

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	2018 Rs. '000	2017 Rs. '000
Interest income	7,316,418	6,560,387
Interest expenses	(2,553,833)	(2,373,166)
Net interest income	4,762,585	4,187,221
Fee and commission income	916,801	866,541
Fee and commission expenses	(213,070)	(177,386)
Net fee and commission income	703,731	689,155
Net gain/(loss) from trading	412,370	639,689
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-
Net gain/(loss) from financial investments	83,973	63
Other operating income (net)	7,082	5,864
Total operating income	5,969,741	5,521,992
Impairment for loans and other losses	-	-
Individual impairment	18,811	20,744
Collective impairment	(32,489)	(38,693)
Others	-	-
Net operating income	5,956,063	5,504,043
Personnel expenses	(879,125)	(838,566)
Depreciation and amortisation	(71,316)	(78,869)
Other expenses	(1,670,333)	(1,359,179)
Operating profit/(loss) before value added tax (VAT)	3,335,289	3,227,429
Value Added Tax (VAT) on financial services	(459,627)	(448,695)
Operating profit/(loss) after value added tax (VAT)	2,875,662	2,778,734
Share of profits of associates and joint ventures	-	-
Profit/(loss) before tax	2,875,662	2,778,734
Tax expenses	(1,144,200)	(983,232)
Profit/(loss) for the period	1,731,462	1,795,502
Profit attributable to:		
Owners of the parent	1,731,462	1,795,502
Non-controlling interest	-	-
Earnings per share on profit		
Basic earnings per ordinary share	-	-
Diluted earnings per ordinary share	-	-

Statement of Comprehensive Income		
For the period ended 31 March	2018 Rs. '000	2017 Rs. '000
Profit/(loss) for the year	1,731,462	1,795,502
Other comprehensive income, net of tax		
Changes in revaluation surplus	-	(921)
Actuarial gains and losses on defined benefit plans	(7,218)	(16,585)
Gains and losses (arising from translating the financial statements of a foreign operation)	(768,511)	312,069
Gains and losses on re-measuring available-for-sale financial assets	(617,326)	(216,612)
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	173,890	(61,622)
Other comprehensive income for the period, net of taxes	(1,219,165)	16,329
Total comprehensive income for the period	512,297	1,811,831
Attributable to:		
Owners of the parent	512,297	1,811,831
Non-controlling interest	-	-

Selected Performance Indicators		
	2018 As at 31 March	Audited 2017 As at 31 December
Regulatory capital adequacy		
Common Equity Tier 1, Rs. '000	43,581,206	45,862,234
Tier 1 Capital, Rs. '000	43,581,206	45,862,234
Total Capital, Rs. '000	43,938,123	46,219,151
Common Equity Tier 1 Capital Ratio, as % of risk weighted assets (Minimum Requirement 6.375%)	15.54%	17.30%
Tier 1 Capital Ratio as % of risk weighted assets (Minimum Requirement 7.875%)	15.54%	17.30%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement 11.875%)	15.67%	17.43%
Assets quality (quality of loan portfolio)		
Gross Non-Performing Advances Ratio % (net of interest in suspense)	0.76%	0.86%
Net Non-Performing Advances Ratio % (net of interest in suspense and provisions)	0.57%	0.56%
Profitability		
Interest Margin, %	4.54%	4.36%
Return on Assets (before Tax), %	1.85%	3.09%
Return on Equity, %	5.38%	15.20%
Regulatory liquidity		
Statutory Liquid Assets, Rs. '000	93,060,300	103,016,474
Domestic banking unit	72,041,879	82,536,029
Offshore banking unit	-	-
Statutory Liquid Assets ratio, % (Minimum Requirement, 20%)	48.42%	55.67%
Domestic banking unit	42.99%	47.49%
Offshore banking unit	-	-
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement 2018 - 90%; 2017 - 80%)	178.94%	216.40%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement 2018 - 90%; 2017 - 80%)	354.51%	379.95%

