## 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 31 December	Audited	Audited
	2018	2017
Interest income	Rs. 'Mn 29,657	Rs. 'Mn 28,446
Interest expenses	(11,212)	(10,303)
Net interest income	18,445	18,143
Fee and commission income Fee and commission expenses	4,047 (1,006)	3,680 (883)
Net fee and commission income	3,041	2,797
Net gains/(losses) from trading	2,104	2,038
Net fair value gains/(losses) on: financial assets at fair value through profit or loss	(228)	(140)
financial liabilities at fair value through profit or loss	(328)	(149)
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 Net other operating income	312 60	308 52
Total operating income	23,634	23,189
Impairment charges	(169)	(249)
Net operating income	23,465	22,940
Personal expenses	(3,853)	(3,492)
Depreciation and amortisation expenses Other expenses	(300) (7,060)	(305) (6,502)
Operating profit/(loss) before taxes on financial services	12,252	12,641
Operating pront/ (loss) before taxes on infancial services	12,232	12,041
Value added tax (VAT) on financial services	(1,927)	(1,932)
Nation Building Tax (NBT) on financial services	(269)	(262)
Operating profit/(loss) after taxes on financial services	10,056	10,709
Share of profits of associates and joint ventures	_	_
	10.050	10 700
Profit/(loss) before tax	10,056	10,709
Tax expenses	(3,935)	(4,301)
Profit/(loss) for the period	6,121	6,408
Profit attributable to: equity holders of the parent	6,121	6,408
non-controlling interests	-	- 0,408
Statement of Cash Flows	Audited	Audited
As at 31 December	2018	2017
Cash flows from operating activities	Rs. 'Mn	Rs. 'Mn
Interest receipts Interest payments	30,309 (10,275)	27,604 (12,982)
Net commission receipts	3,040	2,797
Trading income Payments to employees	1,776 (3,832)	1,889 (3,492)
VAT & NBT on financial services	(2,432)	(2,150)
Receipts from other operating activities	697	725
Payments to other operating activities Operating profit before change in operating assets and liabilities	(6,547)	(6,055) 8,336
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	432	1,325
Financial assets at amortised cost - loans and advances	(63,293)	9,050
Treasury bills & bonds Other assets	36,240 (2,984)	(29,938) (1,929)
	(29,605)	(21,492)
Increase/(decrease) in operating liabilities Financial liabilities at amortised cost - due to depositors	25,148	(2,618)
Financial liabilities at amortised cost - due to other borrowers	9,386	23,816
Other liabilities	3,792 38,326	2,613
Net cash generated from operating activities before income tax	21,457	10,655
Income tax paid	(4,376)	(4,483)
Net cash (used in)/from operating activities	17,081	6,172
Cash flows from investing activities		
Purchase of property, plant & equipment	(281)	(53)
Proceeds from sale of property, plant & equipment Purchase of financial investments	23	26
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	- (259)	-
Net cash (used in)/from investing activities Cash flows from financing activities	(258)	(27)
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		

