

INTERIM FINANCIAL STATEMENTS

For the Quarter ended March 31st, 2011

HOUSING DEVELOPMENT FINANCE CORPORATION BANK OF SRI LANKA
P,O Box-2085, N.H.D. A Secretariat, Sir Chittampalam A. Gardiner Mawatha, Colombo-02
INCOME STATEMENT

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| | Bank | | | | | | Group | | | | | |
|---|-------------------------------------|----------------------------------|-------------|-------------------------------------|----------------------------------|-------------|-------------------------------------|----------------------------------|-------------|-------------------------------------|----------------------------------|-------------|
| | For the quarter | | | For the Year ended | | | For the quarter | | | For the year ended | | |
| | Un audited 31/03/2011 Rs '000 | Audited 31/03/2010 Rs '000 | Growth % | Un audited 31/03/2011 Rs '000 | Audited 31/03/2010 Rs '000 | Growth % | Un audited 31/03/2011 Rs '000 | Audited 31/03/2010 Rs '000 | Growth % | Un audited 31/03/2011 Rs '000 | Audited 31/03/2010 Rs '000 | Growth % |
| Total Income | 586,908 | 843,196 | (30%) | 586,908 | 843,196 | (30%) | 586,908 | 843,196 | (30%) | 586,908 | 843,196 | (30%) |
| Interest Income | 566,427 | 829,998 | (32%) | 566,427 | 829,998 | (32%) | 566,427 | 829,998 | (32%) | 566,427 | 829,998 | (32%) |
| Interest income on Loans & Advances | 536,527 | 781,285 | (31%) | 536,527 | 781,285 | (31%) | 536,527 | 781,285 | (31%) | 536,527 | 781,285 | (31%) |
| Interest on Other Interest Earning Assets | 29,899 | 48,713 | (39%) | 29,899 | 48,713 | (39%) | 29,899 | 48,713 | (39%) | 29,899 | 48,713 | (39%) |
| Less: Interest Expenses | 331,070 | 338,721 | (2%) | 331,070 | 338,721 | (2%) | 331,025 | 338,677 | (2%) | 331,025 | 338,677 | (2%) |
| Interest Expense on Deposits | 188,418 | 193,959 | (3%) | 188,418 | 193,959 | (3%) | 188,373 | 193,914 | (3%) | 188,373 | 193,914 | (3%) |
| Interest on Other Interest Bearing Liabilities | 142,652 | 144,762 | (1%) | 142,652 | 144,762 | (1%) | 142,652 | 144,762 | (1%) | 142,652 | 144,762 | (1%) |
| Net Interest Income | 235,357 | 491,277 | (52%) | 235,357 | 491,277 | (52%) | 235,402 | 491,321 | (52%) | 235,402 | 491,321 | (52%) |
| Non - Interest Income | 20,481 | 13,198 | 55% | 20,481 | 13,198 | 55% | 20,481 | 13,198 | 55% | 20,481 | 13,198 | 55% |
| Foreign Exchange Income | | | | | | | | | | | | |
| Other Income | 20,481 | 13,198 | 55% | 20,481 | 13,198 | 55% | 20,481 | 13,198 | 55% | 20,481 | 13,198 | 55% |
| Net Income | 255,838 | 504,475 | (49%) | 255,838 | 504,475 | (49%) | 255,883 | 504,519 | (49%) | 255,883 | 504,519 | (49%) |
