

# 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 30 September  | 2016<br>Rs. '000  | 2015<br>Rs. '000  |
| Interest income  | 19,073,922        | 17,795,097        |
| Interest expenses  | (6,173,793)       | (5,425,973)       |
| <b>Net interest income</b>   | <b>12,900,129</b> | <b>12,369,124</b> |
| Fee and commission income  | 2,664,009         | 2,882,706         |
| Fee and commission expenses  | (446,084)         | (494,671)         |
| <b>Net fee and commission income</b>   | <b>2,217,925</b>  | <b>2,388,035</b>  |
| Net gain/(loss) from trading   | 1,827,313         | 1,020,772         |
| Net gain/(loss) from financial instruments designated at fair value through profit or loss | -                 | -                 |
| Net gain/(loss) from financial investments   | (5,974)           | 136,044           |
| Other operating income (net)   | 28,314            | 45,930            |
| <b>Total operating income</b>  | <b>16,967,707</b> | <b>15,959,905</b> |
| <b>Impairment for loans and other losses</b>   |                   |                   |
| Individual impairment  | 8,386             | 267,495           |
| Collective impairment  | (108,723)         | 101,396           |
| Others   | -                 | -                 |
| <b>Net operating income</b>  | <b>16,867,370</b> | <b>16,328,796</b> |
| Personnel expenses   | (2,492,354)       | (2,595,263)       |
| Depreciation and amortisation  | (247,693)         | (183,881)         |
| Other expenses   | (4,481,468)       | (4,306,047)       |
| <b>Operating profit/(loss) before value added tax (VAT)</b>                                | <b>9,645,855</b>  | <b>9,243,605</b>  |
| Value Added Tax (VAT) on financial services  | (1,272,083)       | (1,130,579)       |
| <b>Operating profit/(loss) after value added tax (VAT)</b>                                 | <b>8,373,772</b>  | <b>8,113,026</b>  |
| Share of profits of associates and joint ventures  | -                 | -                 |
| <b>Profit/(loss) before tax</b>  | <b>8,373,772</b>  | <b>8,113,026</b>  |
| Tax expenses   | (2,784,364)       | (6,554,898)       |
| <b>Profit/(loss) for the period</b>  | <b>5,589,408</b>  | <b>1,558,128</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<br>As at 30 September<br>Rs. '000 | Audited<br>2015<br>As at 31 December<br>Rs. '000 |
| <b>Operating activities</b>   |  |  |
| Interest received   | 18,155,302                             | 24,378,459                                       |
| Interest paid   | (4,589,526)                            | (5,833,182)                                      |
| Recoveries on previously written off loans                          | 407,429                                | 622,847  |
| Fees and commission received  | 2,217,926                              | 3,119,727  |
| Dividends received  | -                                      | -  |
| Net (payments)/receipts from trading activities                     | 1,827,313                              | 1,509,156  |
| Net (payments)/receipts from investing activities                   | (5,974)                                | 705,274  |
| Operating expenses paid   | (6,700,248)                            | (8,960,048)                                      |
| Operating profit before changes in operating assets and liabilities | 11,312,222                             | 15,542,233                                       |
| <b>Change in operating assets/liabilities</b>                       |  |  |
| (Increase)/decrease in treasury bills and other eligible bills      | 29,837,085                             | 18,835,968                                       |
| (Increase)/decrease in treasury bonds                               | (29,662,180)                           | 3,684,981  |
| (Increase)/decrease in loans to other banks                         | 8,523,760                              | 6,511,288  |
| (Increase)/decrease in loans and advances                           | (25,069,452)                           | (16,597,499)                                     |
| (Increase)/decrease in government bonds                             | (4,449,951)                            | (14,137,912)                                     |
| (Increase)/decrease in other assets                                 | 2,475,526                              | (727,782)  |
| Increase/(decrease) in deposits from customers                      | (3,247,071)                            | 6,540,770  |
| Increase/(decrease) in borrowings                                   | 24,418,450                             | (19,838,059)                                     |
| Increase/(decrease) in other liabilities                            | (1,608,692)                            | (1,449,674)                                      |
|   | 1,217,475                              | (17,177,919)                                     |
| <b>Net cash flow from operating activities before tax</b>           | <b>12,529,697</b>                      | <b>(1,635,686)</b>                               |
| Tax paid  | (4,604,476)                            | (8,988,007)                                      |
| <b>Net cash flow from operating activities</b>                      | <b>7,925,221</b>                       | <b>(10,623,693)</b>                              |
| <b>Investing activities</b>   |  |  |
| Proceeds from sale of joint venture                                 | -                                      | -  |
| Proceeds from disposal of property, plant and equipment             | 8,054                                  | 17,747   |
| Acquisition of property, plant and equipment                        | (100,102)                              | (1,044,317)                                      |
| <b>Net cash flow from investing activities</b>                      | <b>(92,048)</b>                        | <b>(1,026,570)</b>                               |
| <b>Financing activities</b>   |  |  |
| Profit transferred to head office                                   | (1,935,000)                            | (1,543,300)                                      |
| <b>Net cash flow from financing activities</b>                      | <b>(1,935,000)</b>                     | <b>(1,543,300)</b>                               |
| <b>Net increase / (decrease) in cash and cash equivalents</b>       | <b>5,898,173</b>                       | <b>(13,193,563)</b>                              |
| Cash and cash equivalents at the beginning of the period            | 12,538,055                             | 24,015,547                                       |
| Exchange Adjustment   | 407,910                                | 1,716,071  |
| <b>Cash and cash equivalents at the end of the period</b>           | <b>18,844,138</b>                      | <b>12,538,055</b>                                |
| <b>Analysis of cash and cash equivalents at the period</b>          |  |  |
| Cash in hand  | 1,138,176                              | 1,016,228  |
| Balances with other banks   | 9,251,033                              | 4,797,002  |
| Balances with Central Bank  | 8,454,929                              | 6,724,825  |
| <b>Cash and cash equivalents at the end of the period</b>           | <b>18,844,138</b>                      | <b>12,538,055</b>                                |