Statement of Financial Position		
	2018 As at 31 March Rs. '000	Audited 2017 As at 31 December Rs. '000
Assets		
Cash and cash equivalents	11,222,724	7,721,011
Balances with Central Bank	8,667,613	7,765,246
Placements with banks	26,036,440	41,214,750
Derivative financial instruments	903,006	1,265,432
Other financial assets Held-for-trading	5,563,710	4,762,430
Financial assets designated at fair value through profit or loss	-	-
Loans and receivables to banks	-	-
Loans and receivables to other customers	213,905,976	202,739,049
Financial investments - Available-for-sale	105,705,365	150,869,348
Financial investments Held-to-maturity	5,645,948	-
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	3,884,062	3,940,743
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	547,974	-
Other assets	12,368,313	14,627,602
Total assets	394,451,131	434,905,611
Liabilities		
Due to banks	140,388,968	175,400,730
Derivatives financial instruments	858,931	1,032,710
Financial liabilities Held-for-trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Due to other customers	184,869,656	180,725,041
Other borrowings	-	-
Debt securities issued	-	-
Current tax liabilities	2,046,288	1,923,018
Deferred tax liabilities	-	106,271
Other provisions	-	-
Other liabilities	15,203,109	18,870,111
Due to subsidiaries	-	-
Subordinated term debts	-	-
Total liabilities	343,366,952	378,057,881
Equity		
Stated capital / Assigned capital	3,152,358	3,152,358
Statutory reserve fund	2,350,855	2,350,855
Retained earnings	32,622,640	37,173,351
Other reserves	12,958,326	14,171,166
Total shareholders' equity	51,084,179	56,847,730
Non-controlling interest	-	-
Total equity	51,084,179	56,847,730
Total liabilities and equity	394,451,131	434,905,611
Contingent liabilities and commitments	528,500,405	533,264,306
Memorandum information		
Number of employees	1,245	1,247
Number of branches	14	14

Cash Flow Statement		
	As at 31 March 2018 Rs. '000	Audited As at 31 December 2017 Rs. '000
Operating activities		
Interest received	8,831,283	27,603,791
Interest paid	(2,393,910)	(12,981,530)
Recoveries on previously written off loans	93,966	391,120
Fees and commission received	703,731	2,797,482
Dividends received	-	-
Net (payments)/receipts from trading activities	412,370	1,889,192
Net (payments)/receipts from investing activities	83,973	307,951
Operating expenses paid	(2,452,308)	(9,781,114)
Operating cash flow before changes in operating assets and liabilities	5,279,105	10,226,892
Change in operating assets/liabilities		
(Increase)/decrease in treasury bills and other eligible bills	1,453	350,996
(Increase)/decrease in treasury bonds	21,002,951	(19,441,903)
(Increase)/decrease in loans to other banks	15,178,310	(690,450)
(Increase)/decrease in loans and advances	(12,319,225)	9,740,514
(Increase)/decrease in government bonds	17,095,024	(10,846,626)
(Increase)/decrease in other assets	(306,163)	(1,929,073)
Increase/(decrease) in deposits from customers	4,144,616	(2,618,171)
Increase/(decrease) in borrowings	(35,011,762)	23,815,596
Increase/(decrease) in other liabilities	(3,275,146)	2,612,630
	6,510,058	993,513
Net cash flow from operating activities before tax	11,789,163	11,220,405
Tax paid	(1,567,189)	(6,373,170)
Net cash flow from operating activities	10,221,974	4,847,235
Investing activities		
Proceeds from sale of joint venture	-	-
Proceeds from disposal of property, plant and equipment	-	25,935
Acquisition of property, plant and equipment	(14,671)	(52,838)
Net cash flow from investing activities	(14,671)	(26,903)
Financing activities		
Profit transferred to head office	(5,034,991)	(6,425,177)
Net cash flow from financing activities	(5,034,991)	(6,425,177)
Net increase / (decrease) in cash and cash equivalents	5,172,312	(1,604,845)
Cash and cash equivalents at the beginning of the period	15,486,257	16,478,334
Exchange Adjustment	(768,232)	612,768
Cash and cash equivalents at the end of the period	19,890,337	15,486,257
Analysis of cash and cash equivalents at the period		
Cash in hand	1,431,764	1,287,738
Balances with other banks	9,790,960	6,433,273
Balances with Central Bank	8,667,613	7,765,246
Cash and cash equivalents at the end of the period	19,890,337	15,486,257