| Less:- Non -Interest Expenses | 149,006 | 142,859 | 4% | 149,006 | 142,859 | 4% | 149,091 | 143,012 | 4% | 149,091 | 143,012 | 4% |
| Personnel Cost | 75,121 | 72,598 | 3% | 75,121 | 72,598 | 3% | 75,151 | 72,628 | 3% | 75,151 | 72,628 | 3% |
| Provision for staff retirement benefit | 18,747 | 9,945 | 89% | 18,747 | 9,945 | 89% | 18,747 | 9,945 | 89% | 18,747 | 9,945 | 89% |
| Premises equipments & establishment expenses | 27,088 | 35,715 | (24%) | 27,088 | 35,715 | (24%) | 27,124 | 35,772 | (24%) | 27,124 | 35,772 | (24%) |
| Loss on Trading / Investment Securities | | | | | | | | | | | | |
| Amortization Of Intangible Assets | | | | | | | | | | | | |
| Other operating expenses | 28,049 | 24,600 | 14% | 28,049 | 24,600 | 14% | 28,069 | 24,666 | 14% | 28,069 | 24,666 | 14% |
| Less: Provision for Bad And Doubtful Debt | (6,519) | 160,592 | (104%) | (6,519) | 160,592 | (104%) | (6,934) | 40,068 | (117%) | (6,934) | 40,068 | (117%) |
| Provisions- General | 1,709 | 12,002 | (86%) | 1,709 | 12,002 | (86%) | 1,709 | 11,123 | (85%) | 1,709 | 11,123 | (85%) |
| Provisions- Specific | 2,147 | 148,364 | (99%) | 2,147 | 148,364 | (99%) | 1,731 | 32,217 | (95%) | 1,731 | 32,217 | (95%) |
| Recoveries (-) | (10,374) | (1,619) | 541% | (10,374) | (1,619) | 541% | (10,374) | (5,119) | 103% | (10,374) | (5,119) | 103% |
| Loans Written Off | | 1,846 | (100%) | | 1,846 | (100%) | | 1,846 | (100%) | | 1,846 | (100%) |
| Less; Provision for Decline In Value of Investments (Net) | | | | | | | | | | | | |
| Operating Profit on Ordinary Activities Before Taxes | 113,351 | 201,024 | (44%) | 113,351 | 201,024 | (44%) | 113,726 | 321,440 | (65%) | 113,726 | 321,440 | (65%) |
| Less: Value Added Tax On Financial Services | 19,421 | 53,601 | (64%) | 19,421 | 53,601 | (64%) | 19,421 | 53,601 | (64%) | 19,421 | 53,601 | (64%) |
| Operating Profit on Ordinary Activities Before Corporate Tax | 93,930 | 147,423 | (36%) | 93,930 | 147,423 | (36%) | 94,306 | 267,839 | (65%) | 94,306 | 267,839 | (65%) |
| Share of Subsidiaries/Associate Companies Profit | | | | | | | | | | | | |
| Operating Profit Before Corporate Tax | 93,930 | 147,423 | (36%) | 93,930 | 147,423 | (36%) | 94,306 | 267,839 | (65%) | 94,306 | 267,839 | (65%) |
| Less: Tax on Profit on ordinary Activities | 23,999 | 43,417 | (45%) | 23,999 | 43,417 | (45%) | 23,999 | 43,417 | (45%) | 23,999 | 43,417 | (45%) |
| Operating Profit for the Period | 69,931 | 104,006 | (33%) | 69,931 | 104,006 | (33%) | 70,307 | 224,422 | (69%) | 70,307 | 224,422 | (69%) |
| Basic earning per ordinary share - (Rs.) | 10.81 | 16.07 | (33%) | 10.81 | 16.07 | (33%) | 10.86 | 34.68 | (69%) | 10.86 | 34.68 | (69%) |

