Blueprint for a **Stronger Tomorrow**



HDFC BANK
The Bank for your Home

HDFC BANK OF SRI LANKA
ANNUAL REPORT 2025

Table of Contents

OVERVIEW

About the Report 2
HDFC Bank of Sri Lanka 6
Product Portfolio 8
Financial Performance Highlights 10
Stakeholder Relationships and Engagement 12
Matters of Materiality 19
Strategy and Resource Allocation 28
Business Model 32
Contributions to the United Nations' Sustainable Development Goals (SDGs) 34

LEADERSHIP

Review from the GM/CEO 40
Board of Directors 44
Corporate Management 52
Senior Management 55
Middle Management 56
Regional Mangers 57
Branch Managers 58

MANAGEMENT DISCUSSION

Macroeconomic Environment and Housing Finance 62
Business Segments and Performance 65
Financial Capital 69
Human Capital 75
Social and Relationship Capital 85
Intellectual Capital 93
Manufactured Capital 97
Natural Capital 101

RISK MANAGEMENT AND CORPORATE GOVERNANCE

Corporate Governance 106
Assurance Report of the Auditor General on Corporate Governance 118
Risk Management 175
The Report of the Directors 186
Directors' Statement on Internal Control over Financial Reporting-2025 190
Assurance Report of the Auditor General on Internal Controls 192
Board Human Resources & Remmuneration Committee 194
Board Nomination and Governance Committee 197
Board Related Party Transactions Review Committee 200
Board Audit Committee Report 203
Board Integrated Risk Management Committee Report 205
CEO'S & CFO'S RESPONSIBILITY STATEMENT - 2025 208

FINANCIAL STATEMENTS

Statement of Directors' Responsibility for Financial Reporting 210
Independent Assurance Report to the Board of Directors of HDFC Bank of Sri Lanka on the Integrated Annual Report - 2025 211
Auditor General's Report 213
Income Statement 220
Statement of Comprehensive Income 221
Statement of Financial Position 222
Statement of Changes in Equity 223
Statement of Cash Flow 225
Accounting Policies 226
Notes to the Financial Statements 236

SUPPLEMENTARY INFORMATION

Share Information 292
Value Added Statements 295
10 Year Summary 296
Notice of Meeting 298
Form of Proxy 299
Corporate Information IBC

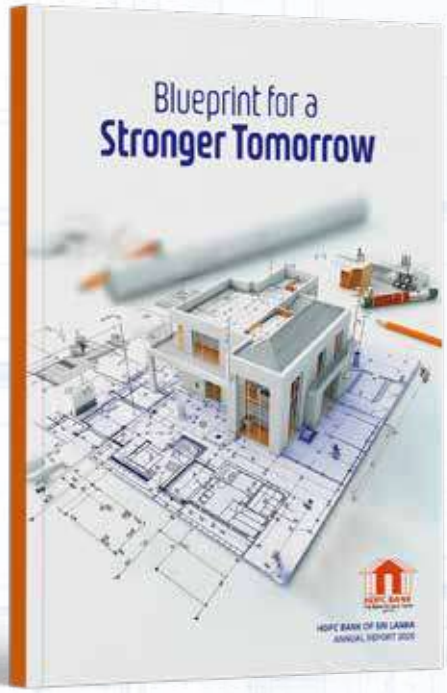
Blueprint for a **Stronger Tomorrow**

As HDFC Bank entered the financial year 2025, its progress was shaped by a blueprint defined by precision, stability and long-term intent. Much like the architectural plan illustrated on the cover, the Bank's journey reflects deliberate design, structural discipline and a commitment to rebuilding a nation that continues to rise from recent natural challenges. Every decision is drawn with purpose, every initiative aligned to a masterplan built for resilience.

HDFC's expanding focus on middle and upper middle-income segments, strengthened by innovative green financial solutions, reinforces a model engineered for sustainable relevance. The Bank's strong relationships with customers, communities and partners form the structural beams that support steady growth and economic renewal.

Guided by principle of financial soundness and sustainability and a clear vision for national progress, HDFC continues to draft prosperity, engineer stability and shape the framework for a more secure tomorrow. Through this blueprint of progress, the Bank remains dedicated to building opportunities that endure and a future where every stakeholder can thrive.

About the Report



THE 2025 ANNUAL REPORT – DRIVING DECISIVE IMPACTS

Capturing a financial year driven by stability and sustainability of operations, the sixth Integrated Annual Report delivers meaningful value for our stakeholders to make strategic decisions. The Report converges the full spectrum of our operations and performance, with information presented in line with key concepts of internationally benchmarked Integrated Reporting.

The financial window explored in this Annual Report provides stakeholders with a comprehensive view of how we tackled regulatory limitations and presents certain key value additions, including human capital development, development of sustainable banking solutions (green savings products) and support to the society while ensuring that our actions carry no detriment to the natural environment.

REPORTING PERIOD AND BOUNDARY

Maintaining our commitment to transparency, we have covered all relevant activities, decisions and outcomes that occurred during the period from 1 January 2025 to 31 December 2025.

Digital View

The Annual Report is available on our official website, *www.hdfc.lk*

The non-financial information presented herein outlines activities that have generated value to stakeholders. These have been presented within the six capital reports, while our operational focus during 2025 and material concerns relevant during the period have also been reported comprehensively. Financial information presented in the Report includes audited financial statements and supplementary information, while certain financial-related data have also been disclosed through the six capital reports.

REPORT-FOLIO



Our previous Annual Reports have received the certification of compliance from the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), while our 2023 Report gained the Bronze Award for distinction in information and alignment with best reporting standards.

REPORTING FRAMEWORKS

The report complements certain principles and best practices in reporting, governance and accounting. Apart from fulfilling all applicable regulatory and statutory requirements, the Report has been enhanced by certain voluntarily adopted standards and best practices in reporting and sustainability, as mentioned below (column 3).

FINANCIAL

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

GOVERNANCE

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

NON-FINANCIAL REPORTING AND SUSTAINABILITY

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

INTEGRATED REPORTING PRINCIPLES

The 2025 Annual Report of the HDFC Bank of Sri Lanka reflects a commitment to integrated reporting and transparency. This report covers key principles of the integrated reporting framework, and we have worked to the best of our capabilities to deliver a report that complements the following.

- **Strategic Focus and Forward Thinking**
  The Report centres on the Bank's mission to maintain financial. These were the principles that guided our operations and value creation activities in the FY 2025. We also established a strategic plan, which will commence from 2026 onwards..
- **Stakeholder Engagement**
  We have demonstrated how we engage with stakeholders and how value has been created.
- **Materiality**
  Focus on themes relevant in the FY 2025 themes, such as financial sustainability, governance, compliance and stakeholder engagement and alignment with the UN Sustainable Development Goals.
- **Clarity and Brevity**
  Emphasise quantitative and qualitative information and data to provide a glance at the Bank's performance.
- **Accuracy and Completeness**
  We have ensured the integrity of financial and non-financial data through internal assessments. External assurance has been obtained from an independent auditor and the Auditor General for the financial statements.
- **Consistency and Comparability**
  Provides multi-year quantitative visual trends, enabling readers to make comparative assessments on performance, particularly on financial indicators.

OUR FOCUS THIS YEAR

Improvements made in the annual report are as follows:

- Alignment of Materiality in line with the revised operational focus of the year under review.
- Clear overview of our New Strategic Direction, drawn and developed during the period under review.
- Improved connectivity between Materiality and Management of Capitals.
- Clear links to show the interdependencies between activities and capitals

ASSURANCE

The financial information in the Annual Report, commencing from pages 220 to 290, has been audited by the Auditor General, ensuring compliance with regulatory guidelines and auditing best practices. Ernst & Young has provided independent assurance that the report aligns with the <IR> Framework principles established by the IIRC.

About the Report

The final report has received approval from the Bank's CFO, CEO, and Chairperson of the Board. The Board of Directors and executive team maintain strict independence from the auditors.

STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of the HDFC Bank of Sri Lanka remains satisfied with the contents of the 2025 Integrated Annual Report. The Annual Report complies with all applicable statutory and regulatory requirements and covers relevant financial and governance standards.

The Report has been prepared under the guidance and oversight of the BOD, the executive leadership and the senior operational management, and has undergone serious scrutiny both internally and externally.

The Board approves this Annual Report after considering the assessments and assurances provided by the Audit and Risk Committees, confirming that the Report aligns with the Integrated Reporting Framework and the regulatory requirements, particularly those applicable to financial statements and governance and compliance.

FORWARD-LOOKING STATEMENTS

The Annual Report under review contains statements that provide information, estimations and expectations, based on future activities and strategies. These future-looking statements are based on the outcomes of our future objectives, action plans and operational decisions, which may alter the expected outcomes. Furthermore, Bank operations and activities are subject to risks and uncertainties from the macroeconomic environment, which are inherent in any business or financial organisation.

While we have taken every proactive strategy under the regulatory directions of the Central Bank of Sri Lanka, and with the integrated oversight of our Chief Financial Officer and the teams of the risk department and the credit management division, there remain uncertainties that may impact our operations and performance in the upcoming financial year and beyond. Therefore, we request readers of this Annual Report to consider the Bank's present and future operating environment when evaluating its performance and when interpreting forward-looking statements.

FEEDBACK

We value the constructive and insightful feedback on this report. Your comments and constructive criticism will enable us to improve and elevate the value of this report. Kindly direct any comments or suggestions to:

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

REPORT NAVIGATION

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

CAPITALS



STAKEHOLDERS





OUR VISION

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





OUR MISSION

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



OUR VALUES

Ethical

Agile

Resilient

Respect for Diversity

Transparent



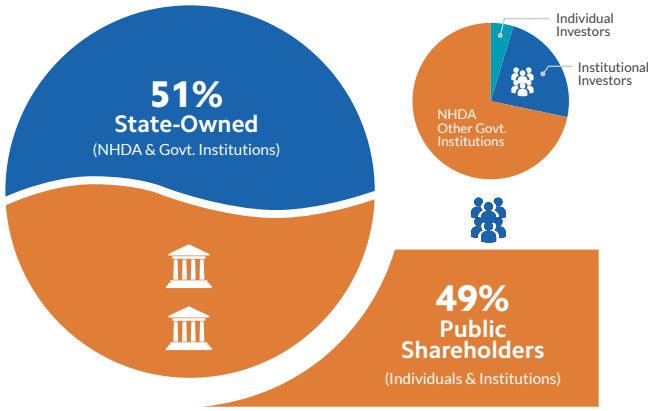
HDFC BANK OF SRI LANKA - A FINANCIALLY AND SOCIALLY RESPONSIBLE INSTITUTION FOR THE MASSES

The organisational value of the Housing Development Finance Corporation Bank (HDFC Bank) rests in fulfilling social responsibility. A Bank for the masses, especially the underserved segments of Sri Lanka, it is our fiduciary duty to ensure that our Corporate Vision is put into action.

Backed by the state's strength and public trust, 51% of the bank is state-owned (primarily by the NHDA) and holds a unique blend of government stability and private sector outlook. HDFC Bank operates with a smaller footprint, reflecting a sustainable reach with a grassroots presence.

For over four decades, HDFC Bank of Sri Lanka has served as a specialised bank in housing finance, turning dreams of homeownership into a reality for thousands. Over the years, with influence from being listed in stock exchange, HDFC Bank has strived to redefine itself to a financial partner from its foundational identity as a housing financier for the low- and middle-income segments.

Today, the Bank stands as a symbol of state-backed reliability and private-sector dynamism and has remained steadfast during periods of national economic shifts and social upheavals. The Bank has continued to leverage its deep understanding of people-centric financing, from its pioneering EPF-backed housing loans to physically permeating doorstep banking, competing where big banks cannot reach.



CORPORATE IDENTITY

- 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.
- Core Values: Ethical | Agile | Resilient | Respect for Diversity | Transparent.

STABILITY

- Financial Stability: The Bank holds a National Long-Term Rating of BB+ (lka) from Fitch Ratings. The most recent update affirms a stable outlook for the Bank.
- National Recognition: Across the years, HDFC Bank has cemented a hard-earned reputation for being committed to honesty, proper governance and a genuine concern for the people and sustainable profits. This was demonstrated through various accolades and recognitions.

REACH AND ACCESSIBILITY

As a Bank that prides itself on being 'closer to the customer', HDFC operates on a well-balanced service channel network. Despite the relatively smaller reach, the Bank operates with a healthy footprint and physical impact on the environment.

- Branch Network: 39 strategically located branches across all provinces.
- Mobile Banking Pioneers: A dedicated team of over 45 (as of 31st December 2025) Palmtop Banking professionals who provide doorstep financial services, ensuring that even the most remote customers stay connected to the formal banking system.
- Digital Integration: A we cannot say growing footprint of ATMs and digital platforms that offer 24/7 access to secure savings and loan management.

RECENT AWARDS & RECOGNITION





- Recognition for the support for Sri Lanka's first social bond issue.



- TAGS Awards (2024): Received the Compliance Award for transparency and excellence in financial reporting.
- National Business Excellence Awards: Merit Award winner in the Banking Sector.

WHAT MAKES THE HDFC BANK UNIQUE

The metrics that define the Bank are not only measured in the numbers of its balance sheet, but also in the thousands of expectations and aspirations it has financially empowered.

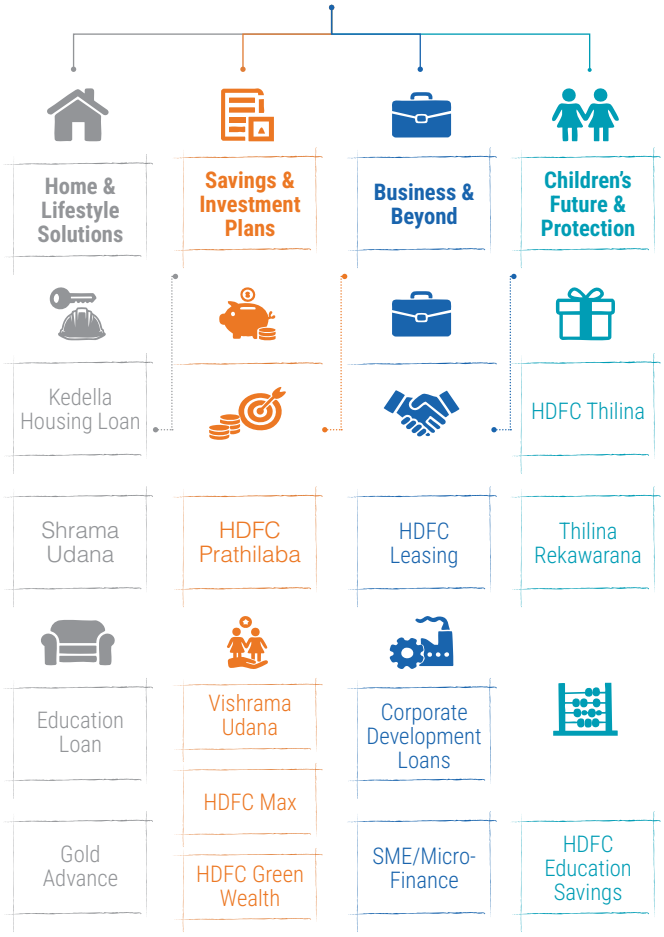
Thus far, the Bank has served over 500,000 customers across the island, with over 70% of its portfolio dedicated to housing finance.

Feature	HDFC Bank Strength
Specialty	Over 70% of the portfolio is dedicated to housing and household stability.
Market Reach	39 Provincial branches and doorstep banking professionals.
Institutional Trust	A key partner for the National Housing Development Authority (NHDA).
ESG Commitment	Signatory to the SLBA Sustainable Banking Principles, promoting Green lending & saving and eco-friendly construction.

HDFC PORTFOLIO OVERVIEW

Category	Signature Products
Housing Loans	Kedella Housing Loan (Customised financing), Shrama Udana (EPF-backed loans).
Savings Plans	HDFC Prathilaba (Daily banking), HDFC Smart Goals, HDFC Salary Saver, HDFC Set For Life, Go Green Savings
Investments	HDFC Fixed Deposits, Vishrama Udana (Senior Citizens), HDFC Max, HDFC Green Wealth (Sustainable FDs).
Children's Future	HDFC Thilina, Thilina Rekawarana, (Guaranteed investment plans), HDFC Arumbu
Leasing & SME	HDFC Leasing, Super Draft, and Corporate Development Loan Schemes.
Lifestyle	Sirisara Housing Loan (Furniture/Appliances) & HDFC Education Loan.

Integrated Product & Service Portfolio



Experience Doorstep Banking with HDFC Palmtop – Our Mobile Reach

STRATEGIC OUTLOOK

In a move to enhance the future stability of the Bank and to ensure the long-term stakeholder interests, the Government approved the transfer of HDFC Bank's 51% (State-backed shares) to the Bank of Ceylon (BOC). This will mark the Bank's beginning as a strategic subsidiary of the country's largest state bank.

Feature	Outlook post-transaction
Operational Status	HDFC is expected to continue as a specialised subsidiary of BOC, retaining its focus on housing finance while benefiting from BOC's massive resource base.
Capital Adequacy	The primary driver for the merger was HDFC's challenges in meeting minimum capital requirements. Integration with BOC provides an immediate capital safety net.
Deposit Mobilization	Previously limited by the Central Bank due to business model sustainability, HDFC's ability to raise deposits is expected to improve under the "BOC Group" umbrella.

Product Portfolio

PORTFOLIO OVERVIEW

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

SPECIALISATIONS AND DIVERSIFICATION

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

- Gold loans
- Development loans for SMEs and corporate clients
- Lifestyle and education loans
- Leasing

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

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

LOAN PHILOSOPHY

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

LOAN PRODUCTS

Kedella

Home loan scheme on primary mortgage of the property.

Shrama Udana

Home loan scheme for EPF members against EPF balance.

Educational Loan

Loan scheme to higher education needs on primary mortgage of property.

Corporate & Development Financing

Unique loan schemes to assist SME and Corporate Sector.

Gold Loan

Quick loans for immediate financial needs granted against the value of gold.

HDFC Green Personal Loan

A sustainable loan for Eco-Friendly living.

Leasing

Vehicle leasing scheme for individuals and businesses.

Agri Leasing

A specialised lease for agricultural purposes.

Edu Leasing

A leasing facility for financing educational purposes.

Biz Leasing

A leasing facility for business purposes.

Home Leasing

A life style lease for housing financial purposes.

V2V Leasing

A Convenient & Innovative leasing Solution for vehicle upgrade.

HDFC Super Draft

Flexible leasing solution for vehicle financing.

SAVINGS & INVESTMENTS PRODUCTS

Prathilaba

Discover the perfect benefits of savings.

Thilina

A personalised savings account exclusively for children.

HDFC Salary Saver

A Unique savings solution for monthly income earners.

Smart Goals

A savings product, ideal for achieving your short term goals.

HDFC Go Green

A saving's plan for contributing to a greener future.

HDFC Green Wealth

A unique investment plan to earn attractive returns supporting eco friendly purposes.

Set for Life

Unique wealth creation scheme for the young that helps to plan their future.

Vishrama Rakawarana

Securing future with trusted financial stability.

Arumbu **Thilina Rakawarana**

A children's investment plan for their future security.

DEPOSIT PRODUCTS

FIXED DEPOSITS

Fixed Deposits

Secure and lucrative investment opportunities.

HDFC MAX DEPOSITS

HDFC Max Deposits

Customised term deposits with maximised returns.

Vishrama Udana

A fixed deposit scheme for senior citizens.

TOTAL DEPOSIT PORTFOLIO
LKR 52,005 Mn

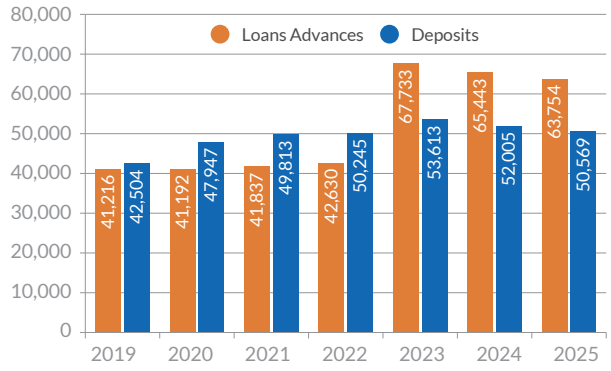
FIXED DEPOSITS
LKR 43,165 Mn

SAVINGS
LKR 8,840 Mn

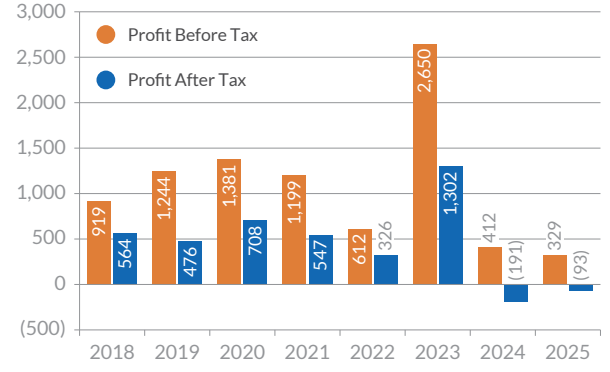
Financial Performance Highlights

	2025 LKR Mn	2024 LKR Mn	Change %
Results for the year			
Income	**7,730**	8,507	(9)
Profit before Taxation	**329**	412	(20)
Provision for Taxation	**422**	603	(30)
Profit after Taxation	**-93**	-191	(51)
Revenue to the Governments	**422**	606	(30)
Gross Dividends			
At the year end			
Shareholders Fund	**7,552**	7,713	(2)
Deposits from Customers	**50,569**	52,005	(3)
Gross Loans & Advance to Customers	**37,457**	42,658	(12)
Total Assets	**63,736**	65,443	(3)
Information per Ordinary share			
Earnings (Basic) (LKR)	**(1.44)**	-2.95	(51)
Financial Ratios			
Return on Average shareholders' Fund (%)	**(1.22)**	-2.43	(50)
Return on Average Assets (%)	**(0.14)**	-0.29	(51)
Share Holders Equity to Total Assets (%)	**11.85**	11.79	1
Statutory Ratios			
Liquidity Coverage Ratio(LCR) (%)	**217.00**	223.00	(3)
Net Stable Funding Ratio(NSFR) (%)	**104.00**	128.00	(16)
Leverage Ratio (%)	**11.34**	11.90	(2)
Common Equity Tier 1 -Minimum Required 7.00%	**32.08%**	32.53%	(1)
Total Tier I (%) - Minimum Required -8.50 %	**33.25%**	33.66%	(1)
Total Capital (%) - Minimum Required -12.50 %	**34.20%**	34.65%	(1)
Other Information			
Branches	**39**	39	-
Employees (No. of Staff)	**453**	494	(8)
Credit Rating - Fitch/Lanka Rating	**BB+(lka) Watch Positive**	BB+(lka) Stable	

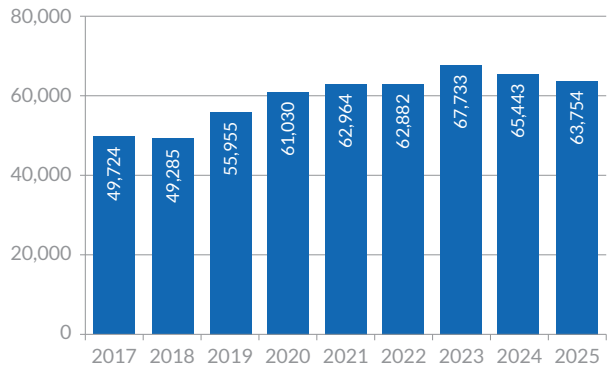
LOANS ADVANCES & DEPOSITS
(LKR. MN)



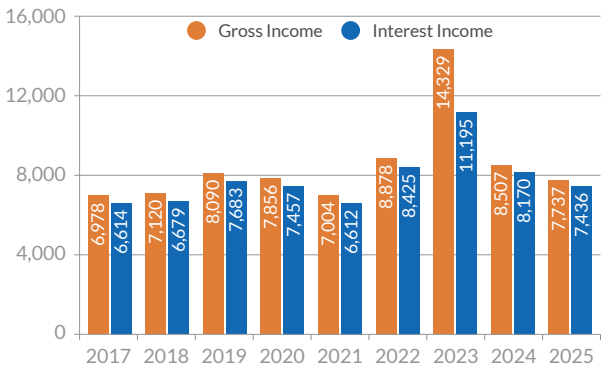
PROFIT BEFORE & AFTER TAX
(LKR. MN)



TOTAL ASSETS
(LKR. MN)



INCOME
(LKR. MN)



Stakeholder Relationships and Engagement

As one of the few banks specialising in housing finance, HDFC Bank operates with a sense of duty towards our country and the economy. Our duty lies in creating financial value and in empowering our customers and the community to be financially empowered. Therefore, our relationships are formed on the basis of providing financial value to each stakeholder group.

How we deliver and communicate such value depends on various engagement channels, which enable us to anchor our stakeholders to trust our capabilities as a people-oriented and people-first banking institution.



SHAREHOLDERS/INVESTORS

- 51% Majority shareholder (National Housing Development Authority)
- 49% Public individual shareholders



CUSTOMERS

- Depositor base 514,533
- Credit/borrowers 59,594
- New depositors in 2025 13,908
- New borrowers in 2025 6,790



EMPLOYEES

- 453 (446 permanent, 5 probationary, 2 contractual)



PARTNERS AND SERVICE PROVIDERS

- 186 service providers and suppliers



REGULATORS

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



COMMUNITY AND THE ENVIRONMENT

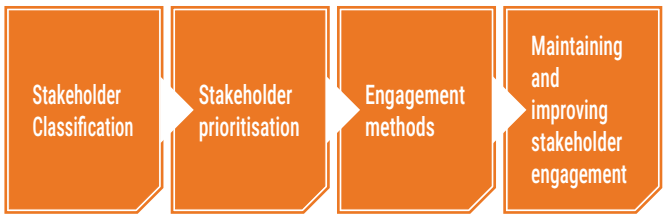
- The Public, Financial Community and the Environment

IMPORTANCE AND QUALITY OF RELATIONSHIPS

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

ENGAGEMENT PROCESS

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





SHAREHOLDERS

RELATED CAPITALS



RELATED SDGs



With a majority stake owned by the National Housing Development Authority (NHDA), the Bank's main shareholding party is the Sri Lankan Government. As a listed entity, the remaining shares are held by private investors, making it a public-private partnership.

Due to this ownership, we have aligned our interests with safeguarding investor investments and in providing stable returns to our investors, including the Government. Therefore, financial stability remains a core objective. However, as a licensed specialised bank, which was established through an Act of Parliament, we have a broader commitment to the country in providing affordable credit schemes for housing purposes – especially to those with lesser financial capacities.

However, with recent challenges in maintaining financial growth due to the high level of non-performing loans (a higher proportion belongs to EPF-backed loans), our priorities have shifted to solely ensuring financial stability and future prospects of the Bank.

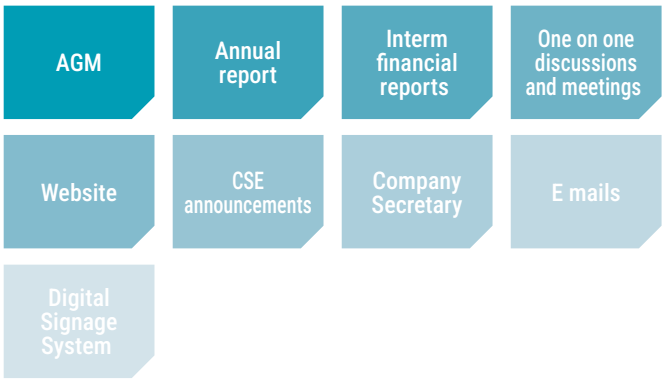
KEY EXPECTATIONS AND HOW WE RESPOND

Key Stakeholder Concern	Our Response in 2025	
Providing returns		
Asset Quality and Non-Performing Loans (NPLs)	We have intensified our recovery drive, and stringent credit profile evaluations help minimise further defaults while safeguarding bank capital.	Improvement on the bank's risk profile paves the way for balance sheet improvements
Revenue Diversifications	Expanding into high-yield retail products, including Gold Advances, Leasing, and Green Personal Loans.	Reduces reliance on EPF-backed loans and enhances interest margin
Regulatory Capital Requirements	Maintained a Tier 1 Capital Adequacy Ratio well above CBSL requirements by optimising our risk-weighted assets and focusing on high-recovery retail products like Gold Advances.	Safeguarding liquidity for short-term financial obligations

RELATED MATERIAL MATTERS

T1, T2, T3, T4, T5, T8, T13

HOW WE ENGAGE



CUSTOMERS

RELATED CAPITALS

RELATED SDGs



Our customers come from various financial backdrops with the majority considered as individuals with limited access to formal credit facilities. These are individuals who range within the moderate to low-income spectrum and also include high-income individuals, which continues to be a growing focus in line with revenue diversification.

KEY EXPECTATIONS AND HOW WE RESPOND

Key Stakeholder Concern	Our Response in 2025
Secure, High Returns	We offer attractive market rates and have optimised our portfolio to ensuring disciplined yield management.
Financial Stability	We have maintained a robust Tier 1 Capital Ratio, ensuring solvency.
Good Reputation	We are proudly recognised as one of the Top 100 Corporate Giants in Sri Lanka (as per LMD 100 rankings)
Convenient Services	We have diversified accessibility via Doorstep Banking (Palmtop services) and digital platforms, including the HDFC Website and Mobile Integration
Diverse Products	Our product suite includes specialised products, such as the HDFC Green Wealth, HDFC Go Green and Prathilaba for varied savings goals and Kedella (Property Mortgage Loan), Shrama Udana (EPF Backed Home Loan) and HDFC Leasing including Green Leasing for varied lending needs.
Affordable Funding	We provide affordable repayment plans based on individual financial capacities to ensure sustainable borrowing.

RELATED MATERIAL MATTERS

T1, T2, T3, T4, T5, T6, T8, T9, T10, T11, T12, T13

HOW WE ENGAGE



EMPLOYEES

RELATED CAPITALS

RELATED SDGs



The team at HDFC Bank is not viewed solely as our employees; they are the drivers of our stability, growth and resilience and the embodiment of our promise to the nation. By blending the expertise of seasoned banking and finance professionals with the adaptability of fresh talent, we have brought together a team that can understand the needs of a diverse market. Especially, their mindsets and attitudes have aligned with the HDFC culture over the years of committed service.

Therefore, we strive to provide our team with a comprehensive Employee Value Proposition (EVP) that enables us to attract, retain and develop a cadre that understands our unique financial and market positions.

KEY EXPECTATIONS AND HOW WE RESPOND

Key Stakeholder Concern	Our Response in 2025	2025	2024
Economic Growth	We provide a stable economic foundation through industry-standard financial remuneration and other benefits, which contribute towards rewarding employment in a state-backed banking institution.	Economic growth to employees 1%	10%
Career and Professional Advancement	The team is empowered through training programs that occur routinely, through formal training programs and one-to-one peer sessions, particularly with trainee recruits.	Training hours 733.75	619
Job Security and Economic Growth	As a state-backed Bank, we have ensured long-term job security and have complied with all applicable labour laws to provide a stable foundation for our staff.	Employee turnover 4.63%	4.14%
Fair and Equitable Treatment	Our culture is based on merit rather than biased opinions and judgments. Our senior management and the BOD ensure that all employees are treated with respect and are provided equal opportunities, and no room for any discrimination.	Women in leadership roles 174	195
Collective Bargaining	We are committed to safeguarding their rights and maintaining a professional, sustainable relationship with the Ceylon Bank Employees' Union (CBEU).		

Key Stakeholder Concern	Our Response in 2025	2025	2024
Work Autonomy and Open Culture	Establishing multiple engagement methods, we promote open communication to ensure employees are provided with every opportunity to voice their concerns and share their opinions.		

RELATED MATERIAL MATTERS

T1, T2, T3, T4, T5, T6, T7, T8, T9, T11, T13

HOW WE ENGAGE

- Intranet
- E mails
- Skip level meetings
- Induction programs
- Training and development programs
- HDFC newsletter
- Awards and recognitions
- Team activities and engagement activities

PARTNERS

RELATED CAPITALS

RELATED SDGs



Our partners provide us with the resources and services required to ensure continued operations and services to customers. They are suppliers and service institutions, engaged in providing merchandise, equipment and services such as technology, fintech, insurance, consultancy, auditing and accounting and telecommunications, etc.

KEY EXPECTATIONS AND HOW WE RESPOND

Key Stakeholder Concern	Our Response in 2025
Timely and Transparent Payments	Clear Communication
Long-Term Collaboration	Fair Procurement Practices
Ethical and Sustainable Growth	Digital Integration

RELATED MATERIAL MATTERS

HOW WE ENGAGE

- Tenders
- Product trainings
- E mail
- One on one meetings
- Inspections

REGULATORS AND STATE AUTHORITIES

RELATED CAPITALS

RELATED SDGs

HDFC Bank is fully committed to regulatory compliance and transparent governance and meets the mandates of the Central Bank of Sri Lanka and the Ministry of Finance. Moreover, our operations and actions align with the standards established by the Colombo Stock Exchange and the Securities Exchange Commission.

KEY EXPECTATIONS AND HOW WE RESPOND

Key Stakeholder Concern	Our Response in 2025
Maintaining Capital Adequacy, capping loan disbursements	Maintained well
Full Compliance with Rules and Regulations	Adhered
Working with Accountability and Integrity	Adhered
Financial Transparency and Full Disclosure	Published on time

RELATED MATERIAL MATTERS

T1, T2, T3, T4, T5, T6, T8, T9, T11, T12

HOW WE ENGAGE

- Interim reports
- Annual Report
- Industry forums
- Regulatory inspections
- Participation in policy planning
- One-on-one meetings

COMMUNITY AND ENVIRONMENT

RELATED CAPITALS

RELATED SDGs



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

KEY EXPECTATIONS AND HOW WE RESPOND

Key Stakeholder Concern	Our Response in 2025
Access to Affordable Housing Finance	Specialized lending products which drives long term asset portfolio.
Financial Literacy and Empowerment	Hosted workshops on educating on financial literacy by branches.
Community Wellbeing and CSR	Implemented environmentally sustainable initiatives.
Responsible Lending Practices	Introduced green financial products.

RELATED MATERIAL MATTERS

HOW WE ENGAGE

- Website
- Digital financial literacy
- Social media campaigns
- Print communications (vacancies, importance notices and regulatory changes)
- Digital Signage System

Matters of Materiality

During the period under review, we prioritised material matters as an intersection of regulatory commitments and in safeguarding the financial stability of the Bank and protecting the interests of our customers and employees. We recalibrated our focus to ensure that the Bank's financial position is well-guarded and aligned with regulatory requirements and internal priorities.

PROCESS IN RELATION TO 2025



Engagement and Identification - With insights and advice from the financial regulator and feedback from the risk department and credit division, we established how material topics should be prioritised.



Prioritisation - The prioritisation of material has changed dramatically to accommodate regulations and financial priorities, and includes an approach-specific focus of the most crucial material topic – Financial Stability.



Validation: The Board confirms the Material Topics align with our 2025 strategic shift toward asset quality and digital resilience.

The section provides the topics that mattered most to the Bank in the FY 2025 and provides a performance summary against each material topic. The following topics are presented in the order they were relevant and important to the Bank during the year under review.

T1 - FINANCIAL STABILITY

Financial stability became the highest priority during the year, as we worked tirelessly to ensure that NPL levels do not escalate further while maintaining no negative impact on our capital adequacy.

The following main approaches became imperative for financial stability and improved financial conditions.

APPROACH 1: ASSET QUALITY AND CREDIT RISK MANAGEMENT

Response	Outcomes
Increased focus on quality, collateral backed lending	Enhanced balance sheet stability, reduced capital volatility, and improved risk adjusted returns through stronger asset quality and lower NPL exposure.
Strengthened borrower onboarding standards	Clear demonstration of prudent credit discipline and improved alignment with regulatory expectations on asset quality and capital adequacy.
Improved recoveries to reduce NPL related capital impact	More responsible lending practices that ensure credit is extended to creditworthy borrowers with sustainable repayment capacity.

APPROACH.2: CAPITAL ADEQUACY AND FINANCIAL RESILIENCE

Response	Outcomes
Focused recovery initiatives to mitigate NPL related capital strain	Preservation of capital and strengthened confidence in the Bank's ability to absorb shocks and sustain dividends over time.
Reassessment of portfolio risk and concentration exposure	Enhanced capital resilience aligned with prudential expectations, reducing systemic risk concerns.

APPROACH 3: CONCENTRATION RISK AND PORTFOLIO DIVERSIFICATION

Response	Outcomes
Reduced reliance on EPF backed lending	Lower concentration risk, improved earnings sustainability, and reduced exposure to sector specific shocks.
Diversified the loan portfolio across asset backed lending categories	Stronger alignment with risk diversification expectations, enhancing the Bank's prudential risk profile.
	Broader access to diversified credit products, supporting inclusive and resilient financial intermediation.

APPROACH 4: SUSTAINABLE PRODUCT STRATEGY

Response	Outcomes
Prioritised growth in leasing and gold loans	Access to diversified, need based financing solutions supported by transparent and secure collateral structures.
Focused on asset backed products with stronger collateral coverage	More predictable cash flows and strengthened revenue sustainability from lower risk asset classes.

APPROACH 5: STRATEGIC DIRECTION AND TRANSFORMATION

Response	Outcomes
Laid the foundation for a five year strategic plan (2026–2030)	Clear long term strategic direction, strengthening confidence in sustainable value creation beyond short term performance cycles.
Reassessed priorities with emphasis on financial stability, resilience, and transformation	Assurance that growth and transformation will be pursued within a disciplined risk and regulatory framework.
	Greater clarity and alignment, fostering engagement and a shared sense of purpose throughout the transformation journey.

LINK TO CAPITALS AND VALUE CREATION

Approach	Capital Value Creation	Stakeholders with Impact
1. Asset Quality and Credit Risk Management	• Financial Capital – Gradually improving asset quality, lower NPLs, stable returns	Regulators, Shareholders, Customers (Depositors, Borrowers)
2. Capital Adequacy and Financial Resilience	• Financial Capital – Preserved buffers, improved resilience, sustained dividends. • Social and Relationship Capital – Strengthened confidence among regulators and investors.	Shareholders and Regulator
3. Concentration Risk and Portfolio Diversification	• Financial Capital – Reduced concentration risk, stable earnings • Social and Relationship Capital – Broader, more inclusive credit access.	Borrowers, Investors, Regulators
4. Sustainable Product Strategy	• Financial Capital – Predictable cash flows from secured lending. • Social Capital – Wider access to responsible, collateral backed finance.	Customers (Borrowers), Communities, Shareholders
5. Strategic Direction and Transformation	• Intellectual Capital - Strengthened strategic planning and governance. • Human and Social Capital - Improved alignment, engagement, and institutional resilience.	Employees, Shareholders, Regulators, Customers

SDG Alignment:



OUTCOME

Financial stability has been maintained and financial performance has improved in relation to that of the previous financial year. Fund allocations for activities that support strategic growth have now been approved and allocated, as at the end of the financial year, demonstrating improved financial resilience.

FURTHER REFERENCES:

Financial capital

Business Segment Performance

Financial statements and supplementary information

T2 - REGULATORY REQUIREMENTS AND MACRO-ECONOMIC INFLUENCE

Strategic monitoring of macroeconomic and regulatory developments remained essential to our financial resilience. By analysing key indicators and routine shifts, we proactively managed impacts on our balance sheet and the financial stability of the bank during the FY 2025.

OUR APPROACH

- Prioritising deposit mobilisation and lending based on regulatory policies
- Conducting loan restructuring and collections based on laws and regulations, such as the PARATE LAW and the moratoriums provided and updates.
- Managing credit disbursements in line with regulatory requirements

Approaches and Capital Value Creation	Stakeholders with Impact
Financial Capital • Strengthening financial resilience through proactive regulatory compliance and macroeconomic monitoring • Enhancing liquidity management and deposit mobilisation to support sustainable lending • Maintaining a stable balance sheet through disciplined risk management and adherence to prudential requirements	Regulators (CBSL), Government, Investors, Shareholders Customers (Depositors and Borrowers), Community, Employees
Social and Relationship Capital • Supporting economic stability through compliant loan restructuring and recovery practices (e.g., PARATE Law, moratorium updates)	Customers (Borrowers and SMEs), Community, Regulators

Approaches and Capital Value Creation	Stakeholders with Impact
Intellectual Capital • Ensuring responsible credit disbursement aligned with regulatory frameworks	Customers (Borrowers), Regulators, Shareholders

SDG Alignment:



OUTCOME

Increased loan recovery and collections

Providing low credit interest rates in line with CBLS's monetary easing

FURTHER REFERENCES:

Corporate Governance Report

Macroeconomic Review

Risk Management Report

T3 - PRUDENT RISK MANAGEMENT

Enhancing our resilience against challenges in recovering defaulted loans and ensuring that our capital adequacy ratios are maintained, we maintained risk management protocols across various parameters and ensured that our exposures are within the acceptable limits.

OUR APPROACH

- Non-performing loan recovery
- Follow-ups on EPF-backed loan settlement
- Strengthened credit oversight and compliance with regulations
- Prioritising responsible lending and critical assessment of loan profiles.
- Curbing expenditure to safeguard capital reserves
- IT governance and bolstered security
- Efforts to raise asset quality
- Cashflow forecasting
- CBSL updates

Approaches and Capital Value Creation	Stakeholders with Impact
Financial Capital • Recovering defaulted loans • Maintaining capital adequacy ratios. • Curbing expenditure to safeguard capital reserves • Cash flow forecasting to ensure liquidity and stability • Strengthened credit oversight and compliance with regulations	Shareholders, Investors, Regulators (CBSL), Employees
Social and Relationship Capital • Prioritising responsible lending and critical assessment of loan profiles • Non performing loan recovery and follow ups on EPF backed loan settlements • Efforts to raise asset quality through customer engagement and recovery practices • Continuous updates and alignment with CBSL directives • IT governance and bolstered security	Regulators (CBSL), Shareholders, Customers/ Borrowers, Partners

SDG Alignment:



OUTCOME

Clear and important risk management outcomes to be added by HDFC Bank – Please make sure this is done in line with what we have included in the RISK REPORT

FURTHER REFERENCES:

Risk management report

T4 - GOVERNANCE AND COMPLIANCE

This became the bedrock of stability, and we ensured continued accountability and compliance despite changes in the position of CEO and Chairman.

APPROACH

- Controlled lending and reduction in loans granted due to regulatory guidance
- Compliance with governance regulations for the banking sector
- Risk and credit management integrated with oversight through the Risk Department and the Credit Division
- Regular Board meetings to review and take timely decisions to ensure financial stability.

Approaches and Capital Value Creation	Stakeholders with Impact
Financial Capital • Compliance with governance regulations for the banking sector • Risk and credit management integrated with oversight through the Risk Department and Credit Division • Controlled lending and reduction in loans granted due to regulatory guidance • Regular Board meetings to review and take timely decisions to ensure financial stability and ensure continued accountability	Regulators (CBSL), Government, Shareholders Customers (Borrowers)

SDG Alignment:



OUTCOME

Enhanced risk assessment and robust integrated credit and risk management approach

New company secretary tasked with ensuring governance and compliance

Zero non compliance

Enhanced credit management process

FURTHER REFERENCES:

Corporate governance Report

Compliance Status

Risk management report

T5 - SUSTAINED COMMUNICATION AND STAKEHOLDER ENGAGEMENT

Sustaining communication and maintaining continuous dialogue is vital to remain aligned with the regulatory requirements, customer expectations and employee concerns. We strive to engage directly and frequently with our stakeholders to ensure that our duties and the creation of value remain aligned with their best interests and the interests of the Bank's financial future.

OUR APPROACH

- Maintaining regular reporting and discussions, and swift rectification to ensure full alignment with regulatory requirements.
- Leveraging social media for frequent customer and community engagements
- Tender process and formal screening for new suppliers and service providers, and sustained communication with existing entities
- Internal communications and training programs to exchange concerns, comments and performance of employees

Approaches and Capital Value Creation	Stakeholders with Impact
Human Capital • Internal communications and training programs to exchange concerns, comments, and performance updates	Employees, Management, Board
Social and Relationship Capital • Maintaining regular reporting, discussions, and swift rectification to ensure alignment with regulatory requirements • Leveraging social media for frequent customer and community engagement • Tender process, formal screening, and sustained communication with suppliers and service providers • Sustaining continuous dialogue to remain aligned with regulatory expectations, customer needs, and employee concerns	Regulators (CBSL), Government, Shareholders Customers, Community, Suppliers and Service Providers, Employees, Partners

SDG Alignment:



OUTCOME

Regulatory meetings

Frequent Facebook and LinkedIn engagements

Tender process expedited for outsourcing of vehicle registration with DMT

FURTHER REFERENCES:

Stakeholder engagement process

Corporate governance report

Compliance status

Social and relationship capital

Human capital

T6 - INCLUSIVE AND FINANCIALLY PRUDENT DIVERSIFICATIONS

Working towards strategic business growth, we undertook the development of several new products and diversified our existing line of leasing facilities. Moreover, we maintained the affordability of lending facilities, advocating for financial inclusion.

OUR APPROACHES

- Diversified leasing facility
- New 'Green' financial products
- Affordable interest schemes and repayment plans aligned with individual payment abilities
- Processes and workflows aligned to provide low turnaround times for certain lending products.

Approaches and Capital Value Creation	Stakeholders with Impact
Financial Capital • Diversified leasing facility to strengthen revenue streams and support business growth • Introduction of new 'Green' financial products, including green personal loans to finance green projects, e.g. renewable energy generation	Customers (Borrowers), Investors, Regulators
Intellectual Capital • Streamlined processes and workflows to ensure low turnaround times for lending products	Customers, Employees
Social and Relationship Capital • Affordable interest schemes and repayment plans aligned with individual payment abilities to promote financial inclusion • Advocacy for financial inclusion through accessible and customer centric lending practices	Customers (Low income, SMEs), Community, Regulators

SDG Alignment:



OUTCOME

Four leasing diversifications with quick leasing services

Three new Green products

HDFC Super Draft product with minimum documentation and flexible repayment terms

Strong focus on short-term lending through Leasing and Gold Loans

FURTHER REFERENCES:

Intellectual capital

Social and Relationship capital

Financial capital

T7 - COMPREHENSIVE EMPLOYEE VALUE PROPOSITION

We follow a robust EVP approach, which ensures our ability to attract, retain and empower a high-calibre workforce. A well-rounded EVP, we are committed to providing them with an inclusive environment with opportunities for new knowledge, career progression, workplace safety and respected rights.

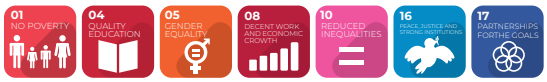
OUR APPROACH

- Comprehensive training programs tailored to internal training needs, including areas with strategic importance.
- Respecting employee rights and fostering a healthy environment for collective bargaining.
- Endorsing diversity and equality and condemning discriminatory behaviours
- Championing work-life balance initiatives to support the mental and physical health of our staff.

Approaches and Capital Value Creation	Stakeholders with Impact
Human Capital • Respecting employee rights and fostering a healthy environment for collective bargaining (e.g. co-existing with the Bank union) • Endorsing diversity and equality while condemning discriminatory behaviours • Comprehensive training programs tailored to internal training needs, including areas of strategic importance • Work–life balance initiatives to support the mental and physical well-being of staff • Providing an inclusive environment that empowers employees and supports career progression	Employees (including the Trade Union and Management), Community

Approaches and Capital Value Creation	Stakeholders with Impact

SDG Alignment:



OUTCOME

Declined retention

Recruitments for senior management levels

Training and development programs

FURTHER REFERENCES:

Human capital

T8 - BUSINESS CONTINUITY

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

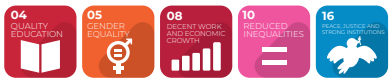
OUR APPROACH

- Leadership skill development /mentoring
- Management trainee program in the pipeline
- Disaster recovery plan
- Selective recruitment

Approaches and Capital Value Creation	Stakeholders with Impact
Human Capital • Leadership skill development and mentoring to build a strong succession pipeline • Management Trainee Program to nurture future leaders and ensure continuity	Employees, including Management
Intellectual Capital • Disaster recovery planning to ensure operational resilience and uninterrupted service delivery • Selective recruitment to strengthen organisational capability and long term stability	Regulators, Customers, Community Employees, Shareholders, Partners Service Providers

Approaches and Capital Value Creation	Stakeholders with Impact

SDG Alignment:



OUTCOME

Comprehensive internal and external training programs

Business continuity plan

FURTHER REFERENCES:

Human capital

T9 - SAFEGUARDING RIGHTS OF CUSTOMERS

Protecting consumer data and financial information is their fundamental right, and to ensure this premise, we have in place all necessary measures to mitigate cyber threats and network vulnerabilities within our ICT infrastructure. Moreover, we also educate customers on conducting safe physical and digital transactions through financial literacy programs.

OUR APPROACHES

- Enhancements in cyber security and IT in line with CBSL Baseline Security Standards
- Regulatory compliance with consumer rights and protection guidelines
- Fair and timely solutions for grievances by debtors
- Staff trained to provide clear communication of services and loan terms.
- Formal internal complaint resolution
- Programs on safe online banking and financial scams (Literacy programs)

Approaches and Capital Value Creation	Stakeholders with Impact
Human and Social Capital • Staff trained to provide clear communication of services and loan terms • Formal internal complaint resolution mechanisms to ensure transparency and fairness	Employees, Regulators

Approaches and Capital Value Creation	Stakeholders with Impact
Social and Relationship Capital • Regulatory compliance with consumer rights and protection guidelines • Fair and timely grievance solutions for debtors • Programs on safe online banking and financial scams (financial literacy initiatives)	Regulators, Community Customers (Borrowers)
Intellectual Capital • Enhancements in cybersecurity and IT in line with CBSL Baseline Security Standards	Customers, Regulators (CBSL), Community
SDG Alignment: 	

OUTCOME

No incidents or complaints regarding customer rights or privacy violations in the year.

FURTHER REFERENCES:

Social and Relationship capital

Human capital

T10 - ENHANCED ACCESSIBILITY

Digital improvements were undertaken with extreme prudence being exercised. The website underwent improvements in appearance and functionality, with regular updates on bank financial products and services.

OUR APPROACH

- Improved website appearance, information and functionalities, including online banking
- Focus on encouraging digital transactions through HDFC Click, our online banking portal and through JustPay-backed apps.
- Doorstep banking service
- Call centre
- Continued branch operations (except closures during Ditwah cyclone)

Approaches and Capital Value Creation	Stakeholders with Impact
Intellectual Capital • Improved website appearance, information, and functionalities, including online banking	Partners, Customers, Community
Social and Relationship Capital / Intellectual Capital • Encouraging digital transactions through HDFC Click and JustPay backed apps • Doorstep banking service to enhance accessibility for underserved and remote customers • Call centre operations to support customer queries and improve service accessibility	
Manufactured and Social Capital • Continued branch operations (except during unavoidable closures) to ensure uninterrupted access to services	
SDG Alignment: 	

OUTCOME

Improved website feature functionalities

Doorstep services carried out across the island

No branches were closed during the year

FURTHER REFERENCES:

Manufactured capital

Intellectual capital

Social and relationship capital

T11 - ENVIRONMENTAL SUSTAINABILITY AND ACCOUNTABILITY

During the year, we worked to bolster our contributions to environmental sustainability. This was done while balancing our ambitions with financial obligations, taking gradual steps towards ensuring long-term impacts.

OUR APPROACHES

- Disciplined waste and energy reduction protocols across offices
- Green savings and lending products to fund eco-friendly projects
- Solar power generation at branches
- Optimal number of branches that keeps our carbon footprint in control
- Beach-cleanup program
- Waste plastic bottle collection
- Collaboration with plastic recyclers for recycling

Approaches and Capital Value Creation	Stakeholders with Impact
Natural and Social Capital • Green savings and lending products to fund eco friendly projects • Beach cleanup program to support environmental conservation	Customers, Community, Regulators, Employees
Natural Capital • Disciplined waste and energy reduction protocols across offices • Solar power generation at selected branches to reduce carbon emissions • An optimal number of branches to keep the carbon footprint controlled • Plastic bottle collection and recycling (with a third-party company) to reduce environmental pollution	Employees, Regulators, Community, Shareholders

SDG Alignment:



OUTCOME

Green Savings and financing products (3 products)

681 Kgs of plastic bottles recycled

Solar energy generated in total – 6,749

Total water savings (is any for branches/head office or both)

Coastline clean-up – 2+ Kms

FURTHER REFERENCES:

Natural capital

Sustainable Development Goals (UN SDGs)

T12 - COMMUNITY DEVELOPMENT AND DEVELOPMENT FINANCE

As a specialised bank, our mission goes beyond rudimentary financial transactions. We are committed to ensuring that our customers receive advice on maintaining financial soundness and protecting their financial information from scams and potential threats.

OUR APPROACHES

- Promoting literacy and education to ensure financial safety
- Restructuring loans to provide a financial safety net for distressed borrowers.
- Utilising 'doorstep banking' to reach those with remote accessibility to branches
- Expanding access to credit for MSMEs and individuals with constrained livelihoods.

Approaches and Capital Value Creation	Stakeholders with Impact
Social and Relationship Capital • Promoting financial literacy and education to ensure customer safety and protect against scams • Utilising doorstep banking to reach customers with limited access to branches • Expanding access to credit for MSMEs and individuals with constrained livelihoods • Strengthening community trust through advisory support and responsible development finance	Customers - senior citizens, low income persons/ households, and MSMEs, Community, Regulators

SDG Alignment:



OUTCOME

Relationships formed with several communities

FURTHER REFERENCES:

Social and relationship capital

T13 - INFRASTRUCTURE INVESTMENT

We continued on the path of frugality and prudence in the FY 2025, with no capital expenditure. However, the re-launch of our Shopping/ Debit Card was conducted during the year. As a result of prudent measures, we have not burdened our capital reserves or exhausted our financial allocations.

OUR APPROACH:

- Existing digital transaction channels have temporarily offset the need for expansions in physical infrastructure
- Asset maintenance and optimised usage
- Procurement/development projects based on a structured bidding/tender process, which requires prudence and extensive planning before expenditures

Approaches and Capital Value Creation	Stakeholders with Impact
Financial Capital • Continued frugality with zero capital expenditure, ensuring no burden on capital reserves	Shareholders, Investors, Regulators
Intellectual Capital • Re launch of the Shopping/Debit Card to enhance customer convenience without major infrastructure spend • Leveraging existing digital transaction channels to temporarily offset the need for physical infrastructure expansion	Partners, Service Providers, Customers, Community, Regulators, Employees
Manufactured and Financial Capitals • Asset maintenance and optimised usage to extend lifespan and reduce unnecessary expenditure	Shareholders, Employees, Regulators
Intellectual / Social and Relationship Capital • Structured bidding/tender process ensuring prudence, transparency, and responsible procurement	Suppliers, Regulators, Community

SDG Alignment:



OUTCOME

No infrastructure investments (cap-ex)

LKR 24.6 Mn in PPE additions and reduced overall PPE value

FURTHER REFERENCES:

Manufactured capital

Intellectual capital

Social and relationship capital

Financial capital

Strategy and Resource Allocation

OPERATIONAL FOCUS (2025)

In FY 2025, we channelled our focus on strengthening the Bank's credit profile. This required us to sharpen our credit management discipline through concentrated attention on collateral-backed lending supported by clear and appropriate processes and thresholds (For more information, please refer to the Risk Management Report). Our process of disciplined credit management also entailed tightening borrower selection criteria, in an effort to onboard credit-worthy customers with better repayment capacities.

In parallel, we intensified our focus on recoveries to reduce NPL-related capital and improve overall portfolio quality. Strategies to improve recovery rates included a focus on maintaining early-warning and engagement with defaulted borrowers, while applying proactive methods, such as restructuring loan repayment structures where appropriate. The Bank adopted more rigorous follow-ups with customers with a high probability of defaulting.

Moreover, greater focus was directed towards reducing concentration risk by diversifying the lending portfolio to non-EPF-backed lending facilities. In this regard, we prioritised and encouraged borrowers to seek short-term asset-backed lending categories, with particular focus on expanding leasing and gold loan segments. This somewhat alleviated the burden of broadening our earning base while improving collateral coverage.

Additionally, in 2025, the Bank also completed the development of a structured five-year strategic plan for 2026–2030, centred on transformation and growth. The roadmap has established a clear path to enhancing the Bank's financial strength and resilience. The plan reinforces our commitment to capital and liquidity management and strengthening asset quality through disciplined strategies. Furthermore, it encompasses a focus on non-financial targets and goals with areas such as digitalisation and innovation and human capital development.

- Strong emphasis on enhancing the bank's credit profile
- Focus on improving recoveries and reducing non-performing loans
- Lower concentration risk
- Development of a five-year plan (2026–2030) for sustainable growth.

STRATEGIC OUTLOOK (2026-2030)

The Bank engaged in a highly formalised and rigorous planning process, which was conducted across five months and adopted an 11-step process. The plan was completed through the collaboration and mediation of the management and cross-functional teams, including various departments and the chief executive officer.

The five-year strategic roadmap is the result of the following process:

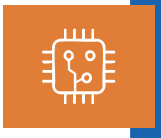
- Brainstorming session
- Strategic analysis
- SWOT analysis
- Strategic direction (aligned with objectives)
- Supportive action
- Executive Discussions
- Target Review
- Finalisation
- Communication
- KPI implementation
- Regulatory submission

DRIVERS OF GROWTH (TEN STRATEGIC CATALYSTS)



Housing Finance Demand Expansion

Rising middle-income households and urbanization expanding demand for affordable housing. Government policies promoting vertical housing and PPPs driving loan growth



Digital Transformation

Rapid acceleration of digital banking, mobile-first solutions, and e-KYC enabling market penetration at lower cost. Automation and analytics enhancing speed

SME & Microfinance Growth

SME sector recovery creating opportunities in construction-related SMEs, housing contractors, micro-entrepreneurs. Government refinance lines providing low-cost funds

Regulatory & Policy Alignment

Alignment with national housing policy, sustainable finance guidelines, and CBSL direction. Opportunities from government-supported affordable housing schemes

Low-Cost Funding Initiatives

Diversification via debentures, term deposits, green financing. Access to long-term concessional funding from multilaterals for affordable housing

Geographic & Market Penetration

Expanding reach into underserved provinces through lean digital branches and agent-assisted banking. Partnerships with local authorities widening customer base

Credit Risk & Portfolio Quality

Advanced risk analytics and early warning systems reducing NPLs. Improved underwriting standards enhancing asset quality. Stronger recovery mechanisms

Operational Efficiency

Process reengineering, workflow digitization, and cost discipline improving cost-to-income ratio. Automation in back-office increasing productivity

Product Diversification

Expansion of green housing loans, migrant worker housing, home improvement micro-loans, youth housing starter loans. Fee-based services increasing non-interest income

Customer-Centric Service

Strong brand communication targeting youth, women, SMEs, and first-time homebuyers. Enhanced customer experience driving loyalty and referrals

The following illustration summarises the Bank's 10 strategic catalysts, which have been identified to drive growth across the 2026–2030 horizon. These encapsulate the key levers of revenue and profitability growth, customer growth, digital capability, risk discipline and sustainability, and guide prioritisation across the strategic initiatives.

STRATEGY AND STRATEGIC INITIATIVES (2026–2030)

The 2026–2030 strategy is designed to create sustainable value by strengthening the Bank's performance across several areas that encompass its overall strategy.

ASPECTS OF THE OVERALL STRATEGY

- Strengthen financial stability
- Accelerate growth in priority segments
- Achieve digital and innovation leadership
- Enhance profitability and operational excellence

STRATEGIC INITIATIVES AND INTEGRATED THINKING

The following outlines the Bank's main priorities for the five years of 2026-2030. To enhance transparency and alignment with integrated reporting, each initiative has been mapped to related capitals and key stakeholders, who are impacted or engaged in achieving the strategic initiatives. BY doing so, we aim to provide a straightforward path from our strategic vision to the outcomes that create value for all stakeholders.

Disclaimer: Outcomes and milestones in line with the following strategic path will be presented in the next financial year. The following is being rolled out according to a detailed Action Plan; hence, clear outcomes will only be seen by the end of the 2026 financial year. However, we advise our stakeholders to consider that progress will be incremental and that certain objectives will require extended periods of time due to future uncertainties and unavoidable circumstances in the operating environment. Updates and achievements will be relayed transparently to ensure that all stakeholders remain informed and aligned with the Bank's strategic direction.

Financial growth and profitability

- Strengthen core housing portfolio
- Diversify funding and reduce costs
- Improve profitability and scale

Digital transformation and innovation

- Build End-to-End Digital Lending
- Modernise Core Banking and Data
- Strengthen Cybersecurity

Customer Experience and Risk Management

- Deliver Fast, Transparent Housing Finance
- Digitalisation and Outsourcing
- Strengthen Collections and NPL Management
- Build Strong Capital and Compliance Governance

ESG Sustainability

- Build a Digitally Enabled Workforce
- Performance-Driven Culture
- Promote Green and Sustainable Housing
- Reduce Bank's Carbon Footprint

1. FINANCIAL GROWTH AND PROFITABILITY

Initiative	Related Capitals	Key Stakeholders
Strengthen core housing portfolio	Financial, Manufactured, Social and Relationship	Customers (home buyers), Regulators, Investors
Diversify funding and reduce costs	Financial, Social and Relationship	Depositors, Investors, Rating agencies, Regulators
Improve profitability and scale	Financial, Manufactured, Intellectual	Shareholders, Employees, Regulators

2. DIGITAL TRANSFORMATION AND INNOVATION

Initiative	Related Capitals	Key Stakeholders
Build End-to-End Digital Lending	Intellectual, Manufactured, Human, Financial	Retail and SME customers, Fintech partners, Employees, Regulators
Modernise Core Banking and Data	Intellectual, Manufactured, Human	Technology partners, Employees, Regulators, Customers
Strengthen Cybersecurity	Intellectual, Social and Relationship, Human	Customers, Regulators, Technology partners, Employees

3. CUSTOMER EXPERIENCE AND RISK MANAGEMENT

Initiative	Related Capitals	Key Stakeholders
Deliver Fast, Transparent Housing Finance	Social and Relationship, Manufactured, Intellectual	Customers, Partners, Regulators
Digitalisation and Outsourcing	Manufactured, Intellectual, Human	Employees, Partners, Customers
Strengthen Collections and NPL Management	Financial, Social and Relationship, Human	Customers/Borrowers, Regulators, Investors
Build Strong Capital and Compliance Governance	Financial, Social and Relationship, Intellectual	Regulators, Investors, Board of Directors

4. HUMAN CAPITAL AND ESG SUSTAINABILITY

Initiative	Related Capitals	Key Stakeholders
Build a Digitally Enabled Workforce	Human, Intellectual	Employees, Technology partners
Performance-Driven Culture	Human, Social and Relationship	Employees, Shareholders
Promote Green and Sustainable Housing	Natural, Social and Relationship, Financial	Customers, Customers, Regulators
Reduce Bank's Carbon Footprint	Natural, Manufactured, Social and Relationship	Employees, Regulators, Community

KEY GOALS AND TARGETS

The following is only an overview of the Bank's goals and targets for the next five years. A detailed version cannot be disclosed due to the information's sensitivity.

Revenue and growth

- Achieving double-digit annual credit or revenue growth – expanding the loan portfolio while maintaining a balanced risk profile.

Liquidity and funding strength

- Improving the savings-to-deposit ratio
- Increasing low-cost, stable funding sources to make stronger liquidity buffers to reduce vulnerability to external shocks.

Cost efficiency and profitability

- Reducing the cost-to-income ratio
- Leveraging automation and digital workflows to cut down costs

Portfolio diversification

- Increase share of non-housing loans
- Growing non-interest income through cards, payments and digital services

Customer base expansion

- Expanding through digital and physical channels
- Improving customer acquisition and retention strategies

Digital Transformation and Innovation

- Implementing straight-through digital workflows
- Forming strategic partnerships with fintech, telco and ecommerce platforms

ESG and Governance Alignment

- Expanding green finance and renewable energy lending
- Achieving industryleading regulatory and cybersecurity standards

Business Model

CAPITAL INPUTS → VALUE CREATED

Financial Capital
Diversified funding sources, strong capital base, disciplined cost management

Human Capital
Skilled workforce, training programs, equity in career growth and leadership, stable employment

Intellectual Capital
Top 100 corporate brand, Organisational Knowledge, Proprietary products, Core banking systems

Social & Relationship Capital
Financial literacy programs, community-driven environmental sustainability

Manufactured Capital
Islandwide branch network, Digital channels

Natural Capital
Energy, water and material usage, Environmental footprint, Green product development

Vision/Mission

CORE PURPOSE
Affordable Housing Finance and Inclusive Financial Services for Sri Lankans

Focus on Financial Stability and Operational Sustainability

Key Goals:
Improve asset quality and reduce NPL ratios

Strengthen liquidity and capital adequacy

Optimise asset–liability management (ALM)

Enhance risk governance

Primary Activities
Mobilising deposits, housing loans, other credit facilities, digital banking and customer service

Credit Risk Management
Enhance standards and monitoring systems to enhance borrower repayment capacities and raise asset qualities, and to lower the NPL levels

Asset Quality Enhancement
Introduce restructuring and recovery measures for stressed loans (defaulted borrowers)

Liability Management
Focus on stable deposit base and a balanced portfolio of funding

Digital Transformation
Maintain workability of existing digital platforms and improve standards based on regulatory requirements and best practices

Governance and Compliance
Reinforce risk oversight and audit approaches

Strategy
2026-2030

OUTCOMES → SDG ALIGNMENT

OUTPUTS

PRODUCTS AND SERVICES

Housing and SME Loans, Savings and Deposits, Digital Services, Financial Advisory

Shareholders

Enhanced financial stability through reduced NPLs, stable capital and liquidity buffers and efficient risk-weighted asset management

Staff

Career development and training, safe and inclusive workplace

Customers

Access to financial services, Support for low and middle-income families

Society

Financial literacy and green financial products that support environmental sustainability and sustainable development

Regulators

Financial stability and enhanced risk culture

Environment

Promotion of green finance and savings products, Relatively low footprint in the banking sector, e-waste and plastic waste management, tree stewardship

Financial Capital



Human Capital



Intellectual Capital



Social & Relationship Capital



Manufactured Capital



Natural Capital



LONG-TERM VALUE - RESILIENT, TRUSTED AND SUSTAINABLE HOUSING-FOCUSED BANKING

Contributions to the United Nations' Sustainable Development Goals (SDGs)

OUR OBJECTIVES: FINANCIAL INCLUSION, RESPONSIBLE BANKING AND ECO-CONSCIOUSNESS

As a financial institution that operates under Government oversight, we recognise the importance of our role in advancing social sustainability and our duty towards reducing the impact of our operations on the environment. While we continue to work from a nascent point in fully aligning our journey with the UN's SDGs, our commitment remains to making meaningful, steady, gradual progress.

We have already taken modest approaches to promoting social sustainability, financial inclusion and responsible banking through initiatives, such as doorstep banking for underserved customers, investments in digital channels, and enhanced safety protocols for digital banking. These actions demonstrate our commitment to amplifying the Bank's impact through sustainability, as they foster accessibility and financial security, as we continue to strive for bigger and bolder advancements in support of the SDGs.

In line with core banking activities and purpose, we have identified priority SDGs to focus on areas where our work can create the best impact. The following SDGs are what the Bank has primarily aligned with

PRIMARY SDGs


SDG 1 – No Poverty


SDG 5 – Gender Equality


SDG 8 – Decent Work and Economic Growth


SDG 9 – Industry, Innovation and Infrastructure


SDG 10 – Reduced Inequalities


SDG 16 – Peace, Justice and Strong Institutions

MATRIX

Strategic Initiative	SDGs Contributed To
Green Banking Products	*SDG 7, 12, 13*
Doorstep Banking	*SDG 1, 8, 10*
Digital Channel Investments	*SDG 9*
Digital Banking Safety	*SDG 9, 16*
Debt Moratoriums	*SDG 1, 8*
Financial Literacy	*SDG 4, 8*
Waste Management	*SDG 12, 13, 15*
Clean Energy Generation	*SDG 7*
Female Leadership	*SDG 5, 10*
Equal Career Opportunities	*SDG 8, 10*
Staff Training	*SDG 4, 8*
Inclusive Credit Facilities	*SDG 1, 8, 10, 11*
Regulatory Compliance	*SDG 16*
Low Physical Footprint	*SDG 13, 15*

GREEN BANKING PRODUCTS



3 green financial products unveiled

During the year under review, the Bank made serious headway in implementing and introducing green-focused banking products, promoting sustainability and meaningful financial benefits to customers. Our inaugural diversifications included a Go Green savings product, a Green Wealth deposit product and a Green Personal Loan designed to encourage long-term investment in sustainable ventures.

Products introduced:

- HDFC Go Green Savings Account, which will directly support eco-friendly projects through deposits made into the savings account. Funds will be invested in environmentally sustainable developments, giving depositing customers the opportunity to be stakeholders in national green growth.
- HDFC Green Wealth Fixed Deposit for long-term sustainability projects, including renewable energy-based investments, by prudently and safely allocating deposited funds.
- Customers will be provided with a green investment certificate recognising their contribution, along with special interest rates.
- Green Personal Loan is specially designed to support financial needs aligned with an eco-friendly lifestyle through green funding.

IMPACT

- Mobilisation of sustainable capital
- Enhanced customer engagement in sustainability
- Advancing our ESG commitments
- Reinforcing long-term value creation

DOORSTEP BANKING FOR INCREASED ACCESSIBILITY



45 doorstep banking team

Across 9 provinces

Covers 8,144 customers

Doorstep banking takes a special focus within our distribution network, bridging the gaps between hard-to-reach customers and the Bank. With financial literacy being a concern, barriers to digital banking access, and a low branch footprint, we have placed greater focus on ensuring a well-trained team of field staff who approach our customers across areas with low service penetration. Doorstep banking has been facilitated with a dedicated software, which enables our staff to process a wide range of services, including loan repayments and utility bill payments. The indirect benefit of our doorstep banking/palmtop banking team is the ability to increase recoveries and loan repayments, bearing in mind the various payment structures and schemes deployed to benefit low- to middle-income earners and their payment capacities.

IMPACT

- Improved financial inclusion
- Reduced access barriers
- Economic empowerment of underserved communities

DIGITAL CHANNEL OPTIMISATIONS



Aiming to provide seamless and inclusive financial services, we have made crucial investments to upgrade and maintain our digital infrastructure. However, in 2025, due to financial limitations and concerns about preserving our capital buffers, we maintained a calculated and cautious approach to investing in technological advancements.

Previous modernisation efforts included upgrading our online banking portal, website enhancements and strategic third-party integrations with platforms, such as Just Pay; this has enabled a more secure and efficient banking environment, designed to enhance accessibility, convenience and control of financial service expectations.

IMPACT

- Increased safety and security in conducting transactions
- Enhanced accessibility and convenience for customers

Contributions to the United Nations' Sustainable Development Goals (SDGs)

ENHANCED DIGITAL BANKING SAFETY PROTOCOLS



1,933 online and digital banking service users

Zero safety breaches or threats recorded in 2025

19.39% increase in users

Through investments and improvements in technological and digital infrastructure, we have made considerable compliance in line advancements in our security protocols and best practices with the CBSL's baseline security standards. Our IT department ensures that customer data and privacy are safeguarded through strong protocols. Moreover, our staff works in alignment with the necessary steps to combat financial crime through Know Your Customer (KYC).

Moreover, by collaborating with JustPay, we have leveraged their advanced encryption and security standards to ensure safe mobile banking. Together with internal digital banking safety measures, we have ensured a resilient digital ecosystem.

IMPACT

- Alignment with baseline security standards
- Protocols in place to combat potential threats

DEBT MORATORIUMS



LKR 120.58 Mn (since 2020)

LKR 92.61 Mn moratoriums (in 2025)

144 customers benefitted in 2025

Undertaken through a case-by-case approach, moratoriums and loan payment restructuring have enabled us to support several key Sustainable Development Goals. Moratoriums also include concessions and extended payment periods that offer relief to customers facing financial hardships. This reflects the Bank's commitment to compassionate banking, ensuring financial resilience for vulnerable populations.

FINANCIAL LITERACY INITIATIVES



The bank utilised its online communication mediums and social media to create awareness among customers and the general public on proper and safe conduct of digital/online financial transactions.

IMPACT

- Creating awareness on digital/online financial transactions and data safety

CLEAN ENERGY GENERATION



6,749 kWh of electricity powered through solar energy

We have continued to maintain and operate a solar power installation, which powers operations at our Hyde Park Corner branch in Colombo. These hold adequate capacities to generate power for branch operational needs, eliminating reliance on the national grid and powering operations during power outages.

IMPACT

- Solution for carbon reduction
- Model for further expansion
- Sustainable solution for future energy needs

MORE FEMALES IN LEADERSHIP ROLES



The Bank has continued to empower our female colleagues to take leadership positions. Due to their determination and hard work, there are 11 female colleagues employed in corporate management and in Chief/Senior management roles during the period under review, which is collectively on par with the number of male professionals employed in similar positions.

- 50% of female representation in corporate management
- 54.5% female representation in chief/senior management roles
- 53.5% of female representation in the executive staff

IMPACT

- Opportunities for succession
- Ability to retain female leadership due to equal and equitable treatment

EQUAL AND FAIR OPPORTUNITIES FOR CAREER AND ECONOMIC GROWTH



The Bank is committed to reducing inequalities by offering equal opportunities for professional and economic advancement to all employees, irrespective of their social backgrounds. The Bank has established comprehensive procedures to address workplace harassment, discrimination, and related concerns. Grievance handling and whistleblowing policies have been implemented to ensure a safe and supportive environment for all 453 staff members.

Furthermore, the Bank has in place a management trainee program, enabling 25 graduates to pursue careers in the banking sector and offering a robust foundation for long-term growth with equitable benefits and opportunities. Similarly, the bank hires interns, providing them with exposure to banking activities across various functions.

IMPACT

- Support for career growth
- Provisions for higher education (honorariums)

PROPER WASTE MANAGEMENT MECHANISMS



1.6:1 male to female ratio (bank-wide)

54% within the Executive Level are female peers

681 Kgs of plastic waste collected for recycling

Effective plastic waste management has become a focus in recent years and was accelerated by partnering with a third-party recycling company, which has enabled us to set up plastic collection hubs at selected branches. Moreover, proper electronic waste disposal has been affirmed through another sustainable partnership with an e-waste recycling provider. Collectively, these efforts have increased our contributions towards protecting the environment from plastic pollution and electronic waste pollution.

OUTCOMES

- Plastic collection hubs – 20
- E-waste recycling
- Third-party waste management partnerships

INVESTING IN STAFF TRAINING



733.8 hours of training

LKR 4.6 Mn invested in training

139 internal and external training programs

To support the professional and personal growth of our team of employees, one of the smallest teams amongst state banks in Sri Lanka, we have made necessary investments in internal and external training programs, which continued during the year with no exception.

Employees' professional and skill development were ensured through internal training on various aspects each year. These include training on information security and IT, leasing and specialised products, credit and recovery, compliance and risk management, strategic planning and growth and operations and general training. Moreover, external training programs included the following, of which several programs were facilitated by the financial regulator (CBSL), the Ministry of Finance and the Sri Lanka Bankers' Association, amongst other regulatory and institutional trainers.

- Banking Operations and Retail Services
- Regulatory, AML and Compliance
- Sustainability and ESG
- Cybersecurity and Digital Tech
- Finance, Risk and Treasury
- HR, Leadership and Soft Skills
- Labour Law and HR Admin
- Accounting and Auditing
- National Conventions and Legal
- Public Sector and Outreach

IMPACT

- Employee knowledge enhanced through 139 programs
- Specific knowledge provided on a diverse array of subjects, enabling reskilling and upskilling
- Ensuring training to staff across various job functions

Contributions to the United Nations' Sustainable Development Goals (SDGs)

INCLUSIVE CREDIT FOR SUSTAINABLE COMMUNITIES



LKR 9.02 Bn in loans granted in 2025

By providing tailored credit facilities to low and middle-income customers, HDFC Bank directly champions the above goals, with the backing of the National Housing Development Authority (NHDA). Through products, such as Shrama Udana, we enable affordable housing solutions that empower sustainable communities and improve their quality of life. Moreover, complementary loan schemes enable stronger social stability, as it extends financial services to underserved populations, thereby making us a contributor to reducing poverty and promoting economic growth.

IMPACT

- Housing and Life style financing solutions for financially overlooked individuals
- Flexible and tailored borrowing and repayment structures

STRENGTHENING GOVERNANCE AND COMPLIANCE FOR SUSTAINABLE GROWTH



We have maintained strict adherence to regulatory guidelines issued by the Central Bank of Sri Lanka (CBSL). We have made every effort to align with banking industry best practices, albeit having a slow and gradual journey. This is exemplarily evident through our ability to meet the minimum capital requirements, despite certain financial setbacks seen over the past several years.

Moreover, we have complied with Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT) regulations through robust Know Your Customer (KYC) processes while maintaining governance directives, financial and accounting requirements as per national accounting standards and financial reporting guidelines.

Similarly, we have adopted best practices in risk management, specifically focused on maintaining adequate capital buffers and liquidity. The Bank safeguards depositor funds and stakeholder interests. This has enhanced accountability and trust within our bank, despite our smaller operational impact.

IMPACT

- Enhanced financial integrity (by minimising possibilities for illicit activities through AML/CFT compliance and KYC processes)
- Adherence to regulatory requirements has ensured stakeholder confidence
- Active support towards SDG 16 and being a responsible and fair financial partner.

LOW PHYSICAL FOOTPRINT



Branches 39

Average staff per branch 08

HDFC Bank has embraced a low geographical dispersion in relation to its investment capacity and prudent financial management. Moreover, branches are located in areas with a justifiable customer presence, encouraging this minimal ecological footprint and thereby reducing environmental impact and resource use. There will be no expansions in the short-term, which will enable us to optimise the use of natural resources and create a positive loop in the management of our natural capital.

