## 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 March	2019	2018
	Rs. 'Mn	Rs. 'Mn
Interest income	7,907	7,316
Interest expenses	(3,341)	(2,554)
Net interest income	4,566	4,762
Fee and commission income	1,002	917
Fee and commission expenses	(320)	(213
Net fee and commission income	682	704
Net gains/(losses) from trading Net fair value gains/(losses) on:	441	412
financial assets at fair value through profit or loss	-	-
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 fair value through other comprehensive income		84
Net other operating income	10	-
Total operating income	5,699	5,969
Impairment charges	(271)	(14
Net operating income	5,428	5,95
Personal expenses	(985)	(879
Depreciation and amortisation expenses	(97)	(71
Other expenses	(1,878)	(1,622
·		
Operating profit/(loss) before taxes on financial services	2,468	3,38
Value added tax (VAT) on financial services	(387)	(460
Nation Building Tax (NBT) on financial services	(54)	(48
Operating profit/(loss) after taxes on financial services	2,027	2,875
Share of profits of associates and joint ventures	_	
Profit/(loss) before tax	2,027	2,87
Tax expenses	(847)	(1,144
Profit/(loss) for the period	1,180	1,73
Profit attributable to: equity holders of the parent non-controlling interests	1,180	1,73

Statement of Cash Flows		
	2019 As at 31 March Rs. 'Mn	Audited 20 As at 31 Decemb
Cash flows from operating activities		
Interest receipts	9,284	30,30
Interest payments	(2.795)	(10,27
Net commission receipts	682	3,04
Trading income	441	1,7
Payments to employees	(980)	(3,83
VAT & NBT on financial services	(533)	(2,43
Receipts from other operating activities	80	6
Payments to other operating activities	(1,842)	(6,61
Operating profit before change in operating assets and liabilities	4,337	12,6
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	1,245	4
Financial assets at amortised cost - loans and advances	2,404	(63,29
Treasury bills & bonds	19,436	36,2
Other assets	156	(2,91
	23,241	(29,53
Increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	803	25,1
Financial liabilities at amortised cost - due to other borrowers	(36,595)	9,3
Other liabilities	1,899 ( <b>33,893</b> )	3,7
Not each generated from encycting activities before income toy	(6,315)	21,4
Net cash generated from operating activities before income tax  Income tax paid	(860)	(4,37
Net cash (used in)/from operating activities		17,0
	(7,175)	17,0
Cash flows from investing activities Purchase of property, plant & equipment	(5)	(28
Proceeds from sale of property, plant & equipment	(5)	(28
Purchase of financial investments	_ [ ]	4
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	-	
Net cash (used in)/from investing activities	(5)	(2
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	_	
Dividends paid to non-controlling interest	_	
Dividends paid to shareholders of the parent company	_	
Dividends paid to holders of other equity instruments	_	
Profit transferred to head office	_	(5,03
Net cash (used in)/from financing activities	-	(5,03
Net increase/(decrease) in cash and cash equivalents	(7,180)	11,7
Cash and cash equivalents at the beginning of the period	23,502	7,7
Exchange difference in respect of cash and cash equivalents	(1,776)	3,9
Cash and cash equivalents at the end of the period	14,546	23,5

Statement of Comprehensive Income		
For the period ended 31 March	2019 Rs. 'Mn	2018 Rs. 'Mn
Profit/(loss) for the year	1,180	1,731
Items that will be reclassified to income statement		
Exchange differences on translation of foreign operations Net gains/(losses) on cash flow hedges	(1,457) –	(769) -
Net gains/(losses) on investments in debt instruments measured at		
fair value through other comprehensive income	440	(769)
Share of profits of associates and joint ventures  Less: tax expense relating to items that will be reclassified to profit or loss	(122)	(677)
Less. tax expense relating to items that will be reclassified to profit of loss	(1,139)	(2,215)
Items that will not be reclassified to profit or loss	(1,122)	(-//
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	_	(7)
Changes in revaluation surplus	-	-
Share of profits of associates and joint ventures	-	-
Less: Tax expense relating to items that will not be reclassified to income statement	-	174
	0	167
Other comprehensive income for the period, net of taxes	(1,139)	(1,219)
Total comprehensive income for the period	41	512
Attributable to:		
equity holders of the parent	41	512
non-controlling interests	_	_

