

# The Hongkong and Shanghai Banking Corporation Limited

Incorporated in the Hongkong SAR with limited liability

## Sri Lanka Branch

Main Office - 24, Sir Baron Jayatilaka Mawatha, Colombo 1.

Summarised Income Statement		
For the period ended 31 March	2016 Rs. '000	2015 Rs. '000
Interest income	5,925,876	5,964,048
Interest expenses	(1,934,037)	(1,747,340)
<b>Net interest income</b>	<b>3,991,839</b>	<b>4,216,708</b>
Fee and commission income	870,206	958,963
Fee and commission expenses	(142,331)	(154,932)
<b>Net fee and commission income</b>	<b>727,875</b>	<b>804,031</b>
Net gain/(loss) from trading	773,132	304,184
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-
Net gain/(loss) from financial investments	(6,099)	-
Other operating income (net)	5,648	21,937
<b>Total operating income</b>	<b>5,492,395</b>	<b>5,346,860</b>
<b>Impairment for loans and other losses</b>		
Individual impairment	1,921	240,485
Collective impairment	(25,698)	(123,500)
Others	-	-
<b>Net operating income</b>	<b>5,468,618</b>	<b>5,463,845</b>
Personnel expenses	(820,064)	(787,044)
Depreciation and amortisation	(84,356)	(50,190)
Other expenses	(1,377,276)	(1,294,386)
<b>Operating profit/(loss) before value added tax (VAT)</b>	<b>3,186,922</b>	<b>3,332,225</b>
Value Added Tax (VAT) on financial services	(372,150)	(435,302)
<b>Operating profit/(loss) after value added tax (VAT)</b>	<b>2,814,772</b>	<b>2,896,923</b>
Share of profits of associates and joint ventures	-	-
<b>Profit/(loss) before tax</b>	<b>2,814,772</b>	<b>2,896,923</b>
Tax expenses	(918,742)	(972,594)
<b>Profit/(loss) for the period</b>	<b>1,896,030</b>	<b>1,924,329</b>
<b>Profit attributable to:</b>		
Owners of the parent	-	-
Non-controlling interest	-	-
<b>Earnings per share on profit</b>		
Basic earnings per ordinary share	-	-
Diluted earnings per ordinary share	-	-

Cash Flow Statement		
	2016 As at 31 March Rs. '000	Audited 2015 As at 31 December Rs. '000
<b>Operating activities</b>		
Interest received	4,902,747	24,378,459
Interest paid	(1,329,384)	(5,833,182)
Recoveries on previously written off loans	135,797	622,847
Fees and commission received	727,875	3,119,727
Dividends received	-	-
Net (payments)/receipts from trading activities	773,132	1,509,156
Net (payments)/receipts from investing activities	(6,099)	705,274
Operating expenses paid	(2,142,820)	(8,960,048)
Operating profit before changes in operating assets and liabilities	3,061,248	15,542,233
<b>Change in operating assets/liabilities</b>		
(Increase)/decrease in treasury bills and other eligible bills	16,213,279	18,835,968
(Increase)/decrease in treasury bonds	(35,470,395)	3,684,981
(Increase)/decrease in loans to other banks	(5,929,180)	6,511,288
(Increase)/decrease in loans and advances	(418,503)	(16,597,499)
(Increase)/decrease in government bonds	(4,185,267)	(14,137,912)
(Increase)/decrease in other assets	(1,139,898)	(727,782)
Increase/(decrease) in deposits from customers	5,117,305	6,540,770
Increase/(decrease) in borrowings	30,039,681	(19,838,059)
Increase/(decrease) in other liabilities	323,503	(1,449,674)
<b>Net cash flow from operating activities before tax</b>	<b>4,550,525</b>	<b>(17,177,919)</b>
Tax paid	(1,056,738)	(8,988,007)
<b>Net cash flow from operating activities</b>	<b>6,555,035</b>	<b>(10,623,693)</b>
<b>Investing activities</b>		
Proceeds from sale of joint venture	-	-
Proceeds from disposal of property, plant and equipment	-	17,747
Acquisition of property, plant and equipment	(43,933)	(1,044,317)
<b>Net cash flow from investing activities</b>	<b>(43,933)</b>	<b>(1,026,570)</b>
<b>Financing activities</b>		
Profit transferred to head office	-	(1,543,300)
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>(1,543,300)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>6,511,102</b>	<b>(13,193,563)</b>
Cash and cash equivalents at the beginning of the period	12,538,055	24,015,547
Exchange Adjustment	277,916	1,716,071
<b>Cash and cash equivalents at the end of the period</b>	<b>19,327,073</b>	<b>12,538,055</b>
<b>Analysis of cash and cash equivalents at the period</b>		
Cash in hand	1,236,160	1,016,228
Balances with other banks	8,911,373	4,797,002
Balances with Central Bank	9,179,540	6,724,825
<b>Cash and cash equivalents at the end of the period</b>	<b>19,327,073</b>	<b>12,538,055</b>