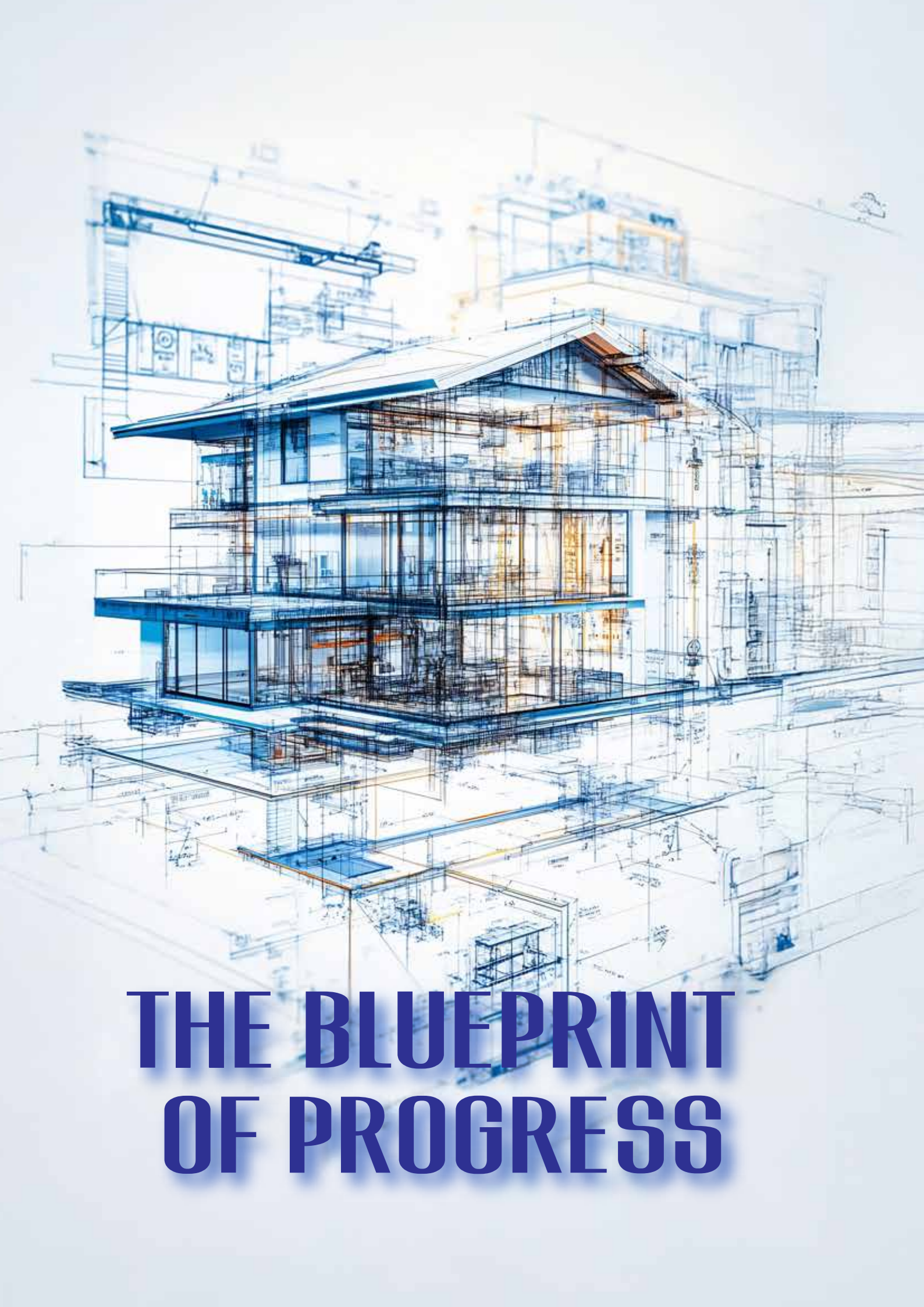
IMPACT

- Lower carbon emissions in relation to aggressive expansions
- Energy efficiency
- Probable reduction in operational emissions (unmeasured)
- Optimum resource consumption

OUR WAY FORWARD

Our forward-looking commitment to the Sustainable Development Goals reflects our role as a catalyst for financial inclusion and sustainable operational growth. Our immediate vision holds a commitment to upholding the Bank's already established efforts to make financial services accessible through mobile banking, online and digital transaction services and through our branch network.

The work of our branches and staff to enhance financial literacy, especially among borrowers, will continue to be the example of our work to improve their financial positions and to guide them towards financial security. Moreover, as a specialised bank, we will continue to align our sustainability agenda with that of the government, while ensuring that we safeguard our financial position to provide economic growth and benefits to employees, customers and shareholders.



THE BLUEPRINT OF PROGRESS

Review from the GM/CEO



Dear Shareholders and Well-Wishers,

As the newly appointed Chief Executive Officer of the HDFC Bank, I am pleased to present the Annual Report for the financial year ended 31st December 2025.

The Chairman has retired from 30.11.2025 and no Director has been appointed as the Chairman thereafter. I, GM/CEO will deliberate on the outlook of the Bank as follows.

Delivered a strong recovery performance, with LKR 3,479 Mn recovered from past due facilities, representing 19.6% of the total past-due portfolio

The Bank achieved a robust outcome by securing LKR 3.5 Bn from past-due facilities, equivalent to 19.6% of the total delinquent portfolio.

The Bank demonstrated strong resilience during the year, navigating the lingering economic impacts of the pandemic and subsequent economic crisis, while adopting pragmatic measures to strengthen asset quality, reduce non-performing loans and improve the Bank's financial stability.

Despite reporting a loss for the year, while undertaking necessary balance sheet strengthening measures, the Bank maintained a strong liquidity coverage ratio of 217%, reflecting its ability to meet immediate financial obligations and made significant improvements in recoveries, effectively bringing down the NPL capital by LKR 3,479 Mn. Furthermore, the Bank was awarded BB+(lka) with a Rating Watch Positive (RWP) in late 2025, an improvement from a previously positive outlook.

NAVIGATING COMPLEXITIES PRAGMATICALLY

The Bank operated amidst improving macroeconomic conditions, supported by a surge in credit demand, driven by declining interest rates, increased consumption and renewed business confidence. However, operations continued to be influenced by the constraints aimed at safeguarding financial stability, limiting loan disbursement and deposit mobilising capacity. In the year under review, structural challenges persisted in recovering defaulted EPF-backed loans from respective borrower EPF balances, and at the end of the reporting year, the bank fully claimed 3.3 Bn.

During the year, our primary focus was on adopting measures to mitigate high-risk credit exposure by strengthening recovery operations and continuing to onboard quality credit. The Bank focused actively on tackling the high NPL ratio, and during the year, the NPL capital was brought down by LKR 3,479 Mn, which amounts to 19.6% of the NPL capital of the Bank. Further we continued to improve the quality of new loan granting through prudent credit risk assessment.

In an economy where the household income levels have been reduced due to the pandemic and subsequent economic crisis, loan affordability remained constrained, particularly with previously high interest rates. The broader banking sector continued to shift towards short-term lending products, including leasing and gold-backed facilities .

While HDFC Bank has similar products within our portfolio, 74% of our loan book continues to be concentrated in housing finance. A significant portion of the housing loans is secured against EPF balances of low to middle-income earners, resulting in delays between arrears recognition and settlement from the respective borrower's EPF, thereby contributing to elevated NPL levels. In response, and in line with evolving market preferences, the Bank has taken steps to diversify its portfolio to reduce risk and enhance asset quality.

PORTFOLIO DIVERSIFICATION AND GROWTH FOCUS

Capitalising on the removal of the vehicle import ban, the Bank expanded its leasing portfolio, achieving significant growth through focused, organic customer engagement. Our strong focus on promoting leasing products among customers has reaped benefits by doubling the portfolio. The strategic emphasis behind prioritising leasing and gold loans was based on their short-term nature, in addition to being backed by high-quality collateral, which contributes to lowers level of credit risk.

Despite budgetary, spending and operational constraints, organic customer engagement resulted in Leasing and Gold loan portfolios to record steady growth, ably supported by the commitment of staff across all 39 branches. Their efforts contributed not only to portfolio expansion but also to achieving satisfactory recovery levels.

STABILISING PERFORMANCE

To strengthen branch performances and to align with the Bank's budgetary targets, we provided individual branches with KPIs, empowering them to work towards the set goals.

Due to the commitment and contribution of Branches and the recovery department, the NPL capital was brought down by LKR 3,479 Mn by the end of the FY 2025.

Profit before taxation for the year stood at LKR 360 Mn, supported by revenue of LKR 7.7 Bn, despite seeing declines in comparison to the previous financial year. Loans and advances are the main source of revenue of the Bank; however, we could not expand the loan portfolio due to regulatory caps on loan disbursements during the year. However, net interest income showed a marginal increase to record LKR 2.8 Bn due to a reduction in interest expenses, which balanced the reduction in interest income.

The Bank's workforce remains a key strength, bringing extensive industry knowledge and strong customer relationships despite a limited geographic footprint. There is immense potential amongst our staff, their knowledge, experience and specifically organisational knowledge of the housing industry, coupled with experience in

working with a diverse group of customers, from grassroots to corporates. Despite the Bank's smaller geographical presence, our employees have built closer working relationships with customers, enabling improved customer engagement, enhanced financial literacy for customers, and stronger recovery outcomes.

In the absence of comprehensive new IT system developments, the Bank prioritised optimisation of existing systems, improving operational reliability and performance. During the year, emphasis was placed on enhancing current digital capabilities and ensuring system resilience, in preparation for future technology-driven initiatives.

GREEN PRODUCT INNOVATIONS & INVESTING SOCIAL BOND

In line with our long-term sustainability strategy, the business development team formalised a suite of green financial products to empower depositors towards environmentally responsible banking.

Titled 'Go Green', we unveiled a savings account in conjunction with World Environment Day, enabling depositors to be stakeholders of eco-friendly initiatives, as these funds are invested in green initiatives and environmentally sustainable projects. Funds mobilised will be channelled towards green investments, while depositors retain full flexibility to access their savings at any time. Depositors will be awarded a Green Investment Certificate, which recognises their contribution, and they will be benefited with preferential interest rates, making the product financially attractive to depositors.

The launch of the green savings product signals a bold move towards this new landscape in Sri Lankan banking. While green and blue bonds have emerged within the sector, 'Go Green' is the first of its kind as a consumer-facing green savings product within the banking industry in Sri Lanka. The bank also invested in a social bond during the year which is equal to LKR 225 Mn. This initiative represents a significant step in aligning with Sri Lanka's emerging sustainable finance landscape and supports the Central Bank's Inclusive Green Finance (IGF) agenda for MSMEs.

Our team also organised organic activities to promote these products amidst regulatory caps on marketing budgets and spending. Awareness campaigns were conducted, including outreach programs in schools to promote sustainability and financial awareness. Preliminary sessions took place in several schools, creating awareness of the importance of the products.

We are optimistic that the new products introduced in 2025 will gain momentum in 2026 through targeted promotions, including social media campaigns and ground promotions.

FUTURE STRATEGIC TRANSFORMATIONS

5-YEAR STRATEGIC PLAN

I remain optimistic about the near future, especially performance and outcomes in 2026, as a result of our forward-looking roadmap. Marking a pivotal transition, the Bank has prepared to launch a comprehensive 5-year strategic plan with a focus on 'Transformation and Growth'. This plan will be the blueprint that guides the bank to confidently navigate challenges, especially through all the existing limitations and constrains. The plan has been solidified through a 3-day workshop, including a structured engagement process involving high-level contributions from the Board of Directors and Senior Management, with a focus on ironing out all existing issues to make a strategic transition.

RISK MANAGEMENT, ENHANCING SUSTAINABLE GROWTH AND CORPORATE GOVERNANCE

Moving forward, the Bank will continue to prioritise high-quality, asset-backed lending while reducing exposure to high-risk segments, reducing our vulnerabilities. Despite delays caused by EPF claim settlements, the Bank expects a strategic shift towards high-quality asset-backed leasing and gold loan segments to further strengthen the asset base

In terms of risk mitigation, our focus will be on avoiding high-risk lending in favour of high-quality lending backed by collateral and more creditworthy borrowers having better repayment capabilities. Efforts will also focus on reducing the existing NPL portfolio to improve credit ratings and obtain regulatory flexibility.

In terms of financial products, portfolio diversification will remain a key priority, reducing reliance on EPF-backed housing loans and expanding into low-risk, income-secured lending segments backed by high-quality collateral.

In the past, our lack of product diversification in terms of lending stifled our ability to promote short-term loan products, absorb low-risk creditworthy borrowers and high-quality assets. Now, as we focus on raising more financially sustainable assets and managing our liabilities more prudently, we are confident of improving financial stability and resilience in the medium-term. Moreover, to ensure long-term stability and value to customers, we will identify areas where improvements can be made in terms of both product and services.

The integrated credit approval process supported by enhancements to the credit approval framework will ensure rigorous risk assessment and improved credit quality and will effectively reduce the risk of default by individuals and institutional borrowers.

Additionally, a dedicated unit will focus on attracting high net worth individuals and corporates, thus ensuring the strengthening of the borrower profile. This unit will focus specifically on lending to Corporates and MSMEs. We envisage that the impact of such lending will also contribute to the national agenda and economic empowerment of the country's engine of growth – MSMEs. Further the bank specially focuses on corporate governance, regulations and best practices as the priority area in order to further strengthen sustainability and stability of the bank.

Approaching the future optimistically, the Bank is focused on strengthening its credit profile through disciplined reduction of non-performing loans and a strategic shift towards high-quality assets and credit exposures.

FINANCIAL LITERACY AND SUSTAINABLE FINANCIAL PRODUCTS

The Bank will continue to promote financial literacy, particularly among rural communities, to encourage responsible financial behaviour and savings habits. Through financial literacy, the Bank will focus on addressing gaps in consumer knowledge, especially amongst our rural customers. We firmly believe that it is our duty to educate borrowers using comprehensible financial concepts and to encourage thrift habits to promote a culture of saving and disciplined financial behaviour.

From a sustainability perspective, we will address food security through targeted loan programs and also direct efforts to disburse credit to businesses and individuals engaged in projects involving agriculture and food production, with emphasis on environmentally responsible projects such as reforestation, sustainable food processing and tree planting.

A summary of our strategic direction for 2026-2030 is presented below.

Area of Focus	Key Objective
Growth	Expand market share through targeted product innovation and enhancement
Risk	Reduce concentration risk by diversifying beyond EPF-backed lending and strengthening credit governance through multi-layered approval frameworks
Expansion	Establish a dedicated Business Banking unit to drive growth across Corporate and MSME segments
Compliance	Ensure full alignment with regulatory requirements and national development priorities

APPRECIATIONS

My sincere appreciation is extended to retired Chairman Mr. P. J. Jayasignhe, immediate past GM/CEO Mr. C. R. P. Balasooriya and Directors who retired during the year under review.

I wish to convey my gratitude to the HDFC Board of Directors, the Central Bank and our principal shareholder, the Ministry of Housing and Development Authority (NHDA), for their continued trust and support.

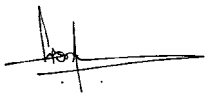
I also commend the dedication of our management and staff for their commitment to align with our goals for the FY 2025.

I also acknowledge the guidance and assistance received through prudent regulatory support, which encouraged us to take challenging but necessary steps to ensure the Bank's sustainability and to safeguard the interests of all our stakeholders. I also extend my heartfelt thanks to our valued customers for their continued trust and partnership.

Furthermore I thank our national audit office consultants and department of public enterprises, Ministry of Finance Official who provided immense support and guidance during the financial year.

Finally, I thank our shareholders for continuing to maintain their financial interests with the Bank.

We appreciate your continued confidence as we pursue initiatives to enhance financial resilience and sustainable growth



Hemal C. Lokugeegana
General Manager/Chief Executive Officer

27 May 2026

Board of Directors

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 to June 2025 and re-appointed from 23rd June 2025.

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

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

Dr. Krishantha is specialized in Business Administration, Strategic Management and Information Technology.

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

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



MR. K. B. WIJEYARATNE
Non-Executive, Independent Director

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

Mr Wijeyaratne is a partner at Wijeyaratne Associates. Also, currently, he is the Senior Director of Richard Pieris Finance Limited.

He was the Senior Deputy General Manager of the National Savings Bank and employed for about 10 years. Also, he was the head of Finance and Administration at the Trade Union Insurance Company EC in Saudi Arabia for more than 13 years. The company has five branches all over the Kingdom of Saudi Arabia, and the head office is located in Bahrain. Mr Wijeyaratne has over 41 years of experience in the Audit and Financial services sector locally and overseas, having served in senior management positions at premier financial institutions with extensive experience mainly in the field of Insurance and Banking.

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



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

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

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



MR. J. M. P. S. KAUSHALLYA
Non-Executive, Independent Director

Mr. J. M. P. S. Kaushallya was appointed as a Board Member of the HDFC Bank with effect from 23rd June 2025.

Mr. J. M. P. S. Kaushallya is a fellow Chartered Accountant (FCA) and a fellow Management Accountant (FCMA) from both the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He is also an Associate Member of the Association of Chartered Certified Accountants (ACCA) in UK. Further, he is a member of the Sri Lanka Institute of Directors (SLID) and a Member of the Association of Professional Bankers of Sri Lanka (APB) as well. He is also a fellow member of the Institute of Chartered Professional Managers (FCPM) of Sri Lanka. Additionally, he holds a Postgraduate Diploma (PGD) in Diplomacy and International Affairs from the Bandaranaike International Diplomatic Training Institute of Sri Lanka.

He also possesses a strong academic portfolio including a Master of Business Administration (MBA) from the University of Colombo, and a Master of Laws (LLM) from Buckinghamshire New University, in UK. Further, he holds a B.Sc. (Hons) Special Degree in Business Administration with a second-class upper division from the University of Sri Jayewardenepura.

He has over 30 years of experience in Banking, Finance, and Advisory services. He has 24 years of experience in the Banking Sector. He has held several positions at the National Development Bank of Sri Lanka and the NDB Bank. Further, he has worked as a Director- Financial Advisory Services at Baker Tilly Sri Lanka, a member firm of Baker Tilly International. In addition to the above, he has held the position of Accountant / CFO / Head of Finance at several companies in Sri Lanka.



Board of Directors

MRS. K. K. GAYANI PREMATHILAKE

Non-Executive,
Non-Independent Director

Mrs. Gayani Premathilake was appointed as a Board Member of the HDFC Bank with effect from 18th July 2025.

Mrs. Gayani Premathilake, Attorney-at-Law is presently working as the Chief Legal officer of the Ministry of Public Administration Provincial Councils and Local Government. She started her career as Legal officer Ministry of Provincial Councils and Local Government in 2007.

Mrs. Gayani Premathilake is a dedicated Legal Officer with over two decades of progressive experience in academia and Sri Lanka's public sector and Member of the Board of Management of BMICH.

She began her career as a Visiting Lecturer on Commercial Law at Ratnapura Technical College (2002–2004), before moving into public service as a Legal Officer of the Ministry of Local Government & Provincial Councils in 2007, where she continue to serve in a Legal advisory capacity.

She is an experienced Legal professional in public sector, specializing in Local Government and Provincial Council laws.

She has served in Public Sector nearly two decades adept at identifying areas for legal reform and preparing draft bills and amendments to support effective local administration.

She committed to driving legislative improvements related to the sub national level governance in order to ensure democratic governance at the Local and Provincial levels through her expert legal knowledge.

She holds Bachelor of Laws (LLB) Degree from University of Colombo, Master of Human Rights from University of Colombo and Master of Laws (LLM) from Cardiff Metropolitan University of UK.



MRS. S. S. SHIROMA NANDANI
Non-Executive, Independent Director

Mrs. S. S. Shiroma Nandani was appointed as a Board Member of the HDFC Bank with effect from 03rd November 2025.

Mrs. S. S. Shiroma Nandani is a Grade I Officer of the Sri Lankan Accountancy Service, with 20 years of service in the Accountancy Service and Public Sector. Currently she is the Chief Accountant of Ministry of Labour. She has expertise knowledge in public sector, specializing in Local Government financial sectors as the Government Accountant. She worked as a Municipal Treasurer at Colombo Municipal Council.

Mrs. Shiroma Nandani obtained a Bachelor Degree in B com. (special) 2nd Upper University of Sri Jayewardenepura. She also has a Master's Degree in MA (Econ) from the University of Kelaniya. Further, she in member of the Association of Public Finance Accountants from the Institute of Chartered Accountants of Sri Lanka.



Board of Directors

MR. J. K. ARAVINDA SIRINATHA

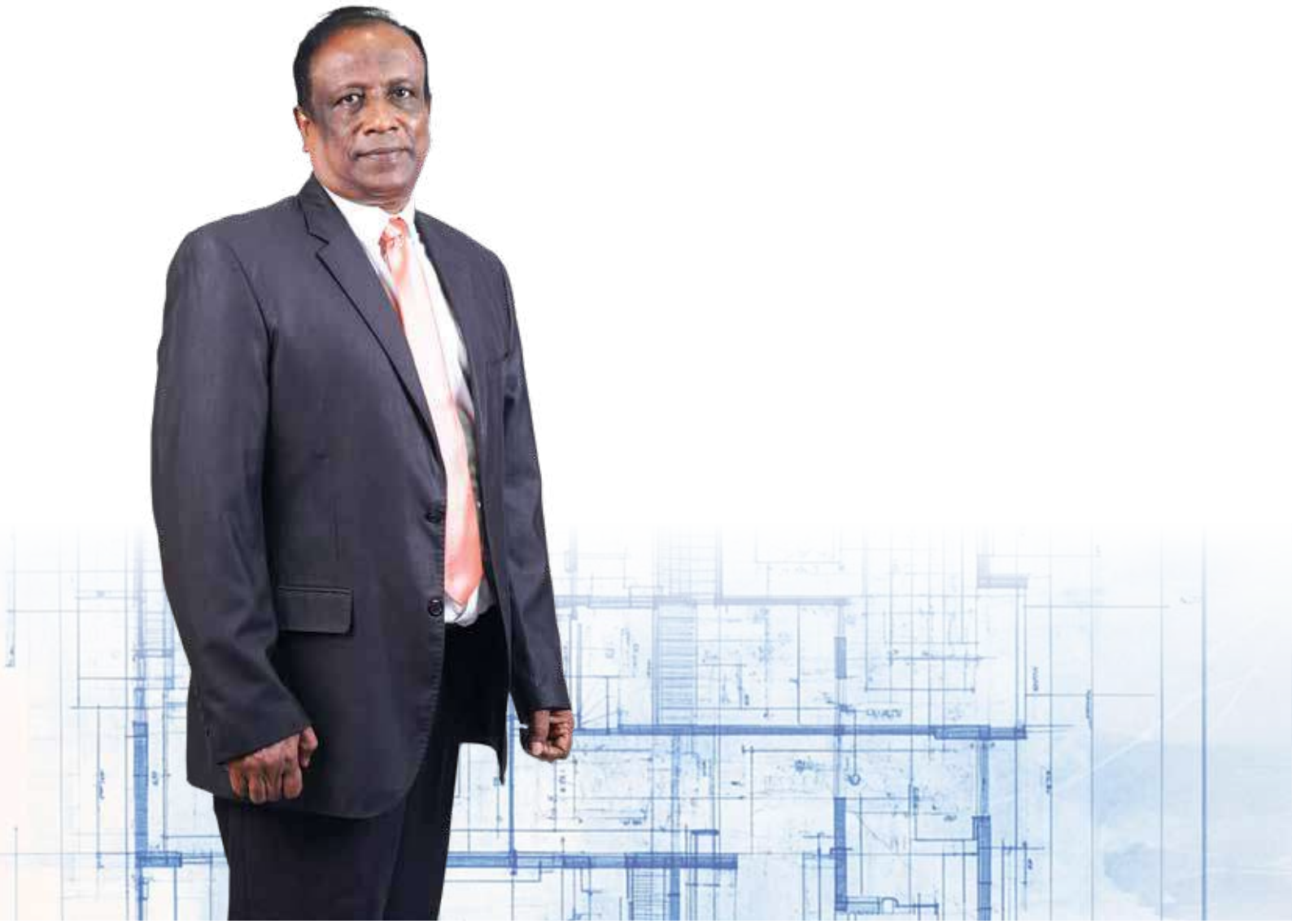
Non-Executive,
Non-Independent Director

Mr. J. K. Aravinda Sirinatha was appointed as a Board Member of the HDFC Bank with effect from 21st November 2025.

Mr. J. K. Aravinda Sirinatha holds a Master's Degree in Business Administration, a Bachelor's Degree in Management and has also completed the Intermediate level exams held by the Institute of Chartered Accountants of Sri Lanka. He holds 25 years' experience in the fields of finance, Manufacturing, Supply Chain Management and Sales and Marketing.

Mr. J. K. Aravinda Sirinatha serves as the Chairman of the National Housing Development Authority. In addition, he serves as Non Executive Director of LB Managements Services (Private) Ltd, Delmege Freight Services (Private) Ltd and Delmege Air Services Ltd, Ever Paint and Chemical Industries (Private) Limited and Home Base Lanka (Pvt) Ltd.

In addition to these responsibilities, Mr. Sirinatha contributes to several key national institutions a board member, including Urban Development Authority, The Ocean View Development Company and Tea, Rubber & Coconut Estates (Control of Fragmentation) Board.



ENG. R. A. SUJEEWA RANAWAKA

Non-Executive,
Non-Independent Director



Mr R. A. Sujeewa Ranawaka was appointed as a Board Member of the HDFC Bank with effect from 09th January 2026.

Eng. Ranawaka is a Chartered Civil Engineer with nearly three decades of service in infrastructure development, coastal resource management, and public-sector engineering administration. He is a Special Grade senior officer of the Sri Lanka Engineering Service (SLES) and currently serves as the Director General (Housing & Construction) at the Ministry of Housing, Construction & Water Supply. He started his career as an Instructor of Civil Engineering Department of the University of Moratuwa in 1995.

Eng. Ranawaka has over 30 years of experience, during which period he has held the position of Director General/Head of the Department of the Coast Conservation & Coastal Resource Management Department of Sri Lanka. He graduated in Engineering with a B.Sc. (Hons) Degree from the University of Moratuwa in 1995.

After graduation, he served for about a year as an Instructor at the University of Moratuwa before joining the State Engineering Corporation of Sri Lanka as a Site Engineer. In January 1997, he entered the government service through the Sri Lanka Engineering Service, joining the Coast Conservation Department. During his tenure, he served in multiple capacities, including Regional Engineer (South and West), Senior Engineer (Research & Design), Chief Engineer (Works), and Additional Director General (Engineering).

He obtained his Master's degree (M.Sc.) in Marine Technology from the Norwegian University of Science and Technology (NTNU), Norway, in 2001. He has been a Chartered Engineer since 2002, a Fellow Member of the Institution of Engineers Sri Lanka (IESL), and an Associate Member of the American Society of Civil Engineers (ASCE).

His academic and professional contributions include several international research publications on shoreline management, coastal erosion, and the application of remote sensing and GIS in coastal dynamics. Technically proficient in coastal modelling (MIKE 21, COMCOT), GIS and remote sensing applications (ArcGIS, ERDAS, Global Mapper), project planning tools (MS Project, Excel), and AutoCAD, Eng. Ranawaka continues to play a pivotal role in advancing Sri Lanka's housing, coastal protection, and sustainable urban development sectors through innovation, sound engineering judgment, and effective institutional leadership. Eng. Ranawaka possesses extensive expertise in FIDIC-based contract administration, project governance, policy formulation, and multidisciplinary coastal development, having successfully contributed to numerous national and donor-funded projects in collaboration with international agencies such as UNDP, ADB, FAO, IFAD, UNESCO-IHE, the World Bank, and SAARC.

Eng. Ranawaka has represented Sri Lanka in over 25 international workshops and forums, including those organised by the US NAVY Indo-Pacific Command, World Bank, UNESCO-IHE, and Tokyo University, focusing on civil engineering, climate resilience, and environmental governance.

Corporate Management



MR. H. C. LOKUGEEGANA
General Manager/CEO



MR. K. M. K. DESHAPRIYA
DGM Credit & Recovery



MS. K. T. D. D. DE SILVA
AGM – Legal



MR. H. A. ANURA
Chief Financial Officer



MS. W. M. L. R. WIJESUNDARA
AGM Treasury



MR. I. NISHANTHA
Chief Manager – Risk Management



MRS. R. P. G. LENORA
Compliance Officer



MS. G. P. PRIYADARSHANI
Chief Internal Auditor

MR. H. C. LOKUGEEGANA

General Manager/CEO

BSc in Business Management - University of Kelaniya, MBA - University of Rajarata, Fellow member of the Institute of Bankers, Member of the Institute of Management, Chartered Member of the Institute of Personal Management.

Date of appointment – 14th August 2025

Mr. Hemal Lokugeegana is a highly accomplished professional with a distinguished career spanning over 24 years in the banking sector. As a recognised leader in business and management, he has consistently held senior management roles, demonstrating a profound understanding of corporate operations and strategic leadership. He holds a

His career at SDB Bank PLC showcases a remarkable trajectory of growth and responsibility. He has served as the Head of Business Banking and SME, following a pivotal period as the founding Chief Risk Officer/Deputy General Manager. This was preceded by roles as Assistant General Manager of Human Resources Management & Development, AGM of Training & Regional Head of the Wayamba region, Regional Manager, and Senior Manager – HR and Administration. Mr. Lokugeegana has also served as a visiting lecturer at various institutions, including the Wayamba University of Sri Lanka, the Institute of Bankers of Sri Lanka, and the Sri Lanka Standards Institution, where he has shared his expertise in risk management, credit management, and SME development. His commitment to professional development is highlighted by his participation in international training programs and conferences, including a scholarship for the Senior Corporate Management Leadership Program in Japan and training at NIBM, India, which enriched his understanding of global banking practices.

His extensive experience and proven leadership are expected to bring valuable insights and direction to the Bank at this pivotal time.

MR. K. M. K. DESHAPRIYA

Deputy General Manager - Credit and Recoveries

Date of Appointment: 23rd June 2024

Mr. Deshapriya is a professional with over three decades of experience in banking and finance. He commenced his banking career at National Development Bank in 1999 as a Branch Accountant and has since held several key positions, including Branch Accountant, Deputy Manager of Finance, Manager Refinance, and Head of Refinance. Throughout his career, he has demonstrated strong leadership, strategic insight, and deep expertise in financial management and development banking.

He holds a Master of Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura, and a Bachelor of Science (Special) degree in Business Administration from the same university. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA) and an Associate Member of the Institute of Certified Management Accountants of Sri Lanka (ACMA).

Mr. Deshapriya has maintained close professional relationships with leading multilateral and development finance institutions, as well as key government bodies such as the Ministry of Finance, the Ministry of Industries and Commerce, and the Central Bank of Sri Lanka. His contributions have been instrumental in supporting and advancing Micro, Small, and Medium Enterprises (MSMEs) across Sri Lanka.

Prior to his banking career, he gained professional experience as an Assistant Manager at VS & Associates, Chartered Accountants. He has also held senior industry roles, including General Manager of CCPI Management Holdings (Pvt) Limited and Head of Finance at Nikado Company (Pvt) Limited.

Demonstrating a strong commitment to the development of the finance and accountancy profession, Mr Deshapriya has contributed to academic and professional education. He served as a member of the Curriculum Development Committee of the Sri Lanka Institute of Advanced Technical Education (SLIATE) and has been a lecturer on the DPD Education online school as well as a visiting lecturer at SLIATE.

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

AGM – Legal

Attorney-at-Law and Notary Public, Masters in Business Administration (MBA), Masters in Law (LLM) and Advanced Diploma in Banking Finance and Insurance laws

Date of Appointment – 01st September 1999

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

MR. H. A. ANURA

Chief Financial Officer

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

Date of Appointment – 01st October 2004

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

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

MS. W. M. L. R. WIJESUNDARA

AGM – Treasury & Acting AGM (HR & Admin)

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

Date of Appointment – 02nd January 2025

Ms. Wijesundara serves as the AGM – Treasury and Acting AGM – HR & Administration, bringing over 20+ years of extensive experience in the banking sector.

She possesses widespread expertise in treasury operations across money markets, foreign exchange, and fixed income instruments. She has played a pivotal role in managing the Bank's overall cash flow across domestic operations, ensuring liquidity optimisation and financial stability, while adhering to regulatory compliance.

Her international exposure includes serving as a Dealer at the Bank of Ceylon's London and Chennai branches, providing her with valuable insights into global financial markets and cross-border treasury operations.

In addition to her treasury responsibilities, Ms Wijesundara has contributed to human resource development and talent acquisition, as well as formulating credit proposals for loan and lease facilities.

MR. I. NISHANTHA

Chief Manager – Risk Management

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

Date of Appointment – 26th June 2000

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

He embarked on his banking career in 2000 by joining HDFC Bank, and over the last twenty five (25) 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.

MRS. R. P. G. LENORA

Compliance Officer

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

Date of Appointment – 01st August 2024

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

MS. G. P. PRIYADARSHANI

Chief Internal Auditor

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

Date of Appointment – 25th October 2021

Ms. Palika Priyadarshani serves as the Chief Internal Auditor and brings over 16 years of extensive experience in the auditing profession. Prior to joining HDFC Bank, she held the position of Superintendent of Audit at the National Audit Office. Her professional career spans a wide range of sectors, including the banking industry, state-owned enterprises, government corporations, and statutory boards. Ms. Priyadarshani is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Association of Certified Management Accountants, an Associate Member of the Institute of Bankers of Sri Lanka, a Member of the Association of Accounting Technicians and holds Diploma in Compliance conducted by Institute of Bankers of Sri Lanka. She holds a Bachelor of Business Administration (Accounting Special) Degree from the University of Ruhuna and a Master's Degree in Economics from the University of Kelaniya.

Senior Management



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



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



Mrs. U. K. Samaraarachchi
Head of HR & Admin (Coverup)

Middle Management



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



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



Mr. B. M. P. Perera
Manager - Credit Administration &
Head of the MIS Unit



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



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



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

Regional Mangers



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



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



Mr. I. K. Dawatanga
Region 3
Regional Manager



Mr. H. M. U. Samaraweera
Region 4
Regional Manager

Branch Managers



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



Mr. J. A. D. A. Rupasinghe
Ampara
Branch Manager



Mr. K. M. D. A. U. Perera
Anuradhapura
Actg.Branch Manager



Mr. D. R. G. D. B. Jayathilaka
Avissawella
Branch Manager



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



Mr. L. Jayashankar
Batticaloa
Branch Manager



Mr. R. H. M. C. Pradeep
Chilaw
Actg.Branch Manager



Mr. D. K. P. De Silva
Colombo
Branch Manager



Mr. D. S. R. Dissanayake
Dambulla
Branch Manager



Mr. H. D. S. Senarathna
Embilipitiya
Branch Manager



Mr. T. V. D. Nayanajith
Galle
Actg.Branch Manager



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



Mr. U. P. A. M. S. Passaperuma
Gampola
Actg.Branch Manager



Mr. W. A. Y. Soysa
Homagama
Assistant Manager



Mr. P. A. Viraj Sampath
Horana
Branch Manager



Ms. B. M. S. Sandamali
Hyde Park
Actg.Branch Manager



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



Ms. S. Suyaniya
Jaffna
Branch Manager



Ms. R. S. I. Silva
Kalutara
Branch Manager



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



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



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



Mr. A. M. U. S. B. Attanayake
Kuliyapitiya
Branch Manager



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



Mrs. C. A. K. Abeykoon
Matale
Actg.Branch Manager



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



Mr. W. A. K. R. P. Gunarathna
Monaragala
Actg.Branch Manager



Mr. G. G. N. T. Nilgala
Nikawaratiya
Branch Manager



Mrs. S. K. P. Samanthi
Nittambuwa
Branch Manager



Ms. A. U. T. Fernando
Nugegoda
Branch Manager



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



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

Branch Managers



Ms. S. S. Mahayahage
Piliyandala
Actg.Branch Manager



Mr. H. R. M. Tharaka
Polonnaruwa
Branch Manager



Mr. W. W. L. Withanage
Rathnapura
Actg.Branch Manager



Ms. C. P. Atapattu
Tangalle
Branch Manager



Mr. M. A. S. Deshapriya
Tissamaharama
Branch Manager



Mr. T. Velshkuma
Trincomalee
Branch Manager



Mr. N. Parthipan
Vavuniya
Branch Manager



DRAFTING PROSPERITY

MONETARY POLICY ENVIRONMENT AND CREDIT GROWTH

To bring the economy back to stability, the Central Bank eased its monetary policy stance. This approach encouraged individuals and businesses to go for increased borrowings while confidence in economic prospects grew during the early months of 2025.

Private sector borrowing indicated a faster pace than overall economic growth, signalling an expansion phase in the credit cycle with banks' lending more funds to meet increased borrowing demands from businesses and people. However, the Central Bank updated limits on the Loan to Value (LTV) ratios of credit facilities granted for motor vehicles to enhance prudential credit standards and overall macroprudential objectives. The effective monetary policy and improved investor confidence reflected market interest rates that stabilised at lower levels.

PERFORMANCE OF THE BANKING AND FINANCIAL SECTOR

Credit expansion remained a key highlight across banks and finance companies in 2025. Overall asset quality of the two sectors improved, with stage 3 loans reducing in both sectors. Liquidity and capital buffers have also declined but have remained well-above the regulatory thresholds.

Credit growth rose sharply by the end of 2025, with gross loans and receivables expanding by 21.4%, increasing substantially from 4.1% in the previous year. Expansion was broad-based across several sectors, including financial services, trade, and consumption, etc. Credit to the financial services sector increased considerably by 148% - marking increased funding required by the Finance Company sector.

Moreover, the quality of loan portfolios improved, with stage 3 loans declining to 9.7% by end-2025 from 12.3% at end-2024. This decline marks a return to single digits since the second quarter of 2022.

In line with the growth in credit, liquidity, and capital buffers in the banking sector, which moderated by the end of 2025, but remained well-above regulatory limits. All banks maintained capital levels above the minimum regulatory threshold, maintaining resilience. The total capital adequacy ratio of the sector was 17.9% by the end of 2025 and reflected the strong credit expansion during 2025. This is a decline due to rapid credit expansion.

Profitability of the sector remained strong, as Return on Equity was at 16.6% by the end of 2025

BANKING SECTOR COMPOSITION

The Sri Lankan banking sector is formed by 30 licensed banks, including 24 Licensed Commercial Banks (LCBs) and 6 Licensed Specialised Banks (LSBs). According to the Annual Economic Review 2025 published by the Central Bank of Sri Lanka, the asset base of the banking sector experienced growth with support from improving macroeconomic conditions and an accommodative monetary policy stance, in addition to the massive increase in loans and receivables.

The entire system maintained adequate liquidity and capital buffers above the regulatory thresholds, demonstrating compliance with regulatory mandates and ensuring the stability of the entire financial ecosystem.

During 2025, 21 new bank branches and 158 ATMs were established; conversely, there were closures of 21 branches and 31 ATMs. This results in a total of 7,973 banking outlets and 7,412 ATMS – spread throughout the island by end-2025.

The LSB banking cluster includes 711 outlets of LSBs, which has increased in 2025. Out of these outlets, 64 belong to housing finance institutions.

LICENSED SPECIALISED BANKS

- 6 Licensed Specialised Banks
- 711 branches
- 64 Housing Finance Institutions

Deposits formed 80% of banking sector liabilities and capital by the end of 2025. Total deposits reached LKR 19,927.4 Bn, with time deposits having the largest contribution at 65.4%, followed by savings deposits. Total liabilities amounted to LKR 24,922 Bn across the banking sector.

The Licensed Specialised Banking sector formed 6% of total assets during 2025, amounting to LKR 2,474 Bn. This is compared to 54.8% of held by Licensed Commercial Banks (LCBs) and 10.5% of total assets held by the Central Bank of Sri Lanka. Overall, the banking sector commanded 71.4% of total assets held by the financial system, with the remaining held by other deposit-taking financial institutions, specialised financial institutions and contractual savings institutions.

Formed through special Acts of Parliament and strictly overseen by financial regulations, the banking system includes 6 Licensed Specialised Banks (LSBs). Two of these banks specialise in providing housing finance and in offering EPF-backed financing to the country's working professionals and low to middle-income customer segments.

During the period under review, LSBs provided LKR 39 Bn in credit to the private sector compared to both Licensed Commercial Banks (LCB) and finance companies. This was a modest 3.4% growth and underscores limited lending appetite and constraints in borrower profiles. Moreover, higher risk aversion, competition from LCBs and Finance companies and limited product diversification compared to LCBs also underscore modest lending.

ENHANCED GOVERNANCE AND CONSUMER PROTECTION APPROACHES

In 2024, the Central Bank introduced new rules for all banks on corporate governance, which had the objective of ensuring that Banks are run accountably and responsibly. The rules for finance companies were updated to improve risk management and ensure that FCs avoid financial system disruptions.

Providing a better safety net, the Banking Special Provisions Act was extended to include Finance Companies with resolution triggers and action plans to help the Central Bank to step in during red flags and to fix failing systems prudently before the impacts extend to the rest of the economy. The Central Bank also added extra layers of security to digital payments, improving consumer protection to keep depositor money safe from frauds amidst rising scams and cyberattacks. Furthermore, the financial regulator expanded its Market Conduct Supervision during the year to protect financial consumers of financial institutions.

Source: Financial Stability Review, CBSL (2025)

DIGITAL DEVELOPMENTS

During the year, the Central Bank collaborated with the National Payments Council and the Industry Consultative and Monitoring Committee on Payment and Settlement Systems to formulate the National Payment System Roadmap for 2025–2027. The roadmap sets a strategic framework with clear objectives to guide the industry toward achieving a digital economy that is less cash-dependent, while fostering innovation, efficiency and a safe ecosystem for national payment solutions.

BROADER ECONOMIC STABILITY AND GROWTH

Sri Lanka enjoyed a period of economic stability and greater resilience, as it continued to recover from the overarching impacts of the pandemic and the economic crisis. The country showed progress in policy reforms, while we continued to build on positive momentum and stability in macroeconomic development. The year's developments came amidst several challenges, including geopolitical tensions and financial market and trade volatilities; moreover, the vulnerabilities underscored by Cyclone Ditwah became a harsh reality, as we grappled with unprecedented loss of lives and damages to assets. According to the World Bank's Global Rapid Post-Disaster Damage Estimation (GRADE) report, the direct physical damages caused by the cyclone are estimated at USD 4.1 Bn, which includes damages to buildings, contents, agriculture and infrastructure.

Real GDP growth improved to 5%, amidst deflation. This growth was supported by improved tourism and activities in construction, manufacturing and also due to improving local demand. Inflation steadied around 1.6 -2.1%, helping to stabilise the consumer purchasing power.

THE EXTERNAL SECTOR

The external sector withstood the challenges of global trade uncertainties, shifts in trade policies and intense geopolitical tensions. However, despite some pressures on foreign exchange liquidity, particularly due to vehicle imports, the current account reported a surplus for the third consecutive year.

Amidst debt servicing, the country's Gross Official Reserves (GOR) reached USD 6.8 Bn by the end of 2025, with an import coverage of 3.8 months, surpassing the GOR reported by the end of 2024. Improved foreign exchange inflows, driven by improved tourism, remittances and receipts from international financial institutions, marked the increase, particularly the bailout package secured through the IMF-EFF, which reached its fourth review in July 2025.

Workers' remittances grew by 20% (y-o-y) attributed to improved confidence in the country's financial system, while earnings from exports and tourism in 2025 reached USD 17.2 Bn and USD 3.2 Bn, respectively.

Indicator	Status in 2025	Impact on Housing Finance
GDP Growth	5.0%	Higher consumer confidence for long-term debt.
Inflation (CCPI)	2.0%	Lowered the "cost of living" hurdle for loan eligibility.
Policy Rate	7.75%	Sustainable borrowing costs for homeowners.
LKR Exchange Rate	Stable	Kept imported construction material costs predictable.

INTEREST RATE

The CBSL made the decision to maintain key interest rates steady, maintaining the Standing Deposit Facility Rate (SDFR) at 7.50% and the Standing Lending Facility Rate (SLFR) at 8.50%. This demonstrated CBSL's approach to protecting long-term price stability.

The financial regulator also held the Overnight Policy Rate (OPR) at 8.00%, aimed at guiding inflation closer to the 5% target. The CBSL decided to maintain the OPR at 7.75%, which mirrored its intention to manage price increased and guide inflation back towards the target level by the second half of 2026.

LOCAL ECONOMIC AND SECTOR OUTLOOK

ECONOMIC TRAJECTORY

With Asia's GDP growth projected to contract in 2026, the local economy could mirror this effect. The Central Bank expects economic growth to fall around 4-5% in 2026, with inflation predicted to be higher in 2026. General prices can be affected by supply-side shocks.

PROPOSED CONSOLIDATION STRATEGY (MASTER CONSOLIDATION PLAN)

The envisioned bank consolidation framework indicates a decisive shift in the nation's financial sector. The Central Bank of Sri Lanka is aiming to enhance the resilience of the banking system through mergers with smaller institutions. The financial regulator revived consolidation plans in early 2026 to improve capital adequacy, governance and long-term stability of smaller banks. Housing Development Finance Corporation, Bank of Sri Lanka and the State Mortgage & Investment Bank are subject to integration with larger

state banks, similar to the consolidation of finance and leasing companies.

The consolidation framework has been revived at a time of economic recovery efforts, tighter monetary and financial regulations for banks and financial institutions, a regulatory need to meet enhanced capital and single-borrower exposure limits, while tackling the effects of climate-related catastrophes, such as the 2025 Cyclone Ditwah.

Consolidation will help address structural weaknesses that continue to constrain smaller banks, such as limited branch networks, weaker profitability and vulnerability to economic shocks and geopolitical strategies. Through such acquisitions, smaller banks will be better able to withstand higher-risk profiles and improve profitability in the future. However, the CBSL is cognizant of risks of implementation, particularly surrounding concerns of asset quality.

IMPACT ON SMALLER SPECIALISED BANKS

The potential ramifications of the Central Bank's consolidation agenda are directly related to the HDFC Bank of Sri Lanka. As a relatively smaller bank, specialising in housing finance, the Bank has operated with a specific mandate, yet with a limited scale. The possibility of being absorbed by a larger state bank leaves considerable postive implications.

Smaller banks, such as HDFC Bank, will be able to strengthen their financial position and funding stability, enabling to expand the lending spectrum and volume. The proposed consolidation is also a solution to enhance the credit profile of smaller banks, while allowing them to access funding and operational support to diversify portfolios and better withstand economic shocks. Within the broader regulatory landscape, it will provide the banks with greater stability and relevance, thereby strengthening the financial system of Sri Lanka further.

THE WORLD ECONOMY IN 2025

THE OVERALL GLOBAL TRAJECTORY

For the world in general, 2025 held several inflexion points that continued to shift its trajectory significantly. Accelerating AI and geopolitical friction continued to shape 2025, while US tariffs redefined the global trade landscape. Amidst rising geopolitical tensions, unpredictable weather patterns that disrupted agriculture and supply chains and regional wars, the world GDP growth in 2025 was 3.2%, contracting from 3.3% reported in 2024.

A common factor in advanced economies was the adoption of a more friendly monetary policy stance, as economies transitioned from restrictive and high-interest rates to a more accommodative stance. The US Federal Reserve, the European Central Bank, and the Bank of England adopted an accommodative stance to navigate post-pandemic recovery, but have recently shifted to an active normalisation stance to tackle renewed inflationary pressures. The biggest factor driving this stance is the sharp escalation in the Middle East Conflict, which has pushed Brent Crude above $110 and, to avoid a wave of inflation.

Protectionism was highly notable in 2025 as a means of restricting international trade to support domestic industries from global competition. This was highly evident with the USA's America First approach, as it adopted protectionist measures through shocking tariffs, which were introduced in early 2025. However, resets lowered certain extremes despite witnessing fragmentation limiting growth.

THE ASIAN ECONOMY

Based on the Regional Economic Outlook, the IMF's growth forecast for Asia includes a 6.6% real GDP growth for India and a projection of 4.8% for China. IMF also forecasted in October 2025, a 6.5% growth rate for Vietnam and a 5.4% rate for the Philippines – reflecting their potential for economic growth, surpassing the growth rate of regional peers.

Asia Pacific nations have demonstrated resilience amidst concerns, posting stronger growth in 2025, supported by frontloaded exports and policy easing alongside a weaker US Dollar and friendly global financial conditions.

OUTLOOK

As we look at a volatile 2026, which will continue to be shaped by global state-based wars and an energy crisis, the global GDP is expected to contract to 3.1%, with inflation easing to 3.7% in the year, according to the IMF's World Economic Outlook (October 2025).

The weight of tariff hikes is yet to be seen as their effects continue to be seen across the world in 2026. Its expected impacts weigh heavily on supply chains, while uncertainty will continue to control the global trade environment, especially as the war in the Middle East continues to take new twists and turns due to decisions taken by the warring nations.

Continued technological advancements, particularly in generative AI and Agentic AI, will continue to take shape in 2026, while posing a threat to jobs and creating demands for upskilling and reskilling job positions. AI will be ubiquitous, as considerable experimentation will go into advancing it as a tool for businesses and individuals, making AI more accessible and versatile. However, we have yet to see the extent of AI's environmental and societal impacts and broader risks from more powerful AI tools.

Climate change and related risks are likely to be widespread in the coming year, with extreme weather events anticipated in 2026 and already seen at the beginning of the year.

STATEMENT ON THE CONTEXT FOR FINANCIAL PERFORMANCE

As a Bank, established under an Act of Parliament, the HDFC Bank has a strong loan portfolio that is heavily concentrated in long-term housing finance with a large customer base of low to middle-income earners.

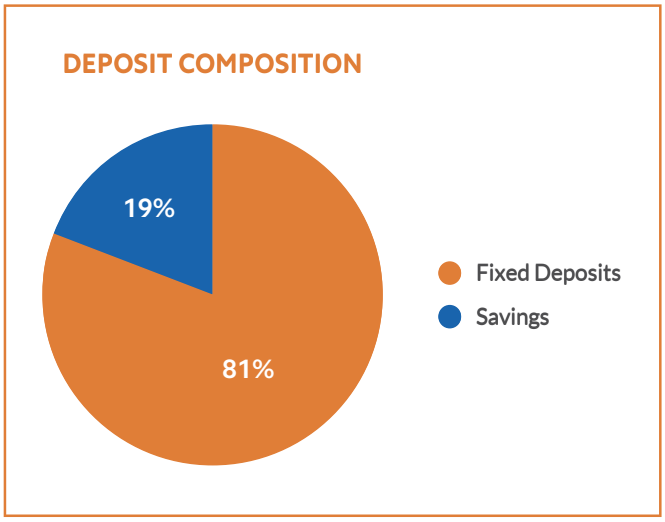
The loan facilities are secured primarily against customers' EPF balances, which serve as the main form of collateral. While this structure has enabled a broader number of customers to access housing credit, it has also created credit-risk challenges and operational concerns. When borrowers default on payments, the time lag between claim initiation and receiving EPF proceeds is wide, resulting in elevated non-performing loans.

In recent years, the strains of the economic crisis and the economic fallout from the pandemic have left borrowers with constrained repayment capacities, particularly due to job losses, reduced household income and business closures. Given the predominant base of economically vulnerable borrowers, the stress and irregularities in repayment behaviours have been more pronounced.

Similarly, the concentration of our loan book in long-term high-risk housing loans and insufficient diversification into lower-risk, short-term lending products has limited our ability to stabilise asset-liability mismatches. Nevertheless, we have commenced a five-year strategic plan to balance the portfolios with a strong focus on improving recovery levels, adopting stronger credit evaluation and risk mitigation for better credit performance.

DEPOSITS, LOANS AND ADVANCES

The Bank's balance sheet has continued to be characterised by long-tenure mortgage assets (long-term loans, mainly EPF-backed loans) and continues to be funded by retail public deposits, such as savings and fixed deposits.



DEPOSITS: FUNDING AND LIABILITY SOURCE

As at 31st December 2025, the Bank's deposit base stood at LKR 50.6 Bn, serving the bank as a primary source of funding. The Bank's deposit portfolio is weighted towards fixed deposits, especially products geared towards retirement and senior citizens. The Bank also focuses on savings products, such as the Salary Saver. Nevertheless, dependence on fixed deposits remains high for the Bank, with relatively high cost of funds and stable funding for short to long-term funding.

DEPOSIT AND SAVINGS GROWTH

Deposits / Savings-Growth (LKR. Mn)	2025	2024	Growth	Growth %
All Savings Products	9,611.85	8,840.32	771.53	8.73%
Prathilaba Savings	3,334.39	3,082.31	252.08	8.18%
Thilina Savings	1,202.89	1,170.26	32.63	2.79%
Salary Saver -Savings	364.75	107.72	257.03	238.61%
VR / Set for Life	3,323.95	3,023.87	300.08	9.92%
FDs	40,957.05	43,164.99	(2,207.94)	(5.12%)
Total Deposits	50,568.91	52,005.32	(1,436.41)	(2.76%)

RETAIL AND INSTITUTIONAL DEPOSITS

Retail loans continued to be the preferred focus due to instabilities and uncertainties in institutional savings. Withdrawn institutional deposits are higher in value and affect liquidity conditions. A granular diversified base of thousands of customers provides less concentration risk, lowering dependence on a few large entities for funds.

AS AT 31.12.2025

	Deposits (Newly opened & renewals)	No of New Depositors	New loans	No of Loans	Moratorium Loans	Restructured Loans (capital)
LKR Mn	30,737	19,883	12,172	71,262	-	3,185.50

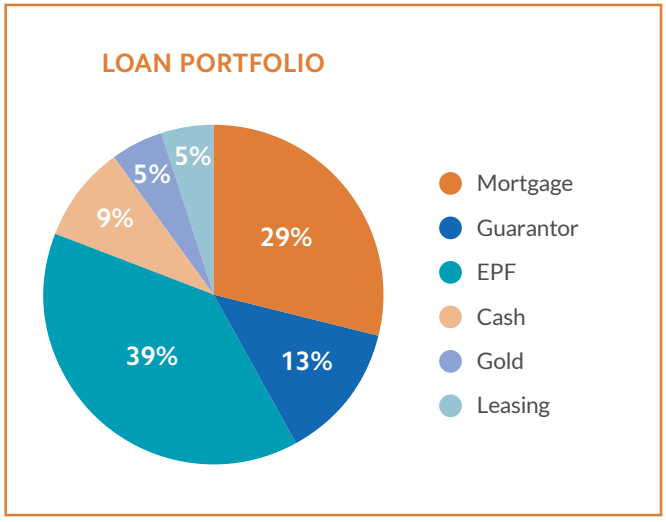
DEPOSIT MOBILISATION

Deposits mobilisation in the FY 2025 saw an increase by LKR 777.2 Mn, contributed by Prathilaba, Vishrama Rekawarana and Salary Saver financial products. This was driven by higher average deposits, despite seeing a decline in the total number of accounts.

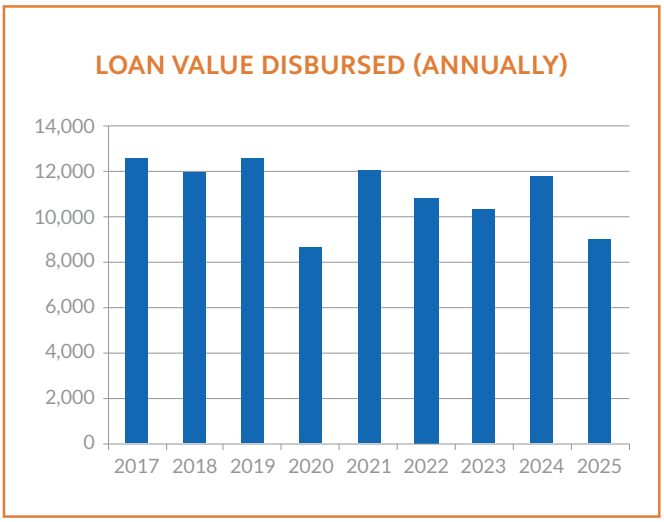
Over 61% of deposits are priced within the 6-8% range, which reflects lower funding costs compared to 2024. Moreover, high-rate deposits declined in volume.

LOANS AND ADVANCES (ASSETS)

The Bank's loan portfolio contracted in the FY 2025, as a result of cautious credit expansion and regulatory caps on disbursements of new credit, particularly EPF-backed loans. Loans and advances totalled LKR 37 Bn, declining by 12% from LKR 43 Bn recorded in the previous financial year. Loan disbursed in 2025 is the lowest since 2020.



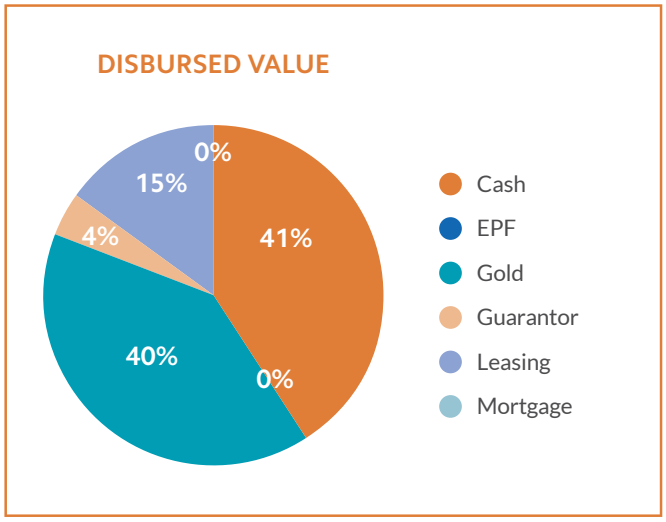
The loan portfolio by the end of the year under review comprised 39% EPF-backed loans, followed by 29% mortgage loans and guarantor-backed loans. Reducing reliance on these three categories, towards a more high-quality asset-backed loan portfolio, the Bank focused on more retail-based lending products during the year, which included gold and leasing products, amidst regulatory demands to impose limits on disbursements.



DISBURSEMENTS IN 2025

The limitations on disbursement were a deliberate approach to preserve liquidity levels and capital buffers to safely meet financial stress events, if necessitated. Moreover, loan disbursements are increasingly done for borrowers with better credit profiles to lower the risk to the Bank and mitigate potential defaults. In 2025, the Bank disbursed LKR 9 Bn in credit to customers, with October being the highest month with LKR 1.1 Bn of disbursements.

Product	Disbursed Value (LKR. Mn)	Mix	Portfolio Growth Value
Cash	3,648.95	40.4%	305.24
EPF	8.63	0.1%	-4,672.67
Gold	3,643.97	40.4%	487.70
Guarantor	394.72	4.4%	-884.76
Leasing	1,312.85	14.5%	888.56
Mortgage	14.44	0.2%	-2,106.70
Grand Total	9,023.56	100.0%	-5,982.64



Product-wise, disbursements were concentrated heavily on cash loans and gold loans, which accounted for 40.4% and 40.38% of the total loan portfolio. Leasing also made 14.5% of the total loan portfolio, with EPF and mortgage loans remaining minimal.

LOAN PORTFOLIO

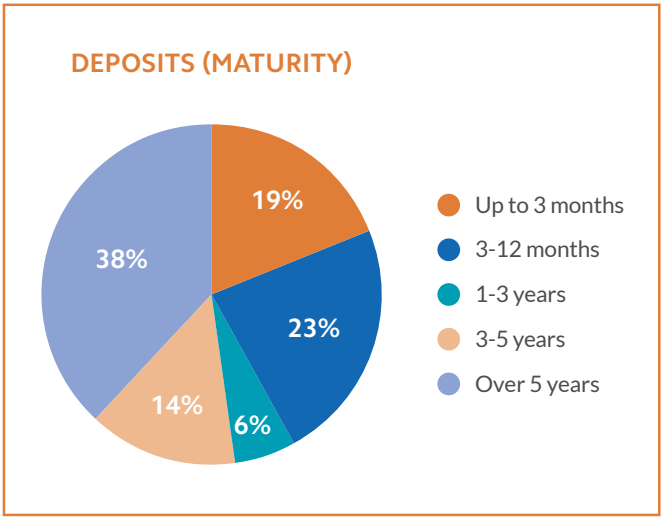
Despite seeing a reduction in EPF loans during FY 2025, EPF loans continued to hold the largest share within the loan portfolio at 38.5%, but at a lower level compared to 2024.

Alternatively, gold and cash loans increased, demonstrating an improved distribution of portfolio risk to high-quality short-term asset-backed loans. Collections amounted during the FY 2025 amounted to LKR 3.3 Bn, with capital recoveries being the largest component and reflecting the efficacy of strategies adopted to enhance settlement.

MATURITY LEVELS (LKR. MN)

0-3	14,822.60	39.04%
3 to 12	14,852.80	39.11%
12 to 36	919.6	2.42%
36 to 60	5,949.10	15.67%
Over 60	1,428.20	3.76%

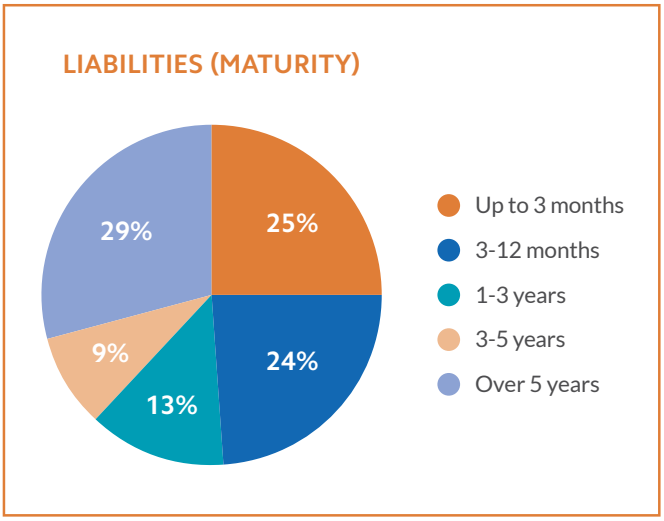
DEPOSITS



Bank deposits have a saturated maturity profile with the majority maturing within the 3-12month range (as at 31st December, 2025). This is followed by deposits maturing within the next 3 months. Around 25% of total deposits will be maturing during the next 1 to 5-year period, while another 19% will be maturing after the term of five years.

FD maturity analysis demonstrated nearly 60% of deposits maturing within six months, which requires proactive liquidity management.

LIABILITIES



Nearly half of all liabilities will be maturing within a 12-month period, which requires the Bank to ensure sufficient cash flow and short-term financing. To meet these obligations, the Bank has increased its short-term deposit mobilisation, particularly focused on savings products.

NPL LEVELS

The NPL ratio improved to 42.06% in December 2025 from 45.3% recorded in July 2025. This was driven by a reduction in EPF NPLs, with the NPL ratio for excluding EPF loans declining to 22.45% and reflecting better asset quality in primary lending products.

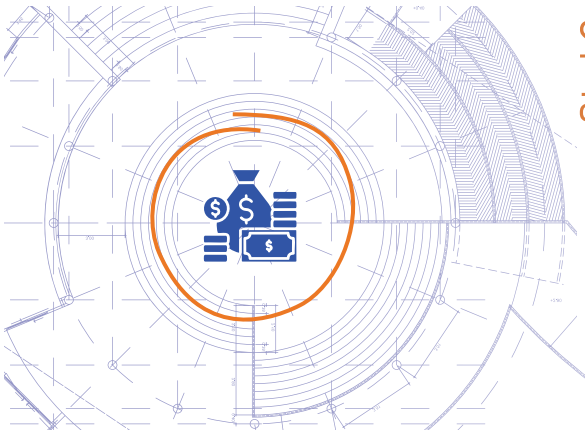
The NPL ratio for the year under review (FY2025) improves to 22.45% from 24.41% recorded in 2024 and is lower than the ratio recorded in 2023. This aligns with the reduction in NPL ratios seen since 2020 and indicates a gradual stabilisation of the loan portfolio and credit quality.

A lower NPL ratio reflects an improvement in asset quality, supported by stronger loan recovery efforts and more stringent credit risk management. However, the decline in total capital warrants careful attention, as it may weaken the institution's capital adequacy and its capacity to absorb potential losses. This emphasises the need for prudent capital planning, including measures such as capital infusion, profit retention, and the optimisation of risk-weighted assets to ensure long-term financial stability. NPL reduction was approached from a branch perspective, with a competitive environment and empowerment provided to reach optimum NPL ratios and collections. This boded well for the results obtained by the end of the financial year.

IMPORTANT RATIOS

Savings / Total Deposit Ratio	17.70%	20.02%
Loans / Deposit Ratio	81.02%	71.53%

Financial Capital



Stability, Sustainable Growth and Resilience

At HDFC Bank, we have focused greatly on the financial stability and sustainability of our operations. In 2025, this was strongly pursued through prudent asset and liability management, significant cost controls and through the management of our financial sources. The Bank had a challenging year, influenced by an increase in non performing loans and several regulatory measures, which were mandated to control and prioritise the Bank's capital levels, liquidity and overall stability.

SDGs

- GOAL 1 **No Poverty**
- GOAL 8 **Decent Work and Economic Growth**
- GOAL 10 **Reduced Inequality**
- GOAL 11 **Sustainable Cities and Communities**
- GOAL 12 **Responsible Consumption and Production**
- GOAL 17 **Partnerships for the Goals**

MATERIAL TOPICS

T1 T2 T4 T6 T7 T8 T13

RELATED CAPITALS

- FINANCIAL CAPITAL
- MANUFACTURED CAPITAL
- INTELLECTUAL CAPITAL
- HUMAN CAPITAL
- SOCIAL CAPITAL
- NATURAL CAPITAL

RELATED STAKEHOLDERS

- SHAREHOLDERS/ INVESTORS
- EMPLOYEES
- CUSTOMERS
- REGULATORS
- PARTNERS AND SERVICE PROVIDERS
- COMMUNITY AND THE ENVIRONMENT

Financial Capital

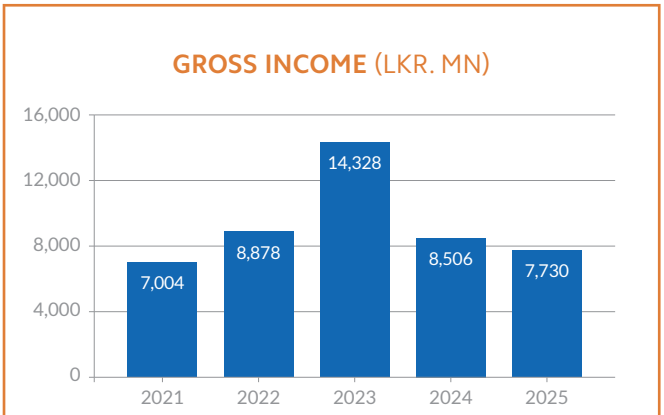
Financial capital, including financial sources, is the foundation that powers the Bank's stability while sustaining stakeholder financial interests. The Bank's compliance to regulatory requirements in preserving its financial integrity through safe liquidity and capital buffers also ensures that the Bank's financial stability. The following links the Bank's approach to financial capital management to its focus, strategy, stakeholders, materiality and sustainable value creation.

Link to the Bank's Focus in 2025
Maintaining capital levels and liquidity levels for financial stability and to safeguard sharheolder and customer financial interests

OUTCOMES OF FINANCIAL MANAGEMENT (FINANCIAL VALUE CREATION)

Indicator	Value	Outcome
Capital adequacy	34.20%	Above the regulatory minimum of 12.5%
Liquidity coverage ratio	217%	More than double the required high-quality liquid assets, ensuring that the bank can withstand a 30-day stress scenario. This high LCR indicates the ability to cover short-term asset-liability mismatches
Net Stable Funding Ratio (NSFR)	104%	Comfortably compliant to meet the funding of a one-year horizon
Deposits	2025: LKR 50.57 Bn 2024: LKR 52.00 Bn	Decline in deposits contributes to a gradual reduction in liabilities
Savings	2025: LKR 9.6 Bn 2024: LKR 8.8 Bn	An increase in savings demonstrates a focus on short-term liabilities over long-term liabilities
Fixed deposits	2025: LKR 41 Bn 2024: LKR 43 Bn	Reduction in fixed deposits lowers long-term liabilities, reducing the Bank's dues to depositors
Loans and advances	2025: LKR 34 Bn 2024: LKR 40 Bn	By reducing loans and advances disbursed during the period, we ensured the Bank has sufficient funds to fulfil its short-term dues.
Cost-to-income ratio	2025: 77.24% 2024: 78.03%	The lowering ratio reflects the overhead cost management and improvement of the bottom line.
Savings to deposit ratio	2025: 19.0% 2024: 17.0%	This reflects changes in the funding structure and management of interest cost.
Rating	BB+lka (Watch positive)	Upgrade is likely due to specific approaches, with a likelihood of a high rating change

INCOME

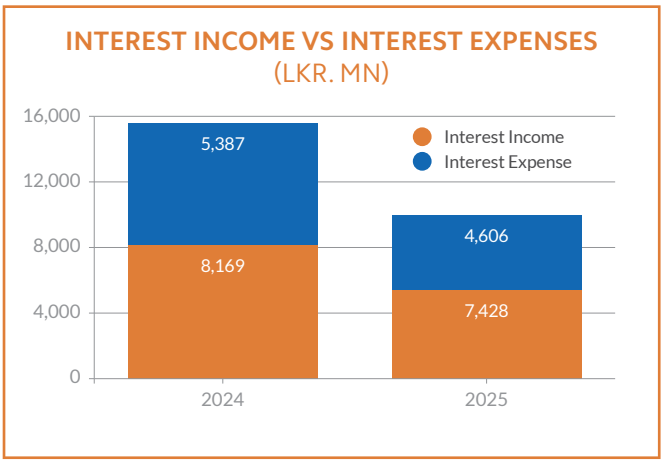


Interest income totalled LKR 7.4 Bn in the financial year under review, dropping 9% from LKR 8.2 Bn in the previous under review. Gross income totalled LKR 7.7 Bn compared to LKR 8.5 Bn in the previous year.

Context

The decline in income was the result of CBSL-imposed limitations on lending products and deposit mobilisation. The move was necessitated to stop further deterioration of loan quality and manage existing risk profile prudently, and to prioritise liquidity and risk management.

INTEREST INCOME



The Net Interest Income (NII) of the Bank increased to LKR 2.83 Bn in the FY 2025, increasing from LKR 2.78 Bn reported in the previous financial year. This was driven by a sharp decline in interest expenses to LKR 4.6 Bn from LKR 5.4 Bn reported in the previous financial year, which offset the reduction in interest expenses, setting off a net interest income increase. The decline in interest expenses was 14.5% and was a positive factor in the increase in Net Interest Income for the year under review.

The drop in interest income was the result of a reduction in loans and advances to LKR 5.3 Bn from LKR 5.8 Bn in the previous year. Additionally, the drop in financial assets measured at fair value through other comprehensive income also impacted the drop in interest income.

Nevertheless, placements with banks decrease to LKR 38 Mn from LKR 3.1 Bn due to new investments.

The drop in interest expenses was the result of a decline in dues to depositors, dues to debt securities holders and dues to other borrowers. However, there was an increase in the dues to banks, which totalled LKR 1.3 Bn.

The interest income stood at LKR 7.4 Bn by the end of the FY 2025, dropping from LKR 8.2 Bn from the previous fiscal year. The drop in interest income was the result of limitations imposed on loan disbursement by the financial regulator, apart from defaulted loan payments by borrowers.

Category	2025 (LKR. Mn)	2024 (LKR. Mn)	Change %
Total interest Income	7,429	8,169	-9
Total Interest Expenses	4,606	5,388	-14
Net Interest Income (NII)	2,822	2,782	2

Interest income from Sri Lanka Government Securities decreased to LKR 1.4 Bn from LKR 1.8 Bn reported in the previous financial year.

Implications

Improved net interest income demonstrates resilience and efficiency in managing funding costs. However, declining interest income shows potential challenges in asset growth and lending.

Areas of Focus

Boosting loan growth to recover income with regulatory approval and continuing to optimise the deposit mix to sustain low funding costs.

NET FEE AND COMMISSION INCOME

The Bank's fee and commission income dropped to LKR 250 Mn in the FY 2025, from LKR 330 Mn in the FY 2024. Fees and commission income comprised LKR 173 Mn in loans and LKR 7.5 Mn in cards. Moreover, LKR 65 Mn of fees and commission came from deposit accounts.

OPERATING INCOME

Total operating income reached LKR 3.13 Bn (2024: LKR 3.11 Bn) while net operating income was reported as LKR 2.7 Bn for the FY 2025, marking a decline compared to the previous financial year. Other operating income stood at LKR 50.8 Mn by the end of the FY 2025, which rose by 681% compared to LKR 6.5 Mn by the end of the previous financial year.

COST MANAGEMENT

The Bank underwent a period of significant financial constraints, during which cost controls were applied to aspects such as marketing and advertising, recruitment and other operational areas. This was a step towards prudent financial management and to raise profitability, it had an impact on lowering the PAT loss to a considerable extent.

During FY 2025, the Bank incurred LKR 2.37 Bn as total operating expenses. This included LKR 1.6 Bn in personnel expenses, LKR 166 Mn in depreciation and amortisation expenses and LKR 608 Mn in other expenses. Total expenditure declined by 2.3% compared to LKR 2.4 Bn recorded in the previous financial year.

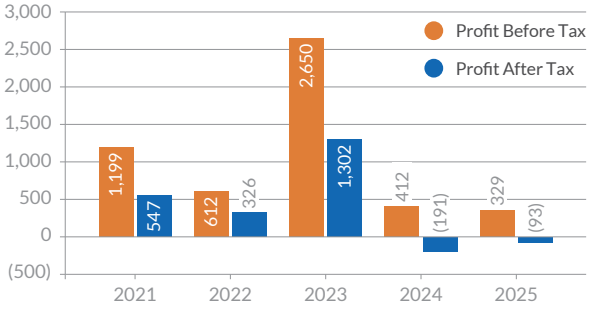
TAX CONTRIBUTION

The Bank also incurred LKR 103 Mn in income tax expense, which is the result of removing temporary differences of LKR 115 Mn from the tax expense of LKR 217 Mn for the year under review.

PROFITABILITY

Profit for the year under review experienced a downward trend due to reduced revenue, higher taxation and expenditure. Profit contracted to a loss of LKR 93 Mn, but improved from the loss of LKR 191 Mn reported in the previous financial year.

Operating profit before VAT and SSCL on financial services stood at approximately LKR 329 Mn, declining against LKR 412 Mn in the previous financial year. Profit after VAT and SSCL reached LKR 10 Mn, dropping from LKR 64 Mn reported in the previous financial year.



IMPAIRMENT CHARGES

Total impairment charges for the FY 2025 increased from LKR 278 Mn, as reported for the previous financial year, to LKR 421 Mn in the FY 2025. This is a 51% increase (y-o-y), which is due to the higher credit risk and deteriorated asset quality.

Major factors that drove the rise include stage 3 loans, which rose to LKR 514 Mn in the financial year under review, against LKR 341 Mn reported in the previous financial year. It represents credit-impaired assets due to increasing loan defaults. Impairment provisions, related to stage 1 and 2 loans and advances, indicate reversals of provisions, which partially offset the surge in stage 3 loan impairment.

By the end of the financial year, the impaired loan ratio stood at 50.13%.

IMPLICATIONS

Higher impairment charges have impacted net income, which has impacted shareholder returns, while gaining scrutiny from regulatory authorities regarding provisioning capital adequacy. However, Bank capital adequacy remains at healthy levels to face any sudden financial stresses.

The Bank is working dedicatedly to reach its goals for better financial health and stability while collaborating with the financial regulator, CBSL, to raise the asset quality and loan recoverability.

We have a strong process for credit approval and monitoring, especially for Stage 3 loans, overseen by the Credit Department and the Risk Management Division with overall oversight from the Finance Department and the Board of Directors.

FINANCIAL POSITION

The Bank's balance sheet remained healthy during the year, despite regulatory limitations on business expansion. Total asset base of the Bank stood at LKR 63.7 Bn by the end of the FY 2025, compared to LKR 65 Bn reported at the end of the previous financial year. The figure is a 2% decline compared to the previous year's record of LKR 65 Bn.

ASSET ANALYSIS

Assets of the Bank by the end of the FY 2025 were formed primarily on LKR 2.7 Bn in bank placements and LKR 1.3 Bn in investment properties. Placements with Banks rose by 7269% during the financial year, property, plant and equipment showed a decline to LKR 165 Mn from LKR 187 Mn.

Cash and cash equivalents of the Bank dropped to LKR 261 Mn compared to LKR 324 Mn reported in the previous financial year. Financial assets at amortised cost, which include loans and advances, and debt and other instruments, stood at LKR 34 Bn and LKR 23 Bn, respectively. The latter increased by 32% to during the year under review.

FINANCIAL ASSETS

In total, the Bank's financial assets reached LKR 61 Bn, which is comprised of LKR 35 Bn in loans and advances, LKR 23 Bn in debt instruments, LKR 2.7 Bn in placements with banks and LKR 260 Mn in cash and cash equivalents.

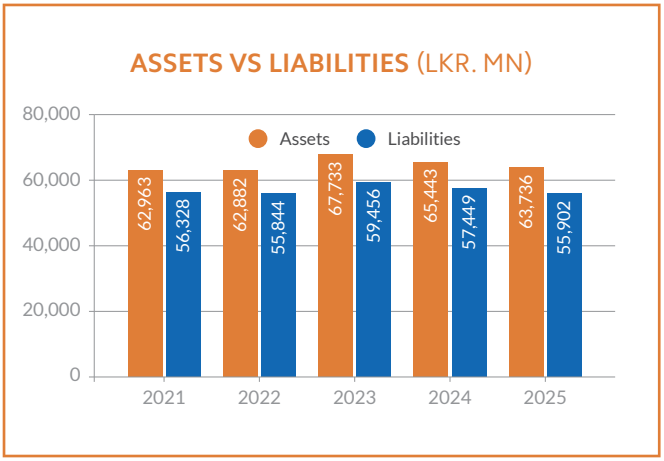
Moreover, net debt and other instruments, which amounted to LKR 23 Bn, comprise LKR 13 Bn in government debt securities (treasury bills and bonds) with the remainder distributed across reverse repos with non LCBs, placements with Banks, investment in debentures and commercial papers, and trust certificates. The Bank has set aside an ECL of LKR 1.5 Mn from these instruments.

In the year under review (FY 2025), the Bank has increased its placements with banks by 7328% to LKR 2.7 Bn, from a mere LKR 36 Mn in 2024. These comprise LKR 2.6 Bn Investments in fixed deposits and Es 100 Mn in reverse repos with a licensed commercial bank with a small expected credit loss allowance.

LIABILITIES

Total liabilities of the Bank for the FY 2025 stood at LKR 56 Bn by the end of the year, dropping from LKR 57 Bn reported in the previous financial year.

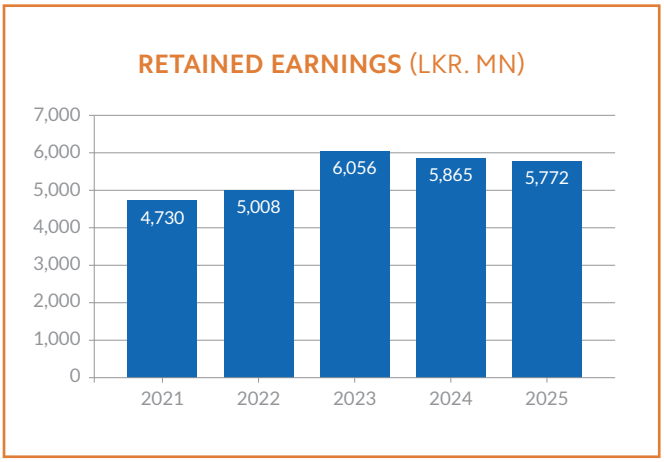
Dues to depositors remaining the largest component amongst the Bank's liabilities at LKR 50.6 Bn. This is followed by LKR 1.9 Bn in dues to banks and LKR 1.5 Bn in dues to other borrowers. Another LKR 1.1 Bn remains as Retirement Benefit Obligation, while other liabilities include lease liability, current tax liabilities and other liabilities.



