

Economic Value Creation

Strategic Priorities 2011

- Accelerate lending
- Enhance customer reach
- Promotion of financial inclusion
- Agricultural sector housing

Our Approach

Responsibility is directed by the broad based corporate objectives set out by the Government who is our principal stakeholder. The primary objective of HDFC Bank, as constituted by the Act of Parliament under which the Bank is incorporated, is to provide financial facilities to construct, own, upgrade homes or provide ancillary needs. Access to safe and healthy shelter is essential to a person's physical, psychological, social and economic well-being, as it also enables the Government to realize its expectation of providing affordable housing finance through HDFC Bank.

Affordability of our service does not mean affordability to an individual customer, but broadly to the economy, nature and the society.

Millennium Development Goals (MDGs)

Economically, environmentally and socially affordable decent housing could assist in several dimensions to improve the physical quality of life and economic growth of a country as measured and communicate by the Millennium Development Goals (MDGs). HDFC Bank being a prominent development partner of the Government is committed to provide assistance in realizing these goals. The

country has already achieved the MDGs in several dimensions and is marching towards achieving most of the other MDGs by year 2015, at national level despite regional disparities. Housing conditions which have substantially improved since the 1980s, in particular with respect to housing materials and access to electricity, safe water and sanitation, ownership of radios and television sets have substantially contributed to achieving these goals.

HDFC being a fully fledged housing finance institution is committed to continually improve housing conditions by granting affordable housing finance and thereby contribute towards achieving the nation's MDGs in an equitable manner in all regions and economic sectors. In this context, our strategic approach on economic performance is demonstrated in the following directions.

- Direct economic value creation.
- Promote equitable human settlement through enhancing the national housing stock and homeownership with special focus on the less privileged groups.
- Assist in minimizing development disparities through equitable regional distribution of service and resource mobilization.

+ 32%

No of Loans

20,177

No of people financially included

12,142

Facilities to construct new houses

+ 55%

Value of new Loans

- Contribute to economic empowerment through instilling banking habits and financial inclusion.
- Contribute to the Government's special development initiatives-national and regional.

Our economic responsibility is directed by the policies stated above and statutory directives upon which we have established our social license over the last 26 years as a leading player in the affordable housing finance market in the country.

Policies and Governance

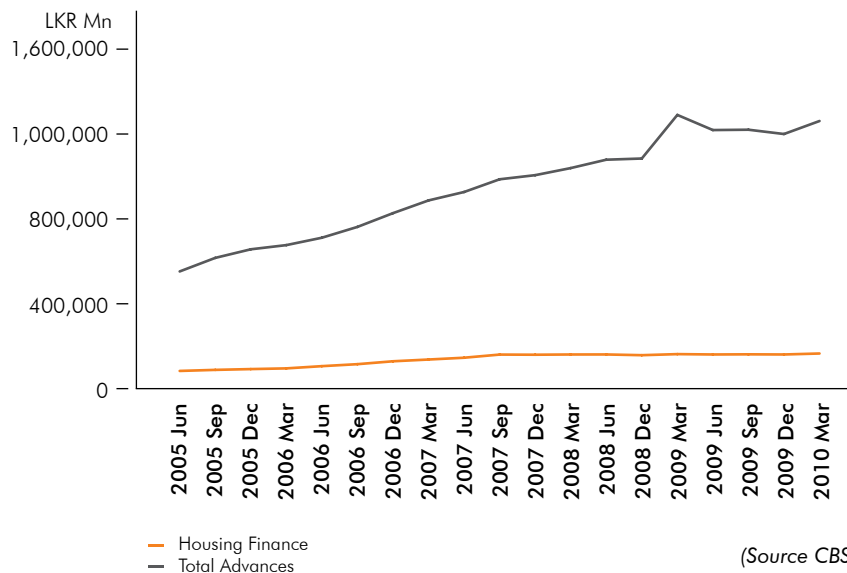
Our core economic responsibility is defined by the corporate objectives as constituted by the Housing Development Finance Corporation Act No. 07 of 1997, amended by Act No. 15 of 2003. Activities of HDFC Bank are further directed by the economic directives issued by the General Treasury and the Central Bank of Sri Lanka in line with the Government housing policy and national and regional development initiatives. Internal policy guidelines are developed and approved by the Board of Directors, in implementation of above broad based objectives, in line with management of operational risk and maintaining industry standards. These policies are executed by several management committees. HDFC Act and policy directives can be found in the websites of www.gosl.lk, www.cbsl.lk and the corporate website of the Bank, www.hdfc.lk

Housing Finance Industry and GDP

Housing Finance Sector

Housing finance market which is mainly driven by the commercial banking sector has grown from Rs.142 billion in March 2007 to Rs.172.5 billion in March 2011 reflecting an annual average growth of 7 percent even during challenging economic environments. Commercial banks that actively engaged in extending mortgage financing are better able to cope with the liquidity risk by relying on demand and time liabilities and are able to benefit from higher yields. However, advances to the housing sector by commercial banks as a percentage of total lending has declined from 16.1 percent to 14 percent over the same period. In the second half of the year, with favorable change in the macroeconomic environment, peace dividend and faster recovery of the South Asian region, the banking sector was more geared on the housing industry offering more dynamic products.

