

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	2017 Rs. '000	2016 Rs. '000
Interest income	20,906,535	19,073,922
Interest expenses	(7,588,033)	(6,173,793)
Net interest income	13,318,502	12,900,129
Fee and commission income	2,783,558	2,664,009
Fee and commission expenses	(652,181)	(446,084)
Net fee and commission income	2,131,377	2,217,925
Net gain/(loss) from trading	1,596,110	1,827,313
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-
Net gain/(loss) from financial investments	307,951	(5,974)
Other operating income (net)	44,525	28,314
Total operating income	17,398,465	16,967,707
Impairment for loans and other losses	(28,424)	8,386
Individual impairment	(28,424)	8,386
Collective impairment	(106,685)	(108,723)
Others	-	-
Net operating income	17,263,356	16,867,370
Personnel expenses	(2,603,574)	(2,492,354)
Depreciation and amortisation	(232,432)	(247,693)
Other expenses	(4,689,439)	(4,481,468)
Operating profit/(loss) before value added tax (VAT)	9,737,911	9,645,855
Value Added Tax (VAT) on financial services	(1,404,994)	(1,272,083)
Operating profit/(loss) after value added tax (VAT)	8,332,917	8,373,772
Share of profits of associates and joint ventures	-	-
Profit/(loss) before tax	8,332,917	8,373,772
Tax expenses	(3,057,622)	(2,784,364)
Profit/(loss) for the period	5,275,295	5,589,408
Profit attributable to:		
Owners of the parent	5,275,295	5,589,408
Non-controlling interest	-	-
Earnings per share on profit		
Basic earnings per ordinary share	-	-
Diluted earnings per ordinary share	-	-

Cash Flow Statement		
	As at 30 September 2017 Rs. '000	Audited As at 31 December 2016 Rs. '000
Operating activities		
Interest received	21,169,180	24,209,937
Interest paid	(10,401,559)	(6,166,626)
Recoveries on previously written off loans	292,229	204,908
Fees and commission received	2,131,377	2,852,164
Dividends received	-	-
Net (payments)/receipts from trading activities	1,596,110	2,154,880
Net (payments)/receipts from investing activities	307,951	(5,910)
Operating expenses paid	(6,950,411)	(9,233,463)
Operating cash flow before changes in operating assets and liabilities	8,144,877	14,015,890
Change in operating assets/liabilities		
(Increase)/decrease in treasury bills and other eligible bills	523,527	39,231,598
(Increase)/decrease in treasury bonds	(18,456,769)	(27,815,617)
(Increase)/decrease in loans to other banks	6,378,540	(5,270,200)
(Increase)/decrease in loans and advances	1,296,425	(27,419,151)
(Increase)/decrease in government bonds	(10,077,177)	(3,224,974)
(Increase)/decrease in other assets	(1,609,839)	802,764
Increase/(decrease) in deposits from customers	(6,717,712)	455,682
Increase/(decrease) in borrowings	24,444,195	22,222,378
Increase/(decrease) in other liabilities	1,930,568	(1,692,248)
Net cash flow from operating activities before tax	(2,918,242)	(2,709,768)
Tax paid	(4,856,898)	(6,171,416)
Net cash flow from operating activities	369,737	5,134,706
Investing activities		
Proceeds from sale of joint venture	-	-
Proceeds from disposal of property, plant and equipment	25,935	16,877
Acquisition of property, plant and equipment	(24,068)	(239,411)
Net cash flow from investing activities	1,867	(222,534)
Financing activities		
Profit transferred to head office	(3,212,589)	(1,935,000)
Net cash flow from financing activities	(3,212,589)	(1,935,000)
Net increase / (decrease) in cash and cash equivalents	(2,840,985)	2,977,172
Cash and cash equivalents at the beginning of the period	16,478,334	12,538,055
Exchange Adjustment	540,582	963,107
Cash and cash equivalents at the end of the period	14,177,931	16,478,334
Analysis of cash and cash equivalents at the period		
Cash in hand	1,249,427	1,184,524
Balances with other banks	6,349,709	6,203,784
Balances with Central Bank	6,578,795	9,090,026
Cash and cash equivalents at the end of the period	14,177,931	16,478,334