For the period ended 31 December	Audit	ed Audited
For the period ended 31 December	20 Rs. 1	2017 Vin Rs. 'Mn
Profit/(loss) for the year	6,12	
Items that will be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,92	21 622
Net gains/(losses) on cash flow hedges		
Net gains/(losses) on investments in debt instruments measured at	:	
fair value through other comprehensive income	(1,65	2,409
Share of profits of associates and joint ventures		
Less: tax expense relating to items that will be reclassified to profit or	loss 4	<b>63</b> (677
	2,72	2,359
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 of	on	
financial liabilities designated at fair value through profit or loss		-
Remeasurement of post-employment benefit obligations		34 (219
Changes in revaluation surplus		<b>73</b> 46
Share of profits of associates and joint ventures		
Less: tax expense relating to items that will not be reclassified to profit or	loss (85	<b>(2)</b> 3
		55 279
Other comprehensive income for the period, net of taxes	2,71	
Total comprehensive income for the period	8,9	05 9,04
Attributable to:		
equity holders of the parent	8,9	9,046
non-controlling interests		
		'
Selected Performance Indicators		
	Audited	Audited
As at 31 December	2018	2017
Regulatory Capital Adequacy (LKR Millions) Common Equity Tier 1	51,904	15 962
Core (Tier 1) Capital	51,904	45,862 45,862
Total Capital Base	53,953	46,219
Regulatory Capital Ratio	00,000	40,210
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 6.375%)	15.16%	17.30%
Tier 1 Capital Ratio (Minimum Requirement, 7.875%)	15.16%	17.30%
Total Capital Ratio (Minimum Requirement, 11.875%)	15.47%	17.43%
As at 31 December	Unaudited 2018	Unaudited 2017
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions) Domestic banking unit	115,206	103,016
Off-shore banking unit	70,116	82,536
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)	70,110	02,000
Domestic banking unit	54.33%	55.67%
Off-shore banking unit	39.38%	47.49%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	57,248	89,241
All currency	57,361	89,369
Liquidity Coverage Ratio		
(Minimum Requirement, 2018 - 90%; 2017 - 80%)		
Rupee	150.18%	216.40%
All currency	275.03%	379.95%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio	0.69%	0.86%
(net of interest in suspense) Net Non-Performing Advances	0.09%	0.80%
(net of interest in suspense and provisions)	0.52%	0.56%
Profitability	0.02 /0	0.0070
Interest Margin	4.26%	4.36%
Return on Assets (before tax)	2.32%	3.09%
Return on Equity	11.18%	15.20%
<i>te:</i> Profitability ratios for 2018 are based on SLFRS data whereas compa	aratives are based (	on regulatory data.
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Analysis of Deposits	Audited	Audited
Analysis of Deposits	2018	201
Analysis of Deposits As at 31 December		Rs. 'Mr
	Rs. 'Mn	i .
	Rs. 'Mn	
As at 31 December By product - Domestic Currency		
As at 31 December By product - Domestic Currency Demand deposits (current accounts)	15,579	
As at 31 December By product - Domestic Currency Demand deposits (current accounts) Savings deposits	15,579 20,869	19,412 22,735
As at 31 December By product - Domestic Currency Demand deposits (current accounts) Savings deposits Fixed deposits	15,579 20,869 63,980	22,738 67,159
As at 31 December By product - Domestic Currency Demand deposits (current accounts) Savings deposits	15,579 20,869	22,73

Statement of Financial Position		
As at 31 December	Audited	Audite
As at 31 December	2018 Rs. ′Mn	201 Rs. 'N
Assets		
Cash and cash equivalents	23,502	7,72
Balances with Central Bank	7,333	7,76
Placements with banks	49,386	41,21
Derivative financial instruments	4,467	1,26
inancial assets measured at fair value through profit or loss	11,517	4,76
inancial assets designated at fair value through profit or loss	-	
inancial assets at amortised cost - loans and advances	255,831	202,73
inancial assets measured at fair value through other	100,949	150,80
comprehensive income		
inancial assets at amortised cost	5,308	
nvestments in subsidiaries	-	
nvestments in associates and joint ventures	-	
Property, plant and equipment	4,790	3,94
nvestment properties	-	
Goodwill and intangible assets	-	
Deferred tax assets	-	
Other assets	14,358	14,63
Fotal assets	477,441	434,90
iabilities		
labilities		
Due to banks	184,787	175,4
Derivative financial instruments	3,876	1,03
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	205,873	180,73
Financial liabilities at amortised cost - due to other borrowers	-	
Due to subsidiaries	-	
Retirement benefit obligations	23	1:
Current tax liabilities	1,925	1,93
Deferred tax liabilities	133	10
Other provisions	-	
Other liabilities	21,149	18,74
Total liabilities	417,765	378,0
Equity		
Stated capital/Assigned capital	3,152	3,1
Statutory reserve fund	2,473	2,3
Retained earnings	37,311	37,1
Other reserves	16,739	14,17
Total shareholders' equity	59,675	56,84
Non-controlling interests	-	
Total equity	59,675	56,84
Total equity and liabilities	477,441	434,90
Contingent liabilities and commitments	612,583	533,20
Memorandum information		
Number of employees	1,245	1,24
Number of branches	14	
Analysis of Loans and Advances	Audited	Audited
As at 31 December	2018 Rs.′Mn	201
Product wise gross loans and advances	KS. IVIN	Rs. 'M
By product - Domestic Currency		
Overdrafts Term Joans	21,200 41,094	12,62
erm loans .ease rentals receivable	41,094	32,08
Credit cards	24,428	21,26
Pawning Ither leans	- 131	2
Other Ioans Sub total	131 86,853	266,60
By product - Foreign Currency		
Dverdrafts	14,659	4,30
Ferm loans	155,342	131,55
Other loans	1,129	1,04
Sub total	171,130	136,89
īotal	257,983	203,50
		A
Stage - wise impairment on loans and advances		As at 31 December 20 Rs. 'M
Gross loans and advances		257,98
ess: accumulated impairment under stage 1		(81
accumulated impairment under stage 2		(61)
accumulated impairment under stage 3		(72
let loans and advances		255,83
Novements of impairment during the period		As at 31 December 201 Rs. 'M
		ns. 191
Inder stage 1 Charge/(write back) to income statement		1
SLFRS 9 - Day 1 impact		
Other movements		8
		71 8 81

