

# 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	2019	2018
For the period ended 31 March	Rs. 'Mn	Rs. 'Mn
Interest income	7,907	7,316
Interest expenses	(3,341)	(2,554)
<b>Net interest income</b>	<b>4,566</b>	<b>4,762</b>
Fee and commission income	1,002	917
Fee and commission expenses	(320)	(213)
<b>Net fee and commission income</b>	<b>682</b>	<b>704</b>
Net gains/(losses) on trading	441	412
Net fair value gains/(losses) on:		
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 amortised cost	-	-
at fair value through other comprehensive income	84	-
Net other operating income	10	7
<b>Total operating income</b>	<b>5,699</b>	<b>5,969</b>
Impairment charges	(271)	(14)
<b>Net operating income</b>	<b>5,428</b>	<b>5,955</b>
Personal expenses	(985)	(879)
Depreciation and amortisation expenses	(97)	(71)
Other expenses	(1,878)	(1,622)
<b>Operating profit/(loss) before taxes on financial services</b>	<b>2,468</b>	<b>3,383</b>
Value added tax (VAT) on financial services	(387)	(460)
Nation Building Tax (NBT) on financial services	(54)	(48)
<b>Operating profit/(loss) after taxes on financial services</b>	<b>2,027</b>	<b>2,875</b>
Share of profits of associates and joint ventures	-	-
<b>Profit/(loss) before tax</b>	<b>2,027</b>	<b>2,875</b>
Tax expenses	(847)	(1,144)
<b>Profit/(loss) for the period</b>	<b>1,180</b>	<b>1,731</b>
<b>Profit attributable to:</b>		
equity holders of the parent	1,180	1,731
non-controlling interests	-	-

Statement of Comprehensive Income	2019	2018
For the period ended 31 March	Rs. 'Mn	Rs. 'Mn
<b>Profit/(loss) for the year</b>	<b>1,180</b>	<b>1,731</b>
<b>Items that will be reclassified to income statement</b>		
Exchange differences on translation of foreign operations	(1,457)	(769)
Net gains/(losses) on cash flow hedges	-	-
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)
	(1,139)	(2,215)
<b>Items that will not be reclassified to profit or loss</b>		
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
<b>Other comprehensive income for the period, net of taxes</b>	<b>(1,139)</b>	<b>(1,219)</b>
<b>Total comprehensive income for the period</b>	<b>41</b>	<b>512</b>
<b>Attributable to:</b>		
equity holders of the parent	41	512
non-controlling interests	-	-

Statement of Financial Position	2019	Audited 2018
	As at 31 March	As at 31 December
	Rs. 'Mn	Rs. 'Mn
<b>Assets</b>		
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	256,831
Financial assets at amortised cost - debt instruments	4,760	5,308
Financial assets measured at fair value through other comprehensive income	84,572	100,949
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	4,714	4,790
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	-	-
Other assets	16,709	14,358
<b>Total assets</b>	<b>443,821</b>	<b>477,441</b>
<b>Liabilities</b>		
Due to banks	148,192	184,787
Derivative financial instruments	2,457	3,876
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	206,677	205,873
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	2	23
Current tax liabilities	1,903	1,925
Deferred tax liabilities	249	133
Other provisions	-	-
Other liabilities	24,618	21,149
<b>Total liabilities</b>	<b>384,098</b>	<b>417,766</b>
<b>Equity</b>		
Statutory reserve fund	3,152	3,152
Retained earnings	2,473	2,473
Other reserves	38,961	37,311
<b>Total shareholders' equity</b>	<b>59,723</b>	<b>59,723</b>
Non-controlling interests	-	-
<b>Total equity</b>	<b>59,723</b>	<b>59,723</b>
<b>Total equity and liabilities</b>	<b>443,821</b>	<b>477,441</b>
<b>Contingent liabilities and commitments</b>	<b>544,690</b>	<b>612,583</b>
<b>Memorandum information</b>		
Number of employees	1,234	1,245
Number of branches	14	14

Selected Performance Indicators	2019	Audited 2018
	As at 31 March	As at 31 December
<b>Regulatory Capital Adequacy (LKR Millions)</b>		
Common Equity Tier 1	53,370	51,904
Core (Tier 1) Capital	53,370	51,904
Total Capital Base	54,420	52,953
<b>Regulatory Capital Ratios</b>		
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%
<b>As at 31 March</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>As at 31 March 2019</b>	<b>As at 31 December 2018</b>
<b>Regulatory Liquidity</b>		
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%
<b>Assets Quality (Quality of Loan Portfolio)</b>		
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%
<b>Profitability</b>		
Interest Margin	4.11%	4.26%
Return on Assets (before tax)	1.83%	2.32%
Return on Equity	7.90%	11.18%

Note: Profitability ratios for 2019 are based on SLFRS data

Analysis of loans and advances, commitments, contingencies and impairment	2019	Audited 2018
	As at 31 March	As at 31 December
	Rs. 'Mn	Rs. 'Mn
<b>Product-wise gross loans and advances</b>		
<b>By product - Domestic Currency</b>		
Overdrafts	23,921	21,200
Term loans	38,012	41,094
Lease rentals receivable	-	-
Credit cards	24,426	24,428
Pawning	-	-
Other loans	22	131
<b>Sub total</b>	<b>86,381</b>	<b>86,853</b>
<b>By product - Foreign Currency</b>		
Overdrafts	13,060	14,659
Term loans	147,114	156,342
Guarantees	-	-
Bonds	-	-
Other loans	5,379	1,129
<b>Sub total</b>	<b>165,553</b>	<b>171,130</b>
<b>Total</b>	<b>251,934</b>	<b>257,983</b>

