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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/C/HDFC/FA/2024/01

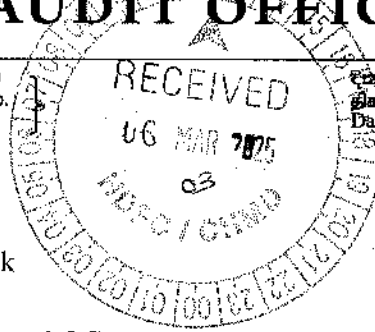
ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

28 February 2025

Chairman

Housing Development Finance Corporation Bank



To: Act Genl
Pc. Arden, Secy.
do meet Genl
and Secy. 2nd
meeting early

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Housing Development Finance Corporation Bank for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the Financial Statements of the Housing Development Finance Corporation Bank (the "Bank") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the Financial Statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



1.3 Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, are of most significance in my audit of the Financial Statements of the current period. These matters were addressed in the context of my audit of the Financial Statements as a whole, and in forming my audit opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key audit matter	How my audit addressed the key audit matter
<p>Expected Credit Losses of Loans and advances measured at amortised cost as disclosed in note 21 is determined by management based on the accounting policies described in Note 3 (B) (i) to the financial statements.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> The involvement of significant management judgements, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; and The materiality of the reported amount of expected credit losses. <p>Key areas of significant judgements, assumptions and estimates made by management in the assessment of</p>	<p>In addressing the adequacy of the expected credit losses of loan and advances, my audit procedures included the following key procedures</p> <ul style="list-style-type: none"> Assessed the Bank's expected credit loss computations with the underlying methodology including responses to economic conditions to its accounting policies, based on the best available information up to the date of my report. Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of expected credit losses, policies and procedures by the Board of directors and management. Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank. <p>Evaluated the reasonableness of credit quality assessments and related stage classifications.</p> <p>the following procedures were performed:</p>

Key audit matter	How my audit addressed the key audit matter
<p>expected credit losses for loans and advances include forward-looking macroeconomic scenarios, associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty. Information of such key estimates, assumptions and judgements are disclosed in note 21.</p>	<p>the following procedures were performed:</p> <ul style="list-style-type: none"> • For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> • Tested the arithmetical accuracy of the underlying individual impairment calculations. • Evaluated the reasonableness of key inputs used in the expected credit losses with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery actions of the collaterals. • For loan and advances assessed on a collective basis for impairment: <ul style="list-style-type: none"> • Tested the key inputs and the calculations used in the allowances for expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. My testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenarios. • I assessed the adequacy of the related financial statement disclosures set out in notes 3.B(i), and 21

1.4 Other information included in the Bank's 2024 Annual Report

The other information comprises the information included in the Bank's 2024 Annual Report, but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Bank's 2024 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Bank.

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 The Section 39 of the Banking Act No.30 of 1988 (as amended by Banking Act No.24 of 2024) include specific provisions for following requirement.

2.1.1 The disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No.05 of 2024 issued by Central Bank of Sri Lanka.

2.2 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements;

2.2.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

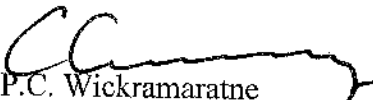
2.2.2 The Financial Statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.2.3 The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.3 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.3.1 to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered into by the Bank which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

- 2.3.2 to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- 2.3.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- 2.3.4 to state that the resources of the Bank had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.


W.P.C. Wickramaratne
Auditor General

HDFC Bank of Sri Lanka



**ANNUAL AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st December 2024**

Contents

- (1) Simplified statement of Comprehansive income**
- (2) Simplified Statement of financial position**
- (3) Selected performance indicators/ Key financial data**

HDFC BANK OF SRI LANKA
SIMPLIFIED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31.12.2024

Description Rs Mn	Bank	
	From 01/01/2024 To 31/12/2024	From 01/01/2023 To 31/12/2023
	Audited	Audited (Restated)
Interest Income	8,170	11,195
Interest Expenses	5,388	8,884
Net Interest Income	2,782	2,311
Net fee and commission income	330	353
Net other operating income	7	2,781
Total Operating Income	3,119	5,445
Impairment charges	278	467
Personnel Expenses	1,646	1,584
Other Expenses	782	744
Share of profits/(Loss) of associates and joint ventures	-	-
Operating profit/(loss) before taxes	412	2,650
Income tax and other taxes	603	1,348
Profit/(Loss) for the period	-191	1,302
Other comprehensive income, net of taxes	-92	35
Total comprehensive income for the period	-282	1,337
Earning per share on profit		
Basic Earnings per Ordinary Share (Rs.)	(2.95)	20.12
Diluted earnings per ordinary share (Rs.)	-	-