Banking Sector total Advances and Housing Finance



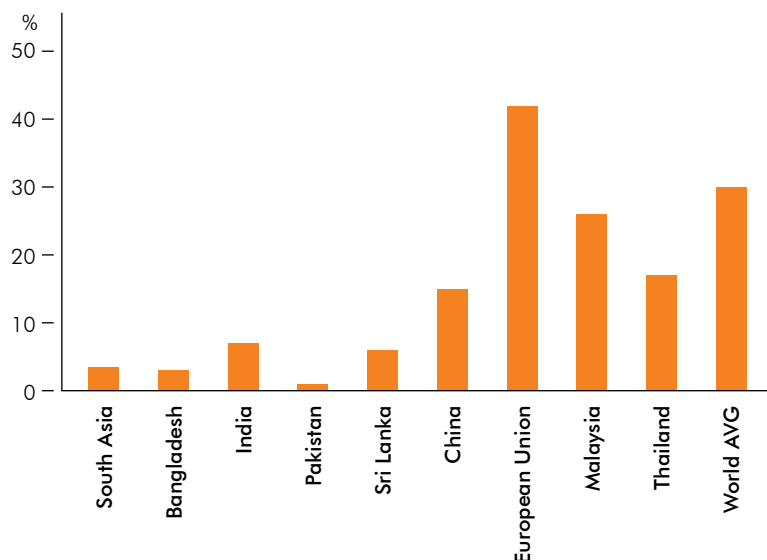
This revival was in line with the Government's policy focused on agriculture and infrastructure development as priority sectors for achieving the target of USD 4,000 per capita income by 2015. However, the present scale of development in the housing finance sector needs to be substantially supportive of the existing level of geographic transformation in the country, with the current scale of the expansion in the middle income sector.

Economic Value Creation contd.

Penetration of Housing Finance

The housing sector of a country contributes to the nation's GDP in two basic ways; through private residential investment and consumption spending on housing services. In Sri Lanka, the mortgage to GDP ratio is approximately 6 percent. As per the World Bank assessment this is the highest in the region but is still much lower than the world average of 30 percent, thus showcasing the vast potential for growth and development. Consumption spending on housing services includes gross rents paid by tenants, and owners' imputed rent and utility payments.

Banking Sector Total Advances and Housing Finance



Mortgage Debt to GDP - source world Bank

The factors which influence the industry

Lack of Long Term Funding

Short supply of low cost long term matching funds precludes the penetration of housing finance sector to the masses. This factor affects the maintenance of affordability of home loan services and the profitability and stability of housing finance institutions. Inadequately mitigated exposure creates an interest rate risk and maturity mismatches.

Housing Cost Affordability

Ever increasing cost of construction, land and labour further precludes the envisaged expansion of the industry. As per the CBSL statistics, cost of construction of houses has increased more than 12 percent since 2008 with an annual average increase of around 4 percent. Building materials which recorded substantial price hikes since 2007 includes timber 17 percent, skilled labour 19 percent and cement 27 percent thus making cost of housing unaffordable for many, particularly to the low and middle income segment.

Poor Accessibility

In Sri Lanka the need for housing finance is much greater than the effective demand due to lack of accessibility. As per the World Bank assessment, 35 percent of the housing finance market is inaccessible to formal finance due to lack of proof of income, inadequate collaterals and financial illiteracy. However, this segment has the willingness and capacity to pay for low cost affordable housing.

Increasing Land cost

Sri Lanka's population growth is approximately 1 percent per annum whereas the country's urban population growth is threefold higher than the country average, making urban housing a challenge. Apart from the cost of construction, high cost of lands has further mounted pressure on urban housing. This has resulted in the dissemination of slums, encroachment of valuable Government properties and increasing urban poverty.

Significant decline in greater Colombo housing approval index, from 10,974 in 2008 to 9,792 in 2011 is a clear indication of this pressure. Particularly, approval index of middle income housing units, in sizes of 1000 -2000 sq.ft.s has declined sharply over the same period. The Government has initiated several programs to develop underutilized valuable urban properties to provide up market urban housing and affordable housing for the middle income segments. The Government also plans to build social housing schemes to accommodate encroachers and clear land for development activities. Following this market opportunity HDFC has granted 21 percent of its facilities to the Colombo district in 2011.

Cost Effective and Sustainable Housing

Sri Lanka's housing industry is also undergoing a transformation into more cost effective, resources efficient and sustainable designs and buildings, focusing on affordability in construction and maintenance. As per the CBSL statistics, housing approval index of above 2000 Sq.ft houses in greater Colombo has recorded a remarkable decline from 207 in 2007 to 112 in 2010.