Loans and Receivables to Other Customers (Gross) - By product		
	As at 31 March 2018 Rs. '000	Audited As at 31 December 2017 Rs. '000
By product-Domestic Currency		
Overdrafts	18,030,339	12,627,843
Term loans	34,683,253	32,691,908
Lease rentals receivable	-	-
Credit cards	20,951,215	21,266,957
Pawning	-	-
Other loans	33,922	20,834
Sub total	73,698,729	66,607,542
By product-Foreign Currency		
Overdrafts	6,595,501	4,304,702
Term loans	134,629,163	131,552,074
Other loans	1,047,527	1,041,245
Sub total	142,272,191	136,898,021
Total	215,970,920	203,505,563

Loans and Receivables to Other Customers (net)		
	As at 31 March 2018 Rs. '000	Audited As at 31 December 2017 Rs. '000
Gross loans and receivables	215,970,920	203,505,563
(Less) Individual impairment	(312,053)	(356,936)
Collective impairment	(1,752,891)	(409,578)
Net loans and receivables including those designed at fair value through profit or loss	213,905,976	202,739,049
(Less) Loans and receivables designated at fair value through profit or loss	-	-
Net loans and receivables	213,905,976	202,739,049

Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers		
	As at 31 March 2018 Rs. '000	Audited As at 31 December 2017 Rs. '000
Individual impairment		
Opening balance	356,936	727,608
Charge/(Write back) to income statement	(17,984)	(377,213)
Reversal of provisions as per LKAS 39	(30,043)	(9,072)
Other movements	3,144	15,613
Closing balance	312,053	356,936
Collective impairment		
Opening balance	409,578	393,442
Charge/(Write back) to income statement	(59,529)	(26,525)
Reversal of provisions as per LKAS 39	(409,578)	-
Day 1 impact of SLFRS 9 provisions	1,802,779	-
Other movements	9,641	42,661
Closing balance	1,752,891	409,578
Total impairment	2,064,944	766,514

Analysis of Financial Instruments by Measurement Basis								
For the period ended 31 March 2018	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	-	-	-	11,222,724	-	-	11,222,724	
Balances with central banks	-	-	-	8,667,613	-	-	8,667,613	
Placements with banks	-	-	-	26,036,440	-	-	26,036,440	
Derivative financial instruments	903,006	-	-	-	-	-	903,006	
Other financial assets Held-for-trading	5,563,710	-	-	-	-	-	5,563,710	
Loans and receivables to banks	-	-	-	-	-	-	-	
Loans and receivables to other customers	-	-	-	213,905,976	-	-	213,905,976	
Financial investments	-	-	5,645,948	-	105,705,365	-	111,351,313	
Acceptances & Endorsements	-	-	-	5,560,816	-	-	5,560,816	
Total financial assets	6,466,716	-	5,645,948	265,393,569	105,705,365	-	383,211,598	
Liabilities								
Due to banks	-	-	-	140,388,968	-	-	140,388,968	
Derivative financial instruments	858,931	-	-	-	-	-	858,931	
Other financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	
Due to other customers	-	-	-	184,869,656	-	-	184,869,656	
Other borrowings	-	-	-	-	-	-	-	
Debt securities issued	-	-	-	-	-	-	-	
Acceptances & Endorsements	-	-	-	5,560,816	-	-	5,560,816	
Total financial liabilities	858,931	-	-	330,819,440	-	-	331,678,371	

Statement of Changes in Equity											
For the period ended 31 March 2018	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 reserve Rs. '000	Retained earnings Rs. '000	Other reserves Rs. '000	Total Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000	
Balance as at 01/01/2018 (opening balance)	-	-	3,152,358	2,350,855	2,521,648	37,173,351	11,649,518	56,847,730	-	56,847,730	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	
Profit/(loss) for the period	-	-	-	-	-						