CAPITAL AND EQUITY

The Bank continued to hold LKR 281 Mn in debt capital, secured through a perpetual Bond. Total equity stood at LKR 7.6 Bn, which declined by 1.30% from LKR 7.7 Bn reported in the previous financial year.

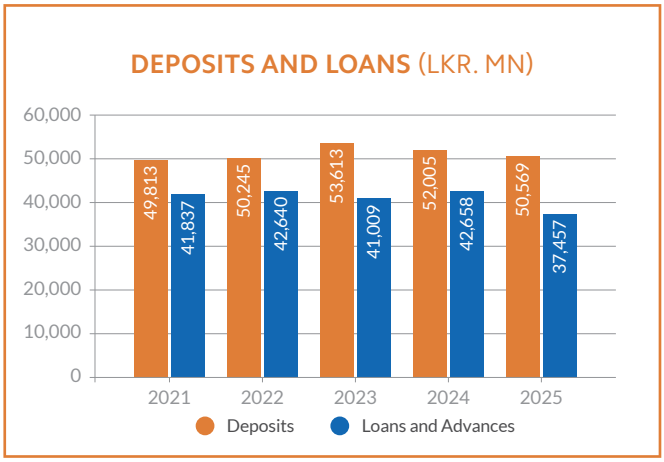
Equity included LKR 962 Mn in stated capital, LKR 354 Mn in statutory reserve fund, LKR 5.8 Bn in retained earnings and LKR 464 Mn in other reserves.



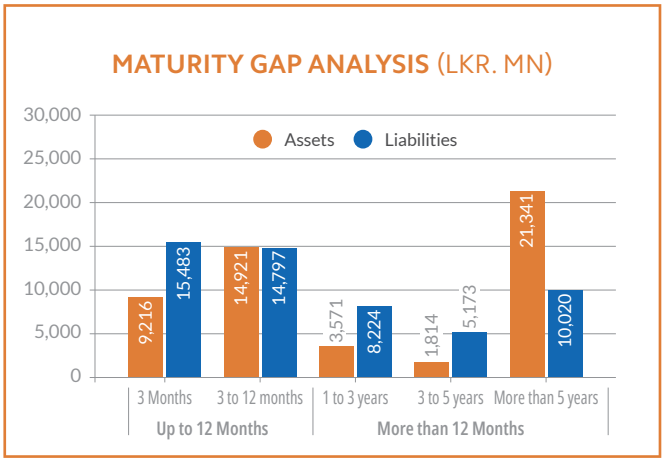
DEPOSITS AND LOANS & ADVANCES

Bank's base of gross loans and advances dropped by 12% to LKR 37 Bn in the year under review, against LKR 42.6 Bn reported in the previous financial year. The reduction was necessitated by CBSL limitations.

The Bank customer deposits accounted for 80% of total assets in the FY 2025. By the end of the financial year under review, the Bank's deposit base reached LKR 50.6 Bn compared to LKR 52 Bn recorded at the end of 2024, declining slightly. The Bank mobilised LKR 50.6 Bn by increasing savings and decreasing fixed deposits.



MATURITY GAP



To assess the depth of the Bank's asset-liability mismatches, we implemented a maturity assessment, which demonstrated the Bank's pressure on short-term funding, as liabilities that will mature within a year has exceeded assets.

The Bank's long-term asset growth provides stability with reduced reliance on short-term funding and is moving towards long-term sustainability.

FOCUS

The Bank will focus on actively aligning the average life of assets (loans) with liabilities (deposits/debt). Increasing deposit mobilisation and focusing on more short-term retail lending products is one such approach to reducing the mismatch between assets and liabilities.

CAPITAL MANAGEMENT

Common equity tier 1 capital dropped slightly during the year, with similar reductions in total tier 1 capital, resulting in a slight reduction in the overall capital of the Bank.

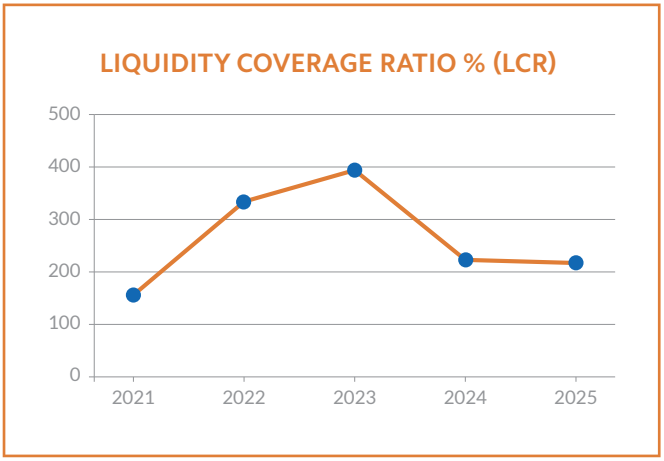
Metric	LKR 2025	LKR 2024	Change
Common Equity Tier 1 (CET 1)	6.9Bn	7.1 Bn	
Total Tier 1	7.1Bn	7.4 Bn	
Total capital	7.3Bn	7.6 Bn	

Metric	2025	2024	Change
Common Equity Tier 1 (CET 1)	32.08%	32.53%	-1
Total Tier 1	33.25%	33.66%	-1
Total capital	34.20%	34.65%	-1

FOCUS

The Bank is committed to maintaining its capital level above LKR 7.5 Bn in the short-term (during 2026).

LIQUIDITY BUFFERS



Across the FY 2025, the Asset and Liability Committee maintained prudent oversight on the Bank's liquidity position. The Committee took prudent actions to measure the Bank's resilience under tough financial scenarios, ensuring that its liquidity buffers remained aligned with regulatory requirements, as stipulated by the financial regulator.

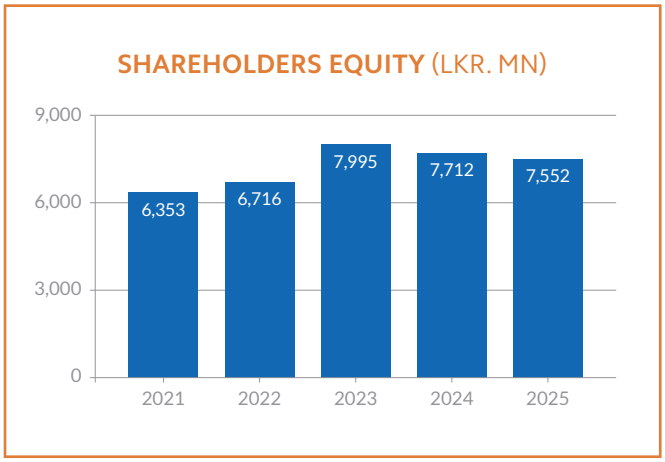
Financial Capital

Demonstrating the Bank's rupee liquidity, we maintained adequate liquidity levels through a conservative approach to liquidity management. This was achieved despite a lower liquidity coverage ratio (LCR) than the previous financial year. However, the LCR was above the regulatory minimum of 100%.

Net Stable Funding Ratio (NSFR) stood at 104% despite a reduction from 128% (y-o-y). The leverage ratio dropped to 18.75%.

The Liquidity Coverage Ratio (LCR) stood at 217% for the FY 2025, remaining above the regulatory threshold of 100% across the year.

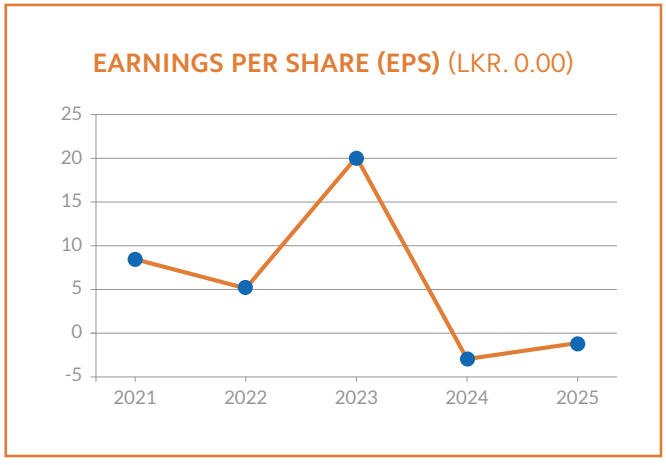
The above was ensured through a strategically-managed portfolio of liquid assets, which enabled the Bank to remain stable against the backdrop of several constraints which limited business expansion and high NPL levels.



SHAREHOLDER VALUE

In 2024, the Bank's earnings per share or EPS slipped by half in comparison to 2024. Shareholders' Fund dropped marginally by 2% to LKR 7.5 Bn in the year under review, from LKR 7.7 Bn reported in the previous financial year.

Metric	2025	2024
Share Price	57.90	48.6
Net Asset Value per Share	LKR 116.71	LKR 119.19
Price-to-Book (P/B) Ratio		
Earnings Per Share (EPS)	LKR (1.44)	LKR (2.95)
Return on Equity (ROE)	-1.22%	-2.43%



FINANCIAL RATIOS

Return on average shareholders' fund dropped to -1.22% while return on average assets also dropped to -0.14%. Shareholders' equity to total assets increased very marginally to 11.88% during the Financial Year under review.

CAPITAL APPROACH

Financially, several measures are expected to raise the Bank's financial position in the short term (in the 12 months of 2026). These are expected to raise the Bank's retained profits and shareholder value. However, financial projections are subject to the removal of limitations by CBSL and the risk exposures of the Bank.

Aligning with the strategic pillar, Financial Growth and Profitability, the Bank will focus on strengthening its core housing portfolio by diversifying the loan portfolio to 39% non-housing loans and less than 36% to housing finance. Fund diversification through varied savings and digital products will be a focus in the short to medium term. Moreover, green savings and investment instruments will also be pursued to increase the Bank's assets and income generation.

Risk-based pricing, improving non-interest income through digital channels and optimising cost structures to improve profitability and to scale operations will be a focus in the time to come.

Key Performance Indicator	Growth expected in 2026
Revenue potential, loans and deposits	
EPF Portfolio (%) – revenue potential	38.6%
Non-Housing Portfolio (%) – revenue potential	35%
NPL Ratio - Stage 3 (excl. EPF)	25.50%
Savings to Deposit Ratio (%)	19%
Fee-Based Income (%)	3%
Capital and Liquidity	
CET 1 Capital Ratio (%)	32.02%
Total Capital Ratio (%)	34.20%
Liquidity Coverage Ratio (%)	217%
NSFR (%)	104%

Human Capital

Resilience in Teamwork

The team at HDFC Bank has been a constant source of operational stability and is a crucial link in safeguarding the interests of all our stakeholders. In the year under review, they made a strong commitment to upholding duties amidst challenges, continuing to maintain a healthy work ethic, despite bearing the constraints the Bank had to face in the period under review.



SDGs

- GOAL 4 **Quality Education**
- GOAL 5 **Gender Equality**
- GOAL 8 **Decent Work and Economic Growth**
- GOAL 9 **Industry, Innovation and Infrastructure**
- GOAL 10 **Reduced Inequality**
- GOAL 11 **Sustainable Cities and Communities**
- GOAL 16 **Peace and Justice Strong Institutions**
- GOAL 17 **Partnerships to achieve the Goal**

MATERIAL TOPICS

T1 | T4 | T5 | T7 | T8 | T10

RELATED CAPITALS

FINANCIAL CAPITAL

INTELLECTUAL CAPITAL

RELATED STAKEHOLDERS

EMPLOYEES

KEY INDICATORS

Metric	FY 2025	FY 2024	Y-o-Y Change
Total Employees	453	494	8.30%
Attrition Rate	91.89%	96.11%	4.39%
Training Spend (LKR)	4,615,191.41	4,828,711.13	-4.42%
Women in Leadership	174	195	-10.77%

CULTURE, ETHICS AND GOVERNANCE

The Bank's governance sets the tone for its culture and ethics; its governance is structured to ensure accountability among staff, management and leadership. This ensures that the interests of our depositors, borrowers and shareholders are secured by the team, ensuring transparency. They are compulsorily required to adhere to all applicable laws and regulations and internal policies.

COMPLIANCE WITH LABOUR LAWS

The Bank is also committed to its duty and accountability towards complying with human rights principles, ensuring a safe working environment through responsible human resource management. The Bank has complied with the necessary labour regulations and laws mandated by the Sri Lankan labour laws. The Bank does not endorse child labour and assures that all employees are above the age of 18.

INTERNAL CODE OF BUSINESS CONDUCT AND ETHICS

I saw this was updated ideally HDFC shuold mention how many was resolved during the year

The Bank follows an explicit policy on the Internal Code of Business Conduct and Ethics for all Directors and Employees. Setting ethical standards is the responsibility of the Board of Directors, in addition to ensuring regular evaluations of its appropriateness. The Compliance Officer reviews disclosures of conflicts and trading requests while maintaining compliance records. He/she also conducts periodic audits and reviews compliance with findings reported to the Board.

Apart from internal policies that set guidelines and rules for proper conduct, the Bank expects employees to act with honesty and professionalism and to adhere to the Bank's core values.

Employees are expected to avoid personal conflicts of interest with the Bank's interests and maintain confidentiality on price-sensitive or non-public information. Moreover, staff is advised not to mislead customers and to provide swift resolutions to customer complaints.

Training on ethics and compliance training is provided to staff annually, under related topics, while all Directors and Staff are expected to certify their understanding of the policy annually. Breaches of the policy, including insider trading and confidentiality violations, will result in strict disciplinary measures or termination.

The policy also sets directions for prohibitions on insider trading, the trading approval process and the process for managing conflicts of interest. Moreover, a separate policy provides guidance and directions on anti-bribery and corruption.

HR GOVERNANCE POLICIES

- Policy on Internal Code of Business conduct and Ethics
- Policy on Remuneration
- Anti-bribery and Corruption
- Whistleblowing policy
- Disciplinary Code

WHISTLEBLOWING POLICY

The Bank has in place a Whistleblowing Policy, Policy established to receive in full confidentiality all reasonable reports on irregular business conduct and ethical concerns and to handle such matters at the earliest possible stage. It will thereby help protect the Bank's reputation and losses that may be caused by illegal or unethical activity.

Through the policy, staff members are required to report good and bad acts through regular reporting lines, in case a particular incident warrants another method of communication.

Staff members are empowered to bypass immediate supervisors and act in good faith if such action is needed to ensure swift remedial action. An objective of the policy is expected to create trust and protection for staff members in divulging problematic incidents and concerns.

Number of Whistleblower Reports in 2025
4

The Chief Internal Auditor holds responsibility for implementing and monitoring the effective administration. Confidentiality of persons implicated is ensured by the policy, and a fair opportunity is given for a fair hearing.

Matters related to staff grievances are not covered under this policy and are referred to the Staff Grievance Committee.

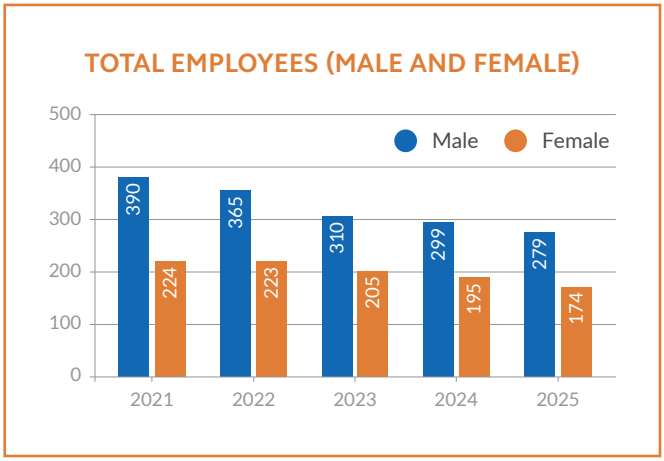
RELATIONS WITH THE EMPLOYEES' UNION

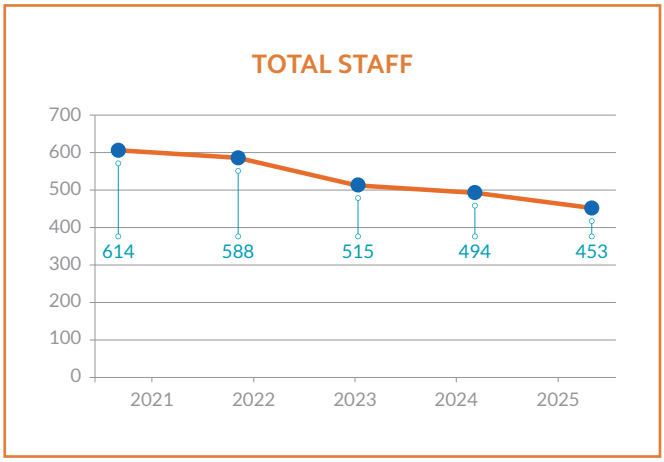
All employees of the Bank are represented by the Ceylon Bank Employees' Union (CBEU), which is the primary trade union representing bank employees and their interests across the Sri Lankan banking sector. CBEU represents employees in state-owned and private banks and is responsible for negotiating collective agreements, grievance handling and advocating staff welfare.

The CBEU will ensure that structural changes in the Bank will not negatively impact job security and existing pension schemes. The Bank will engage with the CBEU to provide necessary assurances and discuss implications (if necessary) on employee stability and job safety due to the proposed merger/acquisition with the Bank of Ceylon.

WORKFORCE DEMOGRAPHICS AND COMPOSITION

Providing transparency in numbers, the following provides a precise breakdown of the gender, age, tenure and functions of our team.



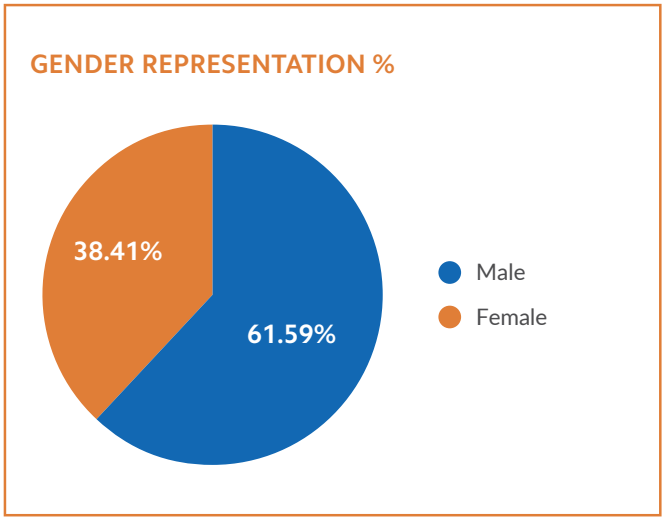


The Bank's total headcount stood at a lower figure in comparison to 2024, as depicted in the graphs above. The dip in total staff is reflected in the overall reduction in both male and female staff members.

DIVERSITY, EQUALITY AND INCLUSION

The Bank recruits professionals without boundaries or limitations on diversity. Our recruitment process is based on consideration for academic/professional qualifications, work experience and results of the entrance test and the interviewing process.

GENDER



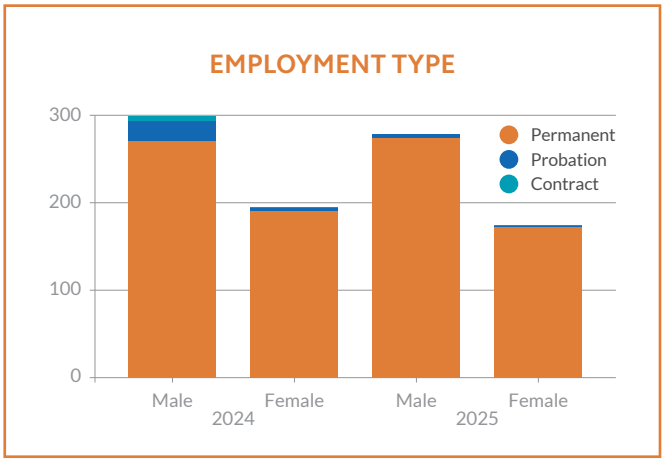
Male representation in the team has risen while female employment has declined. Female employment remained noticeably lower in 2025, despite seeing a substantial amount in 2024. Nevertheless, female participation in higher-leadership roles has increased. There is slightly higher number of female Chief/Senior Managers than male colleagues, maintaining the Bank's ability to recruit female senior executives for strategic leadership roles.

Field staff and non-executive staff showed higher male representations, which are traditionally skewed towards field mobility.

EMPLOYMENT TYPE

Employees in permanent roles formed the largest segment, with staff on probation and contract roles being minimal. This demonstrates the high dependability the Bank has on permanent staffing, with short-term employment being a minor part of the workforce structure, nevertheless crucial for the Bank's effectiveness in conducting its services and operations.

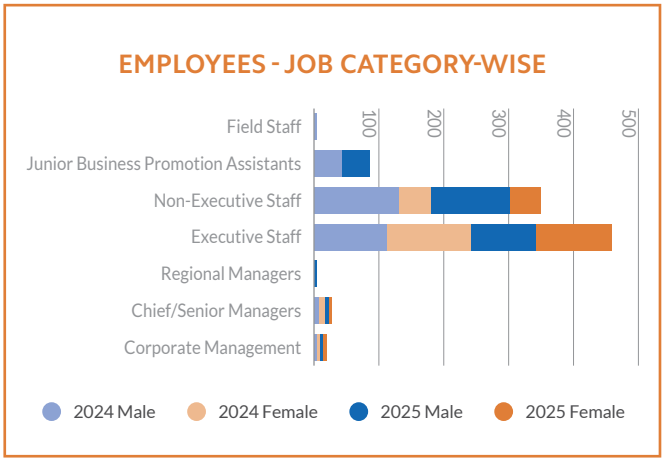
The Bank has only 2 staff on a contract basis and 5 members on probation, pending permanent job status, based on performance.



Employees by Employment Type	2025		2024	
	Male	Female	Male	Female
Permanent	274	172	270	190
Probation	4	1	24	4
Contract	1	1	5	1

EMPLOYEES JOB CATEGORY WISE

The executive staff of the Bank has the highest number of employees, while the largest single group is the female executive staff (116). However, this is a decline in comparison to 2024, a reflection of the overall decline in total staff numbers. This underscores that the Bank has structured the force towards a more managerial-heavy workforce, which reflects the requirement for staff with high financial acumen and technical skills related to the banking field.

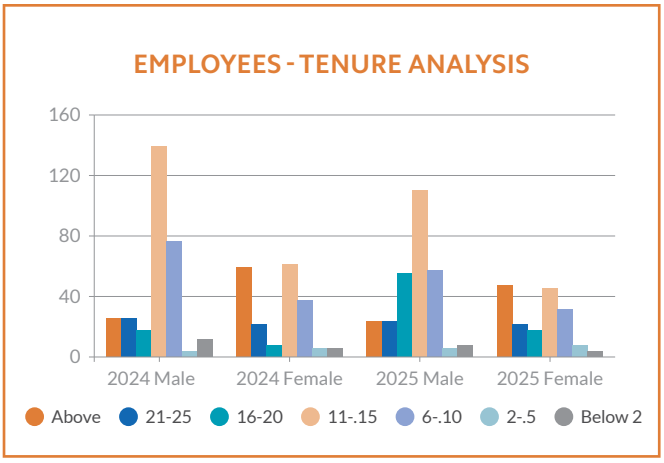


EMPLOYEES BY JOB CATEGORY

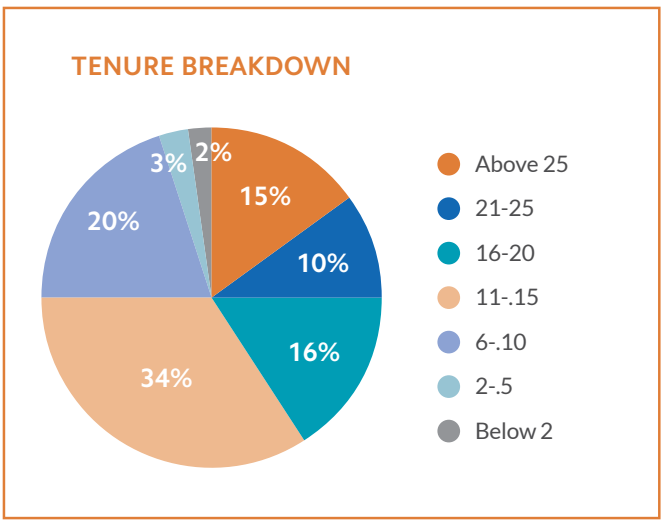
	2025		2024	
	Male	Female	Male	Female
Corporate Management	5	5	4	5
Chief/Senior Managers	5	6	7	10
Regional Managers	4	-	-	-
Executive Staff	101	116	111	130
Non-Executive Staff	122	47	130	50
Junior Business Promotion Assistants	42	-	43	-
Field Staff	-	-	4	-

TENURE

The Company has a stable and experienced workforce with strong career retention and long-tenured staff members, forming a small, valuable core of organisational memory.



A majority of staff members, 34%, have served the Bank for 11-15 years, with more male members in this age group. Another 20% has worked for 6-10 years, with 5% having worked for less than five years.

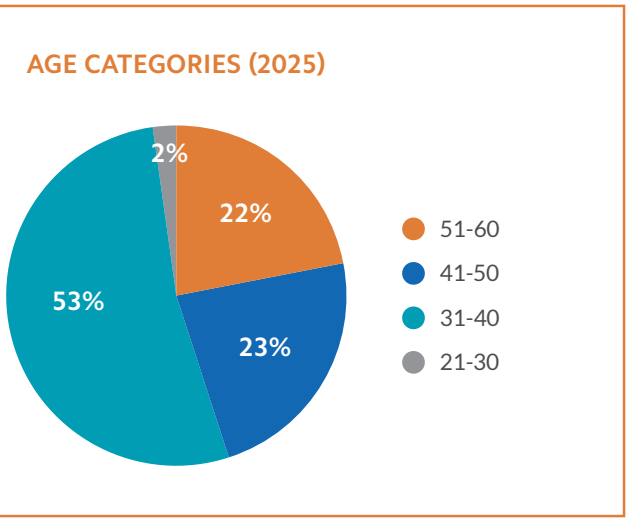


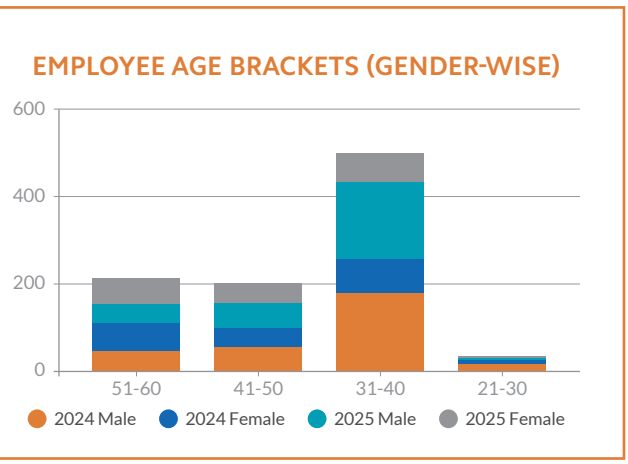
EMPLOYEES BY AGE

In terms of age, there is a high number of employees from the age bracket of 31-40 (53%), followed by the 41-50 age bracket (23%). This indicates the following:

- Strong career base
- Stable performance
- Lower turnover compared to younger groups

Within the 51-60 age bracket, there is a higher concentration of female staff members, demonstrating the higher level of senior female executives within the Bank.





	2025		2024	
Range	Male	Female	Male	Female
51 - 60	44	58	46	64
41 - 50	57	45	55	45
31 - 40	175	67	180	77
21 - 30	3	4	18	9
Total	279	174	299	195

GEOGRAPHICAL DISPERSION OF STAFF

Regional Dispersion

Staff members are dispersed in branches across 4 regions.

Regional Breakdown of Staff

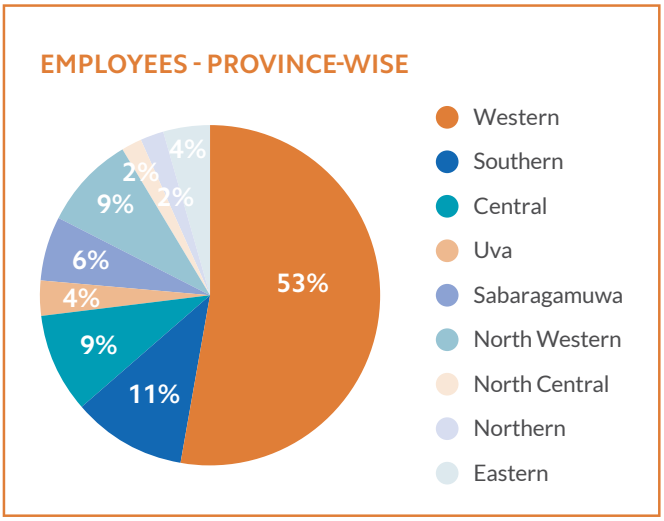
	2025
	Staff Members
Region 1	108
Region 2	79
Region 3	69
Region 4	68

Region 1 has the highest number of staff at 108, which corresponds with the higher number of branches within the areas assigned under Region 1.

Region 2 has the second-highest employee dispersion with 79 staff members within branches assigned to the region.

Regions 3 and 4 share a similar dispersion of branches with an almost equal number of staff assigned to branches within the two regions.

Province-wise dispersion



The highest dispersion of staff has been assigned to branches and the head office in the Western Province at 53%, followed by 11% of members in the Southern Province.

EMPLOYEES BY PROVINCE

Province	Staff
Western Province	240
Southern Province	49
Central Province	42
Uva Province	16
Sabaragamuwa Province	27
North Western Province	40
North Central Province	10
Northern Province	10
Eastern Province	19

TALENT ACQUISITION, RETENTION AND RETIREMENTS

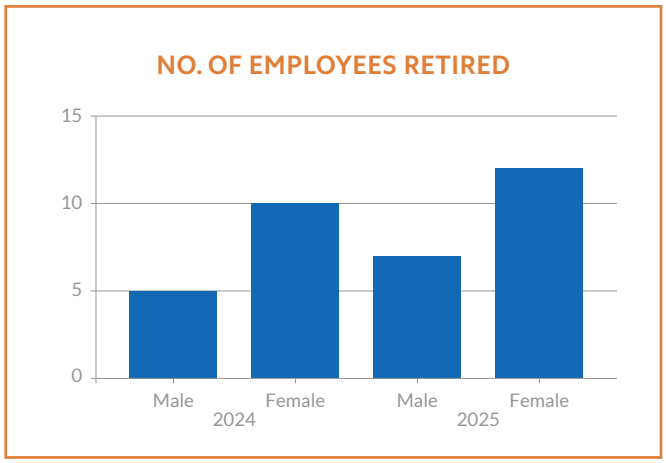
In the period under review, the Bank has recruited three new hires, all of whom are recruits for corporate management positions of the Bank. All three recruits are at the senior-most levels of age and include 2 male employees and a single female employee.

Retention rage

During the year, the employee retention rate declined from 96.11 in 2024 to 91.89, reflecting a retention rate decline in both male and female employee groups. Corresponding to the decline in employee numbers, turnover also showed a marginal increase.

Retirements

During the year, there have been 19 retirements, which include 7 males and 12 females.



BENEFITS (MONETARY AND NON-FINANCIAL)

The Bank provides employees with comprehensive benefits, designed for financial assistance and economic growth, centred on the values of providing the maximum possible benefits to empower staff and encourage committed service to the Bank. HDFC Bank has in place a structured remuneration system, which includes performance-based increments, periodic salary revisions and job-specific allowances, such as risk and difficult area payments. Beyond direct compensation, employees benefit from specialised credit and loan facilities, including concessionary housing and auto loans, in addition to medical schemes. Moreover, operational perks include leave encashment, accommodation allowance for supportive work reinforcements.

Type	Typical Provisions	Permanent	Probation	Contract
Medical and Health	Medical Reimbursement	√	√	-
Credit and Loans	Housing Loan	√	-	-
	Distress Loan	√	-	-
	Guarantor Loan	√	√	-
	Bike Leasing (Palm top operators)	√	√	-
	Festival Advance	√	√	√
Role-based allowances	Risk Allowance (Cashier & Palm Top only)	√	√	√
	Commission (Palm top Operators)	√	√	-
	Vehicle Loan	√	-	-
	Difficult Area Payment	√	-	-
	Honorarium	√	-	-
	Key Handling Allowance (Safe Key)	√	-	-
	Branch Manager Allowance	√	√	-
	Second Officer Allowance	√	√	-
Travel and Logistics	Subsistence	√	√	√
	Allowance for accommodation (to be paid on transfers for more than 75km one-way)	√	-	-
Other Benefits	Leave Encashment	√	√	√

The following provides a categorisation of the above benefits and a clear understanding.

Category	Provision	Description
Medical & Health	Medical Reimbursement	Annual limit for OPD (Outpatient), Dental, and Optical, Hospitalization.
Credit & Loans	Housing Loan	Flagship benefit: concessionary low-interest rates for building or purchasing a home.
	Distress Loan	Credit access for personal emergencies and financial hardship.
	Guarantor Loan	Loans secured by the guarantee of fellow staff members.
	Vehicle Loan	Concessionary rates for private motor vehicles.
	Bike Leasing	Specialised facility for Palm Top Operators to acquire motorcycles for field work.
	Festival Advance	Interest-free advance given before major festivals (New Year/ Christmas).
Role-Based Allowances	Branch Manager Allowance	Monthly payment for the high responsibility of managing a branch.
	Second Officer Allowance	Allowance for second officers
	Risk Allowance	An allowance is paid to compensate for the risk involved in cash handling duties
	Key Handling Allowance	Payment of key handling allowance to staff entrusted with key custody responsibilities
	Difficult Area Payment	Additional compensation for staff posted to remote or rural branch locations.
	Commission	Performance-based incentives specifically for Palm Top Operators based on collections.
	Honorarium	Payments for special duties or representing the bank in external capacities.
Travel and Logistics	Subsistence	Daily allowance for meals and incidentals during official travel.
	Accommodation Allowance	Paid during transfers if the new location is more than 75km (one-way) from home.
Other Benefits	Leave Encashment	Option to convert unutilized annual or medical leave into cash at the end of the year.

Parental Leave

In 2025, the use of parental leave increased for both male and female staff members compared to 2024. Male participation shows a marked increase, demonstrating growing awareness and acceptance of parental leave across the workforce.

Return to work outcomes

Return to work rates remained strong among male employees, but with a notable decline in comparison to

	2025		2024	
	Male	Female	Male	Female
Number of employees who utilised parental leave	17	9	10	8
Number of employees that returned to work before December 31st 2025	16	9	10	8

LEARNING AND DEVELOPMENT AND RESKILLING

Training plays a tremendous role in equipping staff members with the required skills and expertise to contribute effectively to banking functions and to meet the technical requirements of technology, governance and risk management.

In the year under review, a total of 139 training programs were conducted, including 40 internal programs and 99 external programs.

LEADERSHIP PIPELINE

INTEGRATING DIGITAL TECHNOLOGY INTO TRAINING

During the year under review, a total of 733.75 hours of training were dedicated to both internal and external training programs. This is an 18.54% increase compared to the previous year. A total of LKR 4.6 Mn was also expended on organising programs and participating in externally organised outbound training programs.

EXTERNAL TRAINING PROGRAMS

All programs were one-day workshops and seminars organised by the regulatory authority, Central Bank of Sri Lanka and/or professional service providers with expertise in banking, finance and insurance.

Staff members participated in programs organised by the following regulatory bodies:

- 33 programs organised by the Centre for Banking Studies on various themes and topics.
- 9 programs organised by the Central Bank of Sri Lanka.
- 57 other programs organised by various institutions, including the Ministry of Finance, IBSL, CA Sri Lanka, the Sustainable Energy Authority, Distance Learning Centre and the Sri Lanka Bankers' Association EFC, CIPM among others.

External training programs focused strongly on several key areas, with the largest focus on security protocols and departmental awareness on information security and IT Compliance. The following topics were covered through programs.

PROGRAMS

INTERNAL PROGRAMS

Category	Included Programs	No. of Programs
Information Security & IT	Awareness sessions on information security, Introduction to IS Policy (Departmental), Kaspersky Admin (I & II), Oracle Database Security, and Backup Server awareness.	18
Leasing & Specialised Products	Leasing Plus, Leasing System Entering Paths, general Leasing training, Pawning & Manual training, and loan updates.	6
Credit & Recovery	Strengthening Credit Evaluation, Special Recovery Training (Online/In-person), and sessions on writ and auction procedures.	5
Compliance & Risk Management	Customer Due Diligence (CDD) workshops, Customer Sanctioning/Black Listing, AML Risk Rating, and Operational Framework sessions.	4
Strategic Planning & Growth	3-Day Strategic Planning Development workshops and Accelerating Business Growth training.	4
Operations & General Training	Banking Operations for Assistant Managers, Mobile Banking Operations, and Fire Extinguisher training.	3
Total Programs		40

EXTERNAL PROGRAMS

Category	Included Programs	No. of Programs
Banking Operations & Retail Services	Achieving excellence as a Branch Manager (2 Days); Best practices for Bank Tellers (2 Days); Pawning/Gold Loan Workshops (various sessions); Security Features in Currency Notes; Beyond Finance Leasing; Mastering Sales Excellence in Digital Banking.	13
Regulatory, AML & Compliance	AML/CFT Compliance (various); Compliance Symposium 2025; Customer Protection Framework; Legal & Regulatory Framework for Financial Institutions (2 Days); Personal Data Protection Act; Conducting Preliminary Investigations.	14
Sustainability & ESG	SLFRS S1 & S2 Demystified (2 Days); GHG Quantification & Reporting (3 Days); Sustainable Finance Roadmap 2.0; Green Finance Standards; National Climate Finance Strategy 2025-2030; Workshop on Sustainability/Climate Disclosures (2 Days).	11
Cybersecurity & Digital Tech	11th Annual Cybersecurity Summit (AI & Cyber); Cybersecurity Operations Centres; Cyber Security for MSMEs; Workshop on MNO APIs for Fraud; One-day AI Strategy for Banking; Data Templates Training.	7
Finance, Risk & Treasury	Asset and Liability Management (ALM) (2 Days); Treasury Back Office Operations (3 Days); Liquidity Stress Testing (2 Days); Analysis of Fixed Income Investments (2 Days); Operational Risk Management (2 Days); Impairment Training (EY) and the Basel III Framework	12
HR, Leadership & Soft Skills	CIPM National HR Conference (2 Days); HR in the Age of AI; Leading Work Teams; Negotiation Skills; Competency Building (Communication/Teamwork); Ethics & Disciplines for Drivers/Minor Staff (2 Days).	9
Labour Law & HR Admin	Labour Law; Probationary Employment; Employee Misconduct & Disciplinary Procedure; Excellence in Payroll Administration; HR Align/Payroll Audits for Financial Sector.	5
Accounting & Auditing	46th National Conference of Chartered Accountants (3 Days); Internal Controls and Auditing (2 Days); Preparation and Submission of Statutory Returns (2 Days); Training on Data Analysis (Excel/Power BI) (3 Days).	10
National Conventions & Legal	APB 35th Anniversary Convention; ICC Arbitration & Mediation Conference; SLWLA Seminars (1st & 2nd); Employers' Symposium 2025; Implications of Companies (Amendment) Act No. 12 of 2025.	6
Public Sector & Outreach	New Public Procurement Guidelines (2024); Financial Literacy & Economy (Gampaha/ Kalutara); Financial Management for Women's Day; ETFB Employer Awareness; Insurance Awareness (IRCSL).	12
Total Items		99

EMPLOYEE ENGAGEMENT AND WELFARE

PIRITH CHANTING CEREMONY AND ALMS GIVING

An all-night pirith ceremony, followed by an almsgiving, was held on 04th and 05th April 2025, respectively, to mark the 41st anniversary of HDFC Bank. These events took place at the Bank's head office at Sir Chittampalam A Gardiner Mawatha, Colombo 02 and were organised by the bank's Welfare society. This was organised to invoke blessings for the country, staff members, customers, all its stakeholders, as well as the past employees who have contributed to the HDFC Bank's journey over the years.



DONATIONS FOR EXPECTANT MOTHERS

We proudly held our first donation ceremony at the Head Office on 30th October 2025, marking a meaningful milestone in launching this initiative to support the health and well-being of our expectant members. Respective HDFC Bank Welfare Society members have successfully received their Nutrition Packs through their respective branches. This effort reflects the heartfelt contribution of all members, whose welfare fund participation enables us to extend such valuable and compassionate support to colleagues.

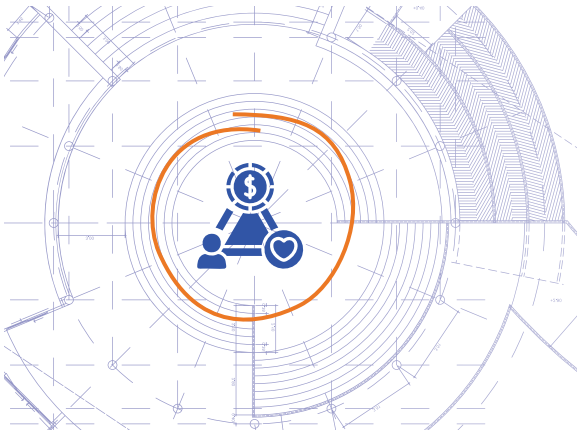




CAPITAL OUTLOOK

The Bank will be looking at recruiting professionals adept on the technical requirements of banking and the capabilities needed to blend in with the new technological era of digital capabilities and AI. What we will require are people with the right mindset and attitude towards continuous learning and those with determination to help the Bank grow beyond its challenges and limitations. Such individuals should work in the best interests of the Bank while focusing on personal and professional development.

Social and Relationship Capital



Creating Value for Our Stakeholders

As a licensed specialised bank, with a predominant backdrop in the state sector, we leverage our unique position to create shared value for our institutional and private shareholders, our customers and our various business partners. Our primary focus is to empower our customers with financial services while raising their living standards and balancing organisational duties to the financial regulator, the state and our private shareholders. Social and Relationship capital of the Bank is defined by the depth of these relationships and the shared values that have been common ground with our stakeholders.

SDGs

- GOAL 4 **Quality Education**
- GOAL 8 **Decent Work and Economic Growth**
- GOAL 9 **Industry, Innovation and Infrastructure**
- GOAL 11 **Sustainable Cities and Communities**
- GOAL 12 **Responsible Consumption and Production**
- GOAL 16 **Peace and Justice Strong Institutions**
- GOAL 17 **Partnerships for the Goals**

MATERIAL TOPICS

T2 T4 T5 T6 T9 T10 T12 T13

RELATED CAPITALS

- FINANCIAL CAPITAL
- MANUFACTURED CAPITAL
- INTELLECTUAL CAPITAL
- HUMAN CAPITAL
- SOCIAL CAPITAL
- NATURAL CAPITAL

RELATED STAKEHOLDERS

- EMPLOYEES
- CUSTOMERS
- REGULATORS
- PARTNERS AND SERVICE PROVIDERS
- COMMUNITY AND THE ENVIRONMENT

Social and Relationship Capital

CUSTOMERS

Our primary mandate is to facilitate homeownership for the low and middle-income segments of the country. Over the years, through empathetic customer relationship management and ethical approaches, we have transformed traditional banking transactions into long-term relationships.

- 30,737 newly open & Renewals
- 19,883 depositors
- Rs 12,172 Mn in new loans
- 59,594 loan clientele
- Zero moratoriums (2025)
- 3,186 restructured loans

ENSURING WELL-ROUNDED ACCESSIBILITY

As a Bank that has prudently and thoroughly optimised its expenditure, we have ensured that accessibility is not an investment afterthought. In recent years, and with each changing executive leadership, our services have continued to enhance and advance services, including physical and digital services.

ONE-ON-ONE SERVICES

All 39 of our branches provide the full range of banking products and services to depositors and borrowers, meeting their expectations. Despite regulatory limitations in FY 2025, we continued to meet customers' financing needs through retail lending products and housing finance (up to the optimum extent).

DOORSTEP BANKING

Serving our customers across the country, the doorstep banking / Palmtop Banking Unit extends financial access to regions where HDFC branches are non-existent and where traditional banking modes are limited. It also provides convenience to customers to pay utilities and loan instalments, without the hassle of visiting the Bank monthly.

45 active **Officers** provide doorstep banking

LKR 20.6 Mn in **Utility** bill payments

39 towns served

The palmtop banking team has been equipped with a custom-developed palmtop banking software linked to the Head Office, which enables real-time updates for seamless payments and transactions. Beyond bill collections, its potential expands to informing customers on the Bank's deposit and lending products, and in taking vital information and regulatory notices to the customer.

CAPITAL LINK - MANUFACTURED CAPITAL

Digital channels are a vital intangible asset that enables us to deliver services, without physical expansions, thereby optimising the use of physical assets and land.

DIGITAL CHANNELS

Over the years, we have expanded our digital footprint, with improvements undertaken each year. In 2024, we re-launched our corporate website with advanced features and functionalities for customer convenience. Moreover, the Bank's integration with LankaPay's JustPay system has made banking more accessible and inclusive.

Feature	Benefit to Customers	Accessibility
Corporate Website	Easy navigation, trilingual support	Mobile & desktop
Online Banking	24/7 account access, transfers	Web portal
JustPay Mobile Apps	Quick, secure payments	Mobile devices
Lanka Money Transfer	Real-time remittances	Linked to savings accounts

ONLINE BANKING

HDFC Click is the brand name of our online banking portal, which can be accessed through the Bank's corporate website. The following options are accessible through the

Account Balance Inquiries

- Savings
- Term deposits
- Loan accounts

Transaction Records

- Daily
- Past transactions
- Deposits and Advances

Fund Transfers

- Own accounts
- Third-party accounts
- Other Banks

NEW DEBIT CARD

In September, 2025, we unveiled the Bank's newly designed Shopping Debit Card. The concept behind the design had a focus on showcasing the Bank's commitment to green sustainability. The card facilitates cash withdrawals from ATMs fund transfers and shopping transactions at JCB-certified POS terminals.

DIVERSE PRODUCTS

During FY 2025, we focused on expanding our product portfolio in alignment with our financial strategy and prevailing regulatory requirements, which limited further lending toward the latter part of the year. Gold loans, Kalin Salary loans and Super Draft leasing facilities were offered as short-term financing solutions, supporting customers' temporary liquidity needs while ensuring a safe and reliable form of collateral for both the customer and the Bank.

Product Category	New/Featured Product	Key Benefit
Savings	HDFC Go Green	Invests in eco-projects; higher rates for LKR 100k+ Offer a special green certificate
Savings	Salary Saver	Low entry barrier (LKR 2,000 Mn deposit amount)
Investments	Green Wealth FD	Competitive FD rates with a sustainability focus. Invests in eco-projects; higher rates for LKR 500k+ Offer special green certificate
Loans	Green Personal Loan	Lower rates for eco-friendly home upgrades.

CAPITAL LINK - FINANCIAL CAPITAL

Revenue from loan disbursements support our financial capital sources while deposits are a source of funding.

LOANS AND DEPOSITS

During the year, the Bank disbursed LKR 9,023 Mn in new credit to borrowers, benefiting 21,685 individuals prior to the imposition of regulatory limitations, which capped further disbursements.

Deposits of

Collateral wise products	2021	2022	2023	2024	2025
Guarantor	2,839.67	1,255.79	72.60	172.04	394.72
Cash	1,761.62	3,371.18	3,745.69	3,466.56	3,648.95
Gold	718.9	730.54	1,885.98	2,576.15	3,643.97
Mortgage	2,748.05	1,623.09	364.79	874.27	14.44
EPF	3,671.14	3,584.11	3,979.10	4,264.03	8.63
Leasing	289.57	237.42	272.28	414.66	1,312.85
Total	**12,028.95**	**10,802.13**	**10,320.44**	**11,767.71**	**9,023.56**

Collateral wise products	2021	2022	2023	2024	2025
Guarantor	3,033	1,971	455	976	1,317
Cash	4,025	5,344	6,422	5,271	5,054
Gold	7,696	6,602	12,166	14,012	14,830
Mortgage	2,708	538	149	321	1
EPF	7,668	6,192	5,882	4,895	3
Leasing	169	115	153	199	480
Total	**25,299**	**20,762**	**25,227**	**25,674**	**21,685**

NEW PRODUCTS

The Bank saw the birth of several new products during the year, with a suite of sustainable-oriented products and diversifications built on our Leasing facility.

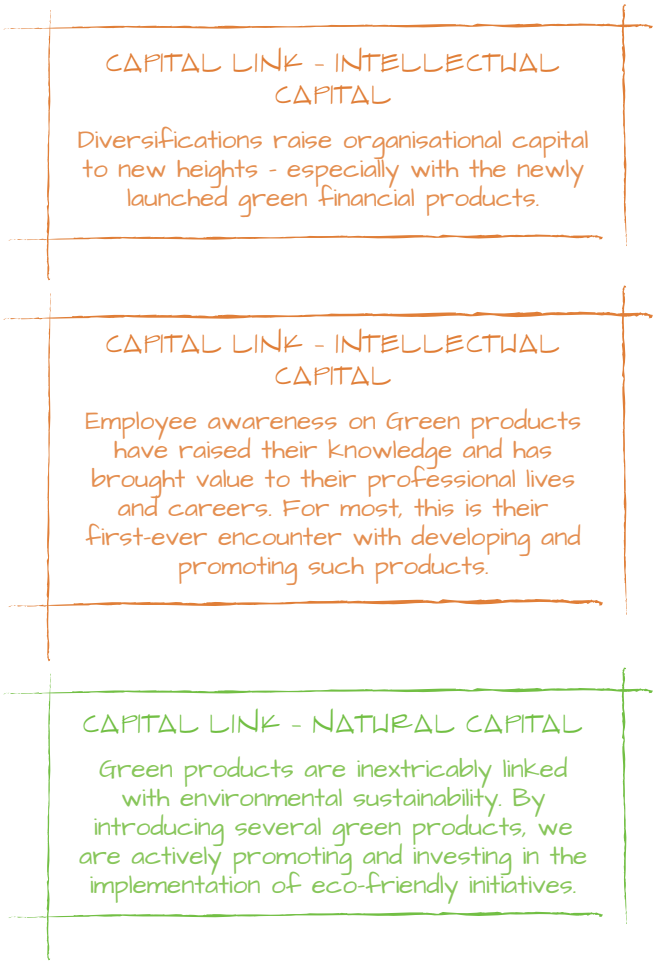
HDFC Go Green Savings	A bonus interest rate of 1% on savings balances maintained at LKR 100,000 or above, along with a Green Certificate award.
HDFC Green Wealth Deposit	An additional 0.5% interest above the normal FD rate on deposits of LKR 500,000 or above, along with a Green Certificate award.

HDFC Leasing

Our leasing facility was diversified with the best possible conveniences that can be provided to our customers. During the year, our leasing portfolio was segmented and enhanced through the value addition of being the fastest solution for financial needs. Our leasing products also guarantee the lowest monthly leasing instalments. These enhancements proved advantageous as the ban on motor imports and restrictions were lifted and eased by the Government. The following products were developed to provide finance against customers' vehicles, for purposes including business, education, housing and agriculture.

- BIZ Leasing
- Edu Leasing
- Home Leasing
- Agri Leasing

Social and Relationship Capital



Customer Complaint Management

The Bank achieved a 100% resolution rate during the year under review, successfully closing all recorded complaints, with zero outstanding cases. Encouragingly, the total complaint volume has decreased compared to the previous year, reflecting improvements in service quality and customer satisfaction.

Our complaint management approach ensures effective resolution through a tiered approach.

- The Manager for Financial Consumer Relations (Compliance Division) formally reviews disputes, while the Operations Division handles technical issues, such as ATM, e-banking, and fund transfer glitches.
- Decentralised Resolution: Branch Managers are empowered to resolve issues locally to improve responsiveness, with mandatory documentation to ensure accountability.
- Feedback & Monitoring: Service levels are proactively gauged through call centre data and social media sentiment analysis.

MARKETING, COMMUNICATION, AND RIGHT TO INFORMATION

In the period under review, prudent financial planning was an operational priority, which necessitated information to be disseminated solely through our social media platforms. This enabled us to cost-effectively reach a younger following, while our branch employees and the palmtop banking unit continued to be our strongest advocates on the ground.

With the easing of financial limitations, we will continue to execute our multi-pronged approach to marketing and branding, and information dissemination through traditional media channels while optimising visibility and accessibility through online networks.

Customers' right to information includes daily updates on interest rate changes, regulatory policies that affect their transactions and financial interests, as well as internal policies and procedures that could alter the usual process of operations. These are primarily communicated through our corporate website and social media networks, making information available to keep customers and the general public well-informed.

Mandatory and voluntary regulations and practices

- CBSL Financial Consumer Protection Regulations as part of the Monetary Law Act, No. 58 of 1949
- CBSL Act
- Daily updates on rates and charges

Adherence to these ensure consumer protection and right to information

PRIVACY, SAFETY, AND ETHICAL BANKING

We conduct regular exercises as part of proactive measures to ensure customer privacy and data safety through regular advisories. Guidance on how to securely manage sensitive details is provided via our corporate website, branches and call centre staff, including information on ensuring the safety of Personal Identification Numbers (PINs) and passwords used for ATM transactions, e-banking, and mobile payments. Furthermore, our IT department conducts periodic audits to ensure that the Information Security Strategy remains robust and in line with industry best practices as well as regulations for customer privacy and safety. We have bolstered security protocols to enhance privacy by deploying robust security measures, including One-Time Passwords (OTPs) for secure online bank logins and unique PINs for secure ATM access.

BRIBERY AND ANTI-CORRUPTION

Employees are responsible for reporting incidents related to bribery and corruption to the relevant authorities for investigation; such matters will be urgently reported to the top-most executives and the BOD. Moreover, employees and responsible individuals are prohibited from engaging in transactions that is a misuse of bank assets and from engaging in situations that cause a conflict of interest to the Bank. The policy also mandates several other types of transactions and behaviours that are considered corrupt and fraudulent activities; the policy can be found on the HDFC corporate website.

MANAGING CUSTOMER COMPLAINTS

The Bank complies with Financial Consumer Protection Regulations No. 01 of 2023 issued by the Central Bank of Sri Lanka and relevant best practices. The Bank reviews and updates its Customer Complaint Handling Policy in compliance with regulatory changes.

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

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

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

GOVERNMENT AND STATUTORY PARTNERS

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

FINANCIAL REGULATORY AUTHORITY (CBSL)

Relations with the country's financial regulator take great precedence, as our work primarily aligns with regulatory directives and guidelines. Our partner in financial viability, operational stability and protecting stakeholder financial interests, CBSL fulfils a vital role through their regular guidance and actions.

In 2025, the relationship between the Bank and the state financial regulator evolved into a phase of state-mandated restructuring. The Government's decision to make HDFC Bank a subsidiary of the Bank of Ceylon (BOC) has been taken to strengthen the broader financial system and to enable HDFC Bank to stabilise its future operations and achieve greater financial performance in the next five years.

Area	CBSL Action	HDFC Response
Capital	Mandated consolidation with BOC.	Prepared for subsidiary status.
Governance	Strict "Fit and Proper" assessments.	Restructured Board of Directors.
Risk	Imposed deposit & lending limitations.	Focused on pawning and leasing.
Technology	Promoted digital payment adoption.	JustPay and Online Banking.

Regulatory curbs became the norm in 2025, as the regulator applied several critical limits on our ability to mobilise deposits and disburse lending products. These were primarily due to the need to further enhance and safeguard the existing level of capital adequacy and to raise the credit quality of the bank's lending portfolio.

Other regulatory frameworks and rules followed by the Bank:

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

HOW WE RESPONDED TO REGULATORY REQUIREMENTS AND MAINTAINED CORDIAL RELATIONS

To meet regulatory requirements, we maintained regular, periodic communication on a weekly and monthly basis to enable the regulator to adjust regulatory demands, particularly regarding the Bank's defaulted EPF-backed housing loans.

Aligning with the CBSL fit and proper criteria, the Bank made necessary changes to the executive leadership and the board of Directors, aligning with the statutory governance standards.

NATIONAL HOUSING DEVELOPMENT AUTHORITY

The parent company and major shareholder of the Bank and primary strategic partner for housing finance, the alliance between the Bank and the NHDA has been central to the Bank.

CAPITAL LINK - MANUFACTURED CAPITAL

Provisions and services obtained from third-party service providers enables the Bank to effectively distribute services among customers and reach untapped markets. (E.g. JustPay enabled mobile apps, bridge the gap in physical accessibility to branches)

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA (SEC)

As a listed company on the Colombo Stock Exchange (CSE), we adhere to SEC regulations, which govern financial reporting and market integrity. Honouring SEC requirements, we ensure:

- Compliance: Quarterly and annual financial statements audited in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).
- Integrity: We strictly enforce rules regarding mandatory disclosures, the prevention of insider trading, and the protection of minority stakeholder interests.

AUDITOR GENERAL'S DEPARTMENT

As a state-owned entity, our financial management is subject to the highest level of public scrutiny. Annual audits by the Auditor General's Department ensure absolute transparency in all financial transactions and the prudent management of state-held assets.

FINANCIAL OMBUDSMAN

Established under the CBSL, the Ombudsman provides an alternative and impartial process for resolving customer complaints, ensuring that our services remain fair, transparent, and consumer-centric. During the year, the Bank has not received any customer complaint of substantial concern.

PARTNERS, SUPPLIERS AND SERVICE PROVIDERS

CAPITAL LINK - FINANCIAL CAPITAL

Economic value shared with partners, suppliers and service providers

We work with a diverse network of business collaborators (partners) to ensure undisrupted operations and access to services: these partnerships enable us to maintain a resilient branch network. Suppliers and service providers are extensions of our operations and a vital part of our ecosystem.

Our partnerships are based on the need for physical equipment and goods, technological solutions, telecommunication services and professional services to be well-equipped and well-positioned to support all vital financial services and internal functions.

PROCUREMENT PRACTICE

When selecting suppliers and other service providers, we rigorously follow a process governed by the State, due to our link with the state.

The Bank follows the National Procurement Guidelines issued by the National Procurement Commission (NPC) and the Ministry of Finance of Sri Lanka – aligning with the state's mandate of being transparent and accountable in the use of public funds. A mandatory bidding system is followed to review and award contracts. Calls for tenders are published in leading newspapers in all three languages.

SERVICE PROVIDERS

Partner	Initiative	Strategic Value
LankaPay	JustPay & Common POS Switch	Enables real-time, fee-free digital transactions for Prathilaba holders and facilitates JCB-certified POS payments.
Amazon Web Services (AWS)	Cloud Infrastructure	Powers our corporate website with 99.99% uptime and advanced Web Application Firewall (WAF) security.

ENSURING SUSTAINED PARTNERSHIPS

Sustaining these partnerships is based on several values, which support mutual value creation and accountability from the Bank.

- Maintaining open communications and adhering to government procurement guidelines (tender basis).
- Strict commitment to contracts, agreements, and pre-established payment conditions.
- Prioritising collaboration with VAT-registered entities to ensure tax regulation adherence.
- Striving to balance economic value for both the Bank and our vendors.

DIGITAL TRANSACTIONS (LANKA PAY)

Ensuring accessibility and improving customer reach, we have partnered with Lanka Pay's Just Pay system, enabling mobile payment and banking services. This collaboration is a vital part of taking our products and services digitally to customers with limited access to physical banking services.

COMMUNITY

Our approach to corporate responsibility has evolved beyond the traditional view of CSR.

Financial inclusion has now become a cornerstone of our approach to social development. As a Bank that serves the country's hardworking labour force, we believe in prioritising accessibility and financial literacy to empower marginalised communities. Our focus has been to help such individuals transition from financial vulnerability to economic stability.

We serve those often overlooked by the traditional banking sector due to a lack of collateral or formal financial history.

- Inclusive Products: We have developed affordable credit and savings instruments specifically tailored to the unique financial contexts of underserved populations.
- The "Palmtop" Field Support: Narrowing the physical distance to banking, our Palmtop Banking (Doorstep Banking) team operates at the grassroots level, taking the Bank to the customer; they provide a vital service of serving urban and rural underserved communities and ensuring that our rural customers are not excluded from the formal economy.
- Digital Evolution: To bridge the digital divide, we have enhanced our digital infrastructure via HDFC Click. This portal ensures that customers with limited resources receive a secure and interactive gateway to manage transactions online.

5TH ANNUAL INTERNATIONAL CONFERENCE ON EMERGING FINANCIAL MARKETS AND POLICY (EFMP 2025)

The event, hosted by the Faculty of Management Studies of the Open University of Sri Lanka in collaboration with the Sri Lanka Finance Association, focused on the vital theme: Navigating Sustainable Growth and Innovation in Emerging Financial Markets. HDFC General Manager/CEO, Mr. Hemal Lokugeegana, participated as a distinguished panellist, sharing valuable perspectives on fostering resilient and innovative financial ecosystems in an evolving global landscape.
The conference provided an excellent platform for academics, practitioners, and policymakers to exchange ideas on digital innovation, financial inclusion, and responsible investment practices.

WORLD THRIFT DAY CELEBRATIONS – HDFC TANGALLE BRANCH

In line with our Bank's commitment to promoting financial literacy from a young age, our Tangalle branch conducted an awareness program on Thrift and Savings for the primary students of Tangalle Rahula Maha Vidyalaya. Through interactive sessions and activities, children learned the value of saving, responsible money management, and developing good financial habits early in life.

WORLD THRIFT DAY PROGRAM AT CHRIST KING COLLEGE, PANNIPITIYA, CELEBRATING WORLD THRIFT DAY

We conducted a Financial Literacy Program at Christ King College, Pannipitiya, to commemorate World Thrift Day. The session was attended by students from both Ordinary Level and Advanced Level classes, who actively engaged in learning about the importance of thrift and savings habits.
The significance of financial planning for future stability. The students appreciated the program, noting that it enhanced their understanding of banking operations and the value of saving wisely for a secure financial future.

HDFC Sahana Saviya

HDFC Sahana Saviya has been launched for families affected by floods and other calamities due to adverse weather conditions. To provide disaster relief to displaced members of the public, and with the contribution of the entire HDFC staff under the guidance of the HDFC Bank Welfare Association, HDFC Bank of Sri Lanka and the Bank Welfare Association, extended a helping hand to provide essential dry ration packs to families in difficult situations due to floods and other reasons in the affected areas.



Suite of 'Green' Products

In 2025, the Bank pivoted strongly towards sustainability with several 'green' products. HDFC These Green products were specifically launched to fund eco-friendly projects and to influence consumers towards sustainability through financial returns and stability.

Children's Day Art Competition





Empowering Future Generation

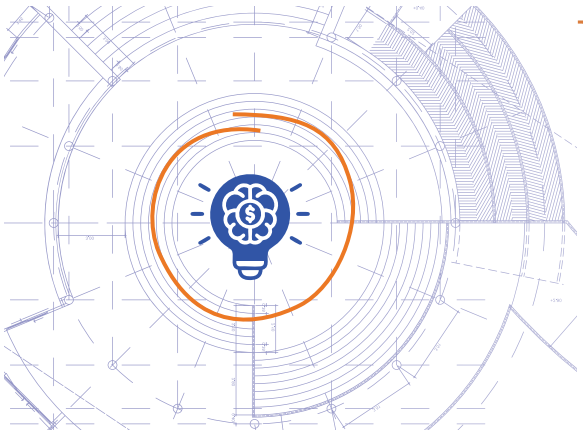
Programme Type	Main Content Areas Covered	Districts covered	Target Audience	Number of Total Participants	Remarks
Awareness Sessions	Aimed at supporting environmentally sustainable practices.	Colombo	School Children/ Teachers	140	St. Johns college, Nugegoda
	Aimed at supporting environmentally sustainable practices.	Colombo	School Children/ Teachers	300	Wataraka Primary School
	Financial Management, Consumer Protection and Digital Financial Literacy	Colombo	School Children	50	Christ King College - Pannipitiya - Conducted by the Head Office
	Financial Management and Consumer Protection	Hambantota	School Children	40	Tangalle Rahula M.V. (Organised by the Tangalle branch)
	Digital Financial Literacy	Anuradhapura	School Children	150	By the Anuradhapura branch
	Financial Management	Anuradhapura	Government Employees	35	By the Anuradhapura branch
	Digital Financial Literacy Financial Management Consumer Protection Economic and Financial Environment	Trincomalee	General public and school children	150	By the Trincomalee branch as an entertaining quiz

CAPITAL OUTLOOK

With specific objectives for the next five years through our Bank's future strategy, the following remains critical to stakeholder value creation.

- We will continue to embrace modern digital tools and solutions for a seamless, every banking experience.
- Building a fully digitised banking ecosystem to enhance customer experience and speed, and to improve operational efficiency is part of our strategic focus.
- Moreover, customer base expansions through digital and physical channels will be a likely driver of financial objectives while taking us closer to a wider demographic.
- Strong brand communication targeting youth, women, SMEs, and first-time homebuyers. Enhanced customer experience, driving loyalty and referrals.
- Expanding reach into underserved provinces through lean digital branches and agent-assisted banking. Partnerships with local authorities are widening the customer base.

Intellectual Capital



The Knowledge We Possess

For HDFC Bank, Intellectual Capital represents our collective organisational knowledge shaped through training, process improvements and continued service enhancements. It is the synergy of our team's expertise and the result of their capabilities, which includes products unique to the Bank, internal processes and brand reputation. This intangible asset base enables us to navigate a complex environment and create value as a financial service provider.

Our team of 453 staff members (with 71.52% of employees having a service beyond 11 years) enables the Bank to capitalise on a set of unique organisational strengths.

SDGs

- GOAL 4 **Quality Education**
- GOAL 8 **Decent Work and Economic Growth**
- GOAL 9 **Industry, Innovation and Infrastructure**
- GOAL 11 **Sustainable Cities and Communities**
- GOAL 12 **Responsible Consumption and Production**
- GOAL 16 **Peace and Justice Strong Institutions**
- GOAL 17 **Partnerships for the Goals**

MATERIAL TOPICS

T2 | T4 | T5 | T10 | T13

RELATED CAPITALS

- INTELLECTUAL CAPITAL
- SOCIAL CAPITAL
- HUMAN CAPITAL

RELATED STAKEHOLDERS

- EMPLOYEES
- CUSTOMERS
- COMMUNITY AND THE ENVIRONMENT

BRAND IDENTITY AND POSITION

A brand name synonymous with home ownership, HDFC Bank has earned a reputation as a bank that supports housing dreams of middle and low-income Sri Lankans. Our brand equity lies in this recognition, despite this identity creating certain limitations.

Aside from our specialisation in mortgage loans and home loans, the Bank has undergone a significant transformation over the past decade and a half. We have adopted a diversification approach, moving away from the mono-line housing market to become more versatile.

As a brand, HDFC Bank is valued at LKR 239 Mn and has been ranked among the Top 100 Most Valuable Brands by Brand Finance Sri Lanka (published by Echelon).

BRAND VISIBILITY

The Bank has gained a modest following online, enhancing brand visibility among the young and middle-aged demographics. The Bank capitalises on the advantages of social media to leverage an online following of existing and potential customers. The Bank has an organic following on its LinkedIn account, with over 1,200 followers.

In 2025, the Meta (Facebook) account gathered over 574,959 views and more than 6,600 followers.

HDFC BANK STRATEGIC PLAN AND DEVELOPMENT PROCESS

The development of our five-year strategic plan became a primary commitment during the period under review. The development of this strategic roadmap required the amalgamation of periodic research, departmental insights, board inputs and stakeholder feedback, as well as brainstorming sessions. What exemplifies the latter is a three-day Strategic Plan development workshop with the active participation and direct contribution of leadership and staff, complete with discussions, an exchange of key insights into the Bank's current operational progress, gaps and future goals and targets.



Participation from all levels contributed during the sessions to create a strong and unified vision for sustainable growth and transformation. The event concluded with team-building activities and appreciation for the most engaging teams, reinforcing our shared commitment towards greater success.

The Bank engaged in a highly formalised and rigorous planning process, which was conducted across five months and adopted a 11-step process. The plan was completed through the collaboration and mediation of the management and cross-functional teams, including various departments and the chief executive officer.

The five-year strategic roadmap is the result of the following process:

- Brainstorming session
- Strategic analysis
- SWOT analysis
- Strategic direction (aligned with objectives)
- Supportive action
- Executive Discussions
- Target Review
- Finalisation
- Communication
- KPI implementation
- Regulatory submission

PRODUCT DIVERSIFICATION STRATEGY

HDFC Bank is the only bank with a strong core focus in housing finance, but with rebranded services that include specialised solutions for micro, small and medium enterprises (MSMEs) and the corporate sector.

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

	Purpose			Time period			
Loan products	Housing	Housing-EPF-backed	Collateral required/ Mortgage	Short	Medium	Long	Special Benefits
Kedella	√				√	√	• Includes individuals with earnings from agricultural activities • Individuals earning rental income and foreign remittances
Shrama Udana		√			√	√	• Ability to borrow up to 75% of the EPF balance
Sirisara			√	√	√	√	
Leasing				√	√	√	• Lowest rentals in the market • Includes individuals with earnings from agricultural activities

PROPRIETARY DIGITAL TOOLS

The digital tools of the Bank serve as digital touchpoints, overseen by our IT department. These outline our digital journey and have been enhanced during the year for better operability.

CAPITAL LINK - IMPACT ON SOCIAL AND RELATIONSHIP CAPITAL

Digital accessibility provides customers with convenience and the freedom to perform transactions anytime, anywhere.

Palmptop Banking
Field Team for Mobile Banking
The palmtop team (mobile banking team) visits customers at their residences and workplaces, located in urban, suburban and rural areas - penetrating physical locations, unreached through our bank branch network.

HDFC Click
Online banking portal
Facilitates essential transactions, utility payments and balance inquiries, etc.

Just Pay Apps
Transactions
Enables real time mobile payments through any smart device

In the year under review, the Bank launched a new shopping debit card, highlighting its commitment to sustainability and providing an enhanced customer experience.





ORGANISATIONAL KNOWLEDGE

INFORMAL HOUSING MARKET AND KNOWLEDGE

The Bank has achieved a significant level of organisational knowledge in serving the informal income earners. While traditional banks focus on the creditworthiness of customers with formal income streams, HDFC Bank has developed proprietary processes and mechanisms to assess and serve non-traditional customers.

CAPITAL LINK -
IMPACT ON HUMAN CAPITAL

Professional growth through exposure to internal processes and training

INSIGHTS THROUGH PALMTOP BANKING UNIT

The Bank's palm-top banking unit utilises a handheld device, which runs on customised software to capture data related to mobile banking services. While this functions as a mobile banking tool, it is also essential for capturing data on clients with informal income sources and their capacity to support deposit mobilisation and repay borrowings. By visiting customers, our teams gain soft information on the reliability and character of borrowers, understandings that will not appear in explicit knowledge elements.

EPF-BACKED LENDING

The Bank has become a leader in providing EPF-backed loans by utilising the Employees' Provident Fund (EPF) balances as a guarantee. The process of providing EPF-Backed loans is an organisational process which enables formal and informal sector employees to access credit.

CREDIT ASSESSMENT PROCESSES

The Bank's loan, credit, and even recovery officers are adept at assessing the repayment capacities of middle- to low-income borrowers. While the bank has in place a stringent and integrated credit evaluation process, undertaken by the credit department and the risk management department, staff knowledge remains crucial to understanding customers, their financial challenges and levels of financial literacy. This becomes imperative when aligning with the Bank's internal controls and regulations, ensuring that the Bank does not absorb high levels of risk while also providing credit to people with proper means of repayment and income.

NAVIGATING REGULATIONS

Our team at HDFC Bank is especially adept at navigating regulatory requirements expected from the Bank; these have intensified over the years. As a Bank that operates within a highly-regulated service sector, HDFC Bank faces the challenges of additional regulatory requirements while balancing financial constraints that come as a specialised bank; this has made our staff members more resilient in balancing growth with regulatory demands and stakeholder expectations, in comparison to other large-scale and highly profit-driven Banks.

SYSTEMIC ELEMENTS

Organisational explicit knowledge is central to ensuring that the Bank's operational continuity and growth continue with the assistance of the staff members, despite turnover and unexpected disruptions. These are documented, stored and easily shared through Operational Procedures. This mainly involves procedures and protocols on collateral-backed loans, interest rate calculations, repayment structures and protocols, and legal compliance, mandated by the Central Bank of Sri Lanka.

Core banking system and digital databases also enable the bank to make data-driven decisions, especially on financial management, assets and liabilities and customer relationship management. Moreover, knowledge management systems tackle the risks that are inherent in staff turnover and knowledge loss. While retaining tacit knowledge will be challenging due to staff resignations, these systemic elements will combat the issue by making it necessary for staff to adhere to documentation requirements and store knowledge.

Metrics	2025
Staff retention	91.89%
People with over 10 years of tenure	71.52% of total staff
Training	734 staff trained hours
People with graduate-level qualifications	125
People with Master's or higher-level qualifications	222

RELATIONAL CAPITAL

For the Bank, our relationships with the informal and middle to low-income individuals have been key to preserving our identity. We are constitutionally mandated to look into the housing finance needs of thousands of Sri Lankans, who are traditionally overlooked by other financial institutions. The abilities of our branch staff, including managers, have become crucial in establishing more localised relationships with a diverse segment of depositors and borrowers from across the island.

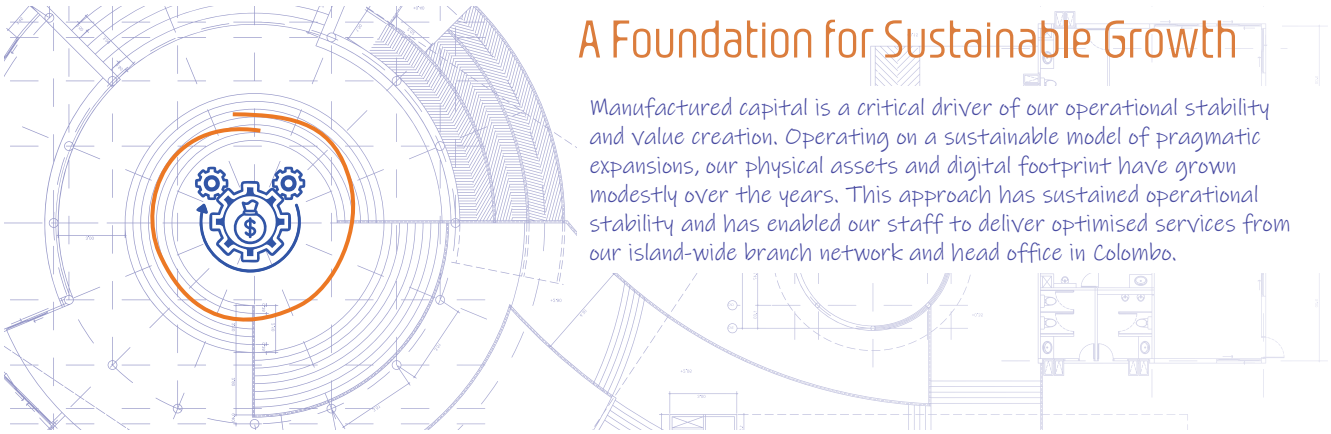
CAPITAL LINK - IMPACT ON SOCIAL AND RELATIONSHIP CAPITAL

Our work with both formal and informal income earners has earned us a level of unmatched trust and has enriched our relational capital.

CAPITAL OUTLOOK

The Bank will continue to enhance intellectual capital by developing staff capabilities. Improved and enhanced digital tools and online platforms alongside knowledge preservation through training and digitisations will add to our intellectual assets. However, due to our primary focus on financial sustainability, this may take longer than anticipated. Our differentiated expertise in serving various demographics will position us to pursue sustainable growth in coming years, particularly through short-term retail credit solutions. Moreover, sustainable green banking solutions will help redefine our value to customers, and we expect our new green banking products to gain traction in the coming year.

Manufactured Capital



A Foundation for Sustainable Growth

Manufactured capital is a critical driver of our operational stability and value creation. Operating on a sustainable model of pragmatic expansions, our physical assets and digital footprint have grown modestly over the years. This approach has sustained operational stability and has enabled our staff to deliver optimised services from our island-wide branch network and head office in Colombo.

SDGs

GOAL 8
Decent Work and Economic Growth

GOAL 9
Industry, Innovation and Infrastructure

GOAL 10
Reduced Inequality

GOAL 11
Sustainable Cities and Communities

GOAL 12
Responsible Consumption and Production

GOAL 16
Peace and Justice Strong Institutions

MATERIAL TOPICS

- T5
- T10
- T13

RELATED CAPITALS

- MANUFACTURED CAPITAL
- HUMAN CAPITAL
- SOCIAL CAPITAL

RELATED STAKEHOLDERS

- EMPLOYEES
- CUSTOMERS
- COMMUNITY AND THE ENVIRONMENT

BRANCH NETWORK AND PHYSICAL ASSETS

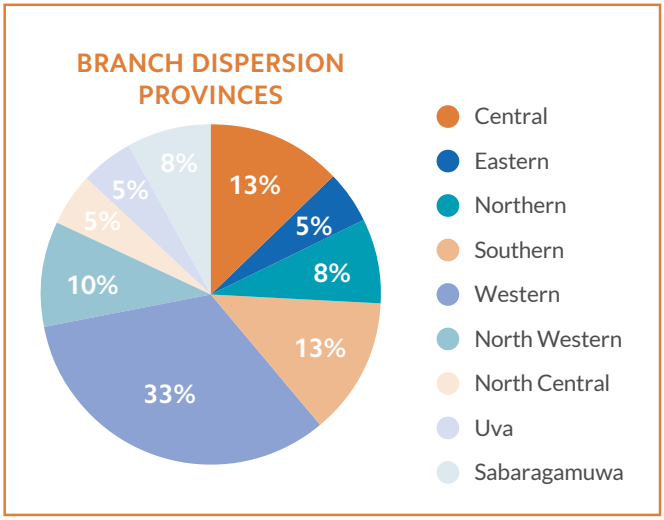
CAPITAL LINK - HUMAN CAPITAL

Branches and physical facilities enable and encourage staff to work efficiently. We have ensured that employees have access to all required resources within all 39 branches and the Head Office.

CAPITAL LINK - SOCIAL AND RELATIONSHIP CAPITAL

Our branch network is our first and primary touchpoint for customers and a crucial link in delivering value to customers.

HDFC Bank continued to operate with 39 branches across the year, maintaining a smaller footprint but a good geographical spread that has dispersed across all 9 provinces.



The Bank operates via 13 branches in the Western Province, a 33% concentration of the total branch network. The Southern and Central provinces share an equal distribution of branches at 13%. During the FY 2025, no relocations or considerable renovations have taken place.