Poor Governance

Poor emphasises in governance is one of the main issues that stakeholders in the housing finance industry should address. Real estate forms perhaps the largest assets class in any country and is also the largest source of wealth for families. Therefore, it requires high level of governance in planning, designing, approval and construction etc to protect the rights of residents. Mortgage lenders who invest over 75percent of the cost of construction for over 10 years, also do not possess a warranty as to quality of property. This has largely precluded new cost effective and sustainable construction technologies penetrating the local market, which has been successful in other countries. These are the fundamental issues which will ensure long term sustainability of the industry rather than short-term gains.

Most of the condominium projects in Colombo have not obtained necessary approvals from required statutory bodies and this has prevented buyers from seeking credit from financial institutions due to lack of legal title. This factor also restricted the multiple effects of funds which otherwise would have occurred by investing these funds in purchasing apartments, in other economic sectors.

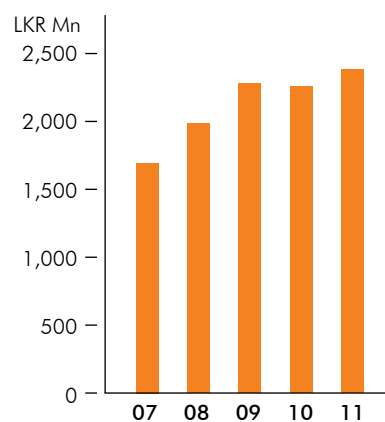
Whilst facing these challenges, HDFC Bank has gained widespread social license over the last 26 years as the affordable housing loan provider. As the leader of the low and middle income housing finance market, HDFC has contributed immensely to the socio economic development of the country.

Our Economic Performance

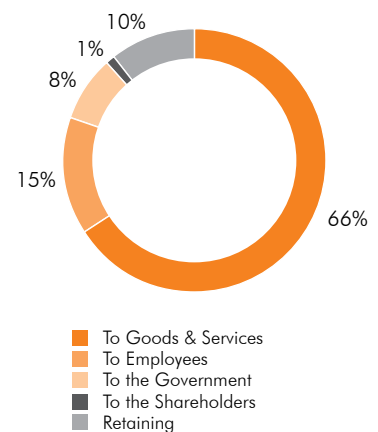
Direct Economic Value Creation

During the year under review HDFC Bank has created Rs. 2,374 million value to the economy as against Rs. 2,250 million in 2010. This value has been distributed among the suppliers, employees, Government and shareholders, while Rs. 276.53 million was retained by the Bank to strengthen its growth and stability as tabulated in the table of Key Economic Performance. We have contributed Rs.188.88 million to the Government as direct and indirect taxes in 2011.

Economic Value Created
2007 - 2011



Economic Value Creation 2011



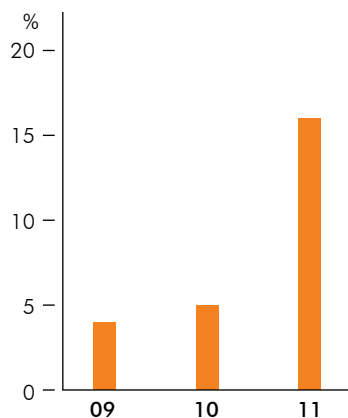
Government's Investment and Return

The Government of Sri Lanka, has invested Rs.327,800,000/- in 3,278,000 ordinary shares of the Bank at Rs.100/- each, which represents 51percent shareholding. Currently, the operations of the Bank are fully financed by interest bearing funds mobilized from the market and through financial assistance or grants received from the Government.

Accumulated funds of the Government at HDFC Bank; initial capital Rs.490.62 million and 51 percent of the accumulated reserve capital which is equal to Rs.592 million, accounts for Rs.1,083 million. During the year HDFC Bank has paid to the Government in terms of taxes Rs.188.89 million indicating a 17 percent financial return on investment of Rs.1,083 million, which amounted to 18.5 percent in 2010.

Economic Value Creation *contd.*

Return to the Government 2009-2011



Over the last two decades there has been a surge in the national housing stock and home ownership in Sri Lanka, paving the way to a significant improvement in the quality of lives of its people. Over 75 percent of the population has access to electricity, over 30.8 percent of the households to pipe born water and over 70 percent of households own a radio or television set.

Despite the direct economic value creation from the core business operations, we assess that indirect impact of HDFC's core business over the last 26 years is significant in the context of this socio economic development of the country.

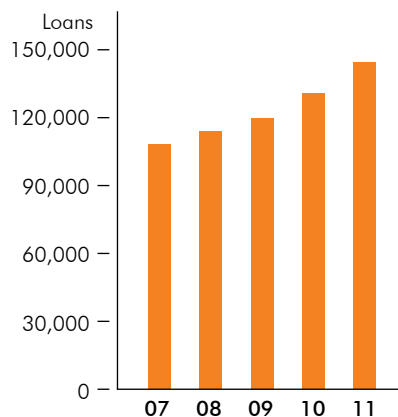
Aggregate Service in the Country

HDFC has assisted over 145,000 families to obtain homeownerships, improve existing dwellings and acquire household equipments and accessories. The total value of the facilities granted since year 2000 is over Rs. 23.5 billion, while over 80 percent of these advances were extended to the low and middle income groups making their dream of owning a house a reality.

