

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.

Summarised Income Statement		
For the period ended 30 September	2019 Rs. 'Mn	2018 Rs. 'Mn
Interest income	23,474	21,834
Interest expenses	(9,388)	(8,026)
Net interest income	14,086	13,808
Fee and commission income	3,083	2,816
Fee and commission expenses	(909)	(655)
Net fee and commission income	2,174	2,161
Net gains/(losses) from trading	965	1,317
Net fair value gains/(losses) on:		
Financial assets at fair value through profit or loss	5	(92)
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	380	312
Net other operating income	33	23
Total operating income	17,643	17,529
Impairment charges	(511)	(149)
Net operating income	17,132	17,380
Personal expenses	(3,023)	(2,831)
Depreciation and amortisation expenses	(407)	(219)
Other expenses	(5,741)	(4,743)
Operating profit/(loss) before VAT & NBT on financial services	7,961	9,587
Value added tax (VAT) on financial services	(1,225)	(1,438)
Nation Building Tax (NBT) on financial services	(166)	(203)
Operating profit/(loss) after VAT & NBT on financial services	6,570	7,946
Share of profits of associates and joint ventures	-	-
Profit/(loss) before tax	6,570	7,946
Income tax expenses	(2,276)	(3,399)
Profit/(loss) for the period	4,294	4,547
Profit attributable to:		
Equity holders of the parent	4,294	4,547
Non-controlling interests	-	-

Statement of Cash Flows		
	2019 As at 30 September Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Cash flows from operating activities		
Interest receipts	24,940	30,309
Interest payments	(7,991)	(10,275)
Net commission receipts	1,264	3,040
Trading income	1,350	1,776
Payments to employees	(3,013)	(3,832)
VAT & NBT on financial services	(2,148)	(2,432)
Receipts from other operating activities	251	697
Payments to other operating activities	(4,701)	(6,612)
Operating profit before change in operating assets and liabilities	9,952	12,671
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	(570)	432
Financial assets at amortised cost - loans and advances	(13,573)	(63,293)
Treasury bills & bonds	3,917	36,240
Other assets	954	(2,912)
	(9,272)	(29,533)
Increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	520	25,148
Financial liabilities at amortised cost - due to other borrowers	(7,659)	9,386
Other liabilities	(5,016)	3,792
	(12,155)	38,326
Net cash generated from operating activities before income tax	(11,475)	21,464
Income tax paid	(3,127)	(4,376)
Net cash (used in)/from operating activities	(14,602)	17,088
Cash flows from investing activities		
Purchase of property, plant & equipment	(67)	(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	-	-
Net cash (used in)/from investing activities	(67)	(258)
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	-	(5,035)
Net cash (used in)/from financing activities	-	(5,035)
Net increase/(decrease) in cash and cash equivalents	(14,669)	11,795
Cash and cash equivalents at the beginning of the period	23,502	7,721
Exchange difference in respect of cash and cash equivalents	(75)	3,986
Cash and cash equivalents at the end of the period	8,758	23,502

Statement of Comprehensive Income		
For the period ended 30 September	2019 Rs. 'Mn	2018 Rs. 'Mn
Profit/(loss) for the year	4,294	4,547
Items that will be reclassified to income statement		
Exchange differences on translation of foreign operations	(59)	1,542
Net gains/(losses) on cash flow hedges	-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	1,156	(1,306)
Share of profits of associates and joint ventures	-	-
Debt instruments at fair value through other comprehensive income	-	-
Others	-	-
Less: Tax expense relating to items that will be reclassified to income statement	(324)	366
	773	602
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	-	-
Re-measurement of post-employment benefit obligations	12	(22)
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	-	-
	12	(22)
Other comprehensive income for the period, net of taxes	785	580
Total comprehensive income for the period	5,079	5,127
Attributable to:		
Equity holders of the parent	5,079	5,127
Non-controlling interests	-	-

Selected Performance Indicators		
	2019 As at 30 September	Audited 2018 As at 31 December
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	52,783	51,904
Core (Tier 1) Capital	52,783	51,904
Total Capital Base	55,000	52,953
Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)	15.21%	15.16%
Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	15.21%	15.16%
Total Capital Ratio (Minimum Requirement, 12.5%)	15.84%	15.47%
Regulatory Liquidity	2019 As at 30 September	Unaudited 2018 As at 31 December
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	106,418	115,206
Off-shore banking unit	73,873	70,116
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	48.68%	54.33%
Off-shore banking unit	43.61%	39.38%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	79,125	57,248
All currency	79,249	57,361
Liquidity Coverage Ratio		
Rupee (Minimum Requirement 2019 - 100%; 2018 - 90%)	202.68%	150.18%
All currency (Minimum Requirement 2019 - 100%; 2018 - 90%)	368.46%	275.03%
Net Stable Funding Ratio - (Minimum Requirement - 90%)	119.42%	119.09%
Leverage ratio - (Minimum Requirement - 3%)	10.10%	8.45%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio (net of interest in suspense)	0.67%	0.69%
Net Non-Performing Advances Ratio (net of interest in suspense and provisions)	0.51%	0.52%
Profitability		
Interest Margin	4.16%	4.26%
Return on Assets (before tax)	1.94%	2.32%
Return on Equity	9.16%	11.18%

Note: Profitability ratios for 2019 are based on SLFRS data

Analysis of Deposits		
	2019 30 September Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	16,986	15,579
Savings deposits	27,393	20,869
Fixed deposits	74,871	63,980
Other deposits	2,943	2,186
Sub total	122,193	102,614
By product - Foreign Currency		
Demand deposits (current accounts)	30,957	54,488
Savings deposits	19,519	19,435
Fixed deposits	29,746	26,026
Other deposits	3,978	3,310
Sub total	84,200	103,259
Total	206,393	205,873