| Statement of Comprehensive Income   |                  |                    |
|---|------------------|--------------------|
| For the period ended 30 September   | 2016<br>Rs. '000 | 2015<br>Rs. '000   |
| <b>Profit/(loss) for the year</b>   | <b>5,589,408</b> | <b>1,558,128</b>   |
| <b>Other comprehensive income, net of tax</b>   |                  |                    |
| Changes in revaluation surpluses  | (41,821)         | -                  |
| Actuarial gains and losses on defined benefit plans   | (22,695)         | (6,545)            |
| Gains and losses (arising from translating the financial statements of a foreign operation) | 408,903          | 1,263,727          |
| Gains and losses on re-measuring available-for-sale financial assets                        | 387,542          | (3,880,165)        |
| Gains and losses on cash flow hedges  | -                | -                  |
| Others  | -                | -                  |
| Share of profits of associates and joint ventures   | -                | -                  |
| Less: Tax expense/(income) relating to components of other comprehensive income             | (107,570)        | 1,092,883          |
| <b>Other comprehensive income for the period, net of taxes</b>                              | <b>624,359</b>   | <b>(1,530,100)</b> |
| <b>Total comprehensive income for the period</b>  | <b>6,213,767</b> | <b>28,028</b>      |
| <b>Attributable to:</b>   |                  |                    |
| Owners of the parent  | -                | -                  |
| Non-controlling interest  | -                | -                  |

