	Names	Directorship Status as at 31/12/2023	Number of Meetings held -2023	Number of Meetings Entitled	Number of Meetings participated
Human resource / remuneration committee meetings - 2023	Mr. P.A. Lionel	Non- executive / Independent Director (Chairman of the Committee)	06	06	06
	Dr. P.A. Krishantha	Non- executive / Independent Director	06	06	06
	Mr. D.M.M.M. Wijayarathne (Appointed to committee on 08.06.2023)	Non - executive / Independent Director	06	05	05
	Senior Prof. A. Jayamaha (Reconstitution of Committee 08.06.2023)	Non- executive / Independent Director	06	01	01
	Mr. B.K.P. Chandrakeerthi (Appointed to Committee on 08.06.2023)	Non- executive / Independent Director	06	05	05
	Mrs. R.M.R.W. Manchanayake (Resigned from Board 27.02.2023)	Non- executive/ Independent Director (Chairman of the Committee)	06	01	01
Integrated Risk Management Committee Meetings - 2023	Mr. P.A. Lionel	Non- executive / Independent Director (Chairman of the Committee)	11	11	11
	Senior Prof. A. Jayamaha	Non- executive / Independent Director Remo	11	11	07
	Mr. P.M.K. Hettiarachch	Non- executive / Independent Director	11	11	09
	Dr. P.A. Krishantha	Non- executive / Independent Director	11	11	09
	Mr. D.M.M.M. Wijayarathne (Appointed to committee on 08.06.2023)	Non- executive / Independent Director	11	09	07
Board audit committee meetings - 2023	Senior Prof. A. Jayamaha	Non- executive / Independent Director (Chairman of the Committee)	12	12	12
	Mr. P.A. Lionel	Non- executive / Independent Director	12	12	10
	Mr. P.M.K. Hettiarachch	Non- executive / Independent Director	12	12	12
	Mr. R. Sooriyaarachchi (Appointed to Committee on 08.06.2023)	Non- executive / Non Independent Director	12	09	07
	Mr. L.E. Susantha Silva (Resigned from Board 20.02.2023)	Non- executive / Independent Director	12	01	01
	Mr. B.K.P. Chandrakeerthi (Reconstitution of Committee 08.06.2023)	Non- executive / Independent Director	12	01	01

	Names	Directorship Status as at 31/12/2023	Number of Meetings held -2023	Number of Meetings Entitled	Number of Meetings participated
Related party transaction monitoring committee meetings – 2023	Mr. W.M. Ananda	Non- executive / Independent Director (Chairman of the Committee)	04	04	04
	Senior Prof. A. Jayamaha	Non - executive / Independent Director	04	04	02
	Mr. R. Sooriyaarachchi	Non- executive / Non Independent Director	04	04	04
	Dr. P.A. Krishantha (Appointed to committee on 08.06.2023)	Non - executive / Independent Director	04	03	02
Cost rationalization committee meetings – 2023	Mr. P.M.K. Hettiarachch	Non- executive / Independent Director (Chairman of the Committee)	02	02	02
	Mr. P.A. Lionel	Non - executive / Independent Director	02	02	02
	Mr. R. Sooriyaarachchi	Non- executive / Non Independent Director	02	02	02
	Dr. P.A. Krishantha	Non - executive / Independent Director	02	02	02
	Mr. B.K.P. Chandrakeerthi	Non- executive / Independent Director	02	02	01

Stakeholder Engagement

The Bank engages with its stakeholders to understand their expectations, which has significant importance for the value creation process. We have provided a detailed review of how the Bank engages with each stakeholder group on pages 44 to 46.

Executive Committees

The Bank has also appointed management level committees namely Corporate Management Committee, Asset and Liability Committee, Credit Committee, IT Steering Committee, IT Security Committee, Recovery Steering Committee and the marketing and Communication Steering Committee to oversee the effectiveness of key functional areas during the year.

The Chairman And GM/CEO

The chairman plays a role in preserving good governance. The Chairman, provides leadership to the board, ensures the board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the board in a timely manner.

As the Chief Executive Office functions as the apex executive - in-charge of the day-to-day management of the bank's operations and business.

The separation of the powers between the Chairman and CEO aligns with the HDFC Bank Act and best practices as per CBSL guidelines. Moreover, the Bank also honours and complies with the guidelines under the Code of best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The clear distinction of power between the Chairman and GM/ CEO ensures that there is a balance of power and that the boundaries of their powers do not conflict in the process of decision-making. The separation also ensures that they work towards fulfilling the strategy and goals of the Bank, working towards the betterment of the bank and its stakeholders.

The bank's present-day Chairman Mr. E. D. P Soosaipillai is a Non-Executive, Independent Director vested in the strategic direction of the Bank while heading the Board of Directors effectively, with the support of the GM/CEO and key management personnel. Mr. Nishaman Karunapala joined the Bank as GM/ CEO in January on 2023. The GM/CEO is not a member of the Board of Directors and is appointed by the Board based on final approval from the Ministry. He is accountable and answerable to the Chairman and the Board of Directors.

Assurance Report of the Auditor General on Corporate Governance

HDFC Bank of Sri Lanka
Annual Report 2023



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/ 01/C/HDFC/CG/23/29

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

28 May 2024

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 (HDFC) on the compliance requirement of the Corporate Governance Directive issued by the Central Bank of Sri Lanka - 31 December 2023.

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 Standard 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 directives of Corporate Governance 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.

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.

නො. 306/72, පොල්දොර පාර, පල්ලියොත්තල, පු. පලමුව.

இல. 306/72, பாலையா வீதி, பதகரத்தொலை, இலங்கை.

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This report relates only to the items specified above and does not extend to any financial statements of HDFC Bank of Sri Lanka, taken as a whole.

A handwritten signature in black ink, appearing to read 'W.P.C Wickramaratne', is positioned above the printed name.

W.P.C Wickramaratne

Auditor General

Section One Compliance Review

The compliance status of the HDFC Bank for the financial year 2023 with 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 henceforth defined.

SECTION ONE (Annexure 01 of the Audit Report dated 28th May 2024)

Compliance with Central Bank Corporate Governance Directions for Licensed Specialized Banks.

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.	
	<p>a) The board approval of the bank's strategic objectives and corporate values.</p> <p>Whether the bank has communicated the bank's strategic objectives and corporate values throughout the bank.</p>	<p>Complied with Strategic objectives and values are incorporated in the Board approved Strategic Plan for the period 2023-2028.</p> <p>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.</p>
	<p>b) The board approval of the overall business strategy of the bank.</p> <p>The overall business strategy includes the overall risk policy, risk management procedures, and mechanisms and they are documented.</p> <p>The overall business strategy contains measurable goals, for at least the next three years.</p>	<p>Complied with Board approved Strategic Plan, which includes the overall business strategy for the period 2023-2028 is available. The Strategic Plan is implemented through the Divisional Activity Plan.</p>
	<p>c) The appropriate systems to manage the risks identified by the board are prudent and are properly implemented.</p>	<p>Complied with Risk Department and Integrated Risk Management Committee was established,</p> <p>Risk Policy adopted by the Committee.</p> <p>The Integrated Risk Management Committee sets the governance structure for implementing, monitoring, and managing the key risks.</p>
	<p>d) The board has approved and implemented a policy of communication with all stakeholders, including deposits, creditors, shareholders and borrowers;</p>	<p>Complied with Board-approved Communication Policy is in place.</p>

Section	Requirement of Corporate Governance	Level of Compliance
	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.
	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 defined in Sri Lanka Accounting Standards. The Bank has identified KMPs as per the CBSL Direction on Corporate Governance defined in 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 2023 was carried out in March 2024 and a summary was submitted to the Board in March 2024 for their review, discuss areas of weaknesses and to recommend changes where necessary. The policy was adopted for the recruitment and promotions of employees including KMP in 2023.
	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 2022, approved by the Board on 28th September 2022.
	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.

Section	Requirement of Corporate Governance	Level of Compliance
	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.	Complied with According to the Constitution of the country and HDFC Act external auditor is the Auditor General, being 51% of the ownership of the Bank vested with a State-owned enterprise.
3(1)(ii)	The board has appointed the Chairman and the Chief Executive Officer (CEO). The functions and responsibilities of the Chairman and the CEO are in line with Direction 3(5) of these Directions.	Complied with The HDFC Act separates the positions of the Chairman and General Manager/Chief Executive Officer to a balance of power. The chairman has been appointed in accordance with the HDFC Act. Whilst the General Manager/Chief Executives Officer has been appointed by the Board. 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.
3(1)(iii)	The board has met regularly and held board meetings at least twelve times a year at approximately monthly intervals.	Complied with Board Meetings are held monthly while special meetings are scheduled on a need basis. 13 Meetings were held during the year 2023 and attendance of Board meetings is given in the Annual Report along with the number of meetings.
3(1)(iv)	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.	Complied with The Chairman has advised the Secretary to do the agenda and all Directors are free to include matters of their own consulting the Chairman and the Secretary.
3(1)(v)	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.	Complied with Notice of the meeting, Agenda and Board papers for the Board meetings are circulated within the stipulated time.
3(1)(vi)	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.	Complied with All the Directors attended the required number of meetings as given in the Annual Report 2023.

Section	Requirement of Corporate Governance	Level of Compliance
3(1)(vii)	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>Complied with</p> <p>The Secretary is an Attorney-at-Law with additional qualifications (LLB and Chartered Secretary) in compliance with the provision of the Banking Act and CBSL direction.</p> <p>She is Responsible for the secretariat services to the Board and to carry out functions specified in the statutes and other regulations. (Note: Resigned in Feb 2024)</p>
3(1)(viii)	The process to enable all directors to have access to advice and services of the company secretary.	<p>Complied with</p> <p>All the Directors have full access to the advice and service of the Company Secretary.</p>
3(1)(ix)	The company secretary maintains the minutes of board meetings and there is a process for the directors to inspect such minutes.	<p>Complied with</p> <p>All records are kept with the Company Secretary who has access to the past Board papers and minutes.</p>
3(1)(x)	<p>The minutes of a board meeting contain or refer to the following:</p> <p>(a) A summary of data and information used by the board in its deliberations.</p> <p>(b) The matters considered by the board</p> <p>(c) 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>(d) The matters that indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations;</p> <p>(e) The understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and</p> <p>(f) The decisions and board resolutions.</p>	<p>Complied with</p> <p>Necessary information is given in the Board minutes. Such as,</p> <p>(i) Business decisions taken on particular subjects</p> <p>(ii). Resolutions passed on special subject</p> <p>(iii). Recommendation on Board sub-committee reports</p> <p>(iv). Policy decisions on matters and review of performance.</p> <p>(v). The matters that indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations;</p>
3(1)(xi)	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>Complied with</p> <p>The Board is free to obtain independent professional advice on a need basis.</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>The Board approved the Related Party Transaction Policy on 30th October 2023.</p>
3(1)(xiii)	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>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>

Section	Requirement of Corporate Governance	Level of Compliance
3(1)(xiv)	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.	Complied with 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.
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%. The section 02 of the Banking Act Direction No 05 Of 2017 dated October 2017, the Bank has to comply with minimum capital requirement of Rs. 7.5 billion, which was achieved as per the financial statement as at 31.12.2023.
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 March 2024 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 comprises of 09 Directors as at 31.12.2023.
3(2)(ii)	(a) 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 2023.
	(b) 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 09 Directors as at 31.12.2023. The Board comprises 08 Non-Executive, Independent Directors on the Board to comply with the direction during the current year.
	a) Holds a direct and indirect shareholdings of more than 1 percent of the bank;	Not arisen
	b) 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
	c) Has been employed by the bank during the two years immediately preceding the appointment as director.	Not arisen

Section	Requirement of Corporate Governance	Level of Compliance
	d) 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
	e) Represents a specific stakeholder of the bank.	Not arisen
	f) Is an employee or a director or a material shareholder in a company or business organization:	Not arisen
	I. 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	
	II. In which any of the other directors of the bank are employed or are directors or are material shareholders; or	
	III. 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.	
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 There is 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 Housing Development Finance Corporation 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 2023.
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 amended by 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 Such a situation does not arise.
3(2)(xi)	A director resigns or is removed from office, the board:	Complied with Public announcements are made to the CSE and CBSL.
	(a) 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	
	(b) Issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	

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. Not arisen Such a situation does not arise
(A)	The transitional provisions have been complied with.	
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.	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.

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 2023.</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> <ul style="list-style-type: none"> (a) Provides leadership to the board; (b) Ensures that the board works effectively and discharges its responsibilities; and (c) Ensures that all key and appropriate issues are discussed by the board in a timely manner. 	<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 discusses 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>
3(5)(x)	<p>There is a process to maintain effective communication with shareholders and the views of shareholders are communicated to the board.</p>	<p>Complied with</p> <p>The AGM is considered as the forum to address shareholder matters.</p>

Section	Requirement of Corporate Governance	Level of Compliance
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> <ul style="list-style-type: none"> (i) Board Audit Committee (ii) Board HR and Remuneration Committee (iii) Board Nomination Committee (iv) Board Integrated Risk Management Committee (v) Board Related Party Transaction Committee (vi) Board Cost Rationalization Committee <p>Committee Minutes are directly submitted to the Board and each Committee report appears in the Draft 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 (Sn. Prof. A. Jayamaha) 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.
	c) The Committee has made recommendations on matters in connection with:	Complied with As per section 26 (2) of Housing Development Finance Corporation Bank Act No 7 of 1997, the Auditor General is the External Auditor of the bank.
	(i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;	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.
	(ii) The implementation of the Central Bank guidelines issued to auditors from time to time;	
	(iii) The application of the relevant accounting standards; and	Not Applicable The auditor General is the external auditor of the Bank as provided in the constitution of the country. Therefore, the Bank has no role to play in the engagement of the External Auditors.
	(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.	Not Applicable The audit fee is decided by the Auditor General according to the National Audit Act No. 19 of 2018. As per section 18 (1) and (2) of National Audit Act No 19 of 2018, the Auditor Generals shall charge a fee for conducting an audit on relevant audit entities and the fee to be charged shall be determined by the Auditor General.

Section	Requirement of Corporate Governance	Level of Compliance
	d) The committee has obtained representations from the external auditors on their independence, and that the audit is carried out in accordance with SLAuSs.	Not Applicable Since the independence and effectiveness of the Auditor General is guaranteed under the Constitution of the country.
	e) The committee has implemented a policy on the engagement of an external auditor to provide non-audit services in accordance with relevant regulations.	Not Applicable This does not arise since the Auditor General is the Auditor of the bank.
	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.	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.
	g) 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; (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) the going concern assumption; and (iv) the compliance with relevant accounting standards and other legal requirements, and; (v) in respect of the annual financial statements the significant adjustments arising from the audit.	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.
	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 Auditor General's Report of 154 (6) for the year 2022 was received from the Government Audit on 07.03.2024 and the Audit Committee will review the report in the next BAC meeting.
	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 at the meeting held on 24.01.2024. 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 26.02.2024

Section	Requirement of Corporate Governance	Level of Compliance
	IV. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function.	
	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;	<p>Complied With</p> <p>The head of IAD (CIA) appointment was recommended by the BAC and approved by the Board.</p> <p>Such a situation has not arisen</p>
	VI. Check that the internal audit function is independent of the activities it audits.	<p>Complied With</p> <p>Internal audit functions are independent of the activities it audits and directly report to the Board Audit Committee.</p>
k)	The minutes to determine whether the committee has considered major findings of internal investigations and management's responses thereto.	<p>Complied with</p> <p>The major internal Audit findings and the management responses were discussed by the Audit Committee and necessary recommendations were made.</p>
l)	Whether the committee has had at least two meetings with the external auditors without the executive directors being present.	<p>Complied with</p> <p>This is not relevant since there are no executive directors on the Board. All committee members are non-executive directors.</p>
m)	<p>The terms of reference of the committee to ensure that there is;</p> <p>(i) Explicit authority to investigate into any matter within its terms of reference;</p> <p>(ii) The resources which it needs to do so;</p> <p>(iii) Full access to information; and</p> <p>Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.</p>	<p>Complied with</p> <p>The "Terms and Reference" of the audit committee covers all these areas. The last review date was 29th August 2023.</p>
n)	The committee has met, at least four times and maintained minutes.	<p>Complied with</p> <p>Twelve (12) Audit Committees had been held during the year 2023 and maintained minutes.</p>
o)	<p>The board has disclosed in the annual report,</p> <p>(i) Details of the activities of the audit committee;</p> <p>(ii) The number of audit committee meetings held in the year; and</p> <p>Details of attendance of each individual director at such meetings.</p>	<p>Complied with</p> <p>These details are included in the Audit Committee Report of the Annual Report 2023 as follows.</p> <p>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>
p)	The secretary of the committee is the company secretary or the head of the internal audit function.	<p>Complied with</p> <p>The secretary to the BAC may be the Board Secretary or Chief Internal Auditor.</p>

Section	Requirement of Corporate Governance	Level of Compliance
	<p>q) Check that the “whistleblower” policy covers the process of dealing with;</p> <p>(i) The improprieties in financial reporting, internal control or other matters.</p> <p>(ii) About the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, and</p> <p>(iii) Appropriate follow-up action.</p>	<p>Complied with</p> <p>Whistle Blowing Policy – 2023 adopted on 26/09/2023. The policy covers the processes mentioned.</p>
3(6)(iii)	Do the following rules apply in relation to the Human Resources and Remuneration Committee :	
	<p>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.</p>	<p>Complied with</p> <p>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.</p>
	<p>b) The goals and targets for the Directors, CEO and the key management personnel are documented.</p>	<p>Since Directors are Non-executive, they are not involved in operational matters like Executive Directors. KMP’s are responsible for the budgetary targets.</p> <p>Department/Branch wise Key Performance Indicators are set out and All KMPs are responsible for therein.</p>
	<p>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.</p>	<p>Complied with</p> <p>The performance of the CEO and key management personnel against the set targets should evaluate beginning of every year.</p>
	<p>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.</p>	<p>Complied with</p> <p>TOR of the HR Committee addresses this requirement. The General Manager/CEO attends all meetings of the Committee, except when matters relating the General Manager/CEO are being discussed.</p>
3(6)(iv)	Do the following rules apply in relation to the Nomination Committee :	
	<p>a) The Committee has implemented a procedure to select/appoint new Directors, CEO and key management personnel.</p>	<p>Complied with</p> <p>The appointments to the Board are to be made according to provisions of the HDFC Act. Further Board Charter is also applicable.</p> <p>According to the Recruitment Policy, it includes the selection procedure for the General Manager/CEO and as per part III of 14 (1) HDFC Act.</p> <p>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 Committee.</p>

Section	Requirement of Corporate Governance	Level of Compliance
	b) The Committee has considered and recommended (or not recommended) the re-election of current directors.	<p>Complied with</p> <p>According to section 3(4) (e) of the HDFC Act no 07 of 1997(amended by Act no 15 of 2003 and 45 of 2011) An elected director vacating office by fluxion of time shall be eligible for re-election.</p> <p>In addition to Committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities. Such a situation has not arisen.</p>
	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.	<p>Complied with</p> <p>Board approved Recruitment Policy in 2022. The General Manager and Key Personnel Manager's educational and professional qualifications, and experience are defined the in the recruitment policy. Duties and Responsibilities Job competencies and Performance Reviews of KMPs are included in their Job Descriptions.</p>
	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.	<p>Complied with</p> <p>Declarations of Directors and CEO have been submitted to the CBSL through the Board annually.</p> <p>Declarations on Fitness and Prosperity relating to 10 Officers Performing Executive Functions (KMP) re-assessed at the time of promotions were obtained and approved by the bank supervision in the year 2023 as per the section 5.2 of the Banking Act direction dated 19th December 2019.</p>
	e) The committee has considered a formal succession plan for the retiring directors and key management personnel.	<p>Complied with</p> <p>The Board approved Succession Plan is in place.</p> <p>The Board approved the succession plan 2022, for KMPs.</p> <p>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.</p>
	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.	<p>Complied with</p> <p>The committee consists of the Chairman of Committee and three Non-Executive, Independent Directors. CEO shall participate meeting by invitation.</p>
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.	<p>Complied with</p> <p>The committee consists of five Non-executive directors, and Key management personnel of the Bank such as the CEO, COO, CFO, CIA, Compliance Officer, Head of Treasury, Head of Credit, Head of IT and Risk Officer. Risk Officer supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.</p>

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.	<p>Complied with</p> <p>The risk management division of the bank assesses credit risk, market liquidity, and operational and strategic risks to the bank.</p> <p>Currently, there are no subsidiary companies or associate companies.</p>
	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.	<p>Complied with</p> <p>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 IRMC Meeting.</p>
	d) The committee has reviewed and considered all risk indicators that have gone beyond the specified quantitative and qualitative risk limits.	<p>Complied with</p> <p>The bank has a board-approved Risk Appetite Framework and which is needs to be reviewed. It consists of Risk Appetite and Tolerance limits for more than 20 key risk areas.</p> <p>Having implemented a Risk appetite framework, all risks beyond the tolerance limits are being reviewed.</p> <p>Further, the Committee approved the Risk Appetite Framework (RAF) held on 14/07/2023.</p>
	e) How many times the committee has met at least Quarterly?	<p>Complied with</p> <p>The committee meets quite regularly and BIRMC has held 11 Nos of meetings during the financial year 2023. Details of meetings and attendance are given in the Annual Report.</p>
	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.	<p>Complied with</p> <p>Detailed minutes of the meetings are submitted to the Board immediately after the Committee Meeting.</p>
	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.	<p>Complied with</p> <p>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.</p>

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> <ul style="list-style-type: none"> 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>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 2023.</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> <ul style="list-style-type: none"> a) The grant of any type of accommodation, as defined in the Monetary Board’s Directions on the maximum amount of accommodation. b) The creation of any liabilities of the bank in the form of deposits, borrowings and investments. c) The provision of any services of a financial or non-financial nature provided to the bank or received from the bank. 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>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> <ul style="list-style-type: none"> 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>Complied with</p> <p>The Related Party Transaction Committee was established and they provide oversight for RPT transactions.</p>

Section	Requirement of Corporate Governance	Level of Compliance
	<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>	
	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.	<p>Complied with</p> <p>The bank policies are in place to recognize and treat the Related party accommodations aligning with Banking best practices and the CBSL regulatory requirements.</p>
3(7)(v)	<p>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.</p> <p>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.</p>	<p>Complied with</p> <p>The process is available and no accommodation will be given without security.</p>

Section	Requirement of Corporate Governance	Level of Compliance
	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.	
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)	The board has disclosed,	
	a) 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:	
	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 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.	<p>Complied with</p> <p>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.</p> <p>*Report of the Board of Directors *Statement of Director's Responsibility for Financial Reporting *Directors Statement on Internal Control Over Financial Reporting</p>
	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.	<p>Complied with</p> <p>Auditor General's Assurance Report on Internal Control disclosed in the Annual Report 2023.</p>
	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.	<p>Complied with</p> <p>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 2023.</p>
	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.	<p>Complied with</p> <p>The net accommodations granted as a percentage of the bank's regulatory capital are given in the Financial Statements in the Annual Report 2023.</p>
	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.	<p>Complied with</p> <p>Details are given in the Financial Statements in the Annual Report 2023.</p>
	g) The board has obtained the external auditor's report on compliance with Corporate Governance Directions.	<p>Complied with</p> <p>External Auditor's Report on compliance with Corporate Governance Directions is included in the Annual Report 2023.</p>
	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.	<p>Complied with</p> <p>The Statements' of Directors' Responsibility for Financial Reporting clearly sets out the details regarding compliance with prudential requirements regulations laws and internal controls.</p>
	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.	<p>No such situation has arisen</p>

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 Bank 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			
A.3 Chairman's Role				
A 3.1 Role of the Chairman in preserving good corporate governance	Complied with			

Guideline	Full compliance	partial compliance	Non compliance	Not applicable
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 During the period under review, Independent / Non-Independent, Non - Executive Directors. The relevant details of the Directors are given under the Director's Profile and Director's Report of the Annual Report, on Page 28 to 30 and Page 167 to 170			
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
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			

Guideline	Full compliance	partial compliance	Non compliance	Not applicable
A.7 Appointment to the Board				
A 7.1 Nomination Committee	Complied with For further details Please refer the Board Nomination Committee Report on Page 156 to 158.			
A 7.2 Assessment of Board composition	Complied with The Nomination 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.			
A 7.5 Nomination Committee is role in Board appointments.	Complied with			
A 7.6 Terms of reference for nomination committees are set out in Schedule E.	Complied with			
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).			
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 The Board conduct performance evaluation at the time of re-election of Directors to the Board.			

Guideline	Full compliance	partial compliance	Non compliance	Not applicable
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			
B. 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 Bank.				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.			

Guideline	Full compliance	partial compliance	Non compliance	Not applicable
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			
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 committees are set out in Schedule H.	Complied with			
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			

Guideline	Full compliance	partial compliance	Non compliance	Not applicable
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.			
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 respond you.			
C.3 Major and Material Transactions				
C 3 Major transactions	Complied with			
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			
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 167 to 170 of this Annual Report.			

Guideline	Full compliance	partial compliance	Non compliance	Not applicable
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 174 of the Annual Report.			
D 1.6 Management discussions and analysis	Complied with Please refer 56 to 87.			
D 1.7 Summoning an EGM 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 149 to 150 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 163 to 164 for BIRMC Report.			
D 2.2 to D 2.4 Internal Audit Functions	Complied with			
D. 3 Audit Committee				
D 3 Audit Committee	Complied with Please refer page No 161 to 162 for Audit Committee Report.			
D 3.1 73. Audit Committee Composition	Complied with Please refer page No 161 to 162 for Audit Committee Report			
D 3.2 Terms of Reference and Authority and Duties of the Audit Committee	Complied with Please refer page No 161 to 162 for Audit Committee Report.			
D 3.3 Disclosures of the Audit Committee	Complied with Please refer the Board Audit Committee report on Page 161 to 162 for membership.			
D.4 Risk 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			

Guideline	Full compliance	partial compliance	Non compliance	Not applicable
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 Related Party Transactions Review Committee				
D 5 Related Party	Complied with Please refer page No 159 to 160 for Related Party Transaction Review Committee.			
D 5.1 RPT will be as defined in LKAS 24.	Complied with Please refer page No159 to 160 for Related Party Transaction Review Committee.			
D 5.2 Related Party Transaction Committee Composition	Complied with Please refer page No159 to 160 for 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 No159 to 160 for 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			
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.			
E.2 Evaluation of Governance Disclosures				
E 2 Evaluation of Corporate Governance initiatives	Complied with			

Guideline	Full compliance	partial compliance	Non compliance	Not applicable
F. Other Investors				
F1 Investing / Divesting Decision	Complied with			
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 they are exercising their voting rights.			
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 Bank's business plans.				
H 2 Protection of Environment and other ESG issues	Improving the current practice			
H 2.1 Recognition of significant stakeholders.				