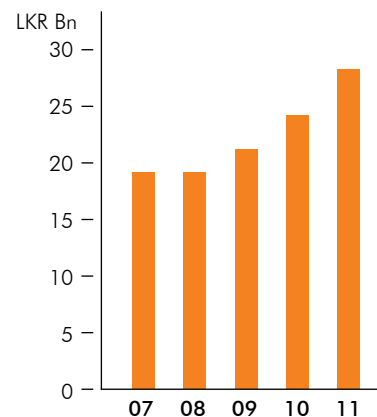
Promoting Human Settlement Assisting for Diversified Need of Housing

Housing not only provides physical shelter but also has a significant impact on the lives of the dwellers in terms of skill enhancement, income generation, increased security, health, self confidence and human dignity. Housing finance development therefore plays a vital role in boosting equitable economic growth and reducing poverty through assisting households to build assets, improve living conditions, empower middle and lower middle income population, and strengthen communities. An active system of housing finance provides real economic benefits and positively affects savings, investment and household wealth. It also provides an investment option for long term funds in the economy as an alternative to investment in treasury bonds. Each Rupee invested in housing sector catalyzes multiple economic activities in other sectors of the economy.

Aggregate Service No. of Loans



Aggregate Service Value of Loans



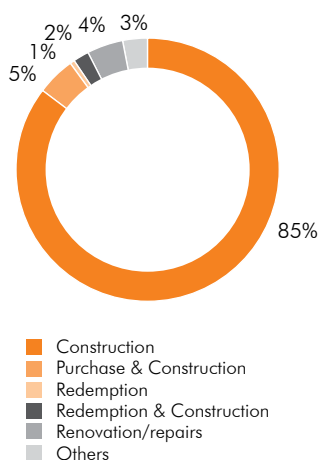
Enhancing Home Ownership

During 2011 HDFC recorded a robust increase in lending activities registering an impressive growth of 32 percent in the number of loans and 55 percent increase in the value of loans granted. In 2010, we extended 10,739 facilities, totaling Rs.3,069 million. These facilities were extended for house construction, purchasing, redeeming of housing loans obtained at high interest rates, renovations, repairs and extensions to existing structures. Number of loans granted for purchasing of household items, furniture and other lifestyle development needs were 428, with a total credit value of Rs.240 million. We estimate that, these facilities have assisted over 14,000 families and over 75,000 people to fulfill their pressing need of shelter.

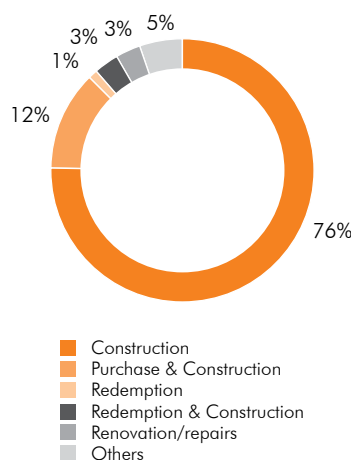
Purpose Wise Distribution Of Facilities – Rs. Mn

Purpose	2011	2010
Construction	3,594	2,300
Purchasing	573	177
Redemption	64	56
Repairs & Improvement	290	268
Lifestyle Needs	240	268
Total	4,762	3,069

Purpose Wise Distribution of Service 2011 (No of Loans)



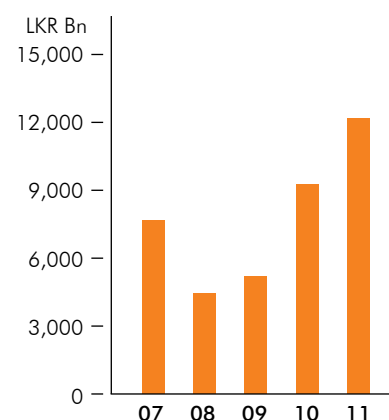
Purpose Wise Distribution of Service 2011 - Value of Loans LKR Million



Contribution to the National Housing Stock

During the year under review, HDFC contributed towards increasing Sri Lanka's national housing stock by approximately 12,142 new houses. HDFC financed approximately Rs.3,594 million of the construction value of these houses which had a property value of over Rs.4,500 million. The number of construction loans granted during the year recorded 31 percent increase compared to 9,252 loans in 2010. Further, the number of construction loans granted during the year increased by 56 percent Year on Year. The Bank also granted Rs.290 million for repairs, renovations and improvements of existing dwellings.