| Selected Performance Indicators   |                            |                                      |
|---|----------------------------|--------------------------------------|
|   | 2016<br>As at 30 September | Audited<br>2015<br>As at 31 December |
| <b>Regulatory capital adequacy</b>  |                            |                                      |
| Core Capital (Tier 1 Capital) Rs. '000  | 45,424,092                 | 47,323,907                           |
| Total Capital Base. Rs. '000  | 45,781,009                 | 47,680,824                           |
| Core Capital Adequacy Ratio, as % of risk weighted assets (Minimum requirement 5%)  | 17.84%                     | 21.62%                               |
| Total Capital Adequacy Ratio as % of risk weighted assets (Minimum requirement 10%) | 17.98%                     | 21.79%                               |
| <b>Assets quality (quality of loan portfolio)</b>                                   |                            |                                      |
| Gross Non-Performing Advances Ratio % (net of interest in suspense)                 | 0.88%                      | 1.04%                                |
| Net Non-Performing Advances Ratio % (net of interest in suspense and provisions)    | 0.35%                      | 0.46%                                |
| <b>Profitability</b>  |                            |                                      |
| Interest Margin, %  | 4.21%                      | 4.19%                                |
| Return on Assets (before Tax), %  | 3.26%                      | 3.30%                                |
| Return on Equity, %   | 15.15%                     | 16.14%                               |
| <b>Regulatory liquidity</b>   |                            |                                      |
| Statutory Liquid Assets, Rs. '000   |                            |                                      |
| Domestic banking unit   | 103,388,914                | 111,431,275                          |
| Offshore banking unit   | 62,698,362                 | 54,832,748                           |
| Statutory Liquid Assets ratio, % (minimum requirement, 20%)                         | 53.26%                     | 57.56%                               |
| Domestic banking unit   | 48.87%                     | 40.51%                               |
| Offshore banking unit   |                            |                                      |

| Loans and Receivables to Other Customers (Gross) - By product |  |  |
|---|--|--|
|   | 2016<br>As at 30 September<br>Rs. '000 | Audited<br>2015<br>As at 31 December<br>Rs. '000 |
| <b>By product-Domestic Currency</b>                           |  |  |
| Overdrafts  | 12,130,390                             | 11,717,421                                       |
| Term loans  | 30,407,626                             | 33,667,278                                       |
| Lease rentals receivable                                      | -                                      | -  |
| Credit cards  | 19,567,445                             | 19,317,096                                       |
| Pawning   | -                                      | -  |
| Other loans   | 8,595                                  | 634,397  |
| <b>Sub total</b>  | <b>62,114,056</b>                      | <b>65,336,192</b>                                |
| <b>By product-Foreign Currency</b>                            |  |  |
| Overdrafts  | 3,353,939                              | 3,356,495  |
| Term loans  | 142,804,942                            | 113,593,639                                      |
| Other loans   | 1,488,472                              | 3,074,818  |
| <b>Sub total</b>  | <b>147,647,353</b>                     | <b>120,024,952</b>                               |
| <b>Total</b>  | <b>209,761,409</b>                     | <b>185,361,144</b>                               |

| Due to Other Customers - By product |  |  |
|-------------------------------------|--|--|
|                                     | 2016<br>As at 30 September<br>Rs. '000 | Audited<br>2015<br>As at 31 December<br>Rs. '000 |
| <b>By product-Domestic Currency</b> |  |  |
| Demand deposits (current accounts)  | 15,887,112                             | 17,397,133                                       |
| Savings deposits                    | 25,983,403                             | 27,370,943                                       |
| Fixed deposits                      | 71,300,042                             | 67,038,340                                       |
| Other deposits                      | 2,155,642                              | 2,020,065  |
| <b>Sub total</b>                    | <b>115,326,199</b>                     | <b>113,826,481</b>                               |
| <b>By product-Foreign Currency</b>  |  |  |
| Demand deposits (current accounts)  | 19,630,826                             | 19,688,729                                       |
| Savings deposits                    | 15,076,778                             | 17,857,482                                       |
| Fixed deposits                      | 26,928,723                             | 28,835,111                                       |
| Other deposits                      | 2,677,933                              | 2,679,727  |
| <b>Sub total</b>                    | <b>64,314,260</b>                      | <b>69,061,049</b>                                |
| <b>Total</b>                        | <b>179,640,459</b>                     | <b>182,887,530</b>                               |