Guideline	Full compliance	partial compliance	Non compliance	Not applicable
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			
H 4 Establishing Governance Structure	Improving the current practice			
H 4.1 Managing sustainability's / ESG factors				
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	Complied with			
H 5.1 Disclosures				
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	Improving the current practice			
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			

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 Corporate	The extent of compliance with Corporate Governance Section 09 of the listing rules issued by CSE is tabulated below.	01 October 2023
9.1.2	Governance		
9.1.3	Rules		
9.2	Policies		
9.2.1	Availability of Policies	<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 Bank Assets and Shareholder Investments <p>However, the Bank will take necessary initiative to review and adopt the below mentioned policies in considering the new requirements as per the revised CSE rules.</p> <ul style="list-style-type: none"> ● Policy on Relations with Shareholders and Investors ● Policy on Environmental, Social and Governance Sustainability <p>HDFC Corporate website with regard to the availability of the authorised policies will be updated on or before the effective date.</p>	01 October 2024

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
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 the relevant policies immediately after review/ revise as mentioned in 9.2.1.	
9.2.4	Requesting of Bank Policies by Shareholders	The Bank facilitates a procedure in providing of any of the above policies to the shareholders upon a written request.	01 October 2023
9.3	Board Committees		
9.3.1	Establishment of Board Committees	<p>The Nominations & Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee are in place.</p> <p>In May 2024, the Nominations Committee was renamed as Nominations and Governance Committee to comply with the revised CSE listing rules.</p> <p>From August 2023 the Terms of Reference of the Nominations & Governance Committee, Audit Committee and Related Party Transactions Review Committee and Remuneration Committee had been in compliance with the revised CSE listing rules.</p>	
9.3.2	Board Composition, Responsibilities and Disclosure	<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 Chairperson of the respective Sub Committee.</p> <p>The Chairperson 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>	01 October 2023

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.3.3	Chairperson of Board Committees	During the year 2023 the Chairperson of the Board of Directors was not the Chairperson of Nominations & Governance Committee, Remuneration Committee, Audit Committee or the Related Party Transactions Review Committee.	
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	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.	01 October 2023
9.4.2	Communication and relation with Shareholders and Investors	The Bank has an established policy on communication with Shareholders through the Company Secretary and upon request through the Corporate website. The Investors are to communicate with the Chief Finance Officer for Information.	01 October 2023
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	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.	01 October 2024
9.5.2	Disclosures in the Annual Report	Disclosures are made in the Annual Report of the Board of Directors given on page 26 to 30.	
9.6	Chairperson and CEO		
9.6.1	Chairperson and CEO	The Chairperson is a Non-Executive Director. The position of Chairperson and CEO is not held by the same individual.	01 October 2023
9.6.2	Disclosure of Non -Compliances	Not applicable	01 October 2023
9.6.3	Appointment of Senior Independent Director	Not applicable	01 October 2023
9.6.4	Disclosure of Non-Compliances in the Annual Report	Not applicable	01 October 2023

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.7	Fitness of Directors and CEOs		
9.7.1 9.7.2	Appointment of Fit and Proper Person	<p>The Board has a formal and transparent process in place for the succession and appointment of Directors. The 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 "fit and proper" 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>	01 October 2023
9.7.3 (a) to (c)	Fit and Proper Assessment Criteria a) Honesty, Integrity and Reputation b) Competence and Capability c) Financial Soundness	The assessment criteria detailed in the revised CSE listing rules have been incorporated into the annual declaration of 2024.	
9.7.4	Annual Declarations from Directors and CEO	Annual declarations from Directors confirming that each of them have continuously satisfied the fit and proper assessment criteria set out in the CSE revised listing rules were obtained as at 31 December 2023.	01 October 2023
9.7.5	Disclosures in the Annual Report	The profiles of the Directors and CEO of the HDFC Bank is given on page 28 to 30 and 33.	

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.8	Board Composition		
9.8.1	Board at Minimum to consist of Five (5) Directors	The Bank is complied with the requirement. The Board of Directors of the Bank consisted of nine (09) Directors as at 31 December 2023.	01 October 2023
9.8.2	Minimum number of Independent Directors (Min:2 or 1/3 of total number, whichever is higher)	The Bank is complied with the minimum number of Independent Directors. The Board of Directors of the Bank consisted of eight (8) Independent Directors as at 31 December 2023.	01 October 2023
9.8.3 9.8.4	Criteria for determining Independence	The Bank is complied with the criteria for determining independence of a Director. 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.	01 October 2023
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 2023.	01 October 2023
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	The Bank has not exceeded the maximum number of Directors as stipulated in the HDFC Act and Board Charter.	01 October 2023
9.10.2	Appointment of new Director	Nominations & Governance Committee reviews all new appointments. New appointments are monitored accordance to the mandate of HDFC Act, CBSL Directions and revised CSE Rules.	01 October 2023
9.10.3	Changes to the Composition	After the effective date of the revised CSE listing rules, a change in the composition of Human Resources and Remuneration Committee had taken place, and an immediate market announcement had been made on same.	01 October 2023

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.10.4	Disclosures in the Annual Report	Please refer pages 28 to 30 for profiles of Directors. Please refer page 14 for financial highlights. Please refer page 28 to 30 for Directorships in other companies Please refer page 94 to 97 for Directors attendance	
9.11	Nominations and Governance Committee		
9.11.1	Availability of Nominations and Governance Committee	The Nominations Committee was renamed as the Nominations & Governance Committee with effect from May 2024.	01 May 2024
9.11.2	Appointment and re-election of Directors	The Committee follows a formal procedure in appointment and re-election of Directors.	01 October 2023
9.11.3	Terms of Reference	The Committee adopted a Revised Terms of Reference consisting the scope, authority and duties in August 2023. It is aligned with the revised CSE listing rules.	01 October 2023
9.11.4(1)	Composition - Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors.	The Bank is in compliance throughout the year with the revised CSE listing rules.	01 October 2023
9.11.4(2)	Composition - Independent Director shall be appointed as the Chairperson of the Committee.	An Independent Director functioned as the Chairman of the Committee throughout the year.	01 October 2023
9.11.4(3)	Composition - The Chairperson and the members of the Committee shall be identified in the Annual Report	The Chairman and the members of the Committee are identified in the Nominations & Governance Committee report given on page 156 to 158.	
9.11.5	Functions	The Terms of Reference refers to the functions of the Committee and all functions were duly satisfied throughout the year. Please refer Nominations & Governance Committee Report on page 156 to 158.	
9.11.6	Disclosures in the Annual Report	Disclosure requirements are covered in the Nominations & Governance Committee Report given on page 156 to 158.	
9.12	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.	01 October 2023

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.12.2	Remuneration Committee	A Human Resources and Remuneration Committee confirming the requirements are in place.	01 October 2023
9.12.3	Remuneration Policy - Executive Directors / Non-Executive Director	Not Applicable	
9.12.4			
9.12.5	Terms of Reference	The Committee has adopted a Terms of Reference which define the scope, authority and duties in compliance with the revised CSE listing rules.	01 October 2023
9.12.6 (1) & (2)	Composition - Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Director.	The Bank is in compliance throughout the year with the revised CSE listing rules.	01 October 2023
(3)	Composition - Independent Director shall be appointed as the Chairperson of the Committee.	An Independent Director functioned as the Chairman of the Committee throughout the year.	
9.12.7	Functions	The Terms of Reference refers to the functions of the Committee and all functions were duly satisfied throughout the year. Please refer Human Resources and Remuneration Committee Report on page 153 to 155.	
9.12.8	Disclosures in the Annual Report	Disclosure requirements are covered in the Human Resources and Remuneration Committee Report given on page 153 to 155.	
9.13	Audit Committee		
9.13.1	Audit and Risk Committees	The Bank has established 2 separate Committees to perform Audit and Risk Functions.	01 October 2023
9.13.2	Terms of Reference	The 2 Committees have adopted Terms of References which define the scope, authority and duties.	01 October 2023
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.	The Bank is in compliance throughout the year with the revised CSE listing rules.	01 October 2024
9.13.3 (4)	Parent company may act as the Audit Committee of the Subsidiary company.	Not Applicable	

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.13.3(2)	Composition - The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be Independent Directors.	In ten (10) out of the twelve (12) meetings held during the year 2023, 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.	The Committee met twelve (12) 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 Chairperson of the Committee.	An Independent Director functioned as the Chairman of the Committee throughout the year.	01 October 2023
9.13.3(6)	Composition - The CEO and the CFO shall attend the Audit Committee meetings by invitation.	The GM/CEO and Chief Financial Officer were invited to attend meetings throughout the year. GM/CEO was a member of the BIRMC throughout the year.	01 October 2023
9.13.3(7)	Composition - The Chairperson 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 28 to 30.	01 October 2023
9.13.4 (1) & (2)	Functions	The Bank has documented the functions of the Committee in the Audit Committee Charter. Please refer Audit Committee Report on page 161 to 162. 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. 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 163 to 164.	

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
9.13.5	Disclosures in the Annual Report	Disclosure requirements are covered in the Audit Committee Report given on page 163 to 164.	
9.14	Related Party Transactions Review Committee		
9.14.1	Availability of Related Party Transactions Review Committee	A Related Party Transactions Review Committee is in place.	01 October 2023
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 Chairperson of the Committee.	<p>The Bank is in compliance throughout the year with the revised CSE listing rules.</p> <p>An Independent Director functioned as the Chairman of the Committee throughout the year.</p> <p>The scope of the Committee is limited to the operations of the Bank.</p>	01 April 2023
9.14.3	Functions	<p>The 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.</p> <p>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. The Bank is in the process of improving the policy in line with the revised CSE listing rules.</p> <p>Please refer Related Party Transactions Review Committee Report on page 159 to 160.</p>	01 October 2023
9.14.4(1)	General requirements - The Committee shall meet at least once a calendar quarter.	The Committee met four (4) times during 2023. The minutes of all meetings are properly documented and tabled at the subsequent Board meetings for authorisation.	01 October 2023
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.	The Committee has sufficient knowledge and expertise to evaluate all aspects of Related Party Transactions.	01 October 2023

Code Ref.	Requirement	Extent of Compliance	Effective Date of Compliance
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.	01 October 2023
9.14.4(4)	General requirements - Conflict of Interest	The 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.	01 October 2023
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee.	The Committee takes into account the provision of the said listing rules when reviewing related party transactions.	01 October 2023
9.14.6	Shareholder Approval	A situation to obtain the shareholder approval as per revised CSE listing rules has not arisen during the year.	01 October 2023
9.14.7	Immediate Disclosures	A situation has not arisen where immediate disclosure is required to be made as per revised CSE listing rules.	01 October 2023
9.14.8	Disclosures in the Annual Report	Disclosure requirements are covered in the Related Party Transactions Review Committee Report given on page 159 to 160.	
9.14.9	Acquisition and Disposal of assets from/to related parties	The Bank has not acquired/disposed substantial assets from/to related parties.	01 October 2023
9.14.10	Exempted Related Party Transactions	The revised CSE rules are considered when evaluating the Related Party Transactions by the Committee.	01 October 2023
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 26 to 30. Material non-compliance with any Law or Regulation has not arisen during the year 2023.	

Risk Management Review

As a specialized player in the financial services industry, HDFC Bank emphasizes effective risk management in sustaining its profitability and capitalizing on market opportunities within the industry. Therefore, by adopting a prudent approach to risk management, the Bank ensures timely identification of all relevant risks thereby implementing appropriate risk mitigation measures to address them. In this regard, the bank had made it a strategic priority to nurture a risk-conscious culture within the organization by establishing a comprehensive risk management system to address risks at all levels of the bank.

While the Bank continuously carry out risk-related training and awareness building amongst its employees, it has also established relevant standards and procedures with the organisation to strengthen its risk management framework in driving sustainable growth of the Bank.

Risk Landscape in 2023

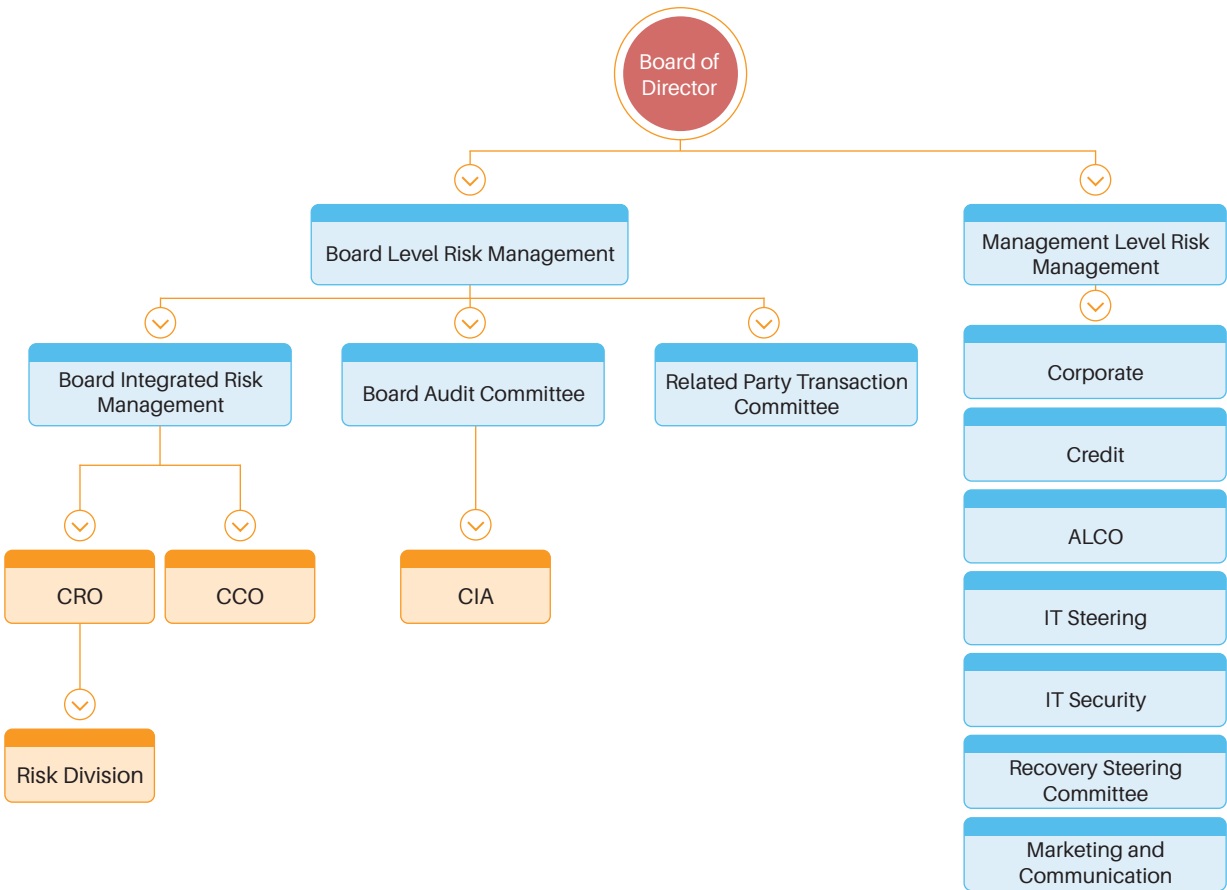
The macroeconomic environment in 2023 was stained by economic uncertainties that continue to impact growth. This challenging backdrop led to a contraction in the Sri Lankan economy demonstrating a subdued performance in all key sectors. High inflation, elevated interest rates and supply chain disruptions that prevailed during the period continue to highlight the necessity for prudent strategies and decision-making across the industry sectors.

The Banking sector too suffered consequently with amplified credit and liquidity risks, interest rate risks as well as regulatory risks. The heightened credit risks due to the diminished spending capacity of consumers compelled the banks to implement strict credit evaluation protocols to screen credit customers. Alongside, the Banks had to grapple with maintaining a healthy liquidity position which necessitated prudent strategic measures while being flexible in responding to the changing dynamic of the Banking industry. Furthermore, the changing regulatory landscape also led to an increase in regulatory risks mandating banks to tune into the evolving regulations. The high-interest regime led to an increase in NPL as borrowers were unable to meet their debt obligations, which obliged the banks to consider introducing competitive interest rates at the cost of their profitability. The changing industry landscape also brought to the forefront, the need for innovative digital adoption to meet the modern customer requirements and to stay ahead of the competitiveness.

Overall these elevated risk factors demanded the banks to consider proactive risk management while demonstrating strategic agility and commitment to digital transformation.

Risk governance

The Board of Directors reserves overall oversight on risk management. The Board ensures that the Bank's exposure to various risks is evaluated and monitored as well as controlled by delegated authorities. They discharge their responsibilities through the board-integrated risk management committee and audit and credit committees.



Furthermore, the CEO and the corporate management set the direction of the risk appetite and reserve responsibility for oversight of risk controls. The Chief Manager of Risk has authority over routine risk management operations of the Bank, setting the relevant risk management policy while ensuring proper monitoring and measurement, as well as reporting to the BIRMC and the Board.

Board Integrated Risk Management Committee (BIRMC)

BIRMC establishes the risk management framework of the Bank in creating a strong risk culture within the organization. Hence, it supports relevant risk evaluation, while monitoring and management of risks to prevent adverse implications on banking activities. The committee arrives at decisions in compliance with the bank's internal risk policy guidelines and regulatory supervisory requirements. As such, the committee carry out risk assessments every month along with management committees.

Key functions of the Committee

- Assisting the Board of Directors (the Board), in determining the Bank's Risk Management framework
- Taking mitigation measures in line with Bank policies, regulatory requirements, and guidelines for LSBs.
- Taking swift remedial measures for risk mitigation before risks escalate to unacceptable levels.
- Ensure the Bank complies with all mandatory regulations and internal policies to mitigate risks.

The committee meets quite regularly/most probably monthly to evaluate risks and take appropriate risk mitigation actions in addition to updating business continuity plans. The Committee comprises non-executive members who regularly report to the Board of Directors.

Activities carried out in 2023

1. Review of the turbulently changing market and recommended appropriate strategies to minimize the key risks facing the bank during FY
2. Review of Risk Management Policies during FY
3. Review of Management Committees
4. Approved the BIRMC Charter
5. Approved the Risk Appetite Framework
6. Comprehensive improvements to the existing Internal Capital Adequacy Assessment Process (ICAAP) of the Bank.
7. Recommended the revised Terms of reference for the Credit Committee
8. Recommended the Amendments to the Investment Policy
9. Recommended the Mandate of Key Management Position
10. Recommended the Baseline Credit Standard
11. Recommended the Gold Loan Manual

Management committees

The Bank has in place several executive management sub-committees to support the Board's Integrated Risk Management Committee and focus on specialised risks.

- **Corporate Management Committee** sets the bank on the right course by determining the Bank's overall business strategy and monitors the implementation of the strategy to ensure that the Bank's strategic objectives are accomplished within the parameters of its risk management framework.
- **Asset and Liability Committee (ALCO)** - The committee regularly monitors and manages assets and liabilities to maintain healthy liquidity levels while meeting regulatory requirements.
- **Credit Committee** - The Credit committee ensures that the loan being reviewed meets regulatory standards, the Bank's lending policies, and fits the credit risk appetite of the bank while assessing factors such as risk mitigates, the borrower's credit score, past payment history, outstanding debts, and current liquidity & determines the actions to be taken on delinquent loans.
- **IT Steering Committee** - Manages cybersecurity-related risks and oversees the implementation of policies and projects.
- **IT Security Committee** - The Committee monitors the policies, procedures, regulations and similar documents under its responsibility concerning necessary updates, and takes action to keep them up-to-date, evaluating information security awareness studies and learning programs, Reporting to the board of directors at least once a year.
- **Recovery Steering Committee** - The Committee is responsible for preparing, testing, implementing, and updating the recovery plan of the bank and integration of the recovery plan with Bank's strategy, business decision-making, risk management, stress testing, capital and funding assessments
- **Marketing & Communication Committee** - To provide guidance and expertise in the development and implementation of effective Marketing and Communications plans for the Bank to achieve the Bank's goals and objectives.

Risk Management Division

The RMD, under the leadership of the Chief Risk Officer (CRO), supports the Board Level Risk Management Committee to perform the role of risk oversight, framework development, policy and methodology formulation, and independent monitoring and reporting of key risk issues. They together constitute the 2nd line of defence.

The Risk Management Department (RMD) is a Monitoring division that manages the risk management process daily. The RMD is incorporated into the Bank's Risk Management Framework. The risk management process, for which the RMD is responsible, shall be integrated into the Bank's internal control system.

Three lines of defence

As the Bank's internal risk defence model, we deploy the three-tiered model of defence for a structured approach to risk management. The model brings prudent, effective and risk-accountable management to the Bank's risks. It distinguishes between board-level risk management overseen by board risk management committees, management-level risk oversight overseen by management-level risk management committees and risk department that oversees risk management functions.

1	2	3
First line of defence	Second line of defence	Third line of defence
Management/operations	Risk management and compliance	Internal audit
The 1st Line of Defence is concerned with management controls in the bank and generally has a real-time focus. It is aimed at review of governance and compliance arrangements to demonstrate 'checks and balances are working effectively	The 2nd Line of Defence centres on risk oversight and involves some degree of real-time activity, with a mandate to review 1st Line of Defence activities. This encompasses the work of specialist areas like 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.	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 Internal Auditor, to independently confirm governance and compliance effectiveness, and to recommend improvements

Policy framework

The Bank has adopted the following risk management related policies.

- Integrated Risk Management Framework
- Risk Appetite Framework
- Credit Risk Management Policy
- Liquidity Risk Management Policy
- Interest Rate Risk policy
- Operational Risk Management Policy
- Stress Testing Policy
- Loan Review Mechanism Policy

These policies are reviewed annually. Risk management policies enable the Bank to focus on identifying and analysing Bank's risks, establish and review proper risk limits. Moreover, they serve the purpose of monitoring risks and ensuring adherence to controls. The Bank regularly reviews policies to adapt them to reflect external changes and changes in products and services.

Risk appetite and monitoring

The Bank adopts limits across each type of risk through a board-approved Risk Appetite Framework based on the level of risk the Bank can willingly undertake. The limits have been set after considering the external environment and bank strategy, in the best interest of the Bank's stability. The Bank uses appropriate methods in measuring risks (risk indicators) to measure risks concerning risk type and best practices. Risks are monitored and controlled based on thresholds defined by the Bank.

The board-integrated risk management committee sets and reviews the Bank's risk appetite by establishing or reviewing Board approved policies and ensures that Bank risk monitoring limits are in line with industry best practices. All risks that cross the tolerance limits are reviewed by the risk department.

Key risks and indicators

As a financial service provider, the risks the Bank encounters stem mainly from credit-related exposures due to the considerable number of LIG and MIGs we serve. Moreover, the Bank faces risks that impact liquidity and market investments; therefore, it evaluates and mitigates liquidity risks and market risks. Moreover, capital-related risks are reviewed and controlled in addition to operational risks the Bank faces from people, technology and legal and compliance-related risks.

Area	Scope
Capital risk	<ul style="list-style-type: none"> Review of the Internal Capital Adequacy Assessment Process (ICAAP) Regulatory Capital Adequacy position and trends compared with limits Overall risk limit system including regulatory and advisory/ internal limits Stress testing of key risks and overall exposure reports on top and emerging strategic and overall business risk analysis
Credit risk	<ul style="list-style-type: none"> Pre-Credit Risk Management Internal Credit Risk Rating for all loans above Rs.1.5Mn Credit Risk Policies and Delegation of Authority Review of Credit Risk Management Policies Staff training and knowledge-sharing sessions Centralization 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 a risk-based pricing mechanism
Market and liquidity risk (Interest rate risk)	<ul style="list-style-type: none"> 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
Operational risks (IT risks, people risks and legal and compliance risks)	<ul style="list-style-type: none"> 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

Capital risk management

During the year, we strengthened our internal capital assessment process, which aligns with the review process of the BASEL III capital consortium. We apply relevant and regular monitoring of capital adequacy by assessing the capital adequacy ratio while reporting it to the relevant authority line.

The Bank's capital position

According to regulatory requirements and in protecting stakeholder interests, the Bank complies with regulatory capital requirements. This becomes imperative when providing security to depositors' funds, meeting liabilities and satisfying business expansion objectives.

The Bank met its milestone achievement of minimum capital requirement of Rs.7500Mn within stipulated deadline and by end of year 2023.

According to the Banking Act Directions No. 11 of 2019 and based on changes to the BASEL III-based directions on capital requirements, mandate licensed specialised Banks to maintain a 12.50% regulatory minimum, formed by 7% CET 1 including capital conservation buffer and a total tier 1 plus capital conservation buffer of 8.50%.

	Unit	2023	2022	2021
Common Equity Tier 1 Capital Ratio %	%	35.84%	25.54%	21.51%
Common Equity Tier 1 Capital Ratio Rs. Mn	Rs. Mn	7,577	6,209	6,185
Tier 1 Capital %	%	37.02%	26.56%	22.38%
Tier 1 capital Rs. Mn	Rs Mn	7,828	6,460	6,435
Total capital %	%	39.03%	27.61%	23.02%
Total capital Rs. Mn	Rs Mn	8,253	6,715	6,618

Based on the 2023 capital ratios, CET 1 capital has improved in comparison to 2022, Tier 1 capital improved in comparison to the previous year, and total capital has improved compared to 2022.