Statement of Comprehensive Income		
For the period ended 31 March	2016 Rs. '000	2015 Rs. '000
<b>Profit/(loss) for the period</b>	<b>1,896,030</b>	<b>1,924,329</b>
<b>Other comprehensive income, net of tax</b>		
Changes in revaluation surpluses	(31,986)	-
Actuarial gains/(losses) on defined benefit plans	(23,220)	(5,676)
Gains and losses (arising from translating the financial statements of a foreign operation)	278,014	178,589
Gains and losses on re-measuring available-for-sale financial assets	(3,256,041)	(2,191,656)
Gains and losses on cash flow hedges	-	-
Other	-	-
Share of profits of associates and joint ventures	-	-
Less: income tax (charge)/credit related to components of other comprehensive income	912,338	615,379
<b>Other comprehensive income for the period net of taxes</b>	<b>(2,120,895)</b>	<b>(1,403,364)</b>
<b>Total comprehensive income for the period</b>	<b>(224,865)</b>	<b>520,965</b>
<b>Attributable to:</b>		
Owners of the parent	-	-
Non-controlling interest	-	-

Selected Performance Indicators		
	2016 As at 31 March	Audited 2015 As at 31 December
<b>Regulatory capital adequacy</b>		
Core Capital (Tier 1 Capital) Rs. '000	47,693,150	47,323,907
Total Capital Base, Rs. '000	48,050,067	47,680,824
Core Capital Adequacy Ratio, as % of risk weighted assets (Minimum requirement 5%)	20.23%	21.62%
Total Capital Adequacy Ratio as % of risk weighted assets (Minimum requirement 10%)	20.39%	21.79%
<b>Assets quality (quality of loan portfolio)</b>		
Gross Non-Performing Advances Ratio % (net of interest in suspense)	1.03%	1.04%
Net Non-Performing Advances Ratio % (net of interest in suspense and provisions)	0.46%	0.46%
<b>Profitability</b>		
Interest Margin, %	3.83%	4.19%
Return on Assets (before Tax), %	0.61%	3.30%
Return on Equity, %	-5.56%	16.14%
<b>Regulatory liquidity</b>		
Statutory Liquid Assets, Rs. '000		
Domestic banking unit	128,577,235	111,431,275
Offshore banking unit	59,726,709	54,832,748
Statutory Liquid Assets ratio, % (minimum requirement, 20%)	61.86%	57.56%
Domestic banking unit		
Offshore banking unit	40.15%	40.51%

Loans and Receivables to Other Customers (Gross) - By product		
	2016 As at 31 March Rs. '000	Audited 2015 As at 31 December Rs. '000
<b>By product-Domestic Currency</b>		
Overdrafts	11,480,404	11,717,421
Term loans	33,178,293	33,667,278
Lease rentals receivable	-	-
Credit cards	19,069,597	19,317,096
Pawning	-	-
Other loans	79,858	634,397
<b>Sub total</b>	<b>63,808,152</b>	<b>65,336,192</b>
<b>By product-Foreign Currency</b>		
Overdrafts	2,577,287	3,356,495
Term loans	117,100,862	113,593,639
Other loans	2,163,807	3,074,818
<b>Sub total</b>	<b>121,841,956</b>	<b>120,024,952</b>
<b>Total</b>	<b>185,650,108</b>	<b>185,361,144</b>

Due to Other Customers - By product		
	2016 As at 31 March Rs. '000	Audited 2015 As at 31 December Rs. '000
<b>By product-Domestic Currency</b>		
Demand deposits (current accounts)	19,261,789	17,397,133
Savings deposits	29,410,578	27,370,943
Fixed deposits	69,460,257	67,038,340
Other deposits	2,010,109	2,020,065
<b>Sub total</b>	<b>120,142,733</b>	<b>113,826,481</b>
<b>By product-Foreign Currency</b>		
Demand deposits (current accounts)	17,346,194	19,688,729
Savings deposits	17,929,261	17,857,482
Fixed deposits	30,192,306	28,835,111
Other deposits	2,394,341	2,679,727
<b>Sub total</b>	<b>67,862,102</b>	<b>69,061,049</b>
<b>Total</b>	<b>188,004,835</b>	<b>182,887,530</b>