CAPITAL LINK - FINANCIAL CAPITAL

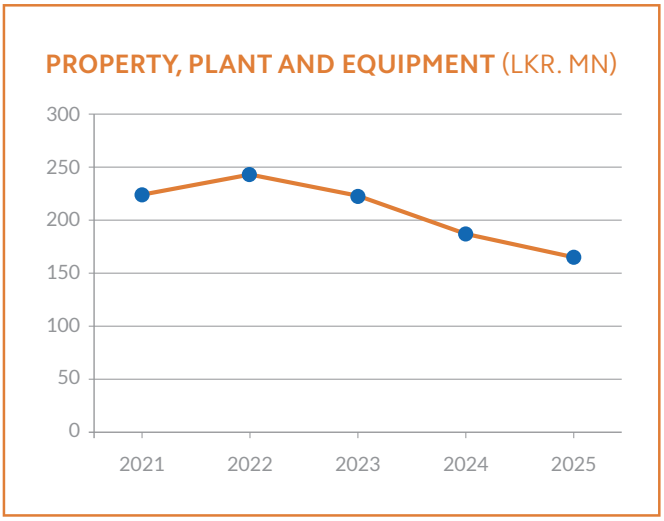
Efficient infrastructure management reduces operational costs, which in turn has contributed to better margins.

PROPERTY, PLANT AND EQUIPMENT

The Bank's physical infrastructure ensures that staff have the resources and channel network to deliver reliable and customer-centric financial services. Our branch network and IT infrastructure, including our digital footprint, enable us to expedite our operational priorities, achieving tangible value for customers and other stakeholders.

Our PPE includes freehold land and buildings, computer infrastructure, furniture and fittings, etc. Office buildings and other operational assets power our ability to function smoothly and reliably across the island. The Bank's PPE stood at LKR 165 Mn by the end of the FY 2025.

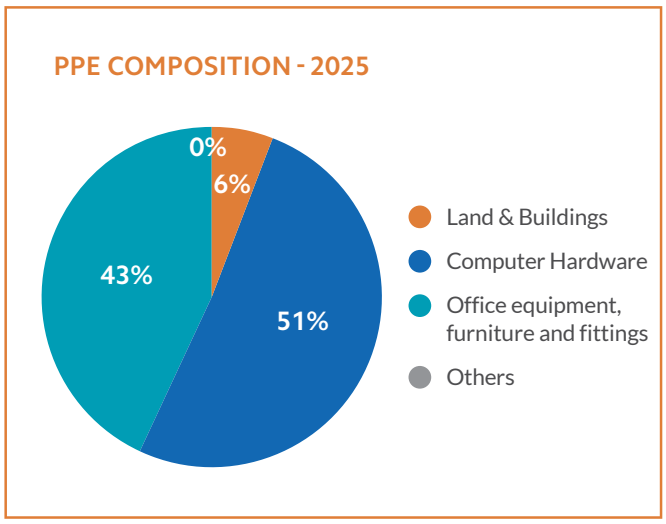
Given certain financial constraints mandated by the financial regulator and in the best interest of the bank's financial sustainability, we have adopted a strategic approach to modernising our infrastructure, with a focus on improving experience and ensuring operational continuity.



In the year under review, total property, plant, and equipment has dropped to LKR 165 Mn from LKR 187 Mn reported in the previous year. Despite a decline in total PPE, there were purchases of PPE/ Intangible assets of LKR 24.6 Mn, compared to LKR 11 Mn in the previous year, indicating an over 50% increase in capital expenditure.

Component	2025 (LKR. Mn)	2024 (LKR. Mn)
Land and buildings	9,794	10,313
Computer hardware	87,738	85,128
Office equipment, furniture and fittings	72,769	90,782
Others	47	975
Total	165	187

Asset Category	Strategic Role
Land & Buildings	Long-term stability and regional presence.
Computer Hardware	Powering digital transactions and data analytics.
Office equipment, furniture and fittings	Enhancing customer experience and employee comfort.
Others	Facilitating field inspections for housing projects.



The Bank's PPE composition is heavily concentrated in computer hardware, accounting for 51% of the total PPE value. Another 43% is concentrated in office equipment, furniture and fittings, with only 6% of the total value belonging to land and buildings.

TECHNOLOGICAL INFRASTRUCTURE

CAPITAL LINK - FINANCIAL CAPITAL

Tech investments and upgrades have cost LKR 4.1 Mn in 2025.

CAPITAL LINK - HUMAN CAPITAL

IT and digital infrastructure improve employee productivity and IT literacy.

The Bank's IT infrastructure continues to rise and increase steadily in hardware and programs. In fact, the Bank's PPE base demonstrates that the majority of its asset base is concentrated in IT/tech-related assets.

CORE BANKING SYSTEM

The core banking system fulfils tasks and processes related to CRM, account management, payment processing, loan management and deposit mobilisation.

PAYMENT GATEWAY

CAPITAL LINK - SOCIAL AND RELATIONSHIP CAPITAL

LankaPay is one of our primary service providers and a key contributor that enables digital services to clients.

We have strategically partnered with LankaPay to utilise the JustPay system, which serves as the primary digital gateway for Sri Lankan payment applications. Customers of "Prathilaba" savings account can use the popular third-party app for transactions, including real-time retail payments, utility bill settlements and insurance premium payments directly from the account.

ONLINE BANKING GATEWAY

The bank operates an integrated banking portal, which enables loan repayments, fund transfers and ensures security through web application firewall and multi-factor authentication. The portal supports CEFTS and SLIPS for real-time transactions and batch transfers to other local banks.

DIGITAL INFRASTRUCTURE

Our digital infrastructure has remained prudently optimised over the years, as we adopt technologies critical for convenient transactions and banking services.

CAPITAL LINK - INTELLECTUAL CAPITAL

Digital infrastructure includes proprietary digital tools for customer service. (Please refer to the Intellectual capital report on page 93 to 96)

OUR DIGITAL TOOLS AND CHANNELS

WEBSITE

Overall, the website enables users/customers and the general public to obtain product information, access branch and ATM locations, apart from other key accessibility and informative features. The website underwent certain improvements during the year, including enhanced accessibility features, including a redesigned banner section that is more mobile responsive for optimal visibility.

The website encompasses the following features and functionalities.

Asset Category	Information/Functionalities
Savings & Investments	Savings accounts, children's plans, retirement funds, fixed deposits
Loans	Housing, leasing, gold loans, and personal financing
Digital Tools	Online banking, calculators, chatbot, enquiry forms
Accessibility	Trilingual support, font controls, contrast settings
Navigation	Branch locator with Google Maps
Security	Cloud hosting with security standards, WAF, and high uptime

Moreover, in 2024, the website underwent revisions to its features and appearance, enabling customers to access several new conveniences. The website became optimised in all three languages, supporting customers from various regions of the country and language preferences. Additional enhancements also included a mobile-responsive design for consistency across all devices. The website was enhanced to integrate with Google Maps, enabling easy identification of branch locations and ATMs.

ATM NETWORK

At present, the Bank operates 23 ATM locations in addition to the Bank's connectivity to LankaPay's interconnected islandwide ATM infrastructure. By joining the LankaPay Common ATM Switch, we have effectively expanded our footprint without the capital expenditure of building hundreds of proprietary kiosks

CAPITAL OUTLOOK

As a Bank with priorities in maintaining a high-quality asset base and a lower risk profile, we will not venture into modernisations and infrastructure investments aggressively. Instead, we will continue to adopt the same pragmatic approach to investments and expenditure, related to physical infrastructure, but with a proactive approach to modernising our digital platforms and internal information management systems.

We envision balancing our physical footprint with digital platforms to ensure that our plans for the future will grow harmoniously with the Bank's financial and regulatory commitments and targets.

Natural Capital



Maintaining Steady Sustainable Strides

Our operational continuity is closely tied to our dependence on renewable and non-renewable sources of energy and water. We have also adopted several practices and long-term strategies to embrace environmental stewardship. These include a set of practical and meaningful initiatives, including waste management, which ensures proper disposal of branch waste, including paper, plastic waste and electronic waste.

Moreover, through green banking initiatives, we have set foot into financing long-term projects with a great impact on environmental sustainability. Collectively, the sum of these measures ensures that we remain on the path of environmental sustainability, while adopting gradual steps to increase our commitments in line with UN SDGs and ESG best practices.

SDGs

- GOAL 6 Clean Water and Sanitation
- GOAL 7 Affordable and Clean Energy
- GOAL 11 Sustainable Cities and Communities
- GOAL 12 Responsible Consumption and Production
- GOAL 13 Climate Action

MATERIAL TOPICS

- T6
- T11

RELATED CAPITALS

- INTELLECTUAL CAPITAL
- SOCIAL CAPITAL
- NATURAL CAPITAL

RELATED STAKEHOLDERS

- EMPLOYEES
- CUSTOMERS
- COMMUNITY AND THE ENVIRONMENT

ENVIRONMENTAL STEWARDSHIP AND CONSCIOUS RESOURCE MANAGEMENT

Conscious resource management is what underpins our efforts of environmental stewardship. Over the years, our staff have embraced the use of conscious and responsible consumption of electricity, water, fuel, and other resources. This has been further supported by a low physical branch footprint, which has kept our consumption of power and water steady over the years.

RESOURCE CONSUMPTION PERFORMANCE

In line with our commitment to transparency, the Bank monitors and reports its resource usage across relevant indicators.

Indicator	2025 (Units)
Electricity consumption (Head Office)	312,759
Electricity consumption (Branches)	571,631
Water consumption (Branches)	7,440

ENERGY EFFICIENCY AND CONSERVATION INITIATIVES

We have implemented a series of strategies to optimise energy conservation associated with electricity and fuel use. Collectively, the following actions contribute to lower energy intensity across our 39-branch network, including our head office.

- Transition to LED lighting and increased reliance on natural illumination
- Maintaining air-conditioning at 24°C, the optimal energy efficient temperature
- Routine maintenance of airconditioning and lighting systems to ensure operational efficiency
- Reduced staff travel and improved route planning to minimise fuel consumption
- Adoption of a shared printer network, lowering idle energy use and reducing equipment redundancy

E-WASTE AND PAPER REDUCTION

Reusing and recycling have become two components of our approach to e-waste and paper waste management. All electronic waste is transferred to authorised centres equipped to safely recycle and dispose of electronic equipment. To reduce and optimise resource consumption, staff is encouraged to reuse paper where feasible and adopt digital alternatives for internal communication, approvals, and documentation.

WASTE MANAGEMENT PRACTICES

Our approach to waste management is based on the principles of being structured and conscientious across our branches. Our approach includes careful segregation of waste and responsible disposal, while plastic and electronic waste is recycled through third-party service providers. Normal office waste is entrusted to municipal authorities for safe and environmentally sound handling. The following actions underpin our efforts to operate sustainably.



- Plastic recycling partnership with Eco Spindles, supported by 20 collection bins
- E-waste disposal through certified recycling centres
- 681 KGs Plastic bottles recycled
- Reuse and recycling of wastepaper and newspapers
- Provision of dedicated bins for feminine hygiene products
- Expansion of digital processes to reduce paper dependency

PLASTIC RECYCLING INITIATIVE

We have entered into a long-term partnership with Eco Spindles as a meaningful step in our sustainability journey. In 2025, we successfully gathered 681 kilograms of plastic bottles.



Our efforts have been recognised by Eco Spindles with a financial incentive of LKR 25 per kilogram of plastic bottles collected. Further, in appreciation of our commitment, we have been presented with a Certificate of Recycling. Indirectly, this effort has contributed to reducing plastic pollution and has encouraged individuals within our immediate community to be conscious of their plastic consumption.

CLEAN ENERGY GENERATION

The Bank has one branch with a solar installation, with sufficient capacity to power internal branch operations. This has become a model for other banks as we strive to implement similar installations in the long-term.

DIGITAL COMMUNICATION FOR ENVIRONMENTAL SUSTAINABILITY

Our reliance on paper for internal communications and operations has reduced to a greater extent due to alternative digital communication and documentation. Requests for proposals, quotations, cost approvals, and operational communications related to credit and deposits are now processed electronically, reducing paper use and lowering emissions associated with postal services.

NATIONAL ENVIRONMENT WEEK CELEBRATIONS

In 2025, we celebrated National Environment Week with a series of events and programs that captured the essence of contributing to environmental preservation and nurturing natural resources to bring about long-term impacts, such as planting trees that can benefit future generations.

> CAPITAL LINK -SOCIAL AND RELATIONSHIP CAPITAL
>
> Environmental programs have helped form vital links with several communities - enhancing relational capital.

BEACH CLEANING PROGRAM

A beach cleanup initiative was organised and successfully held at Wellawatte beach with active participation of the Chairman, GM/CEO and other staff, emphasising the bank's leadership commitment to environmental action and community engagement.





SCHOOL TREE PLANTING PROGRAMS



WATARAKA PRIMARY SCHOOL

Bank staff made an active contribution to organising a tree planting campaign at the Wataraka Primary School. The program was held with the enthusiastic engagement of students and was followed by an engaging seminar on environmental protection and sustainability. The program helped inculcate a sense of responsibility towards nature from an early age.



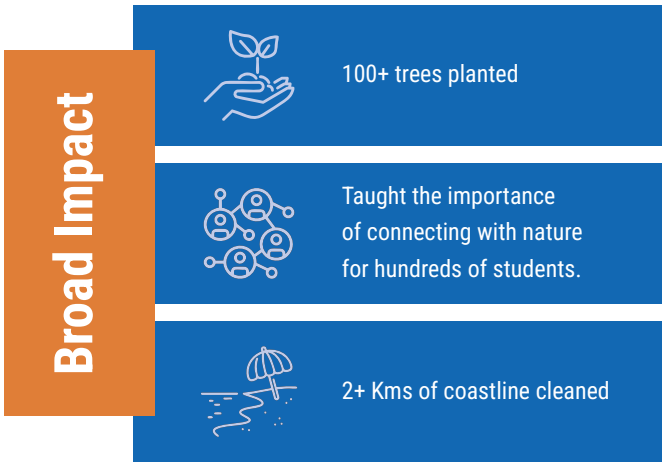
CHRIST KING COLLEGE – PANNIPITIYA

Encouraging students to take an active role in environmental protection, the Bank, together with the students of Christ King College, Pannipitiya, organised a tree-planting program followed by an awareness session on environmental protection.

ST. JOHN'S COLLEGE, NUGEGODA

A tree-planting program and awareness session for students were held, aimed at supporting environmentally sustainable practices.

IMPACT OF THESE PROGRAMS



DIGITAL AWARENESS CAMPAIGN ON PLASTIC POLLUTION

A digital awareness campaign was carried out, sharing educational content through the bank's social media platforms to promote reduced plastic usage, responsible recycling, and meaningful environmental action, aligning with the Environment Day national theme.

LAUNCH OF GO GREEN SAVINGS

In support of the bank's commitment to sustainability initiatives, the Bank launched "Go Green" savings. HDFC Go Green savings account allows customers to contribute to environmental well-being while earning higher financial returns.

CAPITAL OUTLOOK

Key areas of focus for the coming year will include the following:

- Enhancing waste segregation and recycling systems
- Increasing digitalisation to further reduce paper consumption
- Implementing additional energy efficiency measures across branches
- Encouraging staff and community engagement in sustainable practices



THE ACCOUNTABILITY FRAMEWORK

Corporate Governance

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 that enforcing good governance is essential for the sustainability of the Bank.

During the financial year 2025, the Board's effort and guidance was extended to improve compliance and internal controls to strengthen the overall governance structure.

When focusing on Corporate Governance the following statutes, regulations and social codes of best practices were closely perused to achieve the goal.

i. HDFC Act and all its amendments

ii. Mandatory codes of Corporate Governance issued by the Central Bank of Sri Lanka, and compliance with relevant laws under the Banking Act.

iii. Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants and Securities Exchange Commission of Sri Lanka.

iv. Compliance with the continuing listing requirements under section 9 of the revised listing rules issued by the Colombo Stock Exchange.

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

- **SECTION ONE** – Areas relevant to Banking Act Direction No. 05 of 2024 for Licensed Banks, issued by the Central Bank of Sri Lanka.

- **SECTION TWO** – Areas relevant to Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission (SEC) of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.(CA Sri Lanka)

- **SECTION THREE** – Areas 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 have 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.

HDFC Bank continues to overcome challenges due to the robust regulations and controls that govern our approach to leadership and accountability. The following narrative provides descriptions of the most significant governance-related areas and topics in relation to the Banking Act Direction No. 05 of 2024 and references to the CSE Listing rules on governance. The compliance status and adoption of the Code of Best Practices by CA Sri Lanka have been detailed on pages 157 to 167 of this Annual Report.

Governance-related Highlights for 2025

- Reconstitution of board subcommittees whenever necessary to avoid non-compliance with regulatory requirements
- Establishment of the operational risk management committee
- Establishment of a credit risk management committee
- Review of the following internal policies, manuals and TORs to be on par with regulatory requirements -
  - » The terms of reference (TOR) of the corporate management committee
  - » Review of the HDFC sustainable policy
  - » Review of the audit manual
  - » Loan review policy
  - » Bank-wide compliance risk assessment
  - » Compliance policy
  - » Assets and liability committee TOR

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS (PRINCIPLE A.1.3)

The Board of Directors has ensured that the Bank acts in accordance with the laws applicable to the banking sector and the legislation (The Housing Development Finance Corporation Bank of Sri Lanka Act - originally Act No. 7 of 1997, later amended by Act No. 15 of 2003 and Act No. 45 of 2011), which has established the Bank as a statutory corporation in Sri Lanka.

The Board has been entrusted to ensure that Bank operations and Board decisions align and comply with all banking and financial laws and regulations, governance guidelines and other operational procedures. Moreover, Directors can seek professional independent advice when necessary.

The Bank complies with the following regulatory frameworks and is governed by several statutory mandates.

Category	Requirement / Source	Reference on the Annual Report of 2025
Mandatory	Housing Development Finance Corporation of Sri Lanka Act No. 7 of 1997 (as amended in 2003)	
Mandatory	Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks	Page 119 to 156 (Compliance status)*
Mandatory	Listing Rules of the Colombo Stock Exchange (CSE)	Page 168 to 174 (Compliance status)*
Mandatory	Securities and Exchange Commission (SEC) Guidelines	
Mandatory	Annual audited financial statements prepared in line with accounting standards and regulatory requirements	Page 220 to 290
Voluntary	Code of Best Practices by CA Sri Lanka	Page 157 to 167 (Compliance status)*
Voluntary	Board Charter outlining governance commitments	Complied as applicable

*Compliances and non-compliances have been disclosed.

New Rules Introduced in 2025

- Corporate Governance requirements and enforcements as per the listing rules of the Colombo Stock Exchange (CSE), effective from 10th April 2025
- CBSL Directions on related party transactions and determination of beneficial ownership criteria to be enforced.

CORPORATE GOVERNANCE STRUCTURE

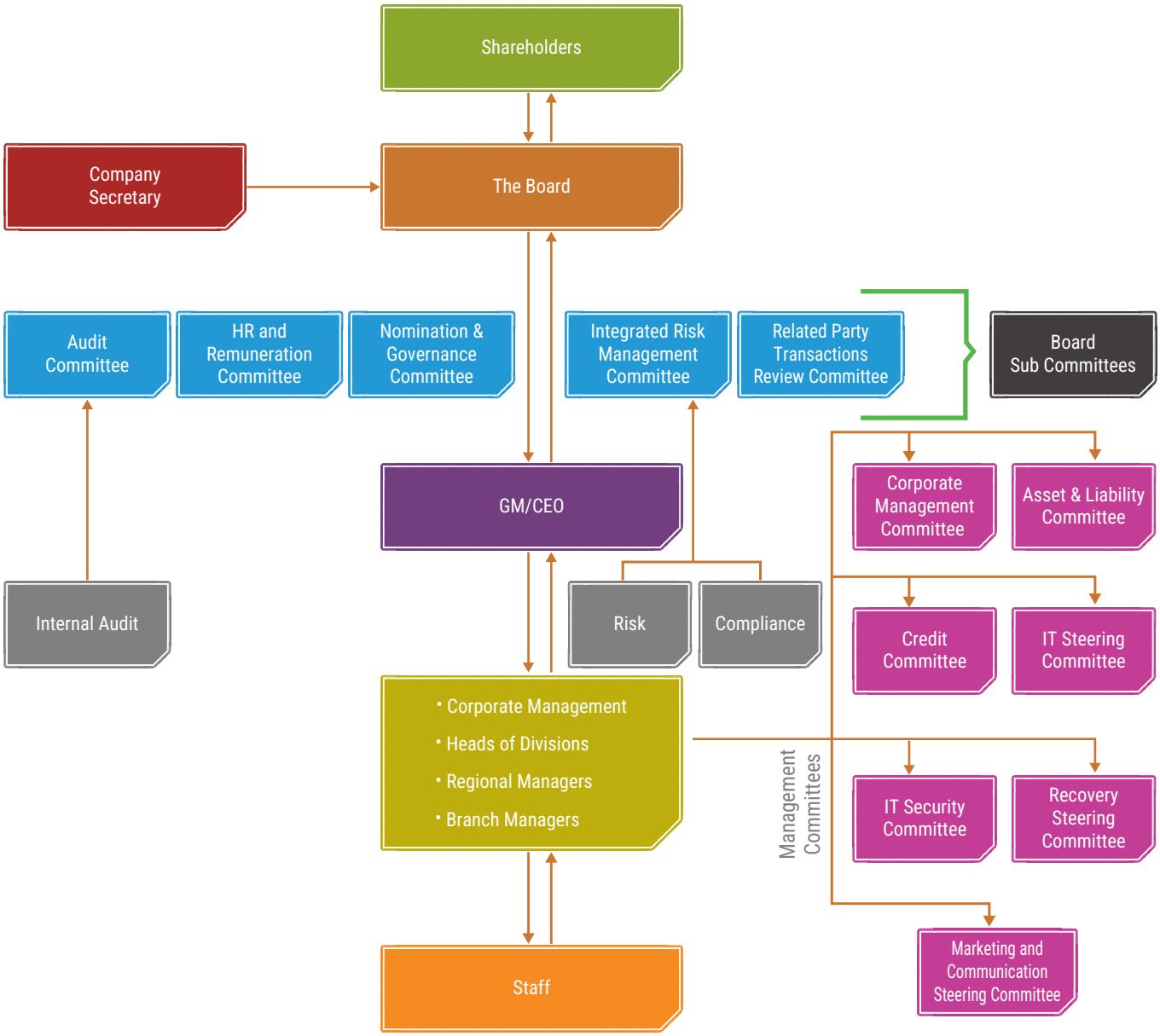
1. GOVERNANCE FRAMEWORK

The governance structure of the HDFC Bank has been shaped by guidelines on governance best practices and is governed by statutory requirements and continuously updated regulatory requirements. This has made it imperative for bank leadership, middle management and staff towards compliance and accountability, making every level autonomously committed to aligning their processes and work with the highly-regulated environment of the banking sector.

Evolving regulatory norms and industry standards are taken into high consideration when aligning the bank's leadership, authority and overall governance arrangements, almost every year.

Moreover, risk management and corporate governance go hand in hand at HDFC Bank to ensure that decision-making processes remain ethical and responsive to stakeholder interests, without overlooking regulatory compliance.

The tiers of the structure include the Board (the apex body) led by the Board Chairman/Chairperson, the management committees, the CEO cum General Manager and the key management team.



2. BOARD COMPOSITION AND STRUCTURE

The Board is the highest governance authority of HDFC Bank, responsible for making strategic decisions and ensuring compliance with central bank and state regulations.

2.1 COMPOSITION OF THE BOARD

As at the end of 31st December 2025, the Board consisted of 07 Non-Executive Directors. Amongst these Directors, 05 were Independent Directors, and 02 were Non-Independent Directors.

Names	Directorship Status as at 31/12/2025
Mr. P. J. Jayasinghe *(Retired from Board on 30.11.2025)*	Non–executive/ Independent Director Chairman of the Board
Dr. P.A. Krishantha	Non-executive / Independent Director
Mr. K. B. Wijeyaratne	Non-executive / Independent Director
Mr. A.N. Hapugala *Appointed to Board on 31.01.2025)*	Non-executive / Independent Director
Mr. J.M.P.S. Kaushallya *Appointed to Board on 23.06.2025)*	Non-executive / Independent Director
Mrs. K.K.G. Prematthilake *Appointed to Board on 18.07.2025)*	Non-executive / Non-Independent Director
Mrs. S.S.S. Nandani *Appointed to Board on 03.11.2025)*	Non-executive / Independent Director
Mr. J.K.A. Sirinatha *(Appointed to Board on 21.11.2025)*	Non-executive / Non-Independent Director
Mr. W.N.I.C. Fernando *(Resigned from Board 23.06.2025)*	Non-executive / Independent Director
Mr. W.M. Ananda *(Retired from Board on 10.08.2025)*	Non-executive / Non-Independent Director
Mr. P.A. Lionel *(Retired from Board on 31.01.2025)*	Non-executive / Independent Director
Mr. H.K.K.A. Jayasundara *(Resigned from Board on 21.03.2025)*	Non-executive / Independent Director

Board Changes During 2025

During the year, five new Directors were appointed to the Board. We also witnessed three retirements, one resignation and one re-election of a Director.

Name of Director	Date appointed	Retirement	Date resigned	Cessation	Re-elected
Mr. A. N. Hapugala *(Director)*	31/01/2025	-	-	-	-
Mr. J.M.P.S. Kaushallya *(Director)*	23/06/2025	-	-	-	-
Mrs. K.K.G. Prematthilake *(Director)*	18/07/2025	-	-	-	-
Mrs. S.S.S. Nandani *(Director)*	03/11/2025	-	-	-	-
Mr. J.K.A. Sirinatha *(Director)*	21/11/2025	-	-	-	-
Mr. P. A. Lionel *(Director)*	-	31/01/2025	-	-	-
Mr. W.M. Ananda *(Director)*	-	10/ 08/2025	-	-	-

Name of Director	Date appointed	Retirement	Date resigned	Cessation	Re-elected
Mr. P.J. Jayasinghe *(Director and Chairman)*	-	30/11/2025	-	-	-
Mr. H. K. K. A. Jayasundara *(Director)*	-	-	-	21/03/2025	-
Mr. W. N. I. C. Fernando	-	-	23/06/2025	-	-
Dr. P.A. Krishantha *(Director)*	-	-	-	-	30/06/2025

2.2 BOARD SUB COMMITTEES

Board Committees of the Bank have been structured to enhance governance effectiveness and include committees overseeing Audit, Risk, Human resources and Remuneration, Nomination and Governance as required. Five Board Committees are in place to ensure specialised oversight and operate as extensions of the Board of Directors (BOD). The BOD reserves the right to exercise delegated powers or duties at its discretion. Terms of Reference for each board Sub Committee lists its' purpose, constitution, composition and attendance, quorum, record keeping duties and responsibilities. Refer Board sub committee reports page No 194 to 207.

Board Human Resource and Remuneration Committee Meetings – 2025

Names	Directorship Status as at 31/12/2025	Number of Meetings held 2025	Regulatory Requirement/ Number of Meetings Relevant	Number of Meetings participated
Dr. P.A. Krishantha *(Appointed to committee Chairman 29.01.2025)*	Non - Executive / Independent Director (Chairman of the Committee)	10	10	10
Mr. A.N. Hapugala *(Appointed to the committee on 20.03.2025)*	Non - executive / Independent Director	10	08	08
Mrs. K.K.G. Premathilake *(Appointed to committee on 11.08.2025)*	Non - executive / Non-Independent Director	10	05	04
Mrs. S.S.S. Nandani *(Appointed to committee on 26.11.2025)*	Non - executive / Independent Director	10	03	02
Mr. W.M. Ananda *(Retired from Board on 10.08.2025)*	Non - executive /Non-Independent Director	10	05	05
Mr. H.K.K.A. Jayasundara *(Resigned from Board on 21.03.2025)*	Non - executive / Independent Director	10	02	02

Board Nomination and Governance Committee Meetings – 2025

Names	Directorship Status as at 31/12/2025	Number of Meetings held 2025	Regulatory Requirement/ Number of Meetings Relevant	Number of Meetings participated
Mr. A.N. Hapugala *(Appointed to committee on 24.03.2025)*	Non-Executive / Independent Director (Chairman of the Committee)	10	10	10
Mr. K.B. Wijeyaratne *(Appointed to committee on 25.09.2024)*	Non-Executive / Independent Director	10	08	08
Mrs. K.K.G. Premathilake *(Appointed to committee on 11.08.2025)*	Non-Executive / Non-Independent Director	10	05	04
Mr. W.M. Ananda *(Retired from Board on 10.08.2025)*	Non-Executive / Independent Director	10	03	02
Mr. H.K.K.A. Jayasundara *(Resigned from Board on 21.03.2025)*	Non-Executive /Non-Independent Director	10	05	05

Board Integrated Risk Management Committee Meetings – 2025

Names	Directorship Status as at 31/12/2025	Number of Meetings held 2025	Regulatory Requirement/ Number of Meetings Relevant	Number of Meetings participated
Mr. J.M.P.S. Kaushallya *(Appointed to committee on 26.06.2025)*	Non-Executive / Independent Director (Chairman of the Committee)	07	03	03
Dr. P.A. Krishantha	Non-Executive / Independent Director	07	07	06
Mr. K. B. Wijeyaratne *(Appointed to committee on 25.09.2024)*	Non-Executive / Independent Director	07	07	07
Mrs. K.K.G. Prematthilake *(Appointed to committee on 11.08.2025)*	Non-Executive / Non-Independent Director	07	02	02
Mr. J.K.A. Sirinatha *(Appointed to committee on 26.11.2025)*	Non-Executive / Non-Independent Director	07	01	01
Mr. P. J. Jayasinghe *(Appointed to Committee 09.05.2025 and Committee restructure on 26.11.2025)*	Non-Executive / Independent Director	07	04	04
Mr. P.A. Lionel *(Retired from Board on 31.01.2025)*	Non-Executive / Independent Director	07	01	01
Mr. W.N.I.C. Fernando *(Resigned from Board 23.06.2025)*	Non- executive / Independent Director	07	04	03

Board Audit Committee Meetings – 2025

Names	Directorship Status as at 31/12/2025	Number of Meetings held 2025	Regulatory Requirement/ Number of Meetings Relevant	Number of Meetings participated
Mr. K. B. Wijeyaratne *(Appointed to committee on 25.09.2024)*	Non-Executive / Independent Director (Chairman of the Committee)	15	15	15
Mr. A.N. Hapugala *Appointed to committee on 24.03.2025)*	Non-Executive / Independent Director	15	10	10
Mr. J.M.P.S. Kaushallya *(Appointed to committee on 26.06.2025)*	Non-Executive / Independent Director	15	08	08
Mrs. S.S.S. Nandani *Appointed to committee on 26.11.2025)*	Non-Executive / Independent Director	15	01	01
Mr. W.N.I.C. Fernando *(Resigned from Board 23.06.2025)*	Non-Executive / Independent Director	15	07	07
Mr. P.A. Lionel *(Retired from Board on 31.01.2025)*	Non-Executive / Independent Director	15	01	01
Dr. P.A. Krishantha *(Reconstitution of the committee on 09.05.2025)*	Non-Executive / Independent Director	15	04	04

Board Related Party Transaction Review Committee Meetings – 2025

Names	Directorship Status as at 31/12/2025	Number of Meetings held 2025	Regulatory Requirement/ Number of Meetings Relevant	Number of Meetings participated
Mr. K. B. Wijeyaratne	Non-Executive / Independent Director (Chairman of the Committee)	05	05	05
Dr. P.A. Krishantha	Non-Executive / Independent Director	05	05	05
Mrs. K.K.G. Premathilake *(Appointed to committee on 11.08.2025)*	Non-Executive / Non Independent Director	05	03	03
Mrs. S.S.S. Nandani *(Appointed to committee on 26.11.2025)*	Non-Executive / Independent Director	05	01	01
Mr. W.M. Ananda *(Retired from Board on 10.08.2025)*	Non-Executive / Non Independent Director	05	02	02
Mr. W.N.I.C. Fernando *(Resigned from Board 23.06.2025)*	Non-Executive / Independent Director	05	02	02

4. ROLE AND RESPONSIBILITIES OF THE BOARD

4.1 THE BOARD (PRINCIPLE A.1)

The role of the Bank's Board of Directors is to provide strategic direction as it acts as the highest governing body. The Board is dedicated to protecting the long-term interests of its shareholders and other stakeholders, while staying aligned with its mission and values. The Board played a guiding role during the year, as it helped define the bigger priorities of the Bank. The Board ensures that risks are handled prudently and proactively rather than reactively. The Board is also expected to act with integrity, operating responsibly and ethically, to maintain the trust of employees, customers and the wider community.

- Core responsibilities of the Board include providing high-level direction and oversight.
- Strategic direction and culture: Define the long-term strategy, approve overarching policies and cultivate a good culture.
- Performance oversight: Responsible for ethical and transparent management of bank finances, consistent performance and meeting targets.
- Accountability: Ensure integrity in actions and remain focused on the best interest of shareholders, depositors and stakeholders.
- Management guidance: Provide guidance to senior management and maintain a balance of power to prevent unfettered authority.
- Safeguard interests: From undue influence and intervene when necessary to safeguard legitimate stakeholder and shareholder interests.
- Financial operations: Authority to grant loans, invest corporate funds in securities and borrow or raise capital to sustain bank stability and growth. The power to acquire assets and dispose of them, and the authority to enter commercial contracts.
- Boundary of authority: Not engaging in everyday operational activities.

4.2 BOARD MEETINGS

The Board meets regularly to review performance, assess risks, and make informed decisions.

Names	Directorship Status as at 31/12/2025	Number of Meetings held 2025	Regulatory Requirement/ Number of Meetings Relevant	Number of Meetings participated
Mr. P. J. Jayasinghe *(Retired from Board on 30.11.2025)*	Non-Executive/ Independent Director Chairman of the Board	20	18	18
Dr. P.A. Krishantha	Non-Executive / Independent Director	20	20	19
Mr. K. B. Wijeyaratne	Non-Executive / Independent Director	20	20	20
Mr. A.N. Hapugala *(Appointed to Board on 31.01.2025)*	Non-Executive / Independent Director	20	19	18
Mr. J.M.P.S. Kaushallya *(Appointed to Board on 23.06.2025)*	Non-Executive / Independent Director	20	12	12
Mrs. K.K.G. Prematthilake *(Appointed to Board on 18.07.2025)*	Non-Executive / Non-Independent Director	20	10	09
Mrs. S.S.S. Nandani *(Appointed to Board on 03.11.2025)*	Non-Executive / Independent Director	20	05	05
Mr. J.K.A. Sirinatha *(Appointed to Board on 21.11.2025*	Non-Executive / Non Independent Director	20	03	03
Mr. W.N.I.C. Fernando *(Resigned from Board 23.06.2025)*	Non-Executive / Independent Director	20	08	07
Mr. W.M. Ananda *(Retired from Board on 10.08.2025)*	Non-Executive / Non Independent Director	20	11	11
Mr. P.A. Lionel *(Retired from Board on 31.01.2025)*	Non-Executive / Independent Director	20	01	01
Mr. H.K.K.A. Jayasundara *(Resigned from Board on 21.03.2025)*	Non-Executive / Independent Director	20	02	01

4.3 INDEPENDENT JUDGEMENT (PRINCIPLE A.1.5)

The Board of Directors of HDFC Bank brings in independent judgment when discharging their duties and responsibilities on matters falling under the purview of the Board of Directors, as laid out in statutory and regulatory requirements.

4.4 TIME COMMITMENT (PRINCIPLE A.1.6)

Board and Board Committee papers are referred to the Directors in advance, allowing sufficient time to discharge their duties.

4.5 TRAINING AND DEVELOPMENT (PRINCIPLE A.1.7)

- During the year, several programs were conducted to inform and create awareness among the board of directors.
- An awareness program to inform the BOD on the changes made to the CSE listing rules
- The Board is notified on CBSL and such other regulatory reforms which apply to the HDFC Bank.
- Presentation on CBS and AML system implementation project
- Presentation on Information Security Governance

4.6 COLLECTIVE SKILLS AND EXPERTISE

Members	Years of Experience	Expertise Areas	Age
Dr. P.A. Krishantha	22 years	Business Operations and Strategic Management Marketing Information Technology	43 years
Mr. K.B. Wijeyaratne	42 years	Charted Accountant	65 years
Mr. A.N. Hapugala	35 years	Treasury cash Flow Management Accounting	59 years
Mr. J.M.P.S. Kaushallya	34 years	Financial Planning and Reporting Charted Accountant	59 years
Mrs. K.K.G. Premathilake	19 years	Attorney-at-Law	51 years
Mrs. S. S. S. Nandani	23 years	Public Finance Accountancy	49 years
Mr. J.K.A. Sirinatha	41 years	Accounting and Administration Marketing	67 years
Mr. R.A.S. Ranawaka	31 years	Civil Engineering	55 years

5. LEADERSHIP ROLES

5.1 CHAIRMAN AND CEO

The role of these topmost leaders is distinctly defined, with the Chairperson serving as an Independent Non-Executive Director on the Board. The Chief Executive Officer functions as the topmost executive leader, responsible for routine management and bank operations.

The separation of responsibilities and authority prevents power from being concentrated in one individual.

5.2 CONDUCT OF BOARD PROCEEDINGS

Bank's Board Charter has defined the quorum of Board meetings apart from the Banking Act Direction No. 05 of 2024, requiring active deliberation of a majority of Directors entitled to be present.

The Chairman owns responsibility for setting the agenda, developed in consultation with the Company Secretary. Any Director can include matters and proposals in the agenda.

Topics discussed, key approvals and decisions taken	Status
Disclosures and Announcements to Regulators	Discussed when necessary
Appointment of General Manager /CEO of the HDFC Bank	Completed
Business Development & Marketing Plan 2025	Approved and in effect
The Risk And Control Self-Assessment (RCAS) Of HDFC Bank	Approved and in effect
AML Policy & Procedure	Approved and in effect
Treasury Policy 2025	Approved and in effect
Code of Conduct for Treasury Operations	Approved and in effect
Compliance Policy	Approved and in effect
Disaster Recovery Plan (DRP)	Approved and in effect
Product Development Proposals and Logos of New Products	Approved and in effect
Internal Capital Adequacy Assessment (ICAAP) Document 2025	Approved and in effect
Compliance Manual: Establishing a Framework to Define and Implement Procedures for the Bank's Compliance Function	Approved and in effect
Manual on Stores Management	Approved and in effect
Performance Appraisal for 2024 – Key Management Personnel	Approved

5.3 COMPANY SECRETARY

The Company Secretary ensures that proper procedures are in place for board meetings and is responsible for accurate and adequately detailed Minutes of Proceedings, practising due care and prudent and depth of debate. The Company Secretary is responsible for advising the Board on governance matters in respect of the Board and Sub Committees. He/She is accessible to all Directors and ensures proper communication and coordination of the annual and extraordinary general meetings. He/She also communicates with relevant regulatory bodies to ensure compliance matters.

6. BOARD EFFECTIVENESS

6.1 BOARD BALANCE

According to the Banking Act Direction No. 05 of 2024, the HDFC Board consisted of 07 Directors by the end of 2025, of which a majority (100%) are Non-Executive Directors.

According to the HDFC Act, the Board includes a mix of ex officio Directors (from the Ministry of Housing and Treasury) nominated Directors and Directors elected by Shareholders. This ensures a balance between state oversight and private shareholder interests.

Independence: According to the new CBSL roadmap, HDFC Bank is moving towards the fulfilment of at least 50% Independent Non-Executive Directors on the Board by 1st January, 2027. This requires ensuring Independent Directors have not served a term of over 9 years to be considered as Independent. This also applies to having no material business relationship with the Bank in the past two years.

Checks and Balances: The division of power strives to maintain a balance. As a result,

- The roles of the Chairperson and the GM/CEO are separate, with no single individual having unfettered power in decision-making.
- The Chairman is a Non-Executive Director and is an Independent person.
- Committee leadership also exercises independence, with Independent NEDs leading the sub-committees.

Diversity: The Board consists of two female directors, ensuring Board composition and balance. Diversity and inclusion, the Bank has strengthened its decision making objectively in the interest of all stakeholders.

6.2 SUPPLY OF INFORMATION

According to the Banking Act Direction on corporate governance, the Bank's management is legally obligated to provide timely and accurate information to the Board.

- **Document circulation:** Board papers and agendas to be circulated at least 5 working days before a meeting, allowing sufficient time to review.
- **Management duty:** The CEO and KMPs must ensure information is fully disclosed and will support decisions, backed by adequate data on risks, budget variances and regulatory compliance statuses, etc.
- **Advice:** Directors can access independent professional advice at the Bank's expense if management does not provide sufficient information to make informed decisions.
- **Company Secretary:** He/she is responsible for acting as the hub for information, ensuring equal access to information and management and that board procedures are adhered to.
- **Risk Disclosures:** The Bank's Chief Risk Officer (CRO) has been tasked with providing a timely full Risk Appetite Statement and regular risk profiles to the Integrated Risk Management Committee.
- **Digital information:** HDFC Bank is required to provide information on its IT and Cybersecurity incidents to the CBSL within defined timelines.

6.3 APPOINTMENTS TO THE BOARD

Appointment Process

Identification: The appointment of the Board of Directors is governed according to the HDFC Bank Act No 7 of 1997.

6.4 RE-ELECTION

Directors are re-elected every three years, based on performance evaluations, experience and contributions, along with compliance with fitness and proprietary criteria.

6.5 BOARD PERFORMANCE EVALUATION

The Nominations and Governance Committee (NGC) will conduct periodic performance assessments for the Directors and the GM/CEO.

6.6 DISCLOSURE OF DIRECTOR INFORMATION

Director information, including skills, experience and qualifications, is detailed in the Board Profiles on page 44 to 51 onwards. Dates of appointments and meeting participations are disclosed in this report.

7. REMUNERATION AND SHAREHOLDER RELATIONS

The following outlines the Bank's approach to remuneration and maintaining proper shareholder relations.

7.1 DIRECTORS' AND EXECUTIVE REMUNERATION

The Bank's Remuneration policies are governed by the CBSL, the SEC/CSE, and the HDFC Act, ensuring fairness and alignment with organisational goals. The Bank has in place a Remuneration Committee. Directors' remuneration details can be found on page 239 of this report.

The Bank is sensitive to state circulars on remuneration for chairpersons and directors through CBSL directions.

7.2 RELATIONS WITH SHAREHOLDERS

According to the Banking Act on Corporate Governance, the bank has in place a communication policy that ensures shareholders receive a balanced assessment of the bank's performance. The bank also published annual and quarterly financial statements, and any significant changes to the risk profile and strategic direction are communicated to shareholders. Moreover, shareholders are assured that directors meet the 'fitness and proprietary' criteria of CBSL. Following CSE listing rules, we treat our shareholders equally. We provide 15 working days' notice for an Annual General Meeting (AGM). CSE rules that safeguard shareholders' right to ask questions, vote on resolutions, and appoint proxies have been honoured at AGMs by the Bank. As per CSE regulations, material information, such as dividend declarations, Board changes or major financial losses, is disclosed to the CSE immediately for dissemination to all shareholders.

The Bank also adheres to the Companies Act No. 7 of 2007, by ensuring solvency before a dividend, ensuring the Bank's s ability to meet its debt obligations. Moreover, as per the Act, we have created a framework for shareholders to voice concerns or seek redress through the Company Secretary.

The Bank has a Board approved policy on shareholders and investors.

7.3 MANAGING RELATED PARTY TRANSACTIONS (RPT)

The Committee on Related Party Transactions ensures that any conflicts of interest that have arisen due to transactions that involve Directors are addressed prudently to preserve the best interests of the Bank.

- The Bank has adhered to the Direction No. 05 of 2024 (and earlier No. 11 of 2007), which mandates a Board Related Party Transactions Review Committee (BRPTRC). The Central Bank's limits on accommodations (loans, leases and guarantees) granted to Directors and related parties. The Bank ensures that transactions are on terms and conditions not more favourable than those offered to customers.
- We are also bound by Section 9 of the CSE Listing Rules, which mandates the committee to include a combination of non-executive directors and independent directors. Disclosure thresholds under the act have also been adhered to when handling RPTs.
- Moreover, all RPTs are disclosed in the annual report, including the name of the related party, the relationship and the transaction value. (See page 287 for RPTs).
- We have also followed the LKAS 24: Related party disclosures for financial reporting.

8. ASSURANCE, CONTROLS, AND ETHICS

As a state-backed bank with public and private sector contexts, the Bank is committed to providing assurance to shareholders and stakeholders through proper internal and external assurance mechanisms and internal controls, with ethics playing a crucial role to ensure integrity.

8.1 FINANCIAL REPORTING

The Board of Directors holds the ultimate responsibility over the integrity, accuracy, and transparency of the Bank's financial reporting and disclosures. This is ensured through the following:

Board oversight: The Board reviews quarterly and annual financial results apart from interim financial disclosures. These are approved after scrutiny, ensuring that statements are true and fair, and reflect the true nature of the Bank's financial standing.

Regulatory alignment: The Bank aligns financial disclosures to meet the directives of the Central Bank of Sri Lanka (CBSL) and the disclosure requirements of the Colombo Stock Exchange (CSE).

Compliance with standards: Financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the Banking Act No. 30 of 1988.

Additionally, the Bank periodically provides ratios, including Statutory Liquidity Ratios (LCR and NSFR), Capital Adequacy Ratios (CAR) and the Non-Performing Loan (NPL) ratios.

8.2 INTERNAL CONTROL AND AUDIT COMMITTEE

The Bank follows a stringent, structured approach to internal control, especially to ensure financial integrity and safeguard its assets and protect its stakeholders' financial interests.

Independent Audit Committee: The Bank has in place an independent committee overseeing the internal audit function. The committee is composed of Non-Executive Directors and is chaired by an Independent Director. The committee ensures rigorous oversight of the audit function and ensures the integrity of the risk management framework.

Robust Internal Controls: The 'Three Lines of Defence' model is in place to ensure that a structured and collaborative framework is in place to manage risk, ensure compliance and protect the Bank's interests. Clear roles have been defined at each level, and it is practised to achieve clear accountability, effective governance and strategic alignment of risk management with organisational goals and risk tolerance.

8.3 CODE OF BUSINESS CONDUCT

The Bank upholds a Code of Business Conduct to promote integrity and ethical behaviour across all levels. This is ensured through the policy on the Internal Code of Business Conduct and Ethics.

OUTLOOK

Bank leadership, including the BOD and the executive leadership, remains committed to rigorous oversight of bank activities according to regulatory directives. The leadership, along with the Company Secretary and our state principle will ensure that financial disclosures and compliance with regulations will be fulfilled to the fullest extent.

We will consistently align our practices with the regulatory requirements of the CBSL and the Colombo Stock Exchange and prepare statements in accordance with the Sri Lanka Accounting Standards and the Banking Act, as a demonstration of our commitment to transparency and accountability.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. BAN/C/HDFC/2025/CG/01 ඔබේ අංකය / உமது இல. / Your No.

දිනය / திகதி / Date 12 May 2026

The Chairman

Housing Development Finance Corporation Bank of Sri Lanka

Auditor General's Report of Factual Findings of Housing Development Finance Corporation Bank of Sri Lanka on the compliance requirement of the Corporate Governance Directive issued by the Central Bank of Sri Lanka - 31 December 2025

I have performed the procedures enumerated in Annexure-01 to this report, with respect to the Governance Report of the Board of Directors prepared and presented to meet the compliance requirement of the Corporate Governance Directive issued by the Central Bank of Sri Lanka (CBSL). My engagement was undertaken in accordance with the principles set out in Sri Lanka Standards on Related Services 4400 (SLSRS 4400-Revised) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you to meet the compliance requirement of the Corporate Governance Directive.

I report my findings in the attached Annexure-01 to this report.

Because the above procedures do not constitute an audit or review made in accordance with Sri Lanka Auditing Standards or Sri Lanka Standards on Review Engagements, I do not express any assurance on the compliance with the Corporate Governance Directives issued by CBSL.

Had I performed additional procedures or had I performed an audit or review of the Governance Report in accordance with Sri Lanka Auditing Standards or Sri Lanka Standards on Review Engagements, other matters might have come to my attention that would have been reported to you.

My report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

This report relates only to the items specified above and does not extend to any Financial Statements of Housing Development Finance Corporation Bank of Sri Lanka, taken as a whole.

L.S.I.Jayaratna
Auditor General

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

COMPLIANCE REVIEW

The compliance status of the HDFC Bank for the financial year 2025 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 12th May 2026)

NOTE: The below-mentioned numbering is used to coincide with the "schedule I" of the Banking Act Direction No. 05 of 2024 issued by the Central Bank of Sri Lanka.

Section	Requirement of Corporate Governance	Level of Compliance
1. Ultimate Responsibility and Accountability of the Board		
1.1 Responsibilities of the Board	a) Approve and oversee the Bank's strategic objectives and corporate values in terms of Bank's long-term goals and ensure that these are properly communicated throughout the Bank;	Complied with Strategic objectives and corporate values are incorporated into the Board approved Strategic Plan prepared for the period of 2024 – 2028. The corporate values are displayed in the HDFC Web Portal, which is referred by the staff in their day-to-day operations.
	b) Approve the overall business strategy of the Bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, at least for the next three years;	Complied with The Board had approved a strategic plan covering a period of 5 years (2024-2028) which covers the business strategies, actions and objectives. Overall Risk Management Policy has been in place which is aligned with bank's overall business strategy. The Risk Management Policies are reviewed annually. • Credit Risk Management Policy • Interest Rate Risk Management Policy • Operational Risk Management Policy • Liquidity Risk Management Policy

Section	Requirement of Corporate Governance	Level of Compliance
	c) Inculcate a strong risk governance culture by; (i) identifying the principal risks and ensuring implementation to manage risks prudently, (ii) establishing well-defined organizational responsibilities for the three lines of defence of the Bank, viz., (iii) ensuring that the risk management, compliance, and internal audit functions are properly positioned, sufficiently staffed and resourced to carry out the responsibilities independently, objectively and effectively. (iv) defining the risk appetite of the Bank aligning with the Bank's strategic, capital, and financial plans, which is articulated through a Risk Appetite Statement, and, (v) outlining the actions to be taken when stated risk appetite limits are breached and notifications to the Board of Directors	Complied with The Integrated Risk Management Committee sets the governance structure for implementing, monitoring, and managing the key risks. The organizational structure clearly reflects the three lines of defense. Board approved organization structure is in place. However, AGM Compliance, Internal Audit and Risk management positions are vacant. Further, vacancies of staff are available in the above divisions as well. Risk analysis on overall risk dashboard has been discussed at the Board Integrated Risk Management Committee. Board Approved Risk Appetite statement is in place. BIRMC directs for necessary actions on breaches of the Risk tolerance limits.
	d) Establish a policy to ensure that the Board is not dominated or significantly influenced by a director or a group of directors in a manner that is detrimental or prejudicial to the interests of the depositors, creditors, and the Bank as a whole;	Complied with Board approved policy on matters related to Board of Directors is available.
	e) Approve implementation of a policy of communication with all stakeholders, including regulators, depositors, creditors, shareholders, and borrowers;	Complied with Board-approved Communication Policy and Policy on Relations with Shareholders and Investors is in place.
	f) Review the adequacy and the integrity of the Bank's internal control systems and management information systems;	Complied with The Bank's Audit Committee is assisting the Board to review the adequacy and integrity of the Bank's internal control system and management information system. The Audit Committee of the Bank reviews the periodic reports of internal audit, which explained the internal control systems and necessary measures to address the findings.

Section	Requirement of Corporate Governance	Level of Compliance
	g) Ensure implementation of effective control systems for managing the related party exposures and avoiding any conflicts of interest that may arise from related party transactions;	Complied with The Compliance Officer reports to the Related Party Transactions Review Committee on quarterly basis regarding the transactions conducted by the Bank with related parties. The Committee reviews transactions for avoiding any conflict of interest. Further, meeting minutes of the Related Party Transactions Review Committee are submitted to the Board.
	h) Approve and oversee the business continuity and disaster recovery plans to ensure financial stability, operational resilience and preserve critical operations and services including core-Banking systems during any disruptive event;	Complied with Board approved disaster recovery plan which inclusive of Core Banking System, IT system and ATM system is in place. Board approved business continuity management policy is in place.
	i) Oversee the approach to remuneration, including monitoring and reviewing remuneration and ensure alignment of remuneration with Bank's risk culture and risk appetite;	Complied with Remuneration for the Board of Directors is decided based on the guidelines of the Ministry of Finance. Board approved remuneration policy is in place for the KMPs and other staff. As per the Section 14 of the Housing Development Finance Corporation of Sri Lanka Act No.07 of 1997 and its amendments, the Board shall appoint a General Manager and salary and allowances may be fixed by the Board. CEO's salary had been decided by the BHRRC and approve by the Board. The Board Human Resources and Remuneration Committee oversees the approach to remuneration and recruitments.
	j) Identify and designate key management personnel, who are in a position to; (i) significantly influence over policies, (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 ("KMPs") as per the CBSL Direction on Corporate Governance. (Section 8.1 of the Board Charter)

Section	Requirement of Corporate Governance	Level of Compliance
	k) Define the areas of authority and key responsibilities for the Board of directors themselves and for the Chief Executive Officer (CEO) and the key management personnel;	Complied with Authority and key responsibilities of the Board of Directors, CEO and KMPs are defined in the Board Charter. Further, mandates approved by the BHRRC are available for GM/ CEO and other KMPs defining their authorities, responsibilities and duties.
	l) Ensure that there is appropriate oversight of the affairs of the Bank by CEO and key management personnel, who is consistent with the Board's strategies and policies;	Complied with The administration and management of the affairs of the bank are vested with the Board of directors as per the section 03 (1) of the HDFC Act No.07 of 1997. The Board reviews the performance of the Bank against the Strategic Business Plan and receives reports from Board Sub-committees on financial reporting, internal control, risk management and other relevant matters delegated to those committees. Key responsibilities of the KMPs are specified in their respective job descriptions and the authority of Key Management Personnel are defined under delegation of authority limits. Revised Delegation of Authority Limits -2025 had been approved. Key Management Personnel are invited to the Board Meetings regularly as and when the need arises by the Board to explain matters relating to their areas of work.
	m) Periodically assess the effectiveness of the Board of directors' own governance practices, including: (i) the selection, nomination and election of directors, CEO, and key management personnel; (ii) the management of conflicts of interests: and, (iii) identification of weaknesses and implementation of improvements where necessary;	Not Complied with Board of Directors of the Bank is appointed in terms of Section 3(1) of the Housing Development Finance Corporation Act No.07 of 1997 and its amendments. 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. However, self-evaluation for the year 2025 had not been carried out.

Section	Requirement of Corporate Governance	Level of Compliance
	n) Approve for the self-assessment criteria undertaken by each director annually and maintain of such records.	Not Complied with Annual-assessment review of Directors for the year 2025 has not been carried out and maintain such records.
	o) Ensure that the Bank has an appropriate succession plan for CEO and the key management personnel.	Partially Complied with Corporate Management - Succession Plan of the Bank had been approved by the Board. However, immediate successors had not been identified for several positions and mentioned as external recruitment.
	p) Meet regularly, on a needs basis, with CEO and the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	Complied with Corporate management meetings are held with all KMPs and heads of divisions to monitor and review policies and corporate objective.
	q) Keep abreast of material changes in the regulatory environment and ensure that the Bank maintains an effective relationship with regulators;	Complied with The Board kept informed on the material changes in the regulatory environment and taken measures and processes are in place to understand the regulatory environment. Further, Bank maintains a relationship with regulators.
	r) Exercise due diligence in the hiring and oversight of external auditors;	As per the Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka Section 12 of the National Audit Act No.19 of 2018 and Section 26 (2) of the HDFC Act, the Auditor General is the External Auditor of the Bank.
	s) Conduct itself in a professional and an ethical manner and shall not receive any undue financial or non-financial benefits including incentives, gifts or funds from the employees, customers, suppliers, shareholders or any other stakeholder of the Bank;	Complied with Board approved policy on Internal Code of Business conduct and Ethics for all Directors and Employees is in place.
	t) Inculcate a sound corporate culture which reinforces norms for professional, ethical and prudent behavior throughout the Bank. Approve and oversee the implementation of a Code of Conduct based on corporate values providing clear guidelines on professionally and ethically acceptable behaviors of directors and employees addressing inter alia the issues on confidentiality of data, conflicts of interest, procedures for dealing with financial and non-financial benefits and gifts, integrity in reporting, and the fair treatment to customers;	Complied with Board approved policy on Internal Code of Business conduct and Ethics for all Directors and Employees is in place.

Section	Requirement of Corporate Governance	Level of Compliance
	u) Ensure timely rectification of the supervisory concerns raised by the regulator/s and for this purpose, the assistance of the relevant subcommittees shall be sought;	Partially Complied with The Director of Bank Supervision of the Central Bank of Sri Lanka to the Chairman of HDFC Bank, highlighted several issues relating to the Bank's unsustainable business model and unresolved regulatory concerns. The Bank has taken measures to address the concerns raised, and actions relating to the outstanding matters are currently in progress using assistance of the subcommittee
	v) Approve a whistleblowing policy with a view to encouraging employees to communicate confidentially the legitimate concerns regarding illegal, unethical or questionable practices without the risk of reprisal. The policy shall be reviewed at least on an annual basis. (i) the persons to whom the concerns can be escalated within the Bank; (ii) procedures for investigating legitimate material concerns raised by the employees; (iii) procedures to ensure protection and anonymity of the employees who raise concerns due to any detrimental treatment or reprisals; and, (iv) alternative avenues for whistleblowing to regulators.	Complied with Board approved whistleblowing policy is available and it has been reviewed by the Board Audit Committee.
	w) Promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies and ensure that policies are in place to assist businesses that are greener, climate-friendly and socially inclusive.	Complied with Board has approved the policy on Environmental, Social and Governance Sustainability.

Section	Requirement of Corporate Governance	Level of Compliance
1.2 Appointing Chairperson and CEO	The Board shall appoint the Chairperson and CEO and define and approve the functions and responsibilities of the Chairperson and CEO in line with Direction 5 of these Directions.	Complied With As per the provisions of Section 3 (1) b (iii) and 5 (1) of the HDFC Act No. 07 of 1997 and its amendments, the Chairman is appointed by the Minister of Finance. The former Chairman has retired on 30th November 2025 and had not been appointed a Chairman until now. As per the provisions of Section 14 (1) of the HDFC Act No. 07 of 1997 and its amendments, the Board shall appoint General Manager with the prior written approval of the Minister of Finance. Head of Treasury division had performed duties as acting GM up to 11 July 2025. DGM Credit had covered up the duties of GM with effect from 12 July 2025 to 13 August 2025. The Current GM of the bank has been appointed on 14th August 2025. Functions and responsibilities of the Chairman are defines in the Board Charter. CEO's functions and responsibilities are defined in the HDFC Act No.07 of 1997 and amendments there to. The functions and responsibilities of the Chairman and the CEO are in line with the provisions of the CBSL Corporate Governance Direction No. 05 of 2024.
1.3 Board Meetings	The Board shall meet at approximately monthly intervals and Board meetings shall be held at least twelve times a year. The Board approvals obtained through circulation shall be ratified at the Board meeting held immediately following the circulation. The Board may convene and/or a Board member may attend the Board meetings virtually subject to ensuring active involvement of the relevant directors and attending Board meetings physically at least on a half yearly basis.	Complied with For the year 2025, a total of 20 Board meetings were convened 23 Board approvals obtained through circulation has been ratified at the immediate Board meeting.
1.4 Board Procedures	a) The Board shall ensure that arrangements are 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 Banking business, risk management and conduct of employees of the Bank.	Complied with As per the Section 6.3.2 of the Board Charter, the Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting taking into account any matters proposed by the other directors. The Directors are facilitated to communicate with the Company Secretary to include matters and proposals to Board meetings.

Section	Requirement of Corporate Governance	Level of Compliance
	b) The Board procedures shall ensure that notice of at least 7 days is given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	Complied with Due notice has been provided to the Board of Directors for Board meetings. Company Secretary sends notices for Board meetings.
	c) The Board procedures shall ensure that a director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Participation at the Board meetings through an alternate director shall, however, be acceptable as attendance.	Complied with However, this issue had not occurred as all Directors participate at meetings physically or via zoom.
1.5 Appointing a Company Secretary	a) The Board shall appoint a company secretary who satisfies the provisions of Section 43 of the Banking Act, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and such other written laws for the time being in force.	Complied with The Board has appointed a Secretary to the Board in terms of Section 76H read with Section 44(A) of the Banking Act No. 30 of 1988. She is a member of the Institute of Chartered Corporate Secretaries of Sri Lanka. Her primary responsibilities shall be to handle the secretariat services to the Board.
	b) All directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, rules and regulations are followed.	Complied with All the Directors have full access to the advice and service of the Company Secretary. This had been disclosed under the section 3.2.16 of Board Charter of the bank.
	c) The company secretary shall implement the recommendations made by the Nomination and Governance Committee on training, capacity building and professional development programs for the directors.	Not Complied No such training needs have been identified or conducted.
	d) The company secretary shall maintain the minutes of Board meetings together with the recordings of meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director or the regulator.	Complied with All records of the Board and sub-committee meetings are kept in the Company Secretarial Department and the Company Secretary is in charge and the Board of Directors has access to the past Board papers and minutes.

Section	Requirement of Corporate Governance	Level of Compliance
1.6 Maintenance of Board Meeting Minutes	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following: a) a summary of data and information and justifications/ rationale used by the Board in its deliberations; b) the matters considered by the Board; c) the fact-finding discussions reflecting the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d) the testimonies and confirmations of relevant key management personnel which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations appropriately; e) the Board's knowledge and understanding of the risks to which the Bank is exposed to, and an overview of the risk management measures adopted; and, f) the Board resolutions and decisions.	Complied with The Board Minutes contain all the required details. The Board minutes are recorded in sufficient detail and include all the facts referred. Generally, the followings are included in the contents of the Board minutes. i. Confirmation minutes of the minutes of the previous meeting. ii. Matters arising out of the minutes of the previous meetings. iii. Recovery matters, financial matters, marketing and publication matters, administration and personal matters, credit matters, risk matters, legal matters etc. iv. Reviewing policies, Reports, Sub-committee meeting minutes. v. Any other matters.
1.7 Obtaining Independent Professional Advice	There shall be a procedure agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director or directors to effectively discharge the duties.	Partially Complied with As per the section 3.2.17 of Board charter, There shall be a procedure agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense. However, a procedure relating to the Director's access to independence professional advice is not available at Bank.

Section	Requirement of Corporate Governance	Level of Compliance
1.8 Managing Conflicts of Interest	a) Directors shall avoid conflicts of interest, or the potential conflicts of interest, in the activities with, and commitments to, other organizations, related parties and other stakeholders. b) A director shall abstain from participating in any discussion in relation to a matter in which he/she or any of his/her close relation or a concern in which he/she has substantial interest, is interested, nor shall receive the access to the information pertaining thereto, including accessing such information both physically and/or electronically. c) Directors shall ensure that the relationships between the directors amongst themselves as well as between the directors, CEO and key management personnel are at a level that does not result in excessive familiarity, undue influence or coercion.	Complied with The directors make declarations of their interest at appointments and annually. As per the Related Party Transaction Review Committee Charter, the Committee shall review the proposed related party transactions and Compliance Officer submits reports on quarterly basis regarding the review of related party transactions. Details of related parties are shared among branches and updated on periodically. Directors abstain from discussions and decisions where they or their close relations have an interest and are restricted from accessing related information. Additionally, appropriate professional boundaries are maintained among directors, the CEO, and key management personnel to prevent undue influence, excessive familiarity, or coercion.
	d) The Board shall approve and oversee the implementation of a policy to identify and manage conflicts of interests, which shall include: (i) a Board member's duty to promptly disclose any matter that may result, or has already resulted, in a conflict of interest; (ii) a Board member's duty to avoid, to the extent possible, activities that could create conflicts of interest or the potential conflicts of interest including political affiliations; (iii) situations where conflicts may arise when serving as a Board member; (iv) a Board member's responsibility to abstain from participating in discussions on any Board decisions in relation to which he/she or any of his/her close relations or a concern in which he/she has substantial interest, is interested; and, (v) the measures to be taken in the event of any non-compliance with the policy.	Complied with The Bank has a policy on Related Party Transactions and a Policy on Matters relating to the Board of Directors. The Board has reviewed the Related Party Transactions Review Policy and Policy on Matters relating to the Board of Directors.

Section	Requirement of Corporate Governance	Level of Compliance
1.9 Requirement to inform on inability to meet obligations	The Board shall, if it considers that the Bank is, or is likely to be, unable to meet its obligations or about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the Bank prior to taking any decision or action.	Complied with As per the Section 3.3.4 of the Board Charter, Board shall inform the Director of Bank Supervision if it determines that the Bank is, or is likely to be, unable to meet its financial obligations, is at risk of insolvency, or may suspend payments to depositors and other creditors prior to taking any decisions or actions. However, during the year such an incident was not reported.
1.10 Compliance with Prudential Requirements	The Board shall ensure that the Bank is capitalized at levels as required by the Central Bank of Sri Lanka in terms of the capital adequacy ratio and other prudential requirements imposed by the Central Bank of Sri Lanka from time to time.	Complied with The monthly financial statements are submitted to the Board and quarterly financial statements are submitted to the Board Audit Committee and accordingly, the Bank's position is maintained. The capital adequacy ratio is monitored by the Board Integrated Risk Management Committee. The Board has ensured that the Bank is capitalized at levels required by CBSL in terms of capital adequacy and other prudential requirements. Board had approved the Internal Capital Adequacy Assessment (ICAAP) Documents 2025.
1.11 Annual Corporate Governance Report	The Board shall publish in the Bank's Annual Report, an Annual Corporate Governance Report setting out the compliance with 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. Corporate Governance report had been included in Page No 118 to 156 in Annual Report 2025 of the Bank.
2. Board's Composition		
2.1 Procedure for Appointing Directors	a) There shall be a formal and transparent procedure for the appointment of new directors to the Board. There shall also be Board approved procedures in place for the orderly succession of appointments 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 amended by Act No.15 of 2003. Further, Section 2 of the Board Charter includes provisions relating to the Appointment, Resignations and Removal of Board of directors.

Section	Requirement of Corporate Governance	Level of Compliance
	b) A director or an employee of a Bank shall not be appointed, elected or nominated as a director of another Bank except where such Bank is a subsidiary company or an associate company of the first mentioned Bank.	Complied With As per the Directors declarations, none of the directors had been appointed as directors of other Banks.
2.2 Number of Directors	a) The number of directors on the Board shall not be less than 7 and not more than 13. The number of directors shall be commensurate with the size, scale, diversity and complexity of operations of the Bank.	Partially Complied with The Board comprises of 07 Directors as at 31.12.2025. However, from 21/03/2025 to 23/06/2025 and from 10/08/2025 to 03/11/2025, there had been only six directors.
	b) The Board shall have at least one female representative by 31.12.2025 and the Boards with more than 10 members shall have at least two female representatives by 31.12.2026.	Complied with The Board comprises of 02 female representatives as at 31.12.2025.
2.3 Executive Directors	A member of the key management personnel of the Bank may be appointed, elected or nominated as a director of the Bank (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-third of the number of directors of the Board. In such an event, one of the executive directors shall be CEO of the Bank.	Complied with No any executive director has been appointed to the Board.
2.3 Executive Directors	A member of the key management personnel of the Bank may be appointed, elected or nominated as a director of the Bank (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-third of the number of directors of the Board. In such an event, one of the executive directors shall be CEO of the Bank.	Complied with No any executive director has been appointed to the Board.
2.4 Non-Executive Directors	Non-executive directors shall be suitable professionals with credible track record of good conduct and integrity and have necessary knowledge, skills and experience to bring an independent judgment to effectively address issues of strategy, performance and resources and to contribute towards the sustainability of the Bank.	Complied with Profiles of Board of directors of the bank had been included in page No. 44 to 51 in Annual report 2025. As per the Section 1.5.3 (b) of the Board Charter, the HDFC Board constituted only with non-executive directors. Fitness and Proprietary of the directors has approved by the CBSL.

Section	Requirement of Corporate Governance	Level of Compliance
2.5 Independent Directors	A non-executive director shall not be considered independent if he / she: (i) has direct and indirect voting and / or non-voting shareholdings of more than 1 per cent of the Bank; (ii) 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 7.2, exceeding 10 per cent of the regulatory capital of the Bank; (iii) has been employed by the Bank during the two-year period immediately preceding the appointment as director; (iv) currently has or had during the period of two years immediately preceding his / her appointment as director, a material business relationship with the Bank; (v) has a close relation who is a director or CEO or a member of the key management personnel or a material shareholder of the Bank. For this purpose, a "close relation" shall mean the spouse or a dependent child; (vi) represents a specific stakeholder of the Bank; (vii) is an employee or a director or a material shareholder or has a material business relationship in a company or business organization; a. which currently has a transaction with the Bank as defined in Direction 7.2 of these Directions, exceeding 10 per cent of the regulatory capital of the Bank, or b. in which any of the other directors of the Bank are employed or are directors or are material shareholders except for the appointments recommended by the financial sector authorities, or, c. in which any of the other directors of the Bank have a transaction as defined in Direction 7.2, exceeding 10 per cent of regulatory capital in the Bank. (viii) currently is or has been during the period of one year immediately preceding his/her appointment as director, serving as a consultant / advisor or principal consultant / advisor in the case of a firm providing consultancy to the Bank; and, (ix) currently is or has been during the period of one year immediately preceding his/her appointment as director, an engagement partner of a firm providing audit services to the Bank. The requirements of Direction 2.5 b) with extended compliance dates are provided in Schedule V	Complied with The Board consists of 7 non - executive directors and out of which 5 are independent directors creating the majority.
	c) The independent non-executive directors shall be expressly identified in all corporate communications that disclose the names of directors of the Bank.	Complied with The directors' information is disclosed on the HDFC web portal and on pages 44 to 51 of the Bank's Annual Report 2025.

Section	Requirement of Corporate Governance	Level of Compliance
2.6 Representation through Alternate Directors	a) Representation through an alternate director is allowed only in exceptional circumstances as approved by the Board for a maximum period of one year from the date of such appointment with prior approval of the Director of Bank Supervision under the provisions of Section 42 of the Banking Act. b) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that applies to the independent director. c) An existing director of the Bank cannot be appointed as an alternate director to another existing director of the Bank. d) An individual appointed as an alternate director to one of the directors cannot be appointed as an alternate director to another director in the same Board.	Complied With HDFC Act No.7 of 1997 and its amendments do not provide for appointment of alternate directors. Hence, no such Director was appointed.
2.7 Quorum for the Board Meetings	At least half of the Board members shall constitute the quorum for the Board meetings. A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless more than one third of the number of directors present at such meeting are independent non-executive directors. Licensed Banks shall comply with this Direction by 01.01.2026.	Complied with The Board constituted 5-8 directors during the year 2025 and as per the Section 2.2.1 (e) of the Board Charter, the required quorum is 5 directors. All Board meetings had been held with the required quorum. Details of number of meetings are given in page 113 in the Annual Report 2025.
3. Suitability of Directors		
3.1 Criteria to Assess Fitness and Propriety	The provisions of Section 42 and Section 76H of the Banking Act shall apply to determine the fitness and propriety of a person who serves or wishes to serve as a director of a licensed Bank. Non-compliance shall disqualify a person to be appointed, elected or nominated as a director or to continue as a director. The prior approval of the Director of Bank Supervision shall be obtained for the fitness and propriety of each person to be appointed, elected or nominated as a director of a licensed Bank in terms of Section 42 and Section 76H of the Banking Act.	Complied with Approval for fitness and propriety of the Director of Bank Supervision has been obtained for all Director appointments.
3.2 Additional Requirements for Suitability of Directors	a) The age of a person who serves as a director shall not exceed 70 years. b) The total period of service of a director other than a director who holds the position of CEO or key management personnel position shall not exceed nine years. c) A person shall not hold office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank. d) Directors shall have sufficient time to carry out the responsibilities as a director of the Bank.	Complied with As per the declarations of the directors, none of the Directors are over 70 years of age or exceeding the service period of 9 years. As well none of the Directors holds directorships in more than 20 companies.

Section	Requirement of Corporate Governance	Level of Compliance
3.3 Cooling-Off Period	A director or CEO of a licensed Bank operating in Sri Lanka shall not be appointed as a director or CEO of another licensed Bank operating in Sri Lanka before the expiry of a period of six months from the date of cessation of his/her office at the licensed Bank in Sri Lanka. Any variation thereto in exceptional situations such as where expertise of retiring Bankers may be required when reconstituting Boards of licensed Banks which need restructuring, shall be subject to the prior approval of the Central Bank of Sri Lanka.	As per the declarations of directors and CEO, there were no such appointments during the year 2025.
4. Delegation of Functions The Board shall comply with the following requirements in delegating its functions.		
4.1 Division of Responsibilities	There shall be a clear division of the responsibilities at the Board level and the key management level to ensure a greater balance of power and authority, so that powers are not concentrated in any individual.	Complied with The Board shall delegate its authority to Board sub - committees and the sub - committees make recommendations to the Board and shall have no authority to make decisions unless specifically delegated by the Board as may be appropriate. The Board shall approve the recommendations made by the sub committees as may be appropriate. Board- approved Financial Delegation of Authority is in place. Board had approved the Revised Delegation Authority.
4.2 Specific Matters for Board Decisions	The Board shall have a formal schedule of matters specifically reserved for its decisions to ensure that the direction and control of the Bank is firmly under its authority.	Complied with The areas of powers of the Board of Directors are governed by Section 08 and 13 of the HDFC Act. Board has approved an authority matrix which includes matters specifically reserved to the Board.
4.3 Restrictions to Delegate	The Board shall not delegate any matters to a Board committee, CEO, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with Delegation have been made via Board sub-committee, management committees, key managerial persons on the extent of authority matrix, authority defined in the respective TORs and authority defined in the respective policies, procedure manuals and internal circulars. The Board shall approve the recommendations made by such authorities as may be appropriate.

Section	Requirement of Corporate Governance	Level of Compliance
4.4 Review of Delegation Process	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Bank.	Complied with 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. The Board has a formal procedure on reviewing of delegation as per timelines determine in such policies and TORs. Delegation Authority Finance had been revised to assign responsibilities to newly recruited officers.
5. The Chairperson and CEO		
	There are two key aspects of management of every Bank, viz., (a) the overall governance by the Board, and (b) the day-to-day management of the Bank's business by CEO, in line with Board approved strategic objectives, corporate values, overall risk policy and risk management procedures.	Complied with According to the HDFC Act, appointment and powers of Chairman and General manager are separately mentioned. The roles of Chairman and CEO/GM are performed by two separate individuals. The CEO checks the day-to-day management of the bank in line with Board approved strategic objectives, corporate values, overall risk policy and risk management procedures while the chairman is undertaking responsibilities for overall governance of the Board.
5.1 Division of Responsibilities between Chairperson and CEO	The roles of Chairperson and CEO shall be separate and shall not be performed by the same individual. The division of responsibilities between Chairperson and CEO shall be clearly established and set out in writing.	Complied with The HDFC Act separates the positions of the Chairman and General Manager / Chief Executive Officer. Two individuals hold the roles of Chairman and General Manager / Chief Executive Officer. According to the HDFC Act, appointment and powers of General Manager are separately mentioned under section 14. Section 6.3 of Board Charter, clearly defined the duties and responsibilities of chairman.

Section	Requirement of Corporate Governance	Level of Compliance
5.2 Suitability of the Chairperson	a) The Chairperson shall be an independent non-executive director. In the event the Chairperson becomes non-independent after the initial appointment, as an interim arrangement, the Board shall designate an independent director as the Senior Director for a period not exceeding six months with suitably documented terms of reference. The designation of the Senior Director shall be disclosed in the Bank's Annual Report. b) Where a non-independent director is currently serving as the Chairperson, such director may continue to serve as the Chairperson for a further period not beyond 31.12.2027, subject to applicable laws and regulations including Direction 3. c) A Chairperson appointed after the effective date of this Direction shall be an independent non-executive director.	Complied with Mr. P. J. Jayasinghe, an Independent, Non-Executive Director appointed as the Chairman of the Board by the Ministry of Finance.
5.3 Responsibilities of the Chairperson	a) The Chairperson shall: provide leadership to the Board and ensure the Board works effectively and duly discharges its responsibilities; b) ensure that all key and appropriate issues are discussed by the Board in a timely manner; c) approve the agenda for each Board meeting, considering where appropriate, any matters proposed by the other directors for inclusion in the agenda. The Chairperson may delegate the preparation of agenda to the company secretary; d) ensure that all directors are properly briefed on issues arising at Board meetings and also ensure that directors receive adequate information in a timely manner; e) encourage all directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Bank; f) facilitate the effective contribution of non-executive directors in particular and ensure constructive discussions between executive and non-executive directors; g) encourage all directors to make critical and constructive discussions at the Board meetings and ensure that dissenting views can be freely expressed and discussed within the decision-making process; h) not engage in activities involving direct supervision of key management personnel, other employees or any other executive duties whatsoever; and, i) ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Partially Complied with Annual self-evaluation process of Board of Directors covers these requirements. However, self-assessments review for the year 2025 has not been performed by the Board. The agenda for Board meetings is prepared by the Board Secretary in consultation with the Chairman. The Chairman ensures, that all Directors are appropriately briefed on issues arising at Board meetings by submission of Board papers with sufficient time, prior to the meetings. We have seen the Board papers/ agenda sent to Directors 07 days prior to the Board meeting. These papers were uploaded to Board Pac system. The Board has a self-evaluation process in place, which encourages all Directors to make a full and active Contribution. However, no evaluation had been carried out for the year 2025. As confirmed by the Board Secretary, Chairman does not directly get involved in the supervision of key management personnel or any other executive duties. The Board consists from a member representing the Housing Development Authority, as the major shareholder and it helps to maintain effective communication between the main shareholder and the Bank. The effective communication is made with other shareholders in the AGM. The last AGM has been held on 23.06.2025.

Section	Requirement of Corporate Governance	Level of Compliance
5.4 Conduct of CEO	a) CEO shall function as the apex executive-in-charge of the day-today management of the Bank's operations and business and shall not hold any other executive functions. b) CEO shall not be appointed or nominated as an employee or a director of another licensed Bank or any other company/institution/entity except as a non-executive director of a subsidiary or an associate company of the licensed Bank. c) In the event CEO is appointed as a non-executive director of a subsidiary or an associate company of the licensed Bank, he/she shall ensure that such duties do not affect the effective discharge of responsibilities as CEO.	Complied with According to the section 8.5 of the Board Charter "CEO" shall function as the apex executive in charge of the day-to-day management of the bank's operations and business. CEO does not hold any position as an employee or director of another licensed bank or any other entity.
5.5 Suitability of CEO	The person appointed as CEO shall be a fit and proper person to hold such position in terms of Section 44A and Section 76H of the Banking Act, and shall possess sufficient authority, stature, knowledge, competencies, and expertise in the core Banking functions given the size, scale, diversity and complexity of operations of the Bank.	Complied with Prior to appointment of the GM/ CEO, fitness and proprietary has been duly obtained from CBSL. The fitness and proprietary affidavit of the GM, Mr. H. C. Lokugeegana, had been obtained.
6. Board Committees		
	Each licensed Bank shall have at least five Board committees as set out in the Directions.	Complied with The Bank has established the following mandatory Board Subcommittees as per regulatory requirement: • Board Audit Committee (BAC) • Board Human Resources & Remuneration Committee (BHRRC) • Board Nomination and Governance Committee (BNGC) • Board Integrated Risk Management Committee (BIRMC) • Board Related Party Transaction Review Committee (BRPTRC) According to the Board minutes, it was observed that summaries of the proceedings of the sub-committees were tabled and discussed at the monthly Board meetings. According to the Annual Report 2025, it was observed that a report on each committee, including a summary of its duties, roles, and performance, had been disclosed on pages 194 to 207.
6.1 Requirements for the Board Committees	a) Each committee shall report directly to the Board.	Complied with Each Board sub-committee reports/ minutes are directly addressed to the Board.