Granting of Construction Loans



Assisting to Minimize Development Disparities Prioritized Services to the Low and Middle Income Segments

HDFC's primary objective has always been to serve the lower and middle income groups to meet their needs of housing finance and allied services. With the majority of the population in Sri Lanka coming under these income categories, there's a significant lack of supply to meet the demand for housing. Approximately, 55 percent of the rural population and 8 percent of the urban population live below the poverty line and on average 15 percent of the total population live below the universal poverty line, with an income which is totally insufficient to meet the cost of housing (Sri Lanka Poverty Assessment 2007, World Bank). Majority of the people belonging to this category has to contend with restricted access to credit facilities offered by commercial banks or financial institutions due to inadequate collateral, proof of income and lack of financial inclusion.

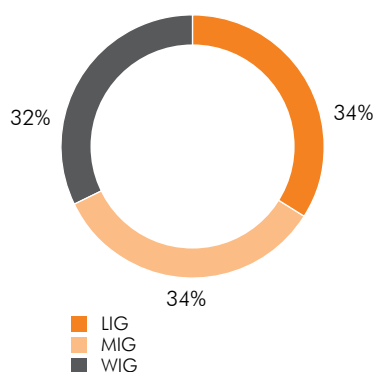
Economic Value Creation *contd.*

During the year, more than 68 percent of the approved facilities were granted to low and middle income group representing 41 percent of the value of loans approved. Out of approved facilities, 34 percent of the loans were less than Rs.200,000. Loans between Rs.200,000 and Rs.500,000 accounted for 34 percent. The average size of the loan granted by the Bank rose from Rs.285,000 in 2010 to Rs. 327,000 in 2011, reflecting the widened scope of our social responsibility toward serving the needy groups of the country.

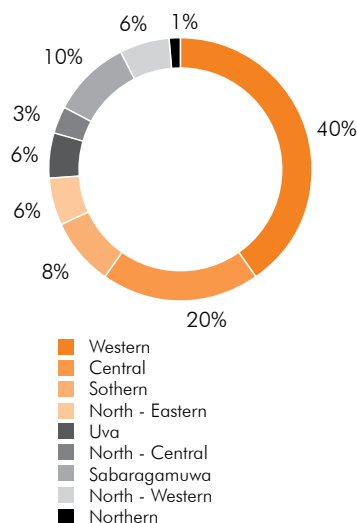
value respectively. Of these, 67 percent of the loans were granted to the middle income group, with loans for new constructions representing 80 percent, home purchases 8 percent and other housing related loans 10 percent.

Of the total disbursements, 8 percent was disbursed in the Southern province while 20 percent was disbursed in the Central province. The balance disbursements were made in Wayamba, North Central, Sabaragamuwa, Eastern and Northern Provinces. The Bank opened three branches in Gampola, Kuliyaipitiya and paliyagoda to widen its customer reach. It is pertinent to mention that 34 percent of our disbursements were made to the low income families who hardly had accessibility to formal housing finance. Enabling these families to realizing the dream of owning a house had invariably improved the quality of life and the living standards of households.

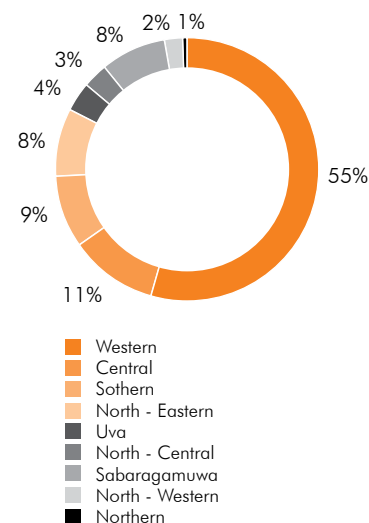
Contribution to Needy Group



Provincial Distribution of Service - No of Loans



Provincial distribution of Total Loan portfolio LKR M



Provincial Distribution of Service

Increasing urbanization has seen the burgeoning of urban dwellers, rising sharply at 3 percent per annum. This trend is significantly reflected in the western province due to the large number of immigrant families which has triggered land and construction labour prices within the province to rise to unaffordable proportions. Given these emerging trends, in 2011 HDFC granted a total of 5,740 loans in the Western Province representing 40 percent in volume and 51 percent in

District Wise Disbursements of Service

Colombo district records the highest rate of population growth and urbanization in the country. This trend has caused the price of land and housing to spiral upwards. The increasing population in the district has caused meeting the housing needs a challenging task. HDFC concentrated on disbursing 21 percent of the value of loans and 30 percent of the loan volume, in the Colombo district. HDFC has an all island wide branch network of 31 with presence in every district. The second highest disbursement was made in the Gampaha district with a special programme launched in the districts of Batticaloa, Vavuniya and Trincomalee for lending and resource mobilization.