Statement of Comprehensive Income		
For the period ended 30 September	2017 Rs. '000	2016 Rs. '000
Profit/(loss) for the year	5,275,295	5,589,408
Other comprehensive income, net of tax		
Changes in revaluation surplus	-	(41,821)
Actuarial gains and losses on defined benefit plans	36,841	(22,695)
Gains and losses (arising from translating the financial statements of a foreign operation)	540,541	408,903
Gains and losses on re-measuring available-for-sale financial assets	2,164,446	387,542
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	(604,384)	(107,570)
Other comprehensive income for the period, net of taxes	2,137,444	624,359
Total comprehensive income for the period	7,412,739	6,213,767
Attributable to:		
Owners of the parent	7,412,739	6,213,767
Non-controlling interest	-	-

Selected Performance Indicators		
	2017 As at 30 September	Audited 2016 As at 31 December
Regulatory capital adequacy *		
Capital		
Common Equity Tier 1 Rs. '000	43,561,917	-
Tier 1 Capital Rs. '000	43,561,917	52,601,360
Total Capital, Rs. '000	43,918,834	52,958,277
Ratios		
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum requirement 5.75%)	16.35%	-
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7.25%)	16.35%	20.51%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 11.25%)	16.48%	20.65%

*With effect from 1 July 2017, Regulatory Capital and Ratios are computed in accordance with Basel III minimum capital requirements whilst comparatives are reported based on Basel II.

	2017 As at 30 September	2016 As at 31 December
Assets quality (quality of loan portfolio)		
Gross Non-Performing Advances Ratio % (net of interest in suspense)	0.82%	0.90%
Net Non-Performing Advances Ratio % (net of interest in suspense and provisions)	0.59%	0.38%
Profitability		
Interest Margin, %	4.29%	4.24%
Return on Assets (before Tax), %	3.31%	2.86%
Return on Equity, %	16.78%	11.17%
Regulatory liquidity		
Statutory Liquid Assets, Rs. '000		
Domestic banking unit	101,247,576	104,550,306
Offshore banking unit	84,325,021	62,436,840
Statutory Liquid Assets ratio, % (minimum requirement, 20%)		
Domestic banking unit	54.37%	54.87%
Offshore banking unit	48.96%	37.91%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 2017 - 80%; 2016 - 70%)	229.00%	194.69%
Liquidity Coverage Ratio (%) - All currencies (Minimum Requirement, 2017 - 80%; 2016 - 70%)	455.19%	349.92%

Loans and Receivables to Other Customers (Gross) - By product		
	As at 30 September 2017 Rs. '000	Audited As at 31 December 2016 Rs. '000
By product-Domestic Currency		
Overdrafts	17,763,895	12,026,830
Term loans	33,627,443	31,369,946
Lease rentals receivable	-	-
Credit cards	20,604,969	20,521,991
Pawning	-	-
Other loans	50,910	327,888
Sub total	72,047,217	64,246,655
By product-Foreign Currency		
Overdrafts	6,281,634	4,710,339
Term loans	133,318,401	143,739,065
Other loans	609,549	1,300,075
Sub total	140,209,574	149,749,479
Total	212,256,796	213,996,134

Due to Other Customers - By product		
	As at 30 September 2017 Rs. '000	Audited As at 31 December 2016 Rs. '000
By product-Domestic Currency		
Demand deposits (current accounts)	15,825,215	17,821,126
Savings deposits	18,644,845	22,826,325
Fixed deposits	75,005,789	71,092,006
Other deposits	1,898,935	2,141,438
Sub total	111,374,784	113,880,895
By product-Foreign Currency		
Demand deposits (current accounts)	19,844,001	21,712,930
Savings deposits	16,702,528	21,397,500
Fixed deposits	25,798,323	24,491,523
Other deposits	2,905,864	1,860,364
Sub total	65,250,716	69,462,317
Total	176,625,500	183,343,212