Section	Requirement of Corporate Governance	Level of Compliance
	b) Board shall set out the authority of each committee, and in particular, whether the committee has the authority to act on behalf of the Board or simply has the authority to examine a particular issue and report back to the Board with recommendations.	Complied with Board approved terms of reference listing the duties and responsibilities of the Board Sub Committees in place.
	c) Each committee shall have a Board approved Terms of Reference.	Complied with All the Sub Committees have Board approved TORs.
	d) All committees shall appoint a secretary to inter alia arrange the meetings and maintain minutes, records in sufficient detail, under the supervision of the Chairperson of the committee. The minutes of all committees shall be submitted to the Board.	Complied with The Board Secretary acts as the secretary of all committees. The minutes of the Sub-Committee meetings are approved at the Board meetings.
	e) The quorum of each committee shall consist of at least half of the committee members.	Complied with The Sub Committee TORs comprise of the quorum requirement and it should consist of at least half of the committee members. The subcommittee attendance and required quorum had been fulfilled.
	f) The Board shall present a report on the performance of each committee, on the duties and roles at the annual general meeting.	Complied with The Bank has disclosed the performance of each committee in the drafted annual report 2025.
6.2 Audit Committee	a) The Chairperson of the Committee shall be an independent director and is not the chair of the Board or any other Board committee and shall possess qualifications and experience in finance, accounting and/or auditing, with a membership of a recognized professional accounting body.	Partially Complied with Mr. K. B. Wijerathne is the Chairman of the BAC who is an Independent Director. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA), a Fellow Member of the Certified Management Accountants of Sri Lanka (FCMA) and counts over 38 years' experience in the Audit and Financial services sector locally and overseas having served in senior management positions at premier financial institutions with extensive experience mainly in the field of Insurance and Banking. However, he serves as the chairman of Related Party Transaction Review Committee.
	b) All members of the Committee shall be non-executive directors, with a majority of independent directors. The members shall possess a collective balance of skills and expert knowledge in finance, accounting and auditing commensurate with size, scale, diversity and complexity of operations of the Bank.	Complied with All members of the Committee are non-executive and independent directors with the required qualifications. Directors' profiles are published on the Bank's official website.

Section	Requirement of Corporate Governance	Level of Compliance
	c) A majority of the members of the Committee shall not be constituted by the members of the Integrated Risk Management Committee and vice-versa.	Complied with The Board Audit Committee comprises of four members. Two members of this Committee are drawn from the Integrated Risk Management Committee and vice-versa.
	d) The Committee shall make recommendations on matters in connection with: (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to external auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the external auditor, provided that the engagement of the external auditor shall not exceed six years and shall change the particular engagement partner once in every three years.	Complied with The Auditor General act as the External Auditor of the Bank as per the Article 154 of Constitution of the Democratic Socialist Republic of Sri Lanka. The Committee ensuring the adherence to guidelines issued by the Central Bank to the external auditors from time to time.
	e) The Committee shall review and monitor the external auditor's independence, integrity, objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Since the Auditor General is the external auditor of the Bank, the independency is secured.
	f) The Committee shall develop and implement a policy on the engagement of an external auditor to provide non-audit services that are permitted under the Guidelines issued by the Central Bank of Sri Lanka to External Auditors. The Committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider: (i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and, (iii) whether the nature of the non-audit services, the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the external auditor.	

Section	Requirement of Corporate Governance	Level of Compliance
	g) The Committee shall, before the audit commences, discuss and finalize with the external auditor, the nature and scope of the audit, including: (i) an assessment of the Bank's compliance with the relevant Directions in relation to corporate governance and the management's internal control over financial reporting; (ii) the preparation of the financial statements for external purposes in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between firms where more than one audit firm is involved.	Complied with The scope and extent of the audit have been determined by the auditor general referring to the relevant standards.
	h) The Committee shall review the accounting policies/ systems and the internal control framework with a view to ensuring greater transparency and integrity of the Bank's financial reporting process and the adequacy of accounting and other internal controls.	Complied with The Committee reviews the Bank's accounting policies, systems, and internal control framework to ensure the transparency, integrity, and reliability of the financial reporting process, as well as the adequacy and effectiveness of accounting and internal controls. The Committee reviewed the internal audit observations relating to the interim financial statements for the period ending 30.09.2025. Chief Internal Auditor submits investigation reports to the Board Audit Committee.
	i) The Committee shall 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 the significant financial reporting judgements contained therein. In reviewing the Bank's annual report and accounts and quarterly reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii)any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Complied with The Committee reviews financials on monthly, quarterly and annual basis. Recommendations are forwarded to the Board for implementation where the scope does not fall under the Board Audit Committee. Observations on monthly financial statements are submitted to the BAC by the Internal Audit Department.
	j) The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss including those matters that may need to be discussed in the absence of CEO and key management personnel, if necessary.	Complied with The Committee has met the external auditor in the absence of the executive management being present.

Section	Requirement of Corporate Governance	Level of Compliance
	k) The Committee shall review the external auditor's management letter and the management's response thereto.	Complied with The Committee reviews the external auditor's management letter and evaluates management's responses to ensure that identified issues are appropriately addressed and corrective actions are effectively implemented. However, Management Letter relevant to year 2024 is still under discussion at the BAC has not yet been finalized.
	l) The Committee shall take the following steps with regard to the internal audit function of the Bank:	Complied with
	(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;	The Annual Audit Plan for the year 2025 was submitted to the Board Audit Committee.
	(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;	The Internal Audit Programme for the year 2025 was reviewed by the Board Audit Committee. The branch audit summary for 2025, results of the internal audit process are also reviewed by the Audit committee and taken the appropriate actions where those were necessary.
	(iii) Review any appraisal or assessment of the performance of the Chief Internal Auditor (CIA) and senior staff members of the internal audit department;	The performance evaluation of Internal auditor of the Bank was discussed at the Board Audit Committee (01 BAC- 2026).
	(iv) Recommend any appointment or termination of CIA, senior staff members and outsourced service providers to the internal audit function;	No such situation has been arisen during the year
	(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including CIA 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; and,	No such situation has been arisen during the year
	(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	As per point No. 11 under internal audit function of the Board Audit Committee Charter ensures that the internal audit function is independent of the activities it audits and that is performed with impartiality, proficiency and due professional care. The Chief Internal Auditor (CIA) reports directly to the Board Audit Committee and it helps to secure the independency and impartiality.

Section	Requirement of Corporate Governance	Level of Compliance
	m) The Committee shall consider the major findings of internal investigations and management's responses thereto.	Complied with The Committee reviews the major findings of internal investigations and evaluates management's responses to ensure that appropriate corrective actions are taken and underlying issues are effectively addressed.
	n) Other Board members, CEO, CIA, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Compliance Officer (CCO), any other key management personnel and a representative of the external auditors may attend meetings upon the invitation of the Committee for the relevant agenda item. However, at least twice a year, the Committee shall meet with the external auditors without the executive directors being present.	Complied with Members of the management attend the Board Audit Committee upon invitation for relevant agenda items. Board Audit Committee has met the External Auditor twice in year 2025, in the absence of the executive management.
	o) The Committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with The point No. 2 under other function of the Board Audit Committee Charter ensures these areas. The BAC charter was reviewed in year 2025.
	p) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied with The Board Audit Committee held 15 meetings during the year 2025. Details are provided on pages 111 of the Annual Report 2025 of the Bank.
	q) The secretary of the Committee (who may be the company secretary or CIA) shall record and keep detailed minutes of the Committee meetings.	Complied with The Board Secretary act as the secretary to the Board Audit Committee and maintains detailed minutes of the meetings.
	r) The Committee shall: (i) ensure effective implementation of the Board approved whistleblowing policy; and, (ii) ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action	Complied with Board approved whistleblowing policy is in place.
	s) The Committee shall act as the key representative body for overseeing the Bank's relations with the external auditor.	Complied with BAC act as the key representative body for overseeing the banks relations with the external auditor. External Auditor is a regular invitee to the BAC.
6.3 Human Resources and Remuneration Committee	a) The Committee shall: be chaired by a director who is not the chair of the Board and preferably independent; b) preferably be constituted with a majority of independent directors;	Complied with The Committee is structured with appropriate independence and is chaired by a Non - Board Chair Director and comprising a majority of independent directors.

Section	Requirement of Corporate Governance	Level of Compliance
	c) require CEO to be present at the meetings upon invitation, except when matters relating to CEO are being discussed;	Complied with The TOR provides that the CEO shall not be present during discussions relating to the matters of the CEO.
	d) determine the remuneration policy in relation to salaries, allowances, special payments/benefits made at termination or retirement, and other financial and non-financial benefits made to directors, CEO and the key management personnel;	Complied with The Remuneration for Directors is decided based on the guidelines set up by the Ministry of Finance. The remuneration for the General Manager/CEO and KMPs are decided by BHRRC on the basis of the Collective Agreement approved by the Board of the Bank.
	e) set goals and targets for the directors, CEO and the key management personnel;	Complied with The goals and targets for Directors are not documented and the goals and targets for different KMP's are incorporated into the Strategic Plan and Action Plan approved by the Board for the year as per the respective units or departments under their purview. Department/Branch vise Key Performance Indicators are set out and all KMPs are responsible for their achievements.
	f) evaluate the performance of CEO and the key management personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives;	Partially complied The performance evaluations of the Chief Internal Auditor, Risk Officer, and Compliance Officer had been carried out, whereas the performance evaluations of the other KMPs had not been conducted for the year 2025.
	g) ensure that the prior written approval of the shareholders is obtained for any special payments/ financial and non-financial benefits to be made to the directors, CEO and key management personnel at the termination of employment or at the retirement. Licensed Banks where the Government of Sri Lanka holds fifty per cent or more of issued capital carrying voting rights of the Bank, such prior approval shall be obtained from the Secretary to the Treasury;	Complied with It was noted that no special payments/ financial and non-financial benefits were made to the directors, CEO and KMPs at the termination of the employment or at their retirement.
	h) coordinate with the Integrated Risk Management Committee to ensure that the compensation made to directors, CEO and key management personnel is within the risk appetite limits of the Bank; and,	No such situation has been arisen during the year.

Section	Requirement of Corporate Governance	Level of Compliance
	i) establish a policy on claw-back arrangements for performance based payments made to CEO and key management personnel of the licensed Bank under the circumstances of inter alia fraud and misappropriation of funds, to the extent of the financial loss caused to the licensed Bank. Such policy shall articulate the process to be followed by the licensed Bank prior to giving effect to the claw back arrangements ensuring procedural propriety, fair hearing and transparency. The claw-back procedure of the licensed Bank shall be incorporated into the employment contracts of CEO and key management personnel and a similar arrangement shall be implemented for the existing CEO and key management personnel.	Partially Complied with We did not observe a documented claw-back framework for CEO/KMP. However, actions are taken according to the approved Disciplinary Code of the bank, when fraud or misappropriation of funds are occurred.
6.4 Nomination and Governance Committee:	a) The Committee shall: be chaired by an independent director who is not the chair of the Board and shall be constituted with a majority of independent directors. CEO may be present at meetings by invitation except when matters relating to CEO are being discussed;	Complied with The Committee is chaired by an Independent Director and the majority of the committee consist of Independent Directors. The CEO had not been present to Nomination and Governance Committee meetings.
	b) implement a formal and transparent procedure to identify, nominate and recommend new directors, CEO and the key management personnel;	Complied with Directors are appointed according to the Section 03 (1) of the HDFC Act No. 07 of 1997 and its amendments. . Further Section 2.3 of the Board Charter includes the Director's appointment procedure. The Recruitment Policy of the Bank, includes the selection procedure of the General Manager/CEO and as per Section 14 of the HDFC Act, the Board shall appoint a fit and proper person to be the General Manager who shall be the Chief Executive Officer of the Bank. Recruitment Policy is applicable for the selection and appointment of Key Management Personal and Board of Directors appoints KMPs with the recommendation of the Board Nomination Committee.

Section	Requirement of Corporate Governance	Level of Compliance
	c) ensure the directors, CEO and the key management personnel are fit and proper persons to hold office as specified in the criteria given in Directions 3 and 8.2 and as set out in the applicable laws and regulations;	Complied with The fitness and propriety Affidavits of the Directors for the year 2025 have been obtained from the CBSL. Signed declarations had been obtained from the KMPs and received fitness and propriety Affidavits from the CBSL at the first appointment as KMP and re-assessed at the time of promotions.
	d) obtain the views of the Integrated Risk Management Committee in selecting CRO and CCO and that of the Audit Committee in selecting CIA;	Complied with There were no changes to the positions of CRO, CCO and CIA during the financial year 2025.
	e) consider and recommend (or not recommend) the re-election of current directors, through periodic evaluation of the performance and contribution made by the director concerned towards the overall discharge of the Board's responsibilities;	Complied with According to Section 3(4) (e) of the HDFC Act, when an elected director is vacating from office by fluxion of time another one is eligible for re-election. Dr. Krishantha had been re-elected as shareholder director and his re-election had been recommended by the Nomination and Governance committee.
	f) quarterly evaluate the status of independence of the independent non-executive directors in terms of the Direction 2.5 b) and whether such directors have any conflicts of interest that may impede the ability to perform duties independently and notify the changes to the independent status (if any) to the Director of Bank Supervision;	Complied with The Bank is carried out annual assessments of the independence of independent non-executive directors, ensuring that there are no conflicts of interest that may impair their judgment and reports any changes in independence status to the Director of Bank Supervision.
	g) 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 positions;	Complied with 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, in the Scheme of Recruitment of GM and each KMPs by reviewing job description.
	h) consider and recommend from time to time, the requirements of additional/new expertise to the Board and the succession arrangements for retiring directors;	Complied with The BNGC had recommended the vacant positions of the Board and requirement of additional/new expertise to the Board.

Section	Requirement of Corporate Governance	Level of Compliance
	i) ensure that the Bank has a robust succession plan for CEO and the key management personnel with an effective and transparent process to: (i) identify qualified and competent persons (internal/ external) to fulfil the positions of CEO and key management personnel for succession in short, medium and long term given the size, scale, diversity and complexity of operations of the Bank; (ii) groom the selected successors for the respective positions by identifying and mitigating the skill/ knowledge gaps for the respective area; and, (iii) review the succession plan at least on an annual basis.	Partially Complied with Succession Plan is in place. The Succession Plan 2025, has been approved by the Board However, immediate successors had not been identified for several positions and mentioned as external recruitment.
	j) ensure that the directors are updated on the applicable laws, regulations, macroeconomic policies, latest technological developments and emerging financial sector and market developments relevant to the Banking industry on a continuous basis;	Complied with The Compliance Officer updates the Board of Directors on the latest applicable laws, regulations and etc.
	k) identify the training needs of the directors and make recommendations to the Board relating to training, capacity building and professional development programs for the directors on a regular basis;	Not Complied No such training needs have been identified or conducted.
	l) review the structure, size, qualifications and composition of the Board and Board committees to ensure effective discharge of duties and responsibilities; and,	Complied with The Board Committees are restructured whenever a new director is appointed to the Board to streamline the effective discharge of duties and responsibilities.
	m) ensure that the overall corporate governance framework and policies of the Bank are reviewed, updated and effectively implemented considering all applicable laws and regulations and industry/international best practices.	Complied with Board Approved Board Charter is available covering all the corporate governance frame work. Board approved policy on Corporate Governance, Nomination and Re-election is in Place.
6.5 Integrated Risk Management Committee	a) The Committee shall: be chaired by an independent director who is not the chair of the Board or any other Board committee;	Not Complied With Mr. K. B. Wijerathne, an Independent Director, served as the Chairman of the BIRMC from 14.03.2025 to 11.06.2025. He also served as the Chairman of the RPTRC held on 23.05.2025.
	b) consist of at least three non-executive directors with a majority of independent directors. The Committee members shall have sound collective experience in risk management issues and practices in relation to Banking and/or financial services;	Complied With BIRMC comprises at least three non-executive directors, with a majority being independent and collectively possessing strong experience in risk management within banking and financial services.
	c) A majority of the members of the Committee shall not be constituted by the members of the Audit Committee and vice-versa;	Complied With The majority of the members do not comprise the Audit committee.

Section	Requirement of Corporate Governance	Level of Compliance
	d) require CEO, CRO, CCO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks to attend the meetings on needs basis;	Complied with Members of the management attend the Board Integrated Risk Management Committee meetings upon invitation for relevant agenda items. The KMPs who are in the positions of GM, RO, CO, CFO, AGM Treasury, AGM-HR and CIA discussed about risk categories at BIRMC meetings.
	e) work with key management personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee; f) establish an independent risk management function responsible for integrated risk management of the Bank; g) assess all risks, i.e., credit, market, liquidity, operational, information security and strategic risks to the Bank on a monthly basis through appropriate risk indicators and management information.	Complied with The Committee works closely with key management personnel and makes decisions within its delegated authority. It ensures the establishment of an independent risk management function and conducts regular assessments of all key risk areas such as credit, market, liquidity, operational, information security, and strategic risks on a monthly basis using appropriate indicators. It was observed that the Credit Risk and Risk analysis on investment portfolio had been analyzed at BIRMC meetings.
	h) advise and report to the Board on the Bank's exposures against the risk appetite;	Complied with CRO reports the Bank's exposures against the risk appetite to the BIRMC and will report to the Board when ever needed. The overall risk dashboard as at 31.10.2025 has been reviewed.
	i) oversee the functioning of CRO. The Committee shall receive regular reports and communication from CRO and other relevant functions with respect to the risk profile, exposures against the established risk appetite limits and limit breaches;	Complied with CRO submits reports for the review of the Board Integrated Risk Management Committee with risk analysis. BIRMC reviews overall risk dashboard submitted to BIRMC meetings.

Section	Requirement of Corporate Governance	Level of Compliance
	j) oversee the strategies implemented by CEO and the key management personnel for capital and liquidity management and management of all relevant risks of the Bank, such as credit, market, operational, information security and strategic risks, to ensure consistency with the stated risk appetite; k) review the adequacy and effectiveness of all management level committees that are related to risk taking activities, such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee; l) take prompt corrective action to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements;	Complied with The Committee oversees the strategies implemented by the CEO and key management to ensure effective management of capital, liquidity, and all key risks in line with the Bank's risk appetite. It reviews the effectiveness of management-level risk committees and ensures risks are managed within established limits. Where risks exceed acceptable levels, the Committee takes timely corrective actions in accordance with internal policies and regulatory requirements. Following were discussed at BIRMC meetings. • Submission of standardized treasury deal ticket for approval • Proposed amendments to TOR of ALCO and seek approval of the Board.
	m) meet at least quarterly to assess all aspects of risk management including updated business continuity plans;	Complied with Seven meetings were held during the year 2025.
	n) take prompt corrective actions against the Officers responsible for failure to identify specific risks as recommended by the Committee;	Complied with Board approved committee TOR recognize this as an authority of the committee under section 21.
	o) submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions;	Complied with BIRMC meeting minutes are submitted to the next Board meeting seeking for a concurrence of the Board.
	p) establish a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the Committee periodically;	Complied with The Compliance Officer reports to the BIRMC on the latest statutory and regulatory compliances for information and necessary action. Compliance officer had reported to the BIRMC regarding progress of addressing supervisory concern.

Section	Requirement of Corporate Governance	Level of Compliance
	q) establish an effective communication and coordination mechanism with the Audit Committee to facilitate exchange of information to ensure effective management of all risks, including emerging risks, and any adjustments needed to the integrated risk management framework of the Bank; and, r) without prejudice to the tasks of the Human Resources and Remuneration Committee, examine whether the incentives provided to the employees take into consideration the levels of risk, capital, liquidity and earnings of the Bank.	Complied with The Committee maintains effective coordination and information sharing with the Audit Committee to ensure comprehensive risk management, including emerging risks and necessary adjustments to the risk framework. It also reviews employee incentive structures to ensure alignment with the Bank's risk profile, capital, liquidity, and earnings. The BIRMC meeting reviewed overall risk dash board and the financial aspect of those risk dash board were discussed at the BAC meeting held on 14.03.2025.
6.6 Related Party Transactions Review Committee	a) The Committee shall: be chaired by an independent director who is not the chair of the Board; b) consist of at least three non-executive directors with a majority of independent directors. CEO and relevant key management personnel may attend the meetings on need basis only for the relevant agenda items;	Complied with The Committee is chaired by an independent director who is not the Chair of the Board and comprises with three non-executive directors, with a majority being independent. The CEO and relevant key management personnel attend meetings on needed basis, limited to relevant agenda items. Mr. K. B. Wijerathna is a chairman of RPTRC and 3 non-executive directors which are independent. KMP's such as GM and CO are present on need basis.
	c) ensure that a clear policy, procedures and processes are in place for identifying, monitoring and reporting related party transactions on an on-going basis in line with applicable laws and regulations;	Complied with Board approved Related Party Transaction Review Policy is in place which was approved in 2024.
	d) review the related party transactions of the Bank including the transactions defined in Direction. 7.2, particularly with the persons who shall be considered as "related parties", as defined in Direction 7.1, with a view to avoiding any conflicts of interest that may arise from such transactions; e) quarterly report to the Board, the details of related parties, related party transactions and economic consequences of the related party transactions	Complied with The Committee meets on quarterly basis to review related party transactions of the Bank.
	f) ensure that a director abstains from participating in discussions on any Board decision on transactions in relation to the director or any of his/her close relation or a concern in which the director has substantial interest; and,	Complied with Directors abstain from participating in discussions of any Board decision on transactions in relating to them.

Section	Requirement of Corporate Governance	Level of Compliance
	g) ensure that the Bank does not engage in transactions with related parties as defined in Direction 7.1 in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same business. In this context, "more favourable treatment" shall mean: (i) 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; a. "Accommodation" shall mean accommodation as defined in the Banking Act Directions on Maximum Amount of Accommodation/ Large Exposures. b. 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. (ii) 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; (iii) providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, which extend beyond the terms granted in the normal course of business undertaken with unrelated parties; (iv) providing services to or receiving services from a related party without an evaluation procedure; and (v) 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. 28 Listed licensed Banks and unlisted licensed Banks shall comply with Direction 6.6 by 01.01.2025 and 01.01.2027, respectively.	Complied with The Committee ensures that the Bank does not engage in related party transactions on terms more favourable than those offered to unrelated parties. This includes maintaining prudent limits on exposures, applying market-based interest rates, avoiding preferential terms or fee waivers, and ensuring all transactions are conducted with proper evaluation and transparency. It also safeguards against inappropriate information sharing with related parties, except where required for legitimate purposes. As per Compliance Department, no favorable treatment/accommodation provided to Bank employees other than normal staff benefits.

Section	Requirement of Corporate Governance	Level of Compliance
7		
7.1 Related Parties **The categories of persons considered as "related parties" for the purpose of this Direction are as follows.**	a) a director of a licensed Bank; b) close relations of such director; c) a concern in which a director of a licensed Bank has a substantial interest, being an interest acquired either before or after the appointment as a director of such licensed Bank; d) a concern in which a close relation of a director of a licensed Bank has a substantial interest; e) a chief executive officer or an officer performing executive functions of a licensed Bank in respect of any accommodation granted other than an accommodation granted to such officer under a scheme applicable to the employees of such licensed Bank; f) a shareholder of a licensed Bank having material interest, whether individual or a concern; g) a subsidiary or an associate company of the licensed Bank; [cSK-G1.1] h) a holding company of the licensed Bank including its subsidiaries, excluding the parent Bank and subsidiaries of a Bank incorporated outside Sri Lanka; i) a director of a subsidiary or an associate company of the licensed Bank; j) a director of a holding company of the licensed Bank and its subsidiaries; k) a close relation of a person specified in Direction 7.1 (e) and (f) above; l) a concern, whose director or partner is a director of such Bank; m) a concern in which a material shareholder of a licensed Bank has substantial interest; and, n) a concern in which a close relation of an individual material shareholder has substantial interest.[cS	Complied with This has been clearly established on the Board approved Related Party Transaction Review policy. Related parties of the Bank include directors and their close relations, entities in which such individuals hold substantial interests, and key management personnel including the CEO. It also covers material shareholders and their related entities, as well as subsidiaries, associate companies, and holding companies of the Bank. Additionally, directors and related individuals of these entities, along with concerns linked through ownership or directorship, are considered related parties under this Direction.

Section	Requirement of Corporate Governance	Level of Compliance
7.2 Type of Related Party Transactions **The type of transactions with related parties that shall be covered by this Direction shall include the following.**	a) The grant of any type of accommodation, as defined in the Banking Act Directions on Maximum Amount of Accommodation/ Large Exposures of Licensed Banks. 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 flows 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.	Complied with The types of related party transactions are covered under section 6 of the Related Party Transaction Review policy of the bank.
7.3 Applicability of Banking Act Provisions	Licensed Banks shall ensure compliance with the provisions of Section 47 and Section 76K of the Banking Act, with respect to accommodation granted to any of its related parties defined in Direction 7.1 as applicable, except for any accommodation granted to a CEO or a member of the key management personnel under a scheme applicable to the employees of the Bank.	Complied with Quarterly reports are submitting to the RPTRC relevant to all the related parties of the Bank. As per the Related Party Transaction report submitted by the compliance officer during the year 2025. Bank had not granted any types of accommodation to affiliated business, companies, or organizations related to the bank directors during the year under review.
7.4 Accommodation Granted to Directors and Connected Parties	Where any accommodation has been granted by a licensed Bank to a person or to 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, and if: a) the necessary security as approved by the Central Bank of Sri Lanka is not provided, within one year from the date of appointment of such person as a director; and, b) any amount due on account of such accommodation, together with interest, if any, is not settled within the period specified at the time of grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of the director, whichever is earlier, in the event such security is not provided by the period as 30 provided in a) above; such director shall be deemed to have vacated the office of director. This Direction, however, shall not apply to a 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.	Complied with As per the Compliance officer, such a situation has not arisen during the year 2025.

Section	Requirement of Corporate Governance	Level of Compliance
7.5	Accommodation granted to Employees A Bank shall not grant any accommodation or "more favourable treatment" relating to the waiver of fees and/or commission 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 Central Bank of Sri Lanka in respect of accommodation granted as per Sections 47(3) and (5) of the Banking Act.	Complied with This requirement has been clearly established under Section 3.3 of the Board approved Related Party Transaction Review Policy of the bank. As per the related party transition reports submitted by the compliance officer during the year 2025, the Bank had not granted more favorable treatment to any employee or a close relation of such employee or to any concern in which the employee or close relations has a substantial interest other than on the basis of a scheme uniformly applicable to the employees of such bank.
7.6	Writing-off of Accommodation to Related Parties No accommodation granted by a licensed Bank to related parties given in Direction 7.1, nor any part of such accommodation, nor any interest due thereon shall be written-off without the prior approval of the Central Bank of Sri Lanka and any writing-off without such approval shall be void and of no effect.	No such event has been reported to the Related Party Transaction Review Committee during the year under review.
8 Senior Management		
	The senior management shall mean CEO and the key management personnel of the licensed Bank for the purpose of this Direction.	
8.1 Board Oversight on Senior Management	The overall responsibility of the Board shall not be construed as an obligation to undertake the inspection of day-to-day activities, but shall rather be understood as an obligation to oversee and ensure that the senior management members are carrying out the day-to-day activities in a safe and sound manner in accordance with the Board approved strategies and policies. Accordingly, the Board shall: a) define the areas of authority and responsibilities of the senior management; b) ensure that the actions of senior management are consistent with the business strategy and policies approved by the Board; c) meet regularly, on needs basis, with the senior management to review the progress towards achieving corporate objectives; d) question and critically review explanations and information provided by the senior management; e) assess whether collective knowledge and expertise of the senior management remain appropriate given the size, scale, diversity and complexity of operations of the Bank; and, f) hold the senior management members accountable for the actions.	Complied with We observed the Mandates of CEO and KMPs of the bank. Their responsibilities were aligned with the bank's strategies.

Section	Requirement of Corporate Governance	Level of Compliance
8.2 Criteria to Assess the Fitness and Propriety of Senior Management	In terms of Section 44A and Section 76H of the Banking Act, the senior management of licensed Banks as determined by the Central Bank of Sri Lanka shall be fit and proper persons to hold such respective positions and the provisions of Sections 42(2) of the Banking Act shall apply in determining whether the members of the senior management are fit and proper persons.	Complied with It was observed that when a Key Management Personnel (KMP) is initially appointed, a Fitness and Proprietary assessment is obtained at the time of first appointment, and it is re-assessed by the Central Bank of Sri Lanka (CBSL) at the time of promotion.
8.3 Responsibilities of Senior Management Senior management members shall:	a) contribute substantially to a licensed Bank's sound corporate governance framework through personal conduct; b) devote sufficient professional time to discharge his/her duties at the licensed Bank. In the event a senior management member is appointed as a non-executive director of a subsidiary or an associate company of the licensed Bank, he/she shall ensure that such duties do not affect the effective discharge of responsibilities to the Bank; c) implement business strategies, risk management systems, risk and compliance culture, processes and controls for managing both financial and non-financial risks under the directions given by the Board; d) recognize and respect the independent duties of the risk management, compliance and internal audit functions and shall not interfere in the exercise of such duties; e) receive access to regular training to maintain and enhance competencies and keep abreast of developments relevant to the respective areas of responsibility; f) be responsible for delegating duties to staff and overseeing such delegated duties; g) establish a management structure that promotes accountability and transparency throughout the Bank; h) ensure that appropriate remedial or disciplinary action is taken if breaches are identified; i) regularly provide the Board and the Board sub-committees as applicable with the information of material matters including but not limited to; (i) changes in business strategy, risk strategy/risk appetite, (ii) the Bank's performance and financial condition, (iii) breaches of risk limits or compliance rules, (iv) internal control failures, and, (v) legal or regulatory concerns. j) notify the Director of Bank Supervision upon becoming aware of any material information that may negatively affect the fitness and propriety of a Board member or another senior management member.	

Section	Requirement of Corporate Governance	Level of Compliance
9 Disclosures Licensed Banks shall comply with the following requirements with respect to disclosure of information.		
9.1 Board Responsibilities on Disclosures	The Board shall ensure adequate and timely public disclosures of relevant information including but not limited to key performance indicators, capital adequacy, liquidity, business concentrations, related party transactions, corporate governance, financial statements, etc., are made with a view to facilitating enhanced market discipline and transparency commensurate with the size, scale, diversity and complexity of operations of the Bank. The Board shall ensure that annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards.	The Bank prepares and publishes Financial statements accordingly. Quarterly Financial Statements have been published in newspapers in abridged form in Sinhala, Tamil and English.
9.2 Minimum Disclosures to be made in the Annual Report	The Board shall ensure that the following minimum disclosures are made in the Annual Report.	
	a) A 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 The statement to this effect is included in the Directors' Responsibility for Financial Reporting on page No 210 of the Annual Report of the Bank.
	b) A report by the Board on the Bank's internal control mechanism which confirms the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied with Report by the Board on the Bank's internal control mechanism has been disclosed in the "Directors' Statement on Internal Control Over Financial Reporting 2025" on page No 190 to 191 in the Annual Report 2025 of the Bank.
	c) The external auditor's certification on the effectiveness of the internal control mechanism referred to in b) above. The Assurance Report issued by the Auditors under "Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Reports for Banks on Directors' Statements on Internal Control" may be used as a substitute disclosure in this regard.	Complied with Assurance Report of the Auditor General on Internal Controls over Financial Reporting has been disclosed on page No 192 to 193 in the Annual Report 2025 of the Bank.
	d) Details of directors, including names, transactions with the Bank and the total fees/remuneration paid by the Bank.	Complied with Details of directors, including names, qualifications and experience have been disclosed under Profiles of Directors on page 44 to 51 of the Draft Annual Report 2025 of the Bank. Directors' Emoluments have been disclosed under Note No.12 (b) to the Financial Statements in the Draft Annual Report 2025 of the Bank.

Section	Requirement of Corporate Governance	Level of Compliance
	e) Total net accommodation granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory capital.	Complied with The net accommodation granted which disclosed as a percentage of the Bank's regulatory capital are disclosed under Note No 55 to the Financial Statements in the Annual Report of 2025 of the Bank.
	f) The aggregate values of remuneration paid by the Bank to its CEO and the key management personnel and the aggregate values of the transactions of the Bank with its CEO and key management personnel, set out by broad categories such as remuneration paid, accommodation granted, and deposits or investments made in the Bank.	Partially Complied with Transactions of the bank with its key management personnel are disclosed under Note No. 11 to the Financial Statements the Annual Report 2025.
	g) Details of Board committees including (i) details of the key activities of each Board committee during the year; (ii) the number of meetings of each committee held in the year; and (iii) attendance of each individual director at such meetings.	Complied with This has been disclosed on page 194 to 207 of the Annual Report 2025 of the Bank.
	h) The following shall be disclosed in the Annual Corporate Governance Report: (i) the external auditor's certification of the compliance with these Directions, clearly demonstrating the compliance status of the licensed Bank with each sub-direction; (ii) the composition of the Board, by category of directors, including the names of the Chairperson, executive directors, non-executive directors and independent non-executive directors; and, (iii) the identity of the Chairperson and CEO and the nature of any relationship including financial, business, family or other material/ relevant relationship(s), if any, among the Chairperson, CEO and the members of the Board.	Complied with The annual Corporate Governance Report will be included in the Draft Annual Report and the external auditor's certification of the compliance with these direction has been obtained. Transactions of the Bank with its key management personnel are disclosed under Note No.57 and 58.1 to the Financial Statements in Annual Report 2025 of the Bank.
	i) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.	Complied with The Statement of Director's Responsibilities for Financial Reporting included in page No 210 of the Annual Report of 2025 includes this information.
	j) 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 communicated by the Director of Bank Supervision, or administrative fines imposed by the Central Bank of Sri Lanka, if so directed by the Central Bank of Sri Lanka to be disclosed to the public, together with the measures taken by the Bank to address such concerns.	Partially Complied with The Director of Bank Supervision of the Central Bank of Sri Lanka to the Chairman of HDFC Bank, highlighted several issues relating to the Bank's unsustainable business model and unresolved regulatory concerns. The Bank has taken measures to address the concerns raised, and actions relating to the outstanding matters are currently in progress.

Section	Requirement of Corporate Governance	Level of Compliance
	k) The aggregate value of total non-statutory special payments/ financial or non-financial benefits made to directors, CEOs and key management personnel at the termination of employment or at the retirement during the respective financial year.	Complied with No such special payments have been made by the bank during the year under review.
9.3 Disclosures to be made on Resignation, Removal or Vacation of Office of Directors	If a director resigns or is removed or is deemed to have vacated the office of director due to regulatory non-compliances and/or as decided by the Board, the Board shall disclose the director's resignation or removal or the status of being deemed vacated the office and the reasons for same in the official website of the licensed Bank, including but not limited to information relating to the relevant director's disagreement with the Bank, if any.	Complied with Disclosers have been made with regard to the resignation, removal or vacation of office of directors in page No 109 to 110 of the Annual Report of 2025 of the Bank.
10 Banks Incorporated Outside Sri Lanka		
	Banks incorporated outside Sri Lanka shall comply with the following requirements.	Not applicable
10.1 Applicability of the Directions	These Directions shall apply to the Banks incorporated outside Sri Lanka to the extent that it is not inconsistent with the regulations and laws applicable in such Bank's country of incorporation. Accordingly, the Banks incorporated outside Sri Lanka shall comply with the requirements of these Directions as applicable, based on the existing governance frameworks/structures that are laid down by the Head Office or the Regional Office.	Not applicable
10.2 Submission of Information	The Banks incorporated outside Sri Lanka shall submit the following information to the Director of Bank Supervision on an annual basis.	
	a) Information required by Direction 9.2 except Direction 9.2 d), g) and h) together with the annual audited financial statements. The Reports referred to in Directions 9.2 b) and i) shall be prepared by the Head Office or the Regional Office supervising Sri Lankan operations.	Not applicable
	b) The following details within one month after the closure of the financial year: (i) a list of all management level committees functioned during the financial year together with the meeting dates and the key subject matters discussed at each meeting; (ii) copies of Terms of Reference for all management committees approved by the relevant authority; (iii) composition of each committee: Names and designations of the members; and, (iv) details of functional reporting lines of the branch to the Head Office and/or the Regional Office that were in effect during the year.	Not applicable
	c) A copy of the parent Bank's annual corporate governance report within five months after the closure of its financial year.	Not applicable

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 Charted Accountants of Sri Lanka.

Guideline	Full compliance	Partial 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		
The Board should meet regularly. At least once a quarter.	Please refer pages 118 to 156 status of compliance for 1.3 of Section one - CBSL Compliance Review.		
A 1.2 Board Responsibilities	Complied with		
Board should provide an entrepreneurial leadership within a framework of prudent and effective controls.	The overall responsibility for the good governance of the Bank's conduct vested with the Board.		
A 1.3 Compliance with laws of the Country	Complied with		
The Board collectively and Directors individually must act in accordance with rules and regulations.	The HDFC Act and other relevant statutory laws are adhered.		
A 1.4 Board Secretary	Complied with		
All Directors should have access to the advice and services of the Company Secretary.	The Board Secretary plays an intermediary role between the Company and the stakeholders. Advice and services is available for all Directors in ensuring that Board procedures are correctly adhered in line with applicable laws of the Bank.		
A 1.5 Access to Independent Professional Advice	Complied with		
The Board collectively and Directors individually must act in accordance with rules and regulations.	Please refer pages 118 to 156 status of compliance for 1.7 of Section one - CBSL Compliance Review.		
A 1.6 Dedication of adequate time and effort by the Board and Board Committee	Complied with Board and Board Committee papers are referred to the Directors in advance allowing sufficient time to discharge their duties.		
A 1.7 Act in Best Interest	Complied with		
One third of directors to call for a resolution to be presented to the board in best interest to the company to do so.			
A 1.8 Training for new Directors	Complied with		
Every Directors should receive appropriate training on first appointment to the Board and subsequently as necessary training.	Schedule B		

Guideline	Full compliance	Partial Compliance	Not Applicable
A.2 Chairman & Chief Executive Officer			
A 2.1 Division of Responsibilities of the Chairman & GM/CEO	Complied with		
Functions of Chairman and the CEO in one person should be justified and highlighted in the Annual Report.	The roles of the Chairman and the Chief Executive Officer have been clearly separated in the HDFC Act confirming balance of power.		
A.3 Chairman's Role			
A 3.1 Role of the Chairman	Complied with		
Conduct Board proceedings in a proper manner preserving good corporate governance	The Chairman conducted Board meetings in proper manner placing all Directors to express their views and deliberate on matters forwarded by the management.		
A.4 Financial Acumen			
A 4 Availability of sufficient financial acumen and knowledge	Complied with		
The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	There is sufficient financial acumen on the Board. The details of their qualifications and experiences have been listed in the Annual Report. Refer Page 44 to 51		
A.5 Board Balance			
A 5.1 Presence of Non-Executive Directors	Complied with		
Presence of a strong independent element on the Board	The appointments to the Board are made according to Sec .03(1) (a), (b) & (d) of the HDFC Act No. 7 of 1997 and Sec 04 of the amended Act No.15 of 2003.		
A 5.2 & A 5.3	Complied with		
Independent Directors Criteria on evaluation of Independence of Non- Executive Directors	In compliance with the criteria the Board comprised of five Independent and two non - Independent Directors as at the report date.		
A 5.4 Signed declaration of independence by the Non-executive Directors	Complied with		
Each Non-Executive Director should submit a signed and dated declaration annually of his/ her independence.	The entire Board of Directors comprised of Non-Executive as at the report date.		
A 5.5 Determination of independence of the Directors by the Board	Complied with		
The has determined that the submission of declaration/s by the Non- Executive Directors, as to their independence, as fair representation and will continue to evaluate their submission annually.	The Board affirmed the submission of declaration/s by the Non- Executive Directors. Relevant details of the Directors during the period under review, are given under the Director's Profile and Director's Report of the Annual Report, on Page 44 to 51 and Page 186 to 189.		
A 5.6 Alternate Director			N/A
A 5.7 Appointment of a Senior Independent Director when the Chairman is non- independent.			N/A

Guideline	Full compliance	Partial Compliance	Not Applicable
A 5.8 Confidential discussion with the Senior Independent Director			N/A
A 5.9 Meeting of Non-Executive Directors			N/A
A 5.10 Recording of concerns in Board Minutes.	Complied with		
Where Directors have concerns about the matters of the company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	Concerns of Directors have been duly recorded in Board minutes.		
A.6 Supply of Information			
A 6.1 Information to the Board by the Management	Complied with		
Management & Chairman's role to supply timely and appropriate information to the Board.	The Management forwards proposals to the Board by way of Board and Board Committee papers with necessary information. The Board queries additional information when necessary. Responsible officers presents whenever clarification are sought by the Board.		
A 6.2 Adequate Notice, Agenda and Board papers for Board meeting	Complied with		
A.7 Appointment to the Board			
A 7.1 Nomination Committee	Complied with		
Nomination Committee recommendations to the Board on appointments of new Directors.	For further details please refer the Board Nomination Committee & Governance Report on Pages 197 to 199.		
A 7.2 Assessment of Board Composition	Complied with The Nomination & Governance Committee reviews the composition of the Board and makes necessary recommendations.		
A 7.3 Succession Plan for CEO and all KMP	Complied with		
Determine the training and development requirements for the identified for successors.			
A 7.4	Complied with		
Disclosure of details of new Directors to Shareholders.	Appointments are published in the annual report and Bank website.		
A 7.5 Nomination Committee Report	Complied with		
Disclosure of members to the Nomination Committee and its work.	The work completed during the year under review, objectives and responsibilities of the Nomination Committee is disclosed in Pages 197 to 199		
A 7.6 Terms of reference for Nomination Committee	Complied with Schedule E		

Guideline	Full compliance	Partial Compliance	Not Applicable
A. 8 Re-election			
A 8.1 Appointment of Non - Executive Directors	Complied with All new appointments to the Board of Directors should be in accordance with the HDFC Act No. 7 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	Complied with		
Directors to inform the Board of his / her resignation providing written communication with reasons.			
A.9 Appraisal of Board Performance			
A 9.1 Appraisal of Board performance	Complied with Self-assessments for Board of Directors were done for the year 2025.		
A 9.2 Annual self-evaluation of the Board and its Committees	Complied with Self - performance evaluation procedure for the Board of Directors of the Bank.		
A 9.3 The Board should have a process to review the participation, contribution and engagement of each Directors at the time of re-election.	Complied with		
A 9.4 Disclosure of the performance evaluation of Board and Board Sub Committee Performance.	Complied with		
A.10 Disclosure of information in respect of Directors			
A 10 Disclosure of information in respect of Directors.	Complied with		
A 10.1	Complied with		
Details in respect of Directors	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 11.1 Financial and non-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 Bank has a process to review and evaluate the performance of the GM/CEO.		
B. Directors Remuneration			
B 1 Remuneration Procedures	Complied with		
Should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.	The Directors of the Bank are not entitled for remuneration They receive an allowance as directed by the Ministry of Finance.		

Guideline	Full compliance	Partial Compliance	Not Applicable
B.2 Remuneration Committee			
B 2.1 Committee to recommend remunerating CEO, Executive and Non-Executive Directors, senior management including post-employment benefits.	Complied with The HR and Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for employees of the Bank. Regarding the Directors remuneration refer B1.		
B 2.2 Composition of Remuneration Committee	Complied with		
Remuneration Committees should consist exclusively of Non-Executive Director	Refer the BHRRC Report.		
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.		ü Refer B1.	
B 2.5 Executive Directors' remuneration should be designed to promote the long-term success of the company.			N/A Refer B1.
B 2.6 Remuneration comparison with other companies.	Complied with		
B 2.7 Remuneration Committee sensitivity on annual salary increases.	Complied with Salary revision take place every 03 years.		
B 2.8 Performance-related elements of remuneration of the chief executive and executive directors.			N/A
B 2.9 Executive share options not offering at a discount	Complied with		
B 2.10 Designing schemes of performance-related remuneration.	Complied with		
B 2.11			N/A
Early termination benefits of Directors and GM/CEO			
B 2.12			N/A
Early termination benefits of Directors (not included in the initial contract)			
B 2.13			N/A
Shareholders determination for the level of remuneration of the Non-Executive Directors.			
B 2.14			N/A
Factors to consider about the non-executive Directors remuneration.			

Guideline	Full compliance	Partial Compliance	Not Applicable
B 2.15	Complied with		
The chairman and members of the remuneration committee to be listed in the annual report each year.	Refer Page No 110		
B 2.16	Complied with Schedule H		
The terms of reference for remuneration committee.			
B.3 Disclosure of Remuneration			
B 3.1	Complied with		
Disclosure of Remuneration	Refer B.1		
B 3.2	Complied with		
Remuneration of senior management personnel			
C Relations with Shareholders			
C 1 Constructive use of the Annual General Meeting and conduct of General Meetings.	Complied with		
C 1.1	Complied with		
Adequate notice of the AGM			
C 1.2	Complied with		
Separate resolution for all separate issues			
C 1.3	Complied with		
Use of proxy votes	The bank has a method of recording all proxy votes and proxy votes lodged by the shareholders on each resolution.		
C 1.4	Complied with		
Availability of all Board Sub Committee Chairman at the AGM			
C 1.5	Complied with		
voting at General Meeting			
C. 2 Communication with Shareholders			
C 2.1 to C.2.7	Complied with		
Effective Communication with Shareholders	Shareholder are requested to contact the Company Secretary (011-2423378) or assistants for them to obtain relevant information.		
C.3 Major and Material Transactions			
C 3 Major transactions	Complied with		
C 3.1	Complied with		
Major transactions	There were no major transactions with a related party as defined by section 185 of Companies Act No. 7 of 2007 which materially affected the HDFC's net asset base.		
C 3.2			N/A
Limited Liability Companies complying with section 185 (1), (2), (3) of Companies Act.			

Guideline	Full compliance	Partial Compliance	Not Applicable
C 3.3	Complied with		
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.			
D. Accountability and Audit			
D 1 Reporting of Financial and Business Model Corporate, Risk Management	Complied with		
D 1.1	Complied with		
D 1.2			
Statutory and regulatory reporting of financial statements.			
D 1.3	Complied with		
CEO and CFO a declaration that, in their Opinion for Financial Statement			
D 1.4	Complied with		
Directors' report in the Annual Report	The Director's Report is given on Page 196 to 199 of this Annual Report.		
D 1.5	Complied with		
Statement of Directors' responsibility for the financial statement	The Statement of Directors' Responsibility for Financial Reporting is given on Page 210 of the Annual Report.		
D 1.6	Complied with		
Management discussions and analysis	Please refer pages 62 to 104		
D 1.7			N/A
Summoning an EGM to notify serious loss of capital			
D 1.8	Complied with		
Related Party Transactions			
D.2 Risk Management and Internal Control			
D.2 Risk Management and Internal Control	Complied with Please refer pages 190 to 191 for report on Directors' Statement on Internal Control.		
D 2.1	Complied with		
D 2.1.1 to D 2.1.3			
Functions of the Risk Management Committee.			
D 2.1.4 to D 2.1.8	Complied with		

Guideline	Full compliance	Partial Compliance	Not Applicable
Risk Management Committee composition, meetings and annual report	Two separate committees for Risk Management Committee and Audit Committee in place. Please refer pages 205 to 207 for BIRMC Report.		
D 2.2 to D 2.4	Complied with		
Internal Audit Functions			
D. 3 Audit Committee			
D 3 Audit Committee	Complied with Please refer pages 203 to 204 for Audit Committee Report.		
D 3.1	Complied with		
73. Audit Committee Composition	Please refer pages 203 to 204 for Audit Committee Report		
D 3.2	Complied with		
Terms of Reference and Authority and Duties of the Audit Committee	Please refer pages 203 to 204 for Audit Committee Report.		
D 3.3	Complied with		
Disclosures of the Audit Committee	Please refer the Board Audit Committee report on pages 203 to 204 for membership.		
D.4 Risk Committee			
D 4.1	Complied with		
Risk Committee composition			
D 4.2	Complied with		
Terms of Reference and Authority and Duties of the Risk Committee.			
D 4.3	Complied with		
Meetings and officers in charge			
D 4.4	Complied with		
Seeking external professional help			
D 4.5	Complied with		
Annual Reporting	Please refer D 2.1.7		
D.5 Related Party Transactions Review Committee			
D 5 Related Party	Complied with Please refer pages 200 to 202 for Related Party Transaction Review Committee Report.		
D 5.1	Complied with		
RPT will be as defined in LKAS 24.	Please refer pages 200 to 202 for Related Party Transaction Review Committee Report.		
D 5.2	Complied with		
Related Party Transaction Committee Composition	Please refer pages 200 to 202 for Related Party Transaction Review Committee Report.		
D 5.3	Complied with		

Guideline	Full compliance	Partial Compliance	Not Applicable
Terms of Reference and Authority and Duties of the Related Party Transaction Committee	Please refer pages 200 to 202 for Related Party Transaction Review Committee Report.		
D.6 Code of business conduct & ethics			
D.6 to D 6.7	Partially complied		
Code of business conduct & ethics	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	Complied with		
Shareholding Voting	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		
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 exercising their voting rights.		
Other Matters (Section 3)			
G Internet of Things and Cybersecurity			
G.1	Complied with		
Internal and external parties access to banks network	The HDFC Bank has Data protection measures to safeguard sensitive data, such as encryption, classification and data backup procedures.		
G.2	Complied with		
Appointing a Chief Information Security Officer and Policy for Cybersecurity risk management.	Policy operating in areas like Security governance, Risk assessment, Risk Management through control implementation and improving user awareness.		

Guideline	Full compliance	Partial Compliance	Not Applicable
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. Bank currently adepts this process to manage the cyber security risks.		
G.5 Disclose in the annual report, the process to identify and mange Cybersecurity risk.			
H. Sustainability , ESG Risk and opportunities			
H.1 ESG Reporting	Complied with		
H 1.1 Impact of sustainability / ESG risks and opportunities in company's business plans.			
H 2 Protection of Environment and other ESG issues	Improving the current practice		
H 2.1 Recognition of significant stakeholders.			
H 3 Governance Framework	Improving the current practice		
H 3.1 Addressing sustainability factors			
H 3.1.1 Environmental Governance	Improving the current practice		
H 3.1.2 Social Governance	Improving the current practice		
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		

Guideline	Full compliance	Partial Compliance	Not Applicable
I Special Consideration for Listed Entities			
I 1 Establishment and Maintenance of Policies	Complied with		
I 1.1 Essential Policies	Complied with		
I 1.2 Any waivers	Complied with		
I 1.3 Disclosures in annual report	Complied with		
I 1.4	Complied with		
Availability of policies to shareholders	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.

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied / Not Complied
9.1 Corporate Governance Rules			
9.1.1 9.1.2 9.1.3	Applicability of Corporate Governance Rules	The extent of compliance with Corporate Governance Section 09 of the listing rules issued by CSE is tabulated below.	Complied
9.2 Policies			
9.2.1	Availability of Policies	The following policies which are mandated under the revised CSE listing rules are currently in place. • 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 Relations with Shareholders and Investors • Policy on Environmental, Social and Governance Sustainability • Policy on Control and Management of Company Assets and Shareholder Investments • Policy on Corporate Disclosures • Policy on Whistle Blowing • Policy on Anti-Bribery and Corruption Above listed policies published on the Bank website by 31st December 2024.	Complied
9.2.2	Waivers and Exemptions	At present there are no waivers and exemptions applicable to the Bank.	Complied
9.2.3	Disclosures in the Annual Report	The Policies and its publication on the Bank Website.	Complied
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. Since all the policies are published on the website, all the shareholders can access the same.	Complied
9.2.5	Failure of such disclosure		Not arisen

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied / Not Complied
9.3 Board Committees			
9.3.1	Establishment and maintenance of Board Committees	The Bank has a separate Committee to perform risk management functions. Accordingly, the Bank has the following Board committees in place 1. Nominations & Governance Committee 2. Human Resources and Remuneration Committee 3. Audit Committee 4. Related Party Transactions Review Committee 5. Integrated Risk Management Committee	Complied
9.3.2	Board Committee Composition, Responsibilities and Disclosure	The composition, responsibilities and disclosures of all Committees satisfies the revised CSE listing rules.	Complied
		Board Committees are governed by its own Terms of Reference setting out the purposes, objectives and functions.	
9.3.3	Chairman of Board Committees	During the year 2025 the Chairman of the Board of Directors was not the Chairman of any Board Committees.	Complied
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 meeting minutes, 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.	Complied
9.4.2	Communication and relation with Shareholders and Investors	The Bank has a Board approved policy on Relations with Shareholders and Investors. Contact details are disclosured in the annual report and displayed in the website of the entity.	Complied
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 Board approved policy on governing matters relating to Board of Directors in place.	Complied
		The Bank is in the process of updating the Board Charter with governing matters of the said policy.	
9.5.2	Disclosures in the Annual Report	Disclosures are made in the Annual Report of the Board of Directors given on pages 44 to 51	Complied
9.6 Chairman and CEO			
9.6.1	Chairman and CEO	The Chairman is a Non-Executive Director. The position of Chairman and CEO is not held by the same individual.	Complied
9.6.2	Disclosure of Non -Compliances Where the Chairman and CEO are held by the same individual.		Not applicable
9.6.3	The requirement for a Senior Independent Director		Not applicable
9.6.4	Disclosure of Non-Compliances in the Annual Report Where the listed entity has appointed a SID		Not applicable

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied / Not Complied
9.7 Fitness of Directors and CEOs			
9.7.1	Appointment of Fit and Proper Person	The attributes and experience required from potential appointees are identified in relation to the 9.7.3 of revised CSE rules, Bank's strategic plans and any gaps thereof.	Complied
9.7.2	Recommendation by Nominations & Governance Committee	The Board has a formal and transparent process in place for the succession and appointment of Directors. The Nominations & Governance Committee processes the authority to make recommendations to the Board for approval.	Complied
		Upon completion of this process, names are referred to the Director of the Bank Supervision-Department of the Central Bank of Sri Lanka for approval as a "fitness and proprietary" person, prior to the appointment. All appointments were duly notified to CSE during the period under review.	
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 2025. In any future appointments, the criteria stated in the revised CSE listing rules will also be taken into account.	Complied
9.7.4	Annual Declarations from Directors and CEO	Annual declarations from Directors and CEO 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 2025.	Complied
9.7.5	Disclosures in the Annual Report	The Profiles of the Directors and CEO of the HDFC Bank is given on pages 44 to 51, 53.	Complied
9.8 Board Composition			
9.8.1	Board at Minimum to consist of Five (5) Directors	The Board of Directors of the Bank consisted of seven (07) Directors as at 31 December 2025.	Complied
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 seven (7) Independent Directors as at 31 December 2025.	Complied
9.8.3 9.8.4	Criteria for determining Independence	The Bank considers the provisions of Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017) and Banking Act Direction No.05 of 2024 on Corporate Governance issued by the Central Bank of Sri Lanka. In line with the revised CSE listing rules, the Bank also reviewed the criteria for determining the independence of a Director.	Complied
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 2025.	Complied
9.8.6	Non-compliance with 9.8.1 and / or 9.8.2		Not arisen
9.9 Alternate Directors			
9.9	Appointment of Alternate Directors		Not Applicable

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied / Not Complied
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.	Complied
9.10.2	Announcement on appointment of a new Director	New appointments are monitored accordance to the mandate of HDFC Act, CBSL Directions and revised CSE Rules. Upon receiving the fitness and prosperity clearance an immediate market announcements is made.	Complied
9.10.3	Changes to the Composition of the Board	Immediate market announcements were made regarding changes to the composition of the Board Committees.	Complied
9.10.4	Disclosures in the Annual Report	Please refer pages 44 to 51 for profiles of Directors. Please refer pages 10 to 11 for financial highlights. Please refer page 44 to 51 for Directorships in other companies Please refer page 113 for Directors attendance	Complied
9.10.5	Non-compliance with 9.10.2 and / or 9.10.3		Not arisen
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 2025.	Complied
9.11.2	Appointment and re-election of Directors	The Committee follows a formal procedure in appointment and re-election of Directors.	Complied
9.11.3	Terms of Reference	The Committee has adopted a written Terms of Reference defining the scope, authority, duties and matters pertaining to the quorum.	Complied
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.	Complied
9.11.4(2)	Composition - Independent Director shall be appointed as the Chairman of the	An Independent Director functioned as the Chairman of the Committee throughout the year.	Complied
	Committee.		
9.11.4(3)	Composition - The Chairman 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 pages 197 to 199	Complied
9.11.5	Functions	The Terms of Reference sets out the functions of the Committee. Revised listing rules were duly satisfied throughout the year. Please refer Nominations & Governance Committee Report on pages 197 to 199	Complied
9.11.6	Disclosures in the Annual Report	Disclosure requirements are covered in the Nominations & Governance Committee Report signed by its chairman given on pages 197 to 199	Complied

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied / Not Complied
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.	Complied
9.12.2	Remuneration Committee	A Human Resources and Remuneration Committee confirming the requirements are in place.	Complied
9.12.3 9.12.4	Remuneration Policy - Executive Directors / Non-Executive Director		Not Applicable
9.12.5	Terms of Reference	The Committee has adopted a written Terms of Reference which define the scope, authority and duties in compliance with the revised CSE listing rules.	Complied
9.12.6 (1)	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. The Committee met ten (10) times during the year.	Complied
(2)	Composition - Independent Director shall be appointed as the Chairman of the Committee.	An Independent Director functioned as the Chairman of the Committee throughout the year.	
9.12.7	Functions	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 pages 194 to 196	Complied
9.12.8	Disclosures in the Annual Report	Disclosure requirements are covered in the Human Resources and Remuneration Committee Report given on pages 194 to 196	Complied
9.13 Audit Committee			
9.13.1	Audit Committee	The Bank has established 2 separate Committees to oversee Audit and Risk Functions. Namely, Board Audit Committee and Board Integrated Risk Management Committee.	Complied
9.13.2	Terms of Reference	The Committees have adopted two separate Terms of References, which define the scope, authority and duties respectively.	Complied
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 was in compliance throughout the year with the revised CSE listing rules.	Complied
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.	The majority of members present were Independent Directors which satisfies the revised CSE rules.	Complied
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 sixteen (16) times during the year. The Committee reviewed the quarterly and annual financial statements and recommended same to the Board of Directors prior to publication.	Complied

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied / Not Complied
9.13.3(4)	Chairperson of the Audit Committee	An Independent Director functioned as the Chairman the Audit Committee throughout the year.	Complied
9.13.3(5)	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 Audit Committee meetings throughout the year. GM/CEO was invited to BIRMC and BAC throughout the year. CFO was invited to the BAC throughout the year.	Complied
9.13.3(6)	Composition - The Chairman of the Audit Committee shall be a Member of a recognised professional accounting body.	The Chairman of the Board Audit Committee is a Member of a recognised professional accounting body.	Complied
9.13.4 (1) & (2)	Functions	Complied	Complied
		The Bank has documented the functions of the Committee in the Audit Committee Terms of Reference. Please refer Audit Committee Report on pages 203 to 204. The Terms of Reference refers to the functions of the Board Integrated Risk Management Committee. Please refer Board Integrated Risk Management Committee Report on pages 205 to 207.	
9.13.5	Separate Committees to carry out audit and risk functions	Rule 9.13.4 (1) In order to be in line with the revised CSE listing rules functions stipulated under 9.13.4.1 (vi), (vii) (viii) and (ix) are covered within the scope of Board Integrated Risk Management Committee.	Complied
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.	Complied
9.14.2	Composition - A minimum of three (3) Directors, out of which two (2) members shall be Independent Directors. Committee may also include Executive Directors. An Independent Director shall be appointed as the Chairman of the Committee.	The revised listing rules requirement of the composition was fulfilled. An Independent Director functioned as the Chairman of the Committee throughout the year.	Complied
9.14.3	Functions	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. The objectives laid out In the listing rules are taken In to account at Related Party Transactions Review Committee Meetings. The Committee has established and maintained a policy, procedure and process for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Bank's operations. Please refer Related Party Transactions Review Committee Report on pages 200 to 202	Complied

Rule No.	Corporate Governance Requirement	Level of Compliance	Complied / Not Complied
9.14.4(1)	General requirements - The Committee shall meet at least once a calendar quarter.	The Committee met five (5) times during 2025. The minutes of all meetings are properly documented and tabled at the subsequent Board meetings for authorisation.	Complied
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 members have sufficient knowledge and expertise to evaluate all aspects of Related Party Transactions and could obtain professional and expert advice where necessary.	Complied
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.	Complied
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 abstain 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.	Complied
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. In matters where approval of the Board of Directors is relevant the Board takes into account the provision of the said listing rules on Related Party Transactions.	Complied
9.14.6	Shareholder Approval	A situation to obtain the shareholder approval as per revised CSE listing rules has not arisen during the year.	Complied
9.14.7	Immediate Disclosures	A situation has not arisen where immediate disclosure is required to be made as per revised CSE listing rules.	Complied
9.14.8	Disclosures in the Annual Report	Disclosure requirements are covered in the Related Party Transactions Review Committee Report given on pages 200 to 202	Complied
9.14.9	Acquisition and Disposal of assets from/to related parties	The Bank has not acquired/disposed substantial assets from/ to related parties.	Complied
9.14.10	Exempted Related Party Transactions	The revised CSE rules are considered when evaluating the Related Party Transactions by the Committee.	Complied
9.17 Additional Disclosures			
9.17	(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 pages 44 to 51 Material non-compliance with any Law or Regulation has not arisen during the year 2025.	Complied

MANAGING RISKS – SAFEGUARDING STABILITY

In 2025, the Bank surmounted a risk landscape riddled by regulatory restraints and strategic changes. The Bank remained cautious amidst an internal environment characterised by high risks, yet with a collective determination of the staff to pragmatically face the pressures with intent and purpose.

Collectively, across the Bank, Risk Management played a transformative role in reducing the considerable pressure faced by the Bank. We faced pressure on our credit profile due to regulatory limitations on deposit mobilisation and specific lending streams. Although it was a timely mediation to ensure the Bank's sustained stability, it had an undesirable impact on new business growth.

In mitigating the Bank's challenges of reducing its high non-performing loan levels and in raising its credit profit, our Integrated Risk Management Committee (IRMC) and the Board of Directors maintained an immensely disciplined focus on capital adequacy and liquidity, especially as the impaired-loan ratio rose to nearly 26.57% by mid-2025, largely driven by legacy EPF-backed housing loans.

IMPROVING THE RISK MANAGEMENT PROCESS

- Periodic reviews of risk policies
- Monitoring of key risk indicators
- Enhanced governance oversight
- Ongoing staff training

THE BANK'S RISK STRATEGY IN 2025 WAS DEFINED BY THREE KEY PILLARS:

- Liquidity Management: To counterbalance curbs on deposits, we focused on a mix of borrowings and liquid assets to meet our financial obligations and maintain a reasonable liquidity coverage ratio.
- Portfolio Diversification: In response to housing loan restrictions, we pivoted our risk appetite toward retail products, such as leases and gold-backed pawning, to sustain asset growth while managing credit risk.
- Strategic Governance: The Government decision to transfer state-owned shares to BOC aims to resolve capital shortfalls and provide a stronger sovereign-backed safety net.

IMPORTANT INDICATORS

	2025	2024
Credit risk and Loan portfolio risk		
NPL ratio	22.4	22.98
Credit Concentration	13.2	13.5
Impairment coverage		
Portfolio margin	5.44	4.18
Liquidity Risk		
FD Concentration	11.00%	8.9%
Investments to total assets	41.20%	34.4%
Statutory liquid asset ratio	NA	
Liquidity coverage ratio	217.30%	223.2%
Interest rate and market risk		
FD Risk premium over AWPR		
Loans to FDs	83.00%	92.53%
Interest cost to interest income	61.90%	66.00%
Borrowing to total assets	5.40%	4.70%
Operational Risks		
Write off over NII %	4.94%	2.80%
Growth in the balance sheet	(2.80)%	(3.90)%
Profit per head (LKR)	(180,000)	(390,000)
Risk and solvency capital		
Excess over minimum capital (LKR)	421,920,000	494,230,000
Capital adequacy ratio	34.20%	35.46
Equity to total assets ratio	12.50%	12.2%
Risk weighted assets ratio	36.00%	34.8%

GOVERNANCE FRAMEWORK FOR RISK MANAGEMENT

The Board of Directors holds the ultimate accountability for the risk profile under the oversight of the senior management and specialised committees.

- The Key Management Personnel (senior management) is responsible for executing policy and ensuring compliance, managing routine operational risks.
- The Board Integrated Risk Management Committee (BIRMC) oversees the bank's complete risk strategy as mandated by the Banking Act Directions No. 11 and 12 of 2007. The committee convenes regularly, typically on a monthly basis, to assess risks and undertake necessary risk mitigation actions, as well as to update business continuity plans. Comprised of non-executive members, the committee provides regular reports to the Board of Directors.

THE THREE LINES OF DEFENCE

The Bank utilises this approach to ensure a structured and clear approach to risk management with clear boundaries between routine operations, oversight and assurance.

FIRST LINE OF DEFENCE
MANAGEMENT/OPERATIONS

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

SECOND LINE OF DEFENCE
RISK MANAGEMENT AND COMPLIANCE

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, such as risk management, technical and regulatory compliance, and safety. This aims to confirm the effectiveness of governance and compliance arrangements, and to identify and action improvements.

THIRD LINE OF DEFENCE
INTERNAL AUDIT

The 3rd Line of Defence involves independent assurance that evaluates the adequacy and effectiveness of both 1st Line and 2nd Line risk management approaches. This is undertaken by Internal Auditor, to independently confirm governance and compliance effectiveness, and to recommend improvements.

KEY PARTIES RESPONSIBLE FOR RISK MANAGEMENT

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC)

PRIMARY OBJECTIVES:

- Risk Mitigation: Conduct monthly assessments to identify and neutralise threats before they impact stability.
- Regulatory Alignment: Ensure all decisions comply with internal policies and Central Bank requirements for Licensed Specialised Banks (LSBs).
- Resilience: Build a framework capable of withstanding extreme risk events.

CORE FUNCTIONS:

- Assisting the Board in designing and evolving the Bank's Risk Management Framework.
- Implementing corrective actions to address vulnerabilities before they breach tolerance levels.
- Guaranteeing strict adherence to mandatory local regulations and internal risk mitigation protocols.

RISK APPETITE AND MONITORING

The Bank's boundaries for risk are defined by a Board-approved risk appetite framework, which establishes limits for each risk. Its oversight rests with the BIRMC, which ensured that monitoring limits are aligned with best practices and the Bank's corporate goals. Should any risk cross the tolerance limits, those will be reviewed by the Risk Department, followed by appropriate action.

RISK MANAGEMENT DEPARTMENT (RMD)

- The department is headed by the Chief Risk Officer (CRO), who assists the Board Risk Management Committee in fulfilling its risk responsibilities. The department provides further assistance in developing frameworks and policies, and monitors and reports on critical risk issues.
- They form the second line of defence and act as a monitoring unit, which oversees the daily risk management process, embedded within the Bank's Risk Management Framework. The risk management process, managed by the RMD, is seamlessly integrated into the Bank's internal control system.

RISK REGISTER

Falling under the purview of the Risk Department, the register serves as the primary repository for identifying and evaluating the Bank's core risk categories using assessment tools. Detailed reports taken from the register are submitted to the Senior management and the Board, providing a transparent overview of emerging challenges and mitigation strategies.

OTHER MANAGEMENT COMMITTEES OVERSEEING RESPECTIVE AREAS OF RISK MANAGEMENT

Committee	Oversight
Corporate Management Committee	The committee guides the Bank's overall business strategy and monitors its implementation to achieve strategic objectives within the risk management framework.
Asset and Liability Committee (ALCO)	Regularly manages assets and liabilities to ensure liquidity and regulatory compliance.
Credit Committee	Reviews loans for regulatory adherence and alignment with the Bank's lending policies and risk appetite, assessing borrower information and addressing delinquent loans.

Committee	Oversight
IT Steering Committee	Oversees cybersecurity risks and the implementation of relevant policies and projects.
IT Security Committee	Monitors and updates policies related to information security, evaluates awareness programs, and reports to the board annually.
Recovery Steering Committee	Prepares, tests, and updates the Bank's recovery plan, integrating it with the bank's strategy and risk management.
Marketing and Communication Committee	Provides guidance on effective marketing and communication strategies to meet the Bank's goals.

COMPLIANCE AND POLICIES

The Bank has adhered to several external regulations and internal policies when balancing its risk management between regulatory requisites and internal business and financial protocols.

COMPLIANCE

The Bank has conformed to the following regulations.

- Partial conformance to BASEL II requirements
- Full compliance with CBSL and ICAAP regulatory guidelines

The Bank also considers the following regulations when setting relevant risk management processes and priorities.

- Banking Act Direction No. 9 of 2021 Recovery Plans for Licensed Commercial
- Banking Act Direction No. 16 of 2021 Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks
- Banking Act Directions No.1 of 2016 Capital Requirements Under Basel III for Licensed Commercial Banks and Licensed Specialised Banks

RISK MANAGEMENT POLICIES

The Bank has in place targeted policies to address granular risk categories, which are updated to reflect the latest CBSL directions and industry regulations.

Credit	• Credit Risk Management Policy
	• Loan Review Mechanism Policy
Financial Risk	• Liquidity Risk Management Policy
	• Interest Rate Risk policy
Operational	• Operational Risk Management Policy
	• Stress Testing Policy

Policies reviewed during the year	Policies pending reviews
Loan Review Mechanism Policy	Internal Capital Adequacy Assessment Process
Business Recovery Plan	Stress Testing Policy
Risk Appetite Framework	Credit Risk Management
Integrated Risk Management Framework	Operational Risk Management
	Interest Rate Risk Management
	Liquidity Risk Management

STRESS TESTING

Stress testing serves as a tool to understand the level of resilience the Bank is capable of in an increasingly volatile macroeconomic and regulatory environment. It enables us to obtain critical insights into our resilience against market events by stimulating adverse economic conditions and can reveal hidden vulnerabilities to new scenarios, including new regulatory requirements and restraints that could impact business, capital, revenue and investments.

Component	Function & Importance
Vulnerability Assessment	Identifying how the bank reacts to "exceptional events" rather than just normal market conditions.
Strategic Interplay	Understanding the mathematical and operational relationship between capital, liquidity, and risk.
Governance	Ensuring oversight by the Board of Directors (BOD) to integrate results into actual decision-making.
Tail-End Mitigation	Developing specific mechanisms (contingency plans) to handle low-probability, high-impact risks.

MANAGING RELEVANT RISKS

The following is proactively managed by the Bank to ensure that our risk profile is managed and diligently handled at times of macroeconomic challenges and internal discrepancies.

1. STRATEGIC RISK

The Bank considers strategic risks to be those with high-level uncertainties that threaten the Bank's fundamental ability to achieve long-term objectives and execute its business model. These risks are driven by external shifts, such as evolving regulations, disruptive technologies and changing market behaviours, including customer preferences.

HDFC understands that if such exposures are left unmanaged, they can erode our bottom line. However, when addressed in a timely and mitigated manner through swift adaptations, we can also find opportunities within such risks for competitive differentiation and resilience.

PROACTIVE MITIGATION

To effectively navigate these risks, we look beyond daily operations and have focused on the broader environment. We address these through the following broad-based focus.

- Identifying potential shifts in the economy or industry before they become crises.
- Having the structural flexibility to pivot resources, as seen in the shift from core banking (housing) to diversified sub-products.
- Building buffers for financial capital and human capital to withstand periods of intense pressure.

ALIGNING RISK MANAGEMENT WITH THE BANK'S STRATEGIC DIRECTION

With the drawing up of a new strategic plan for the period 2026-2030, the Bank's Risk Management was aligned with the strategic focus through the following, across the year under review.

- Key risk indicators (KRIs) and early warning signals were embedded into management reporting to enable timely corrective actions.
- The Risk Appetite Statement was aligned with the Bank's strategic plan
- Stress testing and ICAAP outcomes were used to support strategic decisions
- Risk management practices were aligned with CBSL regulations and expectations

KEY HIGHLIGHT IN 2025

The Bank drafted a new strategic plan for 2026-2030, which looks at a robust financial plan, including improved profitability and financial parameters. It also focuses on the rapidly diverging and disruptive fintech opportunities, and has among its goals to accelerate important digital and other technological adoptions for agility and efficient cost structures.

2. CREDIT RISK MANAGEMENT

We identify credit risk as the potential for financial losses from the failure of borrowers or counterparties to meet business obligations. As a licensed specialised bank, we manage risk exposures aligned with low-to-middle income borrowers, and to mitigate such risks, we have in place a robust framework of controls that governs the entire credit lifecycle, from credit approval to financial disbursement and repayment management.

RELATED FUNCTIONS

- Pre Credit Risk Management
- Internal Credit Risk Rating for all loans exceeding LKR 1.5Mn
- Credit Risk Policies and delegation of authority, including the Review of Credit Risk Management Policies
- Staff training and knowledge-sharing sessions
- Centralisation of disbursements under the Credit Admin Division
- Post Credit Risk Managements
- Loan review mechanism
- Validation of risk rating models
- Risk appetite limit monitoring
- Reviewing of Watch List
- Implementation of risk-based pricing mechanism

AN INTEGRATED RISK FRAMEWORK

We have adopted an integrated approach to identify, assess, and limit credit-related risks. Central to this process is the Risk Officer, who holds the authority for final credit approvals. This role ensures that every approved credit facility is meticulously evaluated against the borrower's specific risk profile to maintain high asset quality.

CORE STRATEGIC PILLARS

The credit management strategy is driven by data-focused monitoring and rigorous due diligence:

- Monthly Risk Dashboard: The Risk Department maintains a comprehensive dashboard to monitor credit exposures. This tool allows for regular reviews and ensures that internal controls remain effective and responsive to market changes.
- Quantitative Credit Rating: Every borrower undergoes an internal rating process backed by extensive due diligence. We quantitatively assess creditworthiness to determine both the eligibility for disbursement and the appropriate interest rates to ensure sustainable repayment.
- Enhanced Evaluation Standards: We have strengthened our baseline Security Standards by implementing more rigorous due diligence checks. This includes a heightened focus on securing high-quality collateral and deploying proactive restructuring strategies for loans at risk of default.

CREDIT SANCTIONS AND THRESHOLDS

Pre Sanction	Credit risk rating conducted for credit facilities above LKR 1.5 Mn
Sanction	Centralised disbursal approval process
Post sanction	Loan review process and centralised loan settlement approval process

CREDIT APPROVAL LEVELS

The Bank has established clear personnel limits and levels at various stages of the credit approval process.

- Credit requests that exceed predefined limits set by the Credit Committee must obtain Board approval.
- The Bank has adopted a significant credit threshold of LKR 100 Mn, which is subject to periodic reviews.

TWO-WAY RISK RATING MODEL

The rating model is based on 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.

MANAGING COLLATERALS

The Bank undertakes effective collateral valuation and management to mitigate credit risks and ensure asset quality. The Bank adheres to the following guidelines.

- Internal valuation: Loans secured by collateral valued at less than 0.1% of the Bank's Tier I equity capital are assessed by internal valuation officers.
- External valuation: For properties exceeding 0.1% of the Bank's Tier I equity capital, valuations are conducted by external valuation experts.

CENTRALISED DISBURSEMENT

The Credit Administration Division oversees all disbursements to ensure proper allocation of funds to borrowers, to ensure that no misallocation occurs, and all funds are utilised strictly in accordance with approved loan purposes. This upholds financial discipline and minimises the risk of non-performing loans. The centralised disbursement approach also ensures accountability.

VISUALISING OUR CREDIT RISK

- Asset quality – impaired loan ratio – line graph
- Stacked bar chart to show EPF loans and other retail loans
- Loan to deposit ratio

Highlights

Reflecting our commitment to risk-averse growth, the total loan portfolio decreased compared to 2024. This shift is a direct result of strategic restrictions placed on new loan grants to prioritise stability over aggressive expansion. As at 31 December 2025, the Bank's loan portfolio decreased to LKR 37.52 Bn from LKR 43.22 Bn as at 31 December 2024. Concurrently, the impairment ratio worsened from 22.98% to 27.28%.

The Budgetary Loan Collection ratio, which indicates how much of the scheduled loan repayments we managed to gather against the budgeted amount, stood at 50%, which was within the risk appetite. Moreover,

Important ratios	Threshold	2025	2024
NPL ratio (excluding EPF)	20.0%	22.4	20.9%
Watch plus ratio (excluding EPF)			
Guarantor loan's credit concentration	20.0%	13.2	19.40%
Impairment coverage	30.0%		34.30%
Write-off ratio	10.0%	4.9	2.8
Budgetary Loan Collection Ratio	50%	Within Appetite	

Measures taken to minimise the impact of non-performing loans

- Proactive recovery actions
- Continuous monitoring of loan portfolios
- Maintenance of adequate impairment provisions
- Enhanced credit appraisal standards

Written off over NII (%)	10.00%	Within appetite
Budgetary Loan Collection Ratio	50%	Within appetite

CREDIT REVIEW PROCESS

The Bank maintains a multi-layered and rigorous approach to reviewing credit aligned with lending activities, regulatory standards and internal policies. Reviews are done in two primary streams:

- Annual Reviews: Each credit exposure undergoes a specific risk-based annual review. This includes a comprehensive examination of corporate financial statements, on-site evaluations, and a thorough assessment of covenant compliance. Exemptions from this process require approval from designated authorities.
- Ad-hoc and Significant Loan Reviews: The Bank performs targeted reviews for significant loan amounts within three months of approval or immediately upon any indication of declining credit quality. These reviews evaluate the effectiveness of credit sanctions and monitor portfolio deterioration.

INDEPENDENT OVERSIGHT

Ensuring an unbiased evaluation, loan reviews are conducted by specialised officers with extensive technical expertise in credit facilities in line with bank policies and also regulatory requirements. To ensure an unbiased evaluation, loan reviews are conducted by specialised officers who are strictly excluded from the credit approval process and are free from undue influence by those associated with the initial loan review or approval.

CRITICAL REVIEW PARAMETERS

The review process is approached using a holistic focus on the following areas:

- Asset Quality: Credit quality trends and the accuracy/timeliness of assigned credit grades.
- Documentation and Legal: Sufficiency of collateral documentation and proper lien.
- Compliance: Compliance with internal procedures, loan covenants, and Central Bank of Sri Lanka regulations.
- Portfolio Management: Portfolio quality and recommendations for improving portfolio quality.