P,O Box-2085, N.H.D. A Secretariat, Sir Chittampalam A. Gardiner Mawatha, Colombo-02
BALANCE SHEET

| As at | Bank | | | Group | | |
|---|-------------------------------------|----------------------------------|-------------|-------------------------------------|----------------------------------|-------------|
| | Un audited 31/03/2011 Rs '000 | Audited 31/12/2010 Rs '000 | Growth % | Un audited 31/03/2011 Rs '000 | Audited 31/12/2010 Rs '000 | Growth % |
| On-Balance Sheet Assets | | | | | | |
| Cash in hand | 59,059 | 51,728 | 14% | 59,059 | 51,729 | 14% |
| Balance with central bank of Sri Lanka/ Other Central Bank | | | | | | |
| Due from banks & other financial Institutions | 1,442,664 | 1,206,478 | 20% | 1,442,664 | 1,206,478 | 20% |
| Investments -Trading | | | | | | |
| Government Securities | | | | | | |
| Other Securities | | | | | | |
| Investments - Held to Maturity | 345,067 | 338,864 | 2% | 345,067 | 338,864 | 2% |
| Government Securities | | | | | | |
| Other Securities | 345,067 | 338,864 | 2% | 345,067 | 338,864 | 2% |
| Less: Provision for decline in value of investments | | | | | | |
| Investment In subsidiaries | | | | | | |
| Total loans & advance | | | | | | |
| Total performing loans & advances | 10,565,588 | 10,357,995 | 2% | 10,565,588 | 10,357,995 | 2% |
| Bills of Exchange | | | | | | |
| Overdrafts | | | | | | |
| Lease Rental Receivable | | | | | | |
| Housing | 10,562,658 | 10,354,252 | 2% | 10,562,658 | 10,354,252 | 2% |
| Others | 2,930 | 3,743 | (22%) | 2,930 | 3,743 | (22%) |
| Total Non performing loans & advances | 3,191,038 | 3,172,122 | 1% | 2,947,178 | 2,928,678 | 1% |
| Bills of Exchange | | | | | | |
| Overdrafts | | | | | | |
| Lease Rental Receivable | | | | | | |
| Housing | 2,952,950 | 2,840,383 | 4% | 2,709,091 | 2,596,939 | 4% |
| Interest Receivable | 238,088 | 331,739 | (28%) | 238,088 | 331,739 | (28%) |
| Others | | | | | | |
| Total Gross Loans & Advances | 13,756,626 | 13,530,117 | 2% | 13,512,766 | 13,286,673 | 2% |
| Less: | | | | | | |
| Interest In Suspense | 238,088 | 331,739 | (28%) | 238,088 | 331,739 | (28%) |
| General Loan Loss Provision | 82,711 | 89,651 | (8%) | 82,711 | 89,651 | (8%) |
| Specific Loan Loss Provision | 214,890 | 214,469 | 0.20% | 61,030 | 61,025 | (0.01%) |
| Net Loan & Advances | 13,220,937 | 12,894,259 | 3% | 13,130,937 | 12,804,259 | 3% |
| Other Assets | 139,824 | 123,115 | 14% | 142,136 | 123,115 | 15% |
| Intangible assets | | | | | | |
| Investment Properties | | | | 188,900 | 188,534 | 0.19% |
| Property, plant & equipments | 773,986 | 755,667 | 2% | 674,045 | 655,761 | 3% |
| Total On-Balance Sheet Assts | 15,981,537 | 15,370,112 | 4% | 15,982,809 | 15,368,741 | 4% |

BALANCE SHEET

| As at | Bank | | | Group | | |
|---|-------------------------------------|----------------------------------|-------------|-------------------------------------|----------------------------------|-------------|
| | Un audited 31/03/2011 Rs '000 | Audited 31/12/2010 Rs '000 | Growth % | Un audited 31/03/2011 Rs '000 | Audited 31/12/2010 Rs '000 | Growth % |
| On-Balance Sheet Liabilities | | | | | | |
| Total Deposits | 8,251,678 | 7,702,928 | 7% | 8,250,013 | 7,701,263 | 7% |
| Demand Deposits | | | | | | |
| Saving Deposits | 1,132,730 | 1,042,181 | 9% | 1,132,730 | 1,042,181 | 9% |
| Time Deposits | 7,114,041 | 6,659,585 | 7% | 7,112,376 | 6,657,920 | 7% |
| Margin Deposits | | | | | | |
| Other Deposits | 4,906 | 1,162 | 322% | 4,906 | 1,162 | 322% |
| Total Borrowings | 4,901,103 | 4,781,007 | 3% | 4,901,103 | 4,781,007 | 3% |
| Borrowings from CBSL | | | | | | |
| Borrowings from banks & Financial Institutes in Sri Lanka | 39,069 | 58,172 | (33%) | 39,069 | 58,172 | (33%) |
| Borrowings from banks & Financial Institutes Abroad | | | | | | |
| Securities Under repurchase agreements | | | | | | |
| Subordinated Term Debts | | | | | | |
| Other Borrowing | 4,862,034 | 4,722,835 | 3% | 4,862,034 | 4,722,835 | 3% |
| Deferred Taxation | (16,907) | (16,907) | 0% | (16,907) | (16,907) | 0% |
| Current Taxation | 38,803 | 13,186 | (194%) | 43,721 | 15,793 | 177% |
| Other Liabilities | 888,490 | 1,041,239 | (15%) | 931,345 | 1,084,139 | (14%) |
| Total On-Balance Sheet Liabilities | 14,063,167 | 13,521,453 | 4% | 14,109,275 | 13,565,296 | 4% |
| Minority Interests | | | | | | |
| Equity Capital & Reserves | 1,918,371 | 1,848,659 | 4% | 1,873,533 | 1,803,445 | 4% |
| Stated capital | 962,089 | 962,089 | 0% | 962,089 | 962,089 | 0% |
| Statutory reserve fund | 46,389 | 46,389 | 0% | 46,389 | 46,389 | 0% |
| Total Other Reserves | 909,893 | 840,181 | 8% | 865,056 | 794,968 | 9% |
| Total On-Balance Sheet Liabilities & Equity Capital & Reserves | 15,981,537 | 15,370,112 | 4% | 15,982,809 | 15,368,741 | 4% |
| Off Balance Sheet Item And Contra Accounts | | | | | | |
| Net Assets Value per Ordinary Share (Rs) | 296.46 | 285.68 | 4% | 289.53 | 278.70 | 4% |
| Memorandum Information | | | | | | |
| Number of employees | 438 | 421 | 4% | 438 | 421 | 4% |
| Number of Branches | 28 | 28 | 0% | 28 | 28 | 0% |

