

# The Hongkong and Shanghai Banking Corporation Limited

Incorporated in the Hong Kong SAR with limited liability

## Sri Lanka Branch

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

Summarised Income Statement		
For the period ended 30 June	2019 Rs. 'Mn	2018 Rs. 'Mn
Interest income	15,566	14,303
Interest expenses	(6,279)	(5,155)
Net interest income	9,287	9,148
Fee and commission income	2,019	1,836
Fee and commission expenses	(602)	(411)
Net fee and commission income	1,417	1,425
Net gains/(losses) from trading	811	904
Net fair value gains/(losses) on:		
Financial assets at fair value through profit or loss	18	(21)
Financial liabilities at fair value through profit or loss	-	-
Net gains/(losses) on derecognition of financial assets: at fair value through profit or loss	-	-
at amortised cost	-	-
at fair value through other comprehensive income	377	303
Net other operating income	19	17
Total operating income	11,929	11,775
Impairment charges	(523)	(317)
Net operating income	11,406	11,458
Personal expenses	(2,074)	(1,830)
Depreciation and amortisation expenses	(227)	(142)
Other expenses	(3,725)	(3,402)
Operating profit/(loss) before VAT & NBT on financial services	5,380	6,084
Value added tax (VAT) on financial services	(830)	(844)
National Building Tax (NBT) on financial services	(118)	(131)
Operating profit/(loss) after VAT & NBT on financial services	4,432	5,109
Share of profits of associates and joint ventures	-	-
Profit/(loss) before tax	4,432	5,109
Income tax expenses	(1,768)	(2,156)
Profit/(loss) for the period	2,664	2,953
Profit attributable to:		
Equity holders of the parent	2,664	2,953
Non-controlling interests	-	-

Statement of Cash Flows		
	2019 As at 30 June Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Cash flows from operating activities		
Interest receipts	16,491	30,309
Interest payments	(5,543)	(10,275)
Net commission receipts	1,417	3,040
Trading income	1,206	1,776
Payments to employees	(2,069)	(3,832)
VAT & NBT on financial services	(1,564)	(2,432)
Receipts from other operating activities	161	697
Payments to other operating activities	(2,231)	(6,612)
Operating profit before change in operating assets and liabilities	7,868	12,671
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	(101)	432
Financial assets at amortised cost - loans and advances	12,985	(63,293)
Treasury bills & bonds	10,476	36,240
Other assets	1,706	(2,912)
	25,066	(29,533)
Increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	910	25,148
Financial liabilities at amortised cost - due to other borrowers	(41,841)	9,386
Other liabilities	(242)	3,792
	(41,173)	38,326
Net cash generated from operating activities before income tax	(8,239)	21,464
Income tax paid	(2,322)	(4,376)
Net cash (used in)/from operating activities	(10,561)	17,088
Cash flows from investing activities		
Purchase of property, plant & equipment	(23)	(281)
Proceeds from sale of property, plant & equipment	-	23
Purchase of financial investments	-	-
Proceeds from sale and maturity of financial investments	-	-
Net purchase of intangible assets	-	-
Net cash flow from acquisition of investments in subsidiaries, joint ventures and associates	-	-
Net cash flow from disposal of subsidiaries, associates and joint ventures	-	-
Dividends received from investments in subsidiaries and associates	-	-
Others	-	-
Net cash (used in)/from investing activities	(23)	(258)
Cash flows from financing activities		
Net proceeds from the issue of ordinary share capital	-	-
Net proceeds from the issue of other equity instruments	-	-
Net proceeds from the issue of subordinated debt	-	-
Repayment of subordinated debt	-	-
Interest paid on subordinated debt	-	-
Dividends paid to non-controlling interest	-	-
Dividends paid to shareholders of the parent company	-	-
Dividends paid to holders of other equity instruments	-	-
Profit transferred to head office	-	(5,035)
Net cash (used in)/from financing activities	-	(5,035)
Net increase/(decrease) in cash and cash equivalents	(10,584)	11,795
Cash and cash equivalents at the beginning of the period	23,502	7,721
Exchange difference in respect of cash and cash equivalents	(1,185)	3,986
Cash and cash equivalents at the end of the period	11,733	23,502

Statement of Comprehensive Income		
For the period ended 30 June	2019 Rs. 'Mn	2018 Rs. 'Mn
Profit/(loss) for the year	2,664	2,953
Items that will be reclassified to income statement		
Exchange differences on translation of foreign operations	(372)	(330)
Net gains/(losses) on cash flow hedges	-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	1,097	(790)
Share of profits of associates and joint ventures	-	-
Debt instruments at fair value through other comprehensive income	-	-
Others	-	-
Less: Tax expense relating to items that will be reclassified to income statement	(80)	221
	645	(899)
Items that will not be reclassified to profit or loss		
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	-	-
Change in fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss	-	-
Re-measurement of post-employment benefit obligations	(31)	(8)
Changes in revaluation surplus	(1)	-
Share of profits of associates and joint ventures	-	-
Others	-	-
Less: Tax expense relating to items that will not be reclassified to income statement	-	-
	(32)	(8)
Other comprehensive income for the period, net of taxes	613	(907)
Total comprehensive income for the period	3,277	2,047
Attributable to:		
Equity holders of the parent	3,277	2,047
Non-controlling interests	-	-