| Statement of Financial Position                                       |  |  |
|---|--|--|
|   | 2016<br>As at 30 September<br>Rs. '000 | Audited<br>2015<br>As at 31 December<br>Rs. '000 |
| <b>Assets</b>   |  |  |
| Cash and cash equivalents   | 10,389,209                             | 5,813,230  |
| Balances with Central Bank  | 8,454,929                              | 6,724,825  |
| Placements with banks   | 26,730,340                             | 19,469,700                                       |
| Derivative financial instruments                                      | 549,533                                | 2,078,082  |
| Other financial assets Held-for-trading                               | 2,132,526                              | 330,825  |
| Financial assets designated at fair value through profit or loss      | -                                      | -  |
| Loans and receivables to banks  | -                                      | 15,784,400                                       |
| Loans and receivables to other customers                              | 208,843,054                            | 184,328,632                                      |
| Financial investments - Available-for-sale                            | 134,689,591                            | 131,828,703                                      |
| Financial investments Held-to-maturity                                | -                                      | -  |
| Investments in subsidiaries   | -                                      | -  |
| Investments in associates and joint ventures                          | -                                      | -  |
| Property, plant and equipment   | 3,466,957                              | 3,644,899  |
| Investment properties   | -                                      | -  |
| Goodwill and intangible assets  | -                                      | -  |
| Deferred tax assets   | 259,421                                | 360,117  |
| Other assets  | 14,339,938                             | 16,316,284                                       |
| <b>Total assets</b>   | <b>409,855,498</b>                     | <b>386,679,697</b>                               |
| <b>Liabilities</b>  |  |  |
| Due to banks  | 153,781,206                            | 129,362,756                                      |
| Derivatives financial instruments                                     | 474,836                                | 1,814,184  |
| Financial liabilities Held-for-trading                                | -                                      | -  |
| Financial liabilities designated at fair value through profit or loss | -                                      | -  |
| Due to other customers  | 179,640,459                            | 182,887,530                                      |
| Other borrowings  | -                                      | -  |
| Debt securities issued  | -                                      | -  |
| Current tax liabilities   | 1,662,336                              | 1,548,753  |
| Deferred tax liabilities  | -                                      | -  |
| Other provisions  | -                                      | -  |
| Other liabilities   | 20,999,404                             | 22,071,364                                       |
| Due to subsidiaries   | -                                      | -  |
| Subordinated term debts   | -                                      | -  |
| <b>Total liabilities</b>  | <b>356,558,241</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   | 36,620,127                             | 32,964,266                                       |
| Other reserves  | 11,434,296                             | 10,788,010                                       |
| <b>Total shareholders' equity</b>                                     | <b>53,297,257</b>                      | <b>48,995,110</b>                                |
| Non-controlling interest  | -                                      | -  |
| <b>Total equity</b>   | <b>53,297,257</b>                      | <b>48,995,110</b>                                |
| <b>Total liabilities and equity</b>                                   | <b>409,855,498</b>                     | <b>386,679,697</b>                               |
| <b>Contingent liabilities and commitments</b>                         | <b>571,507,404</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<br>As at 30 September<br>Rs. '000 | Audited<br>2015<br>As at 31 December<br>Rs. '000 |
| Gross loans and receivables   | 209,761,409                            | 185,361,144                                      |
| (Less) Individual impairment  | (633,350)                              | (698,755)  |
| Collective impairment   | (285,005)                              | (333,757)  |
| Net loans and receivables including those designated at fair value through profit or loss | 208,843,054                            | 184,328,632                                      |
| (Less) Loans and receivables designated at fair value through profit or loss              | -                                      | -  |
| <b>Net loans and receivables</b>  | <b>208,843,054</b>                     | <b>184,328,632</b>                               |

| Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers |  |  |
|--|--|--|
|  | 2016<br>As at 30 September<br>Rs. '000 | Audited<br>2015<br>As at 31 December<br>Rs. '000 |
| <b>Individual impairment</b>   |  |  |
| Opening balance  | 698,755                                | 950,638  |
| Charge/(Write back) to income statement  | 16,379                                 | (242,554)  |
| Write-off during the year  | (17,986)                               | -  |
| Other movements  | (63,798)                               | (9,329)  |
| <b>Closing balance</b>   | <b>633,350</b>                         | <b>698,755</b>                                   |
| <b>Collective impairment</b>   |  |  |
| Opening balance  | 333,757                                | 1,228,249  |
| Charge/(Write back) to income statement  | (4,952)                                | (833,228)  |
| Other movements  | (43,800)                               | (61,264)   |
| <b>Closing balance</b>   | <b>285,005</b>                         | <b>333,757</b>                                   |
| <b>Total impairment</b>  | <b>918,355</b>                         | <b>1,032,512</b>                                 |

