

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.

Income Statement		
For the period ended 30 September	2018 Rs. 'Mn	2017 Rs. 'Mn
Interest income	21,834	20,907
Interest expenses	(8,026)	(7,589)
Net interest income	13,808	13,319
Fee and commission income	2,816	2,784
Fee and commission expenses	(655)	(652)
Net fee and commission income	2,161	2,132
Net gains/(losses) from trading	1,317	1,604
Net fair value gains/(losses) on: financial assets at fair value through profit or loss	(92)	(8)
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	312	308
Net other operating income	23	44
Total operating income	17,529	17,399
Impairment charges	(149)	(135)
Net operating income	17,380	17,264
Personal expenses	(2,831)	(2,604)
Depreciation and amortisation expenses	(219)	(232)
Other expenses	(4,946)	(4,690)
Operating profit/(loss) before value added tax (VAT)	9,384	9,738
Value added tax (VAT) on financial services	(1,438)	(1,405)
Operating profit/(loss) after value added tax (VAT)	7,946	8,333
Share of profits of associates and joint ventures	–	–
Profit/(loss) before tax	7,946	8,333
Tax expenses	(3,399)	(3,058)
Profit/(loss) for the period	4,547	5,275
Profit attributable to: equity holders of the parent	4,547	5,275
non-controlling interests	–	–

Statement of Comprehensive Income		
For the period ended 30 September	2018 Rs. 'Mn	2017 Rs. 'Mn
Profit/(loss) for the year	4,547	5,275
Items that will be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,542	541
Net gains/(losses) on cash flow hedges	–	–
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	(1,306)	2,164
Share of profits of associates and joint ventures	–	–
Less: tax expense relating to items that will be reclassified to profit or loss	366	(604)
	602	2,101
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	(22)	37
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	–	–
	(22)	37
Other comprehensive income for the period, net of taxes	580	2,138
Total comprehensive income for the period	5,127	7,413
Attributable to:		
equity holders of the parent	5,127	7,413
non-controlling interests	–	–

Selected Performance Indicators		
	2018 As at 30 September	Audited 2017 As at 31 December
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	44,642	45,862
Core (Tier 1) Capital	44,642	45,862
Total Capital Base	45,692	46,219
Regulatory Capital Ratio		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 6.375%)	14.32%	17.30%
Tier 1 Capital Ratio (Minimum Requirement, 7.875%)	14.32%	17.30%
Total Capital Ratio (Minimum Requirement, 11.875%)	14.65%	17.43%
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	114,898	103,016
Off-shore banking unit	60,549	82,536
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	52.86%	55.67%
Off-shore banking unit	35.92%	47.49%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	59,082	89,241
All currency	59,167	89,369
Liquidity Coverage Ratio (Minimum Requirement, 2018 - 90%; 2017 - 80%)		
Rupee	146.86%	216.40%
All currency	295.93%	379.95%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio (net of interest in suspense)	0.68%	0.86%
Net Non-Performing Advances (net of interest in suspense and provisions)	0.51%	0.56%
Profitability		
Interest Margin	4.39%	4.36%
Return on Assets (before tax)	2.53%	3.09%
Return on Equity	11.41%	15.20%

Note: Profitability ratios for 3Q18 are based on SLFRS data whereas comparatives are based on regulatory data.

Analysis of Deposits		
	As at 30 September 2018 Rs. 'Mn	Audited As at 31 December 2017 Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	16,155	19,412
Savings deposits	20,320	22,735
Fixed deposits	68,563	67,159
Other deposits	2,144	2,005
Sub total	107,182	111,311
By product - Foreign Currency		
Demand deposits (current accounts)	45,733	22,305
Savings deposits	16,225	18,796
Fixed deposits	24,524	25,491
Other deposits	3,129	2,822
Sub total	89,611	69,414
Total	196,793	180,725

Statement of Financial Position		
	2018 As at 30 September Rs. 'Mn	Audited 2017 As at 31 December Rs. 'Mn
Assets		
Cash and cash equivalents	14,789	7,721
Balances with Central Bank	9,064	7,765
Placements with banks	50,642	41,215
Derivative financial instruments	2,907	1,265
Financial assets measured at fair value through profit or loss	15,554	4,762
Financial assets designated at fair value through profit or loss	–	–
Financial assets at amortised cost - loans and advances	239,905	202,739
Financial assets at amortised cost - debt instruments	5,294	–
Financial assets measured at fair value through other comprehensive income	104,300	150,869
Investments in subsidiaries	–	–
Investments in associates and joint ventures	–	–
Property, plant and equipment	3,899	3,941
Investment properties	–	–
Goodwill and intangible assets	–	–
Deferred tax assets	678	–
Other assets	12,539	14,629
Total assets	459,571	434,906
Liabilities		
Due to banks	183,648	175,401
Derivative financial instruments	1,949	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	196,793	180,725
Financial liabilities at amortised cost - due to other borrowers	–	–
Due to subsidiaries	–	–
Retirement benefit obligations	95	125
Current tax liabilities	2,437	1,923
Deferred tax liabilities	–	106
Other provisions	–	–
Other liabilities	18,949	18,745
Total liabilities	403,871	378,058
Equity		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,351	2,351
Retained earnings	35,810	37,173
Other reserves	14,387	14,172
Total shareholders' equity	55,700	56,848
Non-controlling interests	–	–
Total equity	55,700	56,848
Total equity and liabilities	459,571	434,906
Contingent liabilities and commitments	517,028	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 September Rs. 'Mn	Audited 2017 As at 31 December Rs. 'Mn
Product wise gross loans and advances		
By product - Domestic Currency		
Overdrafts	20,515	12,628
Term loans	39,570	32,692
Lease rentals receivable	–	–
Credit cards	23,105	21,267
Pawning	–	–
Other loans	6	21
Sub total	83,196	66,608
By product - Foreign Currency		
Overdrafts	9,767	4,305
Term loans	144,911	131,552
Other loans	761	1,041
Sub total	155,439	136,898
Total	238,635	203,506

