

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.

Income Statement		
For the period ended 30 June	2018 Rs. 'Mn	2017 Rs. 'Mn
Interest income	14,303	13,591
Interest expenses	(5,155)	(4,954)
Net interest income	9,148	8,637
Fee and commission income	1,836	1,842
Fee and commission expenses	(411)	(442)
Net fee and commission income	1,425	1,400
Net gains/(losses) from trading	904	1,260
Net fair value gains/(losses) on:		
Financial assets at fair value through profit or loss	(21)	77
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	-	1
at fair value through other comprehensive income	302	1
Net other operating income	17	18
Total operating income	11,775	11,393
Impairment charges	(317)	(76)
Net operating income	11,458	11,317
Personnel expenses	(1,830)	(1,682)
Depreciation and amortisation expenses	(142)	(158)
Other expenses	(3,533)	(2,922)
Operating profit/(loss) before value added tax (VAT)	5,953	6,555
Value added tax (VAT) on financial services	(844)	(936)
Operating profit/(loss) after value added tax (VAT)	5,109	5,619
Share of profits of associates and joint ventures	-	-
Profit/(loss) before tax	5,109	5,619
Tax expenses	(2,156)	(2,040)
Profit/(loss) for the period	2,953	3,579
Profit attributable to:		
Equity holders of the parent	2,953	3,579
Non-controlling interests	-	-

Statement of Cash Flows		
As at 30 June 2018 Rs. 'Mn	Audited 2017 As at 31 December Rs. 'Mn	
Cash flows from operating activities		
Interest receipts	14,940	27,604
Interest payments	(4,709)	(12,982)
Net commission receipts	1,425	2,797
Trading Income	904	1,889
Payments to employees	(1,830)	(3,492)
VAT & NBT on financial services	(1,093)	(2,150)
Receipts from other operating activities	509	725
Payments to other operating activities	(3,262)	(6,055)
Operating profit before change in operating assets and liabilities	6,884	8,336
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	(662)	1,325
Financial assets at amortised cost - loans & advances	(2,486)	9,050
Treasury Bills & Bonds	29,549	(29,938)
Other assets	868	(1,929)
	27,269	(21,492)
(Increase)/decrease in operating liabilities		
Financial liabilities at amortised cost - due to depositors	(2,363)	(2,618)
Financial liabilities at amortised cost - due to other borrowers	(22,784)	23,816
Other liabilities	(693)	2,613
	(25,840)	23,811
Net cash generated from operating activities before income tax	8,313	10,655
Income tax paid	(1,843)	(4,483)
Net cash (used in) / from operating activities	6,470	6,172
Cash flows from investing activities		
Purchase of property, plant & equipment	(25)	(53)
Proceeds from sale of property, plant and equipment	0	26
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 investment in subsidiaries and associates	-	-
Others	-	-
Net cash (used in) / from investing activities	(25)	(27)
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	-	-
Dividend paid to non-controlling interest	-	-
Dividend paid to shareholders of the parent company	-	-
Dividend paid to holders of other equity instruments	-	-
Profit transferred to head office	(5,035)	(6,425)
Net cash (used in) / from financing activities	(5,035)	(6,425)
Net increase / (decrease) in cash and cash equivalents	1,410	(280)
Cash and cash equivalents at the beginning of the period	7,721	7,388
Exchange difference in respect of cash & cash equivalents	(353)	613
Cash and cash equivalents at the end of the period	8,778	7,721

Statement of Comprehensive Income		
For the period ended 30 June	2018 Rs. 'Mn	2017 Rs. 'Mn
Profit/(loss) for the year	2,953	3,579
Items that will be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(330)	630
Net gains/(losses) on cash flow hedges	-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	(790)	812
Share of profits of associates and joint ventures	-	-
Less: Tax expense relating to items that will be reclassified to profit or loss	221	(226)
	(899)	1,216
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	-	-
Remeasurement of post-employment benefit obligations	(8)	13
Changes in revaluation surplus	-	-
Share of profits of associates and joint ventures	-	-
Less: Tax expense relating to items that will not be reclassified to profit or loss	-	-
	(8)	13
Other comprehensive income for the period, net of taxes	(907)	1,229
Total comprehensive income for the period	2,046	4,808
Attributable to:		
Equity holders of the parent	2,046	4,808
Non-controlling interests	0	-

Selected Performance Indicators		
	2018 As at 30 June	Audited 2017 As at 31 December
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	43,597	45,862
Core (Tier 1) Capital	43,597	45,862
Total Capital Base	43,954	46,219
Regulatory Capital Ratio		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 6.375%)	14.93%	17.30%
Tier 1 Capital Ratio (Minimum Requirement, 7.875%)	14.93%	17.30%
Total Capital Ratio (Minimum Requirement, 11.875%)	15.05%	17.43%
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	91,291	103,016
Off-Shore banking unit	60,727	82,536
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	51.13%	55.67%
Off-Shore banking unit	37.48%	47.49%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	80,196	89,241
All currency	80,308	89,369
Liquidity Coverage Ratio (Minimum Requirement, 2018 - 90%; 2017 - 80%)		
Rupee	200.69%	216.40%
All currency	298.56%	379.95%
Assets Quality (Quality of Loan Portfolio)		
Gross Non - Performing Advances Ratio (net of interest in suspense)	0.74%	0.86%
Net-Non Performing Advances (net of interest in suspense and provisions)	0.55%	0.56%
Profitability		
Interest Margin	4.45%	4.36%
Return on Assets (before tax)	2.48%	3.09%
Return on Equity	11.04%	15.20%

Note: Profitability ratios for 2Q18 are based on SLFRS data whereas comparatives are based on regulatory data.

