

# 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  | 2017<br>Rs. '000 | 2016<br>Rs. '000 |
| Interest income  | 6,560,387        | 5,925,876        |
| Interest expenses  | (2,373,166)      | (1,934,037)      |
| <b>Net interest income</b>   | <b>4,187,221</b> | <b>3,991,839</b> |
| Fee and commission income  | 866,541          | 870,206          |
| Fee and commission expenses  | (177,866)        | (142,331)        |
| <b>Net fee and commission income</b>   | <b>688,675</b>   | <b>727,875</b>   |
| Net gain/(loss) from trading   | 639,689          | 773,132          |
| Net gain/(loss) from financial instruments designated at fair value through profit or loss | -                | -                |
| Net gain/(loss) from financial investments   | 63               | (6,099)          |
| Other operating income (net)   | 5,864            | 5,648            |
| <b>Total operating income</b>  | <b>5,521,992</b> | <b>5,492,395</b> |
| <b>Impairment for loans and other losses</b>   |                  |                  |
| Individual impairment  | 20,744           | 1,921            |
| Collective impairment  | (38,693)         | (25,698)         |
| Others   | -                | -                |
| <b>Net operating income</b>  | <b>5,504,043</b> | <b>5,468,618</b> |
| Personnel expenses   | (838,566)        | (820,064)        |
| Depreciation and amortisation  | (78,869)         | (84,356)         |
| Other expenses   | (1,359,179)      | (1,377,276)      |
| <b>Operating profit/(loss) before value added tax (VAT)</b>                                | <b>3,227,429</b> | <b>3,186,922</b> |
| Value Added Tax (VAT) on financial services  | (448,695)        | (372,150)        |
| <b>Operating profit/(loss) after value added tax (VAT)</b>                                 | <b>2,778,734</b> | <b>2,814,772</b> |
| Share of profits of associates and joint ventures  | -                | -                |
| <b>Profit/(loss) before tax</b>  | <b>2,778,734</b> | <b>2,814,772</b> |
| Tax expenses   | (983,232)        | (918,742)        |
| <b>Profit/(loss) for the period</b>  | <b>1,795,502</b> | <b>1,896,030</b> |
| <b>Profit attributable to:</b>   |                  |                  |
| Owners of the parent   | 1,795,502        | 1,896,030        |
| Non-controlling interest   | -                | -                |
| <b>Earnings per share on profit</b>  |                  |                  |
| Basic earnings per ordinary share  | -                | -                |
| Diluted earnings per ordinary share  | -                | -                |