Stress testing

Stress testing enables the Bank to assess its ability to weather unexpected impacts due to adverse conditions from the external environment. The Bank conducts stress testing on all risks that bear any material impact on its ability to operate stably. The stress tests align with the Internal Capital Adequacy Assessment Process (ICAAP) to assess capital adequacy.

Sensitivity analysis measures the level of impact from various factors such as shifts in financial instruments that impact investments. The Bank conducts quite regularly stress tests on all its major risk categories alongside portfolio-specific stress tests to assess aspects sensitive to the Bank, such as, credit, liquidity, interest bearing assets and liabilities. Due to regular stress tests, the Bank can regulate thresholds to a stable level and bring risk tolerance levels to fall inside a healthy risk appetite.

Credit risk management

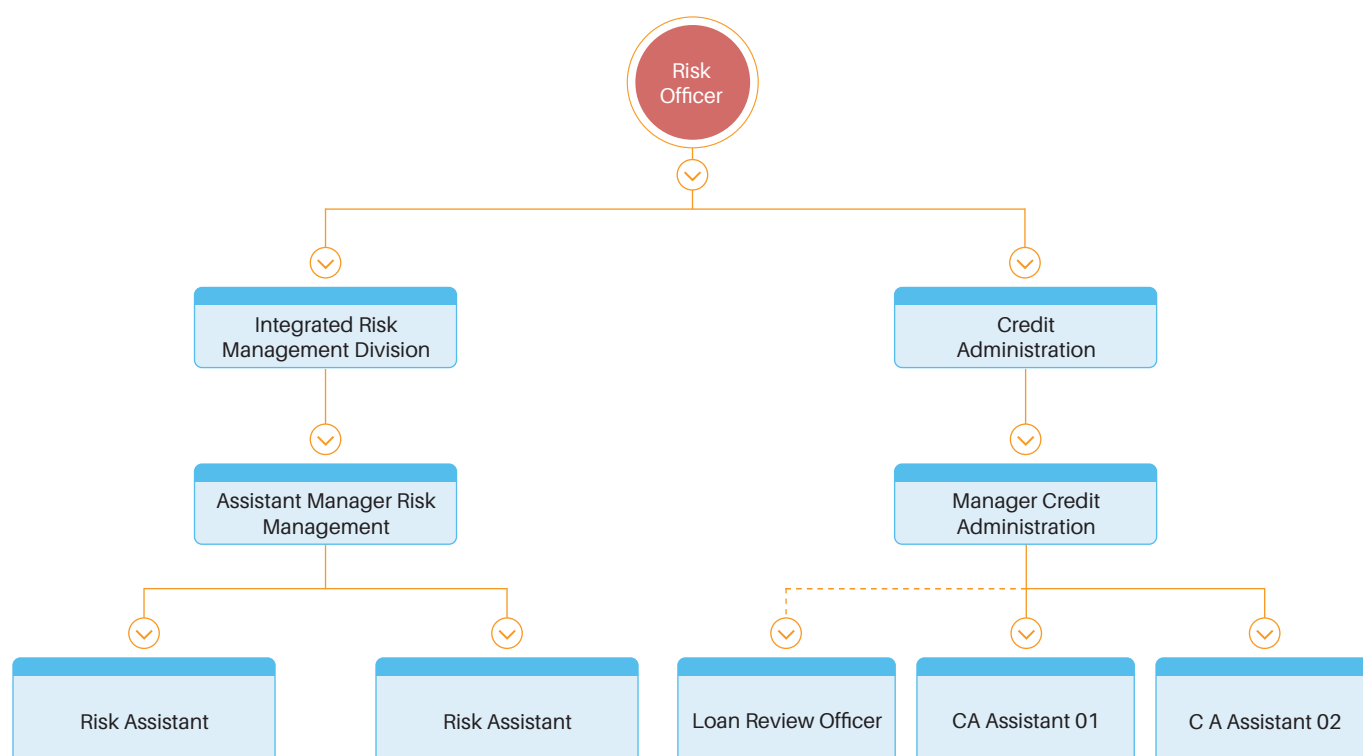
Controlling credit risks through proper credit administration

- Integrated risk management framework that brings together the risk department and the credit administration
- Credit Risk Rating Models
- Approval levels and centralised disbursements
- Collateral management
- Loan reviews function with Qualified and experienced loan review officers
- Automated loan approval process
- Sanctions and thresholds
- Portfolio Management
- Baseline Credit Standards

Credit risks entail possible financial losses to the Bank based on the inability of a customer or financial instrument counterparty to meet obligations. The Bank has considerable exposure to credit risk due to a large concentration of low-income and middle-income customer groups. Risk controls are applied at all critical points of the credit management process, and an integrated framework is adopted to manage and control the level of risk we can absorb with the credit lines we approve. The Bank has adopted the following methods to mitigate, control and manage credit risk.

Apart from the above, the Bank maintains a comprehensive and clearly defined risk management framework, which has set the Bank's structure, policies, procedures and infrastructure for risk management, including credit risk. The risk department maintains a dashboard, monthly to assess credit exposures to control and mitigate as required. Other measures include portfolio management, customer repayment patterns that set the basis for approving and granting top-up loans, risk-based pricing and a dispersed network of branch locations that diffuse risks that could emanate from one particular segment of customers.

The integrated framework includes our Risk Officer overseeing integrated risk management and credit administration. With credit risk being the primary area of risk exposure, credit administration and risk management works alongside to mitigate credit-related risks.



Internal credit rating model

Credit ratings for borrowers are based on substantial due diligence conducted by the bank and quantified assessment of a borrower's creditworthiness in general terms or concerning a financial obligation. Credit ratings determine whether a borrower is approved for credit and the interest rate that decides repayment.

Based on individual risk profiles, we assign a risk rating to retail (individual) and corporate customers before granting the loan. Once completing the rating assessment, the customer and the corresponding loan will be given codes.

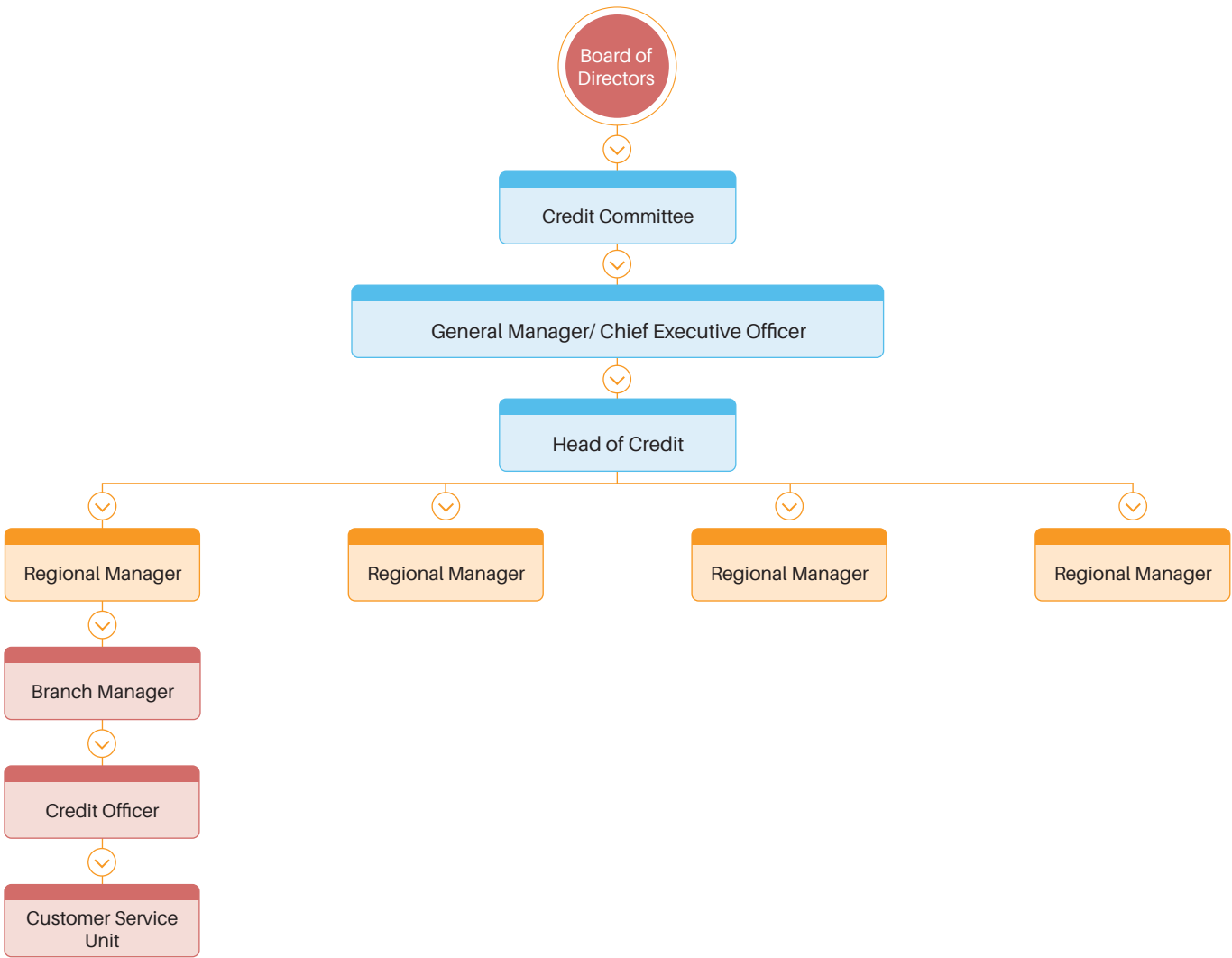
Obligor risk control

Furthermore, in controlling the risk exposure that goes with obligors, financial institutions with BBB or higher credit ratings are considered to ensure a low probability of default.

Credit and loan portfolio risk	Threshold	2023	Threshold	2022
NPL ratio (excluding EPF)	20%	23%	20%	20.9%
Loss Loan/NPL Capital (Except)	50%	75.9%	50%	69.3%
Guarantor Loan's Concentration	50%	16.6%	50%	19.4%
Impairment Coverage	30%	39%	30%	34%

Approval levels and centralised disbursements

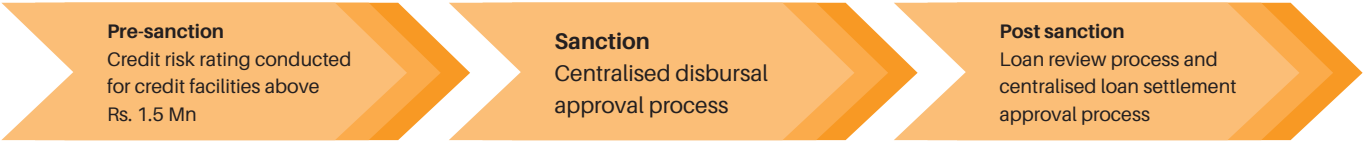
Personnel at various levels along the credit approval process have been assigned limits when approving credit. The board approves credit requests for funds that are above the approval limit imposed to the credit committee and the significant credit threshold is fixed at Rs. 100 Mn and reviewed at various states.



Credit disbursements are undertaken by the credit admin division, centralising all disbursements to ensure that the funds are directly secured by the borrower for the purpose the fund was approved for.

Sanctions and thresholds

The loan approval and management process has three levels of main sanctions (authorisation levels).



Managing collaterals

Collateral valuation and its management play a crucial role in thwarting and managing credit risks to a greater extent. This ensures asset quality while ascertaining that collateral-based assets do not pose any risks or detriments when recovering non-performing loans.

Valuation checkpoints:

- Internal valuation - Collaterals for loans below 0.1% of Tier I equity capital are valued by internal valuation officers
- External valuation - Properties valued over 0.1% of Tier I equity capital of the Bank are assessed by an external valuation officer

Annual credit reviews

We review loans annually and in a manner that aligns with the risk of individual exposure. We approve exemptions through appropriate authority levels.

Annual reviews entail:

- Full review of corporate financial statements
- Full assessment for covenant compliance
- On-site reviews

Loan reviews

HDFC Bank conducts loan reviews to ensure that credit approval practices are in line with regulatory requirements and internal policies. The bank assesses deteriorations of the loan portfolio quality and gathers feedback on credit sanction effectiveness. Reviews are conducted for significant loan amounts within three months of sanction or when information indicates credit quality deterioration.

Qualified and independent loan review officers

The Bank's loan review officers have sound technical knowledge in appraising credit facilities and lending practices in line with the Bank's loan policies. They have a proper understanding of laws and regulations associated with lending activities and assume responsibility for continued credit analysis and for effectively identifying any red flags.

Moreover, the bank has affirmed the independence of loan officers. To avoid any conflicts of interest, the management usually ensures that the officers involved in loan reviews are not engaged in the credit approval process and are not under undue influence by anyone associated with reviewing process of significant loans.

Loan reviews cover several critical factors of credit:

- 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

Upon completion, the review officers discuss reports to the BIRMC with branch managers and management suggesting measures to remediate deficiencies. If remedial measures are not applied swiftly and effectively, then the top management is informed of the developments.

Two-way risk rating model automated loan approval process

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.

Recovery measures

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.

Market risk

The Bank considers market risk as exposures that stem from changes in interest rates, equity prices, foreign exchange rates and credit spread. The Bank takes precautions and risk mitigation measures to control the effect of such changes to its income and value of financial instruments in line with acceptable parameters. By overseeing market risks and applying controls, the Bank also ensures solvency.

The Bank's assets subject to market risk includes non-trading portfolios such as cash and cash equivalents, placements with Banks, loans and advances at amortised costs, debt and other instruments at amortised cost and other assets.

Indicators	Threshold	2023	2022
Interest Sensitive Ratio (ISR)	40%	64.5%	54.4%
Fixed Deposits to Loan Ratio	100%	113.7%	102.9%
Interest cost to interest income (%)	70%	77.5%	67.4%
Borrowing to Total Assets	10%	5.5%	6.2%
Capital adequacy ratio	12.5%	39.03%	27.61%
Equity to total assets ratio	5%	12.2%	11.1%
Risk weighted assets ratio	30%	42.2%	38.5%

Interest rate risk

The Bank considers interest rate risk to be part of its overall market risk. Interest rate risk assumes the impact on net interest income through unexpected and unfavourable changes in interest rates. The Bank assesses the sensitivity of its financial assets and liabilities to changes in interest rates against various scenarios.

In 2022, due to the significant hike in policy interest rates, the interest rate on customer borrowings increased. The increase posed a threat to customers' ability for loan repayments. Moreover, the increase in deposit rates worked favourably in increasing the Bank's interest income through placements with Banks. Moreover, the high rates compelled the Bank's interest expenses to increase during the year, posing a challenging situation.

Liquidity risk

Liquidity risk entails Bank's inability to meet its short-term or immediate financial obligations without incurring unexpected losses. Liquidity risks occur when the Bank does not have sufficient funds or a combination of prudent funding sources to meet such obligations. By measuring several critical indicators, the Bank ensures that it operates within healthy liquidity levels and maintains compliance with relevant thresholds.

Liquidity risk management

The Bank constantly reviews and updates relevant liquidity-related policies through the risk department. The department analyses report on liquidity risks to ensure that developments are up-to-date. The Asset and liabilities committee (ALCO) and investment committees review report information to make informed decisions. Furthermore, the Bank monitors liquidity-related risks in line with BASEL III requirements for Liquidity risk ratios. The Bank monitors its liquidity ratios, assesses maturity mismatches and evaluates its assets and liabilities in addition to the extent to which assets are not available as collateral to obtain funding. The Bank conducted a maturity gap analysis during the year under review.

The Bank maintains a diversified funding base which comprises customer deposits, market deposits and contingency facilities. HDFC Bank also carries a highly liquid asset-based portfolio diverse in currency and maturity. The Bank also carries out stress testing of its liquidity position.

Liquidity ratios

There were several differences in the Bank's liquidity ratios over the previous year. The significant variation is in the liquidity coverage ratio. Monitoring liquidity ratios according to regulatory requirements enables the Bank to regularly assess its liquidity gaps.

The regulator sets liquidity coverage ratio (LCR) and promotes short-term liquidity resilience over 30 days; it reflects the amount of high-quality liquid assets the Bank can use to raise liquidity. It is measured against the total net cash outflows from both actual and contingent exposures based on a stressed scenario.

The Bank's LCR exceeded the regulatory minimum, ensuring that it possesses adequate sources of liquidity in meeting short-term obligations.

Indicators	Threshold	2023	2022
FD concentration ratio	30%	8.3%	7.3%
Investments to total assets	30%	35.2%	27.9%
Statutory liquid asset ratio	20%	41.2%	31.1%
Liquidity coverage ratio	100%	394.3%	334.4%
Net stable funding ratio	100%	143%	199%
Loans to deposits ratio	80%	81.7%	88.9%

Liquidity reserves

The Bank's liquid assets (cash and cash equivalents, short-term deposits and liquid debt securities) are stable and can be accessed to meet any immediate funding requirement.

Financial liabilities by remaining contractual maturities

The Bank's non-derivative financial liabilities are demonstrated below in terms of maturity.

	Less than 3 months	3-12 months	1-3 years	3-5 years	Above 5 years
Total non-derivative liabilities					
(Rs Mn)	23,433	19,013	5,593	7,218	2,387

Operational risks

Operational risks focus on exposure to internal and external adverse scenarios which related to human capital based exposures, information technology and infrastructure related risks and external risks such as legal and regulatory non-compliances.

The Bank focuses on several risks related to operations of its activities.

- People risk
- IT system risks
- Legal and compliance risks

People risk

The Bank considers people risks as exposures associated with human activities. The Bank has adopted several measures to buffer such risks.

Managing people risks

The Bank's human resource and remuneration committee provides necessary recommendations to ensure a strong team of employees and assesses gaps to attract and retain a competent team. The Bank continues to reinforce training programs to bridge gaps in knowledge and provides remuneration and benefits to encourage better performance. The Board of Directors provides guidance and supports actions to create a highly capable team of professionals.

- Proactive measures are taken to ensure a competent and committed workforce
- Qualified and experienced professionals in Banking and other functional areas
- Succession planning and management trainee program to ensure competent professionals lead the Bank through future management roles
- Training and development that addresses gaps in Banking, compliance, risk, product and other areas
- Adherence to the code of best practices and regulations to ensure employee compliance with regulations and internal policies in avoiding and minimising risk exposures
- Provide a positive work environment that ensures employee well-being (timely remunerations and benefits for financial growth)
- Programs to reward and recognise hard work to ensure employee contentment and professional growth
- Flexible work times to accommodate work-life balance
- Employee turnover remains low at 6.81%

The Bank's recruitment and succession policies help to sustain the bank's strategic direction and decision-making. The recruitment policy ensures the identification of people with the right fit for effective performance. The succession policy facilitates the identification of critical positions within the Bank and sets the tone for talent development in preparation for the leadership transitions. Further to these, the Bank maintains smooth relations with its union employees.

The Bank also reviews gaps in the cadre and takes necessary steps to fill vacancies (non-managerial and managerial) through internal and external recruitment procedures, as required.

Threat of turnover

Turnover carries some level of exposure to people risks due to sudden exits of employees in critical functions. During the year, the turnover rate increased to 6.81% when compared to the 4.98% reported in 2022.

	2019	2020	2021	2022	2023
Turnover	4.22%	2.49%	2.57%	4.98%	6.81%

Despite this percentage, the Bank has a relatively healthy level of employee retention. Nevertheless, the Bank adopts several measures to reduce possible turnover levels by taking into consideration employee concerns. The Bank provides flexible working hours to encourage work hours based on their needs. Moreover, employees are given equal opportunities in training and receive educational support through loans, membership reimbursements and honorariums for staff members. Employees receive career progression opportunities through promotions.

In reducing any risks from human capital, the Bank also maintains a proper whistle-blowing policy with Chief Internal Auditor nominated as an officer that received whistle-blower information.

Indicators	Threshold	2023	2022
Write off over NII %	10%	0.4%	1.9%
Credit Client Turnover	15%	15.3%	16.2%
Growth in balance sheet%	10%	8.4%	(0.1%)
Profit per head (Rs.)Mn	1%	2.58	0.61

IT risks

IT risks derive from several perspectives. With more financial technologies and digital solutions in use, exposure to cyber threats has increased. Such risks include loss of data, stealing of data for various purposes and unauthorised access to confidential information. Such risks can occur due to disruptions in hardware, including physical data servers. What ensues is a loss of confidence in the Bank and its reputation. On another facet, risks occur due to delays in adopting the latest and critical technologies, which thwarts the Bank from increasing its efficiencies and meeting competitive dynamics.

Another side of the delayed adoption of ICT infrastructure is the inability to accommodate sudden shifts in demands and the need for increased online transactions. With new digital solutions from competitors, the Bank faces the challenge of rapidly adopting digital technologies to ensure customer retention.

To manage IT risks, the Bank undertakes the following.

- Auditing of tech infrastructure in line with CBSL baseline security standards
- Integrating CBSL recommendations to enhance IT security
- Monthly internal IT reviews
- Remote secure connectivity
- Regular firewall upgrades and the latest security versions
- Periodic IT training on cyber security and the use of the Bank's systems

Cyber security

The Bank has adopted the Information Security Strategy (Baseline security standard) by CBSL in minimising security risks. The framework covers security governance, risk assessment and risk management by implementing controls and training employees, creating awareness of cyber security risks. The IT steering committee evaluates the progress of the IT department in adopting guidelines.

During the year, no risk events took place. The Bank also submitted risk-related reports to Sri Lanka Financial Sector Computer Security Incident Response Team (FinCSIRT) for 2023.

IT risk-related activities in 2023:

- Baseline Security Standard implementations are in progress
- In the process of developing a fully-functional Disaster Recovery system
- Conducted 03 online sessions and 10 e-mail-based awareness sessions
- Maintaining of security infrastructure to mitigate the threat landscape.

Legal and compliance risk

Legal risks involve exposures in the event of non-compliance to laws and regulations. Such violations could incur penalties, reputational risks and disruptions to the Bank's revenue. During the year, several risks posed concerns due to delays in court proceedings related to legal recovery action. The Bank did not incur any fees or penalties during the year from non-compliances.

Risk Outlook

The Bank's continued focus is on fulfilling internally generated capital target. However, the country's economic volatility will be a concern moving forward.

- Impact on liquidity, solvency and balance sheets of financial institutions due to government debt and new tax regime
- Exposures to increased credit risk through reducing income levels and inflationary pressure
- Higher non-performing loans due to macroeconomic disruptions and repayment capabilities of businesses and individuals
- Concerns with government securities due to debt restructuring and a possibly flattening yield curve
- High volatility of the market interest rates and commodity prices
- Negative economic growth forecast and failures of Small and medium entities
- Adverse macroeconomic landscape due to scarcity of the foreign exchange

Directors' Statement on Internal Control over Financial Reporting - 2023

HDFC Bank of Sri Lanka
Annual Report 2023

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 changes to 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 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.

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
 - Integrated Risk Management Committee
 - Nomination Committee
 - HR and Remuneration Committee
 - Related Party Transaction Committee
 - 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 cause 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 findings of the internal audit assignments. The Committee also reviews the scope and the adequacy of coverage of the approved audit plan and 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 161 to 162.
- In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounting and disclosures requirements of the Financial Statements of the Bank. These in turn were observed and checked by the Internal Audit Department for suitability 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.

Directors' Statement on Internal Control over Financial Reporting - 2023

HDFC Bank of Sri Lanka
Annual Report 2023

- 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.

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 2023 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 151 to 152 of this Annual Report.



U Dilmini Perera
Senior Executive
For: Chief Internal Auditor



Anura Hettiarachchi
Chief Financial Officer

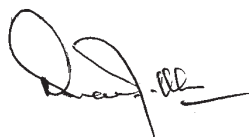


Nishaman Karunapala
General Manager / CEO

BY ORDER OF THE BOARD,



Senior Prof. A Jayamaha
Chairman Audit Committee



E.D.P. Soosaipillai
Chairman

Assurance Report of the Auditor General on Internal Controls

HDFC Bank of Sri Lanka
Annual Report 2023



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/ 01/C/HDFC/IC/23/32

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

28 May 2024

The Chairman
Housing Development Finance Corporation Bank of Sri Lanka

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 ("Statement") of Housing Development Finance Corporation Bank of Sri Lanka included in the annual report for the year ended 31 December 2023.

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. This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control. 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.

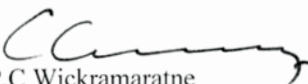
The procedures performed were limited primarily to inquiries of Bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require me to consider whether the statement covers all risk 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

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.


W.P.C Wickramaratne
Auditor General

Board Human Resources and Remuneration Committee

HDFC Bank of Sri Lanka
Annual Report 2023



Mr. P.A. Lionel

*Non - Executive, Independent Director
and Committee Chairman*

Composition & Meetings

The Human Resources and Remuneration Committee of the Housing Development Finance Corporation Bank (HDFC Bank) was formed in compliance with the Section 3 (6) of Direction No. 12 of 2007 (as amended), "Corporate Governance for Licensed Specialised Banks in Sri Lanka", issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No 30 of 1988. The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction and committee Charter.

The primary purpose of the Board Human Resources and Remuneration Committee (the "Committee") of HDFC Bank of Sri Lanka (the Bank) is to assist the Board of Directors (the Board), in determining development and oversight of remuneration, human resources strategy and policies

The members of the Human Resource and Remuneration Committee are appointed by the Board of Directors of the HDFC Bank. As at 31 December 2023, the Committee is comprised of the followings;

Name and Appointment Date	Directorship status	Membership Status
Mr.P.A. Lionel - Appointed to committee on 08.11.2021)	Non Executive, Independent	Chairman
Mr. D.M.M.M. Wijayarathne -(Appointed to committee on 17.05.2023)	Non Executive, Independent	Director
Dr. P.A. Krishantha - (Appointed to committee on 24.08.2022)	Non Executive, Independent	Director
Mr. B.K.P. Chandrakeerthi - (Appointed to committee on 17.05.2023)	Non Executive, Independent	Director

Brief profiles of the Directors are given on page 28 to 30.