(283)

		By product - Foreign Currency			Other movements Closing balance as at 31/12/18	45 610	
		Demand deposits (current accounts)	54 488	22 305	Under store 2		
(5,035)	(6,425)	• • •	-			767	
(5,035)	(6,425)	Savings deposits	19,435	18,796	Charge/(write back) to income statement	191	
		Fixed deposits	26,026	25,491	SLFRS 9 - Day 1 impact	236	
11,788	(280)	Other denosits	3 310	2 822	Other movements	(469)	
7,721	7,388				Closing balance as at 31/12/18	725	
3,993	613	Sub total			•	]	
23,502	7,721	Total	205,873	180,725	Total impairment	2,152	
	11,788 7,721 3,993	(5,035)         (6,425)           11,788         (280)           7,721         7,388           3,993         613	(5,035)         (6,425)         Demand deposits (current accounts)           (5,035)         (6,425)         Savings deposits           11,788         (280)         Fixed deposits           7,721         7,388         Sub total           3,993         613         Sub total	(5,035)         (6,425)         Demand deposits (current accounts)         54,488           (5,035)         (6,425)         Demand deposits (current accounts)         54,488           (5,035)         (6,425)         Savings deposits         19,435           11,788         (280)         Fixed deposits         26,026           0ther deposits         0ther deposits         3,310           3,993         613         Sub total         103,259	1.7,721         7,721         7,388         22,305           3,993         613         54,488         22,305	by product - Foreign CurrencyClosing balance as at 31/12/18(5,035)(6,425)Demand deposits (current accounts)54,48822,305Under stage 3(5,035)(6,425)Savings deposits (current accounts)19,43518,796Opening balance Charge[Write back) to income statement SLFRS 9 - Day 1 impact11,788(280)Fixed deposits26,02625,491SLFRS 9 - Day 1 impact7,7217,388Sub total103,25969,414205,873TotalTotal205,8731180,725	Image: bit