	As at 30 September 2018 Rs. 'Mn
Stage - wise impairment on loans and advances	
Gross loans and advances	238,635
Less: accumulated impairment under stage 1	(672)
accumulated impairment under stage 2	(828)
accumulated impairment under stage 3	(617)
Net loans and advances	236,518
Movements of impairment during the period	As at 30 September 2018 Rs. 'Mn
Under stage 1	
Charge/(write back) to income statement	(87)
SLFRS 9 - Day 1 impact	717
Other movements	42
Closing balance as at 30/09/18	672
Under stage 2	
Charge/(write back) to income statement	(53)
SLFRS 9 - Day 1 impact	859
Other movements	31
Closing balance as at 30/09/18	828
Under stage 3	
Opening balance	767
Charge/(write back) to income statement	37
SLFRS 9 - Day 1 impact	236
Other movements	(423)
Closing balance as at 30/09/18	617
Total impairment	2,117

Analysis of Financial Instruments by Measurement Basis				
For the period ended 30 September 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	14,789	–	–	14,789
Balances with Central Banks	9,064	–	–	9,064
Placements with banks	50,642	–	–	50,642
Derivative financial instruments	–	2,907	–	2,907
Loans and advances	239,905	–	–	239,905
Debt instruments	5,294	15,554	104,300	125,148
Equity instruments	–	–	–	–
Acceptance and endorsements	6,376	–	–	6,376
Total financial assets	326,070	18,461	104,300	448,831
Liabilities				
Due to banks	183,648	–	–	183,648
Derivative financial instruments	–	1,949	–	1,949
Financial liabilities - due to depositors	196,793	–	–	196,793
Financial liabilities - due to other borrowers	–	–	–	–
Acceptance and endorsements	6,376	–	–	6,376
Total financial liabilities	386,817	1,949	–	388,766

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 endorsements	–	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 endorsements	–	6,240	–	6,240
Total financial liabilities	1,033	362,366	–	363,399

Statement of Changes in Equity											
For the period ended 30 September 2018	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 01/01/2018 (Opening balance)	–	–	3,152	2,351	2,522	37,173	11,650	56,848	–	–	56,848
Total comprehensive income for the period	–	–	–	–	–	4,547	–	4,547	–	–	4,547
Profit/(loss) for the period (net of tax)	–	–	–	–	–	(22)	602	580	–	–	580
Other comprehensive income (net of tax)	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	4,525	602	5,127	–	–	5,127
Transactions with equity holders recognised directly in equity											
Share issue/increase of assigned capital	–	–	–	–	–	–	–	–	–	–	–
Share options exercised	–	–	–	–	–	–	–	–	–	–	–
Bonus issue	–	–	–	–	–	–	–	–	–	–	–
Rights issue	–	–	–	–	–	–	–	–	–	–	–
Transfer to reserves during the period	–	–	–	–	–	–	–	–	–	–	–
Dividends to equity holders	–	–	–	–	–	–	–	–	–	–	–
SLFRS 9 provisions - Day 1 impact	–	–	–	–	–	–	–	–	–	–	–
Profit transferred to head office	–	–	–	–	–	(1,246)	–	(1,246)	–	–	(1,246)
Gain/(loss) on revaluation of property, plant and equipment (if cost method is adopted)	–	–	–	–	–	(5,035)	–	(5,035)	–	–	(5,035)
Others	–	–	–	–	–	–	–	–	–	–	–
Total transactions with equity holders	–	–	–	–	–	(3)	393	(384)	6	–	6
Balance as at 30/09/2018 (closing balance)	–	–	3,152	2,351	2,519	35,810	11,868	55,700	–	–	55,700

The financial information summarised above for the nine months ended 30 September 2018 is drawn up from the un-audited accounts of the Bank, prepared according to the Sri Lankan Accounting Standards. (SLFRS/LKAS).

Financial information for 2018 is based on SLFRS 9 requirements, whereas comparatives are based on LKAS 39.

We, the undersigned, being the Chief Executive Officer and the Acting Chief Financial Officer of HSBC Bank certify jointly that:

- (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka
- (b) the information contained in these statements have been extracted from the un-audited financial statements of the Bank unless indicated as audited
- (c) the information contained in these statements are true and correct to the best of our knowledge and belief.



Mark G Prothero
(Signed) Chief Executive Officer

Angelo Pillai
(Signed) Acting Chief Financial Officer