| Analysis of Financial Instruments by Measurement Basis           |                              |  |                              |                            |                                |                     |                    |
|--|------------------------------|--|------------------------------|----------------------------|--------------------------------|---------------------|--------------------|
| For the period ended 30 September 2016                           | Held-for-trading<br>Rs. '000 | Designated at fair value through profit/loss<br>Rs. '000 | Held-to-maturity<br>Rs. '000 | Amortised cost<br>Rs. '000 | Available-for-sale<br>Rs. '000 | Hedging<br>Rs. '000 | Total<br>Rs. '000  |
| <b>Assets</b>  |                              |  |                              |                            |                                |                     |                    |
| Cash and cash equivalents  | -                            | -  | -                            | 10,389,209                 | -                              | -                   | 10,389,209         |
| Balances with central banks                                      | -                            | -  | -                            | 8,454,929                  | -                              | -                   | 8,454,929          |
| Placements with banks  | -                            | -  | -                            | 26,730,340                 | -                              | -                   | 26,730,340         |
| Derivative financial instruments                                 | 549,533                      | -  | -                            | -                          | -                              | -                   | 549,533            |
| Other financial assets Held-for-trading                          | 2,132,526                    | -  | -                            | -                          | -                              | -                   | 2,132,526          |
| Loans and receivables to banks                                   | -                            | -  | -                            | -                          | -                              | -                   | -                  |
| Loans and receivables to other customers                         | -                            | -  | -                            | 208,843,054                | -                              | -                   | 208,843,054        |
| Financial investments  | -                            | -  | -                            | -                          | 134,689,591                    | -                   | 134,689,591        |
| Acceptances & Endorsements                                       | -                            | -  | -                            | 8,138,040                  | -                              | -                   | 8,138,040          |
| <b>Total financial assets</b>                                    | <b>2,682,059</b>             | <b>-</b>   | <b>-</b>                     | <b>262,555,572</b>         | <b>134,689,591</b>             | <b>-</b>            | <b>399,927,222</b> |
| <b>Liabilities</b>   |                              |  |                              |                            |                                |                     |                    |
| Due to banks   | -                            | -  | -                            | 153,781,206                | -                              | -                   | 153,781,206        |
| Derivative financial instruments                                 | 474,836                      | -  | -                            | -                          | -                              | -                   | 474,836            |
| Other financial liabilities at fair value through profit or loss | -                            | -  | -                            | -                          | -                              | -                   | -                  |
| Due to other customers   | -                            | -  | -                            | 179,640,459                | -                              | -                   | 179,640,459        |
| Other borrowings   | -                            | -  | -                            | -                          | -                              | -                   | -                  |
| Debt securities issued   | -                            | -  | -                            | 8,138,040                  | -                              | -                   | 8,138,040          |
| Acceptances & Endorsements                                       | -                            | -  | -                            | -                          | -                              | -                   | -                  |
| <b>Total financial liabilities</b>                               | <b>474,836</b>               | <b>-</b>   | <b>-</b>                     | <b>341,559,705</b>         | <b>-</b>                       | <b>-</b>            | <b>342,034,541</b> |

| Statement of Changes in Equity         |                                    |  |                              |                          |                                   |  |  |       |                          |              |
|--|------------------------------------|--|------------------------------|--------------------------|-----------------------------------|--|--|-------|--------------------------|--------------|
| For the period ended 30 September 2016 | Stated Capital/Assigned capital    |  |                              | Reserves                 |                                   |  |  | Total | Non-controlling interest | Total equity |
|  | Ordinary voting shares<br>Rs. '000 | Ordinary non-voting shares<br>Rs. '000 | Assigned capital<br>Rs. '000 | Reserve fund<br>Rs. '000 | Revaluation reserve<br>Rs. '000</ |  |  |       |                          |              |