REPORTING AND REMEDIATION

Post-review findings are discussed with the branch and senior management before being submitted to the Board Integrated Risk Management Committee (BIRMC). If significant concerns are not addressed promptly, the issue is escalated to top management for immediate corrective action.

COLLECTIONS AND RECOVERIES

The Bank has in place a phased and ethical approach to secure repayments and manage defaulted accounts:

- Initial Engagement: Issuance of formal reminder letters and non-coercive personal calls to encourage repayment.
- Loan Rescheduling: For customers facing severe financial hardship, the Bank offers restructuring and rescheduling options to facilitate repayment and minimise the risk of total default.
- Recovery through Parate Action: In cases of continued default, the Bank may initiate recovery proceedings under the applicable Parate Law, enabling the Bank to enforce its security by taking possession and selling the mortgaged property without court intervention, in accordance with legal provisions and due process.

3. CAPITAL RISK MANAGEMENT

The Bank recognises that maintaining adequate capital buffers is essential for the Bank's stability and serves as a critical safeguard for depositors and creditors, providing necessary financial security and ensuring operational stability as well as future growth. Moreover, a robust capital level safeguards shareholder financial investments and adds a layer of protection to cushion investments against adverse economic scenarios.

RELATED FUNCTIONS

- 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

Under the Banking Act Directions No. 11 of 2019, revised BASEL III-based guidelines on capital requirements compel licensed specialised banks to uphold a regulatory minimum of 12.50%. This comprises a 7% Common Equity Tier 1 (CET1), including the capital conservation buffer, and a total Tier 1 capital, with the capital conservation buffer, amounting to 8.50%.

ENHANCED CAPITAL MANAGEMENT

In 2025, we approached capital management through a strong focus driven by regulatory requirements and as a primary pillar of ensuring financial stability.

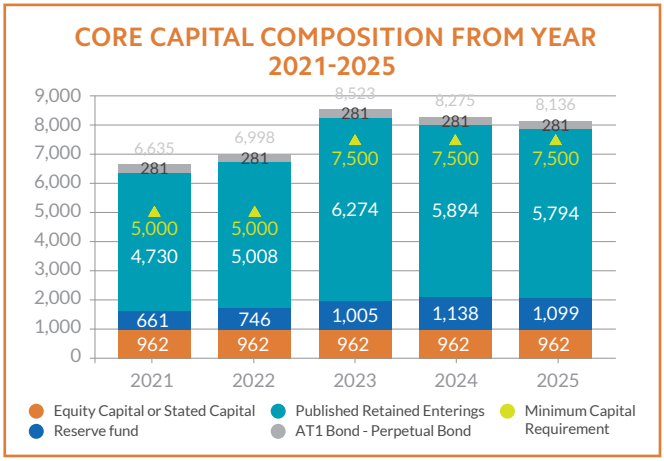
- Regulatory Compliance: The Bank successfully maintained the minimum capital requirement of LKR 7.5 Bn, which was met within the 2023 deadline.
- Capital Ratios: The Capital Adequacy Ratio (CAR) stood at 35.10% by the end of 2025, significantly exceeding minimum regulatory thresholds.
- Basel III Integration: Internal capital assessment processes were strictly maintained in line with Basel III standards.
- Sustainable Growth: Capital buffers were further strengthened through robust internal capital generation and the strategic optimisation of risk-weighted assets (RWA) in response to evolving market conditions.

Highlights

The Bank ensured adequate capital buffers through continuous monitoring of the Capital Adequacy Ratio (CAR), which remained significantly above the minimum regulatory requirement of 12.5%. Capital planning was supported through the ICAAP, regular stress testing, and the Risk Appetite Framework, with ongoing oversight by the Board and the Board Integrated Risk Management Committee (BIRMC).

Metric	Performance / Status
Capital Adequacy Ratio (CAR)	34.20% (Well above regulatory minimum of 12.5%)
Minimum Capital Target	LKR 7.5 Bn (Achieved by end-2023) LKR 7.5Bn (by the end of the FY 2025)
Framework	Basel III Compliant
Primary Strategy	Internal capital generation & RWA adjustment

	Unit	2025	2024	2023
Common Equity Tier 1 Capital Ratio	%	32.08%	32.53%	35.84%
Common Equity Tier 1 Capital Ratio LKR Mn	LKR Mn	6,879	7,142	7,577
Tier 1 Capital	%	32.08%	32.53%	35.84%
Tier 1 capital LKR Mn	LKR Mn	7,129	7,392	7,828
Total capital	%	34.20	34.65%	39.03%
Total capital LKR Mn	LKR Mn	7,333	7,608	8,253



4. MARKET RISK

Market risk represents any potential financial losses from various unexpected moderate-to high impact unexpected occurrences, such as a global, local or industry event that could impact market prices of commodities, foreign exchange rates, interest rates and credit spreads.

Given the sporadic and often frequent occurrences of local and global events, establishing clear patterns has become highly challenging; therefore, the Bank continues to navigate such external events as best as possible through monitoring and analysis to understand the effects of market risks on our financial performance and impact on capital levels.

The Asset-Liability Committee (ALCO) prudently maintained oversight of our market and interest rate exposures across the FY 2025.

RELATED FUNCTIONS

- Review and update Liquidity and Market Risk Management Policies
- Reports on liquidity and treasury market risk analysis
- Middle office function
- Reviewing recommendations by ALCO
- Liquidity risk monitoring on BASEL III requirements

ASSET EXPOSURE AND SOLVENCY

Market risks directly impact our solvency through asset exposures; therefore, the Bank's ongoing solvency is secured through the proactive oversight of financial assets exposed to market shifts. These include non-trading portfolios such as:

- Cash and cash equivalents.
- Placements with other financial institutions.
- Loans and advances (at amortised cost).
- Debt instruments and various other assets.

INTEREST RATE RISK

Interest rate risk is a subset within the broader market risk profile, affecting specialised banks and non-specialised banks. This risk is associated with addressing any threats to our Net Interest Income (NII) from volatile rate movements.

Mitigation Strategies

- Sensitivity Analysis: Regularly testing financial assets and liabilities against various interest rate scenarios.
- Peer Benchmarking: Quarterly reviews of Peer Group analysis to recalibrate investment strategies.
- Portfolio Rebalancing: Adjusting the mix of loans and deposits to align with current market conditions.
- Strategic Shifting: Moving investments into more resilient, short-term instruments during periods of high volatility.

Indicators	Threshold	2025	2024
Interest Sensitive Ratio (ISR)	40%	111%	113%
Interest cost to interest income (%)	70%	61.9%	66.0%

Monetary Policy Rates in 2025

At the beginning of the year, the lending rate (AWPR) stood at 8.66%, and by year-end it had increased to 8.87%, reflecting a change of 21 basis points. Accordingly, the movement in lending rates did not have a significant impact on the loan portfolio.

Timeline	Policy Action (CBSL)	Context
January 2025	Maintained at 8.00%	To balance ongoing economic recovery and guide inflation towards the 5% target in the medium term
March 2025	Steady Stance	To balance ongoing economic recovery and manage inflationary pressures

Timeline	Policy Action (CBSL)	Context
May 2025	Reduced to 7.75%	To further ease policy stance, support economic recovery and steer towards the 5% target.
July / Sept 2025	Maintained at 7.75%	Balance economic recovery and gradually return to positive inflation
November 2025	Maintained at 7.75%	Balance economic recovery and reach the 5% target in the medium term

8.31% by year-end, reflecting a decrease of 66 basis points. During the same period, the Treasury bill rate decreased from 8.47% to 8.19%, a reduction of 28 basis points. Accordingly, the movement in fixed deposit and investment rates did not have a significant impact on the Bank's deposit and investment portfolios.

The following provides the policy actions and rates maintained by the Central Bank of Sri Lanka, which influences Market Risk exposure faced by the bank.

5. LIQUIDITY RISK

Liquidity risks occur from an inability to meet short-term financial obligations. Insufficient funds, lack of capital and few diversified funding sources are typically factors affecting liquidity risk. Therefore, to ensure financial stability and protect creditors, we closely monitor our liquidity metrics and financial position regularly.

Stress testing is one such method of proactively managing liquidity risk, with assessments undertaken to evaluate the Bank's resilience under various adverse conditions. Moreover, several critical assessments and alignments are fulfilled to ensure adequate sources of funding to meet short-term obligations.

Prudently, we maintain a diversified funding base of customer deposits, market borrowings, and contingency facilities with our asset portfolio structured to be highly liquid, spanning multiple maturities. Liquid assets include cash, cash equivalents, short-term deposits, and liquid debt securities, all of which are readily available to meet short-term funding needs. Furthermore, the Bank's non-derivative financial liabilities are aligned with their contractual maturities, ensuring a balanced liquidity profile.

To ensure structural stability, the bank utilises several analytical tools:

- Maturity Gap Analysis: A Maturity Gap Analysis was conducted in 2025 to monitor timing mismatches between assets and liabilities.
- Regularly Monitored Ratios: The bank consistently analyses the CASA (Current Account Savings Account) ratio, LCR, and NSFR (Net Stable Funding Ratio).
- Statutory Requirements: We monitor liquidity ratios, assess maturity mismatches and identify, which cannot be pledged as collateral, according to BASEL III liquidity requirements.
- Cash flow forecasts: Conducted periodically

Across 2025, the bank maintained a proactive stance on risk oversight. We conducted the following.

- Policy Reviews: The bank conducted reviews of its Liquidity and Market Risk Management policies during 2025.
- Policy Updates: No significant changes or updates were made to these policies following the 2025 review.
- Stress Testing: Interest rate risk stress tests were conducted during the year.
- Exposure: The bank reported no re-pricing-based exposures or commodity-related price risks in 2025.

The Bank conducted several steps to ensure financial stability through compliance with regulatory liquidity ratios.

- Liquidity Stress Tests: Simulated scenarios to assess the bank's ability to meet financial obligations during challenging times.
- Middle Office Function: Monitored and managed risks to ensure compliance and smooth operations.
- Operational and Monthly Risk Dashboards: Provided insights into operational and overall risks, enabling proactive management.
- Short-Term Funding Arrangements: Explored strategies to secure additional funding quickly if required.
- The Bank maintained a diversified funding base and increased liquid assets in response to market volatility, ensuring sufficient liquidity under stressed conditions.

ASSET-LIABILITY MANAGEMENT

	Less than 3 months	3-12 months	1-3 years	3-5 years	Above 5 years
Total non-derivative liabilities (LKR Mn)	15,577	15,100	8,415	5,833	10,978

The 217% Liquidity Coverage Ratio is particularly robust, which indicates that the bank holds a significant buffer of high-quality liquid assets to survive a stressed 30-day funding scenario.

Metric	Threshold	2025	2024
Liquidity and regulatory ratios			
Statutory liquid asset ratio			
Liquidity Coverage Ratio (LCR)	100%	217%	223%
Net Stable Funding Ratio (NSFR)	100%	107%	128%
Loan and deposit structure			
Net Loans to Deposits Ratio	70%	74%	77%
Fixed Deposits to Loan Ratio			
FD Concentration (by tenor			
CASA ratio	20%	19%	17%
Asset composition			

Metric	Threshold	2025	2024
Investments to Total Assets Ratio	30%	41.20%	34%
Borrowing to Total Assets	20%	5.4%	4.7%
Capital adequacy			
Equity to total assets ratio	5%	12.5%	12.2%

6. OPERATIONAL RISKS

Operational risks have the potential to cause operational disruptions. These can result from negative internal and external scenarios and can stem from human error, tech disruptions, systemic failures, infrastructure vulnerabilities and inability to comply with regulatory shifts.

To maintain an undiluted focus on various functions that carry operational risk, we focus on three primary areas.

7.1 PEOPLE RISK

Exposure to risks arising from human factors, including errors, omissions, fraud, gaps in knowledge and basic human fallacies in judgement, perception and behaviours

7.2 IT RISK

Risks related to digital and technological systems, data breaches, hardware failures and infrastructure weaknesses that could compromise the integrity, availability and reliability of services.

7.3 LEGAL AND COMPLIANCE RISK

Threats from the external environment, including statutory requirements, legislation changes and non-compliances with regulations - leading to litigation of penalties.

Progress in 2025

Risk indicators/parameters	Threshold	Remarks
Staff turnover rate	10.00%	Within tolerance
Credit Client Turnover	15.00%	Within tolerance
Growth in Balance Sheet	10.00%	Beyond tolerance
Profits per Head (LKR Mn)	1 Mn	Beyond tolerance
Written off over NII (%)	10.00%	Within appetite

MANAGING OPERATIONAL RISKS

The aggressiveness of the Ditwah cyclone caused widespread but temporary closures of businesses. Its impact was also felt across our island-wide branch network, with operations being impacted temporarily. However, the Bank continued to fully operate in areas with the least rainfall and flood-related impacts. Additionally, the following developments took place across the year under review.

Category	Details / Outcomes
BCP Exercises (2025)	Senior management and key staff participated. Staff continued operations from alternate branches and via remote access during and after the DITWAH cyclone, in line with the Business Continuity Plan.
Disaster Recovery Drills	A fire drill was conducted by the BCP team with the support of the Fire Brigade and the Sri Lanka Police.
Operational Risk (RWA)	The Bank used the Basic Indicator Approach. RWA for operational risk was calculated at 5,106,952,000.
Loss Tolerance Limits	Monitored via staff turnover rate, written-off over NII (%), credit client turnover, growth in balance sheet, and profits per head
Operational Losses	Total operational losses of LKR 80.70 Mn were recorded by the end of 2025.

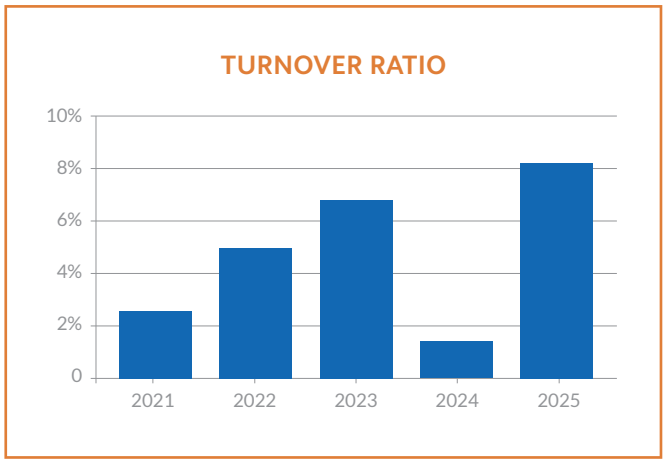
6.1 MANAGING PEOPLE RISKS

Mitigating people risks is ensured with oversight from the Human Resource and Remuneration Committee, which provides strategic recommendations to enhance workforce strength, and identify opportunities for improvement.

- Talent Acquisition: Focus on attracting and retaining highly qualified, experienced professionals across banking and specialised functional disciplines.
- Leadership Pipeline: Robust succession planning and comprehensive trainee programs to cultivate the Bank's future leadership. Moreover, the succession policy identifies roles that are pivotal for the Bank and has established a framework for talent development, anticipating future changes in leadership.

- Competency Development: Continuous training and development initiatives to bridge gaps in technical banking knowledge, compliance, risk management, and product expertise.
- Standards of Conduct: Code of conduct and internal policies, including HRM policies that ensure a fair work environment with unity and respect. These ensure employee compliance with internal procedures.
- Employee Management: A positive work environment is maintained through a comprehensive people management strategy in line with Bank policies and best practices in employee management. The Bank provided employees equal access to training and education, apart from financial and non-financial incentives, including loans, membership reimbursements and honorariums.

This also includes Performance Recognition, which entails targeted programs that reward and recognise exceptional performance, driving employee engagement and professional advancement. Our efforts are reflected in a remarkably low employee turnover rate of 6.81%.



	2021	2022	2023	2024	2025
Turnover	2.57%	4.98%	6.81%	1.41%	8.2%

6.2 MANAGING IT RISKS

With our internal workflows, functions and services shifting to digital and IT solutions, we face heightened posisbilities of exposure to cyber threats and technology-related disruptions, such as equipment malfunctions that threaten operational continuity. Data loss, fraud, identity theft and unauthorised access to information can cause severe reputational damage as well. Moreover, the failure to adapt to emerging technologies and make timely implementations can thwart growth and inhibit operational scalability.

Risk Mitigation & Governance

We follow the following measures to minimise exposure to IT risks and prevent vulnerabilities beyond exposures.

- Regulatory compliance: We continue to integrate the baseline security standards of the Central Bank of Sri Lanka (CBSL) recommendations
- Audit and Review: The IT Division conducts regular infrastructure audits and monthly internal reviews to ensure system integrity.
- Network Security: We deploy secure remote connectivity, frequent firewall updates, and the installation of the latest security software.
- Proactive Oversight: The IT Steering Committee monitors the department's progress against security guidelines.

No major risk events occurred during the FY 2025, and all required reporting was submitted to the Sri Lanka Financial Sector Computer Security Incident Response Team (FinCSIRT).

Focus Area	Key Measures
Addressing system vulnerabilities	Access controls, user privilege management, and system logging were enhanced to prevent unauthorised access.
	Continuous system monitoring and defined incident response procedures enabled the timely detection and resolution of system issues.
	System security practices were aligned with CBSL ICT risk management and cybersecurity guidelines
	Regular data backups, disaster recovery testing, and business continuity planning ensured system resilience
Protection against cybersecurity	Strong password policies, multi-factor authentication, and role-based access controls are enforced to prevent unauthorised access.
	Robust backup procedures and disaster recovery plans ensure system availability during cyber incidents.
	Regular cybersecurity awareness programmes are conducted to reduce phishing, social engineering, and human-related risks.
	Audits and penetration tests are done at least annually
	Implemented CBSL-mandated security upgrades for the JustPay system.
Security of sensitive financial data	Through strong access controls, encryption, and segregation of duties
	Data classification practices, continuous monitoring, regular security assessments, staff awareness programmes
	Compliance with CBSL regulatory requirements.

Focus Area	Key Measures
Data protection	The Bank has established comprehensive data protection and information security policies to ensure compliance with applicable data protection regulations and regulatory guidelines. These include the Data Protection Policy, Information Security Policy, Cyber Security Policy, Data Privacy Policy, Data Classification Policy, and Access Control Policy.
	Policy revision has been done to align the Bank's security posture with industry standards
	Updated policies to meet GDPR-like standards
Staff training	Structured staff training and awareness programmes on cyber security best practices. These programmes covered key areas such as information security awareness, data protection and privacy, password management, phishing and social engineering risks, secure use of email and internet, and incident reporting procedures.

6.3 LEGAL AND COMPLIANCE RISK

The Bank continuously works towards mitigating exposure to financial loss and regulatory non-compliance. During the year, we faced the legal risk of claiming a total amount of LKR 6.2 Bn through court proceedings, which represents 62% of the total outstanding on Ex EPF non-performing loans (NPLs).

During the year, we complied with all regulatory requirements.

Legal and Compliance Focus

- Asset Recovery: Active management of 2024 court proceedings to recover outstanding loan obligations.
- Regulatory Alignment: Continuous updates to monitoring systems to ensure compliance with local laws and the Prevention of Money Laundering Act No. 5 of 2006.
- Audit & Oversight: Participation in regulatory consultations and the execution of regular internal/external audits to stay ahead of legislative changes.

7. REPUTATIONAL RISK

To safeguard and enhance public trust, we have adopted the following approaches.

- Adherence to ethical standards: All operations are guided by strong ethical principles and compliance with regulatory frameworks.
- Timely disclosure of accurate information: Timely communication ensures stakeholders and regulatory authorities receive reliable and up-to-date information.
- (CSR) activities
- Engage in sustainable financing activities: Support projects that promote environmental stewardship and economic resilience.

The Bank proactively identified potential risks to its reputation and implemented proper controls.

Threat	Preventive / Control Actions
Fraud incidents	Regular monitoring, internal audits, and staff awareness programs to strengthen vigilance.
Customer complaints	Effective complaint handling mechanisms to ensure timely resolution and improved customer trust.
Cyber risks	Enhanced cybersecurity measures, continuous monitoring, and investment in advanced technologies.
Service disruptions	Comprehensive business continuity planning to maintain uninterrupted service delivery.

STRATEGIC RISK OUTLOOK FOR THE FY 2026

The primary goal of the next financial year is to continuously address the long-standing concerns flagged by the Central Bank of Sri Lanka – remedying the capital and regulatory risks that dominated 2025.

Our focus will fall strongly on managing capital risks and liquidity risks, while proactively monitoring and handling market risks, which could impact both capital and liquidity exposures. Moreover, adequate diversification of funding sources, including short-term revenue generating lending products, will also be aggressively pursued to ensure that the Bank's short-term asset-liability challenges are resolved.

The Report of the Directors

The Board of Directors of HDFC Bank ("Housing Development Finance Corporation Bank of Sri Lanka), while facing significant challenges present the Annual Report 2025 to the shareholders, together with the audited financial statements for Financial Year 2025 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 was under the Ministry of Housing and Construction until 10th December 2019 and thereafter it was attached to the Ministry of Finance, Economy and Policy Development.
- As stated, the ANNUAL REPORT covers the financial year 2025 (01st January 2025 to 31st December 2025) 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 engage 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 5 of the Annual report.
- The GM/CEO's review pages 41 to 43 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 2025 and operational results are given in Income Statement from pages 220 to 221These 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 its amendments, and policy decisions of the Government for the development of core business activities of the Bank. Further information is included in the 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 2025 forms an integral part of the Annual Report of the Board of Directors.

  Financial Statements of the Bank are given on pages 220 to 290 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 220 to 290 of the Annual Report. The impact of changes in equity is given on pages 223 to 224 of the Annual Report.

07. AUDITORS' REPORT

- The Auditor General of Sri Lanka, is the external 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 213 to 219 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 2025 was LKR 7,730 Mn. An analysis of the income is given in Notes 4 to 9 of 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 2025 was LKR 329 Mn. and the profit after tax for the year ended 31st December 2025 was LKR 93 Mn.

For the year ended 31st December	2024 LKR Mn.	2025 LKR Mn.
VAT, DRL & NBT on financial services	298	319
Provision for taxation	254	103
Profit on ordinary activities after tax	(191)	(93)
Retained profit /(accumulated losses) b/f	6,056	5,866
Profit available for appropriation	(191)	(93)
Appropriation First & Final Dividend proposed	-	-
Transfer to Reserve Funds	-	-
Retained Profit carried forward	5,866	5,773

11. RESERVES

- The total Reserves as at 31st December 2025, is LKR 6,591 Mn. The details are given in the statement of Financial Position, on notes 46 to 48 of the Financial Statement.

12. STATUTORY PAYMENTS

- The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.

13. PROVISION FOR TAXATION

- Income tax for 2025 has been provided at 30% on the taxable income arising from the operations of the Bank and has been disclosed in Note 13 to the Financial Statements on pages 240 to 241 of this Annual Report.

14. DIVIDEND

Dividends will not be proposed for the financial year 2025, in considering the strength and capital of the bank.

15. PROPERTY, PLANT AND EQUIPMENT, FREEHOLD PROPERTY

- Capital expenditure on property, plant and equipment amounts to LKR 193 Mn., the details of which are given in Note 26 & 27 of the Financial Statements on pages 251 to 254

16. MARKET VALUE OF FREEHOLD PROPERTIES

- Details of the market value of freehold properties are given on Note 26B of the Financial Statements on page 252.

17. EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

- There have been no material events occurred 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 2025 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 292 to 294 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 44 to 51 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 31/12/2025	Resignations during the review period 31/12/2025	Retirement during the review period 31/12/2025
01.	Mr. P. A. Lionel (Director)	-	-	31/01/2025
02.	Mr. H. K. K. A. Jayasundara (Director)	-	21/03/2025	-
03.	Mr. W. N. I. C. Fernando (Director)	-	23/06/2025	-
04.	Mr. W. M. Ananda (Director)	-	-	10/08/2025
05.	Mr. P. J. Jayasinghe (Chairman)	-	-	30/11/2025
06.	Mr. A. N. Hapugala (Director)	31/01/2025	-	-
07.	Mr. J. M. P. S. Kaushallya (Director)	23/06/2025	-	-
08.	Dr. P. A. Krishantha (Director) - reappoint	23/06/2025	-	-
09.	Mrs. K. K. Gayani Premathilake (Director)	18/07/2025	-	-
10.	Mrs. S. S. Shiroma Nandani (Director)	03/11/2025		
11.	Mr. J. K.A. Sirinatha (Director)	21/11/2025		

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 formed and the membership, duties, responsibilities and performance of the above Sub Committees are given on pages 194 to 204 of the Annual Report.

23. DIRECTORS MEETINGS

- Please refer the section on Board and Board Sub Committee attendance at meetings, on pages 110 to 113

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 210 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 pages 44 to 51 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 have an interest.
- The Directors disclosed their interest (if any) to ensure that they would refrain from discussion / voting on issues they have an interest.

26. DIRECTORS' INTEREST IN SHAREHOLDING

- Directors' shareholdings are as follows:

	31/12/2025	01/01/2025
Dr. P.A. Krishantha (Director)	1,000	1,000
Mr. K. B. Wijeyaratne (Director)	2,000	2,000
Mr. A. N. Hapugala (Director)	Nil	-
Mr. J. M. P. S. Kaushallya (Director)	1,100	-
Mrs. K. K. Gayani Premathilake (Director)	Nil	-
Mrs. S. S. Shiroma Nandani (Director)	Nil	-
Mr. J. K. A. Sirinatha (Director)	Nil	-
Total	4,100	3,000

27. DIRECTORS' INTERESTS IN DEBENTURES

- Individual debenture holding of Directors were as follows:

As at December 31, 2025	No. of Debentures	Value (LKR)
Mr. A. N. Hapugala (Director)	Nil	Nil
Mr. K. B. Wijeyaratne (Director)	Nil	Nil
Dr. P.A. Krishantha (Director)	Nil	Nil
Mr. J. M. P. S. Kaushallya (Director)	Nil	Nil
Mrs. K. K. Gayani Premathilake (Director)	Nil	Nil
Mrs. S. S. Shiroma Nandani (Director)	Nil	Nil
Mr. J. K. A. Sirinatha (Director)	Nil	Nil
Total	Nil	Nil

28. RELATED PARTY TRANSACTIONS

- Board wish to declare that, Bank during the period under review, complied with the Listing Rules of the Colombo Stock Exchange and Directions Issued by Central Bank of Sri Lanka ("CBSL") on Related Party Transactions. Details of significant related party transactions are given in page 287 of the Annual Report;

29. DIRECTORS' REMUNERATION

- Directors' remuneration, for the financial year ended 31st December 2025 is given on Note 12b to the financial statement on page 239.

30. ENVIRONMENTAL PROTECTION

- The Bank has complied with the relevant environmental laws and regulations to the best knowledge of the Board. The Bank has not engaged in any activity that is harmful or hazardous to the environment.

31. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

- During the period under review, Bank's Risk Department and Board Integrated Risk Management Committee (BIRMC) and the Board took relevant initiatives pertinent to the area of Risk Management. Please refer Risk Assessment Report on pages 175 to 185.
- Further, during the period under review, the Board Audit Committee (BAC) reviewed the internal control process on a regular basis. Both the BIRMC and BAC and directly submit committee minutes to the Board.
- Please refer the Board Audit Committee Report on pages 203 to 204 and Independent Auditors Report on pages 192 to 193 on Internal Controls.

32. CORPORATE GOVERNANCE

- Please refer Corporate Governance report given on pages 118 to 156 as required by Corporate Governance Directions for Licensed specialized Banks, issued by the Central Bank of Sri Lanka along with the findings of the "Factual Findings Reports" of auditors issued under 4,400 (SLSRS).

33. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

- The Bank's Compliance Officer directly reports the compliance status of the Bank pertaining to governing laws to the BIRMC and the Board. 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. 7 of 1997 (and all it's amendments), Banking Act No. 30 of 1988, directions and determinations issued by the Central Bank of Sri Lanka under the Banking Act, 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. 06 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 LKR 3.5 Mn for the year ended 31st of December, 2025 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

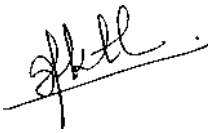
- The composition of the Audit Committee and their report is given on pages 203 to 204 of this Annual Report.

37. NOTICE OF MEETING

The Forty-first (41st) Annual General Meeting of the Housing Development Finance Corporation Bank of Sri Lanka ("HDFC Bank") will be held on Friday, Twenty-Six (26th) day of June 2026 at 10.00 a.m at the Sri Lanka Foundation (Auditorium New Wing), No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07.

The Notice of the Meeting given on page 298 of the Annual Report.

Signed in accordance with a resolution of the Board of Directors



H. M. S. B. Karunarathna
Acting Company Secretory

26 May 2026

Directors' Statement on Internal Control over Financial Reporting-2025

RESPONSIBILITY

The Board of Directors present this Statement on Internal Control over Financial Reporting of Housing Development Finance Corporation Bank of Sri Lanka (HDFC) ('the Bank') in accordance with Section 9.2 (b) of Banking Act Direction No 05 of 2024.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the internal controls mechanism in place at 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 highlight 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, regarding the reliability of Financial Reporting, and the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank. The process also includes enhancing the system of internal controls over financial reporting to cater for changes in the business environment or regulatory guidelines. The process is regularly reviewed by the Board and 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 in place 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 by identifying and assessing the risks faced and designing, operation and monitoring of suitable internal controls to mitigate and control these risks.

KEY INTERNAL CONTROL PROCESSES

The Key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Board Sub Committees are established by the Board to assist the Board in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and the business directions that have been approved. The board sub-committees are:
  - » Board Audit Committee
  - » Board Integrated Risk Management Committee
  - » Board Nomination and Governance Committee
  - » Board HR and Remuneration Committee
  - » Board Related Party Transactions Review Committee
- Internal Audit department of the bank verify the compliance with policies and procedures and the effectiveness of internal control systems on an ongoing basis during their course of audits. Audits are carried out on all branches and departments including Information System audits and finance audits driven by the risk based annual audit plan approved by the Board Audit Committee. The Board Audit Committee reviews the findings of the internal audit assignments. The Committee also reviews the scope and the adequacy of coverage of the approved audit plan and proposes necessary improvements thereto. Also detailed discussions on any unsatisfactory audits, reviewing the action plans to address these areas and the implementation status are done with the view of improving all affairs of the bank.
- The Board Audit Committee of the Bank also reviews internal control issues identified by the External Auditor, Regulatory Authorities, Board Sub Committees and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The Committee also reviews the internal audit functions with particular emphasis on risk assessment, and quality of internal audits. The minutes of the Board Audit Committee meetings are tabled at the meetings of the Board of Directors of the Bank on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the 'Board Audit Committee Report' on page 203 to 204 of this Annual Report.
- In assessing the effectiveness of internal control system over financial reporting, the Board of Directors are responsible to ensure that all procedures and controls that are connected with significant accounting and disclosures requirements are complied with. These in turn are subject to oversight review by the Internal Audit Department and the Risk Department for continuity of design and effectiveness on an ongoing basis. The comments/ recommendations made by the External Auditors in connection with the internal control system over financial reporting during the year will be taken into consideration to further strengthen the internal control system over financial reporting process.
- In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will take place pertaining to impairment of loans and advances and financial statement disclosures related to risk management.
- The Board took necessary steps to implement requirements of the Sri Lanka Accounting Standard-SLFRS 9 (Financial Instruments) in 2018. The Board will continuously strengthen the processes and controls around management information systems and reports required for effective management, validation and compliance in line with Accounting Standards.

- The Board is of the view that the system of internal controls over financial reporting is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

CONFIRMATION

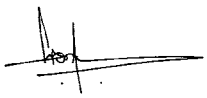
Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.



Chief Internal Auditor



Chief Financial Officer



General Manager / CEO

BY ORDER OF THE BOARD,



K. B. Wijeyaratne
Chairman
Board Audit Committee



J. M. P. S. Kaushallya
Director

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. BAN/C/HDFC/2025/IC/01 ඔබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 29 April 2026

The Chairman

Housing Development Finance Corporation Bank of Sri Lanka

Independent Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control over Financial Reporting of Housing Development Finance Corporation Bank of Sri Lanka.

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting included in the Director's Statement on Internal Control ("the Statement") of Housing Development Finance Corporation Bank of Sri Lanka (the "Bank") included in the annual report for the year ended 31 December 2025.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the Section 9.2(b) of the Banking Act Direction No 5 of 2024 on Corporate Governance for Licensed Banks.

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 Bank.

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 requires that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control over Financial Reporting.

For purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

Summary of Work Performed

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

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

SLSAE 3050 (Revised) does not require me to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on my judgement, having regard to my understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

L.S.I.Jayaratna
Auditor General

Board Human Resources & Remmuneration Committee

The Board Human Resources and Remuneration Committee of the Housing Development Finance Corporation Bank (HDFC Bank) comply with Section 6.3 of Banking Act Direction No 05 of 2024 on Corporate Governance, Colombo Stock Exchange Listing Rules 9.12 and B.2 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka. The Terms of References (TOR) of the Committee lists out the composition and the scope of work of the Committee in line with regulatory guideline aforementioned.

The primary purpose of the Board Human Resources and Remuneration Committee (the "Committee") of HDFC Bank of Sri Lanka (the Bank) is to determine the framework on establishing a Remuneration Policy and other key policies related to Human Resources Management and Development. The Committee sets goals and targets for GM /CEO and the Key Management personal, evaluate the performance of GM/CEO and the Key Management Personal, determines the designation and/or title as per the Board approved cadre and organizational structure.

COMPOSITION

The Board of Directors of the HDFC Bank appoints the members of the Committee. The Committee comprised of the following Non-Executive Directors as at 31 December 2025.

Name	Directorship status	Membership Status
Dr. P.A. Krishantha - Appointed to committee Chairman 29.01.2025)	Non Executive ,Independent	Chairman
Mr. A.N. Hapugala - (Appointed to committee on 20.03.2025)	Non Executive ,Independent	Director
Mrs. K.K.G. Prematihilake - (Appointed to committee on 11.08.2025)	Non Executive , Non-Independent	Director
Mrs. S.S.S. Nandani - (Appointed to committee on 26.11.2025)	Non Executive , Independent	Director

Brief profiles of the Directors are given on pages 44 to 51

MEETINGS OF THE COMMITTEE

The Committee met ten (10) times during the year under review. The Directors who served on the Committee during the period and their attendance at these meetings are set out below.

	Board Human Resource and Remuneration Committee											
	Dates of Meetings											
Name of the member	07.02.2025	11.03.2025	24.03.2025	15.05.2025	16.06.2025	11.08.2025	17.10.2025	09.12.2025	22.12.2025	23.12.2025	Regulatory Requirement/ Number of Meetings Relevant	Number of Meetings participated
Dr. P.A. Krishantha	P	P	P	P	P	P	P	P	P	P	10	10
Mr. A.N. Hapugala - (Appointed to committee on 20.03.2025)	N/A	N/A	P	P	P	P	P	P	P	P	08	08
Mrs. K.K.G. Prematihilake - (Appointed to committee on 11.08.2025)	N/A	N/A	N/A	N/A	N/A	P	P	P	E	P	05	04
Mrs. S.S.S. Nandani - (Appointed to committee on 26.11.2025	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P	03	03
Mr. W.M. Ananda												
(Retired from Board on 10.08.2025)	P	P	P	P	P	N/A	N/A	N/A	N/A	N/A	05	05
Mr. H.K.K.A. Jayasundara												
(Resigned from Board on 21.03.2025)	P	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	02	02

** P - Present, A - Absent, E - Excused, N/A - Not applicable*

SECRETARY TO THE COMMITTEE

Company Secretary of the Bank serves as the Secretary to the Committee.

THE COMMITTEE TERMS OF REFERENCE (TOR)

The Board Human Resources & Remuneration Committee operates in accordance with its Board-approved Terms of Reference and is firmly committed to the principles of accountability and transparency, ensuring that the Bank's remuneration structures are equitable, competitive, and aligned with industry benchmarks and the overall performance of the Bank.

REGULAR ATTENDEES BY INVITATION

Attendance at the Committee meetings is mandatory for the General Manager/Chief Executive Officer and the Head of Human Resources, except when matters relating to those two positions are being discussed.

DUTIES AND RESPONSIBILITIES

As per directions issued to Licensed Specialized Bank from the Central Bank.

THE COMMITTEE SHALL;

1. Determine the Remuneration Policy (salaries, allowances, special payments / benefits made at termination or retirement, and other financial and non-financial benefits) relating to Directors, General Manager (GM) / Chief Executive Officer (CEO) and Key Management Personnel of the Bank.
2. The BHRRC shall set goals and targets for the Directors, GM/CEO and the Key Management Personnel.
3. The BHRRC shall evaluate the performance of the GM/CEO and Key Management Personnel against the set target and goals periodically and determine the basis for revising remuneration, benefits and other payments performance-based incentives.
4. The BHRRC shall submit recommendations / information to the Board: -
   i. To change of designations, titles, which is a new designation or title (not in the approved cadre / organizational structure of the Bank).
   ii. On Bank sponsored foreign training and attending overseas seminars by the staff members of the Bank.
   ii. Service extension appeals.
   iii. To take decisions or determine appeals on disciplinary matters, appeals on disciplinary matters, grievances of employees in line with the disciplinary code of the Bank.
   v. on all employee related matters beyond the Management Authority level (except the specific matters vested under the Board's Authority).
   vi. On adoption of a suitable Terms of Reference for the Committee and to review / revise the same.
5. Ensure that the prior approval of the Shareholders is obtained for any special payments/financial and non-financial benefits to be made to the Directors, GM/CEO and Key Management Personnel at the termination of employment or at the retirement. Approval also to be obtained from the Secretary to the Treasury.
6. Coordinate with the Integrated Risk Management Committee to ensure that the compensation made to the Directors, GM/CEO and Key Management Personnel is within the risk appetite limits of the Bank.
7. Establish a policy on claw - back arrangements for performance - based payments made to GM/CEO and Key Management Personnel under the circumstances of inter alia fraud and misappropriation of funds, to the extent of the financial loss caused to the Bank. Such policy shall articulate the process to be followed by the licensed bank prior to giving effect to the claw back arrangements ensuring procedural propriety, fair hearing and transparency.

   The claw-back procedure should be incorporated into the employment contracts of CEO and Key Management Personnel and a similar arrangement shall be implemented for the existing CEO and Key Management Personnel ("KMP").

   i. The Committee shall recommend to the Board;

   Any matter referred to the Committee and in particular the following;

   (a) The collective agreement of the Bank with the Ceylon Bank Employees' Union (CBEU)

   (b) The organizational structure for the Bank.

   (c) Necessary cadre Recruitments, Scheme of recruitments (SOR) of cadre.

   (d) Creation of new Posts or Positions, Placements, Cadre and Cadre Budget.

   (e) Relevant Policies pertaining to all Human Resource matters.

   (f) All employee related matters; which are beyond the management and HR committee authority levels.

SUMMARY OF ACTIVITIES IN 2025

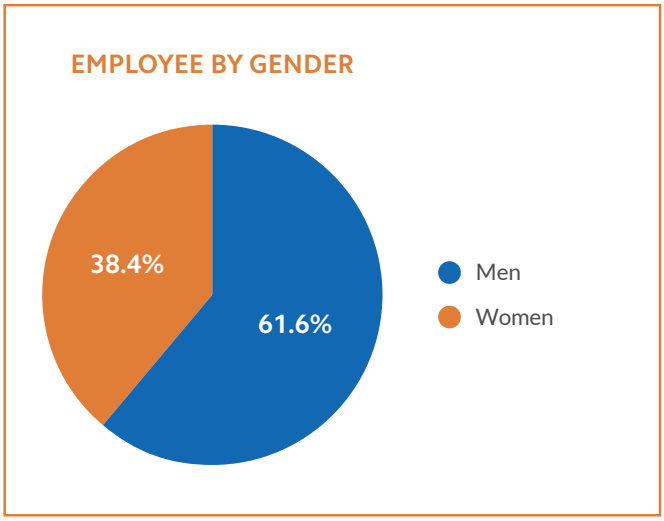
The Committee during the year under review endorsed proposals related to a wide array of aspects relating to the Human Resources function of the Bank. Development and oversight human resources strategy and policies, staff training, oversees the appeals on disciplinary matters, grievances of employees in line with the adopted board approved policies while complying with the regulatory and statutory framework of the Bank are some initiatives carried throughout the year.

The Committee undertook relevant responsibilities assigned to them and accordingly recommended several important policies related to the staff such as succession plan for year 2025, staff cadre and organizational structure 2025/2026, amendments to the transfer and promotion policies. The Committee initiated action to fill some of the KMP positions that fell vacant during the year and attention was paid to the qualifications, experience, previous positions held and relevant other suitability of several persons and recommended recruitment of Key Management Personnel accordingly, during the year.

EMPLOYMENT REPORT

The table below reflects the employment report of the Bank as at 31st December 2025

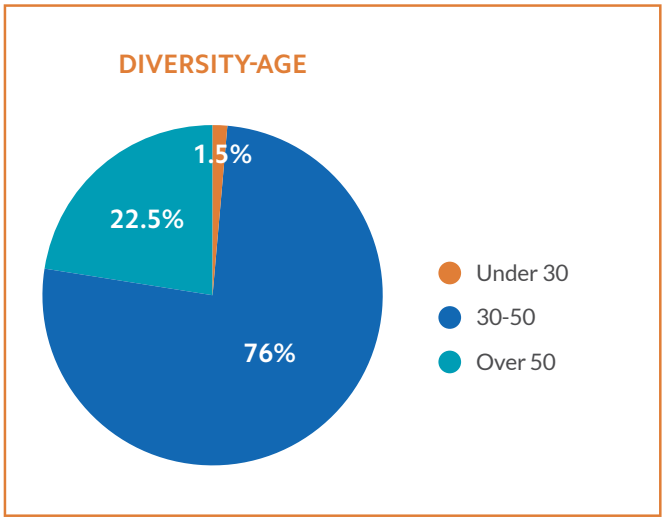
Category	Total as at 31st December 2025 Male	Female
Corporate Management	05	05
Chief/Senior Managers	05	06
Regional Managers	04	00
Executive Staff	101	116
Non-Executive Staff (Secretaries, Banking Assistants, General purpose workers, Office Assistants, Drivers, Business Promotion Assistants, Junior Business Promotion Assistants, Business Promotion Trainees, Palmtop Assistants)	164	47
Total	279	174



(women make up 38.4% and men make up 61.6% of our workforce.)

AGE MIX AS AT 31ST DECEMBER 2025

Age	Male	Female
51-60	44	58
41-50	57	45
31-40	175	67
21-30	03	04
Below 20	0	0
Total	279	174



CONCLUSION

The Committee declares that, in line with the Corporate Governance requirements stipulated under the Corporate Governance of CBSL, CSE Listing Rules and all other regulatory needs the Committee has aligned the Bank's strategic vision and goals for year 2026.

P. A. Krishantha

Non-Executive Independent Director and Committee Chairman

Board Human Resources & Remuneration Committee

Board Nomination and Governance Committee

In Compliance with Section 6.4 of Banking Act Direction No 05 of 2024 on Corporate Governance and Colombo Stock Exchange Listing Rules 9.11, the Board Nomination and Governance Committee of the Housing Development Finance Corporation Bank (HDFC Bank) is in place The composition and the scope of work of the Committee are in conformity with the provisions of the aforesaid regulatory guidelines and Committee Terms of References (TOR).

COMPOSITION & MEETINGS

The Board Nomination & Governance Committee was appointed by the Board of Directors of the HDFC Bank. As at 31st December 2025, the composition of the Board Nomination & Governance Committee is as follows:

Name	Directorship status	Membership Status
Mr. A.N. Hapugala - Appointed to Committee on 24.03.2025	Non Executive ,Independent	Chairman
Mr. K. B. Wijeyarathne -Appointed to Committee on 25.09.2024)	Non Executive ,Independent	Director
Mrs. K.K.G. Premathilake - Appointed to Committee on 11.08.2025)	Non Executive , Non Independent	Director
Mr. J.M.P.S. Kaushallya - Appointed to Committee on 26.11.2025)	Non Executive, Independent	Director

Brief profiles of the Committee Members are given on pages 44 to 51.

SECRETARY TO THE COMMITTEE

Board Secretary/Company Secretary of the Bank Servers as the Secretary to the committee.

THE COMMITTEE TERMS OF REFERENCE (TOR)

The purpose of this TOR is to formalize and codify the procedures, practices and policies of the Board Nomination & Governance 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 & Governance Committee are defined in this TOR based on the Rules governing the Board Nomination & Governance Committee as specified by the Direction No. 05 of 2024 (Corporate Governance) for licensed Specialized Banks in Sri Lanka.

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

MEETINGS OF THE COMMITTEE

The Following Directors serve/ served on the Board Nomination & Governance Committee. The Committee met eight times (08) during the year and the attendance by the members at the meetings is given in the table below.

	Meeting Dates and participation									
Name of the Committee Member	20.02.2025	04.04.2025	15.05.2025	26.06.2025	25.07.2025	26.09.2025	17.10.2025	26.11.2025	Eligible to Attend	Attend
Mr. A.N. Hapugala - Appointed to Committee on 24.03.2025	N/A	P	P	P	P	P	P	P	07	07
Mr. K. B. Wijeyarathne -Appointed to Committee on 25.09.2024)	P	P	P	P	P	P	P	P	08	08
Mrs. K.K.G. Premathilake - Appointed to Committee on 11.08.2025)	N/A	N/A	N/A	N/A	N/A	P	P	P	03	03
Mr. J.M.P.S. Kaushallya - Appointed to Committee on 26.11.2025)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	00	00
Mr. W.M. Ananda (Retired from Board on 10.08.2025)	P	P	P	P	P	N/A	N/A	N/A	05	05
Mr. H.K.K.A. Jayasundara (Resigned from Board on 21.03.2025)	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	01	01

** P - Present, A - Absent, E - Excused, N/A - Not applicable*

Board Nomination and Governance Committee

COMMITTEE RESPONSIBILITIES

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

GENERAL GOVERNANCE MATTERS

1. Exercise general oversight with respect to the corporate governance by the Board of Directors;
2. Implementation of transparent procedure to identify, nominate and recommend new directors, CEO and the key management personnel.
3. 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.
4. Regularly review the Board Terms of Reference and recommend to the Board for approval any required revisions.
5. Quarterly evaluate the status of independence of the Independent / Non - Executive Directors in terms of the Direction 2.5 b) and whether such Directors have any conflicts of interest that may impede the ability to perform duties independently and notify the changes to the independent status (if any) to the Director of Bank Supervision, Central Bank of Sri Lanka.
6. Identify the training needs of the Directors and make recommendations to the Board relating to training, capacity building and professional development programs for the Directors on a regular basis.
7. Review the structure, size, qualifications and composition of the Board and Board committees to ensure effective discharge of duties and responsibilities.
8. 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

9. Approve policies regarding orientation, training and continuing education of Directors so that they may maintain and enhance their skills and abilities as Directors and to ensure that their knowledge and understanding of the Bank's business remains current.
10. Take reasonable steps to ensure that all new Directors receive a comprehensive orientation so that each director fully understands the nature and operations of the Bank's business, the role of the Board and the Board Sub-Committees and the contribution that each director is expected to make (including, in particular, the commitment of time and resources that the Bank expects from its Directors).
11. Ensure that the Directors are updated on the applicable laws, regulations, macroeconomic policies, latest technological developments and emerging financial sector and market developments relevant to the banking industry on a continuous basis

NOMINATION OF DIRECTORS:

12. Maintain a Board Competency map updated at least quarterly, so that new proposals are filtered to benefit the Board's overall competency levels and benefit the Bank itself or,

    Prior to recommending proposed candidate(s) for nomination for election/re-election or appointment to the Board, adopt a process to:
    i. consider what competencies and skills the Board, as a whole, should possess;
    ii. consider and recommend from time to time, the requirements of additional/new expertise to the Board and the succession arrangements for retiring Directors; and
    iii. assess what competencies and skills each existing director possesses.
13. In consultation with the Board and the GM/CEO 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.
    iii. ensure the Directors, CEO and the Key Management Personnel are fit and proper persons to hold office as specified in Central Bank Directions 3 and 8.2 and set out in applicable laws and regulations.
14. Identify and recommend to the Board for approval the proposed candidate(s) for nomination for election/re-election to the Board at the next annual meeting of the shareholders of the Bank or for appointment to fill any vacancy that is anticipated or has arisen on the Board. In making its recommendation, the Committee shall assess and consider:
    i. the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
    ii. the competencies and skills that the Board considers each existing director to possess;
    iii. the competencies and skills each new nominee will bring to the boardroom; and
    iv. the ability of each new nominee to devote sufficient time and resources to his/her duties as a director.
    v. Propose the maximum number of listed Bank Board representations which any Director may hold, and disclose this in the Bank's annual report;
    vi. The Committee shall consider and recommend (or not recommend) the re-election of current Directors, through periodic evaluation of the performance and contribution made by the director concerned towards the overall discharge of the Board's responsibilities.

NOMINATION OF GENERAL MANAGER/CEO AND KEY MANAGEMENT PERSONNEL

15. The Committee shall implement a procedure to select / appoint new General Manager/ Chief Executive Officer (GM/CEO) and Key Management Personnel.
16. The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility be considered for appointment or promotion to the post of CEO and the key management positions.
17. The Committee shall ensure the GM/CEO and Key Management Personnel are fit and proper persons to hold office as specified in Central Bank Directions 3 and 8.2 and set out in applicable laws and regulations.
18. The Committee shall ensure that the Bank has a robust succession plan for GM/CEO and Key Management Personnel with an effective and transparent process to:
    i. identify qualified and competent persons (internal/external) to fill the positions of GM/CEO and Key Management Personnel for succession in short, medium and long term given the size, scale, diversity and complexity of operations of the Bank;
    ii. groom the selected successors for the respective positions by identifying and mitigating the skill/knowledge gaps of the respective area; and
    iii. review the succession plan at least on an annual basis.
19. The Committee shall consider and recommend from time to time, the requirements of additional / new expertise and the succession arrangements for retiring CEO and Key Management Personnel.
20. To adopt a suitable Terms of Reference for the Committee and to review / revise the same.

The Committee during the period under review took necessary initiatives according to the mandate of the Board Nomination & Governance Committee, as given above.

SUMMARY OF ACTIVITIES IN 2025

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. Accordingly, members of the Board sub committees mentioned in this annual report were appointed considering knowledge skills and competencies. The Committee was conscious of the overall composition of the boards and striking the ideal balance in terms of expertise and experience on the Boards.

The Committee also assessed the fitness and propriety of the continuing Directors of the Bank and affidavits and declarations submitted by Directors were forwarded to the Regulator for approval as required by the regulations.

The Committee further deliberated and recommended regarding appointments of the key management personnel of the Bank during the year.



A. N. Hapugala
Non-Executive Independent Director and Committee Chairman

Board Nomination & Governance Committee

Board Related Party Transactions Review Committee

The Related Party Transactions Review Committee (the "Committee") is constituted by the Board of Directors (the "Board") to review proposed related party transactions for the determination of whether or not the transaction is on terms more favorable than terms available to any unconnected third party under the same or similar circumstances. The Board of Directors of the Bank constituted the Board Related Party Transactions Review Committee with effect from June 2014.

The roles and the responsibilities of the Board Related Party Transaction Review Committee are defined in the Terms of Reference (TOR) based on the Rules governing the Related Party Transaction Review Committee as specified by the Direction No. 05 of 2024 (Corporate Governance) for Licensed Banks in Sri Lanka, Listing Rules of the Colombo Stock Exchange and the Housing Development Finance Corporation of Sri Lanka Act No.7 of 1997 and all its amendments.

COMPOSITION & ATTENDANCE OF MEETINGS

The Board appointed Board Related Party Transactions Review Committee comprised of three Non-Executive, Independent Directors, which includes the Chairman of the Committee and one Non-Executive, non Independent Director. The Committee comprised of the following as at 31st December 2025.

The Related Party Transaction Committee is appointed by the Board of Directors of the HDFC Bank. The Committee comprised of the following;

Name	Directorship status	Membership Status
Mrs. S.S.S. Nandani – (Appointed to committee on 26.11.2025)	Non Executive, Independent	Chairman
Mr. K.B. Wijeyaratne – (Appointed to committee on 27.01.2025)	Non Executive, Independent	Director
Dr. P.A. Krishantha – (Appointed to committee on 17.05.2023)	Non Executive, Independent	Director
Mrs. K.K.G. Prematihilake – (Appointed to committee on 11.08.2025)	Non Executive, Non Independent	Director

Brief profiles of the Directors are given on pages 44 to 51.

SECRETARY TO THE COMMITTEE

The Bank Board Secretary (also referred to as the "Company Secretary") performed duties as the Secretary to the Committee.

THE COMMITTEE TERMS OF REFERENCE (TOR)

The duties and the responsibilities of the Board Related Party Transactions Review Committee are defined in the Board Related Party Transactions Review Committee -Terms of Reference.

TOR made based on the rules governing the Board Related Party Transactions Review Committee as specified in the further to the provisions contained in Section 9 of the Listing Rules of the CSE so as to ensure compliance with the Rules pertaining to Related Party Transactions as set out in the Listing Rules of the CSE, which required mandatory compliance from 01 January 2016. The composition and the scope of work of the Committee are in conformity with the said Rules.

The purpose of the Committee is to ensure transparency and fairness for all stakeholders. The Committee shall ensure compliance with the provisions of Section 47 and 76K of the Banking Act, with respect to accommodation granted to any of its related parties defined in Direction 7.1 - No. 05 of 2024 (Corporate Governance) , Section 2 in Direction No 04 of 2024 (Approved Securities for Accommodation granted to RPT and Section 9.14 of the CSE Rule 9 (Corporate Governance) as applicable, except for any accommodation granted to a CEO or a member of the key management personnel under a scheme applicable to the employees of the Bank.

MEETINGS OF THE COMMITTEE

The Committee met Five times (05) during the year in reference. The following Directors serve/ served on the Committee and the attendance at the meetings is given in the table below.

Name of the Member	Meeting Dates and participation					Eligible to Attend	Attend
	20.02.2025	23.05.2025	26.08.2025	20.11.2025	09.12.2025		
Mr. K.B. Wijeyaratne – (Appointed to committee on 27.01.2025)	P	P	P	P	P	05	05
Dr .P.A.Krishantha – (Appointed to committee on 17.05.2023)	P	P	P	P	P	05	05
Mrs. K.K.G. Prematthilake – (Appointed to committee on 11.08.2025)	N/A	N/A	P	P	P	03	03
Mrs. S.S.S. Nandani – (Appointed to committee on 26.11.2025)	N/A	N/A	N/A	N/A	P	01	01
Mr. W.M. Ananda –							
(Retired from Board on 10.08.2025)	P	P	N/A	N/A	N/A	02	02
Mr. W.N.I.C. Fernando –							
(Resigned from Board 23.06.2025)	P	P	N/A	N/A	N/A	02	02

** P - Present, A - Absent, E - Excused, N/A - Not applicable*

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

1. The Committee reviews proposed related party transactions;
   a. In its analysis and evaluation of the proposed transaction, the Committee shall consider;
      i. Identity of the parties to the transaction;
      ii. Nature/basis for the related party relationship;
      iii. Interlocking officer-ships/ directorships;
      iv. Description of the transaction;
      v. Benefit and purpose of the transaction;
      vi. Value of the transaction;
      vii. Pricing method used and the rationale;
      viii. Documented benchmarks/comparable pricing of similarly situated unrelated transactions, where applicable;
      ix. Potential risks that may arise as a result of or in connection with the related party transaction; and
      x. Any other relevant information regarding the transaction.
   b. Whether the related party transaction would impair the independence of a Non-Executive Director.
   c. Whether the related party transaction would present a conflict of interests for any Director or Key Management Persons (KMP) of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Responsible Persons or related party, the direct or indirect nature of the director's, officer's or related party's interest in the transaction and the ongoing nature of any proposed relationship
2. The Committee ensures that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed related party transactions, and where necessary, they should obtain independent professional and expert advice from an appropriately qualified person.
3. At each subsequent scheduled meeting of the Committee, the management to update the Committee as to any proposed material changes in any previously reviewed related party transactions and seek approval of the Committee for such proposed material changes prior to the completion of the transaction
4. Where necessary, the Committee to request the Board of Directors to approve the subject related party transactions. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant related party transaction.
5. In determining whether to obtain the approval of the Board of Directors for a related party transaction, the Committee to take into account, among other factors that is deemed appropriate:
   a) The facts and circumstances provided by Senior Management as described above
   b) Upon consultation with the Chairman of the Board of Directors and the Chairman of the Nominating and/or Audit Committee, the impact of the proposed related party transaction on a director's independence (in the event the related party is a Director, an immediate family member of a Director or an entity in which a director is a Partner, Shareholder or Key Responsible Persons)
   c) Whether the related party transaction requires immediate market disclosure, as described under Section 08 of the CSE Listing Rules.
6. No Director shall participate in any discussion of a proposed related party transaction for which he or she is a related party, except that the Director, at the request of Related Party Transactions Review Committee, may participate in discussions for the express purpose of providing information concerning the related party transaction to the Committee. In such circumstances, the transaction shall be escalated to the Board for approval.

7. The Committee to establish guidelines for recurrent related party transactions for Senior Management to follow in its ongoing dealings with the related party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the related party to see that they are in compliance with the Committee's guidelines and that the related party transaction remains appropriate.
8. The Committee to review disclosures presented by the management in any financial statements and published by the company, as required by the Listing rules, the Companies Act and any other regulations.
9. The Committee to advise and recommend to the Board to obtain shareholder approval as required by the Listing rules, the Companies Act and any other regulations on recurrent and non-recurrent related party transactions and on acquiring or disposing of substantial assets.
10. The Committee to follow the guidelines stipulated in CBSL Direction No. 05 of 2024 relating to accommodation granted to Directors and connected parties, accommodation granted to employees and writing - off of accommodation to related parties.

SUMMARY OF BRPTC

Demonstrating good governance, the committee reviews related party transactions that require consideration by the committee under the Corporate Governance Directions of the CSE and the Banking Act Direction.



S. S. S. Nandani

Non-Executive Independent Director and Committee Chairman

Board Related Party Transactions Review Committee

Board Audit Committee Report

This report is presented by the Audit Committee for the financial year that concluded on December 31, 2025, in accordance with the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks issued by the Central Bank of Sri Lanka , Section 9.13 of Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

The Committee comprises four (04) Non-Executive Independent Directors as of the end of the year 2025.

- Mr. K.B. Wijeyaratne (Chairman)
- Mr.A.N Hapugala (Director)
- Mr.J.M.P.S. kaushallya (Director)
- Mrs. S.S.S. Nandani (Director)

COMMITTEE MEMBERSHIP DURING THE YEAR 2025

Names	Directorship Status as at 31/12/2025	Attendance (Attended/ Eligible to Attend)
Mr. K. B. Wijeyaratne (w.e.f. 25th September 2024)	Non- executive / Independent Director (Chairman of the Committee)	15/15
Mr. A.N. Hapugala (w.e.f 24th March 2025)	Non- executive / Independent Director	10/15
Mr. J.M.P.S. Kaushallya (w.e.f 26th June 2025)	Non- executive / Independent Director	08/15
Mrs. S.S.S. Nandani (w.e.f 26th November 2025)	Non- executive / Independent Director	01/15
Mr. W.N.I.C. Fernando (Until 23rd June 2025)	Non- executive / Independent Director	07/15
Mr. P.A. Lionel (Retired from Board on 31.01.2025)	Non- executive / Independent Director	01/15
Dr. P.A. Krishantha (Reconstitute of the committee on 09.05.2025)	Non- executive / Independent Director	04/15

AUDIT COMMITTEE MEETINGS

Fifteen (15) meetings were held during the financial year ended 31 December 2025 and attendance of Committee members at meetings is given in the Corporate Governance section of the Annual Report.

Regular Attendees To The Committee Meetings By Invitation:

- General Manager/Chief Executive Officer (GM/CEO)
- Chief Internal Auditor (CIA)
- Representative of The National Audit Office (External Auditor)
- Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer and other key management personnel on need basis.

The company secretary functioned as the secretary to the committee and her absence or CIA functioned as the secretary to the committee during the year under review.

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.

The committee ensures the integrity of the bank's financial statements by reviewing financial reports, monitoring accounting policies, and assessing compliance with regulatory requirements. It discusses audit findings, significant transactions, and judgmental areas while ensuring accurate disclosures. The committee evaluates risk management and internal controls based on assurances from key executives and reviews responses to the Auditor General's reports

Board Audit Committee Report

SUMMARY OF ACTIVITIES PERFORMED DURING THE YEAR

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. Adherence to Central Bank guidelines and recommends necessary financial reporting improvements to the board

INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND COMPLIANCE REQUIREMENTS.

The Bank's internal controls and risk management systems were kept under review by the Committee 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 internal audit function ensures effective governance, risk management, and compliance within the bank. This includes reviewing the adequacy of its scope, resources, and authority, approving and monitoring audit plans, and ensuring audit findings are properly addressed. It also oversees internal controls, IT risks, and the use of technology for improved efficiency. The committee evaluates the performance of CIA and ensures independence in auditing. Additionally, it safeguards the bank's assets, minimizes liquidity risk, and ensures strategic plans and budgets are effectively managed as key management tools

OTHER FUNCTION

The committee oversees internal investigations, staff discipline, and cost reductions while ensuring management addresses key findings. It has full authority to investigate matters, access necessary resources, and seek external expertise. The committee reviews Detailed Management Audit Report of the Auditor General and Report of the Auditor General on the affairs 154(6) recommendations. It also manages relations with external auditors, prevents unauthorized information leaks, and assesses risk management, internal controls, and business continuity plans to strengthen governance and operational efficiency

WHISTLEBLOWING

The Bank's Whistleblowing Policy continued an integral part of the Corporate Fraud Risk Management Framework, enabling employees to report legitimate concerns about any wrongdoing within the Bank. Team members could voluntarily escalate concerns to the Chairman of the BAC through the Company Secretary or Chief Internal Auditor, with their identities kept confidential. Reported issues were investigated following standard procedures. In 2025, the BAC reviewed the policy and proposed enhancements to strengthen it as a transparent and effective communication channel for reporting genuine concerns.

BOARD REPORTING

The Committee meeting minutes were presented at Board meetings, ensuring Board members had insight into the Committee's discussions and decisions

PERFORMANCE EVALUATION OF THE COMMITTEE

The annual self-evaluation of the committee was conducted at the year-end by the members of the committee. The results were discussed at the committee where necessary, arears for improvement being identified and the plans for improvement being communicated to the board.

On behalf of the board audit committee,



K. B. Wijeyaratne
Chairman
Board Audit Committee

26 May 2026
Colombo, Sri Lanka

Board Integrated Risk Management Committee Report

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 policies and those strategies to the Management.

COMPOSITION & MEETINGS

The Board appointed Integrated Risk Management Committee comprised of Three Non-Executive, Independent Directors including the Chairman of the Committee and Two Non-Executive, Non-Independent Directors. The Committee comprised of the following as at 31st December 2025.

Name	Directorship status	Membership Status
Mr. J.M.P.S. Kaushallya - (Appointed to committee on 26.06.2025)	Non Executive, Independent	Chairman
Dr. P.A. Krishantha - (Appointed to committee on 24.08.2022)	Non Executive, Independent	Director
Mr. K. B. Wijeyaratne - (Appointed to committee on 25.09.2024)	Non Executive, Independent	Director
Mrs. K.K.G. Prematihilake - (Appointed to committee on 11.08.2025)	Non Executive, Non Independent	Director
Mr. J.K.A. Sirinatha - (Appointed to committee on 26.11.2025)	Non Executive ,Non Independent	Director

SECRETARY TO THE COMMITTEE

The Bank Board Secretary (also referred to as the "Company Secretary").

THE COMMITTEE TERMS OF REFERENCE (TOR)

The duties and the responsibilities of the Board Integrated Risk Management Committee are defined in the Board Integrated Risk Management Committee-Terms of Reference. TOR made based on the rules governing the Board Integrated Risk Management Committee as specified in the Banking Act Direction on Corporate Governance for Licensed Banks Section No. 05 of 2024 dated 30th September 2024 issued by the Central Bank of Sri Lanka ("CBSL"), applicable Section 09 of the Listing Rules on Corporate Governance of the Colombo Stock Exchange.

The Terms of Reference shall be reviewed and updated by the Committee on a periodic basis once every two years.

MEETINGS OF THE COMMITTEE

The Committee met seven times (07) 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	Eligible to Attend	Attend
Mr. J.M.P.S. Kaushallya - (Appointed to committee on 26.06.2025)	03	03
Dr. P.A. Krishantha - (Appointed to committee on 24.08.2022)	06	05
Mr. K. B. Wijeyaratne - (Appointed to committee on 25.09.2024)	07	07
Mrs. K.K.G. Prematihilake - (Appointed to committee on 11.08.2025)	02	02
Mr. J.K.A. Sirinatha - (Appointed to committee on 26.11.2025)	01	01
Mr. P. J. Jayasinghe (Appointed to Committee 09.05.2025 and Committee restructure on 26.11.2025)	04	04
Mr. W.M. Ananda (Appointed to Committee 09.05.2025 and Retired from Board on 10.08.2025)	03	03
Mr. P.A. Lionel (Retired from Board on 31.01.2025)	01	01
Mr. W.N.I.C. Fernando (Resigned from Board 23.06.2025)	04	03

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Board Integrated Risk Management Committee will fulfill its role and thereby assist the Board of Directors to carry out its responsibilities relating to the following areas.

1. Establish an independent risk management function responsible for integrated risk management of the bank.
2. The Committee shall assess all aspect of risk management including updated business continuity plan at quarterly meetings.
3. Work with key management personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
4. Assess all risks areas relating to the Bank including but not limited to credit risk, market risk, liquidity risk, operational risk, Information Security risk, strategic risk reputational risk, compliance risk, fiduciary and regulatory risk through appropriate risk indicators and management information.

Board Integrated Risk Management Committee Report

5. Develop the Bank's 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.
6. Advise and report to the Board on the bank's exposures against the risk appetite.
7. The Committee should review the Bank's risk policies including the RAS on an annual basis.
8. Review the internal controls in place to prevent the leakage of material information to unauthorized persons.
9. Oversee the processes to ensure that the Bank's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
10. Review and assess the Bank risk management process, including the adequacy of the overall environment and controls in areas of significant risks and updated business continuity plan
11. oversee the functioning of CRO. The Committee shall receive regular reports and communication from CRO and other relevant functions with respect to the risk profile, exposures against the established risk appetite limits and limit breaches.
12. The management of the Bank is responsible for independently identifying relevant risks and notifying the committee who will in turn make decisions on behalf of the Board within the framework of the authority and responsibility assigned by the Board.
13. Review the adequacy and effectiveness of all management level committees such as Assets and Liability committee, Credit Committee, IT Steering committees etc.
14. Assess all aspects of risk management including business continuity plans and disaster recovery plans at least annually. Implementation should be assessed at least quarterly.
15. The Board should be briefed on matters discussed at the Committee meeting, at the subsequent board meeting seeking the views, concurrence and specific directions of the Board. The minutes of the meetings should be tabled at the board meeting subsequent to the Comiitee meeting.
16. The Committee is empowered by the Board to review and/ or investigate in to, any matter or activity, within its terms of reference, and is authorized to retain external counsel or other independent professionals to assist in the conduct of any investigation or obtain advice or expertise if deemed necessary.
17. Oversee the strategies implemented by CEO and the key management personnel for capital and liquidity management and management of all relevant risks of the bank, such as credit, market, operational, information security and strategic risks, to ensure consistency with the stated risk appetite;) review the adequacy and effectiveness of all management level committees that are related to risk taking activities, such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
18. Take prompt corrective action to mitigate the effects of specific risks where such risks are at levels beyond the prudent levels decided by the Committee on the basis of the bank's policies and regulatory and supervisory requirements.
19. The Committee should challenge, probe and then make judgments on issues that fall within the purview of the Committee.
20. Take prompt corrective actions against the Officers responsible for failure to identify specific risks as recommended by the Committee.
21. Submit a risk assessment reports within the required timelines to the Board seeking the views, concurrence and/or specific directions of the Board.
22. Establish an independent compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the Committee periodically.
23. Establish an effective communication and coordination mechanism with the Audit Committee to facilitate exchange of information to ensure effective management of all risks, including emerging risks, and any adjustments needed to the integrated risk management framework of the bank.
24. Without prejudice to the tasks of the Human Resources and Remuneration Committee, examine whether the incentives provided to the employees take into consideration the levels of risk, capital, liquidity and earnings of the bank.
25. A Chief Risk Officer or Head of Risk management should be appointed designated as a key responsible person and shall carry out the risk functions and report to the Committee periodically.
26. A dedicated compliance officer designated as a key responsible person shall carry out the compliance function and report to the committee periodically.
27. A Chief Information Security Officer will be appointed designated as a key responsible person and shall be responsible to the Committee for the Bank's IT and IS security and report to the Committee periodically.
28. The Committee should annually assess the performance of the Compliance Officer, the Chief Risk Officer and the Chief Information Security Officer.
29. The Committee shall ensure that the Chief Risk Officer develops and implements the Board approved integrated risk management framework of the Bank.
30. The Committee shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views and specific directions.
31. The Committee shall review and recommend to the Board for approval the Bank's ICAAP submission to the CBSL

REPORT OF ACTIVITIES – 2025

The Board Integrated Risk Management Committee (BIRMC) continued to provide independent oversight of the Bank's risk profile, ensuring that risk-taking activities remained within the approved risk appetite and aligned with the Bank's strategic objectives and regulatory expectations.

During the year under review, the Committee closely monitored the Bank's capital adequacy and overall risk-bearing capacity through a comprehensive evaluation of the Internal Capital Adequacy Assessment Process (ICAAP), in line with Basel guidelines and supervisory expectations. The Risk Appetite Framework was also reviewed and refined to reflect evolving business conditions and emerging risk dynamics.

The Committee strengthened the Bank's risk governance architecture by reviewing and recommending key policy frameworks, including those relating to credit risk management, treasury and investment management, customer protection, and loan review mechanisms. These initiatives were aimed at enhancing internal controls, improving risk discipline, and ensuring consistency in decision-making across the Bank.

Continuous oversight was maintained through integrated risk dashboards and Management Information Systems (MIS), enabling the Committee to assess key risk exposures across credit, market, operational, and liquidity risk domains. Particular attention was given to asset quality, including portfolio-level credit risk analysis, non-performing loan (NPL) trends, and adequacy of impairment provisioning in line with applicable accounting standards.

The Committee also reviewed the outcomes of stress testing exercises conducted across key risk categories, including credit, market, and interest rate risks, as well as earnings sensitivity. These assessments supported forward-looking risk management and capital planning under adverse scenarios.

In fulfilling its regulatory oversight responsibilities, the Committee closely monitored observations and directions issued by the Central Bank of Sri Lanka (CBSL) and ensured that timely and appropriate remedial actions were undertaken to address identified gaps and strengthen compliance levels.

Further, the Committee evaluated risks associated with the Bank's investment portfolio and treasury operations, while also overseeing developments in operational risk management, including the use of risk dashboards and incident monitoring mechanisms.

Recognising the increasing reliance on technology, the Committee reviewed technology-related risks and monitored progress in strengthening the Bank's IT resilience, cybersecurity posture, and implementation of critical infrastructure. Business continuity and recovery planning were also reviewed to ensure operational preparedness under stress conditions.

OVERALL ASSESSMENT

The BIRMC remains committed to fostering a strong risk culture across the Bank by promoting prudent risk-taking, enhancing transparency through robust reporting frameworks, and ensuring adherence to regulatory requirements and internal policies. The Committee will continue to adopt a proactive and forward-looking approach to risk management in supporting the Bank's financial stability and long-term sustainability.



J. M. P. S. Kaushallya

Non-Executive Independent Director and Committee Chairman

Board Integrated Risk Management Committee

CEO's & CFO's Responsibility Statement - 2025

The Annual Financial Statements of the HDFC Bank of Sri Lanka (The Bank) as at 31 December 2025 are prepared and presented in compliance with the following regulatory requirements:

I. Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
II. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
III. HDFC Bank Act No. 7 of 1997 and (Amendment) Act No. 15 of 2003 and amended act No 45 of 2011
IV. Directions, circulars and guidelines issued to Licensed Banks by the Central Bank of Sri Lanka
V. Listing Rules of the Colombo Stock Exchange
VI. Statements of Alternative Treatments (SoAT) on Accounting issued by The Institute of Chartered Accountants of SL
VII. Companies Act No. 7 of 2007
VIII. Banking Act No. 30 of 1988 and amendments thereto
IX. The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2017)

The Accounting Policies of the Bank are in compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) issued by The Institute of Chartered Accountants of Sri Lanka and have been consistently applied by the Bank.

Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the External Auditors. All significant items have been disclosed and explained by way of Notes to the Financial Statements.

We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Statement of Profit or Loss and the cash flows of the Bank for the year ended 31 December 2025. We also confirm that the Bank has adequate resources to continue its operations into the foreseeable future and accordingly adopt the going concern basis in preparing these Financial Statements.

We accept responsibility for the integrity and objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; so that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Bank is reasonably presented. To ensure this, the bank has taken proper and sufficient care in implementing internal control systems, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which are reviewed, evaluated and updated on an ongoing basis. The Internal Auditor of the bank has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal control and accounting.

Further the management is taking the responsibility for the preparation of Financial Statements and confirm that the financial statements are derived and complying with the systems of the Bank and free from the material misstatements.

The Financial Statements of the Bank were audited by the Auditor General. The report issued by them is available on pages 213 to 219 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 the annual report of the Bank. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

The Board of Directors and the Management of the Bank accept responsibility for the integrity and the objectivity of the Financial Statements.

We confirm to the best of our knowledge that

- The Bank has complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the Bank other than those disclosed in Note 51 and 53 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.

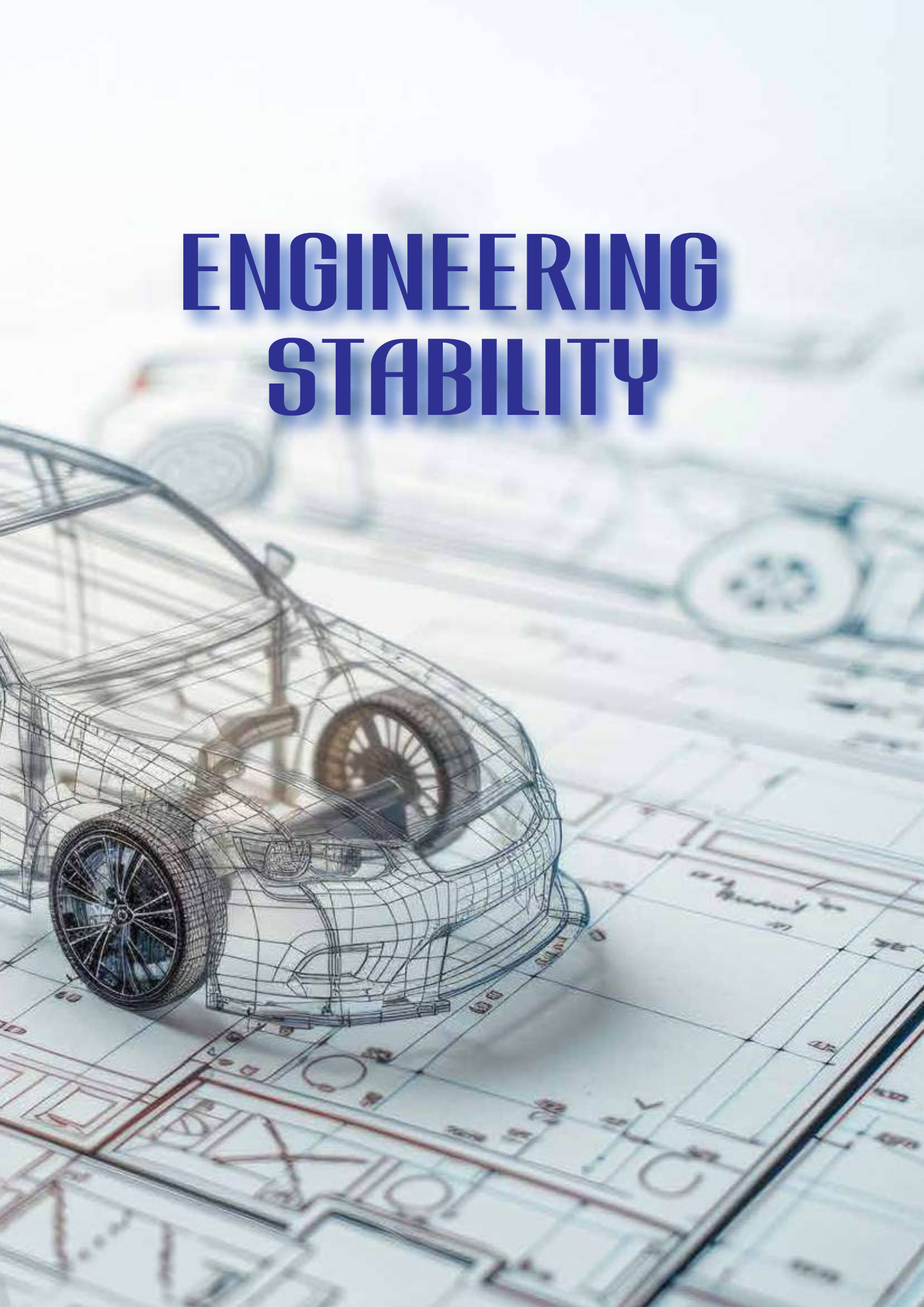


Anura Hettiarachchi
Chief Financial Officer



Hemal C. Lokugeegana
General Manager /CEO

ENGINEERING STABILITY



Statement of Directors' Responsibility for Financial Reporting

This statement by the Board of Directors is made to differentiate the respective responsibilities of the Directors and Auditors in relation to financial reporting. The responsibility of Directors in relation to financial reporting of the Housing Development Finance Corporation Bank of Sri Lanka is set out in the following statement.

In terms of the provisions of HDFC Act No. 7 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, 2025; and
- financial performance of the Bank for the financial year 2025.

The accounts of the Bank are vested with the external auditor, the Auditor General of Sri Lanka to be the auditor 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 enforced by the Bank. This includes complying regular reviews, internal audit, safeguard assets of the bank and the internal control systems which 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 190 to 191 of the Annual Report under "Directors' Statement on Internal Control" and "Assurance report of the Auditor General on Internal Control" is given on page 192 to 193.

The Financial Statements for the year 2025, 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. 7 of 2007.

Further, the Board of Directors desires to confirm that the Bank has undertaken to satisfy the requirements under the Section 9 "Corporate Governance", on Continuing Listing Requirements of the latest Listing Rules of the Colombo Stock Exchange where applicable, in the year 2025.

The Board of Directors also confirms that the Bank has complied with the prudential requirements, regulations, laws and internal controls and there were no material non-compliances.

The Directors are of the view that they have honored their utmost responsibilities, as set out in this statement.