Selected Performance Indicators		
	2019 As at 30 June	Audited 2018 As at 31 December
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	53,319	51,904
Core (Tier 1) Capital	53,319	51,904
Total Capital Base	54,368	52,953
Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)	15.93%	15.16%
Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	15.93%	15.16%
Total Capital Ratio (Minimum Requirement, 12.5%)	16.25%	15.47%
As at 30 June	Unaudited As at 30 June	Unaudited As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	101,929	115,206
Off-shore banking unit	43,778	70,116
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	46.12%	54.33%
Off-shore banking unit	27.29%	39.38%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	76,243	57,248
All currency	76,364	57,361
Liquidity Coverage Ratio		
Rupee (Minimum Requirement 2019 - 100%; 2018 - 90%)	233.82%	150.18%
All currency (Minimum Requirement 2019 - 100%; 2018 - 90%)	277.36%	275.03%
Net Stable Funding Ratio (%) - (Minimum Requirement - 90%)	117.85%	119.09%
Leverage ratio (%) - (Minimum Requirement - 3%)	10.98%	8.45%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio (net of interest in suspense)	0.68%	0.69%
Net Non-Performing Advances Ratio (net of interest in suspense and provisions)	0.52%	0.52%
Profitability		
Interest Margin	4.21%	4.26%
Return on Assets (before tax)	2.01%	2.32%
Return on Equity	8.67%	11.18%

Note: Profitability ratios for 2019 are based on SLFRS data

Analysis of Deposits		
	2019 30 June Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	24,708	15,579
Savings deposits	25,877	20,869
Fixed deposits	72,004	63,980
Other deposits	2,290	2,186
Sub total	124,879	102,614
By product - Foreign Currency		
Demand deposits (current accounts)	32,129	54,488
Savings deposits	18,739	19,435
Fixed deposits	27,917	26,026
Other deposits	3,119	3,310
Sub total	81,904	103,259
Total	206,783	205,873

Statement of Financial Position		
	2019 As at 30 June Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Assets		
Cash and cash equivalents	11,733	23,502
Balances with central bank	7,434	7,333
Placements with banks	26,125	49,386
Derivative financial instruments	1,393	4,467
Financial assets measured at fair value through profit or loss	7,984	11,517
Financial assets designated at fair value through profit or loss	-	-
Financial assets at amortised cost - loans and advances	264,362	255,831
Financial assets at amortised cost - debt instruments	4,729	5,308
Financial assets measured at fair value through other comprehensive income	95,686	100,949
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	4,654	4,790
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	-	-
Other assets	15,130	14,358
Total assets	439,230	477,441
Liabilities		
Due to banks	142,946	184,787
Derivative financial instruments	2,560	3,876
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost - due to depositors	206,783	205,873
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	13	23
Current tax liabilities	1,910	1,925
Deferred tax liabilities	407	133
Other provisions	-	-
Other liabilities	21,521	21,149
Total liabilities	376,140	417,766
Equity		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,473	2,473
Retained earnings	46,633	37,311
Other reserves	16,832	16,739
Total shareholders' equity	63,090	59,675
Non-controlling interests	-	-
Total equity	63,090	59,675
Total equity and liabilities	439,230	477,441
Contingent liabilities and commitments	563,288	612,583
Memorandum information		
Number of employees	1,234	1,245
Number of branches	14	14

Analysis of loans and advances, commitments, contingencies and impairment		
	2019 As at 30 June Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Product-wise gross loans and advances		
By product - Domestic Currency		
Overdrafts	23,017	21,200
Term loans	48,524	41,094
Lease rentals receivable	-	-
Credit cards	24,910	24,428
Pawning	-	-
Other loans	5,193	131
Sub total	101,644	86,853
By product - Foreign Currency		
Overdrafts	19,400	14,659
Term loans	139,452	156,342
Guarantees	-	-
Bonds	-	-
Other loans	5,932	1,129
Sub total	164,784	171,130
Total	266,428	257,983

Product-wise commitments and contingencies		
By product - Domestic currency		
Guarantees	13,863	12,537
Bonds	3,880	3,237
Undrawn credit lines	83,126	81,155
Foreign exchange contracts	126,528	141,106
Other	720	247
Sub total	228,117	238,282
By product - Foreign Currency		
Guarantees	49,917	46,722
Bonds	9,516	9,946
Undrawn credit lines	74,375	102,086
Foreign exchange contracts	173,734	184,885
Other	27,629	30,662
Sub total	335,171	374,301
Total	563,288	612,583