Analysis of Deposits		
	As at 30 June 2018 Rs. 'Mn	Audited As at 31 December 2017 Rs. 'Mn
By product - Domestic currency		
Demand deposits (current accounts)	20,462	19,412
Savings deposits	27,773	22,735
Fixed deposits	64,057	67,159
Other deposits	2,107	2,005
Sub total	114,399	111,311
By product - Foreign currency		
Demand deposits (current accounts)	20,834	22,305
Savings deposits	15,980	18,796
Fixed deposits	23,990	25,491
Other deposits	3,159	2,822
Sub total	63,963	69,414
Total	178,362	180,725

Statement of Financial Position		
	2018 As at 30 June Rs. 'Mn	Audited 2017 As at 31 December Rs. 'Mn
Assets		
Cash and cash equivalents	8,778	7,721
Balances with Central Bank	8,427	7,765
Placements with banks	19,783	41,215
Derivative financial instruments	638	1,265
Financial assets measured at fair value through profit or loss	14,650	4,762
Financial assets designated at fair value through profit or loss	-	-
Financial assets at amortised cost - loans and advances	224,717	202,739
Financial assets at amortised cost - debt instruments	5,673	-
Financial assets measured at fair value through other comprehensive income	104,978	150,869
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	3,824	3,941
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	596	-
Other assets	12,697	14,628
Total assets	404,761	434,905
Liabilities		
Due to banks	152,617	175,401
Derivative financial instruments	938	1,033
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	178,362	180,725
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	99	125
Current tax liabilities	2,289	1,923
Deferred tax liabilities	-	106
Other provisions	-	-
Other liabilities	17,842	18,745
Total liabilities	352,147	378,058
Equity		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,351	2,351
Retained earnings	33,840	37,173
Other reserves	13,271	14,171
Total Shareholders' equity	52,614	56,847
Non-controlling interests	-	-
Total equity	52,614	56,847
Total equity and liabilities	404,761	434,905
Contingent liabilities and commitments	529,577	533,264
Memorandum Information		
Number of Employees	1,245	1,247
Number of Branches	14	14

Analysis of Loans and Advances		
	2018 As at 30 June Rs. 'Mn	Audited 2017 As at 31 December Rs. 'Mn
Product wise Gross loans and advances		
By product-Domestic Currency		
Overdrafts	19,258	12,628
Term loans	39,704	32,692
Lease rentals receivable	-	-
Credit cards	21,892	21,267
Pawning	-	-
Other loans	89	21
Sub total	80,943	66,608
By product-Foreign Currency		
Overdrafts	7,701	4,305
Term loans	133,301	131,552
Other loans	741	1,041
Sub total	141,743	136,898
Total	222,686	203,506

Stage-wise impairment on loans and advances		As at 30 June 2018 Rs. 'Mn
Gross loans and advances		222,686
Less: Accumulated impairment under stage 1		(594)
Accumulated impairment under stage 2		(1,116)
Accumulated impairment under stage 3		(574)
Net Loans and advances		220,402

Movements of impairment during the period		As at 30 June 2018 Rs. 'Mn
Under stage 1		
Charge / (write back) to income statement	(121)	
SLFRS 9 - Day 1 impact	717	
Other movements	(2)	
Closing balance as at 30/06/18		594
Under stage 2		
Charge / (write back) to income statement	261	
SLFRS 9 - Day 1 impact	850	
Other movements	5	
Closing balance as at 30/06/18		1,116
Under stage 3		
Opening balance	767	
Charge / (write back) to income statement	(9)	
SLFRS 9 - Day 1 impact	238	
Other movements	(429)	
Closing balance as at 30/06/18		574
Total impairment		2,284

Analysis of Financial Instruments by Measurement Basis				
For the period ended 30 June 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	8,778	-	-	8,778
Balances with central banks	8,427	-	-	8,427
Placements with banks	19,783	-	-	19,783
Derivative financial instruments	-	638	-	638
Loans and advances	224,717	-	-	224,717
Debt instruments	5,673	14,650	104,978	125,301
Equity instruments	-	-	-	-
Acceptances and endorsements	5,555	-	-	5,555
Total financial assets	272,933	15,288	104,978	393,199
Liabilities				
Due to banks	152,617	-	-	152,617
Derivative financial instruments	-	938	-	938
Financial liabilities - due to depositors	178,362	-	-	178,362
Financial liabilities - due to other borrowers	-	-	-	-
Acceptances and endorsements	5,555	-	-	5,555
Total financial liabilities	336,534	938	-	337,472

Analysis of Financial Instruments by Measurement Basis				
For the period ended 31 December 2017	Held-for-trading Rs. 'Mn	Amortised Cost Rs. 'Mn	Available-for-sale Rs. 'Mn	Total Rs. 'Mn
Assets				
Cash and cash equivalents	-	7,721	-	7,721
Balances with central banks	-	7,765	-	7,765
Placements with banks	-	41,215	-	41,215
Derivative financial instruments	1,265	-	-	1,265
Other financial assets Held-for-trading	4,762	-	-	4,762
Loans and receivables to banks	-	-	-	-
Loans and receivables to other customers	-	202,739	-	202,739
Financial investments	-	-	150,869	150,869
Acceptance and Endorsement	-	6,240	-	6,240
Total financial assets	6,027	265,680	150,869	422,576
Liabilities				
Due to banks	-	175,401	-	175,401
Derivative financial instruments	1,033	-	-	1,033
Other financial liabilities at fair value through profit or loss	-	-	-	-
Due to other customers	-	180,725	-	180,725
Other borrowings	-	-	-	-
Debt securities issued	-	-	-	-
Acceptance and Endorsement	-	6,240	-	6,240
Total financial liabilities	1,			