Statement of Financial Position		
	2016 As at 31 March Rs. '000	Audited 2015 As at 31 December Rs. '000
<b>Assets</b>		
Cash and cash equivalents	10,147,533	5,813,230
Balances with Central Bank	9,179,540	6,724,825
Placements with banks	38,262,480	19,469,700
Derivative financial instruments	2,676,616	2,078,082
Other financial assets Held-for-trading	1,848,509	330,825
Financial assets designated at fair value through profit or loss	-	-
Loans and receivables to banks	2,920,800	15,784,400
Loans and receivables to other customers	184,657,274	184,328,632
Financial investments - Available-for-sale	150,497,376	131,828,703
Financial investments Held-to-maturity	-	-
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	3,504,866	3,644,899
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	1,272,455	360,117
Other assets	17,206,656	16,316,284
<b>Total assets</b>	<b>422,174,105</b>	<b>386,679,697</b>
<b>Liabilities</b>		
Due to banks	159,402,437	129,362,756
Derivatives financial instruments	2,254,059	1,814,184
Financial liabilities Held-for-trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Due to other customers	188,004,835	182,887,530
Other borrowings	-	-
Debt securities issued	-	-
Current tax liabilities	1,880,902	1,548,753
Deferred tax liabilities	-	-
Other provisions	-	-
Other liabilities	21,850,407	22,071,364
Due to subsidiaries	-	-
Subordinated term debts	-	-
<b>Total liabilities</b>	<b>373,392,640</b>	<b>337,684,587</b>
<b>Equity</b>		
Stated capital / Assigned capital	3,152,358	3,152,358
Statutory reserve fund	2,090,476	2,090,476
Retained earnings	34,844,515	32,964,266
Other reserves	8,694,116	10,788,010
<b>Total shareholders' equity</b>	<b>48,781,465</b>	<b>48,995,110</b>
Non-controlling interest	-	-
<b>Total equity</b>	<b>48,781,465</b>	<b>48,995,110</b>
<b>Total liabilities and equity</b>	<b>422,174,105</b>	<b>386,679,697</b>
<b>Contingent liabilities and commitments</b>	<b>704,766,160</b>	<b>616,100,549</b>
<b>Memorandum information</b>		
Number of employees	1,289	1,325
Number of branches	15	15

Loans and Receivables to Other Customers (net)		
	2016 As at 31 March Rs. '000	Audited 2015 As at 31 December Rs. '000
Gross loans and receivables	185,650,108	185,361,144
(Less) Individual impairment	(688,893)	(698,755)
Collective impairment	(303,941)	(333,757)
Net loans and receivables including those designated at fair value through profit or loss	184,657,274	184,328,632
(Less) Loans and receivables designated at fair value through profit or loss	-	-
<b>Net loans and receivables</b>	<b>184,657,274</b>	<b>184,328,632</b>

Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers		
	2016 As at 31 March Rs. '000	Audited 2015 As at 31 December Rs. '000
<b>Individual impairment</b>		
Opening balance	698,755	950,638
Change/(Write back) to income statement	917	(242,554)
Write-off during the year	-	-
Other movements	(10,779)	(9,329)
<b>Closing balance</b>	<b>688,893</b>	<b>698,755</b>
<b>Collective impairment</b>		
Opening balance	333,757	1,228,249
Change/(Write back) to income statement	(15,347)	(833,228)
Other movements	(14,469)	(61,264)
<b>Closing balance</b>	<b>303,941</b>	<b>333,757</b>
<b>Total impairment</b>	<b>992,834</b>	<b>1,032,512</b>

Analysis of Financial Instruments by Measurement Basis								
For the period ended 31 March 2016	Held-for-trading Rs. '000	Designated at fair value through profit/loss Rs. '000	Held-to-maturity Rs. '000	Amortised cost Rs. '000	Available-for-sale Rs. '000	Hedging Rs. '000	Total Rs. '000	
<b>Assets</b>								
Cash and cash equivalents	-	-	-	10,147,533	-	-	10,147,533	
Balances with central banks	-	-	-	9,179,540	-	-	9,179,540	
Placements with banks	-	-	-	38,262,480	-	-	38,262,480	
Derivative financial instruments	2,676,616	-	-	-	-	-	2,676,616	
Other financial assets held-for-trading	1,848,509	-	-	-	-	-	1,848,509	
Loans and receivables to banks	-	-	-	2,920,800	-	-	2,920,800	
Loans and receivables to other customers	-	-	-	184,657,274	-	-	184,657,274	
Financial investments	-	-	-	-	150,497,376	-	150,497,376	
Acceptances & Endorsements	-	-	-	9,732,505	-	-	9,732,505	
<b>Total financial assets</b>	<b>4,525,125</b>	<b>-</b>	<b>-</b>	<b>254,900,132</b>	<b>150,497,376</b>	<b>-</b>	<b>409,922,633</b>	
<b>Liabilities</b>								
Due to banks	-	-	-	159,402,437	-	-	159,402,437	
Derivative financial instruments	2,254,059	-	-	-	-	-	2,254,059	
Other financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	
Due to other customers	-	-	-	188,004,835	-	-	188,004,835	
Other borrowings	-	-	-	-	-	-	-	
Debt securities issued	-	-	-	9,732,505	-	-	9,732,505	
Acceptances & Endorsements	-	-	-	-	-	-	-	
<b>Total financial liabilities</b>	<b>2,254,059</b>	<b>-</b>	<b>-</b>	<b>357,139,777</b>	<b>-</b>	<b>-</b>	<b>359,393,836</b>	

Statement of Changes in Equity										
For the period ended 31 March 2016	Stated Capital/Assigned capital			Reserves				Total	Non-controlling interest	Total equity
	Ordinary voting shares Rs. '000	Ordinary non-voting shares Rs. '000	Assigned capital Rs. '000	Reserve fund Rs. '000	Revaluation					