Meetings of the Committee

The Committee met Six times (06) 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
	26/01 2023	19/06 2023	23/06 2023	25/07 2023	05/10 2023	24/11 2023		
Mr. P.A. Lionel	Attend	Attend	Attend	Attend	Attend	Attend	06	06
Dr. P.A. Krishantha	Attend	Attend	Attend	Attend	Attend	Attend	06	06
Mr. D.M.M.M. Wijayarathne (Appointed to Committee on 17.05.2023)	N/A	Attend	Attend	Attend	Attend	Attend	05	05
Senior Prof. A. Jayamaha (Reconstitution of Committee 17.05.2023)	Attend	N/A	N/A	N/A	N/A	N/A	01	01
Mr. B.K.P. Chandrakeerthi (Appointed to Committee on 17.05.2023)	N/A	Attend	Attend	Attend	Attend	Attend	5	5
Mrs. R.M.R.W. Manchanayake (Resigned from Board 27.02.2023)	Attend	N/A	N/A	N/A	N/A	N/A	1	1

Secretary to the Committee

Miss. D.M Vithasha Sedushi Wijesinghe -
Acting Company Secretary

The Human Resources and Remuneration Committee Charter

The role and the responsibilities of the Board Human Resource and Remuneration Committee are defined in this Charter based on the Rules governing the Board Human Resource and Remuneration Committee as specified by the Direction No. 12 of 2007 (Corporate Governance) for licensed Specialised Banks in Sri Lanka.

The Human Resources & Remuneration Committee functions in accordance within the agreed committee Charter 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 Charter shall be reviewed and updated by the Committee on a periodic basis (once every two years).

Regular Attendees by Invitation

The General Manager/ CEO is responsible for the overall management of the Bank, and GM/CEO shall be present at all meetings of the committee, except when matters relating to the CEO are being discussed.

Duties and Responsibilities

As per directions issued to Licensed Specialized Bank by the Central Bank of Sri Lanka.

- (i) The Committee shall;
 - (a) Determine the Remuneration Policy (Salaries, Allowances and Other Financial Payments) relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel of the Bank.
 - (b) The Committee shall set goals and targets for the Directors, CEO and the Key Management Personnel.
 - (c) The Committee shall evaluate the performance of the 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.
 - (d) Change of Designation/Titles, and creating new designation or title (not in the approved cadre/ Organizational structure of the Bank) .
 - (e) Bank sponsored foreign training and attending to overseas seminars by the staff members of the Bank.
 - (f) Service extension appeals.
 - (g) To take decisions/ or determine appeals on disciplinary matters (if required under the Bank's disciplinary code)
 - (h) Any appeals on grievances of employees.
 - (i) All employee related matters beyond the Management Authority level (except the specific matters vested under the Board's Authority).
 - (j) To adopt a suitable Terms of Reference for the Committee and to review / revise the same.

- (ii) 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 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) To make recommendations to the Board pertaining to the decisions / appeals on disciplinary matters (if required under the Bank's disciplinary code).
- (g) All employee related matters which are beyond the management and HR committee authority levels.

Summary of Activities in 2023

The Committee during the period under review took necessary measures to carry out the relevant responsibilities assigned to them and accordingly successful in recommending several important policies related to the staff.

The Committee recommended the mandate of Key Management position (GM/CEO, Risk Officer, Chief Manager –IS and Compliance Officer).

The Committee recommended the Human Resource and Remunerating Committee Charter

The Committee was further called upon to consider the qualifications, experience and suitability of several persons to fill some 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.

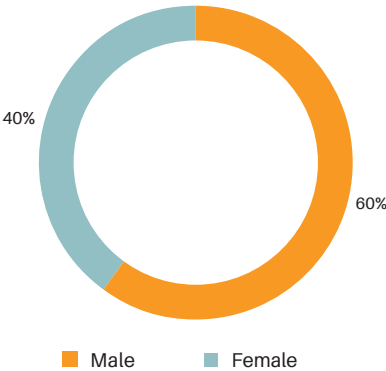
The Committee instructed to review and revise of the main policy documents to suit the industry and employees of the Bank for the year 2024.

Employment Report

The table below reflects the employment report of the Bank as at 31st December 2023

Category	Total as at 31st December 2023	
	Male	Female
Corporate Management	05	05
Chief/Senior Managers	05	12
Regional Managers	04	0
Executive Staff	110	138
Non-Executive Staff	186	50
Total	310	205

Employee by Gender

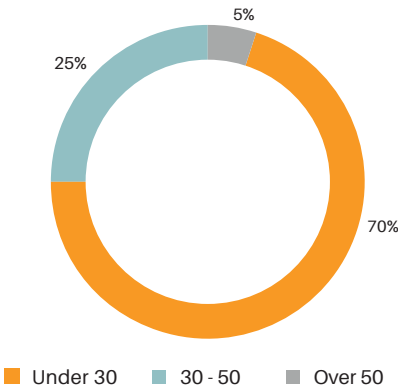


(women make up 40% and men make up 60% of our workforce.)

Age Analysis as at 31st December 2023

Age	Number of employees in service
Under 30	25
30 - 50	365
Over 50	125
Total	515

Diversity- Age



Conclusion

The Bank will continue to focus on introducing new HR strategies and strengthening HR Policies.

P.A. Lionel
Chairman
Human Resources & Remuneration Committee
29th May 2024



Mr. P.M.K. Hettiarachchi
Nonexecutive, Independent Director
and Committee Chairman

The Nominations Committee of the Housing Development Finance Corporation Bank (HDFC Bank) was formed in compliance with the Section 3 (6) of Direction No. 12 of 2007 (as amended), "Corporate Governance for Licensed Specialised Banks in Sri Lanka", issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No 30 of 1988. The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction and Terms of Reference.

Composition & Meetings

The Nomination Committee was appointed by the Board of Directors of the HDFC Bank. As at 31st December 2023, The composition of the Nomination Committee is as follows:

Name and Appointment Date	Directorship status	Membership Status
Mr.P.M.K. Hettiarachchi - Appointed to Committee on 28.04.2022)	Non Executive ,Independent	Chairman
Mr. W.M. Ananda - Appointed to Committee on 24.02.2021)	Non Executive ,Independent	Director
Mr. D.M.M.M. Wijayarathne Appointed to Committee on 08.06.2023)	Non Executive ,Independent	Director
Mr. R.Sooriyaarachchi -Appointed to Committee on 24.08.2022)	Non Executive, Non Independent	Director

Brief profiles of the Committee Members are given on page 28 to 30.

Meetings of the Committee

The Following Directors serve/ served on the Nomination Committee. The Committee met Four times (04) 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
	25/01/2023	07/03/2023	05/06/2023	13/10/2023		
Mr. P.M.K. Hettiarachchi	Attend	Attend	Attend	Attend	04	04
Mr. W.M. Ananda	Attend	Attend	Attend	Attend	04	04
Mr. R. Sooriyaarachchi	Excused	Attend	Attend	Excused	04	02
Mr. D.M.M.M. Wijayarathne (Appointed to committee on 08.06.2023)	N/A	N/A	N/A	Attend	01	01
Mrs. R.M.R.W. Manchanayake Resigned from Board 27.02.2023)	Attend	N/A	N/A	N/A	01	01

Secretary to the Committee

Miss. D.M Vithasha Sedushi Wijesinghe -
Acting Company Secretary

The Nomination Committee Charter

The purpose of this Charter is to formalize and codify the procedures, practices and policies of the Board Nomination Committee (the "Committee") of HDFC Bank (the Bank) and to set out the constitution, authority, responsibilities and manner of operation of the Committee. The terms of reference outlined below are defined by the Board and may be amended by the Board from time to time.

The roles and the responsibilities of the Board Nomination Committee are defined in this Charter based on the Rules governing the Board Nomination Committee as specified by the Direction No. 12 of 2007 (Corporate Governance) for licensed Specialised Banks in Sri Lanka.

The Charter shall be reviewed and updated by the Committee on a periodic basis (once every two years)

Committee Responsibilities

The Nomination Committee is mainly responsible for formulating relevant policies for Directors and Key Management Members and responsible for the following;

General Governance Matters

1. Exercise general oversight with respect to the corporate governance by the Board of Directors;
2. Review and recommend to the Board for approval:
 - a. The Bank's approach to corporate governance, including practices, principles, guidelines and related policies and monitor compliance and report exceptions to the Board;
 - b. significant corporate policy addressing communication, disclosure and confidentiality of corporate or material information and monitor compliance and report exceptions to the Board; and
 - c. 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.
3. Regularly review the Board Charter and recommend to the Board for approval any required revisions.
4. Review communication and disclosure of the Bank's corporate governance practices and compliance with governance guidelines and any applicable laws and regulations.

Orientation and Continuing Education

1. 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.
2. 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).

Nomination of Directors:

1. 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; and
 - ii. assess what competencies and skills each existing director possesses.
2. In consultation with the Board and the GM/CEO and, 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.
 3. 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.
 4. Propose the maximum number of listed Bank Board representations which any Director may hold, and disclose this in the Bank's annual report;
 5. The Committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities.
 6. The Committee shall ensure that Directors are fit and proper persons to hold office as specified in the criteria give in Corporate Governance Direction 3(3) and as set out in the Statues.

Nomination of General Manager/CEO and Key Management Personnel

1. The Committee shall implement a procedure to select / appoint new General Manager/ Chief Executive Officer (GM/ CEO) and Key Management Personnel.

2. 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.
3. The Committee shall ensure that CEO and Key Management Personnel are fit and proper persons to hold office as specified in the criteria give in Direction 3(3) and as set out in the Statues.
4. 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.
5. 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 Nomination Committee, as given above.

Summary of Activities in 2023

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.

The Committee conveys its appreciation to Mrs. R.M.R.W. Manchanayake and Mr. L.E. Susantha Silva for their valuable contribution until their resignation in the year 2023.



P.M.K. Hettiarachchi
Chairman
Nomination Committee
31st May 2024

Board Related Party Transaction Review Committee

HDFC Bank of Sri Lanka
Annual Report 2023



Mr. W. M. Ananda

*Non executive Independent Director
and Committee Chairman*

Composition & Meetings

The Committee should comprise a combination of non-executive directors and independent non-executive directors. One independent non-executive director shall be appointed as Chairman of the Committee. Criterion for defining 'independence' is the same criteria as set out in Rule 7.10.4 of the Listing Rules. (CSE Listing Rule – 9.2.2)

The Related Party Transaction Committee is appointed by the Board of Directors of the HDFC Bank. As at 31st December 2023 the Committee comprised of the following;

Name and Appointment Date	Directorship status	Membership Status
Mr.W.M. Ananda -(Appointed to committee on 24.02.2021)	Non Executive ,Independent	Chairman
Senior Prof. A. Jayamaha - (Appointed to committee on 16.12.2020)	Non Executive ,Independent	Director
Dr.P.A.Krishantha -(Appointed to committee on 17.05.2023)	Non Executive ,Independent	Director
Mr.R.Sooriyaarachchi - (Appointed to committee on 30.06.2022)	Non Executive ,Non Independent	Director

Brief profiles of the Directors are given on page 28 to 30.

Invitees - General Manager/CEO and Compliance Officer

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
	28/02/2023	15/06/2023	24/08/2023	13/10/2023		
Mr. W.M. Ananda	Attend	Attend	Attend	Attend	04	04
Senior Prof. A. Jayamaha	Excused	Attend	Excused	Attend	04	02
Mr. R. Sooriyaarachchi	Attend	Attend	Attend	Attend	04	04
Dr. P.A. Krishantha Appointed to Committee on 08.06.2023	N/A	Excused	Attend	Attend	03	02

Secretary to the Committee

Miss. D.M Vithasha Sedushi Wijesinghe - Acting Company Secretary

The Related Party Transactions Review Committee is responsible for monitoring related party transactions as stipulated by the regulators of the Bank (such as Securities and Exchange Commission, (SEC), Colombo Stock Exchange (CSE), and Central Bank (CBSL) from time to time).

The Board of Directors of the Bank constituted a Related Party Transactions Review Committee with effect from June 2014 further to the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (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 primary objective of the Committee is to assess and consider all transactions with related parties of the Bank in line with the Listing Rules on Related Party Transactions of the CSE, in order to ensure that related parties are treated on par with other shareholders and constituents of the Bank.

Committee Charter of Related Party Transactions

The Charter shall be reviewed and updated by the Committee on a periodic basis (once every two years) as it deems appropriate for the Board to approve. Such review shall be in line with any regulations that may have an impact on the discharge of the Committee's responsibilities.

For purposes of ensuring transparency and fairness for all stakeholders, the Related Party Transactions Committee (the "Committee") is constituted by the Board of Directors (the "Board") to review proposed related party transactions for the purpose of determining whether or not the transaction is on terms more favorable than terms available to any unconnected third party under the same or similar circumstances.

Regular Attendees by Invitation

The General Manager/ CEO is responsible for the overall management of the Bank, and GM/CEO shall be present at all meetings of the committee, except when matters relating to the CEO are being discussed.

Duties And Responsibilities

1. The Committee shall review 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 Bank, 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 should ensure 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 shall 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 shall 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 shall 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 shall 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 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 shall review disclosures presented by the management in any financial statements and published by the Bank, as required by the Listing rules, the Companies Act and any other regulations.
9. The Committee shall 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



W.M. Ananda
Chairman
Related Part Transaction Review Committee
29th May 2024

Board Audit Committee Report

HDFC Bank of Sri Lanka
Annual Report 2023



Senior Prof. A. Jayamaha

*Non Executive, Independent Director
and Committee Chairman*

Audit Committee presents this report for the financial year ended 31 December 2023 to comply with the "Listing Rules" of Colombo Stock Exchange and the Corporate Governance Directions of the Central Bank of Sri Lanka and also to comply with the "Code of Best Practices on Corporate Governance" issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

The Committee comprises Three (03) Non-Executive Independent Directors and One Non Executive Non Independent Director as of the end of the year.

Audit Committee Meetings

Twelve (12) meetings were held during the financial year ended 31 December 2023 and attendance of Committee members at meetings is given in the Corporate Governance section of the Annual Report. The Chief Internal Auditor and Chief Finance Officer attended meetings by invitation. The Chief Internal Auditor functioned as the Secretary to the Committee until 01.06.2023 after that Board Secretary functioned as the Secretary to the Committee. The General Manager / Chief Executive Officer and Other officials were invited to attend meetings on a need basis.

Name and Appointment Date	Directorship status	Membership Status
Senior Prof. A. Jayamaha (Appointed to committee on 31.08.2020)	Non Executive ,Independent	Chairman
Mr. P.A. Lionel (Appointed to committee on 08.11.2021)	Non Executive ,Independent	Director
Mr. P.M.K. Hettiarachchi (Appointed to committee on 28.04.2022)	Non Executive ,Independent	Director
Mr. R. Sooriyaarachchi Appointed to committee on 17.05.2023)	Non Executive ,Non Independent	Director

Name of the Committee Member	Meeting Dates and participation												Eligible to Attend	Attend
	10 /02 /2023	11/05 /2023	01 /06 /2023	23 /06 /2023	20 /07 /2023	11 /08 /2023	22 /08 /2023	19 /09 /2023	23 /10 /2023	30 /10 /2023	21 /11 /2023	08 /12 /2023		
Senior Prof. A. Jayamaha	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	12	12
Mr. P.A. Lionel	Attend	Attend	Attend	Excused	Attend	Attend	Attend	Attend	Excused	Attend	Attend	Attend	12	10
Mr. P.M.K. Hettiarachchi	Excused	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	12	11
Mr. R. Sooriyaarachchi	-	-	Excused	Attend	Attend	Attend	Attend	Excused	Attend	Attend	Attend	Excused	10	07
Mr. P. Chandrakeerthi	Excused	Attend	-	-	-	-	-	-	-	-	-	-	02	01
Reconstitution of Committee 17.05.2023														
Mr. L.E. S. Silva Resigned on Board 20.02.2023	Attend	-	-	-	-	-	-	-	-	-	-	-	01	01

A representative of the National Audit Office (the External Auditor of the Bank) attends Board Audit Committee (BAC) meetings on invitation of the BAC.

Summary of Activities Performed During the Year

The Committee engaged with the following key activities during the year under review.

Financial Reporting

The Committee ensured the integrity of the Financial Statements, including the Annual, 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.

Internal Controls, Risk Management Systems and Compliance Requirements.

The Bank's internal controls and risk management systems were kept under review by the Committee ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards and to identify and manage all 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 Committee reviewed the adequacy of the scope, functions and resources of the Internal Audit Division in the context of the Bank's overall risk management. The committee ensured that the internal audit function is independent of the activities it audits. The Committee reviewed, assessed and approved the internal audit plan. Appraisal of the Head of Internal Audit was reviewed to comply with the statutory requirements.

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, 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.



Senior Prof. A. Jayamaha

Chairman

Board Audit Committee

29th May 2024

Board Integrated Risk Management Committee Report

HDFC Bank of Sri Lanka
Annual Report 2023



Mr. P.A. Lionel

*Non-executive, Independent Director
and Chairman of Committee*

Secretary to the Committee

Miss. D.M Vithasha Sedushi Wijesinghe -
Acting Company Secretary

The Integrated Risk Management Committee Charter

The role and the responsibilities of the Board Integrated Risk Management Committee are defined in this Charter based on the Rules governing the Board Integrated Risk Management Committee as specified by the Direction No. 12 of 2007 (Corporate Governance) for licensed Specialised Banks in Sri Lanka.

The Charter shall be reviewed and updated by the Committee on a periodic basis (once every two years).

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 five Non-Executive, Independent Directors including the Chairman of the Committee. As at 31 December 2023 the Committee comprised the following;

Name and Appointment Date	Directorship status	Membership Status
Mr.P.A. Lionel (Appointed to committee on 24.08.2022)	Non Executive, Independent	Chairman
Senior Prof. A. Jayamaha (Appointed to committee on 31.08.2020)	Non Executive, Independent	Director
Mr. P.M.K. Hettiarachchi (Appointed to committee on 24.08.2022)	Non Executive, Independent	Director
Mr. D.M.M.M. Wijayarathne Appointed to committee on 17.05.2023)	Non Executive, Independent	Director
Dr. P.A. Krishantha (Appointed to committee on 24.08.2022)	Non Executive, Independent	Director

Brief profiles of the Directors are given on page 28 to 30.

Meetings of the Committee

The Committee met eleven times (11) 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	Attend
	14 /02 /2023	20/04 /2023	31 /05 /2023	15 /06 /2023	26 /06 /2023	14 /07 /2023	15 /08 /2023	14 /09 /2023	24 /01 /2023	17 /11 /2023	05 /12 /2023		
Mr.P.A. Lionel	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	11	11
Senior Prof. A. Jayamaha	Attend	Attend	Excused	Attend	Attend	Excused	Excused	Attend	Attend	Attend	Excused	11	07
Mr. P.M.K. Hettiarachchi	Excused	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Attend	Excused	Attend	11	09
Dr. P.A. Krishantha	Attend	Excused	Attend	Attend	Attend	Attend	Excused	Attend	Attend	Attend	Attend	11	09
Mr. D.M.M.M. Wijayarathne (Appointed to committee on 17.05.2023)	N/A	N/A	Attend	Attend	Attend	Attend	Attend	Attend	Excused	Excused	Attend	09	07

The Responsibilities of the Board Integrated Risk Management 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.

- 1 Assess all risks areas relating to the Bank including but not limited to credit risk, market risk, liquidity risk, operational risk, Information technology risk, strategic risk reputational risk, compliance risk, fiduciary and regulatory risk through appropriate risk indicators and management information.
- 2 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.
- 3 The BIRMC should review the Bank's risk policies including the RAS, at least annually.
- 4 The management of the Bank is responsible for independently identifying relevant risks and notifying the BIRMC who will in turn make decisions on behalf of the Board within the framework of the authority and responsibility assigned by the Board.
- 5 Review the adequacy and effectiveness of all management level committees such as Assets and Liability committee, Credit Committee, IT Steering committees etc.
- 6 Assess all aspects of risk management including business continuity plans and disaster recovery plans at least annually. Implementation should be assessed at least quarterly.
- 7 The Board should be briefed on matters discussed at the BIRMC at the upcoming board meeting seeking the Board's views, concurrence and specific directions. The minutes of the meetings should be tabled at the board meeting subsequent to the BIRMC meeting.
- 8 The BIRMC 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.
- 9 The Committee should challenge, probe and then make judgments on issues that fall within the purview of the Committee.
- 10 The BIRMC shall establish an independent compliance function to assess the Bank's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.
- 11 A Chief Risk officer will be appointed designated as a key responsible person and shall carry out the risk functions and report to the BIRMC periodically.
- 12 A dedicated compliance officer designated as a key responsible person shall carry out the compliance function and report to the committee periodically.
- 13 A Chief Information Security Officer will be appointed designated as a key responsible person and shall be

responsible to the BIRMC for the Bank's IT and IS security and report to the BIRMC periodically.

- 14 The BIRMC should annually assess the performance of the Compliance Officer, the Chief Risk Officer and the Chief Information Security Officer.
- 15 The BIRMC shall ensure that the CRO develops and implements the Board approved integrated risk management framework of the Bank.
- 16 The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views and specific directions.
- 17 The BIRMC shall review and recommend to the Board for approval the Bank's ICAAP submission to the CBSL

Activities in 2023 Integrated Risk Management

- 1 Review of the turbulently changing market and recommended right strategies to minimize the key risks faced by the bank in year 2023
- 2 Review of Risk Management policies -year 2023
- 3 Review of management Committees
- 4 The Committee approved the BIRMC Charter
- 5 The Committee approved the Risk Appetite Framework
- 6 Comprehensive refinements were made to the existing Internal Capital Adequacy Assessment Process (ICAAP) of the Bank.
- 7 The Committee recommended revised Terms of reference Credit Committee
- 8 The Committee recommended the Amendments to the Investment Policy
- 9 The Committee recommended the Mandate of Key Management Position
- 10 The Committee recommended the Baseline Credit Standard
- 11 The Committee recommended the Gold Loan Manual

Summary of BIRMC

The BIRMC 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. Decisions are made in compliance with the Bank's internal risk policy guidelines and regulatory supervisory requirements.

The Committee confirms that, there are no serious lapses on regulatory or supervisory concerns or any lapses in the Bank's risk management or non-compliance with the CBSL directions, which have been pointed out by the Director of Bank supervision and the Monetary Board / Governing Board that should be disclosed to the public, together with the measures taken by the Bank to address such concerns.



P.A. Lionel
Chairman of the Committee
Board Integrated Risk Management Committee
29th May 2024



Mr. P. M. K. Hettiarachchi

*Non-Executive, Independent Director
and Committee Chairman*

The Board Cost Rationalization Committee is a sub-committee of the Board of Directors of the HDFC Bank of Sri Lanka and will be in operation at the minimum during the year 2023 and 2024 as required by the Banking Act Direction 01 of 2023. The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction and Terms of Reference.

Composition & Meetings

The Board Cost Rationalization Committee was appointed by the Board of Directors of the HDFC Bank as at 31st December 2023. The Member of the Board Cost Rationalization Committee are as follows:

Name and Appointment Date	Directorship status	Membership Status
Mr. P. M. K. Hettiarachchi -(Appointed to committee on 17.05.2023)	Non-Executive, Independent	Chairman
Mr. P. A. Lionel -(Appointed to committee on 17.05.2023)	Non-Executive, Independent	Director
Mr. R. Sooriyaarachchi -(Appointed to committee on 17.05.2023)	Non-Executive, Non Independent	Director
Dr. P. A. Krishantha -(Appointed to committee on 17.05.2023)	Non-Executive, Independent	Director
Mr. B. K. P. Chandrakeerthi -(Appointed to committee on 17.05.2023)	Non-Executive, Independent	Director

Brief profiles of the Committee Members are given on page 28 to 30.

Invitees

General Manager/CEO and Chief Financial Officer

Secretary to the Committee

Miss. D.M Vithasha Sedushi Wijesinghe - Acting Company Secretary

The Committee Charter

The role and the responsibilities of the Board Cost Rationalization Committee are defined in this Charter based on the Rules governing the Board Cost Rationalization Committee as specified by the Banking Act Direction 01 of 2023 for licensed Specialised Banks in Sri Lanka.

The Charter shall be reviewed and updated by the Committee on a periodic basis (once every two years)

Meetings of the Committee

The Following Directors serve/ served on the Cost Rationalization Committee and the Committee met two times (02) during the year. The attendance by the members at the meetings is given in the table below.

Name of the Committee Member	Meeting Dates and participation		Eligible to Attend	Attend
	23/08/2023	15/11/2023		
Mr. P.M.K. Hettiarachchi	Attend	Attend	02	02
Mr. P.A. Lionel	Attend	Attend	02	02
Mr. R. Sooriyaarachchi	Attend	Attend	02	02
Dr. P.A. Krishantha	Attend	Attend	02	02
Mr. B.K.P. Chandrakeerthi	Excused	Attend	02	01

Duties and Responsibilities

The Cost Rationalization Committee is mainly responsible to adhere to the Banking Act Direction No. 01 of 2023 on Restrictions on Discretionary Payments of Licensed Banks. And to PED Circular No. 04/2022 on Expenditure Management and Business Sustainability of Commercial Corporations Statutory Boards and Government Owned Companies. Their responsible are as following;

- Review capital expenditure incurred during the year against the approved budget and report on the variances.
 - Review all projects, capital expenditure proposals in excess of Rs 5,000,000/- with a view to ensuring optimum return on investment.
 - Review proposals for appointment of professional advisors and fees exceeding Rs. 1,000,000/-.

- 2 Review the detailed costing of project over Rs. 5,000,000/- undertaken by the Bank and submit recommendations concerning issues relating to cost monitoring of the project to the Board of Directors.
 - 3 Review any new contract over Rs. 5,000,000/- (or series of contracts), or any amendment to an existing contract involving payments by the Bank, except as provided in the Annual Budget or Business Plan of the Bank approved by the Board of Directors;
 - 4 The Committee should challenge, probe and then make judgments on issues that fall within the purview of the Committee.
 - 5 The Committee shall have free and unfettered access to all personnel and other parties (internal and external), including the external auditor through the Board Audit Committee, as required by the Committee to carry out its duties.
- Reviewed the existing budgeting process and instructed to prepare the branch level disaggregated budget which is required to conduct a proper monitoring and evaluation mechanism for addressing the budget deviations. It was further guided to arrange a series of regional level workshops for Branch level staff on preparation and maintaining the branch budget.
 - Due to the significant tariff hikes of the electricity, the energy cost of the bank has been drastically increased and instructed to the management to do the cost benefit analysis for shifting to rooftop solar power generation units as an alternative solution for this growing issue. The Committee was of the view that the converting process to be commenced in the premises owned by the Bank and extending it for other premises if legally permitted.