Regional Financial Resources Mobilization

Region	Loan Portfolio Balance Rs. Mn	Deposits Mobilized Within the Region Rs. Mn	New Funds Mobilized to the Region Rs. Mn
Central	2,338	887	1,451
North Western	1,695	548	1,147
Southern	2,210	1,006	1,204
Uva	1,266	421	845
Western	7,048	7,839	-791
Total	14,557	10,701	3,856

Employment Generation and Poverty Alleviation

While our team has 505 members within its permanent cadre, we are proud to be the enabler in generating approximately 13,180 indirect employment opportunities around the country as a result of house financing. Housing finance enables to create self employment opportunities in the fields of carpentry, masonry, bricks and tile industries, sand mining and other housing related activities in the small and medium enterprises sector.

The construction industry is a primary employment generator. Based on the information of the Central Bank of Sri Lanka estimated employment opportunities in the construction industry is approximately 592,000 island wide representing approximately 7 percent of the total employment market in 2011. Total advances granted to the housing industry by commercial banks stood at Rs.214 billion (annualized based on CBSL September figures). HDFC contributed Rs.4.762 billion in 2011, for personal housing needs in over nine provinces.



Mobile Banking to lowest income group

Resources Mobilization to Regions

Other than the western province, the Bank mobilized large sum of financial resources to finance regional housing finance need which made a significant contribution to regional socio economic development. HDFC mobilized Rs.1,451 million to Central province, Rs.1,147 million to North Western province and Rs.1,204 million to the Uva province as tabulated in the following table indicating the Bank's

commitment to regional development, which made a significant contribution to minimize provincial development disparities.

How HDFC Aligns Business Strategies With Socio-Economic Needs

As a development bank that grants long term loans, HDFC is vulnerable to adverse economic, social and environmental changes of the low and middle income segment of the population who constitutes 70 percent of the customer base. Our business strategies are always aligned with the socio-economic challenges of this segment who has been the main customer base of our Bank over the last 26 years.

Empowering Through Promoting Financial Inclusion and Literacy

Financial Inclusion

Efficient and inclusive financial markets facilitates investment and increases productivity by reducing information gaps and transaction cost, pooling resources, diversifying risk, and improving resources allocation. Tailor made financial instruments help households to smooth lifetime consumption, manage their economies and social risks, and engage in business opportunities that improve their livelihood. Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low income segments of society.

In Sri Lanka there is significant scope for financial penetration, since private sector credit is substantially lower than the regional as well as the world average.

Economic Value Creation *contd.*

Need to Improve Accessibility to Housing Finance

Sri Lanka's effective demand for housing finance is significantly lower than the national housing need, mainly due to inadequate access to housing finance. In order to synchronize the effective demand with the actual housing need, it is essential to improve the accessibility of housing finance to the low and middle income group. Majority in this segment is from urban low income families and qualifies to obtain an affordable mortgage loan but is restricted due to inaccessibility.

The common hindrances in extending formal banking facilities to this segment are inadequate financial literacy, poor banking habits, inadequate collaterals and lack of proof of income. Often they are the most vulnerable segment of our community who are at risk of financial exclusion. HDFC experienced that a substantial percentage of this community who do not transact with formal banking channels, lose their wealth to informal financiers when borrowing money for housing and daily financing needs.

Our Strategy

HDFC continually strives to improve the accessibility of housing finance by promoting savings which is the strategic priority of the Bank. HDFC uses its resources and expertise to inculcate banking habits, skills and confidence in this community thus enabling them to access formal housing finance. We are delighted to mention that a majority of our customers are from this category that constituted 68 percent of the total customer base of HDFC in 2011. Of the low and middle income group 34 percent of the customers were from the communities with minimal or zero financial literacy or banking habits.



Women empowering through housing related micro finance

Mobile Banking Operation

As a strategic approach, HDFC initiated its mobile banking operation (Palm Top) to capture the low and middle income segment who do not use formal banking channels to the formal banking system and promote banking and savings habits among them. The operation was initiated in 2007 and is currently operating successfully throughout the Bank's branch network with over 100 Palm Top machines and operators. Our promotional assistants daily visits approximately 18,000 customers island wide, majority being pavement hawkers, boutique/shop keepers, daily waged laborers, fishermen etc whose income is not permanent. For over 35 percent of these customers, the average daily deposit is less than Rs.250/- per day. It was the very first time that most of these customers were exposed to formal banking channels through our Mobile Bankers.

Development of the Mobile Banking Operation

Capacity Building: During the year, HDFC increased the mobile bankers group from 81 to 100 operators in all parts of the country. It is noteworthy to mention that the Bank recruited female trainees, to serve the women entrepreneurs in small townships. In order to enhance the service 50 Motorcycles were purchased to mobilize neighboring townships of all cities where HDFC has a presence.

Women Empowerment: HDFC Bank paid special attention to empower women who involves in small business through housing related micro finance via mobile banking. During the year we captured over 500 women in different small townships.

Enrichment: During the year, the Board of Directors approved the recruitment and promotion policy of the mobile bankers, and also conducted several training programs, including two day outdoor program conducted for the best performers at Hotel Kandalama. An awards ceremony was held in February 2011 to recognize the high performers of the Bank while 14 operators were promoted as banking assistants and 12 operators as permanent promotional assistants.