Stage - wise impairment on loans and advances, commitments and contingencies		
	2019 As at 30 June Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Gross loans and advances, commitments and contingencies	829,716	870,565
Less: accumulated impairment under stage 1	(1,112)	(617)
accumulated impairment under stage 2	(648)	(610)
accumulated impairment under stage 3	(730)	(725)
Net value of loans and advances, commitments and contingencies	827,226	866,414

Movements of impairment during the period 30 <sup>th</sup> June		
	2019 As at 30 June Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Under stage 1		
Opening balance	817	-
Charge/(write back) to income statement	48	16
SLFRS 9 - Day 1 impact	-	719
Other movements	247	82
Closing balance	1,112	817
Under stage 2		
Opening balance	610	-
Charge/(write back) to income statement	(17)	(283)
SLFRS 9 - Day 1 impact	-	848
Other movements	65	45
Closing balance	648	610
Under stage 3		
Opening balance	725	767
Charge/(write back) to income statement	144	191
SLFRS 9 - Day 1 impact	-	256
Other movements	(138)	(468)
Closing balance	730	725
Total impairment	2,490	2,162

Analysis of Financial Instruments by Measurement Basis				
For the period ended 30 June 2019	Amortised cost Rs. 'Mn	Fair value through profit and loss Rs. 'Mn	Fair value through other comprehensive income Rs. 'Mn	Total Rs. 'Mn
Assets				
Cash and cash equivalents	11,733	-	-	11,733
Balances with Central Banks	7,434	-	-	7,434
Placements with banks	26,125	-	-	26,125
Derivative financial instruments	-	1,393	-	1,393
Loans and advances	264,362	-	-	264,362
Debt instruments	4,729	7,984	95,686	108,399
Equity instruments	-	-	-	-
Acceptance and endorsements	6,211	-	-	6,211
Total financial assets	320,594	9,377	95,686	425,657
Liabilities				
Due to banks	142,946	-	-	142,946
Derivative financial instruments	-	2,560	-	2,560
Financial liabilities - due to depositors	206,783	-	-	206,783
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	6,211	-	-	6,211
Total financial liabilities	355,940	2,560	-	358,500

Analysis of Financial Instruments by Measurement Basis				
For the period ended 31 December 2018	Amortised cost Rs. 'Mn	Fair value through profit and loss Rs. 'Mn	Fair value through other comprehensive income Rs. 'Mn	Total Rs. 'Mn
Assets				
Cash and cash equivalents	23,502	-	-	23,502
Balances with Central Banks	7,333	-	-	7,333
Placements with banks	49,386	-	-	49,386
Derivative financial instruments	-	4,467	-	4,467
Loans and advances	255,831	-	-	255,831
Debt instruments	5,308	11,517	100,949	117,774
Equity instruments	-	-	-	-
Acceptance and endorsements	6,843	-	-	6,843
Total financial assets	348,203	15,984	100,949	465,136
Liabilities				
Due to banks	184,787	-	-	184,787
Derivative financial instruments	-	3,876	-	3,876
Financial liabilities - due to depositors	205,873	-	-	205,873
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	6,843	-	-	6,843
Total financial liabilities	397,503	3,876	-	401,379

Statement of Changes in Equity										
For the Period Ended 30 June 2019	Stated Capital/Assigned Capital			Reserves				Total Rs. 'Mn	Non-controlling interest Rs. 'Mn	Total equity Rs. 'Mn
	Ordinary voting shares Rs. 'Mn	Ordinary non-voting shares Rs. 'Mn	Assigned capital Rs. 'Mn	Reserve fund Rs. 'Mn	Revaluation reserve Rs. 'Mn	Retained earnings Rs. 'Mn	Other reserves Rs. 'Mn			
Balance as at 01/01/2019 (Opening balance)	-	-	3,152	2,473	2,558	37,311	14,181	59,675	-	59,675
Total comprehensive income for the year	-	-	-	-	-	2,664	-	2,664	-	2,664
Profit/(loss) for the year (net of tax)	-	-	-	-	(1)	195	419	613	-	613
Other comprehensive income (net of tax)	-	-	-	-	(1)	2,859	419	3,277	-	3,277
Total comprehensive income for the year	-	-	-	-	(1)	2,859	419	3,277	-	3,277
Transactions with equity holders recognised directly in equity										
Share issue/increase of assigned capital	-	-	-	-	-	-	-	-	-	-
Transfer to reserves during the period	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation of property, plant and equipment (if cost method is adopted)	-	-	-	-	-	-	-	-	-	-