HOUSING DEVELOPMENT FINANCE CORPORATION BANK OF SRI LANKA

P.O Box-2085, N.H.D. A Secretariat, Sir Chittampalam A. Gardiner Mawatha, Colombo-02

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STATEMENT OF CHANGE IN EQUITY & RESERVES

Bank

| Discription | Ordinary voting shares Rs '000 | Ordinary non voting shares Rs '000 | Cum , Redeemable Pre . Shares Rs '000 | Assigned Capital Rs '000 | contribution to share capital Rs '000 | Share Premium Rs '000 | General Reserve Rs '000 | Revaluation reserves Rs '000 | statutory reserve fund Rs '000 | Special reserves Rs '000 | Other reserves Rs '000 | profit & loss a/c Rs '000 | Total Rs '000 |
|---------------------------|-----------------------------------|---------------------------------------|--|-----------------------------|--|--------------------------|----------------------------|---------------------------------|-----------------------------------|-----------------------------|---------------------------|------------------------------|------------------|
| Balance As At 01/01/2010 | 647,102 | | | | - | 314,986 | 5,645 | 43,768 | 39,622 | 3,451 | | 666,621 | 1,721,196 |
| Issue of shares | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | - |
| Redemption of shares | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Revaluation of property | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Net Profit for the period | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | 104,006 | 104,006 |
| Transfer to reserve fund | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | - |
| Dividend Paid | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Others | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Balance As At 31/03/2010 | 647,102 | Nil | Nil | Nil | Nil | 314,986 | 5,645 | 43,768 | 39,622 | 3,451 | Nil | 770,628 | 1,825,202 |
| Balance As At 01/01/2011 | 647,102 | | | | - | 314,986 | 19,179 | 35,890 | 46,389 | 3,451 | | 781,661 | 1,848,658 |
| Issue of shares | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Redemption of shares | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Revaluation of property | Nil | Nil | Nil | Nil | Nil | Nil | Nil | (219) | Nil | Nil | Nil | Nil | (219) |
| Net Profit for the period | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | 69,931 | 69,931 |
| Transfer to reserve fund | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | - |
| Dividend Proposed | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Others | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Balance As At 31/03/2011 | 647,102 | Nil | Nil | Nil | - | 314,986 | 19,179 | 35,671 | 46,389 | 3,451 | Nil | 851,592 | 1,918,371 |

Group

| | | | | | | | | | | | | | |
|---------------------------|---------|-----|-----|-----|-----|---------|--------|--------|--------|-------|-----|---------|-----------|
| Balance As At 01/01/2010 | 647,102 | | | | - | 314,986 | 5,645 | 43,768 | 39,622 | 3,451 | | 510,059 | 1,564,634 |
| Issue of shares | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Redemption of shares | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Revaluation of property | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Net Profit for the period | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | 224,422 | 224,422 |
| Transfer to reserve fund | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | - |
| Dividend Paid | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | - |
| Others | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Balance As At 31/03/2010 | 647,102 | Nil | Nil | Nil | - | 314,986 | 5,645 | 43,768 | 39,622 | 3,451 | Nil | 734,481 | 1,789,055 |
| Balance As At 01/01/2011 | 647,102 | | | | - | 314,986 | 19,179 | 35,890 | 46,389 | 3,451 | | 736,448 | 1,803,445 |
| Issue of shares | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Redemption of shares | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Revaluation of property | Nil | Nil | Nil | Nil | Nil | Nil | Nil | (219) | Nil | Nil | Nil | Nil | (219) |
| Net Profit for the period | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | 70,307 | 70,307 |
| Transfer to reserve fund | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | - |
| Dividend Proposed | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Others | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Balance As At 31/03/2011 | 647,102 | Nil | Nil | Nil | - | 314,986 | 19,179 | 35,671 | 46,389 | 3,451 | Nil | 806,755 | 1,873,533 |