Committee Members may seek independent professional advice where they consider it necessary to carry out their duties and responsibilities. Any costs incurred as a result will be borne by the Bank, subject to the estimated costs being approved by the Chair of the Board, in advance, as being reasonable and necessary



P.M.K. Hettiarachchi
Chairman
Cost Rationalization Committee
31st May 2024

Summary of the Activities in 2023

In 2023, the banking industry encountered formidable challengers due to the prevailed tough economic environment. The Economic contraction leading to decline the business portfolio while increasing the operational cost due to the inflationary economic situation backed by the significant tax hikes, fuel cost, high interest rates etc. In this scenario, the cost rationalization plays a vital role to make the value for money of the institution and the committee considered and reviewed and /or recommended the followings.

- Reviewed the existing office lay out of the Head Office and conducted an analysis to assess the real requirement of space needed for the employees for their workstation as per the standards to rationalize the usage of space and instructed to do the same for the branch network to rationalize the submit the report on this regard.
- Instructed to prepare a cost benefit analysis on unutilized vested properties to explore the possibility to manage this assets for short-term income generation or cost reduction activities.

The Board of Directors of HDFC Bank, with great pleasure, presenting the Annual Report 2023 to the shareholders, together with the audited financial statements for Financial Year 2023 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 was 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 2023 (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 (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 en-gage in business activities as provided in the schedule (iv) of the Banking Act. 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 6 of the Annual report.
- The Chairman's Message (pages 18 to 20) and GM/CEO's review pages 21 to 25 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 2023 and operational results are given in In-come Statement from page 184 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.

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 2023 forms an integral part of the Annual Report of the Board of Directors.

Financial Statements of the Bank are given on pages 184 to 237 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 188 to 194 of the Annual Report. The impact of changes in equity is given on page 186 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 177 to 183 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 2023 was LKR. 14,478 Mn. An analysis of the income is given in Notes 1 to 2 and 5 to 7 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 2023 was LKR. 2,800 Mn. and the profit after tax for the year ended 31st December 2023 was LKR. 1,376 Mn.

For the year ended 31st December	2022 Rs. Mn.	2023 Rs. Mn.
VAT, & SSCL on financial services	309	646
Provision for taxation	(23)	777
Profit on ordinary activities after tax	326	1,376
Retained profit /(accumulated losses) b/f	4,730	5,008
Profit available for appropriation	326	1,376
Appropriation First & Final Dividend proposed	-	-
Transfer to Reserve Funds	49	206
Retained Profit carried forward	5,008	6,178

11. Reserves

- The total Reserves as at 31st December 2023, is LKR. 7,166 Mn. The details are given in the statement of Financial Position, on notes 34 to 36 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 2023 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 page 198 of this Annual Report.

14. Dividend

- In considering the regulatory requirement of the Bank to increase the minimum capital up to Rupees 7.5 billion, dividends will not be paid for the financial year 2023.

15. Property, Plant And Equipment, Freehold Property

- Capital expenditure on property, plant and equipment amounts to LKR. 324 Mn., the details of which are given in Note 19 & 20 of the Financial Statements on pages 204 to 206

16. MARKET VALUE OF FREEHOLD PROPERTIES

- Details of the market value of freehold properties are given on Note 19.2 & 22 of the Financial Statements on page 205 to 208

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 2023 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 240 to 242 of this 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 26 to 30 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.	Mr. E.D.P. Soosaipillai	12/04/2023	-	-
02.	Mr. B.K.P. Chandrakeerthi	12/04/2023	-	-
	Mr. R.M.R.W. Manchanayake	-	27/02/2023	-
03.	Mr. L.E. Susantha Silva	-	20/02/2023	-

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 membership, duties, responsibilities and performance of the above Sub Committees are given on pages 153 to 166 of the Annual Report.

23. Directors Meetings

- Please refer the section on Board and Board Sub Committee attendance at meetings, on pages 153 to 166.

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 page 174 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 234 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:

	31/12/2023	01/01/2023
Mr. E.D.P. Soosaipillai	Nil	Nil
Senior Prof. A. Jayamaha	1,000	1000
Mr. W. M. Ananda	Nil	Nil
Mr. P. A. Lionel	2,000	2000
Mr. D. M. M. M. Wijayarathna	Nil	Nil
Mr. P.M.K.Hettiarachchi	Nil	Nil
Dr. P.A. Krishantha	1000	1000
Mr. R. Sooriyaarachchi	Nil	Nil
Mr. B.K.P. Chandrakeerthi	Nil	Nil
Total	4,000	4,000

27. Directors' Interests In Debentures

- Individual debenture holding of Directors were as follows:

As at December 31, 2023	2023	
	No. of Debentures	Value (Rs.)
Mr. E.D.P. Soosaipillai	Nil	Nil
Senior Prof. A. Jayamaha	Nil	Nil
Mr. W. M. Ananda	Nil	Nil
Mr. P. A. Lionel	Nil	Nil
Mr. D. M. M. M. Wijayarathna	Nil	Nil
Mr. P.M.K. Hettiarachchi	Nil	Nil
Dr. P.A. Krishantha	Nil	Nil
Mr. R. Sooriyaarachchi	Nil	Nil
Mr. B.K.P. Chandrakeerthi	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 CBSL on Related Party Transactions. Details of significant related party transactions are given in page 234 of the Annual Report;

29. Directors' Remuneration

- Directors' remuneration, for the financial year ended 31st December 2023 is given on Note 11 to the financial statement on page 197.

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 Integrated Risk Management Committee (IRMC) and the Board took relevant initiatives pertinent to the area of Risk Management. Please refer Risk Assessment Report on pages 138 to 148.
- Further, during the period under review, the Board Audit Committee (BAC) reviewed the internal control process on a regular basis. Both the IRMC and BAC and directly submit committee minutes to the Board.

- Please refer the Board Audit Committee Report on pages 161 to 162 and Independent Auditors Report on pages 151 to 152 on Internal Controls.

32. Corporate Governance

- Please refer Corporate Governance report given on pages 90 to 137 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 IRMC. 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 (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. 3.6 Mn for the year ended 31st of December, 2023 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 161 to 162 of this Annual Report.

37. Notice Of Meeting

The Thirty Ninth (39th) Annual General Meeting of the Housing Development Finance Corporation Bank of Sri Lanka ("HDFC Bank") will be held on Friday, Twenty-Eighth (28th) day of June 2024 at 10.00 a. m. at the Sri Lanka Foundation (Auditorium New Wing), No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo-07 at 10.00 a.m. The Notice of the Meeting given on page 246 of the Annual Report.

Signed in accordance with a resolution of the Board of Directors

For and on behalf of the board,



D. M. Vithasha S. Wijesinghe

Company Secretary (Acting)

29th May 2024

The Annual Financial Statements of the HDFC Bank of Sri Lanka (Bank) as at 31 December 2023 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 comply 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 2023. 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 Bank 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 177 to 183 of this annual report. The audit and the non-audit services provided by the Auditor General are approved 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 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 37 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.

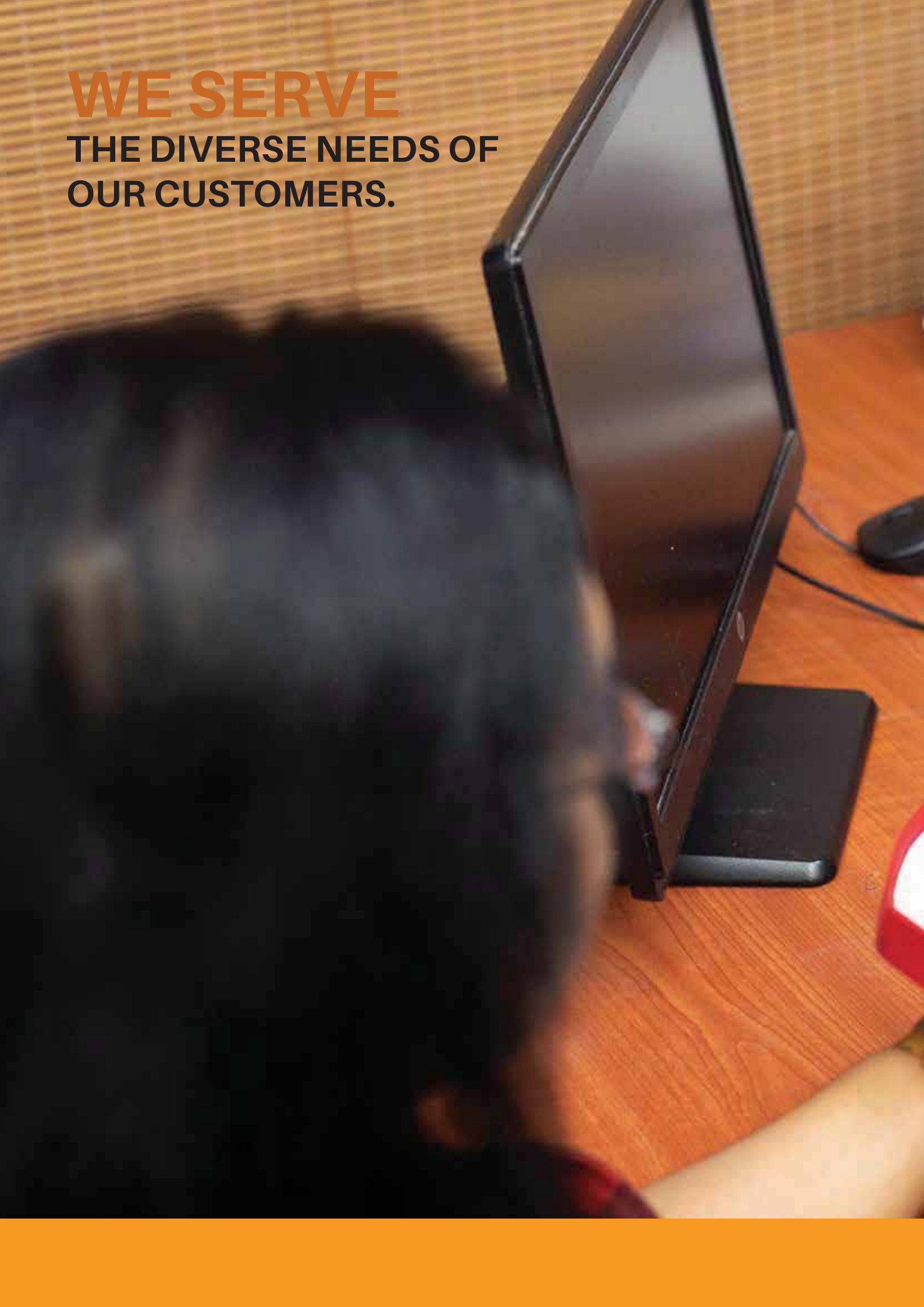


Anura Hettiarachchi
Chief Financial Officer



Nishaman Karunapala
CEO/General Manager

WE SERVE
THE DIVERSE NEEDS OF
OUR CUSTOMERS.





GOLD LOANS

Statement of Directors' Responsibilities for Financial Reporting

HDFC Bank
Annual Report 2023

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, 2023; and
- financial performance of the Bank for the financial year 2023.

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 pages 149 to 150 of the Annual Report under "Directors' Statement on Internal Control" and "Assurance report of the Auditor General on Internal Control" is given on pages 151 to 152.

The Financial Statements for the year 2023, 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 wishes to confirm that the Bank has undertaken to satisfy the requirements in the year 2023 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.

The Bank has also 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 honored their utmost responsibilities as set out in this statement.

By order of the Board



D.M. Vithasha S. Wijesinghe
Company Secretary (Acting)
29th May 2024
Colombo

Independent Assurance Report to the Board of Directors of HDFC Bank of Sri Lanka on the Integrated Annual Report - 2023

HDFC Bank
Annual Report 2023



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: eysl@lk.ey.com
ey.com

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 it's 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 2023 (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's 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 4 March 2024. 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.

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.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga 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 ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

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 Shakthivel 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 - 2023

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.

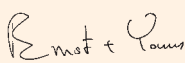
Emphasis of matter

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 2023, in order for it to be in accordance with the Criteria.



Colombo
30th May 2024



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/01/C/HDFC/1/23/30

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

22-May 2024

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 2023 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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of profit or loss, 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 2023, 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.

නො. 306/72, පොල්දොර පාර, පොල්දොර, කොළඹ 03.



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இல. 306/72, பாலேதொர் வீதி, பத்தரமுல்லம், இலங்கை.



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No. 306/72, Paldowa Road, Battaramulla, Sri Lanka.



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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>Impairment for Expected Credit Losses of Financial Assets measured at amortised cost</p> <p>Impairment for expected credit losses of financial assets measured at amortised cost comprising of both loans and advances and debt and other instruments as stated in Note 17 and 18, respectively, is determined by management based on the accounting policies described in Note 3.B and 3.C.</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 estimation uncertainty associated in estimating management expectation of future 	<p>In addressing the adequacy of the Impairment for expected credit losses of Financial Assets measured at amortised cost, my audit procedures included the following key procedures.</p> <ul style="list-style-type: none"> Assessed the alignment of the Bank's Impairment for expected credit losses computations and underlying methodology including responses to the debt restructuring exercise and current economic conditions with 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 allowances for expected credit losses, policies and procedures by the Board and management. Checked 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.



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நாடுவிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

Key audit matter	How my audit addressed the key audit matter
<p>cash flows to recover such financial assets; and</p> <ul style="list-style-type: none"> The materiality of the reported amount of Impairment of expected credit losses and use of complex calculations in its determination. <p>Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses for financial assets measured at amortised cost included: assumed future occurrence of events and conditions relating to the ongoing foreign currency debt restructuring exercise, forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.</p>	<ul style="list-style-type: none"> Evaluated the reasonableness of credit quality assessments and related stage classifications. <p>In addition to the above, 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"> Checked the arithmetical accuracy of the underlying individual impairment calculations. Evaluated the reasonableness of key inputs used in the allowance for expected credit losses made with particular focus on current economic volatility. 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 financial assets assessed on a collective basis for impairment: <ul style="list-style-type: none"> Tested the key inputs and the calculations used in the allowance 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 of those scenarios. I assessed the adequacy of the related financial statement disclosures set out in notes 3.B, 3.C.vi, 8, and 17

1.4 Other information included in the Bank's 2023 Annual Report

The other information comprises the information included in the Bank's 2023 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.

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 2023 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.



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NATIONAL AUDIT OFFICE

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.

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 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements;

2.1.1 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.

2.1.2 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.

2.1.3 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.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 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

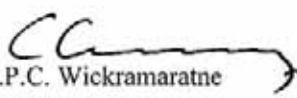


business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 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.

2.2.3 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.

2.2.4 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

Statement of Profit or Loss

HDFC Bank
Annual Report 2023

For the Year Ended 31st December 2023 Description	Notes	2023 (LKR)	2022 (LKR)
GROSS INCOME	1	14,478,456,087	8,877,659,343
Interest Income	2	11,344,765,068	8,425,317,129
Interest Expenses	3	(8,883,618,281)	(5,679,311,145)
Net Interest Income	4	2,461,146,787	2,746,005,984
Fee and Commission Income	5	352,216,419	352,452,495
Net Fee and Commission Income		352,216,419	352,452,495
Net gain/(loss) from derecognition of financial investments	6	2,660,959,818	-
Other operating income(net)	7	120,514,782	99,889,720
Total Operating Income		5,594,837,807	3,198,348,199
Less: Impairment Charges	8	466,844,859	320,306,328
Net Operating income		5,127,992,948	2,878,041,871
Less : Operating Expenses			
Personnel Expenses	9	1,584,053,360	1,544,203,623
Depreciation & Amortization expenses	10	177,779,279	185,446,473
Other Expenses	11	566,318,760	536,426,959
Total Operating Expenses		2,328,151,400	2,266,077,055
Operating profit before tax on Financial Services		2,799,841,548	611,964,816
Less : Tax on Financial Services	12	646,452,744	309,231,115
Profit before Income tax		2,153,388,804	302,733,702
Less: Income Tax expenses / (Reversal)	13	777,029,020	(23,591,698)
Profit for the year		1,376,359,784	326,325,400
Earnings Per Share on Profits			
Basic Earning per Ordinary Share (Rs)	14.1	21.27	5.04
Diluted earnings per ordinary share (Rs)	14.2	21.27	5.04

Statement of other Comprehensive Income

For the Year Ended 31st December 2023 Description	Notes	2023 (LKR)	2022 (LKR)
Profit for the Year		1,376,359,784	326,325,400
Items that will be reclassified to income statement			
Debt instruments at fair value through other Comprehensive Income		24,085,514	-
Less: Tax expense relating to items that will be reclassified to income statement		(7,225,654)	-
Net other comprehensive income reclassified to income statement		16,859,860	-
Items that will not be reclassified to income statement			
Re-measurement of post-employment benefit obligations	29.1	26,007,217	42,922,250
Less: Tax expense relating to items that will not be reclassified to income statement	23	(7,802,165)	(6,356,568)
Net other comprehensive income not be reclassified to income statement		18,205,052	36,565,682
Total Other Comprehensive Income for the Year		35,064,911	36,565,682
Total Comprehensive Income for the Year net of tax		1,411,424,696	362,891,082

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 184 to 237.


Statement of Financial Position

HDFC Bank
Annual Report 2023

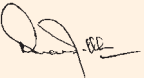
As at 31st December 2023 Description	Notes	2023 (LKR)	2022 (LKR)
Assets			
Cash and cash equivalents	15	237,281,596	339,730,442
Placements with banks	16	33,313,701	29,572,589
Financial assets at amortised cost - loans and advances	17	41,217,713,978	42,629,818,803
Financial assets measured at fair value through other comprehensive income	18.1	16,814,671,833	-
Financial assets measured at Amortised Cost	18.2	5,489,928,963	15,420,183,164
Financial assets at amortised cost - debt instruments	18.3	1,672,845,294	1,730,754,311
Property, plant and equipment	19	222,574,623	242,996,260
Intangible Assets	20	101,895,224	143,203,631
Right of Use Assets	21	304,420,217	367,323,891
Investment properties	22	1,284,000,000	1,164,500,000
Deferred tax assets	23	458,743,340	409,230,375
Other assets	24	103,718,612	404,744,338
Total assets		67,941,107,381	62,882,057,803
Liabilities			
Due to banks	25	799,829,802	1,053,087,537
Financial liabilities at amortised cost			
- due to depositors	26 (a)	53,613,103,535	50,245,156,635
- due to other borrowers	26 (b)	1,525,526,578	1,376,777,708
Debt securities issued	27	1,425,438,591	1,423,965,999
Lease Liability	28	335,679,257	379,693,095
Retirement benefit obligations	29	872,627,706	846,978,305
Current tax liabilities	30	618,798,068	259,537,961
Other liabilities	31	341,022,064	299,203,488
Total Liabilities		59,532,025,601	55,884,400,728
Debt Capital			
Perpetual Bond	32	281,250,000	281,250,000
Equity			
Stated capital/Assigned capital	33	962,092,936	962,092,936
Statutory reserve fund	34	357,507,109	288,689,120
Retained earnings	35	6,177,773,453	5,007,867,636
Other reserves	36	630,458,283	457,757,384
Total shareholders' equity		8,127,831,780	6,716,407,077
Non-controlling interests		-	-
Total equity		8,127,831,780	6,716,407,077
Total equity and liabilities		67,941,107,381	62,882,057,803
Net Assets Value Per Share (Rs)		125.60	103.79
Contingent liabilities and commitments	37	305,616,211	204,944,084
Memorandum Information			
Number of Employees		515	588
Number of Branches		39	39


The significant accounting policies and notes on pages 188 to 237 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 that the above financial statements give a true and fair view of the state of affairs of HDFC Bank of Sri Lanka as at 31 December 2023 and its profit for the year ending 31 December 2023.



Anura Hettiarachchi
Chief Financial Officer


Nishaman Karunapala
General Manager / CEO

The Board of Directors are responsible for the preparation and presentation of these Financial Statements which were approved by the Board of Directors and signed on their behalf,


D. Soosaipillai
Chairman
Date : 31st May 2024
Colombo


Senior Prof. A. Jayamaha
Director


D.M. Vithasha S. Wijesinghe
Company Secretary (Acting)

Statement of Changes in Equity

HDFC Bank
Annual Report 2023

For the year ended 31-12-2022 Bank Description	Note	Number of voting shares	Stated Capital	Statutory Reserve Fund	OCI Reserve	FVTOCI Reserve	Retained earnings	Other Reserve	Total	Non- controlling interest	Total equity
Balance as at 01-01-2022		64,710,520	962,092,936	272,372,850	(82,588,024)	-	4,730,491,041	471,147,196	6,353,515,999	-	6,353,515,999
Profit/(loss) for the year	35	-	-	-	-	-	326,325,400	-	326,325,400	-	326,325,400
Other comprehensive income (net of tax)	30	-	-	-	36,565,682	-	-	-	36,565,682	-	36,565,682
Total comprehensive income for the year			-	-	36,565,682	-	326,325,400	-	362,891,082	-	362,891,082
Transfers to reserves during the period	33-36	-	-	16,316,270	-	-	(48,948,810)	32,632,540	-	-	-
Dividend paid		-	-	-	-	-	-	-	-	-	-
Total transactions with equity holders		-	-	16,316,270	-	-	(48,948,810)	32,632,540	-	-	-
Balance as at 31-12-2022		64,710,520	962,092,936	288,689,120	(46,022,341)	-	5,007,867,636	503,779,736	6,716,407,077	-	6,716,407,077

For the year ended 31-12-2023 Bank Description	Note	Number of voting shares	Stated Capital	Statutory Reserve Fund	OCI Reserve	FVTOCI Reserve	Retained earnings	Other Reserve	Total	Non- controlling interest	Total equity
Balance as at 01-01-2023	34-36	64,710,520	962,092,936	288,689,120	(46,022,341)	-	5,007,867,636	503,779,736	6,716,407,077	-	6,716,407,077
Profit/(loss) for the year	35	-	-	-	-	-	1,376,359,784	-	1,376,359,784	-	1,376,359,784
Other comprehensive income (net of tax)	30	-	-	-	18,205,052	16,859,860	-	-	35,064,911	-	35,064,911
Total comprehensive income for the year		-	-	-	(27,817,290)	16,859,860	1,376,359,784	-	1,411,424,695	-	1,411,424,695
Transfers to reserves during the period	34-36	-	-	68,817,989	-	-	(206,453,968)	137,635,978	-	-	-
Dividend paid		-	-	-	-	-	-	-	-	-	-
Total transactions with equity holders		-	-	68,817,989	-	-	(206,453,968)	137,635,978	-	-	-
Balance as at 31-12-2023		64,710,520	962,092,936	357,507,109	(27,817,290)	16,859,860	6,177,773,453	641,415,714	8,127,831,780	-	8,127,831,780

Statement of Cash Flows

HDFC Bank
Annual Report 2023

For the Year Ended 31st December 2023 Description	Note AR	2023 (LKR)	2022 (LKR)
Cash Flows From Operating Activities			
Interest Receipts	02,16,17,18	10,855,657,853	8,858,215,441
Interest payments	03,26,27,28	(9,009,305,963)	(4,866,917,564)
Net commission Receipts	05	297,123,909	251,023,606
Trading Income		-	-
Payments to Employee	09,30	(1,461,656,220)	(1,402,773,233)
VAT & SSCL on Financial Services	12,30	(807,168,853)	(406,210,543)
Receipt from other operating activities	05	75,754,682	80,603,906
Payments on other operating activities	11,31	(544,323,963)	(513,252,403)
Operating profit before changes in operating assets and liabilities		(593,918,556)	2,000,689,212
(Increase)/Decrease In Operating Assets :			
Balances with Central Bank of Sri Lanka		-	-
Financial Assets at amortised cost - Loans and Advances	17	1,435,241,949	(408,539,666)
Other Assets	24	296,999,862	(172,332,305)
		1,732,241,811	(580,871,971)
Increase / (Decrease) In Operating Liabilities			
Financial Liabilities at amortised cost - due to Depositors	26	3,533,896,056	(334,501,291)
Financial Liabilities at amortised cost - due to Debt Security Holders	27	-	-
Financial Liabilities at amortised cost - due to Other Borrowers	26	(197,115,556)	(1,008,735,287)
Other Liabilities	31	148,368,057	(17,352,285)
Net cash generated from operating Liabilities		3,485,148,557	(1,360,588,863)
Net cash generated from operating activities before income tax		4,623,471,813	59,228,378
Income Tax Paid	13,30	(482,309,698)	(202,702,538)
Net cash (used in)/from operating activities		4,141,162,114	(143,474,160)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment /Intangible Assets	19,20	(23,641,475)	(144,487,463)
Proceeds from Sale property, Plant and equipment/Intangible Assets	19,20	638,934	503,667
Net Cashflows from Investments	16,17,19	(4,220,787,942)	377,542,551
Dividends received from investments	05	179,520	240,000
Others		-	-
Net cash (used in)/from investing activities		(4,243,610,963)	233,798,751
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	31	-	(9,190,015)
Dividends paid to shareholders of the parent company		-	-
Others		-	-
Net cash (used in)/from financing activities		-	(9,190,015)
Net increase/(decrease) in cash & cash Equivalents		(102,448,847)	81,134,576
Cash & cash equivalents at beginning of the period		339,730,442	258,595,866
Cash & cash equivalents at the end of the period		237,281,596	339,730,442
Reconciliation Of Cash and Cash Equivalents			
Cash In Hand		96,476,085	170,215,596
Cash at Bank		140,805,511	169,514,847
		237,281,596	339,730,442

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 impairment for possible future loan losses.