| Cash Flow Statement  |                                 |   |
|--|---------------------------------|---|
|  | As at 31 March 2017<br>Rs. '000 | Audited<br>As at 31 December 2016<br>Rs. '000 |
| <b>Operating activities</b>  |                                 |   |
| Interest received  | 7,004,911                       | 24,209,937                                    |
| Interest paid  | (1,964,771)                     | (6,166,626)                                   |
| Recoveries on previously written off loans                             | 287,059                         | 204,908                                       |
| Fees and commission received   | 689,155                         | 2,852,164                                     |
| Dividends received   | -                               | -   |
| Net (payments)/receipts from trading activities                        | 639,689                         | 2,154,880                                     |
| Net (payments)/receipts from investing activities                      | 63                              | (5,910)                                       |
| Operating expenses paid  | (2,134,968)                     | (9,233,463)                                   |
| Operating cash flow before changes in operating assets and liabilities | 4,521,138                       | 14,015,890                                    |
| <b>Change in operating assets/liabilities</b>                          |                                 |   |
| (Increase)/decrease in treasury bills and other eligible bills         | (152,630)                       | 39,231,598                                    |
| (Increase)/decrease in treasury bonds                                  | (6,347,495)                     | (27,815,617)                                  |
| (Increase)/decrease in loans to other banks                            | 6,711,600                       | (5,270,200)                                   |
| (Increase)/decrease in loans and advances                              | 12,849,841                      | (27,419,151)                                  |
| (Increase)/decrease in government bonds                                | (14,979,829)                    | (3,224,974)                                   |
| (Increase)/decrease in other assets                                    | (160,202)                       | 802,764                                       |
| Increase/(decrease) in deposits from customers                         | 9,617,536                       | 455,682                                       |
| Increase/(decrease) in borrowings                                      | (8,024,124)                     | 22,222,378                                    |
| Increase/(decrease) in other liabilities                               | 139,067                         | (1,692,248)                                   |
|  | (346,236)                       | (2,709,768)                                   |
| <b>Net cash flow from operating activities before tax</b>              | <b>4,174,902</b>                | <b>11,306,122</b>                             |
| Tax paid   | (1,856,079)                     | (6,171,416)                                   |
| <b>Net cash flow from operating activities</b>                         | <b>2,318,823</b>                | <b>5,134,706</b>                              |
| <b>Investing activities</b>  |                                 |   |
| Proceeds from sale of joint venture                                    | -                               | -   |
| Proceeds from disposal of property, plant and equipment                | -                               | 16,877  |
| Acquisition of property, plant and equipment                           | (2,346)                         | (239,411)                                     |
| <b>Net cash flow from investing activities</b>                         | <b>(2,346)</b>                  | <b>(222,534)</b>                              |
| <b>Financing activities</b>  |                                 |   |
| Profit transferred to head office                                      | -                               | (1,935,000)                                   |
| <b>Net cash flow from financing activities</b>                         | <b>-</b>                        | <b>(1,935,000)</b>                            |
| <b>Net increase / (decrease) in cash and cash equivalents</b>          | <b>2,316,477</b>                | <b>2,977,172</b>                              |
| Cash and cash equivalents at the beginning of the period               | 16,478,334                      | 12,538,055                                    |
| Exchange Adjustment  | 509,260                         | 963,107                                       |
| <b>Cash and cash equivalents at the end of the period</b>              | <b>19,304,071</b>               | <b>16,478,334</b>                             |
| <b>Analysis of cash and cash equivalents at the period</b>             |                                 |   |
| Cash in hand   | 1,340,298                       | 1,184,524                                     |
| Balances with other banks  | 6,496,584                       | 6,203,784                                     |
| Balances with Central Bank   | 11,467,189                      | 9,090,026                                     |
| <b>Cash and cash equivalents at the end of the period</b>              | <b>19,304,071</b>               | <b>16,478,334</b>                             |

| Statement of Comprehensive Income   |                  |                    |
|---|------------------|--------------------|
| For the period ended 31 March   | 2017<br>Rs. '000 | 2016<br>Rs. '000   |
| <b>Profit/(loss) for the year</b>   | <b>1,795,502</b> | <b>1,896,030</b>   |
| <b>Other comprehensive income, net of tax</b>   |                  |                    |
| Changes in revaluation surplus  | (921)            | (31,986)           |
| Actuarial gains and losses on defined benefit plans   | (16,585)         | (23,220)           |
| Gains and losses (arising from translating the financial statements of a foreign operation) | 312,069          | 278,014            |
| Gains and losses on re-measuring available-for-sale financial assets                        | (216,612)        | (3,256,041)        |
| 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             | (61,622)         | 912,338            |
| <b>Other comprehensive income for the period, net of taxes</b>                              | <b>16,329</b>    | <b>(2,120,895)</b> |
| <b>Total comprehensive income for the period</b>  | <b>1,811,831</b> | <b>(224,865)</b>   |
| <b>Attributable to:</b>   |                  |                    |
| Owners of the parent  | 1,811,831        | (224,865)          |
| Non-controlling interest  | -                | -                  |