Geographical Expansion: during the year mobile operation was further expanded to cover the areas of Trincomalee, Batticalo and Vauniya with new ten operators

Number of Customers Captured In 2011

In 2010, 20,177 new customers were added to HDFC from the low and middle income segment with an average monthly increase of 1,681 customers. These customers were promoted from all provinces via the Bank's branch network of 31. We launched a special lifestyle development loan for them, secured on a group guarantee scheme.

Promoting Financial Literacy

Majority of laborers in the Colombo Manning Market and Central Fish Market became our valued customers though their financial literacy was very poor. With our mobile banking operations we aim to educate this



HDFC Mobile Banking team



Events - Promoting Financial Literacy

Economic Value Creation *contd.*

segment on the use of banking, create wealth and provide documentary proof of income for consideration of formal loan facilities. We conducted several programs to inculcate banking habits and promote financial literacy among them.

HDFC Bank deployed a dedicated staff to educate the low and middle income segment on the importance of saving and banking and assist them to fill account opening documents. We also encourage them to save part of their daily wage for retirement and for the future well being of their children. For this purpose we educated them to invest monthly Rs.100 to Rs. 500 in an attractive customized group investment fund formulated for them to create wealth for their retirement.

Addressing the Need of an Aging Population

Sri Lanka has become a country with a faster aging population. Sri Lanka has the highest aging rate in the South Asian region and as per the World Bank assessment it will reach the current rate of aging in Japan or Europe within a period of 10 to 15 years. The population above 65 years is 6 percent in Sri Lanka, 21 percent in Japan and 20 percent in Europe. The existing social security system will adapt at a lesser pace compared to the pace of aging in Sri Lanka. Therefore, many would be compelled to work beyond retirement, due to lack of social and family support and retire only due health reasons. In this context, raising a family will not be affordable while the children will not have time look after their parents.

Being a Development Bank, we strive to balance the economic, environmental and social challenges of our major stakeholder with the corporate objectives and formulate business strategies accordingly. We capitalized on the superior features of housing finance and formulated a unique investment instrument which could create wealth at a faster pace required for an aging population.

In this context, we introduced the HDFC Group Housing Fund scheme during the year, which was highly accepted by the different luster of social groups fluctuating income patterns. The scheme geared to establish customized group housing investment funds for different social groups. The product offers the highest market interest rate to the investors at any given time. Please refer the page 121 for more information.



Handing Over the first investment book to the first investor of the Artists' Group Housing Fund



Director lighting the Oil Lamp at the product launch

Contributing to Government's Special Development Initiatives

HDFC is committed to contribute to the Government's national and regional special development initiatives, by providing affordable housing finance and other ancillary services. Under the directions of the Government, HDFC paid special attention on promoting housing finance to the Agriculture sector and in the Monaragala District, during the year.

Monaragala Development Project

The Integrated Rural Development Project initiated by the Government, in conjunction with the 'Dayatakirula' National Exhibition, was scheduled to be held in Monaragala, in February 2011. HDFC launched a micro loan scheme to finance house repairs and upgrades. Loans were evaluated at the convenience of the customer at mobile public service centers and the 'Dayatakirula' Exhibition Centre. Under this scheme HDFC granted Rs.12 million worth of home improvement loans. The Bank launched a special program to promote savings and banking facilities among the villages and school children and undertook a unique CSR project to upgrade a primary School in Buththala and constructing two new buildings and improving facilities such as sports, computer training and farming.

Janasewana Housing Programme

HDFC Bank agreed to grant LKR 250 million worth of low income housing loan at a special rate of 10 percent per annum. As at 31st December 2011 Bank has approved LKR 38 million 123 customers.



Mobile Banking Customer

Agricultural Sector Housing

Rural infrastructure and agriculture are considered important sectors in the development policy formulation process. The Central Bank of Sri Lanka has given special policy directives to grant 10 percent of loan facilities to the customers from the agricultural sector. Therefore HDFC paid special emphasis on extending loan facilities to the customers from this sector.

Sector Wise Distribution of Facilities

Sector	2011		2010	
	Rs. Mn	%	Rs. Mn	%
Services	3,560	75	2,140	70
Industrial	824	17	693	23
Agricultural	371	8	231	7
Other	7	0	5	0
Total	4,762	100	3,069	100

Employees' Benefit Plans

Defined Contribution Plan Obligation

According to the Employee Provident Fund (EPF) Act No 15 of 1958 and subsequent amendments and Employee Trust Fund (ETF) Act No 46 of 1980 and subsequent amendments, HDFC is statutorily liable to contribute a sum equal to 12 percent and 3 percent of the monthly gross salary to the EPF and ETF respectively, to fulfill the obligation of the Bank as the employer for the well - being of the employees for their retirement. Further employees, contribution to EPF is 8 percent of the monthly salary. Both Bank and employee contributions to the EPF are directly transferred on the 15th day of every month, to the Employee Provident Fund managed by the Central Bank of Sri Lanka.