HDFC BANK OF SRI LANKA
SIMPLIFIED STATEMENT OF FINANCIAL POSITION
AS AT 31.12.2024

Description Rs. Mn	Bank	
	31.12.2024	31.12.2023
	Audited	Audited (Restated)
Assets		
Cash and Cash Equivalents	325	237
Balance with Central Bank		
Placements with banks	36	33
Derivative financial instruments		
Financial assets recognized through Profit or Loss		
Financial assets at amortised cost		
- loans and advances	40,130	41,010
- debt and other instruments	17,698	7,163
Financial assets measured at fair value through other comprehensive income	4,739	16,815
Investment in subsidiaries		
Investments in associates and joint ventures		
Property, plant and equipment	187	223
Other assets	2,328	2,253
Total Assets	65,443	67,733
Liabilities		
Due to banks	566	800
Derivative financial instruments		
Financial liabilities recognized through profit or loss		
Financial liabilities at amortised cost		
- due to depositors	52,005	53,613
- due to other borrowers	1,615	1,526
Debt securities issued	1,427	1,425
Tax liabilities	151	574
Other liabilities & provisions	1,684	1,519
Total Liabilities	57,449	59,456
Debt Capital		
Perpetual Bond	281	281
Total	281	281
Equity		
Stated capital/ Assigned capital	962	962
Statutory reserve fund	354	354
Retained earnings	5,866	6,057
Other Reserves	531	623
Total shareholders equity	7,713	7,995
Non- controlling interests		
Total Equity	7,713	7,995
Total equity and liabilities	65,443	67,733
Contingent liabilities and commitments	31	306
Net Assets value per Ordinary Share (Rs)	119.19	123.56
Memorandum information		
Number of employees	494	515
Number of Branches	39	39

(Note: Amounts stated are net of impairment and depreciation)

HDFC BANK OF SRI LANKA
SELECTED PERFORMANCE INDICATORS/KEY FINANCIAL DATA
AS AT 31/12/2024 (Based on Regulatory Reporting)

Item	Current Period	Previous Period
	31/12/2024	31/12/2023
Regulatory Capital Adequacy (LKR in Millions)		
Common Equity Tire 1	6,951	7,578
Tier 1 Capital	7,201	7,828
Total Regulatory Capital	7,416	8,253
Regulatory Capital Ratios (%)		
Common Equity Tire 1 Capital (%) (Minimum Requirement , 7.0%)	31.84%	35.84%
Tier 1 Capital Ratio(%) (Minimum Requirement, 8.5%)	32.99%	37.02%
Total Capital Ratios (%) (Minimum Requirement, 12.5%)	33.98%	39.03%
Basel III Leverage Ratio (%) (Minimum Requirment 3%)	11.90%	9.54%
Regulatory Liquidity Requirement		
Liquidity Coverage Ratio (%) (Minimum Requirement -100%)		
-Rupee (%)	223%	394%
-All Currency (%)	-	-
Net Stable Funding Ratio(%) - (Minimum Requirement - 100%)	128%	143%
Assets Quality (Quality of Loan Portfolio)		
Impaired Loans (Stage 3) to Total Loans, Ratio (%) *	45.92%	40.92%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%) *	9.91%	9.07%
Impaired Loans (Stage 3) Ratio % - excluding EPF loans *	22.98%	22.49%
Impairment (Stage 3) to Stage 3 Loans Ratio (%) -excluding EPF loans *	23.49%	20.52%
Income & Profitability		
Net Interest Margin (%)	4.18%	3.54%
Return on Assets (before Tax) (%)	0.10%	3.11%
Return on Equity (%)	-2.43%	17.70%
Cost to Income Ratio (%)	78.03%	42.76%
Debt/Equity (Times)	0.50	0.50
Interest Cover (Times)	3.62	8.66
Interest Yeild	12.80%	17.94%
Memorandum Information		
Credit Rating	BB+(lka) (Stable)	BB+(lka) (Stable)
Number of Employees	494	515
Number of Branches	39	39

* Including Undrawn Portion of Credit

CERTIFICATION:

We , the undersigned, being the Chief Executive Officer and Chief financial officer of HDFC Bank of Sri Lanka jointly certify that :-

- (a) The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.
- (b) The information contained in these statements have been extracted from the audited financial statements of the bank.

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

Signed
Anura Hettiarachchi
Chief Financial Officer

Dated: 28 Feb 2025

<https://www.hdfc.lk/about/financials#financial-reports>