| Selected Performance Indicators   |                        |                                      |
|---|------------------------|--------------------------------------|
|   | 2017<br>As at 31 March | Audited<br>2016<br>As at 31 December |
| <b>Regulatory capital adequacy</b>  |                        |                                      |
| Core Capital (Tier 1 Capital) Rs. '000  | 53,000,100             | 52,601,360                           |
| Total Capital Base, Rs. '000  | 53,357,017             | 52,958,277                           |
| Core Capital Adequacy Ratio, as % of risk weighted assets (Minimum requirement 5%)  | 20.69%                 | 20.51%                               |
| Total Capital Adequacy Ratio as % of risk weighted assets (Minimum requirement 10%) | 20.83%                 | 20.65%                               |
| <b>Assets quality (quality of loan portfolio)</b>                                   |                        |                                      |
| Gross Non-Performing Advances Ratio % (net of interest in suspense)                 | 1.06%                  | 0.90%                                |
| Net Non-Performing Advances Ratio % (net of interest in suspense and provisions)    | 0.52%                  | 0.38%                                |
| <b>Profitability</b>  |                        |                                      |
| Interest Margin, %  | 4.11%                  | 4.24%                                |
| Return on Assets (before Tax), %  | 2.79%                  | 2.86%                                |
| Return on Equity, %   | 10.19%                 | 11.17%                               |
| <b>Regulatory liquidity</b>   |                        |                                      |
| Statutory Liquid Assets, Rs. '000   |                        |                                      |
| Domestic banking unit   | 112,996,090            | 104,550,306                          |
| Offshore banking unit   | 55,650,919             | 62,436,840                           |
| Statutory Liquid Assets ratio, % (minimum requirement, 20%)                         | 57.71%                 | 54.87%                               |
| Domestic banking unit   | 37.17%                 | 37.91%                               |
| Offshore banking unit   |                        |                                      |

| Loans and Receivables to Other Customers (Gross) - By product |                                 |   |
|---|---------------------------------|---|
|   | As at 31 March 2017<br>Rs. '000 | Audited<br>As at 31 December 2016<br>Rs. '000 |
| <b>By product-Domestic Currency</b>                           |                                 |   |
| Overdrafts  | 12,686,312                      | 12,026,830                                    |
| Term loans  | 30,618,765                      | 31,369,946                                    |
| Lease rentals receivable                                      | -                               | -   |
| Credit cards  | 20,197,667                      | 20,521,991                                    |
| Pawning   | -                               | -   |
| Other loans   | 136,214                         | 327,888                                       |
| <b>Sub total</b>  | <b>63,638,958</b>               | <b>64,246,655</b>                             |
| <b>By product-Foreign Currency</b>                            |                                 |   |
| Overdrafts  | 3,393,036                       | 4,710,339                                     |
| Term loans  | 132,778,092                     | 143,739,065                                   |
| Other loans   | 1,056,075                       | 1,300,075                                     |
| <b>Sub total</b>  | <b>137,227,203</b>              | <b>149,749,479</b>                            |
| <b>Total</b>  | <b>200,866,161</b>              | <b>213,996,134</b>                            |

| Due to Other Customers - By product |                                 |   |
|-------------------------------------|---------------------------------|---|
|                                     | As at 31 March 2017<br>Rs. '000 | Audited<br>As at 31 December 2016<br>Rs. '000 |
| <b>By product-Domestic Currency</b> |                                 |   |
| Demand deposits (current accounts)  | 22,105,412                      | 17,821,126                                    |
| Savings deposits                    | 26,415,578                      | 22,826,325                                    |
| Fixed deposits                      | 71,792,226                      | 71,092,006                                    |
| Other deposits                      | 2,203,581                       | 2,141,438                                     |
| <b>Sub total</b>                    | <b>122,516,797</b>              | <b>113,880,895</b>                            |
| <b>By product-Foreign Currency</b>  |                                 |   |
| Demand deposits (current accounts)  | 21,473,835                      | 21,712,930                                    |
| Savings deposits                    | 20,891,921                      | 21,397,500                                    |
| Fixed deposits                      | 26,079,623                      | 24,491,523                                    |
| Other deposits                      | 1,998,572                       | 1,860,364                                     |
| <b>Sub total</b>                    | <b>70,443,951</b>               | <b>69,462,317</b>                             |
| <b>Total</b>                        | <b>192,960,748</b>              | <b>183,343,212</b>                            |