Ana	lysis of Financial Instru	ments by Measurement B	asis		Analy	ysis of Financial Instruments by Measurement Basis			
For the period ended 31 December 2018	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total	For the period ended 31 December 2017	Amortised cost Rs. ′Mn	Held-for-trading Rs. 'Mn	Available-for-sale Rs. 'Mn	Total Rs. 'Mn
	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Assets				
Assets					Cash and cash equivalents	7,721	-	-	7,721
Cash and cash equivalents	23,502	-	-	23,502	Balances with Central Banks	7,765	-	-	7,765
Balances with Central Banks	7,333	-	-	7,333	Placements with banks	41,215	-	-	41,215
Placements with banks	49,386	-	-	49,386	Derivative financial instruments	-	1,265	-	1,265
Derivative financial instruments	-	4,467	-	4,467	Other financial assets held-for-trading	-	4,762	-	4,762
Loans and advances	255,831	-	-	255,831	Loans and receivables to banks	_	-	-	-
Debt instruments	5,308	11,517	100,949	117,774	Loans and receivables to other customers	202,739	-	-	202,739
Equity instruments	_	_	-	-	Financial investments	_	-	150,869	150,869
Acceptance and endorsements	6,843	-	_	6,843	Acceptance and endorsements	6,240	-	-	6,240
Total financial assets	348,203	15.984	100,949	465,136	Total financial assets	265,680	6,027	150,869	422,576
	0.10/200	.0,001	100,010		Liabilities				
Liabilities					Due to banks	175,401	_	-	175,401
Due to banks	184,787	-	-	184,787	Derivative financial instruments	-	1,033	_	1,033
Derivative financial instruments	-	3,876	-	3,876	Other financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities - due to depositors	205,873	-	-	205,873	Due to other customers	180,725	-	-	180,725
Financial liabilities - due to other borrowers	-	-	_	-	Other borrowings	-	-	-	-
Acceptance and endorsements	6,843	-	_	6,843	Debt securities issued	-	-	-	-
				.,	Acceptance and endorsements	6,240	-	-	6,240
Total financial liabilities	397,503	3,876	-	401,379	Total financial liabilities	362,366	1,033	-	363,399

				Statement of Chang	jes in Equity					
		Stated Capital/Assi	igned Capital		Rese	erves				
For the period ended 31 December 2018	Ordinary	Ordinary								
(In Rupee Millions)	voting	non-voting	Assigned	Reserve	Revaluation	Retained	Other		Non-controlling	Total
	shares	shares	capital	fund	reserve	earnings	reserves	Total	interest	equity
	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn
Balance as at 01/01/2018 (Opening balance)	-	-	3,152	2,351	2,522	37,173	11,650	56,848	-	56,848
SLFRS 9 Provisns - Day 1 impact	-	-	-	-	-	(1,234)	-	(1,234)	-	(1,234)
Restated balance as at 01/01/2018	-	-	3,152	2,351	2,522	35,939	11,650	55,614	-	55,614
Total comprehensive income for the year										
Profit/(loss) for the year (net of tax)	-	-	-	-	-	6,121	-	6,121	-	6,121
Other comprehensive income (net of tax)	-	-	-	-	40	14	2,729	2,783	-	2,783
Total comprehensive income for the year	-	-	-	-	40	6,135	2,729	8,904	-	8,904
Transactions with equity holders recognised directly in equity										
Share issue/increase of assigned capital	-	-	-	-	-	-	-	-	-	-
Transfer to reserves during the period	-	-	-	122	-	(122)	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office	-	-	-	-	-	(5,035)	-	(5,035)	-	(5,035)
Gain/(loss) on revaluation of property, plant and equipment										
(if cost method is adopted)	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(4)	394	(198)	192	-	192
Total transactions with equity holders	-	-	-	122	(4)	(4,763)	(198)	(4,843)	-	(4,483)
Balance as at 31/12/2018 (Closing balance)	-	-	3,152	2,473	2,558	37,311	14,181	59,675	-	59,675

The financial information summarised above for the twelve months ended 31 December 2018 is drawn up from the audited accounts of the Bank, prepared according to the Sri Lankan Accounting Standards. (SLFRS/LKAS).

These accounts were audited by PricewaterhouseCooper (PwC). In their report of 28 March 2019 they have expressed an unqualified opinion of these accounts. In addition, we have included a summary of the HSBC Group Corporate Governance Report.

Financial information for 2018 is based on SLFRS 9 requirements, whereas comparatives are based on LKAS 39. 2017 comparatives are represented according to SLFRS 9 accounting standard presentation where applicable.

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

Charge/(write back) to income statemen SLFRS 9 - Day 1 impact

(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 audited financial statements of the Bank unless indicated as un-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) Chief Financial Officer