Provision for Impairment Losses

Expected Credit Losses on Financial Assets (ECL)
The Bank measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL the bank determines whether the credit risk of a financial asset has increased significantly since initial recognition. For this the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience, informed credit assessment and forward-looking information.

Provision for Possible Impairment Losses

Provision for possible impairment losses is made on the basis of a continuous review of all loans and advances to customers in accordance with the Sri Lanka Financial Reporting Standard (SLFRS) No. 09 on 'Financial Instruments: Recognition and measurement in the Financial Statements of the Banks. The following valuation techniques were used to calculate the fair value of loans as it is necessary which are as follows.

1. Collective Impairment Method
2. Individual Impairment Method.

Collective Impairment Provisions

Collective impairment 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 impairment provision on the rolling rate method where the individual impairment is not material and adjusted loss given default (LGD) Ratio considering industry variables.

Individual Impairment 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. 8 Mns & Guarantor Loans over 36 months in arrears Individual Impairment is made for the loans excluding pawning, cash and EPF back loans including all guarantee loans over 36 months in arrears, over Rs.8 Mn with reasonable assurance for future cash recoveries.

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 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 for the year of use and no depreciation 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.

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 impairment losses.

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.

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 impairment.

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.

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 Impairment

Policy applicable

Recognition of Impairment 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 impairment loss 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 writeoff 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, which are 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 impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Write-off of Financial Assets

The Bank writes off a loan or an investment debt security, and any related allowances for impairment losses, 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.

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.

1. Gross Income

Year	(LKR)	
	2023	2022
Interest income (Note 2)	11,344,765,068	8,425,317,129
Net fee and commission income (Note 5)	352,216,419	352,452,495
Net gain/(loss) from derecognition of financial investments (Note 6)	2,660,959,818	-
Net other operating income (Note 7)	120,514,782	99,889,720
Total	14,478,456,087	8,877,659,343

2. Interest income

Year	(LKR)	
	2023	2022
Placements with banks	135,709,386	400,720,819
Financial assets at amortised cost	-	-
- loans and advances	6,888,998,213	6,386,957,311
- debt and other instruments	3,298,193,586	1,637,638,998
Financial assets measured at fair value through other comprehensive income	1,021,863,883	-
Total interest income	11,344,765,068	8,425,317,129

2.1 Net interest income from Sri Lanka Government Securities

Year	(LKR)	
	2023	2022
Interest income	4,167,677,268	1,411,542,817
Less: Interest expenses	-	-
Net interest income	4,167,677,268	1,411,542,817

3. Interest expenses

Year	(LKR)	
	2023	2022
Due to banks	103,625,694	132,651,443
- due to depositors	8,418,658,670	5,133,779,657
- due to debt securities holders	170,524,991	170,040,299
- due to other borrowers	190,808,925	242,839,745
Others	-	-
Total interest expenses	8,883,618,281	5,679,311,145

4. Net interest income

Year	(LKR)	
	2023	2022
Net interest income (Note 02 - 03)	2,461,146,787	2,746,005,984

5. Net Fee and Commission Income

Year	(LKR)	
	2023	2022
Fee and commission income	352,216,419	352,452,495
Fee and commission expenses	-	-
Net fee and commission income	352,216,419	352,452,495
Comprising		
Loans and advances	206,182,154	271,393,087
Debit Cards	4,960,280	4,888,058
Deposits accounts	131,822,498	63,115,082
Guarantees	18,491	15,150
Others	9,232,996	13,041,118
Net fee and commission income	352,216,419	352,452,495

6. Net gain/(loss) from derecognition of financial investments

Year	(LKR)	
	2023	2022
Recognised at:		
Amortised cost	2,660,959,818	-
Fair value through other comprehensive income	-	-
Total	2,660,959,818	-
Capital gains on derecognition and disposal of financial assets at amortised cost	2,660,959,818	
Estimated taxes thereon	(1,343,784,708)	
Net capital gain on derecognition and disposal of financial assets	(1,317,175,110)	

7. Net Other Operating Income

Year	(LKR)	
	2023	2022
Change in Fair Value of investment properties	120,007,391	99,500,000
Gain/(Loss) on sale of property, plant and equipment	327,871	149,720
Dividend income	179,520	240,000
Total	120,514,782	99,889,720

8. Impairment Charges

Year	(LKR)	
	2023	2022
Placement with banks		
Stage 1	(120,540)	(350,801)
Financial assets at amortised cost - loans and advances		
Stage 1	38,972,365	87,858,404
Stage 2	81,753,587	146,242,492
Stage 3	386,115,221	37,650,989
Financial assets at amortised cost - debt instruments		
Stage 1	(41,419,449)	42,911,804
Stage 2	-	-
Stage 3	1,543,675	5,993,440
Others	-	-
Total	466,844,859	320,306,328

9. Personnel Expenses

Year	(LKR)	
	2023	2022
Salary and bonus (Note 9.1)	899,998,396	980,134,482
Contributions to defined contribution plans	134,115,272	124,200,916
Contributions to defined benefit obligations (Note 29.1)	176,587,412	155,926,074
Ex-Gratia Payments to Key Management Personnel	6,729,832	-
Ex-Gratia Payments to other than KMPs	125,925,930	-
Others	240,695,518	283,942,151
Total	1,584,053,360	1,544,203,623

9. A

Year	(LKR)	
	2023	2022
Collective agreement gratuity paid but not in the provision	-	7,822,346
Due to collective agreement back dated effect retired employees payable by the bank.		

9.1 Salary and bonus

Year	(LKR)	
	2023	2022
Salaries to employees (Other than KMPs)	857,029,970	801,961,714
Bonus to employees (Other than KMPs)	-	130,522,495
Salaries to Key Management Personnel	42,968,426	41,321,027
Bonus to Key Management Personnel	-	6,329,246
Total	899,998,396	980,134,482

10. Depreciation & Amortization

Year	(LKR)	
	2023	2022
Depreciation of Property plant & equipment	56,784,633	59,455,213
Amortization of Right to use Assets	76,778,786	78,741,531
Amortization on Intangible Assets	44,215,860	47,249,729
Total	177,779,279	185,446,473

11. Other Expenses

Year	(LKR)	
	2023	2022
Directors' emoluments	3,665,333	2,108,000
Auditors' remunerations	3,561,060	2,603,600
Professional and legal expenses	21,440,195	16,192,752
Office administration and establishment expenses	121,908,695	91,370,775
Transport and allied expenses	14,836,322	36,837,449
Printing and Postage	46,245,209	63,302,081
Insurance and Security	102,474,961	80,987,906
Fine & Surcharge	1,000,000	-
Business Development and Advertising	21,986,508	32,061,967
Computer License	87,748,201	84,012,591
Others	141,452,276	126,949,839
Total	566,318,760	536,426,959

12. Taxes On Financial Services

Year	(LKR)	
	2023	2022
VAT & SSCL on Financial Services	716,089,706	309,231,115
Prior Year (Over)/Under Provision	(69,636,963)	-
Total Taxes on Financial Services	646,452,744	309,231,115
	-	-
Total	646,452,744	309,231,115

13. Income Tax Expenses / (Reversal)

Year	(LKR)	
	2023	2022
Current tax expense		
Current year	897,619,426	265,947,513
Prior years' provision	(56,049,621)	
Deferred tax expense		
Total Differed Tax expense	(64,540,784)	(289,539,211)
Total	777,029,022	(23,591,698)

Year	(LKR)	
	2023	2022
13.1 Amounts Recognised in Profit or Loss	777,029,020	(23,591,698)
13.2 Amounts Recognised in Other Comprehensive Income	15,027,819	6,356,568
	792,056,839	(17,235,130)

13.1.1 Amounts Recognised in Profit or Loss

Year	(LKR)	
	2023	2022
Current Tax Expense		
Tax on current year's profits (Note 13)	897,619,426	265,947,513
(Over)/ under provision in respect of previous years	(56,049,621)	-
	841,569,806	265,947,513
Deferred Tax Expense		
Charge/ (reversal) on temporary differences (Note 13.3 b)	(64,540,784)	(258,231,618)
Impact on changes in tax rates	-	(31,307,593)
	(64,540,784)	(289,539,211)
Total income tax expense recognised in profit or loss	777,029,017	(23,591,698)

13.2.1. Amounts Recognised in Other Comprehensive Income

Year	(LKR)	
	2023	2022
Deferred Tax Expense		
Charge/ (reversal) on temporary differences (Note 13.2)	15,027,819	12,876,675
Impact on changes in tax rates		(6,520,107)
Total income tax expense recognised in other comprehensive income	15,027,819	6,356,568

B. Change to Deferred tax charge/ (Reversal) recognised on other comprehensive income derived from Deferred tax assets

Year	(LKR)	
	2023	2022
Deferred tax assets (Note 24.1)	-	-
Deferred tax charge/ (reversal) to Other Comprehensive Income	-	-

13.3 Reconciliation of Accounting Profit to Income Tax expenses

Year	(LKR)	
	2023	2022
Profit/(loss) before tax	2,153,388,804	302,733,702
Disallowable expenses for tax Purpose	1,441,566,227	1,044,339,334
Allowable expenses for tax Purpose	(602,890,277)	(362,082,246)
Income tax for the period (Accounting profit @ applicable tax rate)	646,016,641	81,738,099
Adjustment in respect of current income tax of prior periods	(56,049,621)	-
Deferred Tax	(64,540,784)	(289,539,211)
Add: Tax effect of expenses that are not deductible for tax purposes	432,469,868	281,971,620
(Less): Tax effect of expenses that are deductible for tax purposes	(180,867,083)	(97,762,206)
Tax on Current Year Profit	897,619,426	265,947,513
Tax expense for the period	777,029,020	(23,591,698)
Effective Tax Rate with Deferred Tax	39%	-8%
Effective Tax Rate(on Current Year Tax)	42%	88%

b. The deferred tax (credit)/charge in the income statement comprise of the following

Year	(LKR)	
	2023	2022
Deferred tax assets	97,529,731	374,229,260
Deferred tax liabilities	32,988,947	84,690,050
Other temporary differences	-	-
Deferred tax (credit)/charge to income Statement	(64,540,784)	(289,539,211)

14. Earnings Per Share

14.1 Basic Earnings per Share

Basic Earnings per Share has been calculated by dividing Profit after Tax attributable to Equity Holders of the Bank by the weighted average number of Ordinary Shares in issue (Both Voting and Non-Voting) during the year ended 31 December 2023 and 2022.

Year	(LKR)	
	2023	2022
Profit for the year attributable to ordinary equity holders of the Bank (Rs.)	1,376,359,784	326,325,400
Weighted average number of ordinary shares in issue (No.)	64,710,520	64,710,520
Basic earnings per ordinary share (Rs.)	21.27	5.04

14.2 Diluted Earnings per Share

Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive Ordinary Shares.

15. Cash and Cash Equivalents

Year	(LKR)	
	2023	2022
Cash in hand	96,476,085	170,215,596
Balances with banks	140,805,511	169,514,847
Total cash and cash equivalents	237,281,596	339,730,442

16. Placements with Banks in Sri Lanka

Year	(LKR)	
	2023	2022
Sri Lankan Rupee	33,320,155	29,699,583
Impairment for expected credit losses	(6,454)	(126,994)
Total	33,313,701	29,572,589
Placements with Commercial Banks	33,320,155	29,699,583
Placements with Specialized Banks	-	-
Total Placements with Banks	33,320,155	29,699,583
Less: Impairment for expected credit losses (Note 16.1)	(6,454)	(126,994)
Net placements with banks	33,313,701	29,572,589

16.1 Movement in Expected Credit Loss

Year	(LKR)	
	2023	2022
Balance as at 01 January	126,994	588,655
During the year charge/ (reversal)	(120,540)	(350,801)
Balance as at 31 December	6,454	126,994

17. Financial Assets at Amortised Cost - Loans and Advances

Year	(LKR)	
	2023	2022
Gross loans and advances under		
Stage 1	18,355,914,633	19,240,366,097
Stage 2	6,317,369,075	7,646,577,703
Stage 3	19,057,241,458	17,749,915,064
Total	43,730,525,165	44,636,858,865
(Less): Expected credit loss allowance under: (17.3)		
Stage 1	(284,953,320)	(245,980,955)
Stage 2	(279,677,075)	(197,923,488)
Stage 3	(1,948,180,791)	(1,563,135,618)
Total Expected credit loss allowance	(2,512,811,187)	(2,007,040,062)
Net loans and advances	41,217,713,978	42,629,818,803

17.1 Analysis of Gross Loans and Advances

17.1.1

Year	(LKR)	
	2023	2022
By product		
Overdrafts	-	-
Trade finance	-	-
Lease rental receivable	647,284,036	791,804,000
Hire Purchase	3,057,696	3,057,696
Credit cards	-	-
Pawning	1,000,104,689	479,000,476
Staff loans	1,718,027,674	1,752,543,826
Term loans	-	-
Short-term	-	-
Long-term	40,362,051,070	41,610,452,868
Gross total	43,730,525,165	44,636,858,865

17.1.2

Year	(LKR)	
	2023	2022
By currency		
Sri Lankan Rupee	43,730,525,165	44,636,858,865
Others	-	-
Total Gross Loans and Advances	43,730,525,165	44,636,858,865

17.1.3

Year	(LKR)	
	2023	2022
By industry		
Agriculture and fishing	4,661,307,441	4,685,553,357
Manufacturing	3,824,696,595	2,735,092,710
Tourism	238,059,210	223,117,923
Transport	2,140,071,083	1,612,673,947
Construction	24,126,581,305	26,427,596,540
Traders	1,407,314,207	1,014,631,818
New economy	6,700,198,249	7,419,687,008
Others	632,297,076	518,505,562
Financial and business services		
Infrastructure		
Power and energy		
Education		
Personal/pawning/other		
Total Gross Loans and Advances	43,730,525,165	44,636,858,865

17.2

Year	(LKR)	
	2023	2022
Gross Lease and hire purchase receivables	823,932,726	957,729,623
Unearned income	(173,590,994)	(162,867,928)
Total	650,341,732	794,861,696

17.2.1 Lease and hire purchase receivables

Year	(LKR)	
	2023	2022
Lease rentals receivable within one year	290,536,957	355,100,538
Lease rentals receivable one to five years	358,766,068	438,491,629
Lease rentals receivable more than five years	1,038,706	1,269,529
Total	650,341,732	794,861,696
17.2.1 Lease and hire purchase receivables within one year	290,536,957	355,100,538
17.2.2 Lease and hire purchase receivables one to five years	358,766,068	438,491,629
17.2.3 Lease and hire purchase receivables more than five years	1,038,706	1,269,529

17.3 Stage-wise Movements in Expected Credit Loss Allowance during the Year

Year	(LKR)	
	2023	2022
Stage 1		
Opening balance as at 01/01	245,980,955	158,122,552
Charge/(Write back) to income statement	38,972,365	87,858,404
Closing balance at 31/12	284,953,320	245,980,955
Stage 2		
Opening balance as at 01/01	197,923,488	51,680,996
Charge/(Write back) to income statement	81,753,587	146,242,492
Closing balance at 31/12	279,677,075	197,923,488
Stage 3		
Opening balance as at 01/01	1,563,135,618	1,525,484,629
Charge/(Write back) to income statement	385,045,174	37,650,989
Write-off during the year	-	-
Closing balance at 31/12	1,948,180,791	1,563,135,618
Total Expected Credit Loss Allowance on Loans and Advances	2,512,811,187	2,007,040,062

18. Financial Assets

Year	(LKR)	
	2023	2022
Financial assets measured at fair value through other comprehensive income (Note 18.1)	16,814,671,833	-
Financial assets measured at amortised cost (Note 18.2)	5,489,928,963	15,420,183,164
Financial assets at amortised cost - debt instruments (Note 18.3)	1,752,623,638	1,850,408,428
Impairment for expected credit losses	(79,778,344)	(119,654,117)
Total Net Financial Assets	23,977,446,090	17,150,937,475

18.1 Financial assets measured at fair value through other comprehensive income

Year	(LKR)	
	2023	2022
Sri Lankan Government Treasury Bills	16,814,671,833	-
	16,814,671,833	-

18.1.1 Analysis

Year	(LKR)	
	2023	2022
By currency		
Sri Lankan Rupee	16,814,671,833	-
Gross total	16,814,671,833	-
By Collateralisation		
Unencumbered	16,814,671,833	-
Gross total	16,814,671,833	-

18.2 Financial assets measured at amortised cost

Year	(LKR)	
	2023	2022
Sri Lankan Government Treasury Bills	3,659,271,382	11,469,434,398
Sri Lankan Government Treasury Bonds	1,830,657,582	3,950,748,766
	5,489,928,963	15,420,183,164

18.2.1 Analysis

Year	(LKR)	
	2023	2022
By currency		
Sri Lankan Rupee	5,489,928,963	15,420,183,164
Gross total	5,489,928,963	15,420,183,164
By Collateralisation		
Unencumbered	5,489,928,963	15,420,183,164
Gross total	5,489,928,963	15,420,183,164

18.3 Financial assets at amortised cost - debt instruments

Year	(LKR)	
	2023	2022
Corporate debt instruments	1,752,593,038	1,750,295,637
Others (CRIB, Commercial Papers & Non Bank Deposits)	30,600	100,112,792
Impairment for expected credit losses	(79,778,344)	(119,654,117)
	1,672,845,294	1,730,754,311

18.3.1 Analysis

Year	(LKR)	
	2023	2022
By currency		
Sri Lankan Rupee	1,672,845,294	1,730,754,311
Gross total	1,672,845,294	1,730,754,311
By Collateralisation		
Unencumbered	1,672,845,294	1,730,754,311
Gross total	1,672,845,294	1,730,754,311

19. Property, Plant and Equipment (LKR)

a. Property, Plant and Equipment -Bank

Description	Free hold Land and Buildings	Leasehold Properties	Computer Hardware	Office Equipment, Furniture and Fittings	Others	Total
2023 (Current 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
Adjustments/Tranfer	-	-	-	-	-	-
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
Adjustments/Tranfer	-	-	-	-	-	-
Disposals	-	-	10,937,472	4,691,502	-	15,628,974
Closing balance at 31/12/2023	6,743,100	-	164,406,000	333,697,109	128,365,859	633,212,068
Net book value at 31/12/2023	10,831,900	-	98,482,630	108,514,538	4,745,554	222,574,623
2022 (Previous year)						
Cost/fair value						
Opening balance at 01/01/2022	17,575,000	11,650,000	212,737,211	405,088,330	115,276,438	762,326,979
Additions	-	-	40,578,535	32,737,873	5,741,993	79,058,401
Disposals	-	-	-	6,332,711	-	6,332,711
Adjustments/Tranfer	-	(11,650,000)	-	-	11,650,000	-
Closing balance at 31/12/2022	17,575,000	-	253,315,746	431,493,492	132,668,431	835,052,669
(Less): Accumulated depreciation Amortization						
Opening balance at 01/01/2022	5,705,700	11,650,000	129,777,768	283,328,938	107,830,779	538,293,185
Charge for the year	518,700	-	22,566,064	31,945,670	4,424,777	59,455,211
Disposals	-	-	-	-	-	-
Adjustments/Tranfer	-	(11,650,000)	-	5,691,986	11,650,000	5,691,986
Closing balance at 31/12/2022	6,224,400	-	152,343,832	309,582,622	123,905,556	592,056,410
Net book value at 31/12/2022	11,350,600	-	100,971,914	121,910,870	8,762,875	242,996,260

19.1 Fully depreciated and depreciable Property, Plant and Equipment include Amortization on Intangible Assets

in 2023	Fully depreciated	Depreciating	Total
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 2022	Fully depreciated	Depreciating	Total
Free hold PPE			
Land and Buildings	-	7,780,500	7,780,500
Computer Hardware	88,453,046	164,862,700	253,315,746
Computer Software	96,859,370	293,561,102	390,420,472
Office Equipment, Furniture and Fittings	177,720,018	253,773,474	431,493,492
Plant and Machinery	41,186,561	4,967,499	46,154,059
Tools	49,425	88,306	137,731
Motor Vehicle	68,332,320	15,859,328	84,191,648
Free hold PPE Total	472,600,740	740,892,909	1,213,493,648
Leased hold PPE			
Land and Buildings	-	-	-
Motor Vehicle	-	-	-
Leased hold PPE Total	-	-	-
Total Fully depreciated and depreciable PPE	472,600,740	740,892,909	1,213,493,648

19.2 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	10,831,900	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

19.3

- a) Temporarily Idle Property, Plant and Equipment
There was no idle property, plant and equipment as at 31st December 2023 (2022: NIL).
- b) Property, Plant and Equipment Retired from Active Use
There was no Retired from Active Use property, plant and equipment as at 31st December 2023 (2022: NIL).
- c) Title Restriction on Property, Plant and Equipment
There were no restrictions on the title of property, plant and equipment as at 31st December 2023 (2022: NIL).
- d) 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 2023 (2022: NIL).
- e) 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 2023 (2022: NIL).
- f) All fully depreciated assets are used for the bank's operations.

20. Intangible Assets(in LKR)

Year	Computer Software Local	Computer Software Foreign	Core Banking & Core Banking Related Software	Total
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	28,775,857	87,015,537	131,425,448	247,216,842
Charge for the year	5,606,066	6,855,276	31,754,518	44,215,860
Closing balance at 31/12/2023	34,381,923	93,870,813	163,179,966	291,432,702
(Less): Impairment	-	-	-	-
Net book value at 31/12/2023	6,847,866	11,604,136	83,443,223	101,895,224
2022				
Cost				
Opening balance at 01/01/2022	38,309,388	87,340,164	199,341,858	324,991,411
Additions	873,600	17,274,131	47,281,331	65,429,062
Closing balance at 31/12/2022	39,182,988	104,614,295	246,623,189	390,420,472
(Less): Accumulated Amortization				
Opening balance at 01/01/2022	21,815,843	78,480,341	99,670,929	199,967,113
Charge for the year	6,960,014	8,535,196	31,754,519	47,249,729
Closing balance at 31/12/2022	28,775,857	87,015,537	131,425,448	247,216,842
Net book value at 31/12/2022	10,407,131	17,598,758	115,197,741	143,203,631

20.1 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

20.2

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.

21 Right of Use Assets (in LKR)

Year	(LKR)	
	2023	2022
ROUA net of Depreciation	304,420,217	367,323,891
Total	304,420,217	367,323,891

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.

21.1 Right of Use Assets

Year	(LKR)	
	2023	2022
Cost		
Balance as at 01/01	367,323,891	386,744,906
Additions during the year with opening adjustments	11,565,112	54,540,517
Prepayments	2,310,000	4,780,000
Less: Amortisation charge for the year	(76,778,786)	78,741,531
Balance as at 31/12	304,420,217	367,323,891

22. Investment Properties(LKR)

a. Investment Properties at fair value

The Bank has subsequently measured its Investment Properties at fair value. The reconciliation shows the carrying amount of the investment properties as of the reporting date.

Year	(LKR)	
	2023	2022
Balance as at 01/01	1,164,500,000	1,065,000,000
Changes in fair value	119,500,000	99,500,000
Balance as at 31/12	1,284,000,000	1,164,500,000

There were no direct expenses incurred for the properties in the financial year.

Year	(LKR)	
	2023	2022
Cost/fair value		
Opening balance at 01/01/	1,164,500,000	1,065,000,000
Additions(Valuation Gain)	119,500,000	99,500,000
Net book value at 31/12	1,284,000,000	1,164,500,000
Market value at 31/12	1,284,000,000	1,164,500,000

22.1 Investment Properties Valuation details(LKR)

Location	Extent (Perches)	Deed No	Bank	
			2023	2022
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	250,000,000
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	800,000,000
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	97,500,000
Avissawella -Housing Project (Number buildings - 00, Valuation date - 24th January 2024, Valuation method - Potential usage for residential activities)	103.90	1370	19,000,000	17,000,000
Total			1,284,000,000	1,164,500,000

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	21st January 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	24th January 2024

Analysis Of The Valuation

The entire land to be valued is 103.90 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 a freehold right for these lands.

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."

"Physically, a part of the land has been encroached on, but as per the plan, the land has been valued."

In view of the present demand for lands in the locality and considering the location and facilities available, I adopt a rate of Rs.250,000/- per perch for the land. So, the valuation is made considering its potential usage for residential activities.

23. Net Deferred Tax Assets/(Liabilities)

Year	(LKR)	
	2023	2022
Opening balance 01/01/	409,230,375	126,047,737
Recognize in,		
- profit and loss	48,936,454	289,539,206
- other comprehensive income/Retained Earnings	576,511	(6,356,568)
Closing balance 31/12/	458,743,340	409,230,375
Deferred Tax Assets(23.1)	656,679,880	566,952,314
Deferred Tax Liabilities(23.2)	197,936,540	157,721,940
Net Differed Tax Assets/(Liabilities)	458,743,340	409,230,375

23.1 Deferred tax asset

Year	(LKR)	
	2023	2022
Balance as at 01/01	566,952,314	199,079,622
Reversed/ (Originated) during the year - recognised in profit or loss	97,529,731	330,979,462
Impact due to change in tax rate - recognised in profit or loss	-	43,249,798
Reversed/ (Originated) during the year - recognised in other comprehensive income	-	(12,876,675)
Impact due to change in tax rate - recognised in other comprehensive income	-	6,520,107
Balance as at 31/12	664,482,045	566,952,314

23.2 Deferred tax liability

Year	(LKR)	
	2023	2022
Balance as at 01/01	(157,721,940)	(73,031,885)
Reversed/ (Originated) during the year - recognised in profit or loss	(32,988,946)	(72,747,849)
Impact due to change in tax rate - recognised in profit or loss	-	(11,942,205)
Reversed/ (Originated) during the year - recognised in other comprehensive income	(15,027,819)	-
Impact due to change in tax rate - recognised in other comprehensive income	-	-
Balance as at 31/12	(205,738,705)	(157,721,940)
Net deferred tax asset/ (liability)	458,743,340	409,230,375

23.3 Amounts recognized in the Income Statement

Year	(LKR)	
	2023	2022
Recognized in profit or loss	64,540,785	289,539,206
Recognized in other comprehensive income	(15,027,819)	(6,356,568)
	49,512,966	283,182,638

23.4 Deferred tax assets / (liabilities) are originated due to the temporary difference on following assets and liabilities.