Statement of Financial Position		
	2017 As at 30 September Rs. '000	Audited 2016 As at 31 December Rs. '000
Assets		
Cash and cash equivalents	7,599,136	7,388,308
Balances with Central Bank	6,578,795	9,090,026
Placements with banks	34,145,760	40,524,300
Derivative financial instruments	1,177,976	471,757
Other financial assets Held-for-trading	4,068,847	756,106
Financial assets designated at fair value through profit or loss	-	-
Loans and receivables to banks	-	-
Loans and receivables to other customers	211,505,379	212,875,084
Financial investments - Available-for-sale	150,006,828	122,514,575
Financial investments Held-to-maturity	-	-
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	3,521,996	3,737,377
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	-	545,073
Other assets	12,792,439	13,400,067
Total assets	431,397,156	411,302,673
Liabilities		
Due to banks	176,029,329	151,585,134
Derivatives financial instruments	1,485,508	383,472
Financial liabilities Held-for-trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Due to other customers	176,625,500	183,343,212
Other borrowings	-	-
Debt securities issued	-	-
Current tax liabilities	2,029,969	1,720,292
Deferred tax liabilities	58,236	-
Other provisions	-	-
Other liabilities	16,739,827	20,027,040
Due to subsidiaries	-	-
Subordinated term debts	-	-
Total liabilities	372,968,369	357,059,150
Equity		
Stated capital / Assigned capital	3,152,358	3,152,358
Statutory reserve fund	2,222,694	2,222,694
Retained earnings	39,563,093	37,475,750
Other reserves	13,490,642	11,392,721
Total shareholders' equity	58,428,787	54,243,523
Non-controlling interest	-	-
Total equity	58,428,787	54,243,523
Total liabilities and equity	431,397,156	411,302,673
Contingent liabilities and commitments	618,278,384	540,191,605
Memorandum information		
Number of employees	1,249	1,295
Number of branches	14	15

Loans and Receivables to Other Customers (net)		
	As at 30 September 2017 Rs. '000	Audited As at 31 December 2016 Rs. '000
Gross loans and receivables	212,256,796	213,996,134
(Less) Individual impairment	(364,808)	(727,608)
Collective impairment	(386,609)	(393,442)
Net loans and receivables including those designated at fair value through profit or loss	211,505,379	212,875,084
(Less) Loans and receivables designated at fair value through profit or loss	-	-
Net loans and receivables	211,505,379	212,875,084

Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers		
	As at 30 September 2017 Rs. '000	Audited As at 31 December 2016 Rs. '000
Individual impairment		
Opening balance	727,608	698,755
Charge/(Write back) to income statement	(377,205)	125,980
Write-off during the year	-	(17,986)
Other movements	14,405	(79,141)
Closing balance	364,808	727,608
Collective impairment		
Opening balance	393,442	333,757
Charge/(Write back) to income statement	133,766	108,870
Other movements	(140,599)	(49,185)
Closing balance	386,609	393,442
Total impairment	751,417	1,121,050

Analysis of Financial Instruments by Measurement Basis								
For the period ended 30 September 2017	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	
Assets								
Cash and cash equivalents	-	-	-	7,599,136	-	-	-	7,599,136
Balances with central banks	-	-	-	6,578,795	-	-	-	6,578,795
Placements with banks	-	-	-	34,145,760	-	-	-	34,145,760
Derivative financial instruments	1,177,976	-	-	-	-	-	-	1,177,976
Other financial assets Held-for-trading	4,068,847	-	-	-	-	-	-	4,068,847
Loans and receivables to banks	-	-	-	-	-	-	-	-
Loans and receivables to other customers	-	-	-	211,505,379	-	-	-	211,505,379
Financial investments	-	-	-	-	150,006,828	-	-	150,006,828
Acceptances & Endorsements	-	-	-	5,363,996	-	-	-	5,363,996
Total financial assets	5,246,823	-	-	265,193,066	150,006,828	-	-	420,446,717
Liabilities								
Due to banks	-	-	-	176,029,329	-	-	-	176,029,329
Derivative financial instruments	1,485,508	-	-	-	-	-	-	1,485,508
Other financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Due to other customers	-	-	-	176,625,500	-	-	-	176,625,500