During the year the Bank and its employees contributed Rs.26.17 million to the EPF and Rs. 6.54 million to the ETF as tabulated in the table of Key Economic Indicators.

Defined Benefit Plan Obligations

Further HDFC also make contribution to a gratuity fund in accordance with the Gratuity Act No 12 of 1983, and employees of more than 5 years of service will receive half a month's salary for every year of service on retirement or termination of service. During the Year, HDFC provided Rs.9.44 million to the gratuity fund as tabulated under the key economic performance indicators.

Economic Value Creation contd.

Key Performance Indicators - Economic Value Creation

	2011		2010		2009	
Economic Value Created	Rs-Mn	%	Rs-Mn	%	Rs-Mn	%
Interest Income	2,249.75	94	2,164.98	96	2,216.37	98
Other Income	124.63	6	85.3	4	52.33	2
Total Value Created	2,374.39	100	2,250.28	100	2,268.70	100
Economic Value Distribution						
To Goods and Services Providers	1,564.33	66	1,505.9	69	1,722.09	76
To Employees	344.63	15	314.57	18	277.15	12
To the Government	188.89	8	155.78	7	112.14	5
To the Shareholders (Dividends)	32.35	1	32.35	1	32.35	1
Retaining (Depreciation, Loan Loss Provision, Retained Profit)	244.19	10	241.68	8	124.97	6
Total Value Created	2,374.39	100	2,250.28	100	2,268.70	100
Financial Return on Government's investment Rs -Mn						
Taxes	188.89		155.78		112.14	
51 % of Dividends	16.32		16.32		16.32	
Total Financial Return to the Government	205.21		172.10		128.46	
Government's Investment (51 % of Share Capital + 51% of Reserve)	1083.75		942.48		877.71	
Return as a % Investment	19%		18%		15%	
Contribution to Develop National Housing Stock and Home Ownership						
Cumulative No of Loans up to 31/12/11	144,159		129,935		119,196	
Cumulative Value of Loans up to 31/12/11 LKR- M	28,332		23,570		20,500	
No of Families Assisted for House Construction During the Year	12,142		8,993		5,197	
No of Families Assisted for Other Housing Purposes During the Year	2,082		1,746		780	
Total No of Families Assisted to Own a House a During the Year	14,224		10,739		5,977	
Value of Loans Granted During the Year Rs-Mn	4,762		3,069		1,404	
Average Size of Loans Granted During the Year Rs-Mn	0.330		0.285		0.235	
Assistance to Minimize Development Disparities						
Service to Needy Group – No of Loans	Loans	%	Loans	%	Loans	%
Low Income Group (LIG)	4,823	34	3,930	37	2,600	44
Middle Income Group (MIG)	4,894	34	3,610	34	1,838	31
Wider Income Group (WIG)	4,507	32	3,199	30	1,539	26

	2011		2010		2009	
Sector Wise Distribution of Service – No of Loans	Loan	%	Loan	%	Loans	%
Service Sector	9,386	66	6,924	64		
Agriculture	2,403	18	1,507	14	No comparative figures	
Industrial	2,435	17	2,300	21		
Other	9	0	8	1		
Provincial Distribution of Service -No of Loans	Loans	%	Loans	%	Loans	%
Western	5,740	40	4,504	42	2418	40
Central	2,775	20	1,997	19	1285	21
Sothorn	1,188	8	780	7	456	8
North- Eastern	809	6	464	4	153	3
Uva	819	6	643	6	434	7
North- Central	475	3	500	5	224	4
Sabaragamuwa	1,369	10	828	8	663	1
North – Western	880	6	966	9	344	6
Northern	169	1	57	1	0	0
Total Loans	14,224	100	10,739	100	5,977	100
Services Provided Out of Colombo						
% Loan Granted Outside Colombo District	11,279	79	4,762	80	3,870	74
% Loan Granted Outside Western Province	6,239	60	3,559	60	2,945	56
Loan Granted Outside Colombo and Gampaha Districts	9,770	69	6,450	60	2,418	60
% Of Loans Granted in North and East	1,850	13	1,010	9	153	3
Employment generation and Poverty Elevation						
Direct Employments	505		425		364	
Indirect Employments	13,180		10,266		4,845	
Promoting Financial Literacy and Inclusion						
Cumulative No of Mobile Banking Customers. (MBC)	65,743		41,568		20,750	
No of MBCs Promoted During the Year	20,177		20,818		7,990	
MBCs with Avg. Daily Deposit Less than Rs 250	34,290		29,439		18,600	
Contribution to Defined Contribution and Benefits Plans – Rs-Mn						
Employees Provided Fund (EPF)	26.17		23.83		21.00	
Employees Trust Fund (ETF)	6.54		6.00		5.00	
Total Contribution to Defined Contribution Plan	32.71		28.83		26.00	
Contribution to Gratuity (Defined Benefit Plan)	9.44		15.00		21.00	