Composition of Net deferred tax asset/ (liability)	2023		2022	
	Temporary Difference LKR	Tax Effect LKR	Temporary Difference LKR	Tax Effect LKR
Deferred tax asset				
Accelerated depreciation for tax purposes – Property, plant and equipment	1,752,910	525,873	4,775,724	1,695,717
Expected credit loss – loans to and receivable from other customers	309,058,306	92,717,492	865,023,864	261,430,176
Expected credit loss – Debt and other instruments	(39,996,313)	(11,998,894)	119,781,111	35,934,333
Post employment benefit obligation	51,656,616	15,496,985	118,284,506	75,262,208
Debt instruments at fair value through other Comprehensive Income	-	-	-	-
Right-of-use assets	2,627,586	788,276	(4,600,332)	(93,174)
	325,099,104	97,529,731	1,103,264,874	374,229,260
Deferred tax liability				
Accelerated depreciation for tax purposes – Property, plant and equipment	9,536,843	2,861,053	24,919,094	(4,466,477)
Actuarial Loss - OCI	(26,007,217)	(7,802,165)	(42,922,250)	(6,356,568)
Debt instruments at fair value through other Comprehensive Income	(24,085,514)	(7,225,654)	-	-
Revaluation Gain on Investment Properties	(119,500,000)	(35,850,000)	(98,991,500)	(80,223,577)
	(160,055,587)	48,016,766	(116,994,656)	(91,046,623)
Net deferred tax asset/ (liability)	165,043,216	49,512,965	986,270,218	283,182,638

24. Other Assets

Year	(LKR)	
	2023	2022
Receivables	48,915,478	342,821,969
Deposits and prepayments	560,331	509,562
Sundry debtors	36,438,674	36,475,151
Others	17,804,129	24,937,654
Total Other Assets	103,718,612	404,744,337

25. Due to Banks

Year	(LKR)	
	2023	2022
Borrowings	799,829,802	1,053,087,537
Total due to Banks	799,829,802	1,053,087,537

26. Financial liabilities at amortised cost

Year	(LKR)	
	2023	2022
(a) Due to depositors	53,613,103,535	50,245,156,635
(b) Others Borrowers	1,525,526,578	1,376,777,708
Total Financial liabilities at amortised cost due to depositors and other borrowers	55,138,630,113	51,621,934,343

26.1 A. Analysis of amount due to depositors

Year	(LKR)	
	2023	2022
26.1.1. By product		
Demand deposits (current accounts)	-	-
Savings deposits	8,546,935,633	7,942,921,561
Fixed deposits	45,066,167,902	42,302,235,074
Total	53,613,103,535	50,245,156,635
26.1.2 By currency		
Sri Lanka Rupee	53,613,103,535	50,245,156,635
Total	53,613,103,535	50,245,156,635
26.1.3 By Customer Category		
Banks	-	-
Finance Companies	567,475	-
Other Customers	53,612,536,060	50,245,156,635
Total Due to Depositors by Customer Category	53,613,103,535	50,245,156,635
26.1.4. By Maturity		
Due within One Year	43,581,696,972	40,843,917,744
Due after One Year	10,031,406,563	9,401,238,891
Total Due to Depositors by Maturity	53,613,103,535	50,245,156,635

27. Debt Securities Issued

Year	(LKR)	
	2023	2022
Issued by the bank(27.1)	1,425,438,591	1,423,965,999
Total	1,425,438,591	1,423,965,999

27.1 Debenture issued by the Bank

Year	(LKR)	
	2023	2022
Balance as at 01/01	1,423,966,000	1,422,978,101
Debenture Redeemed	-	-
Interest Payable	170,524,991	170,040,299
Interest Paid	(169,052,400)	(169,052,400)
Balance as at 31/12	1,425,438,591	1,423,966,000

27.2 Debentures due

Year	(LKR)	
	2023	2022
Due within 1 year	-	-
Due after 1 year	1,425,438,591	1,423,965,999
Total	1,425,438,591	1,423,965,999

27.3 Details of Debt Securities Issued(in LKR)

Type	Face Value In Rupees	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Balance	
					2023	2022
Issued by the bank						
Listed , secured, Redeemable & Rated 10 Year Debenture(Fixed Annual)	1,408,770,000	12%	20th Nov. 2015	20th Nov. 2025	1,425,438,591	1,423,965,999
Sub total					1,425,438,591	1,423,965,999

Interest Rate of comparable government Securities

Debenture Type	Interest rate %		Gov. security Interest rate %	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Debenture - 10Years- 2015(Fixed Annu. 2025)	12.00	12.00	13.63	28.5

Interest Cover

Debenture Type	Interest Cover Ratio(Times)	
	31.12.2023	31.12.2022
Debenture - 10Years- 2015(Fixed Annu. 2025)	21.78	7.57

Debt/Equity

Debenture Type	Debt/Equity Ratio	
	31.12.2023	31.12.2022
Debenture - 10Years- 2015(Fixed Annu. 2025)	18%	21%

Market Price of Debentures during the Year

Type of Debentures	2023			2022		
	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

28. Lease Liability

Year	(LKR)	
	2023	2022
Opening Balance	379,693,095	388,627,838
Additions & Opening Adjustment	10,978,941	52,958,368
Amortization interest	44,828,487	37,563,660
Payments	(99,821,266)	(99,456,771)
	-	
Closing Balance	335,679,257	379,693,095

28.1 Maturity Analysis of Lease Liability

Year	(LKR)	
	2023	2022
Less than one year	26,564,786	45,860,754
One to five years	143,482,811	154,956,197
More than five years	165,631,660	178,876,144
	335,679,257	379,693,095

28.2 Amounts Recognised in Profit or Loss

Year	(LKR)	
	2023	2022
Interest on lease liability	44,828,487	37,563,660
Amortisation charge for the year (Refer to note 21)	76,778,786	78,741,531
	121,607,273	116,305,192

28.3 Amounts Recognised in Statement of Cash Flows

Year	(LKR)	
	2023	2022
Lease rental payments	99,821,266	99,456,771
	99,821,266	99,456,771

29. Retirement benefit obligations

Year	(LKR)	
	2023	2022
Normal Gratuity Provision	555,214,160	485,819,419
Special Gratuity Provision	317,413,546	361,158,887
Total	872,627,706	846,978,305

29.1 Contributions to defined benefit plans

Actuarial Valuation of Gratuity Liabilities as at 31 December 2023 Accounting Disclosures :	Normal Gratuity Rs.	Special Gratuity Rs.	2023 TOTAL Rs.	2022 TOTAL Rs.
Change in the Present Value of The Defined Benefit Obligation (PV-DBO)				
Provision for PV-DBO as at 01 January 2023	485,819,419	361,158,888	846,978,307	771,616,052
Interest Cost for the period	87,447,495	65,008,600	152,456,095	84,877,766
Current Service Cost for the period	16,026,101	8,105,215	24,131,316	63,225,962
Gratuity paid for those who left during the period	(77,121,694)	(44,251,765)	(121,373,458)	(27,476,084)
Gratuity payable for those who left during the period	(3,557,337)	-	(3,557,337)	(2,343,140)
Actuarial (Gain)/Loss on PV-DBO	46,600,175	(72,607,392)	(26,007,217)	(42,922,250)
Provision for PV-DBO as at 31 December 2023	555,214,159	317,413,547	872,627,706	846,978,305
Amounts Recognized In The Balance Sheet And Income Statement				
Liability recognised in the balance sheet				
Provision for Gratuity as at 31 December 2023	555,214,159	317,413,547	872,627,706	846,978,307
Unrecognized actuarial Gains/(Losses) as at 31 December 2023	-	-	-	-
Liability recognized in the balance sheet as at 31 December 2023	555,214,159	317,413,547	872,627,706	846,978,307
Expenses recognized in the income statement				
Interest Cost	87,447,495	65,008,600	152,456,095	84,877,766
Current Service Cost	16,026,101	8,105,215	24,131,316	63,225,962
Expenses recognized in the Income Statement (Note 09)	103,473,596	73,113,815	176,587,411	148,103,728
Expenses recognized in Other Comprehensive Income statement				
Net Actuarial (Gain)/Loss recognized immediately	46,600,175	(72,607,392)	(26,007,217)	(42,922,250)
Expenses recognized in Other Comprehensive Income statement	46,600,175	(72,607,392)	(26,007,217)	(42,922,250)
Movements in the Net Liability Recognised in the balance sheet				
Opening Net Liability as at 01 January 2023	485,819,419	361,158,888	846,978,307	771,616,052
Expences recognized in the Income Statement	103,473,596	73,113,815	176,587,411	148,103,728
Expenses recognized in Other Comprehensive Income statement	46,600,175	(72,607,392)	(26,007,217)	(42,922,250)
Gratuity paid/payable for those who left during the period	(80,679,031)	(44,251,765)	(124,930,796)	(29,819,224)
Closing Net Liability as at 31 December 2023	555,214,159	317,413,547	872,627,706	846,978,307

29.2 Actuary details

Name of the Actuary	M Poopalanathan
Date of the Actuarial Computation	12th February 2024
Method of Valuation	Projected Unit Credit Method

Valuation Assumptions:

Mortality :	A 1967/70 Mortality Table
Disability :	10% of the Mortality
Staff Turnover Rates :	5.0% across the board up to 54 & thereafter zero.

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 :13.0% p.a.

Salary Escalation Rates : Basic Salary :10.0% 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 Bank 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 and for Others: half of the above benefit is payable

Special Gratuity - Half month's consolidated salary for each completed year of service for those with at least 15 years service.

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	487	71,555,934	554,259,580	317,250,967	871,510,546	10.9
Trainee	4	73,920	191,480	29,306	220,786	15.2
Contract	24	1,535,160	763,100	133,275	896,374	14.6
TOTAL	515	73,165,014	555,214,160	317,413,548	872,627,706	11.1

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	823,222,544
1% decrease in discount rate	928,336,762
1% increase in Salary Escalation rate	929,445,283
1% decrease in Salary Escalation rate	821,536,696

Detailed Accounting Disclosures :

	Normal Gratuity + Special Gratuity
Break up of actuarial (gain)/loss on the defined benefit obligation (Rs.)	
Experience adjustment (Financial and Demographic)	= (352,320,306.62)
Due to changes in financial assumptions	= 313,417,086.93
Due to changes in demographic assumptions	= 12,896,003.12
Total	= (26,007,216.56)
Distribution of Present Value of Defined Benefit Obligation In Future Years (Rs.)	
During fiscal year ending December 31, 2023	= 111,462,515.48
During fiscal year ending December 31, 2024	= 81,402,821.40
During fiscal year ending December 31, 2025	= 89,151,693.98
During fiscal year ending December 31, 2026	= 105,698,993.36
During fiscal year ending December 31, 2027	= 77,741,861.14
Beyond next 5 years	= 407,169,821.11
	= 872,627,706.46
Weighted Average Duration of Defined Benefit Obligation (Years)	= 7

30. Current Tax Liabilities

Year	(LKR)	
	2023	2022
Income Tax		
Opening balance 01/01/	259,537,961	196,292,993
Charge for the year - Income Tax	841,569,806	265,947,513
Total	1,101,107,766	462,240,506
Tax Payments during the year	(482,309,698)	(202,702,538)
Closing balance 31/12/	618,798,068	259,537,961

31. Other Liabilities

Year	(LKR)	
	2023	2022
Sundry creditors	234,720,757	106,780,771
Other payables	106,301,307	192,422,707
Total	341,022,064	299,203,488

32. Perpetual Bond

Year	(LKR)	
	2023	2022
Capital	250,000,000	250,000,000
Interest	31,250,000	31,250,000
Total	281,250,000	281,250,000

33. Stated Capital/Assigned Capital

Ordinary shares	2023 No of Shares	2022 No of Shares	2023 LKR	2022 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

34. Statutory Reserve Fund

Year	(LKR)	
	2023	2022
Opening balance at 01/01/	288,689,120	272,372,850
Transfers during the period	68,817,989	16,316,270
Closing balance at 31/12/	357,507,109	288,689,120

35. Retained Earnings

Year	(LKR)	
	2023	2022
Opening balance at 01/01/	5,007,867,633	4,730,491,044
Profit for the year	1,376,359,784	326,325,400
Transfers to other reserves and adjustments	(206,453,968)	(48,948,810)
Dividend	-	-
Closing balance at 31/12/	6,177,773,453	5,007,867,633

36. Other Reserves

a. Bank - Current year (2023)

Description	Opening balance at 01/01/2023	Movement/ transfers and IFRS 9 Adjustments	Closing Balance 31/12/2023
General reserve	503,779,728	137,635,982	641,415,715
OCI reserve	(46,022,344)	18,205,052	(27,817,282)
FVTOCI Reserves	-	16,859,860	16,859,860
Others	-	-	-
Total	457,757,384	172,700,893	630,458,283

b. Bank - Previous year (2022)

Description	Opening balance at 01/01/2022	Movement/ transfers and IFRS 9 Adjustments	Closing Balance 31/12/2022
General reserve	471,147,193	32,632,535	503,779,728
OCI reserve	(82,588,024)	36,565,682	(46,022,344)
Total	388,559,169	69,198,217	457,757,384

37. Contingent Liabilities and Commitments

Year	(LKR)	
	2023	2022
Contingent liabilities		
Guarantees	3,720,000	5,570,000
	3,720,000	5,570,000
Commitments		
Undrawn loan commitments	301,896,211	199,374,084
	301,896,211	199,374,084
Total commitment and contingencies	305,616,211	204,944,084

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.

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	CGIR's Decision is pending (TAC)
IT	2019/2020	144,542,076	71,548,328		216,090,404	CGIR's Decision is pending (TAC)
IT	2020/2021	39,575,132			39,575,132	CGIR's Decision is pending (AR)
VAT on FS	2016/2017					TAC has annulled the assessment
VAT on FS	2019/2020	1,760,123			1,760,123	CGIR's Decision is pending (AR)
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	CGIR's Decision is pending (TAC)

38. Financial Risk Management

38.1 Introduction and Overview

The Bank has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk

38.1.1 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.

38.1.2 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.

38.1.3 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).

38.1.4 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.

38.2 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.

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

As at December	2023			
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Financial assets at amortised cost - Loans and advances				
Grade 0 - 2 Performing Loans	18,355,914,633	6,317,396,075	-	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	-	-	12,752,464,333	12,752,464,333
Total loans and receivables from other customers	18,355,914,633	6,317,396,075	19,057,241,458	43,730,525,165
Expected credit loss allowance	(284,953,320)	(279,677,075)	(1,948,180,791)	(2,512,811,187)
Net loans and receivables from other customers	18,070,961,313	6,037,692,000	17,109,060,666	41,217,713,978
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
Investment in fixed deposits	-	-	-	-
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.

As at December	2022			
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Financial assets at amortised cost - Loans and advances				
Grade 0 - 2 Performing Loans	19,240,366,097	7,646,577,703	-	26,886,943,801
Grade 3: NPA Special Mention	-	-	1,860,953,870	1,860,953,870
Grade 4: NPA Substandard	-	-	1,737,102,490	1,737,102,490
Grade 5: NPA Doubtful	-	-	3,039,230,562	3,039,230,562
Grade 6: NPA Loss	-	-	11,112,628,143	11,112,628,143
Total loans and receivables from other customers	19,240,366,097	7,646,577,703	17,749,915,064	44,636,858,865
Expected credit loss allowance	(245,980,955)	(197,923,488)	(1,563,135,618)	(2,007,040,062)
Net loans and receivables from other customers	18,994,385,142	7,448,654,215	16,186,779,446	42,629,818,804
Financial assets at amortised cost - Debt & other instruments				
Investment in debentures	1,673,807,744	-	76,487,893	1,750,295,637
Government debt securities-treasury bills & bonds	15,520,265,356	-	-	15,520,265,356
Investment in fixed deposits	-	-	-	-
Total debt and other instruments	17,223,772,683	-	76,487,893	17,300,260,576
Expected credit loss allowance	(43,166,224)	-	(76,487,893)	(119,654,117)
Net debt and other instruments	17,027,503,679	-	-	17,180,479,465
Financial assets at FVOCI				
Government debt securities-treasury bills & bonds				
Total Financial assets at FVOCI				
Expected credit loss allowance				
Net Financial assets at FVOCI				
Placements with banks				
Investment in fixed deposits	29,699,583	-	-	29,699,583
Total placements with banks	29,699,583	-	-	29,699,583
Expected credit loss allowance	(126,994)	-	-	(126,994)
Net placements with banks	29,572,589	-	-	29,572,589
Commitments and Contingencies *				
Guarantees	5,570,000	-	-	5,570,000
Undrawn loan commitments	183,368,915	11,989,000	4,016,169	199,374,084
Total commitments and contingencies	188,938,915	11,989,000	4,016,169	204,944,084
Expected credit loss allowance	(2,950,487)	(285,297)	(126,875)	(3,362,659)
Net commitments and contingencies	185,988,428	11,703,703	3,889,295	201,581,426

* 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.

38.2.1 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's 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 2023.

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 credit department 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, 2023 is the Housing Loan followed by Refinance, Commercial, Agriculture, Pawning, Industrial, and Other Loans, Loans against deposits, Staff loans, Leasing, SME, Liya Isura 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 Entities

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.

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 8mn of the loan granting value.

Asset classes where the Bank calculates ECL on a collective basis include:

- Customers above the Individually Significant threshold of LKR 8mn.

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

38.3 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 20% 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.

38.3.1 Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to deposits from customers and other liabilities. 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:

At 31 December	2023 %	2022 %
Domestic Banking Unit (DBU)	41.18	31.52

However, due to the strong liquidity position of the Bank, there was no much impact to the Bank.

38.3.2 Analysis of Financial Assets and Financial 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 2023. 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 2023	Total Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	Over 5 Years Rs.
Financial Assets						
Cash and cash equivalents	237,281,596	237,281,596	-	-	-	-
Placements with banks	35,044,432	-	35,044,432	-	-	-
Loans & Advances	67,453,592,668	2,259,195,093	10,021,214,703	7,006,801,426	11,275,323,469	36,891,057,977
Financial assets measured at fair value through other comprehensive income	16,814,671,833	16,346,742,833	467,929,000	-	-	-
Financial assets measured at Amortised Cost	5,911,427,150	700,700,310	3,274,174,310	1,870,840,930	65,711,600	-
Financial assets at amortised cost - debt instruments	2,094,332,878	147,292,800	-	1,865,505,600	-	81,534,478
Other Assets	55,350,683	50,193,006	5,157,676	-	-	-
Total Financial Assets	92,601,701,240	19,741,405,639	13,803,520,121	10,743,147,956	11,341,035,069	36,972,592,455
Financial Liabilities						
Due to Banks	881,707,540	264,281,935	491,799,604	125,626,001	-	-
Deposits	58,753,658,118	29,992,043,788	20,336,129,543	8,425,484,787	-	-
Other Borrowings	1,525,526,578	1,525,526,578	-	-	-	-
Debt Security Issued	1,746,874,800	-	169,052,400	1,577,822,400	-	-
Lease Liability	567,919,883	2,344,455	6,338,000	94,479,547	74,659,553	390,098,327
Current Tax Liabilities	618,798,067	-	618,798,067	-	-	-
Other Liabilities	252,720,830	143,298,042	109,422,787	-	-	-
Debt Capital	437,500,000	-	31,250,000	62,500,000	62,500,000	281,250,000
Total Financial Liabilities	64,784,705,815	31,927,494,798	21,762,790,401	10,285,912,735	137,159,553	671,348,327
Total Net Financial Assets / (Liabilities)	27,816,995,424	(12,186,089,159)	(7,959,270,280)	457,235,221	11,203,875,515	36,301,244,128

38.3.3 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 2023	On Demand Rs.	"Less than 3 Months" Rs.	"3 to 12 Months" Rs.	"1 to 5 Years" Rs.	"Over 5 Years" Rs.	Total Rs.
Contingent Liabilities						
Bank guarantee (without impairment)	-	2,050,000	1,670,000	-	-	3,720,000
Other Contingent items-Bills sent for collection	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 2022						
Contingent Liabilities	On Demand Rs.	"Less than 3 Months" Rs.	"3 to 12 Months" Rs.	"1 to 5 Years" Rs.	"Over 5 Years" Rs.	Total Rs.
Bank guarantee (without impairment)	-	1,300,000	4,270,000	-	-	5,570,000
Other Contingent items-Bills sent for collection	199,374,084	-	-	-	-	199,374,084
"Total Contingent Liabilities "	199,374,084	1,300,000	4,270,000	-	-	204,944,084

38.3.4 Liquidity Reserve

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose.

	2023	
	Carrying Amount	Fair Value
Cash and Cash equivalents	237,281,596	237,281,596
T Bill/ Bonds	22,304,600,796	22,304,600,796
Reverse Rep	-	-
Fixed Deposits	33,320,155	33,320,155
	22,575,202,547	22,575,202,547

* The carrying amounts approximate their fair values as they are short term in nature (less than twelve months).

38.3.5 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 90% up to 31.12.2022.

Minimum Requirement (%) - effective from

Up to 31.12.2022	Effective from 1 July 2021
90	100

The following were the Liquidity Coverage Ratios (%) of the Bank as at 31 December:

	2023	2022
Rupee Liquidity Requirement for Local Currency Operations	394	334

38.3.6 Statutory Liquid Assets Ratio

For the month of December 2023(%)	41.18
For the month of December 2022(%)	31.52

38.3. 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 2023	132.01%
As at 31st December 2022	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 31.12.2023 and 31.12.2022.

	2023				2022			
	Encumbered		Unencumbered	Total	Encumbered		Unencumbered	Total
	Pledged as collateral	Other			Pledged as collateral	Other		
Cash and cash equivalent	-	-	237,281,596	237,281,596	-	-	339,730,442	339,730,442
Placements with banks	-	-	33,313,701	33,313,701	-	-	29,572,589	29,572,589
Equity Instruments at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at amortised cost- Loans and receivables from other customers	-	-	41,217,713,978	41,217,713,978	-	-	42,629,818,803	42,629,818,803
Financial assets measured at fair value through other comprehensive income	-	-	16,814,671,833	16,814,671,833	-	-	-	-
Financial assets measured at Amortised Cost	-	-	5,489,928,963	5,489,928,963	-	-	15,420,183,164	15,420,183,164
Financial assets at amortised cost - debt instruments	-	-	1,672,845,294	1,672,845,294	-	-	1,730,754,311	1,730,754,311
Equity Instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Other assets	-	-	2,475,352,017	2,475,352,017	-	-	2,731,998,493	2,731,998,493
Total	-	-	67,941,107,381	67,941,107,381	-	-	62,882,057,803	62,882,057,803

38.4 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 2023	Market risk measure		
	Carrying amount	Trading portfolios	Non-trading portfolios
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	41,217,713,978	-	41,217,713,978
Financial assets measured at fair value through other comprehensive income	16,814,671,833	-	16,814,671,833
Financial assets measured at Amortised Cost	5,489,928,963	-	5,489,928,963
Financial assets at amortised cost - debt instruments	1,672,845,294	-	1,672,845,294
Other assets	2,475,352,017	-	2,475,352,017
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	1,525,526,578	-	1,525,526,578
Debt securities issued	1,425,438,591	-	1,425,438,591
Current tax liabilities	618,798,068	-	618,798,068
Other liabilities	1,549,329,027	-	1,549,329,027

As at 31st December 2022	Market risk measure		
	Carrying amount	Trading portfolios	Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	339,730,442	-	339,730,442
Placements with banks	29,572,589	-	29,572,589
Financial assets at amortised cost - Loans and advances	42,629,818,803	-	42,629,818,803
Financial assets measured at fair value through other comprehensive income	15,420,183,164	-	15,420,183,164
Financial assets measured at Amortised Cost	-	-	-
Financial assets at amortised cost - debt instruments	1,730,754,311	-	1,730,754,311
Other assets	2,731,998,495	-	2,731,998,495
Liabilities subject to Market risk			
Due to banks	1,053,087,537	-	1,053,087,537
Due to depositors	50,245,156,635	-	50,245,156,635
Due to other borrowers	1,376,777,708	-	1,376,777,708
Debt securities issued	1,423,965,999	-	1,423,965,999
Current tax liabilities	259,537,961	-	259,537,961
Other liabilities	1,525,874,889	-	1,525,874,889

38.5 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 31 December 2023 (Rs.)	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Non-Sensitive	Total as at 31.12.2023
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	9,391,692,637	-	41,217,713,978
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	-	-	-	-	-	103,718,613	103,718,613
Total Financial Assets	19,008,492,848	15,930,641,740	13,542,240,853	7,355,375,122	9,391,723,237	341,000,209	65,569,474,009
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	-	-	-	-	-	341,022,064	341,022,064
Total Financial Liabilities	23,433,579,118	19,013,335,352	5,593,332,848	7,218,167,279	2,386,733,908	676,701,321	58,321,849,826
Interest rate sensitivity gap	(4,425,086,271)	(3,082,693,612)	7,948,908,006	137,207,843	7,004,989,329	(335,701,112)	7,247,624,183
1% increase	(44,250,863)	(30,826,936)	79,489,080	1,372,078	70,049,893	-	75,833,253
1% decrease	44,250,863	30,826,936	(79,489,080)	(1,372,078)	(70,049,893)	-	(75,833,253)

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 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.

38.6 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.

39 CAPITAL MANAGEMENT

39.1 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.

39.2 Capital Management

Capital Adequacy is a measure of a commercial 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 II till 30 June 2017 and thereafter 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 from 1 July 2017.