CASH FLOW STATEMENT

| | Bank | | Group | |
|---|-------------------------------|----------------------------|-------------------------------|----------------------------|
| | 2011 Rs '000 Un Audited | 2010 Rs '000 Audited | 2011 Rs '000 Un Audited | 2010 Rs '000 Audited |
| <i>For three months ended March 31st,</i> | | | | |
| Cash flows from operating activities | | | | |
| Interest received | 412,850 | 822,035 | 412,850 | 822,035 |
| Interest payments | (462,036) | (224,432) | (462,036) | (224,432) |
| Receipt from other operating activities | 20,481 | 13,198 | 20,481 | 13,198 |
| Cash payments to employees & suppliers | (92,354) | (105,899) | (92,384) | (105,899) |
| Payments on other operating activities | (40,675) | (45,609) | (40,695) | (45,670) |
| Operating profit before changes in operating assets | (161,734) | 459,294 | (161,784) | 459,233 |
| (Increase)/Decrease in operating assets : | | | | |
| Funds Recovered from customers | 897,543 | 602,326 | 897,543 | 602,326 |
| Funds advanced to customers | (1,064,126) | (485,936) | (1,063,711) | (485,936) |
| Housing Projects | - | | (366) | (487) |
| Other Assets | (16,709) | (505,444) | (16,709) | (504,852) |
| | (183,292) | (389,054) | (183,243) | (388,949) |
| Increase / (Decrease) in operating liabilities | | | | |
| Deposits from customers | 548,750 | 987,165 | 548,750 | 987,165 |
| Others | (60,635) | (111,829) | (60,635) | (111,873) |
| | 488,115 | 875,336 | 488,115 | 875,292 |
| Net cash from operating activities before income tax | 143,088 | 945,576 | 143,088 | 945,576 |
| Income Tax Paid | (5,086) | (5,128) | (5,086) | (5,128) |
| Net cash from operating activities | 138,003 | 940,448 | 138,003 | 940,447 |
| Cash flows from investing activities | | | | |
| Divident Received | | | | |
| Purchase of investment securities | (31) | | (31) | |
| Sale of investment securities | | | | |
| Investment in Subsidiaries | | | | |
| Purchase of property, plant and equipments | (27,452) | (7,781) | (27,452) | (7,781) |
| Disposal of property Plant & Equipments | | | | |
| Net cash from Investing activities | (27,482) | (7,781) | (27,482) | (7,781) |
| Cash flows from Financing activities | | | | |
| Issue of Shares | | | | |
| Issue/(Redemption) of Shares | | | | |
| Repayment of Borrowings | (94,143) | (518,217) | (94,143) | (518,217) |
| Dividends paid | | | | |
| Proceeds from Borrowings | 233,341 | 31,360 | 233,341 | 31,360 |
| Net cash from financing activities | 139,198 | (486,857) | 139,198 | (486,857) |
| Net increase in cash & cash equivalents | 249,719 | 445,810 | 249,719 | 445,810 |
| Cash & cash equivalents at beginning of the year | 1,597,040 | 1,315,719 | 1,597,040 | 1,315,720 |
| Cash & cash equivalents at the end of the year | 1,846,759 | 1,761,529 | 1,846,759 | 1,761,530 |
| Reconciliation of cash and cash equivalents | | | | |
| Cash & short term funds | 408,844 | 559,302 | 408,844 | 559,303 |
| Government of Sri Lanka treasury bills | 1,437,915 | 1,202,227 | 1,437,915 | 1,202,227 |
| Borrowings from Banks | | | | |
| | 1,846,759 | 1,761,529 | 1,846,759 | 1,761,530 |