Product-wise commitments and contingencies	2019	Audited 2018
	As at 31 March	As at 31 December
	Rs. 'Mn	Rs. 'Mn
<b>By product - Domestic currency</b>		
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
<b>Sub total</b>	<b>213,528</b>	<b>238,282</b>
<b>By product - Foreign Currency</b>		
Guarantees	46,861	46,722
Bonds	19,054	9,946
Undrawn credit lines	95,768	102,086
Foreign exchange contracts	152,254	184,885
Other	26,225	30,662
<b>Sub total</b>	<b>331,162</b>	<b>374,301</b>
<b>Total</b>	<b>544,690</b>	<b>612,583</b>

Statement of Cash Flows	2019	Audited 2018
	As at 31 March	As at 31 December
	Rs. 'Mn	Rs. 'Mn
<b>Cash flows from operating activities</b>		
Interest receipts	9,284	30,309
Interest payments	(2,795)	(10,275)
Net commission receipts	682	3,040
Trading income	441	1,776
Payments to employees	(980)	(3,832)
VAT & NBT on financial services	(533)	(2,432)
Receipts from other operating activities	80	697
Payments to other operating activities	(1,842)	(6,612)
<b>Operating profit before change in operating assets and liabilities</b>	<b>4,337</b>	<b>12,671</b>
<b>Increase/(decrease) in operating assets</b>		
Balances with Central Bank of Sri Lanka	1,245	432
Financial assets at amortised cost - loans and advances	2,404	(63,293)
Treasury bills & bonds	19,436	36,240
Other assets	156	(2,912)
	23,241	(29,533)
<b>Increase/(decrease) in operating liabilities</b>		
Financial liabilities at amortised cost - due to depositors	803	25,148
Financial liabilities at amortised cost - due to other borrowers	(36,595)	9,386
Other liabilities	1,899	3,792
	(33,893)	38,326
<b>Net cash generated from operating activities before income tax</b>	<b>(6,315)</b>	<b>21,464</b>
Income tax paid	(860)	(4,376)
<b>Net cash (used in)/from operating activities</b>	<b>(7,175)</b>	<b>17,088</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(5)	(281)
Proceeds from sale of property, plant & equipment	-	23
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 investments in subsidiaries and associates	-	-
Others	-	-
<b>Net cash (used in)/from investing activities</b>	<b>(5)</b>	<b>(258)</b>
<b>Cash flows from financing activities</b>		
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	-	(5,035)
<b>Net cash (used in)/from financing activities</b>	<b>-</b>	<b>(5,035)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(7,180)</b>	<b>11,795</b>
Cash and cash equivalents at the beginning of the period	23,502	7,721
Exchange difference in respect of cash and cash equivalents	(1,776)	3,986
<b>Cash and cash equivalents at the end of the period</b>	<b>14,546</b>	<b>23,502</b>

Analysis of Financial Instruments by Measurement Basis				
For the period ended 31 March 2019	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Total
	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn
<b>Assets</b>				
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	-	-	249,941
Debt instruments	4,760	9,452	84,572	98,784
Equity instruments	-	-	-	-
Acceptance and endorsements	6,536	-	-	6,536
<b>Total financial assets</b>	<b>333,117</b>	<b>11,245</b>	<b>84,572</b>	<b>428,934</b>
<b>Liabilities</b>				
Due to banks	148,192	-	-	148,192
Derivative financial instruments	-	2,457	-	2,457
Financial liabilities - due to depositors	206,677	-	-	206,677
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	6,536	-	-	6,536
<b>Total financial liabilities</b>	<b>361,405</b>	<b>2,457</b>	<b>-</b>	<b>363,862</b>

Analysis 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
	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn
<b>Assets</b>				
Cash and cash equivalents	23,502	-	-	23,502
Balances with Central Banks	7,333	-	-	7,333
Placements with banks	49,386	-	-	49,386
Derivative financial instruments	-	4,467	-	4,467
Loans and advances	255,831	-	-	255,831
Debt instruments	5,308	11,517	100,949	117,774
Equity instruments	-	-	-	-
Acceptance and endorsements	6,843	-	-	6,843
<b>Total financial assets</b>	<b>348,203</b>	<b>15,984</b>	<b>100,949</b>	<b>465,136</b>
<b>Liabilities</b>				
Due to banks	184,787	-	-	184,787
Derivative financial instruments	-	3,876	-	3,876
Financial liabilities - due to depositors	205,873	-	-	205,873
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	6,843	-	-	6,843
<b>Total financial liabilities</b>	<b>397,503</b>	<b>3,876</b>	<b>-</b>	<b>401,379</b>

Statement of Changes in Equity												
For the period ended 31 March 2019 (In Rupee Millions)	Stated Capital/Assigned Capital			Reserves						Total	Non-controlling interest	Total equity
	Ordinary voting shares	Ordinary non-voting shares	Assigned capital	Reserve fund	Revaluation reserve	Retained earnings	Other reserves	Total				
	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	
Balance as at 01/01/2019 (Opening balance)	-	-	3,152	2,473	2,558	37,311	14,181	-	59,675	-	59,675	
Total comprehensive income for the year	-	-	-	-	-	-	1,180	-	1,18			