39.3 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 As at 31st December	2023 (Rs.000')	2022 (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	357,297	288,689
Published Retained Profits/(Accumulated Losses)	6,177,773	5,007,868
Accumulated other comprehensive income (OCI)		
General and Other Reserves	641,416	503,780
Sub Total	8,138,579	6,762,429
Total Adjustments to CET1 Capital		
Deferred tax assets (net)	458,743	409,230
Other intangible assets (net)	101,895	143,204
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	7,577,941	6,209,995

CAPITAL BASE As at 31st December	2023 (Rs.000')	2022 (Rs.000')
Additional Tier 1 (AT1) Capital after Adjustments		
Qualifying Additional Tier 1 Capital Instruments	250,000	250,000
Total Tier 01	7,827,941	6,459,995
Tier 2 Capital after Adjustments		
Additions		
General Provisions(Stage 1&2 Impairment)	425,290	254,683
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	425,290	254,683
Capital Base	8,253,231	6,714,678
Total risk adjusted balances (credit risk, market risk, operational risk)	21,144,727	24,319,467
Risk Adjusted Capital Ratios		
Common Equity Tier 1 Capital Ratio *	35.84%	25.54%
Tier 1 (Total Tier 1 capital / Total risk adjusted balances) **	37.02%	26.56%
Tier 11(Capital base / Total risk adjusted balances) ***	39.03%	27.61%

* Minimum 7.00 ** Minimum 8.50% ***Minimum 12.50%

Risk Adjusted on - Balance Sheet Exposure -Rs.000'

As at 31st December	Balance 2023	2022	Risk Weights (%)	Risk Adjusted Balance	
				2023	2022
Exposures					
Cash- Local Currency	96,476	170,216	0%	-	-
Sri Lanka Govt Treasury Bills & Bonds	22,304,601	15,420,183	0%	-	-
Central Bank of Sri Lanka	-	-	0%	-	-
Claims on Public Sector Entities (PSEs) (AAA to AA-)	-	425,573	20%	-	85,115
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	8,768,830	8,941,107	35%	3,069,091	3,129,387
Claims that not qualify for regulatory capital purposes	179,977	1,196,363	100%	179,977	1,196,363
Housing loans against EPF.	16,789,163	13,844,163	0%	-	-
Cash Margin Loans	2,774,850	2,676,952	0%	-	-
Gold Loans	-	-	0%	-	-
Loan to Value Ratio equal to or less than 70%	32,467	481,445	0%	-	-
Loan to Value Ratio over 70% and less than 100%	231,190	-	20%	46,238	-
Loan to Value Ratio equal to or over 100%	716,940	-	100%	716,940	-
TradingInvestment					
Retail claims that qualify for regulatory capital purposes			75%		
SME exposures secured on Immovable Property	868,427	1,640,973	60%	521,056	984,584
Other SME exposures	120,206	743,287	75%	90,154	557,465
Individual exposures	6,075,241	6,384,850	75%	4,556,431	4,788,638
Retail claims that do not qualify for regulatory capital purposes	456,980		100%	456,980	
Claims Secured by Real State			100%		

As at 31st December	Balance		Risk	Risk Adjusted Balance	
	2023	2022	Weights (%)	2023	2022
Non Performing Assets					
Past Due Residential Mortgage Loans					
Specific provisions are more than 20%	7,255	151,294	50%	3,628	75,647
Specific provisions are less than 20%	2,888,495	4,235,826	100%	2,888,495	4,235,826
Housing loans on Guarantors & others, Lease					
Specific provisions are more than 20%	1,566,400	492,632	100%	1,566,400	492,632
Specific provisions are less than 20%	21,960	1,104,186	150%	32,940	1,656,279
Due From local Commercial Banks Less Than Three Months (AAA to BBB-)	140,806	269,597	20%	28,161	53,919
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-)	387,981	384,360	50%	193,991	192,180
Due From local Commercial Banks More than Three Months(BB+ to B-)	-	-	100%	-	-
Claims on Financial Institutions/Primary Dealers/Finance Companies (AAA to AA-)	135,608	214,874	20%	27,122	42,975
Claims on Financial Institutions/Primary Dealers/Finance Companies (A+ to BBB- and unrated)	308,851	246,350	50%	154,425	123,175
Claims on Financial Institutions/Primary Dealers/Finance Companies (BB+ to B-) & unrated	10,093	63,373	100%	10,093	63,373
Claims on Other Financial Institutions(A+ to A-)	-	-	50%	-	-
Claims on Corporate (AAA+ to AA-)	-	-	20%	-	-
Claims on Corporate (A+ to A-)	543,116	543,093	50%	271,558	271,546
Claims on Corporate (below BB-)	-	-	150%	-	-
Claims on Corporate (Unrated)	-	240,400	100%	-	240,400
Fixed Assets	222,575	242,996	100%	222,575	242,996
Other Assets	1,692,139	1,936,568	100%	1,692,139	1,936,568
Retail claims that qualify for regulatory capital purposes - Off Balance Sheet					
Total Risk Weighted Assets On Balance Sheet	67,766,922	62,050,660		17,367,836	20,369,068
Retail claims that qualify for regulatory capital purposes - Off Balance Sheet	3,720	5,570	100%	3,720	5,570
Total Risk Weighted Assets	67,770,642	62,056,230		17,371,556	20,374,638
Total risk adjusted balance for operational risk				3,773,171	3,944,828
Total risk adjusted balance for Market risk					
Total risk adjusted balances (credit risk, market risk, operational risk)				21,144,727	24,319,467

40. 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	2023		2022	
		Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial assets					
Cash and cash equivalent	Level 2	237,281,596	237,281,596	339,730,442	339,730,442
Placements with Banks	Level 2	33,313,701	33,313,701	29,572,589	29,572,589
Financial assets measured at Amortised Cost	Level 2	5,489,928,963	5,347,569,047	-	-
Financial assets at amortised cost - Debt & other instruments	Level 2	1,672,845,294	1,672,845,294	1,730,754,311	1,730,754,311
Financial assets at amortised cost - Loans and advances	Level 2	41,217,713,978	41,217,713,978	42,629,818,803	42,629,818,803
		48,651,083,532	48,508,723,615	44,729,876,147	44,729,876,147
Financial liabilities					
Due to banks	Level 2	799,829,802	799,829,802	1,053,087,537	1,053,087,537
Due to depositors	Level 2	53,613,103,535	53,613,103,535	50,245,156,635	50,245,156,635
Due to other borrowers	Level 2	1,525,526,578	1,525,526,578	1,376,777,708	1,376,777,708
Debt securities issued	Level 2	1,425,438,591	1,425,438,591	1,423,965,999	1,423,965,999
		57,363,898,506	57,363,898,506	54,098,987,880	54,098,987,880

RELATED PARTY TRANSACTIONS

41. 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	25.08	Rent/ Savings	0.30%
Mr.J.M.D.Ariyaratna	Director HDFC / Spouse	Director	5.29	Savings/ Fixed Deposit	0.06%
Mr.P.M.K. Hettiarachchi	Director HDFC	Director	0.14	Savings	0.00%
Mr.P.A.Lionel	Director HDFC	Director	0.06	Savings	0.00%
Mr. D.M.M.M. Wijayathna	Director HDFC	Director	0.27	Savings	0.00%
Mr.W.M.Ananda	Director HDFC / Spouse	Director	0.88	EPF Loan/Savings	0.01%
	Total		31.71		0.38%

41.1. Transactions with KMPs

The transactions made with KMP s as follows(Balance as at 31.12....)

	2023 Rs"000"	% of Regulatory Capital
Loans and Advance	35,630	0.43%
Deposits	24,939	0.30%
Total	60,569	0.73%

41.2 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	
	2023 ('000)	2022 ('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	103,113
	71,016	103,113
Liabilities		
Financial liabilities at amortised cost		
Due to depositors	16,615,566	9,515,606
Due to other borrowers	-	1,496,267
Debt Capital	281,250	281,250
	16,896,816	11,293,123

Financial assets measured at fair value through other comprehensive income (Note 18.1)

	During the year	
	2023 ('000)	2022 ('000)
Items in the Statement of Profit or Loss		
Interest income	28,673	202,959
Interest expenses	31,250	95,305
Cash dividends paid during the year	-	8,330

(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.

42. Events Occuring 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 Statements.

43. Minimum Share Holders for compliance

OPTION - 5	Minimum Share Holders For Compliance		
	Float-adjusted Market Capitalization	Public Holding %	Number of public Shareholders
Minimum	Less Than 2.5 Bn	20	500
Available	0.74Bn	36.08	2.243

44. Assets Pledge

Type of Facility	Amount of facility Rs Mn	Nature of Security	Value of security Rs Mn	Balance as at 31-12-2023 Rs Mn
(1) Overdraft (Sampath Bank)	300	Unsecured	-	28
(2) Borrowing (Term Loan) (Sampath Bank)	1,000	Unsecured	-	300
(3) Money Market Loan (Sampath Bank)	300	Unsecured	-	300
(4) Borrowing (Term Loan) (BOC)	500	Unsecured	-	16
(5) Overdraft (BOC)	500	Unsecured	-	-

Type of Facility	Amount of facility Rs Mn	Nature of Security	Value of security Rs Mn	Balance as at 31-12-2023 Rs Mn
(1) Listed ,Secured ,Redeemable Debenture	1,409	Unsecured	-	1,406

a. Analysis of Financial Instruments by Measurement Basis -as at 31.12.2023

In LKR Description	AC	FVPL	FVOCI	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	41,217,713,978	-	-	41,217,713,978
Financial assets measured at Amortised Cost	5,489,928,963	-	-	5,489,928,963
Financial assets measured at fair value through other comprehensive income	-	-	16,814,671,833	16,814,671,833
Financial assets at amortised cost - debt instruments	1,672,845,294	-	-	1,672,845,294
Equity instruments	-	-	-	-
Total financial assets	48,651,083,532	-	16,814,671,833	65,465,755,365
Other Assets	-	-	-	2,475,352,016
Total assets	48,651,083,532	-	16,814,671,833	67,941,107,381

Description	AC	FVPL	OTHER	Total
LIABILITIES				
Due to banks	799,829,802	-	-	799,829,802
Derivative financial instruments	-	-	-	-
Financial liabilities to Amortise 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	1,806,776,578	-	-	1,806,776,578
Total financial liabilities	57,645,148,506	-	-	57,645,148,506
Non Financial Liabilities	-	-	-	2,168,127,096
Equity	-	-	-	8,127,831,780
Total liabilities & Equities	57,645,148,506	-	-	67,941,107,381

AC – Financial assets/liabilities measured at amortised cost

FVPL – Financial assets/liabilities measured at fair value through profit or loss

FVOCI – Financial assets measured at fair value through other comprehensive income

b. Bank - Previous year as at 31.12.2022

In LKR Description	AC	FVPL	FVOCI	Total
ASSETS				
Cash and cash equivalents	339,730,442	-	-	339,730,442
Balances with central banks	-	-	-	-
Placements with banks	29,572,589	-	-	29,572,589
Derivative financial instruments	-	-	-	-
Loans and advances	42,629,818,803	-	-	42,629,818,803
Financial assets measured at Amortised Cost	15,420,183,164	-	-	15,420,183,164
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Financial assets at amortised cost - debt instruments	1,730,754,311	-	-	1,730,754,311
Equity instruments	-	-	-	-
Total financial assets	60,150,059,311	-	-	60,150,059,311
Other Non Financial Assets	-	-	-	2,731,998,495
Total assets	60,150,059,311	-	-	62,882,057,803
Description	AC	FVPL	OTHER	Total
LIABILITIES				
Due to banks	1,053,087,537	-	-	1,053,087,537
Derivative financial instruments	-	-	-	-
Financial liabilities to Amortise cost	-	-	-	-
- due to depositors	50,245,156,635	-	-	50,245,156,635
- due to debt security holders	1,423,965,999	-	-	1,423,965,999
- due to other borrowers	1,658,027,709	-	-	1,658,027,709
Total financial liabilities	54,380,237,881	-	-	54,380,237,881
Non Financial Liabilities	-	-	-	1,785,412,849
Equity	-	-	-	6,716,407,077
Total liabilities & Equities	54,380,237,881	-	-	62,882,057,803

WE SERVE

THOSE WHO ARE CLIMBING THE
LADDER IN THEIR CAREER.





SALARY SAVER

Distribution and Composition of Shareholders (As per rule No. 7.6(X) of the Colombo Stock Exchange)

Shareholders	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

Shareholders	December 31, 2022								
	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	1,601	841,170	1.31	5	2,303	0.00	1,606	843,473	1.31
1,001 - 10,000	429	1,554,598	2.4	5	20,207	0.03	434	1,574,805	2.43
10,001 - 100,000	103	2,882,554	4.45	2	124,647	0.19	105	3,007,201	4.64
100,001 - 1,000,000	16	3,215,743	4.97	1	133,180	0.21	17	3,348,923	5.18
Over 1,000,000	3	46,781,118	72.29	1	9,155,000	14.15	4	55,936,118	86.44
Total	2,152	55,275,183	85.42	14	9,435,337	14.58	2,166	64,710,520	100.00

Composition of Shareholders (As per rule No. 7.6(X) of the Colombo Stock Exchange)

	December 31, 2023				December 31, 2022			
	No of Share holders	%	No of Shares	%	No of Share holders	%	No of Shares	%
Individuals	2,101	95.41	6,061,466	9.37	2,062	95.20	6,016,689	9.30
Institution	101	4.59	58,649,054	90.63	104	4.80	58,693,831	90.70
Total	2,202	100.00	64,710,520	100.00	2,166	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 2023	Percentage (%) 2023	No. of Shares 2022	Percentage (%) 2022
1 National Housing Development Authority	32,180,000	49.73	32,180,000	49.73
2 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/ Dr. T. Senthilverl	4,893,378	7.56	4,893,378	7.56
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 Sampath Bank PLC/Mr. A. Sithampalam	258,054	0.40	258,054	0.40
8 Seylan Bank PLC / Senthilverl Holdings (Pvt.) Ltd	-	-	267,047	0.41
9 Miss. S. N.C. W. M. T. R. Kandegedara	235,325	0.36	335,822	0.52
10 Ravi Exports (Pvt.) Ltd.	192,200	0.30	182,500	0.28
11 Finco Holdings (Pvt.) Ltd.	185,000	0.29	185,000	0.29
12 The Associated Newspapers of Ceylon Ltd.	180,000	0.28	180,000	0.28
13 Mr. D. A. De Soysa	170,000	0.26	170,000	0.26
13 Mr. S. N. C. W. M. B. C. Kandegedara	-	-	139,568	0.22
14 Dr. S. Yaddehige	133,180	0.21	133,180	0.21
15 Mr. S. Abishek	128,709	0.20	128,709	0.20
16 National Water Supply & Drainage Board	120,000	0.19	120,000	0.19
17 Road Development Authority	120,000	0.19	120,000	0.19
18 State Engineering Corporation	120,000	0.19	120,000	0.19
19 Mr. A. C. Senanka	114,910	0.18	-	-
20 Seylan Bank PLC/A. C. Senanka	110,642	0.17	-	-
Total	58,899,264	91.04	59,171,124	91.46

Market Prices

(As per rule No. 7.6(XI) of the Colombo Stock Exchange)

	2023 Rs.	2022 Rs.
Highest	39.00	42.50
Lowest	25.00	22.00
Year end	31.60	27.80

Information on Ratios

(As per rule No. 7.6(XI) of the Colombo Stock Exchange)

	2023	2022
Dividend per share (Rs.)	-	-
Dividend payout ratio (%)	-	-
Net Assets value per share (Rs.)	125.60	103.79
Earnings per Share (Rs.)	21.27	5.04

Directors and General Manager /CEO Shareholding (as at 31st of December 2023)

Name	2023	2022
Mr. E. D. P. Soosaipillai	Nil	-
Senior. Prof. A. Jayamaha	1,000	1,000
Mr. W.M. Ananda	Nil	Nil
Mr. P.A. Lionel	2,000	2,000
Mr. D.M.M.M. Wijayarathna	Nil	Nil
Mr. P. M. K. Hettiarachchi	Nil	Nil
Dr. P. A. Krishantha	1000	1000
Mr. R. Sooriyaarachchi	Nil	Nil
Mr. B. K. P. Chandrakeerthi	Nil	Nil
Mr. Nishaman Karunapala (GM/CEO)	Nil	Nil

Public holding

(As per rule No. 7.13.1 of the Colombo Stock Exchange)

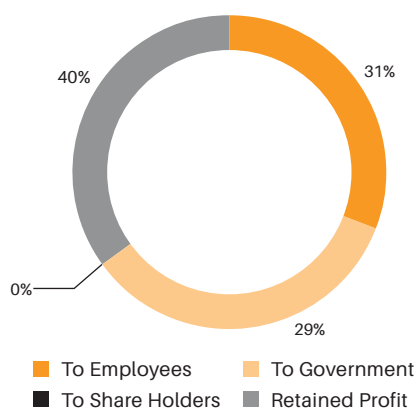
	2023	2022
Number of Public Shareholders	2,195	2,158
Public shareholding	23,346,637	23,345,637
Percentage of public holding	36.078%	36.077%

Value added Statements

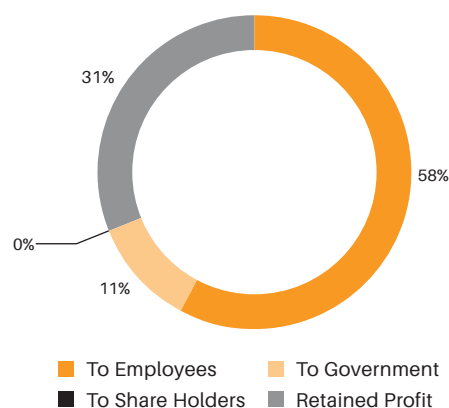
HDFC Bank
Annual Report 2023

For the period ended 31st December LKR "000"	%	Bank 2023	%	2022
Interest Income		11,344,765		8,425,317
Other Income		3,133,691		452,342
Gross Income		14,478,456		8,877,659
Cost of Service		9,436,095		6,212,547
Total Value Additions		5,042,361		2,665,112
Value Distributed				
To Employees				
(Remuneration & Benefits)	31.4	1,584,053	57.9	1,544,204
To Government	28.5	1,437,324	10.8	288,830
Income Tax	15.4	777,029	(0.9)	(23,592)
Value Added Tax & SSCL Fs	12.8	646,453	11.6	309,231
Crop insurance Levy	0.3	13,722	0.1	3,091
Stamp Duty	0.0	121	0.0	100
	28.5		10.8	
To Share Holders (Dividend)	-	-	-	-
Retained in the Business	40.1	2,020,984	31.2	832,078
Retained Income	27.3	1,376,360	12.2	326,325
Depreciation	3.5	177,779	7.0	185,446
Loan Loss Provision	9.3	466,845	12.0	320,306
Total Value Distributions	100.0	5,042,361	100.0	2,665,112

Value Distributed 2023



Value Distributed 2022



Year ended 31st December (LKR. Mn)	2013	2014	2015	2016
Operating Results				
Income	3,803	4,566	4,925	5,928
Interest Income	3,528	4,378	4,660	5,473
Interest Expense	2,469	2,535	2,539	3,509
Other Income	275	188	265	455
Operating Expenses	938	1,123	1,288	1,409
Provision for Loss	87	131	89	160
Profit Before Tax	309	777	1,009	848
Income Tax & Finance VAT	151	402	500	365
Profit After Taxation	158	375	509	483
LIABILITIES AND SHAREHOLDERS' FUNDS				
Customer Deposits	18,902	24,479	28,593	32,123
Borrowings	5,257	6,213	9,037	8,863
Other Liabilities	834	840	920	872
Shareholders' Funds	2,575	2,886	3,364	3,821
Total	27,567	34,418	41,913	45,679
ASSETS				
Loans and Advances	19,701	23,357	26,685	30,260
Cash, short term funds and statutory	6,601	8,997	11,852	11,807
Financial assets at amortised cost debt instruments		850	2,043	2,053
Property, plant and equipment	290	296	435	478
Other assets	975	918	898	1,080
Total	27,567	34,418	41,913	45,679
RATIOS				
Return on Average Shareholders Funds (%)	6.36	13.72	16.30	13.46
Income Growth (%)	38.6	20.1	7.9	20.3
Return on Average Assets(%)	0.65	1.21	1.33	1.10
Deposits and Borrowings to Advance (%)	122.6	131.4	141.0	135.4
PPE on Shareholders Funds (%)	11.2	10.3	12.9	12.5
Total Assets to shareholders funds (times)	10.70	11.93	12.46	11.95
SHARE INFORMATION				
Market Value per Share (Rs)	For Rs 10/= Shares			
High (Rs)	52.5	52.5	76.5	70.0
Lower (Rs)	48.2	48.2	58.5	46.5
Close (Rs)	49.6	49.6	67.1	47.2
Earnings per Share (Rs)	2.44	5.79	7.87	7.47
Price Earnings Ratio	20.31	8.57	8.53	6.32
Net Assets per Share(Rs)	39.80	44.60	51.98	59.05
PROFILE				
Ownership - Government %	51	51	51	51
- Private %	49	49	49	49
No of employees*	488	477	561	570
No of branches	33	36	38	38
No of ATM (Access)	652	775	854	3000+

*- from 2020, Considered contract employees also

	2017	2018	2019	2020	2021	2022	2023
	6,978	7,120	8,090	7,856	7,004	8,878	14,479
	6,614	6,679	7,683	7,457	6,612	8,425	11,345
	4,742	4,441	4,783	4,475	3,556	5,679	8,884
	365	442	407	400	392	452	473
	1,472	1,668	1,740	1,674	1,953	2,266	2,328
	-57	93	323	327	296	320	467
	821	919	1,244	1,381	1,199	612	2,800
	407	354	769	673	651	286	1,423
	414	564	476	708	547	326	1,376
	36,655	37,016	42,504	47,947	49,813	50,245	53,613
	7,917	6,653	6,866	5,542	5,090	4,135	4,032
	920	860	1,465	1,759	1,707	1,785	2,168
	4,232	4,757	5,119	5,782	6,354	6,716	8,128
	49,724	49,285	55,955	61,030	62,964	62,882	67,941
	34,968	37,949	41,216	41,215	41,837	42,630	41,218
	11,027	7,592	11,984	17,186	17,293	15,890	22,575
	2,115	2,014	877	526	1,674	1,631	1,673
	513	466	380	351	349	386	324
	1,101	1,264	1,498	1,752	1,810	2,346	2,151
	49,724	49,285	55,955	61,030	62,964	62,882	67,941
	10.29	12.56	9.63	12.99	9.02	4.99	18.54
	17.7	2.0	13.6	-2.9	-10.8	26.8	63.1
	0.87	1.14	0.90	1.21	0.88	0.52	2.10
	127.5	115.1	119.8	129.8	131.2	127.6	139.9
	12.1	9.8	7.4	6.1	5.5	5.8	4.0
	11.75	10.36	10.93	10.56	9.91	9.36	8.36
	44.5	30.0	35.0	41.5	49.8	42.5	39.0
	31.7	23.0	20.0	14.0	28.6	22.0	25.0
	32.7	26.0	32.0	36.2	30.5	27.8	31.6
	6.40	8.72	7.35	10.94	8.46	5.04	21.27
	5.11	2.98	3.54	3.31	3.61	5.51	1.49
	65.39	73.51	79.11	89.35	98.18	103.79	125.60
	51	51	51	51	51	51	51
	49	49	49	49	49	49	49
	567	561	558	633	614	588	515
	39	39	39	39	39	39	39
	4350	4850	5132	5075	5526	5845	6742

Notice of Annual General Meeting

HDFC Bank
Annual Report 2023

NOTICE IS HEREBY GIVEN THAT the Thirty Ninth (39th) Annual General Meeting of the Housing Development Finance Corporation Bank of Sri Lanka ("HDFC Bank") will be held on Friday, Twenty-Eighth (28th) day of June 2024 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 2023 and the Auditor's Report thereon.
3. To re-elect Mr. P.A. Lionel 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 re-appoint the Auditor General of Sri Lanka, as the Auditor of the HDFC Bank for the financial year ending December 31, 2023 and authorise the Board of Directors to determine and approve their remuneration for the financial year ending December 31, 2023.
5. To authorise the Board of Directors to determine donations for the year 2024.
6. To transact any other business of which due notice shall be given.

By order of the Board of HDFC Bank of Sri Lanka,



D.M. Vithasha S. Wijesinghe
Company Secretary (Acting)
HDFC Bank
Colombo.

31st May 2024

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 28th June 2024 at 10.00 a.m. and at any adjournment thereof, and at every poll which any be taken in consequence thereof.

Signed this 2024.

.....
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

- 01 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.
- 02 The form of proxy must be signed by the appointer or by an Attorney duly authorized in writing.
- 03 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.
- 04 In the case of joint holder, only one needs sign. The Votes of the senior holder who renders a vote will only be counted.
- 05 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).

Registered Head Office:

Address: P.O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

Telephone : 2356800, 2446241, 2446239, 2447354

Fax : 2446392, 2356829, 2356827

Web Site : www.hdfc.lk

E-mail : hdfc@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 of the Bank are listed in the main board of the Colombo Stock Exchange (CSE).

Board of Directors:

Mr. E. D. P. Soosaipillai (Chairman)

Senior Professor A. Jayamaha (Director)

Mr. W.M. Ananda (Director)

Mr. P. A. Lionel (Director)

Mr. D. M.M. M. Wijayarathna (Director)

Mr. P. M. K. Hettiarachchi (Director)

Dr. P. A. Krishantha (Director)

Mr. R. Sooriyaarachchi (Director)

Company Secretary(Acting):

Miss. D. M. Vithasha Sedushi Wijesinghe,

Attorney - at - Law & Notary Public.

Telephone : 0112423378

E-mail - vithasha.s@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) 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.

Corporate Management

Mr. Nishaman Karunapala - CEO/GM

Mr. C. R. P. Balasuriya - DGM - Treasury

Mrs. K.T.D.D. De Silva - AGM - legal

Mr. H. A. Anura - Chief Financial Officer

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

Mr. I. Nishantha - Chief Manager - Risk Management / Compliance Officer (Acting)

Mr. A.M. Neelachandra - Chief Manager - IT

Mrs. G. P. Priyadarshani - Chief Internal Auditor

Investor information

Mr. Anura Hettiarachchi

Chief Financial Officer

T.P. 2356800, 244624, 2446239 D/L 4717864

Fax : 2356829

E-mail - anura.h@hdfc.lk



HDFC Bank of Sri Lanka

P.O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Tel: +94 112356800 | E-mail : hdfc@hdfc.lk