**Selected Performance Indicators** 

	2019 As at 31 March	Audited 2018 As at 31 December
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	53,370	51,904
Core (Tier 1) Capital	53,370	51,904
Total Capital Base	54,420	52,953
Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)	16.14%	15.16%
Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	16.14%	15.16%
Total Capital Ratio (Minimum Requirement, 12.5%)	16.46%	15.47%
As at 31 March	Unaudited As at 31 March 2019	Unaudited As at 31 December 2018
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	118,913	115,206
Off-shore banking unit	50,619	70,116
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	55.25%	54.33%
Off-shore banking unit	29.15%	39.38%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	66,517	57,248
All currency	66,629	57,361
Liquidity Coverage Ratio		
Rupee (Minimum Requirement 2019 - 100%; 2018 - 90%)	193.99%	150.18%
All currency (Minimum Requirement 2019 - 100%; 2018 - 90%)	333.97%	275.03%
Net Stable Funding Ratio (%) - (Minimum Requirement - 90%)	117.46%	119.09%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio		
(net of interest in suspense)	0.70%	0.69%
Net Non-Performing Advances Ratio		
(net of interest in suspense and provisions)	0.53%	0.52%
Profitability		
Interest Margin	4.11%	4.26%
Return on Assets (before tax)	1.83%	2.32%
Return on Equity	7.90%	11.18%

Analysis of Deposits		
	2019	Audited 2018
	31 March	As at 31 December
	Rs. 'Mn	Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	17,027	15,579
Savings deposits	20,132	20,869
Fixed deposits	66,830	63,980
Other deposits	2,208	2,186
Sub total	106,197	102,614
By product - Foreign Currency		
Demand deposits (current accounts)	27,307	54,488
Savings deposits	18,917	19,435
Fixed deposits	50,795	26,026
Other deposits	3,461	3,310
Sub total	100,480	103,259
Total	206,677	205,873

Statement of Financial Position		
	2019	Audited 2018
	As at 31 March	As at 31 December
	Rs. 'Mn	Rs. 'Mn
Assets	44.540	00.500
Cash and cash equivalents	14,546	23,502
Balances with Central Bank	6,088	7,333
Placements with banks	51,246	49,386
Derivative financial instruments	1,793	4,467
Financial assets measured at fair value through profit or loss	9,452	11,517
Financial assets designated at fair value through profit or loss	-	-
Financial assets at amortised cost - loans and advances	249,941	255,831
Financial assets at amortised cost - debt instruments	4,760	5,308
Financial assets measured at fair value through other	84,572	100,949
comprehensive income		
Investments in subsidiaries	_	_
Investments in associates and joint ventures	_	_
Property, plant and equipment	4,714	4,790
Investment properties		4,700
Goodwill and intangible assets	_	_
Deferred tax assets	_	-
Other assets		- 44.050
	16,709	14,358
Total assets	443,821	477,441
Liabilities		
Due to banks	148,192	184,787
Derivative financial instruments	2,457	3,876
Financial liabilities measured at fair value through profit or loss		0,070
Financial liabilities designated at fair value through profit or loss	_	_
Financial liabilities at amortised cost - due to depositors	206,677	205,873
Financial liabilities at amortised cost - due to other borrowers		200,070
Due to subsidiaries		_
Retirement benefit obligations	2	23
Current tax liabilities	1,903	1,925
Deferred tax liabilities	249	133
Other provisions		155
Other liabilities	24.618	21.149
Total liabilities	384,098	417,766
Equity	304,030	417,700
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,473	2,473
Retained earnings	38,961	37,311
Other reserves	15,137	16,739
Total shareholders' equity	59,723	59,675
Non-controlling interests	-	- 00,070
Total equity	59,723	59,675
Total equity  Total equity and liabilities	443,821	477,441
rotal equity and liabilities	445,021	477,441
Contingent liabilities and commitments	544,690	612,583
Contingent incomine and communities	344,090	012,363
Memorandum information		
Number of employees	1,234	1.245
Number of branches	14	14
	14	

Analysis of loans and advances, commitments, contingencies and impairment		
	2019	Audited 2018
	As at 31 March	As at 31 December
Product-wise gross loans and advances	Rs.'Mn	Rs. 'Mn
By product - Domestic Currency		
Overdrafts	23.921	21.200
Term loans	38.012	41,094
Lease rentals receivable		
Credit cards	24,426	24,428
Pawning	1 - 1	
Other loans	22	131
Sub total	86,381	86,853
By product - Foreign Currency		
Overdrafts	13,060	14,659
Term loans	147,114	155,342
Guarantees	-	-
Bonds	-	-
Other loans	5,379	1,129
Sub total	165,553	171,130
Total	251,934	257,983

Product-wise commitments and contingencies		
By product - Domestic currency		
Guarantees	12,607	12,537
Bonds	2,641	3,237
Undrawn credit lines	82,107	81,155
Foreign exchange contracts	116,004	141,106
Other	169	247
Sub total	213,528	238,282
By product - Foreign Currency		
Guarantees	46,861	46,722
Bonds	10,054	9,946
Undrawn credit lines	95,768	102,086
Foreign exchange contracts	152,254	184,885
Other	26,225	30,662
Sub total	331,162	374,301
Total	544,690	612,583