Statement of Financial Position		
	2019 As at 30 September Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Assets		
Cash and cash equivalents	8,758	23,502
Balances with central bank	7,903	7,333
Placements with banks	44,075	49,386
Derivative financial instruments	930	4,467
Financial assets measured at fair value through profit or loss	5,972	11,517
Financial assets designated at fair value through profit or loss	-	-
Financial assets at amortised cost - loans and advances	274,316	255,831
Financial assets at amortised cost - debt instruments	4,769	5,308
Financial assets measured at fair value through other comprehensive income	104,285	100,949
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	4,721	4,790
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	-	-
Other assets	15,248	14,358
Total assets	470,977	477,441
Liabilities		
Due to banks	177,127	184,787
Derivative financial instruments	1,278	3,876
Financial liabilities measured at fair value through profit or loss	-	-
Financial assets designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost - due to depositors	206,393	205,873
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	-	23
Current tax liabilities	1,228	1,925
Deferred tax liabilities	428	133
Other provisions	-	-
Other liabilities	19,895	21,149
Total liabilities	406,349	417,766
Equity		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,473	2,473
Retained earnings	42,079	37,311
Other reserves	16,924	16,739
Total shareholders' equity	64,628	59,675
Non-controlling interests	-	-
Total equity	64,628	59,675
Total equity and liabilities	470,977	477,441
Contingent liabilities and commitments	500,485	612,583
Memorandum information		
Number of employees	1,234	1,245
Number of branches	14	14

Analysis of loans and advances, commitments, contingencies and impairment		
	2019 As at 30 September Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Product-wise gross loans and advances		
By product - Domestic Currency		
Overdrafts	21,723	21,200
Term loans	49,902	41,094
Lease rentals receivable	-	-
Credit cards	25,659	24,428
Pawning	-	-
Other loans	3,237	131
Sub total	100,521	86,853
By product - Foreign Currency		
Overdrafts	17,680	14,659
Term loans	142,853	155,342
Guarantees	-	-
Bonds	-	-
Other loans	15,194	1,129
Sub total	175,727	171,130
Total	276,248	257,983
Product-wise commitments and contingencies		
By product - Domestic currency		
Guarantees	16,333	12,537
Bonds	6,417	3,237
Undrawn credit lines	88,131	81,155
Foreign exchange contracts	87,289	141,106
Other	212	-
Sub total	198,382	238,282
By product - Foreign Currency		
Guarantees	50,923	46,722
Bonds	10,899	9,946
Undrawn credit lines	88,603	102,086
Foreign exchange contracts	124,215	184,885
Other	27,463	30,662
Sub total	302,103	374,301
Total	500,485	612,583

Stage - wise impairment on loans and advances, commitments and contingencies		
	2019 As at 30 September Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Gross loans and advances, commitments and contingencies	776,733	870,565
Less: accumulated impairment under stage 1	(887)	(917)
accumulated impairment under stage 2	(445)	(610)
accumulated impairment under stage 3	(800)	(725)
Net value of loans and advances, commitments and contingencies	774,801	868,414
Movements of impairment during the period 30 th September	2019 As at 30 September Rs. 'Mn	Audited 2018 As at 31 December Rs. 'Mn
Under stage 1		
Opening balance	817	-
Charge/(write back) to income statement	(60)	16
SLFRS 9 - Day 1 impact	-	719
Other movements	(170)	82
Closing balance	667	817
Under stage 2		
Opening balance	610	-
Charge/(write back) to income statement	(205)	(283)
SLFRS 9 - Day 1 impact	-	848
Other movements	40	45
Closing balance	445	610
Under stage 3		
Opening balance	725	767
Charge/(write back) to income statement	218	191
SLFRS 9 - Day 1 impact	-	236
Other movements	(143)	(468)
Closing balance	800	725
Total impairment	1,892	2,162

Analysis of Financial Instruments by Measurement Basis				
For the period ended 30 September 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	8,758	-	-	8,758
Balances with Central Banks	7,903	-	-	7,903
Placements with banks	44,075	-	-	44,075
Derivative financial instruments	-	930	-	930
Loans and advances	274,316	-	-	274,316
Debt instruments	4,769	5,972	104,285	115,026
Equity instruments	-	-	-	-
Acceptance and endorsements	6,592	-	-	6,592
Total financial assets	346,413	6,902	104,285	457,600
Liabilities				
Due to banks	177,127	-	-	177,127
Derivative financial instruments	-	1,278	-	1,278
Financial liabilities - due to depositors	206,393	-	-	206,393
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	6,592	-	-	6,592
Total financial liabilities	390,112	1,278	-	391,390

Analysis of Financial Instruments by Measurement Basis				
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	Total Rs. 'Mn
Assets				
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
Total financial assets	348,203	15,984	100,949	465,136
Liabilities				
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
Total financial liabilities	397,503	3,876	-	401,379

Statement of Changes in Equity										
For the Period Ended 30 September 2019	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 01/01/2019 (Opening balance)	-	-	3,152	2,473	2,558	37,311	14,181	59,675	-	59,675
Total comprehensive income for the year	-	-	-	-	-	4,294	-	4,294	-	4,294
Profit/(loss) for the year (net of tax)	-	-	-	-	-	4,294	-	4,294	-	4,294
Other comprehensive income (net of tax)	-	-	-	-	-	12	773	785	-	785
Total comprehensive income for the year	-	-	-	-	-	4,306	773	5,079	-	5,079
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	-	-	-	-	(223)	462	(365)	(126)	-	(126)
Total transactions with equity holders	-	-	-	-	(223)	462	(365)	(126)	-	(126)
Balance as at 30/09/2019 (Closing balance)	-	-	3,152	2,473	2,335	42,079	14,589	64,628	-	64,628