By order of the Board



H. M. S. B. Karunarathna

Acting Company Secretory

26 May 2026
Colombo

Independent Assurance Report to the Board of Directors of HDFC Bank of Sri Lanka on the Integrated Annual Report - 2025

Shape the future with confidence

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

Independent practitioner's assurance report to the Board of Directors of Housing Development Finance Corporation Bank of Sri Lanka on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2025

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 2025 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

CRITERIA APPLIED BY HOUSING DEVELOPMENT FINANCE CORPORATION BANK OF SRI LANKA

In preparing the Subject Matter, Housing Development Finance Corporation Bank of Sri Lanka applied the Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

HOUSING DEVELOPMENT FINANCE CORPORATION BANK OF SRI LANKA 'S RESPONSIBILITIES

Housing Development Finance Corporation Bank of Sri Lanka management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Housing Development Finance Corporation Bank of Sri Lanka on 7 April 2026. 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.

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, 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, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, 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 - 2025

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

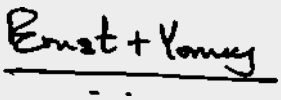
EMPHASIS OF MATTER

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of Housing Development Finance Corporation Bank of Sri Lanka for the year ended 31 December 2025, in order for it to be in accordance with the Criteria.



15 May 2026

Colombo

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. BAN/C/HDFC/FA/2025/01

ඔබේ අංකය / உமது இல. / Your No.

දිනය / திகதி / Date 10 March 2026

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 2025 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 2025 comprising the statement of financial position as at 31 December 2025 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2025, 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.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

1.3 Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were 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
Allowances for Expected Credit Losses of Loans and Advances measured at amortised cost Allowances for 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. This was a key audit matter due to • the significant management judgements, assumptions and estimation uncertainty involved in assessing the future recoverability of Loans and Advances; and • the materiality of the reported amount of allowance of expected credit losses.	In addressing the allowances for expected credit losses of loans and advances measured at amortised cost, my audit procedures included the following key procedures: • Assessed the alignment of the Bank's allowances for expected credit loss computations with the underlying methodology and related accounting policies, based on the best available information up to date of my report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses. • Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board 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.

Key audit matter	How my audit addressed the key audit matter
Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, use of a broad range of forward-looking macroeconomic inputs and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity.	• Evaluated the reasonableness of qualitative and quantitative factors used in credit quality assessments and related stage classifications. • In addition to the above, the following procedures were performed: ▪ For loans and advances assessed on an individual basis for impairment: • Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. • Tested the arithmetical accuracy of the underlying individual impairment calculations. ▪ For loans and advances assessed on a collective basis for impairment: • 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 including consideration of impact arising from the 'Ditwah' cyclone.

Key audit matter	How my audit addressed the key audit matter
	• My testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. • 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 2025 Annual Report

The other information comprises the information included in the Bank's 2025 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 2025 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 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 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;

2.2.1 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.

2.3 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.

L.S.I. Jayaratna
Auditor General

Income Statement

For the Year Ended 31st December 2025	Notes	Bank 2025 LKR	Bank 2024 LKR
Gross income		**7,729,971,559**	8,506,638,243
Interest income		**7,428,895,249**	8,169,744,660
Interest expenses		**(4,606,086,176)**	(5,387,994,800)
Net interest income	04	**2,822,809,073**	2,781,749,859
Fee and commission Income		**250,223,478**	330,337,224
Fee and commission expenses		**-**	-
Net fee and commission income	05	**250,223,478**	330,337,224
Net gain/(loss) from trading	06	**-**	-
Net fair value gains/(loss) from financial instruments at fair value through Profit or Loss	07	**-**	-
Net gain/(losses) from derecognition of financial assets	08	**-**	-
Net other operating income	09	**50,852,832**	6,556,360
Total operating Income		**3,123,885,383**	3,118,643,443
Less: Impairment Charges	10	**420,928,306**	278,006,812
Net operating income		**2,702,957,078**	2,840,636,631
Less: Operating expenses			
Personnel expenses	11	**1,598,732,491**	1,646,378,472
Depreciation & amortization expenses	12. a	**166,588,587**	172,764,178
Other Expenses	12. b	**608,417,406**	609,279,768
Total operating expenses		**2,373,738,484**	2,428,422,418
Operating profit/(loss) before VAT & SSCL on Financial Services		**329,218,594**	412,214,213
Less : Value Added Tax (VAT) on financial services		**275,212,746**	298,468,196
Social Security Contribution Levy (SSCL) on financial services		**44,488,400**	49,876,256
Operating profit/(loss) after VAT & SSCL on Financial Services		**9,517,447**	63,869,761
Share of associate companies' profits/(losses		**-**	-
Profit/(loss) before tax		**9,517,447**	63,869,761
Less: Income tax expense	13	**102,631,379**	254,525,963
Profit/(loss) for the year		**(93,113,931)**	(190,656,202)
Profit attributable to :			
Equity holders of the parent		**(93,113,931)**	(190,656,202)
Non-controlling interests		**-**	-
Total		**(93,113,931)**	(190,656,202)
Earnings per share on profits	14		
Basic Earning per ordinary share (LKR)		**(1.44)**	(2.95)
Diluted earnings per ordinary share (LKR)		**(1.44)**	(2.95)

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 226 to 290.

Statement of Comprehensive Income

For the Year Ended 31st December 2025	Notes	Bank 2025 LKR	Bank 2024 LKR
Profit/(loss) for the year		**(93,113,931)**	(190,656,202)
Items that will be reclassified to income statement			
Exchange differences on translation of foreign operations		**-**	-
Net gains/(losses) on cash flow hedges		**-**	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income		**-**	-
Share of profits of associates and joint ventures		**-**	-
Debt instruments at fair value through other Comprehensive Income		**12,001,618**	(36,087,132)
Less: Tax expense relating to items that will be reclassified to income statement		**(3,600,485)**	10,826,140
Others		**-**	-
Net other comprehensive income reclassified to income statement		**8,401,133**	(25,260,991)
Items that will not be reclassified to income statement			
Change in fair value on investments in equity		**-**	-
instruments designated at fair value through other comprehensive income		**-**	-
Change in fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss		**-**	-
Re-measurement of post-employment benefit obligations		**-**	-
Changes in revaluation surplus		**-**	-
Share of profits of associates and joint ventures		**-**	-
Re-measurement of post-employment benefit obligations		**(108,441,025)**	(95,090,050)
Less: Tax expense relating to items that will not be reclassified to income statement		**32,532,308**	28,527,015
Others			
Other comprehensive income not be reclassified to income statement		**(75,908,718)**	(66,563,035)
Total Other Comprehensive Income for the Year		**(67,507,585)**	(91,824,026)
Total Comprehensive Income for the Year net of tax		**(160,621,516)**	(282,480,229)
Attributable to :			
Equity holders of the parent		**(160,621,516)**	(282,480,229)
Non-Controlling Interest		**-**	-
Total		**(160,621,516)**	(282,480,229)

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 226 to 290.

Statement of Financial Position

As at 31st December 2025	Notes	Bank 2025 LKR	Bank 2024 LKR
Assets			
Cash and cash equivalents	16	**260,851,252**	324,619,439
Balances with central bank	17	**-**	-
Placements with banks	18	**2,673,579,497**	36,283,124
Derivative financial instruments	19	**-**	-
Financial assets recognized through profit or loss	20		
- measured at fair value		**-**	-
- designated at fair value		**-**	-
Financial assets at amortised cost			
- loans and advances	21	**34,509,664,971**	40,130,468,733
- debt and other instruments	22	**23,480,913,743**	17,697,880,565
Financial assets measured at fair value through other comprehensive income	23	**-**	4,739,113,040
Investment in subsidiaries	24	**-**	-
Investments in associates and joint ventures	25	**-**	-
Property, plant and equipment	26	**165,349,769**	187,198,254
Intangible Assets	27	**27,473,534**	65,642,998
Right of Use Assets	28	**283,762,098**	262,449,082
Investment properties	29	**1,334,500,000**	1,284,000,000
Goodwill and intangible assets	30	**-**	-
Deferred tax assets	31	**649,752,194**	505,382,153
Other assets	32	**350,266,691**	210,322,200
Total assets		**63,736,113,749**	65,443,359,587
Liabilities			
Due to banks	33	**1,903,695,542**	566,485,896
Derivative financial instruments	34		
Financial liabilities recognized through profit or loss	35		
- measured at fair value			
- designated at fair value			
Financial liabilities at amortised cost	36		
- due to depositors		**50,568,905,930**	52,005,315,939
- due to debt securities holders		**-**	-
- due to other borrowers		**1,498,254,274**	1,615,416,188
Debt securities issued	37	**-**	1,427,189,326
Lease Liability	38	**327,817,006**	303,181,636
Retirement benefit obligations	39	**1,060,731,793**	1,025,619,153
Current tax liabilities	40	**158,036,567**	151,034,918
Deferred tax liabilities		**-**	-
Other provisions	41	**-**	-
Other liabilities	42	**385,064,992**	354,887,314
Due to subsidiaries	44	**-**	-
Total Liabilities		**55,902,506,103**	57,449,130,369
Debt Capital			
Perpetual Bond	43	**281,250,000**	281,250,000
Equity			
Stated capital/Assigned capital	45	**962,092,936**	962,092,936
Statutory reserve fund	46	**353,799,215**	353,799,215
Retained earnings	47	**5,772,754,664**	5,865,868,596
Other reserves	48	**463,710,898**	531,218,483
Total shareholders' equity		**7,552,357,713**	7,712,979,230
Non-controlling interests	49	**-**	-
Total equity		**7,552,357,713**	7,712,979,230
Total equity and liabilities		**63,736,113,749**	65,443,359,587
Contingent liabilities and commitments	50	**29,010,372**	30,798,151
Memorandum Information			
Number of Employees		**453**	494
Number of Branches		**39**	39
Net assets value per share (LKR)		**116.71**	119.19

The significant accounting policies and notes on pages 226 to 290 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 2025 and its profit for the year ending 31 December 2025.

Anura Hettiarachchi
Chief Financial Officer

Hemal C. Lokugeegana
General Manager / CEO

The Board of Directors is responsible for the preparation and presentation of these Financial Statements which were approved by the Board of Directors and signed on their behalf,

K. B. Wijeyaratne
Director
27 February 2026
Colombo

J. M. P. S. Kaushallya
Director

H. M. S. B. Karunarathna
Acting Company Secretory

		Bank											
		Stated capital / Assigned capital			Reserves								
In Rupees	Note	Ordinary voting shares	Ordinary non voting shares	Assigned capital	Statutory reserve fund	OCI reserve	Revaluation reserve	FVTOCI Reserve	Retained earnings	Other reserve	Total	Non-controlling interest	Total equity
Balance as at 01-01-2024	34-37	962,092,936	-	-	353,799,215	(27,817,291)	-	16,859,860	6,056,524,799	633,999,926	7,995,459,449	-	7,995,459,449
Total comprehensive income for the year	34-37												
Profit/(loss) for the year	35	-	-	-	-	-	-	-	(190,656,202)	-	(190,656,202)	-	(190,656,202)
Other comprehensive income (net of tax)	30	-	-	-	-	(66,563,035)	-	(25,260,991)	-	-	(91,824,026)	-	(91,824,026)
Total comprehensive income for the year		962,092,936	-	-	353,799,215	(94,380,326)	-	(8,401,132)	5,865,868,597	633,999,926	7,712,979,230	-	7,712,979,230
Transactions with equity holders, recognized directly in equity													
Share issue/increase of assigned capital		-	-	-	-	-	-	-	-	-	-	-	-
Bonus issue		-	-	-	-	-	-	-	-	-	-	-	-
Right issue		-	-	-	-	-	-	-	-	-	-	-	-
Investment fund transfer		-	-	-	-	-	-	-	-	-	-	-	-
Transfers to reserves during the period	33-36	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity hoders		-	-	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office		-	-	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation of property, plant and equipment		-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with equity holders		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31-12-2024		962,092,936	-	-	353,799,215	(94,380,326)	-	(8,401,132)	5,865,868,597	633,999,926	7,712,979,230	-	7,712,979,230

		Bank											
		Stated capital / Assigned capital			Reserves								
In Rupees	Note	Ordinary voting shares	Ordinary non voting shares	Assigned capital	Statutory reserve fund	OCI reserve	Revaluation reserve	FVTOCI Reserve	Retained earnings	Other reserve	Total	Non-controlling interest	Total equity
Balance as at 01-01-2025	34-36	962,092,936	-	-	353,799,215	(94,380,326)	-	(8,401,132)	5,865,868,597	633,999,926	7,712,979,230	-	7,712,979,230
Total comprehensive income for the year	34-37												
Profit/(loss) for the year (net of tax)	34-37	-	-		-	-	-		(93,113,931)	-	(93,113,931)	-	(93,113,931)
Other comprehensive income (net of tax)	30	-	-		-	(75,908,718)	-	8,401,133	-	-	(67,507,585)	-	(67,507,585)
Total comprehensive income for the year		962,092,936	-	-	353,799,215	(170,289,044)	-	-	5,772,754,656	633,999,926	7,552,357,714	-	7,552,357,714
Transactions with equity holders, recognized		-	-		-	-	-	-	-	-	-	-	-
directly in equity		-	-		-	-	-	-	-	-	-	-	-
Share issue/increase of assigned capital		-	-		-	-	-	-	-	-	-	-	-
Bonus issue		-	-		-	-	-	-	-	-	-	-	-
Right issue		-	-		-	-	-	-	-	-	-	-	-
Transfers to reserves during the period	34-36	-	-		-	-	-	-	-	-	-	-	-
Dividend paid		-	-		-	-	-	-	-	-	-	-	-
Profit transferred to head office		-	-		-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation of property, plant and		-	-		-	-	-	-	-	-	-	-	-
Equipment (if cost method is adopted)		-	-		-	-	-	-	-	-	-	-	-
Others		-	-		-	-	-	-	-	-	-	-	-
Total transactions with equity holders		-	-		-	-	-	-	-	-	-	-	-
Balance as at 31-12-2025		962,092,936	-	-	353,799,215	(170,289,044)	-	-	5,772,754,656	633,999,926	7,552,357,714	-	7,552,357,714

Statement of Cash Flow

For the Year Ended 31st December 2025	Bank 2025 LKR	Bank 2024 LKR
Cash Flows From Operating Activities		
Interest Receipts	**8,667,359,731**	6,247,970,926
Interest payments	**(3,814,390,149)**	(5,722,763,913)
Net commission Receipts	**196,519,612**	249,610,466
Trading Income	**-**	-
Payments to Employee	**(1,504,027,573)**	(1,475,388,357)
VAT & SSCL on Financial Services	**260,306,658**	(464,764,143)
Receipt from other operating activities	**92,842,762**	57,422,809
Payments on other operating activities	**(673,326,561)**	(595,770,257)
Operating profit before changes in operating assets and liabilities	**2,704,671,164**	(1,703,682,469)
(Increase)/Decrease In Operating Assets :		
Balances with Central Bank of Sri Lanka	**-**	-
Financial Assets at amotised cost - Loans and Advances	**3,573,000,125**	2,041,952,154
Other Assets	**(270,060,600)**	20,996,512
Net cash generated from operating activities assets	**3,302,939,525**	2,062,948,666
Increase / (Decrease) In Operating Liabilities		
Financial Liabilities at amotised cost - due to Depositors	**(2,196,327,305)**	(1,217,404,554)
Financial Liabilities at amotised cost - due to Debt Security Holders	**(1,408,770,000)**	0
Financial Liabilities at amotised cost - due to Other Borrowers	**1,098,079,281**	(264,558,919)
Other Liabilities	**48,242,298**	(66,076,161)
Net cash generated from operating liabilities	**2,458,775,726**	(1,548,039,635)
Net cash generated from operating activities before income tax	**3,548,834,963**	(1,188,773,437)
Income Tax Paid	**(207,001,141)**	(680,168,353)
Net cash (used in)/from operating activities	**3,341,833,822**	(1,868,941,790)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment /Intangible Assets	**(24,616,127)**	(11,151,862)
Proceeds from Sale property, Plant and equipment/Intangible Assets	**119,700**	7,442,430
Net Cash flows from Investments	**(3,381,396,781)**	1,959,720,164
Dividends received from investments	**291,200**	268,900
Others	**-**	-
Net cash (used in)/from investing activities	**(3,405,602,009)**	1,956,279,632
Cash Flows From Financing Activities		
Net proceeds from the issue of Ordinary share capital	**-**	-
Net proceeds from the issue of Other equity instruments	**-**	-
Repayment of Subordinated debt	**-**	-
Interest paid on subordinated debts	**-**	-
Dividends paid to non - controlling Interest	**-**	-
Dividends paid to holders of equity instruments	**-**	-
Dividends paid to shareholders of the parent company	**-**	-
Others	**-**	-
Net cash (used in)/from financing activities	**-**	-
Net increase/(decrease) in cash & cash Equivalents	**(63,768,187)**	87,337,842
Cash & cash equivalents at beginning of the period	**324,619,439**	237,281,596
Cash & cash equivalents at the end of the period	**260,851,252**	324,619,439
Reconciliation Of Cash and Cash Equivalents		
Cash In Hand	**151,429,565**	174,104,903
Cash at Bank	**109,421,687**	150,514,536
	260,851,252	324,619,439

Accounting Policies

1. CORPORATE INFORMATION

REPORTING ENTITY

HDFC Bank of Sri Lanka was incorporated in Sri Lanka as a Building Society in 1984 under section 11 of the National Housing Act of 1956. Subsequently it was converted to a corporation under the Housing Development Finance Corporation of Sri Lanka Act.No.7 Of 1997 and obtained the status of a specialized Bank under Housing Development Finance Corporation of Sri Lanka (Amendment) Act No 15 of 2003 and as amended by it to carry out the business of all activities of schedule iv of Banking Act No 30 of 1988 with amendments thereafter. HDFC bank's Head office is located at NHDA Secretariat Colombo-02, Sri Lanka.

2. BASIS OF PREPARATION

2.A). THE STATEMENT OF COMPLIANCE

The Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows are drawn up in conformity with the accounting standards issued by the Institute of Chartered Accountants of Sri Lanka applied consistently on a historical cost basis and fair value accounting wherever it is necessary. The financial statements are presented in Sri Lanka Rupees.

Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka mandated for all specified business enterprises were used to prepare these financial statements. The comparative figures were also restated as per the above standards. These Financial Statements also provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.B). FUNCTIONAL AND PREPARATION CURRENCY

The financial statement of the Bank is presented in Sri Lankan Rupees which is the currency of the primary economic environment in which the Bank operates. The financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS) No -1 "Presentation of Financial Statements"

2.C). RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank as per the provisions of the Banking Act No. 30 of 1988 and amendments thereto and Sri Lanka Accounting Standards.

The Board of Directors acknowledge their responsibility as set out in the 'Directors' Responsibility for Financial Reporting' and the clarification given on the 'Statement of Financial Position'.

2.D). FORMAT OF ACCOUNTS AND PRIOR YEAR FIGURES

Financial statements are presented in accordance with the format of accounts prescribed by the Central Bank of Sri Lanka and the Accounting Policies adopted by the bank are consistent with those of the previous financial year as permitted by the Sri Lanka Accounting Standard (LKAS) No .01 "Presentation of Financial Statements".

2.E). PRESENTATION OF FINANCIAL STATEMENTS

The assets and liabilities of the Bank presented in the Statement of Financial Position are grouped by their nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis of the maturity patterns of assets and liabilities of the Bank is presented in Maturity Gap Analysis Report.

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position if and only if there is a legally enforceable right to offset the
recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.F). MATERIALITY AND AGGREGATION

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 01 on 'Presentation of Financial Statements'

2.G). COMPARATIVE INFORMATION

The comparative information is reclassified where necessary for the better presentation and to conform to the current year's presentation.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

3.A). GOING CONCERN

The management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going-concern basis.

3.B). VALUATION OF ASSETS

3.B.I) LOANS AND ADVANCES TO CUSTOMERS

Loans and Advances to customers are stated in the Statement of Financial Position net of ECL for possible future loan losses.

Expected Credit Loss (ECL) of Financial Assets

Overview of Expected Credit Loss (ECL) principles The Bank records an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'Financial Instruments'. Equity instruments are not subject to ECL under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The Bank's policies for determining if there has been a significant increase in credit risk are set out in impairment policy. The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank's policy for grouping financial assets measured on a collective basis is explained in impairment policy. The Bank has established a policy to perform an assessment at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Further the Bank includes credit facilities restructured up to 2 times under Stage 2.
- Stage 3: Loans considered credit impaired The Bank records an allowance for the LTECLs. Further, the Bank includes credit facilities restructured more than 2 times under Stage 3.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default (PD): The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in impairment policy.
- Exposure at Default (EAD): The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities and accrued interest from missed payments. The EAD is further explained in impairment policy.
- Loss Given Default (LGD): The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in impairment policy.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs as set out in impairment policy. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

ECL and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in impairment policy.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecasted EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above including the use of multiple scenarios but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For loans considered credit impaired, the Bank recognises the LTECLs for these loans. The method is similar to that for Stage 2 assets with the PD set at 100%.
- Loan Commitments: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down based on a probability weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The calculation is made using a probability weighting of the three scenarios.

Adjustments to ECL model as a result of challenging macroeconomic outlook

In assessing expected credit losses, the Bank incorporated the effects of current macro-economic conditions and the government and other support measures on a reasonable and supportable basis. Taking into consideration of the challenging macroeconomic conditions, the ECL provisions recognised as management overlays were further increased during the year. Further, the management recognised additional ECL provisions through increasing the probability weightage for the worst-case scenario and reducing the weightage for the base-case scenario in multiple economic scenario adjustment. The Bank continued to examine the individually significant customers and ensured adequate provisions were made in the Financial Statements as required. When assessing the ECL provisions for individually significant customers, several prudent measures such as extending the recovery cash flows, discounting the property values to reflect a more reasonable estimate of the fair value etc. were applied.

Forward looking information

The Bank incorporates forward looking information into both its assessment as to whether the credit risk of an instrument has been increased significantly since its initial recognition and its measurement of ECL. When estimating the ECLs, the Bank considers three economic scenarios namely base case, best case and worse case.

Base case (Most Likely) scenario

The base case scenario is the Bank's view of the most likely future macroeconomic conditions. It reflects the Management's assumptions used for strategic planning and budgeting process.

Upside (Best Case) scenario

the upside scenarios is fixed by reference to average economic cycle conditions and is based on a combination of more optimistic economic events over long term horizons.

Downside (Worst Case) scenario

The downside scenario is fixed by reference to average economic cycle conditions and is based on a combination of more pessimistic economic events and uncertainty over long term horizons.

Quantitative economic factors are based on economic data and forecasts published by Central Bank of Sri Lanka and international organisations such as International Monetary Fund (IMF). In its ECLmodels, the Bank relies on a broad range of forward looking information as economic inputs such as:

Quantitative factors

- GDP growth
- Unemployment rates
- Exchange rates
- Inflation price indices
- Interest rates

Qualitative factors

- Government policies
- Status of industry and business
- Regulatory impact

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in impairment policy.

1. Collective ECL Method
2. Individual ECL Method.

Collective ECL Provisions

Collective ECL provisions for possible loan losses are made in accordance with the Sri Lanka Financial Reporting Standard No. 09 on 'Financial Instruments: Recognition and Measurement in the Financial Statements of the Bank. The Bank makes the collective ECL provision on the rolling rate method where the individual ECL is not material and adjusted loss given default (LGD) Ratio considering industry variables.

Individual ECL Provisions

Acquired Properties for Sale

Properties mortgaged to HDFC Bank are auctioned if the customers are in default for a reasonable period of time and the properties which are not disposed of at such auctions are recognized as acquired properties which are presented under the loans & advances. The valuations of such properties with Cash flow predicted with reasonable assurance are made on an individual basis.

Loans over LKR 10 Mns & Guarantor Loans over 36 months in arrears

Individual ECL is made for the loans excluding pawning, cash and guarantee loans over 36 months in arrears, over LKR 10Mn with reasonable assurance for future cash recoveries.

Cash & Gold Loans

These loans assessed based on net realizable value of the securities based on current market value of the items. If there is no ECL, applied 0.5% ECL as minimum requirement.

3.B.II). PROPERTY, PLANT & EQUIPMENT

These are recorded initially at cost plus other expenses which are necessary to bring the assets to the useable condition the details of fair value by using the latest valuation report which is not more than 3 years for land and building as per the Sri Lanka Accounting Standard (LKAS) No. 16 is disclosed separately.

Basis of Recognition

Property, Plant & Equipment are recognized, if it is probable that future economic benefits associated with the asset will flow to the bank and the cost of the asset can be reliably measured.

Basis of Measurement

The property, plant and equipment are stated at cost less accumulated depreciation, which is provided for on the basis specified below.

Depreciation Policy

Depreciation is provided at the following rates on a straight-line basis over the estimated lives of different types of assets.

Class of Assets	% per Annum
Buildings	6 2/3
Office Equipment	12.50
Furniture & Fittings	10.00
Motor Vehicles & Bicycles	20.00
Plant and Machinery	25.00
Tools & Equipment	12.50

Total annual depreciation is provided from the date of use to the date of disposal.

3.B.III).INTANGIBLE ASSETS

The Bank's intangible assets consist of the value of purchased computer software.

Basis of Recognition

An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the
expected future economic benefits that are attributable to it will flow to the Bank.

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition,
intangible assets are carried at cost less any accumulated amortization and any accumulated ECL.

Useful Economic Life and Amortization

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Income Statement in the expense category consistent with the function of the intangible asset.

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 incomein the Income Statement in the year the asset is derecognized.

The Bank does not possess intangible assets with indefinite useful economic life.

Class of Assets	% per Annum
Computer software -Foreign	25.00
Computer software –Local	25.00
Core Application Software	10.00

3.B.IV).INVESTMENT PROPERTY

Investment properties are recorded at current market value and the difference between carrying value and the market value is presented under other income.

3.C) FINANCIAL ASSETS

3.C.I) RECOGNITION AND MEASUREMENT

The financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Loans and advances are initially recognized on the date at which they are originated at fair value which is usually the loan amount granted and subsequent measurement is at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method, minus ECL.

All other financial assets are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

3.C.II) CLASSIFICATION

On initial recognition, the Bank classifies financial assets into one of the following categories:

- Measured at amortized cost,
- Fair value through other comprehensive income (FVOCI); and,
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Financial Assets measured at Amortized Costs

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model (explained in note 5.3.2.3) whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets at Fair value through other comprehensive income
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial Assets at Fair value through profit or loss

All financial assets are other than those classified at Amortized Costs or FVOCI are classified as measured at FVTPL.

Financial Assets are mandatorily fair valued through profit and loss when the instruments

- are held for trading, or
- are managed, evaluated and reported internally on a fair value basis., or
- designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, or
- Contains an embedded derivative that significantly modifies the cash flows which would otherwise have been required under the contract.

Financial Assets Designated at Fair Value through Profit or Loss
In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Bank has not designated any financial asset upon initial recognition at fair value through profit or loss as at the Reporting date.

Business model assessment

The Bank assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessments of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have the option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is considered for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

3.C.III) RECLASSIFICATION

- Financial assets except financial assets that would have met the definition of loans and receivables at initial recognition may be reclassified out of the fair value through the profit or loss category and into another category in rare circumstances.

Policy applicable

Financial assets are not reclassified after their initial recognition, except and only in those rare circumstances when the Bank changes its objective of the business model for managing such financial assets.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

Timing of reclassification of financial assets

Consequent to the change in the business model, the Bank reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Measurement of reclassification of financial assets

Reclassification of Financial Instruments at 'Fair value through profit or loss'

- To Fair value through other comprehensive income

  The fair value on the reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognized in OCI.

- To Amortized Costs

  The fair value on the reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

Reclassification of Financial Instruments at 'Fair value through other comprehensive income'

- To Fair value through profit or loss

  The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

- To Amortized Costs

  The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and used to adjust the reclassified fair value. The adjusted amount becomes the amortized cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

Reclassification of Financial Instruments at 'Amortized Costs'

- To Fair value through other comprehensive income

  The asset is remeasured to fair value, with any difference recognized in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

  The fair value on the reclassification date becomes the new carrying amount. The difference between amortized cost and fair value is recognized in profit and loss.

3.C.IV) DERECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognized when the contractual right to receive cash flows from the asset has expired; or when Bank has transferred its contractual right to receive the cash flows of the financial assets, and either –

- Substantially all the risks and rewards of ownership have been transferred;

or

- Bank has neither retained nor transferred substantially all the risks and rewards, but has not retained control of the financial asset.

3.C.V) FAIR VALUE MEASUREMENT

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active, if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank based on the net exposure to either market or credit risk are measured based on a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities based on the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as the end of the reporting period during which the change has occurred.

3.C.VI) IDENTIFICATION AND MEASUREMENT OF ECL

Policy applicable

Recognition of ECL of Financial Assets

The Bank recognizes loss allowances for Expected Credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No ECL is recognized on equity investments.
The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Bank considers debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components: The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Modification of Financial Assets.

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in the forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in the derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

.a Any costs or fees incurred and modification fees received
b adjust the gross carrying amount of the modified financial assets amortised over the remaining term of the modified financial asset. If such a modification is carried out because of the financial difficulties of the borrower , then the gain or loss is presented together with ECL. In other cases, it is presented as interest income calculated using the effective interest rate method.

Write-off of Financial Assets

The Bank writes off a loan or an investment debt security, and any related allowances for ECL, when Bank determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

3.D) FINANCIAL LIABILITIES

3.D.I)RECOGNITION AND MEASUREMENT OF FINANCIAL LIABILITIES

Policy applicable

On initial recognition, the Bank classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortized cost; and
- Financial liabilities at fair value through profit or loss,

Classification and Subsequent Measurement of Financial Liabilities

The subsequent measurement of financial liabilities depends on their classification.

Financial Liabilities at Amortized Cost

Financial Liabilities issued by the Bank that are not designated at fair value through profit or loss are recognized initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. After initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposit and debentures are classified as financial liabilities measured at amortized cost.

The EIR amortization is included in 'Interest expense' in the Income Statement. Gains and losses too are recognized in the Income Statement when the liabilities are derecognized as well as through the EIR amortization process.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes

3.D.II) DERECOGNITION OF FINANCIAL LIABILITIES

Bank derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3.D.III) DUE TO BANKS, CUSTOMERS, DEBT SECURITIES ISSUED AND OTHER BORROWING

Financial liabilities are recognized when Bank enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of financial liabilities is at amortized cost, using the effective interest method to amortize the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

3.D.IV) PROVISIONS

Provisions are recognized when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation.

3.D.V) SALE AND REPURCHASE AGREEMENTS

When securities are sold subject to a commitment to repurchase them at a predetermined price ("repos"), they remain on the statement of financial position and a liability is recorded in respect of the consideration received.

Securities purchased under commitments to sell ("reverse repos") are not recognized on the statement of financial position and the consideration paid is recorded in "Financial assets at amortized cost - Loans to and receivables from banks", "Financial assets at amortized cost -Loans to and receivables from other customers" as appropriate. The difference between the sale and repurchase price is treated as interest and recognized over the life of the agreement for loans and advances to banks and customers.

3.E) RETIREMENT BENEFITS

RETIREMENT BENEFITS

Defined benefit plans, Provision is made in the Accounts for retirement gratuities payable under the payment of Gratuities Act No.12 of 1983 for employees from the time of joining the bank and provision for special gratuity as per CBEU collective agreement for special employees who have completed more than 15 years using Actuarial valuation. The item is grouped under other liabilities in the Statement of Financial position.

RETIREMENT BENEFITS – DEFINED CONTRIBUTION PLANS

Employee provident fund

The Bank and employees contribute to the Employee's Provident Fund at 12% and 8% on the salaries of each employee, respectively to the Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

The Bank contributes at the rate of 3% of the salaries of each employee to the Employees Trust Fund managed by Employee Trust Fund Board.

3.F)OTHER LIABILITIES

Other liabilities include fees, expenses and amounts payable for gratuity/pensions and other provisions. These liabilities are recorded at amounts expected to be payable at the Financial Position date.

3.G) REVENUE RECOGNITION

INTEREST INCOME ON LOANS AND ADVANCES

Interest income is recognized on an accrual basis for all loans using the effective interest rate method.

OVERDUE INTEREST INCOME

Overdue interest for late payment of loan installment is recognized on a cash basis for the loans except for EPF Loans.

3.H) EXPENSES

INTEREST ON DEPOSITS, BORROWINGS

In terms of the provisions of the Sri Lanka Accounting Standard (LKAS) No. 39 borrowings are recognized on an effective interest rate method and charged to the income statement.

OTHER EXPENSES

All expenditures incurred in operations and in maintaining the Properties, Plants and Equipment in a state of efficiency are charged to the Income statement in arriving at the profit or loss for the year and are recognized on an accrual basis.

3.I)TAXATION

Income tax expense comprises the net of current year tax and deferred tax. Income tax expense is recognized in the Income Statement except to the extent it relates to items recognized directly in Equity in which case it is recognized in Equity

CURRENT TAXATION

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the tax authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the Statement of Financial Position date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and expense as required by the Sri Lanka Accounting Standard (LKAS) No. 12 on "Income Taxes".

DEFERRED TAXATION

Deferred taxation is provided on the liability method. The tax effect of timing difference which occurs when items are allowed for income tax purposes in a period different from when they are recognized in financial statements is included in the provision for deferred tax at the current rate of taxation.

VALUE-ADDED TAX ON FINANCIAL SERVICES

The basis for the computation of Value Added Tax on Financial Services is the accounting profit before Emoluments are paid to employees and income tax, which is adjusted for the depreciation computed on prescribed rates. The amount of Value Added Tax charged in determining the profit for the period is given in the Financial Statements.

3.J) THE STATEMENT OF CASH FLOW

The Cash Flow Statement has been prepared by using the "Direct Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) No. 7 on 'Statement of Cash Flow', whereby gross cash receipts and gross cash payments on operating activities, investing activities and financing activities are recognized. Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.K) STATUTORY RESERVE FUND

5% of the net profit after tax is transferred to the statutory Reserve fund before all distributions as per CBSL Direction. However whenever the bank make Losses no distribution are being made.

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. However whenever the bank make Losses no distribution are being made.

3.M) DIVIDENDS ON ORDINARY SHARES

Dividends on Ordinary Shares are recognized as a liability and deducted from equity when they are approved by the Annual General Meeting. Dividends on Ordinary Shares for the year that are recommended by the Directors after the Statement of Financial Position date for approval of the Shareholders at the Annual General Meeting are disclosed separately to the Financial Statements.

3.N) EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Bank by the weighted-average number of Ordinary Shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to the Ordinary Shareholders by the weighted-average number of Ordinary Shares outstanding adjusted for the effects of all dilutive potential Ordinary Shares.

3.O) INVENTORY VALUATION

The consumable stocks are recorded at cost and the issues of inventory items are based on the first in first out (FIFO) method.

3.P) INTEREST IN OTHER ENTITIES

No material interest in other entities as at the balance sheet date.

3.Q) SLFRS 16 LEASES

The right to use assets are reflected in the assets which the bank has acquired on operational lease and the discounting rate used is the financial cost of fund of the bank in 2019 initially and thereafter, the respective cost of fund used before the month of the lease agreement signed on a cumulative basis during the period.

The useful life of the assets is the period of the lease agreement, and the depreciation method is the straight-line method over the useful life of the assets.

The depreciation provided using the straight-line method is debited to the income statement under depreciation and amortized cost. The finance cost which arose using the discounting rate debited to the income statement and grouped under interest cost.

3.R) FOREIGN CURRENCY TRANSLATION - TRANSACTIONS AND BALANCES

Monetary assets and liabilities denominated in foreign currencies are retranslated to Sri Lankan Rupees using the spot rate of exchange prevailing at the reporting date. All differences arising on nontrading activities are taken to 'Other Operating Expenses' in Profit or Loss.

3.S) SRI LANKA FINANCIAL REPORTING STANDARDS (SLFRS) ISSUED BUT NOT YET EFFECTIVE

i. SLFRS 18 – Presentation and Disclosure in Financial Statements.

Effective for annual reporting periods beginning on or after 1st January 2027. Early application is permitted.

ii. SLFRS 9 – Financial Instruments (amendment).

The amendments to SLFRS 9 (Financial Instruments) are effective for annual reporting periods beginning on or after 1 January 2026.

iii. SLFRS 7 – Disclosures (amendments).

The consequential amendments to SLFRS 7 (Disclosures) are effective for annual reporting periods beginning on or after 1 January 2026.

4. NET INTEREST INCOME

In Rupees	2025	2024
Interest income		
Cash and cash equivalents	-	-
Balances with central banks	-	-
Placements with banks	37,744,008	3,141,922
Derivative financial instruments	-	-
Financial assets recognized through profit or loss		
- measured at fair value	-	-
- designated at fair value	-	-
Financial assets at amortised cost		
- loans and advances	5,348,778,252	5,835,844,399
- debt and other instruments	1,684,823,985	556,408,236
Financial assets measured at fair value through other		
comprehensive income	(4,284,849)	1,428,500,654
Reverse repo with primary dealers	361,833,854	345,849,448
Total interest income	7,428,895,249	8,169,744,660
Interest expenses		
Due to banks	74,919,408	47,979,242
Derivative financial instruments	-	-
Financial liabilities recognized through profit or loss		
– measured at fair value	-	-
– designated at fair value	-	-
Financial liabilities at amortised cost		
– due to depositors	4,259,395,680	5,043,003,112
– due to debt securities holders	181,883,074	202,053,135
– due to other borrowers	46,139,406	50,205,093
Others	43,748,607	44,754,218
Total interest expenses	4,606,086,176	5,387,994,800
Net interest income	2,822,809,073	2,781,749,859

A. NET INTEREST INCOME FROM SRI LANKA GOVERNMENT SECURITIES

In Rupees	2025	2024
Interest income	1,362,696,521	1,829,090,379
Less: Interest expenses	-	-
Net interest income	1,362,696,521	1,829,090,379

5. NET FEE AND COMMISSION INCOME

In Rupees	2025	2024
Fee and commission income	250,223,478	330,337,224
Fee and commission expenses	-	-
Net fee and commission income	250,223,478	330,337,224
Comprising		
Loans	173,238,240	234,102,536
Cards	7,577,675	7,575,628
Trade and remittances	-	-
Investment banking	-	-
Deposits account	65,197,172	74,396,291
Guarantees	5,085	18,136
Others	4,205,306	14,244,633
Net fee and commission income	250,223,478	330,337,224

6. NET GAIN/(LOSS) FROM TRADING

In Rupees	2025	2024
Foreign exchange	-	-
- From banks	-	-
- From other customers	-	-
Fixed income securities	-	-
Equity securities	-	-
Derivative financial instruments	-	-
Treasury Bond	-	-
Total	-	-

7. NET FAIR VALUE GAINS/(LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In Rupees	2025	2024
Gains on financial assets at fair value through profit or loss	-	-
Losses on financial assets at fair value through profit or loss	-	-
Gains on financial liabilities at fair value through profit or loss	-	-
Losses on financial liabilities at fair value through profit or loss	-	-
Total	-	-

8. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS

In Rupees	2025	2024
Recognised at:		
Fair value through other comprehensive income	-	-
Total	-	-

9. NET OTHER OPERATING INCOME

In Rupees	2025	2024
Gain/(Loss) on investment properties	50,500,000	-
Gain/(Loss) on sale of property, plant and equipment	61,632	6,287,460
Gain/(Loss) on revaluation of foreign exchange	-	-
Recovery of loans written-off	-	-
Less: Loans written off	-	-
Dividend income	291,200	268,900
Total	50,852,832	6,556,360

10. IMPAIRMENT CHARGES

In Rupees	2025	2024
Placement with banks		
Stage 1	190,649	(1,573)
Financial assets at amortised cost - loans and advances (Note 21(b))		
Stage 1	(74,226,904)	4,019,394
Stage 2	(19,691,674)	(68,265,769)
Stage 3	513,519,450	341,297,247
Financial assets at amortised cost – debt instruments		
Stage 1	432,159	(712,059)
Stage 2	-	-
Stage 3	-	-
Financial assets measured at fair value through other comprehensive income (Note 23(b))		
Stage 1	-	-
Stage 2	-	-
Stage 3	-	-
Contingent liabilities & commitments (Note 45(a))		
Stage 1	613,953	-
Stage 2	(2,168)	-
Stage 3	92,844	-
Investment in subsidiaries (Note 24(a))	-	-
Investments in associates and joint ventures (Note 25(a))	-	-
Property, plant and equipment (Note 26(c))	-	-
Investment properties (Note 27(b))	-	-
Special Gold Loan Loss	-	1,669,570
Total	420,928,306	278,006,812

11. PERSONNEL EXPENSES

In Rupees	2025	2024
Salary and bonus	**1,007,358,410**	1,075,100,076
Non-statutory special payments to Directors/CEO and KMP at the termination of employment or at the retirement	**-**	-
Contributions to defined contribution/benefit plans	**150,717,282**	148,301,211
Provision for defined benefit obligations	**158,158,874**	160,260,780
Share based expenses	**-**	-
Ex- Gratia to Key Management Personnel	**-**	-
Ex- Gratia to other than KMPs	**-**	544,711
Others	**282,497,926**	262,171,694
Total	**1,598,732,491**	1,646,378,472

12. a DEPRECIATION & AMORTIZATION

In Rupees	2025	2024
Depreciation of Property plant & equipment	**46,307,296**	50,913,535
Amortization of Right to use Assets	**82,111,827**	77,543,805
Amortization on Intangible Assets	**38,169,465**	44,306,839
Total	**166,588,587**	172,764,178

12. b OTHER EXPENSES

In Rupees	2025	2024
Directors' emoluments	**4,512,000**	4,559,333
Auditors' remunerations	**3,506,400**	3,122,870
Non-audit fees to auditors	**-**	-
Professional and legal expenses	**34,448,633**	37,904,488
Office administration and establishment expenses	**116,208,818**	122,550,479
Transport and allied expenses	**14,392,188**	17,179,647
Printing and Postage	**50,108,458**	50,241,506
Insurance and Security	**94,555,419**	95,812,105
Fine & Surcharge	**-**	-
Business Development and Advertising	**4,938,924**	21,409,221
Computer License	**100,489,444**	104,828,073
Others	**185,257,122**	151,672,047
Total	**608,417,406**	609,279,768

13. INCOME TAX EXPENSES

In Rupees	2025	2024
Current tax expense		
Current year	217,081,696	209,797,929
Prior years' provision	987,902	52,013,693
Deferred tax expense	-	-
Effect of change in tax rates	-	-
Temporary differences	(115,438,214)	(7,285,658)
Prior years' provision	-	-
Total	102,631,379	254,525,963

a. INCOME TAX RECONCILIATION

In Rupees	2025	2024
Amounts Recognised in Profit or Loss	102,631,379	254,525,963
Amounts Recognised in Other Comprehensive Income	(28,931,822)	(39,353,155)
	73,699,557	215,172,808

b. AMOUNTS RECOGNISED IN PROFIT OR LOSS

In Rupees	2025	2024
Current Tax Expense		
Tax on current year's profits	217,081,696	209,797,929
(Over)/ under provision in respect of previous years	987,902	52,013,693
	218,069,598	261,811,622
Deferred Tax Expense		
Charge/ (reversal) on temporary differences	(115,438,219)	(7,285,658)
Impact on changes in tax rates	-	-
	(115,438,219)	(7,285,658)
Total income tax expense recognised in profit or loss	102,631,379	254,525,963

c. AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

In Rupees	2025	2024
Deferred Tax Expense		
Charge/ (reversal) on temporary differences	(28,931,822)	(39,353,155)
Impact on changes in tax rates		
Total income tax expense recognised in other comprehensive income	(28,931,822)	(39,353,155)

d. CHANGE TO DEFERRED TAX CHARGE/ (REVERSAL) RECOGNISED ON OTHER COMPREHENSIVE INCOME DERIVED FROM DEFERRED TAX ASSETS

Year	2025	2024
Deferred tax assets	-	-
Deferred tax charge/ (reversal) to Other Comprehensive Income	-	-

e. RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSES

In Rupees	2025	2024
Profit/(loss) before tax	9,517,447	63,869,761
Disallowable expenses for tax Purpose	1,060,367,163	958,527,516
Allowable expenses for tax Purpose	(346,278,958)	(323,070,845)
Income tax for the period (Accounting profit @ applicable tax rate)	2,855,234	19,160,928
Adjustment in respect of current income tax of prior periods	987,902	52,013,693
Deferred Tax	(115,438,219)	(7,285,658)
Add: Tax effect of expenses that are not deductible for tax purposes	318,110,149	287,558,255
(Less): Tax effect of expenses that are deductible for tax purposes	(103,883,687)	(96,921,254)
Tax on Current Year Profit	217,081,696	209,797,930
Tax expense for the period	102,631,378	254,525,964
Effective Tax Rate with Deferred Tax*	1068%	317%
Effective Tax Rate(on Current Year Tax)*	2281%	328%

* The effective tax rate is very high die to lower operational profit, higher VAT and SSCL an Financial Services.

F. THE DEFERRED TAX (CREDIT)/CHARGE IN THE INCOME STATEMENT COMPRISE OF THE FOLLOWING

In Rupees	2025	2024
Deferred tax assets	(122,613,362)	157,592
Deferred tax liabilities	7,175,143	(7,443,250)
Other temporary differences	-	-
Deferred tax (credit)/charge to income Statement	(115,438,219)	(7,285,658)

14. EARNINGS PER SHARE

In Rupees	2025	2024
Net profit attributable to ordinary equity holders	(93,113,931)	(190,656,202)
Adjust:		
Interest on preference shares	-	-
Interest on convertible bonds	-	-
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	-	-
Weighted average number of ordinary shares for basic earnings per share	64,710,520	64,710,520
Effect of dilution	-	-
Convertible bonds	-	-
Convertible preference shares	-	-
Others	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	-	-
Basic earnings per ordinary share (LKR)	(1.44)	(2.95)
Diluted earnings per ordinary share (LKR)	(1.44)	(2.95)

15 a. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS – AS AT 31.12.2025

In Rupees - Bank	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
ASSETS				
Cash and cash equivalents	260,851,252	-	-	260,851,252
Balances with central banks	-	-	-	-
Placements with banks	2,673,579,497	-	-	2,673,579,497
Derivative financial instruments		-	-	-
Loans and advances	34,509,664,971	-	-	34,509,664,971
Financial assets measured at Amortised Cost	23,480,913,743	-	-	23,480,913,743
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Equity instruments	-	-	-	-
Total financial assets	60,925,009,463	-	-	60,925,009,463
Other Assets	-	-	-	2,811,104,285
Total assets	60,925,009,463	-	-	63,736,113,749

In Rupees	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Other	Total
LIABILITIES				
Due to banks	1,903,695,542	-	-	1,903,695,542
Derivative financial instruments	-	-	-	-
Financial liabilities	-	-	-	-
- due to depositors	50,568,905,930	-	-	50,568,905,930
- due to debt security holders	-	-	-	-
- due to other borrowers	1,779,504,207	-	-	1,779,504,207
Total financial liabilities	54,252,105,678	-	-	54,252,105,678
Non Financial Liabilities	-	-	-	1,931,650,357
Equity	-	-	-	7,552,357,713
Total liabilities & Equities	54,252,105,678	-	-	63,736,113,749

B. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS – AS AT 31.12.2024

In Rupees - Bank	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
ASSETS				
Cash and cash equivalents	324,619,439	-	-	324,619,439
Balances with central banks	-	-	-	-
Placements with banks	36,283,124	-	-	36,283,124
Derivative financial instruments	-	-	-	-
Loans and advances	40,130,468,733	-	-	40,130,468,733
Financial assets measured at Amortised Cost	17,697,880,565	-	-	17,697,880,565
Financial assets measured at fair value through other comprehensive income	-	-	4,739,113,040	4,739,113,040
Equity instruments	-	-	-	-
Total financial assets	58,189,251,860	-	4,739,113,040	62,928,364,900
Other Non Financial Assets	-	-	-	2,514,994,687
Total assets	58,189,251,860	-	4,739,113,040	65,443,359,587

In Rupees - Bank	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
LIABILITIES				
Due to banks	566,485,896	-	-	566,485,896
Derivative financial instruments	-	-	-	-
Financial liabilities at amortised cost	-	-	-	-
- due to depositors	52,005,315,939	-	-	52,005,315,939
- due to debt security holders	1,427,189,326	-	-	1,427,189,326
- due to other borrowers	1,896,666,186	-	-	1,896,666,186
Total financial liabilities	55,895,657,346	-	-	55,895,657,346
Non Financial Liabilities	-	-	-	1,834,723,021
Equity	-	-	-	7,712,979,230
Total liabilities & Equity	55,895,657,346	-	-	65,443,359,587

16. CASH AND CASH EQUIVALENTS

In Rupees	2025	2024
Cash in hand	151,429,565	174,104,903
Balances with banks	109,421,687	150,514,536
Money at call and short notice	-	-
Total	260,851,252	324,619,439

17. BALANCES WITH CENTRAL BANKS

In Rupees	2025	2024
Statutory balances with central banks		
- Central bank of Sri Lanka	-	-
- Other central banks	-	-
Non-statutory balances with central banks		
- Central bank of Sri Lanka	-	-
- Other central banks	-	-
Total balances with central banks	-	-

18. PLACEMENTS WITH BANKS – SRI LANKA

In Rupees	2025	2024
Deposits with LCBs	2,573,753,050	36,288,005
Reverese Repo with LCBs	100,021,978	
Expected credit losses	(195,531)	(4,881)
Total	2,673,579,497	36,283,124

19. DERIVATIVE FINANCIAL INSTRUMENTS

In Rupees	2025	2024
Interest rate derivatives		
Interest rate swaps	-	-
Interest rate futures	-	-
Interest rate options	-	-
Others	-	-
Foreign currency derivatives		
Currency swaps	-	-
Forward foreign exchange contracts	-	-
Others	-	-
Others	-	-
Total	-	-

20. FINANCIAL ASSETS RECOGNIZED THROUGH PROFIT OR LOSS

In Rupees	2025	2024
Measured at fair value		
Sri Lanka Government Securities		
Equity securities	-	-
Corporate debt securities	-	-
Others	-	-
Sub total	-	-
Designated at fair value		
Sri Lanka Government Securities		
Equity securities	-	-
Corporate debt securities	-	-
Others	-	-
Sub total	-	-
Total	-	-

a. ANALYSIS

In Rupees	2025	2024
By collateralisation		
Pledged as collateral	-	-
Unencumbered	-	-
Gross total	-	-
By currency		
Sri Lankan Rupee	-	-
United States Dollar	-	-
Gross total	-	-

21. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES

In Rupees	2025	2024
Gross loans and advances		
Stage 1	**14,773,989,849**	16,938,320,311
Stage 2	**3,904,090,327**	5,258,788,065
Stage 3	**18,779,409,352**	20,460,879,546
	37,457,489,527	42,657,987,922
(Less): Accumulated impairment & IIS		
Stage 1	**(215,359,763)**	(288,972,714)
Stage 2	**(191,717,464)**	(211,411,306)
Stage 3	**(2,540,747,330)**	(2,027,135,168)
Subtotal	**(2,947,824,556)**	(2,527,519,189)
Net loans and advances	**34,509,664,971**	40,130,468,733

A. ANALYSIS OF GROSS LOANS AND ADVANCES

In Rupees	2025	2024
By product		
Overdrafts	-	-
Trade finance	-	-
Lease receivable	1,362,089,871	596,091,376
Credit cards	-	-
Pawning	1,918,736,522	1,436,340,081
Staff loans	2,016,167,120	1,815,683,320
Term loans	-	-
Short-term	-	-
Long-term	32,160,496,015	38,809,868,145
Others		
Sri Lanka Government Securities	-	-
Others	-	-
Gross total	37,457,489,527	42,657,987,922
By currency		
Sri Lankan Rupee	37,457,489,527	42,657,987,922
United States Dollar	-	-
Great Britain Pound	-	-
Others	-	-
Gross total	37,457,489,527	42,657,987,922
By industry		
Agriculture and fishing	1,015,458,924	3,781,802,814
Manufacturing	-	5,989,360,815
Tourism	-	500,419,590
Transport	-	3,296,875,284
Construction	28,535,748,199	15,115,604,537
Traders	1,375,299,211	2,599,395,604
New economy	-	675,337,773
Others	6,530,983,193	10,699,191,503
Gross total	37,457,489,527	42,657,987,922

b. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2025	2024
Stage 1		
Opening balance as at 01/01	**288,972,714**	284,953,320
Charge/(Write back) to income statement	**(73,612,952)**	4,019,394
Write-off during the year	**-**	-
Other movements	**-**	-
Closing balance at 31/12	**215,359,763**	288,972,714
Stage 2		
Opening balance as at 01/01	**211,411,306**	279,677,075
Charge/(Write back) to income statement	**(19,693,842)**	(68,265,769)
Write-off during the year	**-**	-
Other movements	**-**	-
Closing balance at 31/12	**191,717,464**	211,411,306
Stage 3		
Opening balance as at 01/01	**2,027,135,168**	1,685,837,921
Charge/(Write back) to income statement	**513,612,161**	341,297,247
Write-off during the year	**-**	-
Other movements	**-**	-
Closing balance at 31/12	**2,540,747,330**	2,027,135,168
Total Expected Credit Loss Allowance on Loans and Advances	**2,947,824,553**	2,527,519,189

c. LEASE RENTALS RECEIVABLE (DISCLOSE AS PER SLFRS 16)

In Rupees	2025	2024
Lease rentals receivable within one year	**608,506,925**	266,392,072
Lease rentals receivable one to five years	**751,407,458**	328,951,046
Lease rentals receivable more than five years	**2,175,489**	952,385
Total	**1,362,089,871**	596,295,503

22. FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER INSTRUMENTS

In Rupees	2025	2024
Sri Lanka Government securities		
Treasury Bills	**3,331,835,151**	10,697,444,096
Treasury Bonds	**9,741,960,850**	1,804,925,199
Corporate Debt Instruments	**1,752,466,277**	1,756,644,406
Social Bond	**233,316,917**	
Placements with Non Banks	**2,646,707,769**	
Commercial Paper	**1,005,473,875**	
Trust certificates	**503,488,656**	-
Reverse Repo with Non LCBs	**4,345,132,093**	3,517,933,151
Investment In CRIB	**30,600**	
Impairment for expected credit losses		
Stage 01	**(1,466,879)**	(1,034,719)
Stage 03	**(78,031,567)**	(78,031,567)
Total	**23,480,913,743**	17,697,880,565

A. ANALYSIS

In Rupees	2025	2024
By Collateralisation		
Pledged as collateral	-	-
Unencumbered	23,480,913,743	17,697,880,565
Gross total	23,480,913,743	17,697,880,565
By currency		
Sri Lankan Rupee	23,480,913,743	17,697,880,565
United States Doller	-	-
Other	-	-
Gross total	23,480,913,743	17,697,880,565

B. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2025	2024
Stage 1		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		
Stage 2		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		
Stage 3		
Opening balance as at 01/01		
Charge/(Write back) to income statement		
Write-off during the year		
Other movements		
Closing balance at 31/12		

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In Rupees	2025	2024
Sri Lanka Government Securities	-	4,739,113,040
Equity securities	-	-
Corporate debt securities	-	-
Others	-	-
(Less): Impairment	-	-
Net financial assets at fair value through other comprehensive income	-	4,739,113,040

A. ANALYSIS

In Rupees	2025	2024
By collateralisation		
Pledged as collateral	-	-
Unencumbered	-	4,739,113,040
Gross total	-	4,739,113,040
By currency		
Sri Lankan Rupee	-	4,739,113,040
United States Dollar	-	-
Others	-	-
Gross total	-	4,739,113,040

B. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2025	2024
Stage 1		
Opening balance as at 01/01	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12	-	-
Stage 2		
Opening balance as at 01/01	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12	-	-
Stage 3		
Opening balance as at 01/01	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12	-	-

24. INVESTMENTS IN SUBSIDIARIES

In Rupees	2025	2024
Quoted equity investments	-	-
Unquoted equity investments	-	-
(Less): Impairment	-	-
Net total	-	-

A. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2025	2024
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Net write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In Rupees	2025	2024
Associates	-	-
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
Sub total	-	-
Joint Ventures		
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
Sub total	-	-
Total	-	-

Note: Please provide details of associates and joint ventures separately

A. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2025	2024
Associates	-	-
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Net write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/		
Joint Ventures	-	-
Opening balance as at 01/01/	-	-
Charge/(Write back) to income statement	-	-
Net write-off during the year	-	-
Other movements	-	-
Closing balance at 31/12/	-	-

26. PROPERTY, PLANT AND EQUIPMENT

A. PROPERTY, PLANT AND EQUIPMENT - BANK

In Rupees Description	Freehold Land and Buildings	Leasehold Properties	Computer Hardware	Office Equipment, Furniture and Fittings	Others	Total
2025 (Current year)						
Cost/fair value						
Opening balance at 01/01/2025	**17,575,000**	**-**	**269,500,251**	**446,508,151**	**125,300,538**	**858,883,940**
Additions	**-**	**-**	**20,589,448**	**4,026,679**	**0**	**24,616,127**
Disposals	**-**	**-**	**5,045,809**	**3,041,769**	**-**	**8,087,578**
Exchange rate variance	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments/Transfer	**-**	**-**	**-**	**-**	**-**	**-**
Closing balance at 31/12/2025	**17,575,000**	**-**	**285,043,890**	**447,493,061**	**125,300,538**	**875,412,490**
(Less): Accumulated depreciation/ Amortization						
Opening balance at 01/01/2025	**7,261,800**	**-**	**184,372,071**	**355,726,549**	**124,325,265**	**671,685,686**
Charge for the year	**518,700**	**-**	**22,824,275**	**22,036,510**	**927,810**	**46,307,296**
Additions	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**4,890,766**	**3,039,495**	**-**	**7,930,260**
Exchange rate variance	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments	**-**	**-**	**-**	**-**	**-**	**-**
Closing balance at 31/12/2025	**7,780,500**	**-**	**202,305,581**	**374,723,564**	**125,253,075**	**710,062,721**
(Less): Impairment	**-**	**-**	**-**	**-**	**-**	**-**
Net book value at 31/12/2025	**9,794,500**	**-**	**82,738,309**	**72,769,497**	**47,463**	**165,349,769**
Market value at 31/12/2025						
2024 (Previous year)						
Cost/fair value						
Opening balance at 01/01/2024	17,575,000	-	262,888,630	442,211,648	133,111,413	855,786,691
Additions	-	-	9,786,721	8,382,425	-	18,169,146
Disposals	-	-	3,175,100	4,085,922	5,325,000	12,586,022
Exchange rate variance	-	-	-	-	-	-
Adjustments/Transfer	-	-	-	-	(2,485,875)	(2,485,875)
Closing balance at 31/12/2024	17,575,000	-	269,500,251	446,508,151	125,300,538	858,883,940
(Less): Accumulated depreciation/ Amortization						
Opening balance at 01/01/2024	6,743,100	-	164,406,000	333,697,109	128,365,861	633,212,070
Charge for the year	518,700	-	23,071,113	26,039,317	1,284,404	50,913,535
Additions	-	-	-	-	-	-
Disposals	-	-	3,105,042	4,009,877	5,325,000	12,439,919
Exchange rate variance	-	-	-	-	-	-
Adjustments/Transfer	-	-	-	-	-	-
Closing balance at 31/12/2024	7,261,800	-	184,372,071	355,726,549	124,325,265	671,685,686
(Less): Impairment	-	-	-	-	-	-
Net book value at 31/12/2024	10,313,200	-	85,128,180	90,781,602	975,273	187,198,254
Market value at 31/12/2024						

A. FULLY DEPRECIATED AND DEPRECIABLE PROPERTY, PLANT AND EQUIPMENT

In Rupees	Fully depreciated	Depreciating	Total
in 2025			
Free hold PPE			
Land and Buildings	-	7,780,500	7,780,500
Computer Hardware	193,513,676	91,530,214	285,043,890
Office Equipment, Furniture and Fittings	290,553,623	156,939,438	447,493,061
Plant and Machinery	41,186,561	5,109,599	46,296,159
Tools	85,445	52,286	137,731
Motor Vehicle	78,866,648	-	78,866,648
Free hold PPE Total	604,205,952	261,412,037	865,617,989
Leased hold PPE			
Motor Vehicle	-	-	-
Leased hold PPE Total	-	-	-
Total Fully depreciated and depreciable PPE	604,205,952	261,412,037	865,617,989
in 2024			
Free hold PPE			
Land and Buildings	-	7,780,500	7,780,500
Computer Hardware	86,217,860	176,670,770	262,888,630
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	417,237,329	426,268,987	843,506,316
Leased hold PPE			
Motor Vehicle	-	-	-
Leased hold PPE Total	-	-	-
Total Fully depreciated and depreciable PPE	417,237,329	426,268987	843,506,316

B. INFORMATION ON FREE HOLD LAND AND BUILDING OF BANK

In Rupees Location	Extent	Building - Square feet	Net Book Value	No. of Buildings	Market Value
Kalutara Branch- No-13, Gnanodaya Mw, Kalutara South, Kalutara.	P 7.535	3,953	9,794,500	1	60,000,000

Date of Valuation	17th December 2025
Name of the Valuer	D.L. Samarasinghe ,AIV(SL)
Qulification of the Valuer	Incorporated Independent Valuer

c) Temporarily Idle Property, Plant and Equipment

There was no idle property, plant and equipment as at 31st December 2025 (2024: NIL).

d) Property, Plant and Equipment Retired from Active Use

There was no Retired from Active Use property, plant and equipment as at 31st December 2025 (2024: NIL).

e) Title Restriction on Property, Plant and Equipment

There were no restrictions on the title of property, plant and equipment as at 31st December 2025 (2024: NIL).

f) Property, Plant and Equipment Pledged as Security against Liabilities

There were no items of property, plant and equipment pledged as securities against liabilities as at 31st December 2025 (2024: NIL).

g) Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensations received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up as at 31st December 2025 (2024: NIL).

HDFC Bank was depreciated its' assets on a straight-line basis over the estimated lives of different types of assets. As per the depreciation policy annual depreciation is provided depreciation for the year of use and no is provided for the year of disposal. The Bank has deviated from the section 55 of the LKAS 16, in consideration of the practical difficulties of calculating depreciation from the date of use of different classes of assets.

27. INTANGIBLE ASSETS

In Rupees	Computer Software Local	Computer Software Foreign	Core Banking & Core Banking Realated Software	Total
2025				
Cost				
Opening balance at 01/01/2025	**45,834,401**	**105,474,949**	**250,073,189**	**401,382,539**
Additions	**-**	**-**	**-**	**-**
Closing balance at 31/12/2025	**45,834,401**	**105,474,949**	**250,073,189**	**401,382,539**
(Less): Accumulated Amortization	**-**	**-**	**-**	**-**
Opening balance at 01/01/2025	**40,078,965**	**100,726,091**	**194,934,484**	**335,739,541**
Charge for the year	**1,881,253**	**4,533,693**	**31,754,518**	**38,169,465**
Closing balance at 31/12/2025	**41,960,218**	**105,259,784**	**226,689,003**	**373,909,005**
(Less): Impairment	**-**	**-**	**-**	**-**
Net book value at 31/12/2025	**3,874,183**	**215,165**	**23,384,186**	**27,473,534**
2024				
Cost				
Opening balance at 01/01/2024	41,229,788	105,474,949	246,623,189	393,327,926
Additions	4,604,613	-	3,450,000	8,054,613
Closing balance at 31/12/2024	45,834,401	105,474,949	250,073,189	401,382,539
(Less): Accumulated Amortization	-	-	-	-
Opening balance at 01/01/2024	34,381,923	93,870,813	163,179,966	291,432,702
Charge for the year	5,697,042	6,855,278	31,754,518	44,306,839
Closing balance at 31/12/2024	40,078,965	100,726,091	194,934,484	335,739,541
Net book value at 31/12/2024	5,755,436	4,748,858	55,138,704	65,642,998

A. FULLY AMORTIZED AND AMORTIZABLE INTANGIBLE ASSETS

Intangible assets	Fully Amortized	Amortizable	Total
Computer Software Local	38,309,388	7,525,013	45,834,401
Computer Software Foreign	87,340,164	18,134,785	105,474,949
Core Banking Software	199,341,858.09	47,281,331	246,623,189
Total	324,991,411	72,941,128	397,932,539

b. There were no restriction on the title of the intangible assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

28. RIGHT OF USE ASSETS

In Rupees	2025	2024
ROUA net of Depreciation	**283,762,098**	262,449,082
Total	**283,762,098**	262,449,082

SLFRS 16 - "Leases", requires lessee to recognise all leases on their Statement of Financial Position as lease liabilities with the corresponding right-of-use assets w.e.f. 01.01.2019.

LEASES AS LESSEE

The Bank has obtained certain branches and office premises under Lease. The leases generally run for a period of 10 years, with an option to renew the lease after that date.

B. RIGHT OF USE ASSETS

In Rupees	2025	2024
Balance as at 01/01	**262,449,082**	304,420,217
Additions during the year with opening adjustments	**103,424,843**	35,572,669
Prepayments	**-**	-
Less: Amortisation charge for the year	**(82,111,827)**	(77,543,805)
Balance as at 31/12	**283,762,098**	262,449,082

29. INVESTMENT PROPERTIES

A. INVESTMENT PROPERTIES AT FAIR VALUE

The Bank has subsequent measured its Investment Properties at fair value. The reconciliation shows the carrying amount of the investment properties as of the reporting date.

In Rupees	2025	2024
Opening balance at 01/01	**1,284,000,000**	1,284,000,000
Additions	**50,500,000**	-
Disposals	**-**	-
Exchange rate variance	**-**	-
Adjustments	**-**	-
Closing balance at 31/12	**1,334,500,000**	1,284,000,000

There were no direct expenses incurred for the properties in the financial year.

In Rupees	2025	2024
Fair value		
Opening balance at 01/01/	**1,284,000,000**	1,284,000,000
Additions(Valuation Gain)	**50,500,000**	-
Disposals	**-**	-
Exchange rate variance	**-**	-
Adjustments	**-**	-
Closing balance at 31/12/	**1,334,500,000**	1,284,000,000
(Less): Accumulated depreciation		
Opening balance at 01/01/	**-**	-
Charge for the year	**-**	-
Additions	**-**	-
Disposals	**-**	-
Exchange rate variance	**-**	-
Adjustments	**-**	-
Closing balance at 31/12/	**-**	-
(Less): Impairment	**-**	-
Net book value at 31/12	**1,334,500,000**	1,284,000,000
Market value at 31/12	**1,334,500,000**	1,284,000,000

B. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2025	2024
Opening balance at 01/01/	**-**	-
Charge/ (Write back) to income statement	**-**	-
Net write-off during the year	**-**	-
Exchange rate variance and other adjustments	**-**	-
Closing balance at 31/12	**-**	-

C. INVESTMENT PROPERTIES VALUATION DETAILS

In Rupees			Bank	
Location	**Extent (Perches)**	**Deed No.**	**2025**	**2024**
No; 441 Sangarajah Mw,Kotahena,Aluthkade East	59.20	1127	**343,000,000**	325,000,000
(Number buildings - 00, Valuation date - 13th December 2025, Valuation method - Direct comparison method)				
No.192 Srimath Bandaranayake Mw,,Kotahena Colombo 13.	123.20	1124	**862,000,000**	838,000,000
(Number buildings - 06 - Decayed & Dilapidated , Valuation date - 13th December 2025, Valuation method - Direct comparison method)				
No.192 (Part) Sri Sangarajah Mawatha,Kotahena Colombo 13.	15.00	1126	**108,000,000**	102,000,000
(Number buildings - 01 - Decayed & Dilapidated, Valuation date - 13th December 2025, Valuation method - Direct comparison method)				
Avissawella -Housing Project	103.90	1370	**21,500,000**	19,000,000
(Number buildings - 00, Valuation date - 13th December 2025, Valuation method - Potential usage for residential activities)				
Total			**1,334,500,000**	1,284,000,000

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)
Qulification of the Valuar	Incorporated Independent Valuer
Valuation Date	13th December 2025

Revaluation of Avissawella - Housing Project

Name of the Valuar	W.K.K.A.P. Kodithuwakku,AIV(SL)
Qulification of the Valuar	Incorporated Independent Valuer
Valuation Date	20th December 2025

ANALYSIS OF THE VALUATION - AVISSAWELLA HOUSING PROJECT

The entire land to be valued is 32.70 perches of land and situated within the Urban council of Seethawaka, and 1.4 Km away from Colombo - Ratnapura main road and about 1.5 Km off Awissawella town center.

The survey plan related to these two plots of land has not been approved by the local government. There must be permission to use land for residential purposes and the valuation is based on that. Subject to the relevant approval, the valuation has been done assuming that there is an approval done for these lands. (Subdivision & condominium approvals)

My expectation and exercise are to determine the value of the property and all improvements to the land. Under this caption, all infrastructure such as drains, Roads, Boundary demarcation, Land development, etc. is not separately considered. The rates are adopted considering all the facilities.

The demand in the area is such that it is not difficult to find a suitable purchaser for a property of this nature in case of a forced sale.

In view of the present demand for lands in the locality and considering the location and facilities available, I adopt a rate of LKR 200,000/- per perch for the land. So, the valuation is made considering its potential usage for residential activities.

ANALYSIS OF THE VALUATION - BMC LAND

This approch generally provides the best value estimate for vacant land where the highest and best used would be to raze the existing improvements. Presently to enter this property from main access road through the BMC premises. Current market value indicate that land plots in the area fetch around LKR 5,000,000 to LKR 8,500,000 per perch. For the subject site has 30 feet wide road a rate of LKR 6,800,000 can be adopted.

All the buildings are decayed or dilapidated. Therefore the buildings are not considered in the valuation. Rate per perch was adopted by considering demolition cost and site clearance cost.

On direct comparison method of valuation considering the present trend in the property market and rates are proposed after having taken into consideration the features inherent to subject property, shape, extent of locality, accessibility, nature of development in the vicinity and market conditions.

30. GOODWILL AND INTANGIBLE ASSETS

In Rupees	2025	2024
Goodwill		
Opening balance 01/01/	-	-
Adjustments	-	-
(Less): Impairment	-	-
Sub-total (closing balance at 31/12/)	-	-
Other Intangible Assets	-	-
Opening balance at 01/01/	-	-
Adjustments	-	-
(Less): Impairment	-	-
Sub-total (closing balance at 31/12/)	-	-
Total	-	-

31. NET DEFERRED TAX ASSETS/(LIABILITIES)

In Rupees	2025	2024
Opening balance 01/01/	505,382,153	458,743,340
Charge for the year recognized in		
- profit and loss	173,301,864	85,991,968
- other comprehensive income/Retained Earnings	(28,931,822)	(39,353,155)
Closing balance 31/12/	649,752,194	505,382,153
Deferred Tax Assets(31.a)	840,194,973	685,049,304
Deferred Tax Liabilities(31.b)	190,442,779	179,667,150
Net Differed Tax Assets/(Liabilities)	649,752,194	505,382,153

A. DEFERRED TAX ASSET

In Rupees	2025	2024
Balance as at 01/01	685,049,304	656,679,880
Reversed/ (Originated) during the year - recognised in profit or loss	122,613,362	(157,592)
Impact due to change in tax rate - recognised in profit or loss	-	-
Reversed/ (Originated) during the year - recognised in other comprehensive income	32,532,308	28,527,015
Impact due to change in tax rate - recognised in other comprehensive income	-	-
Balance as at 31/12	840,194,973	685,049,304

B. DEFERRED TAX LIABILITY

In Rupees	2025	2024
Balance as at 01/01	(179,667,150)	(197,936,540)
Reversed/ (Originated) during the year - recognised in profit or loss	(7,175,143)	7,443,250
Impact due to change in tax rate - recognised in profit or loss	-	-
Reversed/ (Originated) during the year - recognised in other comprehensive income	(3,600,485)	10,826,140
Impact due to change in tax rate - recognised in other comprehensive income	-	-
Balance as at 31/12	(190,442,779)	(179,667,150)
Net deferred tax asset/ (liability)	649,752,194	505,382,153

C. AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

In Rupees	2025	2024
Recognized in profit or loss	**115,438,219**	7,285,658
Recognized in other comprehensive income	**28,931,822**	39,353,155
	144,370,041	46,638,813

D. DEFERRED TAX ASSETS / (LIABILITIES) ARE ORIGINATED DUE TO THE TEMPORARY DIFFERENCE ON FOLLOWING ASSETS AND LIABILITIES.

	2025		2024	
Composition of Net deferred tax asset/ (liability)	**Temporary Difference**	**Tax Effect**	**Temporary Difference**	**Tax Effect**
	LKR	**LKR**	**LKR**	**LKR**
a. Deferred tax asset				
Accelerated depreciation for tax purposes – Property, plant and equipment	**(1,777,948)**	**(533,385)**	5,173,566	1,552,070
Expected credit loss – loans to and receivable from other customers	**481,975,375**	**144,592,613**	(53,707,733)	(16,112,320)
Expected credit loss – Debt and other instruments	**622,810**	**186,843**	(713,631)	(214,089)
Post employment benefit obligation	**(74,151,969)**	**(22,245,591)**	58,724,984	17,617,495
Actuarial Loss - OCI	**108,441,025**	**32,532,308**	95,090,050	28,527,015
Debt instruments at fair value through other Comprehensive Income			-	-
Right-of-use assets	**2,042,940**	**612,882**	(10,002,491)	(3,000,747)
	517,152,232	**155,145,670**	94,564,744	28,369,423
b. Deferred tax liability				
Accumulated depreciation for tax purposes – Property, plant and equipment	**26,582,855**	**7,974,857**	24,810,834	7,443,250
Debt instruments at fair value through other Comprehensive Income	**(12,001,618)**	**(3,600,485)**	36,087,132	10,826,140
Revaluation Gain on Investment Properties	**(50,500,000)**	**(15,150,000)**	-	-
	(35,915,763)	**(10,775,629)**	60,897,965	18,269,390
Net deferred tax asset/ (liability)	**481,233,469**	**144,370,042**	155,462,709	46,638,814

32. OTHER ASSETS

In Rupees	2025	2024
Receivables	**242,016,388**	117,007,225
Deposits and prepayments	**560,331**	731,331
Sundry debtors	**56,827,381**	58,959,959
Others	**50,862,591**	33,623,683
Total Other Assets	**350,266,291**	210,322,200

33. DUE TO BANKS

In Rupees	2025	2024
Borrowings	**1,903,695,542**	566,485,896
Securities sold under repurchase (repo) Agreements	**-**	-
agreements	**-**	-
Others	**-**	-
Total due to Banks	**1,903,695,542**	566,485,896

34. DERIVATIVE FINANCIAL INSTRUMENTS

In Rupees	2025	2024
Interest rate derivatives		
Interest rate swaps	-	-
Interest rate options	-	-
Others	-	-
Foreign exchange derivatives		
Currency swaps	-	-
Forward foreign exchange contracts	-	-
Others	-	-
Others		
Total	-	-

35. FINANCIAL LIABILITIES RECOGNIZED THROUGH PROFIT OR LOSS

In Rupees	2025	2024
Measured at fair value		
Debt securities	-	-
Due to non-bank customers	-	-
Other financial liabilities	-	-
Sub total	-	-
Designated at fair value		
Debt securities	-	-
Due to non-bank customers	-	-
Other financial liabilities	-	-
Sub total	-	-
Total	-	-

36. FINANCIAL LIABILITIES AT AMORTISED COST

In Rupees	2025	2024
Due to depositors	**50,568,905,930**	52,005,315,939
Debt securities issued by the bank	-	-
Securities sold under repurchase (repo) Agreements	-	-
Others Borrowers	**1,498,254,274**	1,615,416,188
Total	**52,067,160,204**	53,620,732,126

a. ANALYSIS OF AMOUNT DUE TO DEPOSITORS

In Rupees	2025	2024
By product		
Demand deposits (current accounts)	-	-
Savings deposits	**9,611,853,463**	8,840,324,139
Fixed deposits	**40,957,052,467**	43,164,991,799
Other deposits	-	-
Total	**50,568,905,930**	52,005,315,939
By currency		
Sri Lanka Rupee	**50,568,905,930**	52,005,315,939
United States Dollar	-	-
Great Britain Pound	-	-
Others	-	-
Total	**50,568,905,930**	52,005,315,939

In Rupees	2025	2024
b. CUSTOMER CATEGORY		
Banks	**5,001,479**	-
Finance Companies	**2,519,512**	579,430
Other Customers	**50,566,386,418**	52,004,736,509
Total Due to Depositors by Customer Category	**50,568,905,930**	52,005,315,939
c. MATURITY		
Due within One Year	**31,964,948,723**	36,366,838,054
Due after One Year	**18,603,957,207**	15,638,477,884
Total Due to Depositors by Maturity	**50,568,905,930**	52,005,315,939

37. DEBT SECURITIES ISSUED

In Rupees	2025	2024
Issued by the bank	**-**	1,427,189,326
Issued by other subsidiaries	**-**	-
Total	**-**	1,427,189,326

A. DEBENTURE ISSUED BY THE BANK

	2025	2024
Balance as at 01/01	**1,423,966,000**	1,423,966,000
Debenture Redeemed	**(1,423,966,000)**	-
Interest Payable	**169,052,400**	170,524,991
Interest Paid	**(169,052,400)**	(169,052,400)
Balance as at 31/12	**-**	1,425,438,591

B. DEBENTURES DUE

	2025	2024
Due within 1 year	**-**	1,427,189,326
Due after 1 year	**-**	-
Total	**-**	1,427,189,326

C. DETAILS OF DEBT SECURITIES ISSUED(IN RUPEES)

In Rupees Type	Face Value In Rupees	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Balance 2025	Balance 2024
Issued by the bank						
Listed, secured, Redeemable & Rated 10 Year Debenture (Fixed Annual)	1,408,770,000	12%	20th November 2015	20th Nov. 2025	**-**	1,427,189,326
Sub total					**-**	1,427,189,326

D. INTEREST RATE OF COMPARABLE GOVERNMENT SECURITIES

Debenture Type	Interest rate %		Gov. security Interest rate %	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Debenture - 10 Years - 2015 (Fixed Annu. 2025)	-	12.00	-	13.63

E. INTEREST COVER

Debenture Type	Interest Cover Ratio (Times)	
	31.12.2025	31.12.2024
Debenture - 10 Years - 2015(Fixed Annu. 2025)	-	7.26

F. DEBT/EQUITY

Debenture Type	Debt/Equity Ratio	
	31.12.2025	31.12.2024
Debenture - 10 Years- 2015 (Fixed Annu. 2025)	-	19%

MARKET PRICE OF DEBENTURES DURING THE YEAR

	2025			2024		
Type of Debentures	Highest Price	Lowest Price	Last Trading Price	Highest Price	Lowest Price	Last Trading Price
Debenture - 10Years- 2015 (Fixed Annu. 2025)	N/T	N/T	N/T	N/T	N/T	N/T

N/T=Not Traded

38. LEASE LIABILITY

In Rupees	2025	2024
Opening Balance	303,181,636	335,679,257
Additions & Opening Adjustment	95,230,740	35,572,669
Amortization interest	43,748,607	44,754,218
Payments	(114,343,978)	(112,824,508)
Closing Balance	327,817,006	303,181,636

A. MATURITY ANALYSIS OF LEASE LIABILITY

In Rupees	2025	2024
Less than one year	25,942,588	23,993,009
One to five years	140,122,169	129,592,022
More than five years	161,752,249	149,596,606
Total	327,817,006	303,181,636

B. AMOUNTS RECOGNISED IN PROFIT OR LOSS

	2025	2024
Interest on lease liability	43,748,607	44,754,218
Amortisation charge for the year(Refer to note 21)	82,111,827	77,543,805
Total	125,860,434	122,298,023

C. AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

	2025	2024
Lease rental payments	114,343,978	112,824,508
Total	114,343,978	112,824,508

39. RETIREMENT BENEFIT OBLIGATIONS

Year	2025	2024
Present value of defined benefit obligation		
Normal Gratuity Provision	667,750,560	637,169,438
Special Gratuity Provision	392,981,235	388,449,715
Less: Fair value of plan assets	-	-
Total	1,060,731,793	1,025,619,153

A. CONTRIBUTIONS TO DEFINED BENEFIT PLANS

Actuarial Valuation of Gratuity Liabilities as at 31 December 2025	Normal Gratuity	Special Gratuity	2025 Total	2024 Total
Accounting Disclosures :	LKR	LKR	LKR	LKR
Change in the Present Value of The Difined Benefit Obligation (PV-DBO)				
Provision for PV-DBO as at 01 January	637,169,437	388,449,716	1,025,619,152	872,627,706
Interest Cost for the period	63,770,180	36,504,290	100,274,470	113,441,602
Current Service Cost for the period	36,625,657	17,837,602	54,463,259	46,825,257
Gratuity paid for those who left during the period	(99,496,667)	(77,478,053)	(176,974,720)	(89,213,752)
Gratuity payable for those who left during the period	(15,384,379)	(35,707,014)	(51,091,393)	-
Actuarial (Gain)/Loss on PV-DBO	45,066,333	63,374,692	108,441,024	81,938,339
Provision for PV-DBO as at 31 December	667,750,560	392,981,233	1,060,731,793	1,025,619,152
AMOUNTS RECOGNIZED IN THE BALANCE SHEET AND INCOME STATEMENT				
Liability recognised in the balance sheet				
Provision for Gratuity as at 31 December	667,750,560	392,981,233	1,060,731,793	1,025,619,152
Unrecognized actuarial Gains/(Losses) as at 31 December	-	-	-	-
Liability recognized in the balance sheet as at 31 December	667,750,560	392,981,233	1,060,731,793	1,025,619,152
Expenses recognized in the income statement				
Interest Cost	63,770,180	36,504,290	100,274,470	113,441,602
Current Service Cost	36,625,657	17,837,602	54,463,259	46,825,257
Expenses recognized in the Income Statement (Note 09)	100,395,837	54,341,892	154,737,729	160,266,859
Expenses recognized in Other Comprehensive Income statement				

Actuarial Valuation of Gratuity Liabilities as at 31 December 2025	Normal Gratuity	Special Gratuity	2025 Total	2024 Total
Accounting Disclosures :	**LKR**	**LKR**	**LKR**	**LKR**
Net Actuarial (Gain)/Loss recognized immediately	**45,091,315**	**63,349,710**	**108,441,025**	**81,938,339**
Expenses recognized in Other Comprehensive Income statement	**45,091,315**	**63,349,710**	**108,441,025**	**81,938,339**
Movements in the Net Liability Recognised in the balance sheet				
Opening Net Liability as at 01 January	**637,169,437**	**388,449,716**	**1,025,619,152**	**872,627,706**
Expences recognized in the Income Statement	**100,395,837**	**54,341,892**	**154,737,729**	**160,266,859**
Expenses recognized in Other Comprehensive Income statement	**45,091,315**	**63,349,710**	**108,441,025**	**81,938,339**
Gratuity paid/payable for those who left during the period	**(114,881,046)**	**(113,185,067)**	**(228,066,113)**	**(89,213,752)**
Closing Net Liability as at 31 December	**667,775,542**	**392,956,251**	**1,060,731,794**	**1,025,619,152**

B. ACTUARY DETAILS

Name of the Actuary	Units Actuaries & Consultants Pvt Ltd
Date of the Acturial Computation	23rd January 2026
Method of Valuation	Projected Unit Credit Method

Valuation Assumptions:

Mortality : IALM 2006–08 Mortality Table
Disability : 10% of the Mortality
Staff Turnover Rates :

Age	Rate
18-24	22%
25-29	22%
30-34	6%
35-39	6%
40-44	6%
45-49	4%
50-54	3%
55-59	0%

Normal Retirement Age : 60 Years (The employee who are aged over the specified retirement age have been assumed to retire on their respective next birthday)

Rate of Discount :10.0% p.a.
Salary Escalation Rates : Basic Salary : 8.0% p.a. ; COLA : 6.00% p.a.
Increments are due in July every year -Currency : (LKR)
Retiring Gratuity Formula : Normal Gratuity - Half month's consolidated Salary for each completed year of service for those with at least 5 years service in the event of employees leaving of the company other than death.