Stage - wise impairment on loans and advances, commitments and contingencies	As at 31 March	As at 31 December
	Rs. 'Mn	Rs. 'Mn
Gross loans and advances, commitments and contingencies	796,624	870,566
Less: accumulated impairment under stage 1	(1,101)	(817)
accumulated impairment under stage 2	(593)	(610)
accumulated impairment under stage 3	(734)	(725)
Net value of loans and advances, commitments and contingencies	794,196	868,414
	2019	Audited 2018
Movements of impairment during the period	As at 31 March	As at 31 December
	Rs. 'Mn	Rs. 'Mn
Under stage 1		
Opening balance	817	-
Charge/(write back) to income statement	27	16
SLFRS 9 - Day 1 impact	-	719
Other movements	257	82
Closing balance	1,101	817
Under stage 2		
Opening balance	610	-
Charge/(write back) to income statement	(72)	(283)
SLFRS 9 - Day 1 impact	_	848
Other movements	55	45
Closing balance	593	610
Under stage 3		
Opening balance	725	767
Charge/(write back) to income statement	133	191
SLFRS 9 - Day 1 impact	-	236
Other movements	(124)	(469)
Closing balance	734	725
Total impairment	2.428	2.152

For the period ended 31 March 2019	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	14,546	-	_	14,546
Balances with Central Banks	6,088	-	_	6,088
Placements with banks	51,246	-	_	51,246
Derivative financial instruments	_	1,793	_	1,793
Loans and advances	249,941	-	_	249,94
Debt instruments	4,760	9,452	84,572	98,784
Equity instruments	_	-	-	
Acceptance and endorsements	6,536	-	-	6,536
Total financial assets	333,117	11,245	84,572	428,934
Liabilities				
Due to banks	148,192	_	_	148,192
Derivative financial instruments	_	2,457	_	2,45
Financial liabilities - due to depositors	206,677	-	-	206,67
Financial liabilities - due to other borrowers	_	-	_	
Acceptance and endorsements	6,536	-	_	6,530
Total financial liabilities	361,405	2,457	_	363,862

For the period ended 31 December 2018	Amortised cost Rs. 'Mn	Fair value through profit and loss Rs. 'Mn	Fair value through other comprehensive income Rs. 'Mn	Tota Rs. 'M
Assets				
Cash and cash equivalents	23,502	-	_	23,50
Balances with Central Banks	7,333	-	-	7,33
Placements with banks	49,386	-	-	49,38
Derivative financial instruments	-	4,467	_	4,46
Loans and advances	255,831	-	-	255,83
Debt instruments	5,308	11,517	100,949	117,77
Equity instruments	-	-	-	
Acceptance and endorsements	6,843	-	-	6,84
Total financial assets	348,203	15,984	100,949	465,13
Liabilities				
Due to banks	184,787	-	_	184,7
Derivative financial instruments	_	3,876	-	3,8
Financial liabilities - due to depositors	205,873	-	-	205,8
Financial liabilities - due to other borrowers	_	-	-	
Acceptance and endorsements	6,843	-	-	6,8
Total financial liabilities	397,503	3,876	_	401,3

				Statement of Changes	in Equity					
		Stated Capital/Assigned Capital			Reserves					
For the period ended 31 March 2019 (In Rupee Millions)	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	Total Rs. 'Mn		Tota equity Rs. ′Mr
Balance as at 01/01/2019 (Opening balance)	-	-	3,152	2,473	2,558	37,311	14,181	59,675	-	59,675
Total comprehensive income for the year										
Profit/(loss) for the year (net of tax)	-	-	-	-	-	1,180	-	1,180	-	1,180
Other comprehensive income (net of tax)	-	-	-	-	-	-	(1,139)	(1,139)	-	(1,139
Total comprehensive income for the year	-	-	-	-	-	1,180	(1,139)	41	-	41
Transactions with equity holders recognised directly in equity										
Share issue/increase of assigned capital	_	-	-	-	-	-	-	_	-	-
Transfer to reserves during the period	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office	-	-	-	-	-	-	-	_	-	-
Gain/(loss) on revaluation of property, plant and equipment										
(if cost method is adopted)	-	-	-	-	-	-	-	_	-	-
Others	-	-	-	-	(1)	471	(463)	7	-	7
Total transactions with equity holders	-	-	-	-	(1)	471	(463)	7	-	7
Balance as at 31/03/2019 (Closing balance)	-	-	3,152	2,473	2,557	38,962	12,579	59,723	-	59,723

The financial information summarised above for the three months ended 31 March 2019 is drawn up from the un-audited accounts of the Bank, prepared according to the Sri Lankan Accounting Standards. (SLFRS/LKAS).

We, the undersigned, being the Chief Executive Officer and the 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) Chief Financial Officer