| Statement of Financial Position                                       |                                    |  |
|---|------------------------------------|--|
|   | 2017<br>As at 31 March<br>Rs. '000 | Audited<br>2016<br>As at 31 December<br>Rs. '000 |
| <b>Assets</b>   |                                    |  |
| Cash and cash equivalents   | 7,836,882                          | 7,388,308  |
| Balances with Central Bank  | 11,467,189                         | 9,090,026  |
| Placements with banks   | 29,612,700                         | 40,524,300                                       |
| Derivative financial instruments                                      | 348,232                            | 471,757  |
| Other financial assets Held-for-trading                               | 1,814,492                          | 756,106  |
| Financial assets designated at fair value through profit or loss      | -                                  | -  |
| Loans and receivables to banks  | 4,200,000                          | -  |
| Loans and receivables to other customers                              | 199,740,190                        | 212,875,084                                      |
| Financial investments - Available-for-sale                            | 142,702,849                        | 122,514,575                                      |
| Financial investments Held-to-maturity                                | -                                  | -  |
| Investments in subsidiaries   | -                                  | -  |
| Investments in associates and joint ventures                          | -                                  | -  |
| Property, plant and equipment   | 3,660,854                          | 3,737,377  |
| Investment properties   | -                                  | -  |
| Goodwill and intangible assets  | -                                  | -  |
| Deferred tax assets   | 483,810                            | 545,073  |
| Other assets  | 13,712,877                         | 13,400,067                                       |
| <b>Total assets</b>   | <b>415,580,075</b>                 | <b>411,302,673</b>                               |
| <b>Liabilities</b>  |                                    |  |
| Due to banks  | 143,561,010                        | 151,585,134                                      |
| Derivatives financial instruments                                     | 448,289                            | 383,472  |
| Financial liabilities Held-for-trading                                | -                                  | -  |
| Financial liabilities designated at fair value through profit or loss | -                                  | -  |
| Due to other customers  | 192,960,748                        | 183,343,212                                      |
| Other borrowings  | -                                  | -  |
| Debt securities issued  | -                                  | -  |
| Current tax liabilities   | 1,786,313                          | 1,720,292  |
| Deferred tax liabilities  | -                                  | -  |
| Other provisions  | -                                  | -  |
| Other liabilities   | 20,768,719                         | 20,027,040                                       |
| Due to subsidiaries   | -                                  | -  |
| Subordinated term debts   | -                                  | -  |
| <b>Total liabilities</b>  | <b>359,525,079</b>                 | <b>357,059,150</b>                               |
| <b>Equity</b>   |                                    |  |
| Stated capital / Assigned capital                                     | 3,152,358                          | 3,152,358  |
| Statutory reserve fund  | 2,222,694                          | 2,222,694  |
| Retained earnings   | 39,254,667                         | 37,475,750                                       |
| Other reserves  | 11,425,277                         | 11,392,721                                       |
| <b>Total shareholders' equity</b>                                     | <b>56,054,996</b>                  | <b>54,243,523</b>                                |
| Non-controlling interest  | -                                  | -  |
| <b>Total equity</b>   | <b>56,054,996</b>                  | <b>54,243,523</b>                                |
| <b>Total liabilities and equity</b>                                   | <b>415,580,075</b>                 | <b>411,302,673</b>                               |
| <b>Contingent liabilities and commitments</b>                         | <b>580,454,884</b>                 | <b>540,191,605</b>                               |
| <b>Memorandum information</b>   |                                    |  |
| Number of employees   | 1,251                              | 1,295  |
| Number of branches  | 15                                 | 15   |

| Loans and Receivables to Other Customers (net)  |                                 |   |
|---|---------------------------------|---|
|   | As at 31 March 2017<br>Rs. '000 | Audited<br>As at 31 December 2016<br>Rs. '000 |
| Gross loans and receivables   | 200,866,161                     | 213,996,134                                   |
| (Less) Individual impairment  | (709,655)                       | (727,608)                                     |
| Collective impairment   | (416,316)                       | (393,442)                                     |
| Net loans and receivables including those designed at fair value through profit or loss | 199,740,190                     | 212,875,084                                   |
| (Less) Loans and receivables designated at fair value through profit or loss            | -                               | -   |
| <b>Net loans and receivables</b>  | <b>199,740,190</b>              | <b>212,875,084</b>                            |

| Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers |                                 |   |
|--|---------------------------------|---|
|  | As at 31 March 2017<br>Rs. '000 | Audited<br>As at 31 December 2016<br>Rs. '000 |
| <b>Individual impairment</b>   |                                 |   |
| Opening balance  | 727,608                         | 698,755                                       |
| Charge/(Write back) to income statement  | (11,148)                        | 125,980                                       |
| Write-off during the year  | -                               | (17,986)                                      |
| Other movements  | (6,805)                         | (79,141)                                      |
| <b>Closing balance</b>   | <b>709,655</b>                  | <b>727,608</b>                                |
| <b>Collective impairment</b>   |                                 |   |
| Opening balance  | 393,442                         | 333,757                                       |
| Charge/(Write back) to income statement  | 220,173                         | 108,870                                       |
| Other movements  | (197,299)                       | (49,185)                                      |
| <b>Closing balance</b>   | <b>416,316</b>                  | <b>393,442</b>                                |
| <b>Total impairment</b>  | <b>1,125,971</b>                | <b>1,121,050</b>                              |

| Analysis of Financial Instruments by Measurement Basis           |                              |  |                              |                            |                                |                     |                    |  |
|--|------------------------------|--|------------------------------|----------------------------|--------------------------------|---------------------|--------------------|--|
| For the period ended 31 March 2017                               | 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  | -                            | -  | -                            | 7,836,882                  | -                              | -                   | 7,836,882          |  |
| Balances with central banks                                      | -                            | -  | -                            | 11,467,189                 | -                              | -                   | 11,467,189         |  |
| Placements with banks  | -                            | -  | -                            | 29,612,700                 | -                              | -                   | 29,612,700         |  |
| Derivative financial instruments                                 | 348,232                      | -  | -                            | -                          | -                              | -                   | 348,232            |  |
| Other financial assets Held-for-trading                          | 1,814,492                    | -  | -                            | -                          | -                              | -                   | 1,814,492          |  |
| Loans and receivables to banks                                   | -                            | -  | -                            | 4,200,000                  | -                              | -                   | 4,200,000          |  |
| Loans and receivables to other customers                         | -                            | -  | -                            | 199,740,190                | -                              | -                   | 199,740,190        |  |
| Financial investments  | -                            | -  | -                            | -                          | 142,702,849                    | -                   | 142,702,849        |  |
| Acceptances & Endorsements                                       | -                            | -  | -                            | 6,811,649                  | -                              | -                   | 6,811,649          |  |
| <b>Total financial assets</b>                                    | <b>2,162,724</b>             | <b>-</b>   | <b>-</b>                     | <b>259,668,610</b>         | <b>142,702,849</b>             | <b>-</b>            | <b>404,534,183</b> |  |
| <b>Liabilities</b>   |                              |  |                              |                            |                                |                     |                    |  |
| Due to banks   | -                            | -  | -                            | 143,561,010                | -                              | -                   | 143,561,010        |  |
| Derivative financial instruments                                 | 448,289                      | -  | -                            | -                          | -                              | -                   | 448,289            |  |
| Other financial liabilities at fair value through profit or loss | -                            | -  | -                            | -                          | -                              | -                   | -                  |  |
| Due to other customers   | -                            | -  | -                            | 192,960,748                | -                              | -                   | 192,960,748        |  |
| Other borrowings   | -                            | -  | -                            | -                          | -                              | -                   | -                  |  |
| Debt securities issued   | -                            | -  | -                            | -                          | -                              | -                   | -                  |  |
| Acceptances & Endorsements                                       | -                            | -  | -                            | 6,811,649                  | -                              | -                   | 6,811,649          |  |
| <b>Total financial liabilities</b>                               | <b>448,289</b>               | <b>-</b>   | <b>-</b>                     | <b>343,333,407</b>         | <b>-</b>                       | <b>-</b>            | <b>343,781,696</b> |  |

| Statement of Changes in Equity     |                                    |  |  |  |          |  |  |  |  |                   |                                      |                          |
|------------------------------------|------------------------------------|--|--|--|----------|--|--|--|--|-------------------|--------------------------------------|--------------------------|
| For the period ended 31 March 2017 | Stated Capital/Assigned capital    |  |  |  | Reserves |  |  |  |  | Total<br>Rs. '000 | Non-controlling interest<br>Rs. '000 | Total equity<br>Rs. '000 |
|                                    | Ordinary voting shares<br>Rs. '000 |  |  |  |          |  |  |  |  |                   |                                      |                          |