In the event of death : For permanent Staff: two month's consolidated Salary for each completed year of service subject to minimum of 6 month's salary
For Others: half of the above benefit is payable
Special Gratuity - Only at retirement, Half month's consolidated salary for each completed year of service for those with at least 15 years service.

Table 2: A Summary Results (Category wise)

CATEGORY	No. Emps	TOT Basic Salary (LKR)	Normal Gratuity Provision (LKR)	Special Gratuity Provision (LKR)	Total PV-DBO (LKR) (Normal + Special Gratuity)	AFWLT (Years)
Executives	241	27,813,093	15,455,000	36,710,771	849,924,493	9.2
Non Executives	212	11,738,365	10,709,481	14,414,070	210,807,300	12.4
TOTAL	453	39,551,458	26,164,481	51,124,841	1,060,731,793	10.7

Table 3: Sensitivity Analysis of Present Value of Defined Benefit Obligation

Assumption changed (while all other assumptions remain unchanged)	Total PV-DBO (LKR) (Normal+Special Gratuity)
1% increase in discount rate	990,836,762
1% decrease in discount rate	1,140,403,451
1% increase in Salary Escalation rate	1,141,242,108
1% decrease in Salary Escalation rate	989,015,223

Detailed Accounting Disclosures :

		Normal Gratuity + Special Gratuity
Break up of actuarial (gain)/loss on the defined benefit obligation (LKR)		
Experience adjustment (Financial and Demographic)	=	93,033,740.00
Due to changes in financial assumptions	=	22,350,680.00
Due to changes in demographic assumptions	=	(6,943,397.00)
Total	=	108,441,023.00
Distribution of Present Value of Defined Benefit Obligation In Future Years (LKR)		
During fiscal year ending December 31 2026	=	106,545,773.35
During fiscal year ending December 31 2027	=	104,450,175.02
During fiscal year ending December 31 2028	=	106,144,388.03
During fiscal year ending December 31 2029	=	64,807,331.31
During fiscal year ending December 31 2030	=	74,542,920.76
Beyond next 5 years	=	604,241,204.32
	=	1,060,731,792.80
Weighted Average Duration of Defined Benefit Obligation (Years)	=	7

40. CURRENT TAX LIABILITIES

In Rupees	2025	2024
Opening balance 01/ January	151,034,918	573,853,895
Prior Year Adjustments	(4,066,808)	(7,815,994)
Charge for the year - Income Tax	218,069,058	265,165,368
Total	365,037,708	831,203,269
Tax Payments during the year	(207,001,141)	(680,168,353)
Closing balance 31/ December	158,036,567	151,034,918

41. OTHER PROVISIONS

In Rupees	2025	2024
Other		
Total		

42. OTHER LIABILITIES

In Rupees	2025	2024
Sundry creditors	**206,922,801**	181,418,780
Interest payable	**-**	-
Impairment in respect of off-balance sheet credit exposures (Note 10)	**-**	-
Other payables	**178,072,191**	173,468,534
Total	**385,064,992**	354,887,314

43. PERPETUAL BOND

In Rupees	2025	2024
Capital	**250,000,000**	250,000,000
Interest	**31,250,000**	31,250,000
Total	**281,250,000**	281,250,000

44. DUE TO SUBSIDIARIES

In Rupees	2025	2024
	-	-
	-	-
Total	**-**	-

45. STATED CAPITAL/ASSIGNED CAPITAL

In Rupees	2025	2024	2025	2024
Ordinary shares	**No. of Shares**	**No. of Shares**	**LKR**	**LKR**
Capital	**64,710,520**	64,710,520	**962,092,936**	962,092,936
Total	**64,710,520**	64,710,520	**962,092,936**	962,092,936

46. STATUTORY RESERVE FUND

In Rupees	2025	2024
Opening balance at 01/01/	**353,799,215**	353,799,215
Restatements	**-**	-
Transfers during the period	**-**	-
Closing balance at 31/12/	**353,799,215**	353,799,215

47. RETAINED EARNINGS

In Rupees	2025	2024
Opening balance at 01/ January	5,865,868,596	6,056,524,798
IFRS 16 Adjustments/Restatements		
Profit for the year	(93,113,931)	(190,656,202)
Transfers to other reserves and adjustments	-	-
Dividend	-	-
Closing balance at 31/ December	5,772,754,664	5,865,868,596

48. OTHER RESERVES

A. BANK - CURRENT YEAR (2025)

Description	Opening balance at 01/01/2025	Movement/ transfers and IFRS 9 Adjustments	Closing Balance 31/12/2025
General reserve	633,999,931	-	633,999,931
Revaluation reserve	-	-	-
Cash flow hedge reserve	-	-	-
Foreign currency translation reserve	-	-	-
OCI reserve	(94,380,316)	(75,908,718)	(170,289,034)
FVTOCI Reserves	(8,401,132)	8,401,133	1
Others	-	-	-
Total	531,218,473	(67,507,585)	463,710,898

B. BANK – PREVIOUS YEAR (2024)

In Rupees	Opening balance at 01/01/2024	Movement/ transfers and IFRS 9 Adjustments	Closing Balance 31/12/2024
General reserve	633,999,931	-	633,999,931
Revaluation reserve	-	-	-
Cash flow hedge reserve	-	-	-
Foreign currency translation reserve	-	-	-
OCI reserve	(27,817,282)	(66,563,035)	(94,380,316)
FVTOCI Reserves	16,859,860	(25,260,991)	(8,401,132)
Others	-	-	-
Total	623,042,499	(91,824,026)	531,218,483

49. NON-CONTROLLING INTERESTS

In Rupees	2025	2024
N/A	-	-
Total	-	-

50. CONTINGENT LIABILITIES AND COMMITMENTS

In Rupees	2025	2024
Bonds	-	-
Letters of credit	-	-
Other contingent items	-	-
Undrawn loan commitments	17,960,372	18,078,151
Guarantees	11,050,000	12,720,000
	29,010,372	30,798,151

A. MOVEMENTS IN IMPAIRMENT DURING THE YEAR

In Rupees	2025	2024
Opening balance at 01/01	329,315	4,774,247
Charge/ (Write back) to income statement	704,629	(4,444,932)
Net write-off during the year	-	-
Exchange rate variance and other adjustments	-	-
Closing balance at 31/12	1,033,944	329,315

51. MATERIAL LITIGATION AGAINST THE BANK

In the normal course of business, the bank is a party to various types of litigation, including litigation with borrowers who are in default in terms of their facility agreements.

Based on the assessment carried out, the Bank is of the view that the legal cases filed against the Bank will not have a material impact on the reported financial results or the future operations of the Bank.

52. TAX ASSESSMENTS AGAINST THE BANK

The following tax assessments are outstanding, against which the Bank have duly appealed.

Tax Type	Year of Assessment	Balance Tax Payable/ (Refund Claimed)	Interest payable	Penalty Payable	Total	Remark
IT	2018/2019	112,566,675	71,630,351	15,220,336	199,417,362	Reserve for determination (TAC)
IT	2019/2020	144,542,076	71,548,328	-	216,090,404	Under the TAC hearing process
IT	2020/2021	32,816,210	19,197,483	6,563,242	58,576,935	As per records, the bank set off the balance tax payable against the refund available
VAT on FS	2016/2017					TAC has annulled the assessment
VAT on FS	2019/2020	1,760,123			1,760,123	Intention submitted to TAC
VAT on FS	2020/2021	12,213,994		6,106,997	18,320,991	CGIR's Decision is pending (AR)
DRL	2019/2020	860,189			860,189	TAC has annulled the assessment
SSCL	2340	2,692,000	-	-	2,692,000	CGIR's determination is pending (Appeal)

The bank made appeals to the Commissioner General and the Tax Appeals Commission against the assessment and determination. As per the appeal, there is no tax payable by the bank.

Further to that the appeals involve a highly technical interpretation of the law, which should be determined in several stages, ultimately the Supreme Court and also as per the available information bank believe that there is no additional tax expense.

53.(A). LIABILITY ON INCENTIVE BONUS

In accordance with Section II of the Collective Agreement, the Bank is contractually obligated to pay an incentive bonus to employees upon the achievement of stipulated financial performance criteria.

For the financial year ended 31 December 2023, the Bank reported a Profit After Tax of LKR 1,302 million. Based on this performance, the estimated liability in respect of the incentive bonus payable to employees amounts to approximately LKR 324 million.

During the year, the Bank reclassified and disposed of a bond portfolio with the objective of strengthening its capital position and building an additional capital buffer. Accordingly, the gains arising from this transaction have been considered as one off extra ordinary gain and not a part of normal business operations. Hence, the payment of incentive bonus would not be arisen in the financial year 2023

53.(B). RESTRUCTURING OF HDFC BANK

With the concurrence of the Central Bank of Sri Lanka (CBSL), the Government reviewed the Bank's existing business model and operational structure. Following this review, the Cabinet of Ministers approved a proposal to restructure the Bank's operations in compliance with the regulatory requirements of the CBSL.

Accordingly, Cabinet approval was granted its meeting held on 10 November 2025 to the Hon. Minister of Finance to transfer all shares held by the Government of Sri Lanka in the Bank to the Bank of Ceylon. Upon completion of the proposed consolidation, the Bank is expected to continue its operations as a subsidiary of the Bank of Ceylon.

54. FINANCIAL RISK MANAGEMENT

54.1 INTRODUCTION AND OVERVIEW

The Bank has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk

54.1.1 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Banks' risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee, the Board Audit Committee and the Board Credit Committee. Board Integrated Risk Management Committee consists of non-executive members who report regularly to the Board of Directors on their activities. There are several executive management sub committees such Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

54.1.2 ASSET AND LIABILITY COMMITTEE (ALCO)

ALCO is chaired by the General Manager and has representatives from Finance Department, Credit Department, Operation Department and Risk Department. The Committee meets regularly to monitor and manage the assets & liabilities of the Bank and also overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying regulatory requirements.

54.1.3 RISK MEASUREMENT & REPORTING

The Bank's risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Bank also carries out Stress Testing to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to Integrated Risk Management Committee on a periodic basis. Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept (Risk Appetite).

54.1.4 RISK MITIGATION

As part of its overall risk management, the Bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

54.2 CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

MANAGEMENT OF CREDIT RISK

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee. Bank Credit Risk Monitoring Unit reporting to the Executive Credit Management Committee through the Chief Risk Officer is responsible for management of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Regular audits of business units and Bank credit processes are undertaken by Internal Audit.

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

	2025			
	Stage 1	Stage 2	Stage 3	Total
As at December	LKR	LKR	LKR	LKR
Financial assets at amortised cost - Loans and advances				
Grade 0 - 2 Performing Loans	14,733,989,849	3,904,090,327	-	18,678,080,176
Grade 3: NPA Special Mention	-	-	519,857,708	519,857,708
Grade 4: NPA Substandard	-	-	201,266,489	201,266,489
Grade 5: NPA Doubtful	-	-	187,434,428	187,434,428
Grade 6: NPA Loss	-	-	17,870,850,727	17,870,850,727
Total loans and receivables from other customers	14,733,989,849	3,904,090,327	18,779,409,352	37,457,489,527
Expected credit loss allowance	(215,359,763)	(191,717,464)	(2,540,747,330)	(2,947,824,556)
IIS			-	-
Net loans and receivables from other customers	14,558,630,086	3,712,372,683	16,238,662,022	34,509,664,971
Financial assets at amortised cost - Debt & other instruments				
Investment in debentures	1,907,751,627	-	78,031,567	1,985,783,195
Government debt securities-treasury bills & bonds	13,073,796,001	-	-	13,073,796,001
Reverse Repo with Non LCBs	4,345,132,093	-	-	4,345,132,093
Placement with Non Banks	2,646,707,769			2,646,707,769
Commercial Papers	1,005,473,875			1,005,473,875
Trust Certificates	503,488,656			503,488,656
Investment in CRIB	30,600			30,600
Total debt and other instruments	23,482,380,622	-	78,031,567	23,560,412,189
Expected credit loss allowance	78,031,567	-	(78,031,567)	(79,498,446)
Net debt and other instruments	23,560,421,189	-	-	23,480,913,743
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	2,573,753,050	-	-	2,573,753,050
Reverese Repo with LCBs	100,021,978	-	-	100,021,978
Total placements with banks	2,673,775,028	-	-	2,673,775,028
Expected credit loss allowance	(195,531)	-	-	(195,531)
Net placements with banks	2,673,579,497	-	-	2,673,579,497
Commitments and Contingencies *				
Guarantees	11,050,000	-	-	11,050,000
Undrawn loan commitments	16,542,603	-	1,417,769	17,960,372
Total commitments and contingencies	27,592,603	-	1,417,769	29,010,372
Expected credit loss allowance	(895,086)	-	(4,105,506)	(1,033,944)
Net commitments and contingencies	26,697,517	-	(2,687,737)	27,976,428

	2024			
	Stage 1	Stage 2	Stage 3	Total
As at December	LKR	LKR	LKR	LKR
Financial assets at amortised cost - Loans and advances				
Grade 0 - 2 Performing Loans	16,938,320,311	5,258,788,065	-	22,197,108,376
Grade 3: NPA Special Mention	-	-	519,857,708	519,857,708
Grade 4: NPA Substandard	-	-	201,266,489	201,266,489
Grade 5: NPA Doubtful	-	-	187,434,428	187,434,428
Grade 6: NPA Loss	-	-	19,552,320,921	19,552,320,921
Total loans and receivables from other customers	16,938,320,311	5,258,788,065	21,029,188,548	43,226,296,923
Expected credit loss allowance	(288,972,714)	(211,411,306)	(2,027,135,168)	(2,527,519,189)
IIS			-	-
Net loans and receivables from other customers	16,649,347,596	5,047,376,759	18,433,744,377	40,130,468,733
Financial assets at amortised cost - Debt & other instruments				
Investment in debentures	1,678,612,838	-	78,031,567	1,756,613,806
Government debt securities-treasury bills & bonds	12,502,369,295	-	-	12,502,369,295
Reverse Repo with Non LCBs	3,517,933,151	-	-	3,517,933,151
Placement with Non Banks	-	-	-	-
Commercial Papers	-	-	-	-
Trust Certificates	-	-	-	-
Investment in CRIB	30,600	-	-	30,600
Total debt and other instruments	17,698,945,884	-	78,031,567	17,776,946,851
Expected credit loss allowance	(1,034,719)	-	(78,031,567)	(79,066,286)
Net debt and other instruments	17,697,911,165	-	-	17,697,880,565
Financial assets at FVOCI				
Government debt securities-treasury bills & bonds	4,739,113,040	-	-	4,739,113,040
Total Financial assets at FVOCI	4,739,113,040	-	-	4,739,113,040
Expected credit loss allowance	-	-	-	-
Net Financial assets at FVOCI	4,739,113,040	-	-	4,739,113,040
Placements with banks				
Investment in fixed deposits	36,288,005	-	-	36,288,005
Reverese Repo with LCBs				
Total placements with banks	36,288,005	-	-	36,288,005
Expected credit loss allowance	(4,881)	-	-	(4,881)
Net placements with banks	36,283,124	-	-	36,283,124
Commitments and Contingencies *				
Guarantees	12,720,000	-	-	12,720,000
Undrawn loan commitments	16,981,382	100,340	996,429	18,078,151
Total commitments and contingencies	29,701,382	100,340	996,429	30,798,151
Expected credit loss allowance	(281,133)	(2,168)	(46,014)	(329,315)
Net commitments and contingencies	29,420,249	98,172	950,415	30,468,836

* 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.

54.2.1 MEASUREMENT OF EXPECTED CREDIT LOSSES (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 3.B

Significant increase in Credit Risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. Bank determines significantly increase credit risk when customers exceed 30 days past due.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/ facility to the watch list, or the account becoming forborne.

Incorporation of Forward-Looking Information

The Bank incorporates forward looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are GDP growth, unemployment rates, inflation, exchange rates and interest rates.

The Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions

An overview of the approach to estimating ECLs is set out in Note 3.B.Summary of significant accounting policies and in Note 3.B. Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (CBSL) and a team of economists within its Risk Department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2024.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

For corporate and investment banking financial instruments, LGD values are requred to be assessed and reviewed at least every three months and approved by the head of finance of the bank. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Sector classification of loans

The loan classification of the bank for reporting purpose has been incorporated as per the sectorial classification of Central Bank of Sri Lanka.

Of the total sector classification, this report catogorised them in top major sectors, in accordence to the size of the portfolios.

The highest sector under this classification as per the banks closing books, 2025 is the Housing Loan, Commercial, Agriculture, Pawning, Industrial, and Other Loans, Loans against deposits, Staff loans, Leasing, SME Loans.

Sector wise portfolios as per CBSL

1. Agriculture, Forestry & Fishing : Cultivation of perennial crops, Cultivation of non-perennial crops category
2. Manufacturing : Manufacture of textiles and apparel, Manufacture of food products and beverages and others.
3. Tourism : Provision of accommodation services, Hotel management services and other loans falls under this category.
4. Transportation & Storage : Air transport, Water transport and others
5. Construction : Purchase of land, construction and development of all types of residential buildings or remodeling and renovating existing residential structures fall under this category.
6. Infrastructure Development : Construction/development of highways and railways, Construction/development of utility projects and others
7. Wholesale & Retail Trade
8. Information Technology And Communication Services
9. Financial Services
10. Professional, Scientific & Technical Activities
11. Arts, Entertainment & Recreation
12. Education
13. Health Care, Social Services & Support Services
14. Consumption
15. Lending To Ministry Of Finance
16. Lending To Overseas Entites

Corporate loans (Services, Manufacturing and Industry loans)

For corporate loans, the borrowers are assessed by specialized credit employees of the Bank. The credit risk assessment is based on the behaviour of the customer and credit quality based on the past due status. Further, the bank considers following aspects while assessing the risk of a customer :

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties are captured, which includes information provided by Credit Information Bureau. This includes external rating grades issued by rating agencies, independent analyst reports, press releases and articles, which contains relevant information of clients/industry and applicable to the credit analysis and decision making processes.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Consumer lending and retail loans

Consumer lending comprises Housing Loans, Consumer loans and Personal Loan.These products along with retail mortgages and some of the less complex small business lending are rated by (Corporate and retail credit scoring models) primarily driven by days past due (Credit Information Bureau reports). Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, economic condition, changes in personal income/salary levels based on records of repayment capacity, repayment sources, personal indebtedness and expected interest repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

Grouping financial assets measured on a collective basis

Asset classes where the Bank calculates ECL on an individual basis includes all customers above the individually significant threshold of LKR 10mn of the loan oustanding value, cash loan, gold loan & vested property, guarantee loans on litigation and guarantee loans DPD above 1095 days.

Asset classes where the Bank calculates ECL on a collective basis include:

- All loans which are not individually impaired.

The Bank groups these exposures into smaller homogeneous portfolios as described below:

- Product Type
- Collateral Type
- Nature of Business
- Utilisation/Revolving Amount
- Income/Repayment source
- Loan Amount
- LTV
- LTI
- Repayment history

54.3 LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Hence the bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

MANAGEMENT OF LIQUIDITY RISK

The Bank sets the strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Bank's liquidity policies and procedures. Central Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. the key elements of the Bank's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquid ratios, maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Bank's liquidity position.

The most important of these is to maintain the minimum 100% liquid coverage ratio to meet the regulatory requirement. Liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale.

54.3.1 EXPOSURE TO LIQUIDITY RISK

The key measure used by the Bank for managing liquidity risk is the ratio of stock of high quality liquid assets to total net cash outflow over the next 30 calender days. For this purpose liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. A similar calculation is used to measure the Bank's compliance with the liquidity limit established by the, Central Bank of Sri Lanka. Details of the reported Bank ratio of net high quality liquid assets to total net cash outflow next 30 calender days at the reporting date and during the year were as follows:

54.3.2 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The tables below summarise the maturity profile of the undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2025. 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 2025	Total	Less than 3 months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years
	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets						
Cash and cash equivalents	260,851,252	260,851,252	-	-	-	-
Placements with banks	2,673,579,497	2,634,774,389	38,805,108	-	-	-
Loans & Advances	60,777,540,458	8,746,112,750	19,375,080,042	14,093,777,738	8,368,968,896	10,193,601,033
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
Financial assets measured at Amortised Cost	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	23,480,883,143	7,945,632,274	6,539,047,167	1,832,336,214	7,163,867,488	-
Total Financial Assets	87,192,854,350	19,587,370,664	25,952,932,318	15,926,113,952	15,532,836,383	10,193,601,033
Financial Liabilities						
Due to Banks	1,580,977,625	193,023,395	249,831,761	666,218,030	471,904,438	-
Deposits	52,261,609,746	18,225,059,510	16,051,624,258	8,422,924,797	7,129,037,829	2,402,963,353
Other Borrowings	1,498,254,274	1,498,254,274	-	-	-	-
Debt Security Issued	-	-	-	-	-	-
Debt Capital	281,250,000	-	31,250,000	-	-	250,000,000
Total Financial Liabilities	55,622,091,645	19,946,337,178	16,332,706,019	9,089,142,827	7,600,942,267	2,652,963,353
Total Net Financial Assets / (Liabilities)	31,570,762,705	(358,966,514)	9,620,226,298	6,836,971,124	7,931,894,116	7,540,637,680

54.3.3 CONTRACTUAL MATURITIES OF COMMITMENTS AND CONTINGENCIES

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 December 2025

Contingent Liabilities	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Bank guarantee (without impairment)	-	3,900,000	7,150,000	-	-	11,050,000
Other Contingent items	-	17,960,372	-	-	-	17,960,372
Total Contingent Liabilities	-	21,860,372	7,150,000	-	-	29,010,372

As at 31 December 2024

Contingent Liabilities	On Demand LKR	Less than 3 Months LKR	3 to 12 Months LKR	1 to 5 Years LKR	Over 5 Years LKR	Total LKR
Bank guarantee (without impairment)	-	2,050,000	1,670,000	-	-	3,720,000
Other Contingent items	301,896,211	-	-	-	-	301,896,211
Total Contingent Liabilities	301,896,211	2,050,000	1,670,000	-	-	305,616,211

54.3.4 LIQUIDITY RESERVE

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose.

	2025	
	Carrying Amount	Fair Value
Cash and Cash equivalents	**260,851,252**	**260,851,252**
debt and other instruments	**23,480,913,743**	**23,480,913,743**
Financial assets measured at fair value through OCI	**-**	**-**
Placements with banks	**2,673,579,497**	**2,673,579,497**
	26,415,344,492	**26,415,344,492**

* The carrying amounts approximate their fair values as they are short term in nature (less than twelve months).

54.3.5 LIQUIDITY COVERAGE RATIO

The Bank has a Liquidity Coverage Ratio (LCR) as defined by the regulator. The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day period. The ratio is defined as the amount of High Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

The LCR complements the Bank's stress testing framework. By maintaining a ratio in excess of minimum regulatory requirements, the LCR seeks to ensure that the Bank holds adequate liquidity resources to mitigate a short-term liquidity stress.

Commencing from 1 April 2015, all licensed specialised banks maintained Liquidity Coverage Ratios (LCR) as prescribed by CBSL in respect of Rupee Liquidity Minimum Requirement for local currency operations and All Currency Liquidity Minimum Requirement for the overall operations effective from 1 January 2019 onwards 100%.

The Monetary Board, considering the extraordinary circumstances caused by the current macroeconomic conditions, issued a direction to Licensed Banks to permiting to maintain LCR at a level not less than 100%.

Minimum Requirement (%) - effective from

Effective from	1 July 2021
100%	

The following were the Liquidity Coverage Ratios (%) of the Bank as at 31 December:

	2025	2024
Rupee Liquidity Requirement for Local Currency Operations	**217**	223

54.3.7 DUE TO BANKS & DUE TO OTHER CUSTOMERS (DEPOSITS) TO LOANS AND RECEIVABLES FROM BANKS & OTHER CUSTOMERS (ADVANCES) RATIO

The Bank is aware of the importance of due to banks & other customers as a source of funds for its lending operations.

This is monitored using the following ratio, which compares loans and receivables to customers as a percentage of due to banks & Due to other customers (Deposits).

Due to banks & due to other customers to Loans and receivables from banks & other customers Ratio.

As at 31st December 2025	152.05%
As at 31st December 2024	131.00%

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 31.12.2025 and 31.12.2024.

	2025				2024			
	Encumbered		Unencumbered		Encumbered		Unencumbered	
	Pledged as collateral	Other	Other	Total	Pledged as collateral	Other	Other	Total
Cash and cash equivalent	-	-	260,851,252	260,851,252	-	-	324,619,439	324,619,439
Placements with banks	-	-	2,673,579,497	2,673,579,497	-	-	36,283,124	36,283,124
Equity Instruments at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	-	-	34,509,664,971	34,509,664,971	-	-	40,130,468,733	40,130,468,733
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	4,739,113,040	4,739,113,040
Financial assets measured at Amortised Cost	-	-	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	-	-	23,480,913,743	23,480,913,743	-	-	17,697,880,565	17,697,880,565
Equity Instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Other assets	-	-	2,811,104,283	2,811,104,283	-	-	2,514,994,687	2,514,994,687
Total	-	-	63,736,113,746	63,736,113,746	-	-	65,443,359,587	65,443,359,587

54.4 MARKET RISK

Market risk' is the risk that changes in market prices - such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to the changes in the obligator's/ issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the bank's solvency while optimizing the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at 31st December 2025	Carrying amount	Market risk measure: Trading portfolios	Market risk measure: Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	260,851,252	-	260,851,252
Placements with banks	2,673,579,497	-	2,673,579,497
Financial assets at amortised cost - Loans and advances	34,509,664,971	-	34,509,664,971
Financial assets measured at fair value through other comprehensive income	-	-	-
Financial assets measured at Amortised Cost	-	-	-
Financial assets at amortised cost - debt instruments	23,480,913,743	-	23,480,913,743
Other assets	2,811,104,286	-	2,811,104,286
	63,736,113,749		63,736,113,749
Liabilities subject to Market risk			
Due to banks	1,903,695,542	-	1,903,695,542
Due to depositors	50,568,905,930	-	50,568,905,930
Due to other borrowers	1,779,504,274	-	1,779,504,274
Debt securities issued	-	-	-
Current tax liabilities	158,036,567	-	158,036,567
Other liabilities	1,773,613,791	-	1,773,613,791
	56,183,756,103		56,183,756,103

As at 31st December 2024	Carrying amount	Market risk measure: Trading portfolios	Market risk measure: Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	324,619,439	-	324,619,439
Placements with banks	36,283,124	-	36,283,124
Financial assets at amortised cost - Loans and advances	40,130,468,733	-	40,130,468,733
Financial assets measured at fair value through other comprehensive income	4,739,113,040	-	4,739,113,040
Financial assets measured at Amortised Cost	-	-	-
Financial assets at amortised cost - debt instruments	17,697,880,565	-	17,697,880,565
Other assets	2,514,994,687	-	2,514,994,687
	65,443,359,587		65,443,359,587
Liabilities subject to Market risk			
Due to banks	566,485,896	-	566,485,896
Due to depositors	52,005,315,939	-	52,005,315,939
Due to other borrowers	1,896,666,188	-	1,896,666,188
Debt securities issued	1,427,189,326	-	1,427,189,326
Current tax liabilities	151,034,918	-	151,034,918
Other liabilities	1,683,688,103	-	1,683,688,103
	57,730,380,369		57,730,380,369

54.5 THE FOLLOWING IS A SUMMARY OF THE BANK'S INTEREST RATE GAP POSITION ON NON-TRADING PORTFOLIOS.

The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet.

As at 31 December 2025 (LKR)	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Non-Sensitive	Total
Financial Assets							
Cash and cash equivalents	-	-	-		-	260,851,252	260,851,252
Placements with banks	-	38,805,108	-		-	-	38,805,108
Financial assets at amortised cost - loans and advances	1,270,373,683	8,343,995,091	1,739,429,779	1,814,280,833	21,341,585,585	-	34,509,664,971
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Financial assets measured at Amortised Cost	-	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	7,945,632,274	6,539,047,167	1,832,336,214	-	30,600	-	16,317,046,255
Other assets						2,811,104,286	2,811,104,286
Total Financial Assets	9,216,005,956	14,921,847,367	3,571,765,993	1,814,280,833	21,341,616,185	3,071,955,538	53,937,471,872
Financial Liabilities							
Due to banks	209,796,141	300,150,000	800,400,000	-	-	-	1,310,346,141
Financial liabilities at amortised cost - due to depositors	13,775,899,483	14,466,051,720	7,423,713,009	5,133,118,888	9,770,122,778	-	50,568,905,877
Financial liabilities at amortised cost - due to other borrowers	1,498,254,274	-	-	-	-	-	1,498,254,274
Debt securities issued	-	-	-	-	-		-
Perpetual Bond	-	31,250,000	-	-	250,000,000	-	281,250,000
Lease Liability	-	-	-	-	-	327,817,006	327,817,006
Other liabilities	-	-	-	-	-	1,603,833,354	1,603,833,354
Total Financial Liabilities	15,483,949,899	14,797,451,720	8,224,113,009	5,133,118,888	10,020,122,778	1,931,650,359	55,590,406,652
Interest rate sensitivity gap	(6,267,943,942)	124,395,647	(4,652,347,016)	(3,318,838,055)	11,321,493,408	1,140,305,179	(1,652,934,780)
1% increase	(62,679,439)	1,243,956	(46,523,470)	(33,188,381)	113,214,934		(27,932,400)
1% decrease	62,679,439	(1,243,956)	46,523,470	33,188,381	(113,214,934)		27,932,400

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.

As at 31st December 2024 (LKR.)	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Non-Sensitive	Total
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	324,619,439	324,619,439
Placements with banks	-	36,283,124	-		-		36,283,124
Financial assets at amortised cost - loans and advances	1,992,195,994	14,525,892,968	9,431,691,224	6,709,958,737	7,470,729,809	-	40,130,468,733
Financial assets measured at fair value through other comprehensive income	4,739,113,040	-	-	-	-	-	4,739,113,040
Financial assets measured at Amortised Cost	-	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	14,328,918,437	57,383,321	3,311,548,207	-	30,600	-	17,697,880,565
Other assets						2,514,994,687	2,514,994,687
Total Financial Assets	21,060,227,470	14,619,559,413	12,743,239,431	6,709,958,737	7,470,760,409	2,839,614,126	65,443,353,587
Financial Liabilities							
Due to banks	518,480,740	48,005,156	-	-	-	-	566,485,896
Financial liabilities at amortised cost - due to depositors	18,683,433,794	17,683,404,261	3,998,106,320	9,430,290,530	2,210,081,035	-	52,005,315,939
Financial liabilities at amortised cost - due to other borrowers	1,360,398,374	255,017,814	-	-	-	-	1,615,416,188
Debt securities issued	-	1,427,189,326	-	-	-		1,427,189,326
Perpetual Bond	-	31,250,000	-	-	250,000,000	-	281,250,000
Lease Liability	-	-	-	-	-	303,181,636	303,181,636
Other liabilities	-	-	-	-	-	1,531,541,385	1,531,541,385
Total Financial Liabilities	20,562,312,907	19,444,866,556	3,998,106,320	9,430,290,530	2,460,081,035	1,834,723,021	57,730,380,369
Interest rate sensitivity gap	497,914,563	(4,825,307,143)	8,745,133,111	(2,720,331,792)	5,010,679,375	1,004,891,105	7,712,979,218
1% increase	4,979,146	(48,253,071)	87,451,331	(27,203,318)	50,106,794		67,080,881
1% decrease	(4,979,146)	48,253,071	(87,451,331)	27,203,318	(50,106,794)		(67,080,881)

54.6 OPERATIONAL RISK

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to its Bank Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supporte by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

55. CAPITAL MANAGEMENT

55.1 REGULATORY CAPITAL

The Bank's lead regulator the Central Bank of Sri Lanka sets and monitors capital requirements for the Bank as a whole. The individual banking operations are directly supervised by the lead regulators. The Group capital management goals are as follows;

a. Ensure regulatory minimum capital adequacy of 12.5% requirements are not compromised.
b. Bank to maintain its international and local credit rating and to ensure that no downgrading occurs as a result of deterioration of risk capital of the Bank.
c. Ensure above industry average Capital Adequacy Ratio for the banking sector is maintained.
d. Ensure maintaining of quality capital.
e. Ensure capital impact of business decisions are properly assessed and taken into consideration during product planning and approval process.
f. Ensure capital consumption by business actions are adequately priced.
g. Ensure Bank's average long-term dividend pay-out ratio is maintained.

Central Bank of Sri Lanka sets and monitors regulatory capital requirement on solo basis. The Bank is required to comply with the provisions of the Basel II and Basel III in respect of regulatory capital. The current statutory minimum capital is LKR 7,500 Mn and the bank capital is above the statutory minimum as at the date, refer note no 43-48.

55.2 CAPITAL MANAGEMENT

Capital Adequacy is a measure of a bank's ability to withstand the associated risks of its business. Regulators find it necessary that every bank holds adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks. Capital Adequacy Ratio (CAR) is measured under Basel-III and takes into account the Credit, Market and Operations risks. Keeping with the international standards of Basel Committee on Banking Regulations and Supervisory Practices, Sri Lanka has been following Basel III CAR calculation.

55.3 CAPITAL ADEQUACY

CAPITAL ALLOCATION

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit, and is subject to review by the Bank Asset and Liability Management Committee (ALCO).

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors..

AVAILABLE CAPITAL

Basel III accord recognises three capital elements, namely CET 1 Capital, Additional Tier1 Capital and Tier 2 capital.

CET 1 capital includes equity capital, reserve fund, published retained earnings (accumulated retained losses), general and other reserves, and unpublished current year's profit/ (losses) and gains reflected in OCI. Goodwill (net), other intangible assets, revaluation losses of PPE, deferred tax assets, cash flow hedge reserve, shortfall of the cumulative impairment to specific provisions, defined benefit pension fund assets, investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at CET 1 capital.

Additional Tier 1 capital includes qualifying instruments as per the regulatory directions. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Additional Tier I capital.

Tier 2 capital includes qualifying tier 2 capital instruments, revaluation gains, and general provisions etc. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Tier 2 capital.

As per the Banking Act Direction No 01 of 2016 dated 29 December 2016 on Capital Requirements under BASEL III which was effective from 1 July 2017 and the amendments thereto under Directions No. 11 of 2019 dated 20 December 2019, the minimum required capital ratios to be maintained by the Bank are as follows.

- Every licensed specialised bank shall maintain, at all times, the minimum capital ratios prescribed in the table below and shall ensure compliance with Schedule I to the Banking Act Directions No 01 of 2016 on Capital Requirements under Basel III for licensed banks.
- Licensed specialised banks which are determined as Domestic Systemically Important Banks (D-SIBs) from time to time shall maintain Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1(CET1), as given in the table below.

Components of Capital	Capital Adequacy Ratio to be maintained by Licensed Banks	Capital Adequacy Ratio to be maintained by Licensed Banks determined as DSIBs
Common Equity Tier 1 including Capital Conservation Buffer	7.50%	8.50%
Total Tier 1 including Capital Conservation Buffer	8.50%	10.00%
Total Capital Ratio including Capital Conservation Buffer	12.50%	14.00%

CAPITAL BASE As at 31st December	2025 (LKR 000')	2024 (LKR 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
Equity capital or stated capital/assigned capital	**962,093**	962,093
Reserve Fund	**353,799**	353,799
Published Retained Profits/(Accumulated Losses)	**5,772,755**	5,865,869
Accumulated other comprehensive income (OCI)		
General and Other Reserves	**463,711**	531,218
Sub Total	**7,552,358**	7,712,979
Total Adjustments to CET1 Capital		
Deferred tax assets (net)	**649,752**	505,382
Other intangible assets (net)	**24,024**	65,643
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	**6,878,582**	7,141,954
Additional Tier 1 (AT1) Capital after Adjustments		
Qualifying Additional Tier 1 Capital Instruments	**250,000**	250,000
Total Tier 01	**7,128,582**	7,391,954
Tier 2 Capital after Adjustments		
Additions		
General Provisions(Stage 1&2 Impairment)	**203,918**	217,005
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	**203,918**	217,005
Capital Base	**7,332,501**	7,608,959
Total risk adjusted balances (credit risk, market risk, operational risk)	**21,442,413**	21,957,837
Risk Adjusted Capital Ratios		
Common Equity Tier 1 Capital Ratio *	**32.08%**	32.53%
Tier 1 (Total Tier 1 capital / Total risk adjusted balances) **	**33.25%**	33.66%
Tier 11(Capital base / Total risk adjusted balances) ***	**34.20%**	34.65%

** Minimum 7.00 ** Minimum 8.50% ***Minimum 12.50%*

RISK ADJUSTED ON - BALANCE SHEET EXPOSURE - LKR 000'

	Balance		Risk Weights	Risk Adjusted Balance	
As at 31st December	**2025**	**2024**	**(%)**	**2025**	**2024**
Exposures					
Cash- Local Currency	**151,430**	174,105	0%	**-**	-
Sri Lanka Govt Treasury Bills & Bonds	**17,518,950**	20,759,415	0%	**-**	-
Central Bank of Sri Lanka	**-**	-	0%	**-**	-
Claims on Public Sector Entities (PSEs) (AAA to AA-)	**426,258**		50%	**213,129**	-
Claims on Public Sector Entities (PSEs) (BBB+ to BB-)		426,295	100%		426,295
Claims on Public Sector Entities (PSEs) (Below BB-)			150%		
Loan & Advances					
Claims Secured by Residential Property					
Claims that qualify for regulatory capital purposes	**5,554,754**	6,288,889	35%	**1,944,164**	2,201,111
Claims that not qualify for regulatory capital purposes	**203,072**	1,744,940	100%	**203,072**	1,744,940
Housing loans against EPF.	**14,561,966**	18,604,574	0%	**-**	-
Cash Margin Loans	**2,980,937**	2,689,558	0%	**-**	-
Gold Loans	**-**	-	0%	**-**	-
Loan to Value Ratio equal to or less than 70%	**1,903,723**	496,226	0%	**-**	-
Loan to Value Ratio over 70% and less than 100%	**595**	927,500	20%	**119**	185,500
Loan to Value Ratio equal to or over 100%			100%		-
TradingInvestment					
Retail claims that qualify for regulatory capital purposes			75%		
SME exposures secured on Immovable Property	**187,657**	398,856	60%	**112,594**	239,314
Other SEM exposures	**757**	6,291	75%	**568**	4,718
Individual exposures	**3,890,997**	4,035,398	75%	**2,918,248**	3,026,549
Retail claims that do not qualify for regulatory capital purposes		39,107	100%		39,107
Claims Secured by Real State			100%		
Non Performing Assets					
Past Due Residential Mortgage Loans					
Specific provisions are more than 20%	**1,600**	6,141	50%	**800**	3,070
Specific provisions are less than 20%	**2,684,261**	1,713,167	100%	**2,684,261**	1,713,167

As at 31st December	Balance 2025	Balance 2024	Risk Weights (%)	Risk Adjusted Balance 2025	Risk Adjusted Balance 2024
Housing loans on Guarantors & others,Lease					
Specific provisions are more than 20%	**1,422,582**	659,557	100%	**1,422,582**	659,557
Specific provisions are less than 20%	**227,807**	3,020,699	150%	**341,710**	4,531,049
Due From local Commercial Banks Less Than Three Months (AAA to BBB-)	**2,143,457**	150,515	20%	**428,691**	30,103
Due From local Commercial Banks Less Than Three Months (BB+ to B-)	**500,854**	-	50%	**250,427**	-
Due From local Commercial Banks More than Three Months (AAA to AA-)	**38,805**		20%	**7,761**	
Due From local Commercial Banks More than Three Months (A+ to BBB-)	**354,610**	390,949	50%	**177,305**	195,474
Due From local Commercial Banks More than Three Months (BB+ to B-)	**-**	-	100%	**-**	-
Claims on Financial Institutions/Primary Dealers/ Finance Companies (AAA to AA-)	**214,877**	135,608	20%	**42,975**	27,122
Claims on Financial Institutions/Primary Dealers/ Finance Companies (A+ to BBB- and unrated)	**3,517,872**	214,882	50%	**1,758,936**	107,441
Claims on Financial Institutions/Primary Dealers/ Finance Companies (BB+ to B-) & unrated			100%		
Claims on Other Financial Institutions (A+ to A-)	**-**	-	50%	**-**	-
Claims on Corporate (AAA+ to AA-)	**-**		20%		
Claims on Corporate (A+ to A-)	**1,548,338**	547,167	50%	**774,169**	273,584
Claims on Corporate (below BB-)	**-**		150%		
Claims on Corporate (Unrated)	**31**		100%	**31**	
Fixed Assets	**168,800**	187,198	100%	**168,800**	187,198
Other Assets	**2,863,109**	1,756,771	100%	**2,863,109**	1,756,771
Retail claims that qualify for regulatory capital purposes - Off Balance Sheet					
Total Risk Weighted Assets On Balance Sheet	**63,068,097**	65,373,809		**16,313,452**	17,352,070
Total Risk Weighted Assets	**63,068,097**	65,373,809		**16,313,452**	17,352,070
Total risk adjusted balance for operational risk				**5,128,961**	4,605,765
Total risk adjusted balance for Market risk					
Total risk adjusted balances (credit risk, market risk, operational risk)				**21,442,413**	21,957,837

56.0 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

		2025		2024	
	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
		LKR	LKR	LKR	LKR
Financial assets					
Cash and cash equivalent	Level 2	**260,851,252**	**260,851,252**	324,619,439	324,619,439
Placements with Banks	Level 2	**2,673,579,497**	**2,673,579,497**	36,283,124	36,283,124
Financial assets measured at Amortised Cost	Level 2	**-**	**-**	-	-
Financial assets at amortised cost - Debt & other instruments	Level 2	**23,480,913,743**	**23,861,607,202**	17,697,880,565	17,697,880,565
Financial assets at amortised cost - Loans and advances	Level 2	**34,509,664,971**	**35,499,939,538**	40,130,468,733	40,130,468,733
		60,925,009,463	**62,295,977,489**	58,189,251,860	58,189,251,860
Financial liabilities					
Due to banks	Level 2	**1,903,695,542**	**1,580,977,625**	566,485,896	566,485,896
Due to depositors	Level 2	**50,568,905,930**	**52,261,909,746**	52,005,315,939	52,005,315,939
Due to other borrowers	Level 2	**1,779,504,274**	**1,779,504,274**	1,896,666,188	1,896,666,188
Debt securities issued	Level 2	**-**	**-**	1,427,189,326	1,427,189,326
		54,252,105,745	**55,622,091,645**	55,895,657,348	55,895,657,348

RELATED PARTY TRANSACTIONS

57. DIRECTORS INTEREST IN CONTRACTS WITH THE BANK

Name	Related Party	Office Holding	Transactions (LKR Mn)	Nature of Transactions	% Regulatory Capital
J.K.A. SIRINATHA	Director / National Housing Development Authority	Director	547.78	Rent/ FD & Savings	7.47%
	Total		547.78		7.47%

58.1 TRANSACTIONS WITH KMPS

The transactions made with KMP s as follows(Balance as at 31.12)

	2025 LKR 000'	% of Regulatory Capital
Loans and Advance	**27,825**	0.38%
Deposits	**21,626**	0.29%
Total	**49,451**	0.67%

58.2 TRANSACTIONS WITH THE GOVERNMENT OF SRI LANKA AND ITS RELATED ENTITIES

The Bank enter into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities.

(a) The transactions entered with the Government of Sri Lanka and its related entities on a collective basis is as follows.

	Outstanding Balance	
	2025 ('000)	2024 ('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	-	-
Liabilities		
Financial liabilities at amortised cost		
Due to depositors		
Due to other borrowers	-	
Debt Capital	281,250	281,250
	281,250	281,250

Financial assets measured at fair value through other comprehensive income (Note 18.1)

	During the year	
	2025 ('000)	2024 ('000)
Items in the Statement of Profit or Loss		
Interest income		
Interest expenses		
Cash dividends paid during the year		

(b) Further transactions detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities;

- Investments in Treasury Bills, Treasury Bond, Sovereign and Development Bonds and money market placements.
- Payment of statutory rates, taxes and deposit insurance premium
- Payment for utilities mainly comprising of telephone, electricity and water
- Payment for employment retirement benefits - ETF

(c) Individually significant transactions -The Bank uses an internal assessment methodology in order to identify significant transactions with the Government of Sri Lanka and Government related entities in accordance with the disclosure requirements of LKAS 24. Accordingly, there are no individually significant transactions that require disclosure during the year.

59. EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

There has been no material event after the date of Statement of Financial Position that requires adjustments or disclosure in the Financial Statement.

60. MINIMUM SHARE HOLDERS FOR COMPLIANCE

OPTION - 5	MINIMUM SHARE HOLDERS FOR COMPLIANCE		
	Float-adjusted Market Capitalization	Public Holding Percentage	Number of public Shareholders
Minimum	Less Than 2.5 Bn	20%	500
Available	1.88 Bn	50.24%	3,982

61. MATURITY GAP ANALYSIS

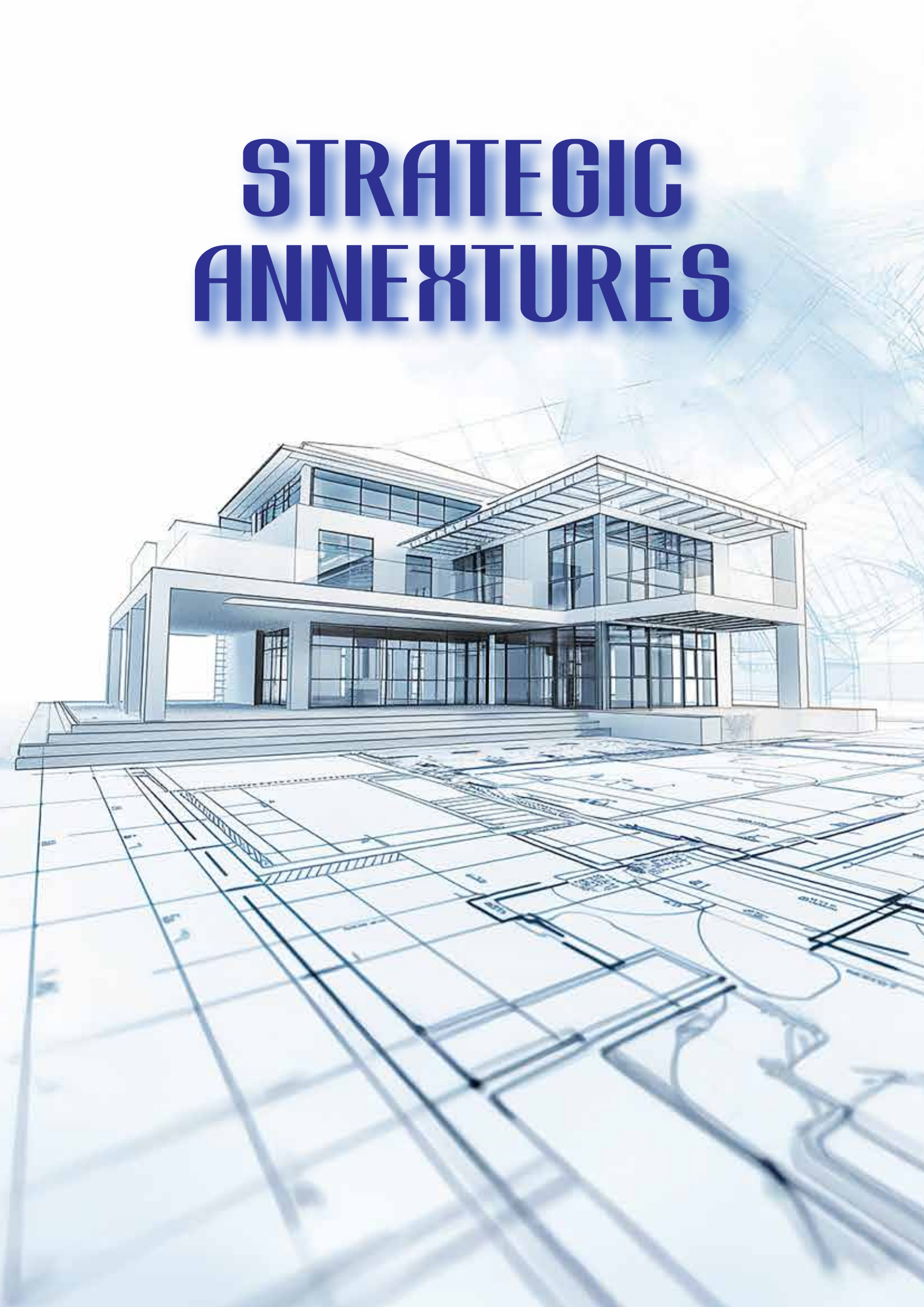
Assets	Up to 12 Months		More than 12 Months			
As at 31st December 2025 (LKR.)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Assets						
Cash & Cash Equivalent	260,851,252	-	-	-	-	260,851,252
Placement with Banks	2,634,774,389	38,805,108	-	-	-	2,673,579,497
Loans & Advances	1,270,373,683	8,343,995,091	1,739,429,779	1,814,280,833	21,341,585,585	34,509,664,971
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
Financial assets measured at Amortised Cost	-	-	-	-	-	-
Financial assets at amortised cost - debt instruments	7,945,632,274	6,539,047,167	1,832,336,214	7,163,867,488	30,600	23,480,913,743
Property Plant & Equipments	-	-	-	-	165,349,769	165,349,769
Intangible Assets	-	-	-	-	27,473,534	27,473,534
Lease ROUA	-	-	-	-	283,762,098	283,762,098
Investment Properties	-	-	-	-	1,334,500,000	1,334,500,000
Differed Tax Assets	-	-	-	-	649,752,194	649,752,194
Other Assets	15,839,298	4,439,676	246,610,825	-	83,376,892	350,266,691
Total Assets	12,127,470,895	14,926,287,043	3,818,376,817	8,978,148,321	23,885,830,672	63,736,113,749
Percentage 31st Dec 2025	19.03	23.42	5.99	14.09	37.48	100.00
Percentage 31st Dec 2024	32.91	22.40	19.49	10.25	14.95	100.00

Liabilities	Up to 12 Months		More than 12 Months			
As at 31st December 2025 (LKR.)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Liabilities						
Due to Banks	209,796,141	300,150,000	800,400,000	593,349,400	-	1,903,695,542
Deposits	13,775,899,483	14,466,051,720	7,423,713,009	5,133,118,888	9,770,122,778	50,568,905,877
Other Borrowings	1,498,254,274	-	-	-	-	1,498,254,274
Debt Security Issued	-	-	-	-	-	-
Lease Liability	-	-	-	-	327,817,006	327,817,006
Retirement Benefits obligations	162,500	70,368,895	160,044,705	107,172,004	722,983,691	1,060,731,795
Current Tax Liabilities	-	158,036,567	-	-	-	158,036,567
Other Liabilities	279,654,834	50,548,605	-	-	54,861,553	385,064,992
Debt Capital	-	31,250,000	-	-	250,000,000	281,250,000
Equity Capital	-	-	-	-	7,552,357,727	7,552,357,713
Total Liabilities	15,763,767,232	15,076,405,787	8,384,157,713	5,833,640,293	18,678,142,754	63,736,113,766
Percentage 31st Dec 2025	24.73	23.65	13.15	9.15	29.31	100.00
Percentage 31st Dec 2024	31.76	30.20	6.38	14.61	17.06	100.00

62. ASSETS PLEDGE

	Type of Facility	Amount of facility LKR Mn	Nature of Seurity	Value of security LKR Mn	Balance as at 31-12-2025 LKR Mn
(1)	Overdraft (Sampath Bank)	300	Unsecured	-	42
(2)	Borrowing (Term Loan) (Sampath Bank)	2,000	Unsecured	-	1,496
(3)	Money Market Loan (Sampath Bank)	300	Unsecured	-	300

STRATEGIC ANNEXTURES



As at 31-12-2025

DISTRIBUTION AND COMPOSITION OF SHAREHOLDERS (AS PER RULE NO. 7.6(X) OF THE COLOMBO STOCK EXCHANGE)

	December 31, 2025								
	Resident			Non Resident			Total		
Shareholdings	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%
1 - 1,000	2,652	1,107,631	1.71	7	1,913	0.00	2,659	1,109,544	1.71
1,001 - 10,000	978	3,730,020	5.76	5	16,500	0.03	983	3,746,520	5.79
10,001 - 100,000	301	8,263,610	12.77	3	136,051	0.21	304	8,399,661	12.98
100,001 - 1,000,000	37	8,830,227	13.65	2	736,828	1.14	39	9,567,055	14.79
Over 1,000,000	2	41,887,740	64.73	0	0	0.00	2	41,887,740	64.73
Total	3,970	63,819,228	98.62	17	891,292	1.38	3,987	64,710,520	100.00

	December 31, 2024								
	Resident			Non Resident			Total		
Shareholdings	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%
1 - 1,000	1,598	809,489	1.25	5	1,570	0.00	1,603	811,059	1.25
1,001 - 10,000	425	1,587,681	2.45	5	18,000	0.03	430	1,605,681	2.48
10,001 - 100,000	101	2,875,151	4.44	2	124,647	0.19	103	2,999,798	4.63
100,001 - 1,000,000	17	3,188,738	4.93	1	133,180	0.21	18	3,321,918	5.14
Over 1,000,000	3	46,817,064	72.35	1	9,155,000	14.15	4	55,972,064	86.50
Total	2,144	55,278,123	85.42	14	9,432,397	14.58	2,158	64,710,520	100.00

COMPOSITION OF SHAREHOLDERS (AS PER RULE NO. 7.6(X) OF THE COLOMBO STOCK EXCHANGE)

	December 31,2025				December 31,2024			
	No. of Share holders	%	No. of Shares	%	No. of Share holders	%	No. of Shares	%
Individuals	3,781	94.83	14,075,119	21.75	2,058	95.37	6,081,012	9.40
Institution	206	5.17	50,635,401	78.25	100	4.63	58,629,508	90.60
Total	3,987	100.00	64,710,520	100.00	2,158	100.00	64,710,520	100.00

TWENTY LARGEST SHAREHOLDERS (AS PER RULE NO. 7.6(III) OF THE COLOMBO STOCK EXCHANGE)

	Name of Shareholder	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
		2025	2025	2024	2024
1	National Housing Development Authority	32,180,000	49.73	32,180,000	49.73
2	Sampath Bank PLC/ LOLC Holding PLC	9,707,740	15.00	9,707,740	15.00
3	Seylan Bank PLC/A. C. Senanka	921,853	1.42	110,642	0.17
4	Seylan Bank PLC/K. L. G. Udayananda	793,051	1.23	-	-
5	Thurston Investments Ltd.	603,648	0.93	9,155,000	14.15
6	Mr. H. A. S. Appuhamy	587,950	0.91	-	-
7	People's Leasing & Finance PLC / K. L. Udayananda	395,022	0.61	-	-
8	Assetline Finance Limited / H. M. A. K. B. Herath	931,315	0.60	-	-
9	Mr. B. W. R. Srikantha	304,153	0.47	-	-
10	Condominium Management Authority	300,000	0.46	300,000	0.46
11	Urban Development Authority	300,000	0.46	300,000	0.46
12	Dr. R.R. De Silva	295,126	0.46	295,126	0.46
13	Sampath Bank PLC / Mr. Abishek Sithampalam	267,696	0.41	267,696	0.41
14	Sampath Bank PLC/Mr. Arunasalam Sithampalam	258,054	0.40	258,054	0.40
15	Commercial Bank of Ceylon PLC / W. Jinadasa	249,632	0.39	-	-
16	Peoples Leasing and Finance PLC / P. Tillakaratne	243,206	0.38	-	-
17	Mrs. W. M. D. N. Wijeyaratne	233,390	0.36	-	-
18	People's Leasing & Finance PLC / Mr. K. A. D. R. M. K. Kariyapperuma	220,000	034	-	-
19	Miss S. Durga	200,413	0.31	200,413	0.31
20	Finco Holdings (Pvt.) Ltd.	185,000	0.29	185,000	0.29
	Total	48,637,252	75.16	59,092,500	91.33

MARKET PRICES (AS PER RULE NO. 7.6(XI) OF THE COLOMBO STOCK EXCHANGE)

	2025	2024
	LKR	LKR
Highest	78.50	49.20
Lowest	38.30	28.10
Year end	57.90	48.60

INFORMATION ON RATIOS (AS PER RULE NO. 7.6(XI) OF THE COLOMBO STOCK EXCHANGE)

	2025	2024
Dividend per share (LKR)	-	-
Dividend payout ratio (%)	-	-
Net Assets value per share (LKR)	116.71	119.19
Earnings per Share (LKR)	(1.44)	(2.95)

DIRECTORS AND GENERAL MANAGER /CEO SHAREHOLDING (AS AT 31ST OF DECEMBER 2025)

Name	2025	2024
Dr. P. A. Krishantha	1,000	1000
Mr. K. B. Wijeyaratne	2,000	2000
Mr. A. N. Hapugala	Nil	-
Mr. J. M. P. S. Kaushallya	1,100	-
Mrs. K. K. G. Premathilake	Nil	-
Mrs. S. S. S. Nandani	Nil	-
Mr. J. K. A. Sirinatha	Nil	-
Mr. H. C. Lokugeegana	Nil	-

PUBLIC HOLDING (AS PER RULE NO. 7.13.1 OF THE COLOMBO STOCK EXCHANGE)

Name	2025	2024
Number of Public Shareholders	3,982	2,158
Public shareholding	32,511,989	23,344,637
percentage of public holding	50.242%	36.075%

Value Added Statements

For the period ended 31st December		Bank		
LKR "000"	**%**	**2025**	**%**	**2024**
Interest Income		**7,428,895**		8,169,745
Other Income		**301,076**		336,894
Gross Income		**7,729,972**		8,506,638
Cost of Service		**5,214,419**		5,994,560
Total Value Additions		**2,515,553**		2,512,078
Value Distributed				
To Employees				
(Remuneration & Benefits)	**63.6**	**1,598,732**	65.5	1,646,378
To Government	**16.8**	**422,417**	24.1	605,585
Income Tax	**4.1**	**102,631**	10.1	254,526
Value Added Tax & SSCL Fs	**12.7**	**319,701**	13.9	348,344
Nation Building Tax	**-**	**-**	-	-
Crop insurance Levey	**-**	**-**	0.1	2,554
Stamp Duty	**0.0**	**85**	0.0	160
	16.8		24.1	
To Share Holders (Dividend)	**-**	**-**	-	-
Retained in the Business	**19.7**	**494,403**	10.4	260,115
Retained Income	**(3.7)**	**(93,114)**	(7.6)	(190,656)
Depreciation	**6.6**	**166,589**	6.9	172,764
Loan Loss Provision	**16.7**	**420,928**	11.1	278,007
Total Value Distributions	**100.0**	**2,515,553**	100.0	2,512,078

10 Year Summary

Year ended 31st December (LKR. Mn)	2016	2017	2018	2019
OPERATING RESULTS				
Income	5,928	6,978	7,120	8,090
Interest Income	5,473	6,614	6,679	7,683
Interest Expense	3,509	4,742	4,441	4,783
Other Income	455	365	442	407
Operating Expenses	1,409	1,472	1,668	1,740
Provision for Loss	160	-57	93	323
Profit Before Tax	848	821	919	1,244
Income Tax & Finance VAT	365	407	354	769
Profit After Taxation	483	414	564	476
LIABILITIES AND SHAREHOLDERS' FUNDS				
Customer Deposits	32,123	36,655	37,016	42,504
Borrowings	8,863	7,917	6,653	6,866
Other Liabilities	872	920	860	1,465
Shareholders' Funds	3,821	4,232	4,757	5,119
Total	45,679	49,724	49,285	55,955
ASSETS				
Loans and Advances	30,260	34,968	37,949	41,216
Cash, short term funds and investments	11,807	11,027	7,592	11,984
Financial assets at amortised cost - debt instruments	2,053	2,115	2,014	877
Property, plant and equipment	478	513	466	380
Other assets	1,080	1,101	1,264	1,498
Total	45,679	49,724	49,285	55,955
RATIOS				
Return on Average Shareholders Funds (%)	13.46	10.29	12.56	9.63
Income Growth (%)	20.3	17.7	2.0	13.6
Return on Average Assets(%)	1.10	0.87	1.14	0.90
Deposits and Borrowings to Advance (%)	135.4	127.5	115.1	119.8
PPE on Shareholders Funds (%)	12.5	12.1	9.8	7.4
Total Assets to shareholders funds (times)	11.95	11.75	10.36	10.93
SHARE INFORMATION				
Market Value per Share (LKR)		**For LKR 10/= Shares**		
High (LKR)	70.0	44.5	30.0	35.0
Lower (LKR)	46.5	31.7	23.0	20.0
Close (LKR)	47.2	32.7	26.0	32.0
Earnings per Share (LKR)	7.47	6.40	8.72	7.35
Price Earnings Ratio	6.32	5.11	2.98	3.54
Net Assets per Share(LKR)	59.05	65.39	73.51	79.11
PROFILE				
Ownership - Government %	51	51	51	51
- Private %	49	49	49	49
No of employees*	570	567	561	558
No of branches	38	39	39	39
No of ATM (Access)	3,000+	4,350	4,850	5,132

**- from 2020, consider contract employees also*

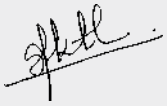
2020	2021	2022	2023	2024	2025
7,856	7,004	8,878	14,329	8,507	**7,730**
7,457	6,612	8,425	11,195	8,170	**7,429**
4,475	3,556	5,679	8,884	5,388	**4,606**
400	392	452	473	337	**301**
1,674	1,953	2,266	2,328	2,428	**2,374**
327	296	320	467	278	**421**
1,381	1,199	612	2,650	412	**329**
673	651	286	1,348	603	**422**
708	547	326	1,302	-191	**-93**
47,947	49,813	50,245	53,613	52,005	**50,569**
5,542	5,090	4,135	4,032	3,890	**3,683**
1,759	1,707	1,785	2,092	1,835	**1,932**
5,782	6,354	6,716	7,995	7,713	**7,552**
61,030	62,964	62,882	67,733	65,443	**63,736**
41,215	41,837	42,630	41,010	40,130	**34,510**
17,186	17,293	15,890	22,575	21,120	**24,430**
526	1,674	1,631	1,673	1,678	**1,986**
351	349	386	324	253	**193**
1,752	1,810	2,346	2,151	2,262	**2,618**
61,030	62,964	62,882	67,733	65,443	**63,736**
12.99	9.02	4.99	17.70	-2.43	**-1.22**
-2.9	-10.8	26.8	61.4	-40.6	**-9.1**
1.21	0.88	0.52	1.99	-0.29	**-0.14**
129.8	131.2	127.6	140.6	139.3	**157.2**
6.1	5.5	5.8	4.1	3.3	**2.6**
10.56	9.91	9.36	8.47	8.48	**8.44**
41.5	49.8	42.5	39.0	49.2	**78.5**
14.0	28.6	22.0	25.0	28.1	**38.3**
36.2	30.5	27.8	31.6	48.6	**57.9**
10.94	8.46	5.04	20.12	(2.95)	**(1.44)**
3.31	3.61	5.51	1.57	(16.50)	**(40.24)**
89.35	98.18	103.79	123.56	119.19	**116.71**
51	51	51	51	51	**51**
49	49	49	49	49	**49**
633	614	588	515	494	**453**
39	39	39	39	39	**39**
5,075	5,526	5,845	6,742	6,433	**6,433**

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Forty First (41st) Annual General Meeting of the Housing Development Finance Corporation Bank of Sri Lanka ("HDFC Bank") will be held on Friday, Twenty Sixth (26th) day of June 2026 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 December 31, 2025 and the Auditor's Report thereon.
3. To re-elect Mr. K.B. Wijeyaratne as a Non- Executive, Independent Director of the Bank in terms of Section.3 (4) (e), of HDFC Act No. 7 of 1997 (and subsequent amendments)
4. To appoint one (01) Shareholding Director.
5. To re-appoint the Auditor General of Sri Lanka, as the Auditor of the HDFC Bank for the financial year ending December 31, 2025 and authorise the Board of Directors to determine and approve their remuneration for the financial year ending December 31, 2025.
6. To authorise the Board of Directors to determine donations for the year 2026.
7. To transact any other business of which due notice shall be given.

By order of the Board of HDFC Bank of Sri Lanka,



H. M. S. B. Karunarathna
Acting Company Secretory
HDFC Bank

26 May 2026
Colombo

Form of Proxy

I / We..... of.....

..... Being a Shareholder / Shareholders of Housing Development Finance Corporation Bank of Sri Lanka herby appoint.

..... of ..... NIC No.: .....or failing him/her*

1. Mr. /Ms. ..... of .....whom failing
2. Mr./Ms. ..... of .....whom failing
3. Mr./Ms. ..... of .....whom failing
4. Mr./Ms. ..... of .....whom failing
5. Mr./Ms. ..... of .....whom 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 26th June 2026 at 10.00 a.m. and at any adjournment thereof, and at every poll which any be taken in consequence thereof.

Signed this ..... 2026.

.....
Signature

Note :

1. A shareholder entitled to attend, or attend and vote at the meeting is entitled to appoint a proxy holder to attend, or attend and vote as the case may be, in his / her stead and a shareholder who is entitled only to attend and speak at the meeting is entitled to appoint a proxy holder to attend and speak on his / her behalf.
2. A proxy holder need not be a shareholder of the Bank.
3. The form of proxy should be returned to The Secretary, Housing Development Finance Corporation Bank, P. O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02 not less than 48 hours before the time appointed for holding the meeting.

Instructions for completion

1. To be valid, this form must be filled, signed and deposited with the Company Secretary, HDFC Bank, P. O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02, not less than 48 hours before the time appointed for holding the meeting.
2. The form of proxy must be signed by the appointer or by an Attorney duly authorized in writing.
3. In the case of a company or corporation or an incorporated body the form of proxy must be either under its common seal or under the hand of an officer or an Attorney duly authorized.
4. In the case of joint holder, only one needs sign. The Votes of the senior holder who renders a vote will only be counted.
5. If you wish to appoint any person other than the Chairman as your proxy, please insert the relevant details at 1 to 5.

Form of Proxy

INSTRUCTIONS FOR COMPLETION

1. To be valid, this form must be filled, signed and deposited with the Company Secretary, HDFC Bank, P. O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02, not less than 48 hours before the time appointed for holding the meeting.
2. The form of proxy must be signed by the appointer or by an Attorney duly authorized in writing.
3. In the case of a company or corporation or an incorporated body the form of proxy must be either under its common seal or under the hand of an officer or an Attorney duly authorized.
4. In the case of joint holder, only one needs sign. The Votes of the senior holder who renders a vote will only be counted.
5. If you wish to appoint any person other than the Chairman as your proxy, please insert the relevant details at 1 to 5.

Corporate Information

NAME AND ADDRESS:

HDFC Bank of Sri Lanka (Housing Development Finance Corporation Bank of Sri Lanka).

P.O. Box 2085, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

REGISTERED HEAD OFFICE:

Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Telephone : 2356800, 2446241, 2446239, 2447354
Fax : 2446392, 2356829, 2356827
Web Site : www.hdfc.lk
E-mail : info@hdfc.lk

VAT REGISTRATION NUMBER

409056350-7000

TAXPAYER IDENTIFICATION NUMBER (TIN)

409056350

LEGAL FORM:

A Licensed Specialized Bank incorporated under the provisions of Housing Development Finance Corporation, Act No. 7 of 1997, amended by Act No. 15 of 2003 and Act No. 45 of 2011.

STOCK MARKET LISTING:

The ordinary shares & Debentures of the Bank are listed in the main board of the Colombo Stock Exchange (CSE).

BOARD OF DIRECTORS:

Dr. P.A. Krishantha
Mr. K. B. Wijeyaratne
Mr. A. N. Hapugala
Mr. J. M. P. S. Kaushallya
Mrs. K. K. G. Premathilake
Mrs. S. S. S. Nandani
Mr. J. K. A. Sirinatha
Mr. R. A. S. Ranawaka

COMPANY SECRETARY (ACTING):

Mrs. H. M. S. B. Karunarathna
Telephone : 2423378
E-mail : bhawanthi.k@hdfc.lk

REGISTRARS:

SSP Corporate Services (Pvt.) Limited
Address: 101, Inner Flower Road, Colombo 03.
Telephone : 2573894
Fax : 2573609
E-Mail : sspsec@sltnet.lk

YEAR OF INCORPORATION AS A BUILDING SOCIETY:

1984

AS A LICENSED SPECIALIZED BANK:

2003

AUDITOR:

Auditor General

CREDIT RATING:

The Bank has been assigned BB + (lka) Outlook Stable by Fitch Rating Lanka (Pvt) Ltd

BANKERS:

Bank of Ceylon
Corporate Branch, Echelon Square, Colombo 01.

Sampath Bank
No.110, Sir James Pieris Mawatha, Colombo 02.

People's Bank
No. 75, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

Commercial Bank of Ceylon Limited
Commercial House, Union Place Branch, Colombo 02.

Nations Trust Bank
No 242, Union Place, branch, Colombo 02.

MCB Bank Limited
Main Branch, No. 8, Leyden Bastian Road, Colombo 01.

Pan Asia Banking Corporation PLC
No. 450, Galle Road, Colombo 03.

DFCC Bank
No. 73, W A D Ramanayake Mawatha, Colombo 02.

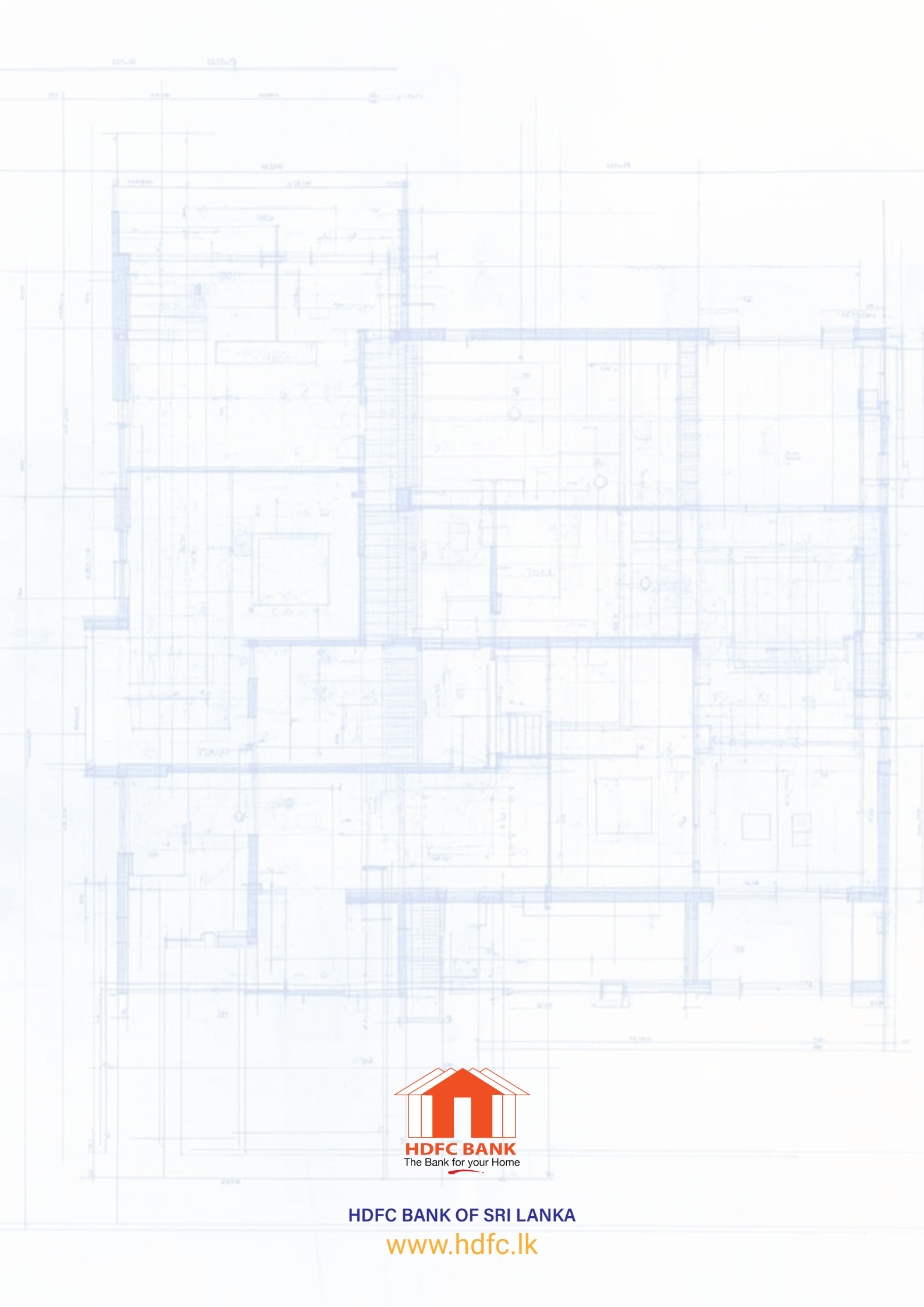
CORPORATE MANAGEMENT

Mr.Hemal Lokugeegana - General Manager/CEO
Mr.K.M.K. Deshapriya - Head of Credit & Recovery
Mr. H.A. Anura - Chief Financial Officer
Mrs. K.T. D. D. De Silva - AGM Legal
Mrs. W. L. R. Wijesundara - AGM Treasury
Mr. I. Nishantha - Chief Manager - Risk Management
Mrs. G.P. Priyadarshani - Chief Internal Auditor
Mrs. R. P. G. Lenora - Compliance Officer

INVESTOR INFORMATION

Mr. Anura Hettiarachchi
Chief Financial Officer
Telephone : 2356800, 244624, 2446239 D/L 4717864
Fax : 2356829
E-mail : anura.h@hdfc.lk

Designed & Produced by
mediaWIZE® Annual Reports



HDFC BANK
The Bank for your Home

HDFC BANK OF SRI LANKA

www.hdfc.lk