

# 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 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
Interest income	31,075	29,657
Interest expenses	(12,441)	(11,212)
<b>Net interest income</b>	<b>18,634</b>	<b>18,445</b>
Fee and commission income	4,233	4,047
Fee and commission expenses	(1,280)	(1,006)
<b>Net fee and commission income</b>	<b>2,953</b>	<b>3,041</b>
Net gains/(losses) from trading	1,075	1,446
Net fair value gains/(losses) on:		
Financial assets at fair value through profit or loss	292	330
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	43	60
<b>Total operating income</b>	<b>23,377</b>	<b>23,634</b>
Impairment charges	(810)	(169)
<b>Net operating income</b>	<b>22,567</b>	<b>23,465</b>
Personal expenses	(4,019)	(3,853)
Depreciation and amortisation expenses	(561)	(300)
Other expenses	(7,937)	(7,060)
<b>Operating profit/(loss) before VAT &amp; NBT on financial services</b>	<b>10,050</b>	<b>12,252</b>
Value added tax (VAT) on financial services	(1,526)	(1,927)
Nation Building Tax (NBT) on financial services	(197)	(269)
<b>Operating profit/(loss) after VAT &amp; NBT on financial services</b>	<b>8,327</b>	<b>10,056</b>
Share of profits of associates and joint ventures	-	-
<b>Profit/(loss) before tax</b>	<b>8,327</b>	<b>10,056</b>
Income tax expenses	(2,082)	(3,935)
<b>Profit/(loss) for the period</b>	<b>6,245</b>	<b>6,121</b>
<b>Profit attributable to:</b>		
Equity holders of the parent	6,245	6,121
Non-controlling interests	-	-

Statement of Cash Flows		
As at 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
<b>Cash flows from operating activities</b>		
Interest receipts	32,203	30,309
Interest payments	(10,629)	(10,275)
Net commission receipts	1,673	3,040
Trading income	1,747	1,776
Payments to employees	(4,005)	(3,832)
VAT & NBT on financial services	(1,649)	(2,432)
Receipts from other operating activities	343	697
Payments to other operating activities	(7,776)	(6,547)
<b>Operating profit before change in operating assets and liabilities</b>	<b>11,907</b>	<b>12,736</b>
<b>(Increase)/decrease in operating assets</b>		
Balances with Central Bank of Sri Lanka	(2,407)	432
Financial assets at amortised cost - loans and advances	21,066	(63,293)
Treasury bills & bonds	3,709	36,240
Other assets	730	(2,984)
	23,098	(29,605)
<b>Increase/(decrease) in operating liabilities</b>		
Financial liabilities at amortised cost - due to depositors	3,932	25,148
Financial liabilities at amortised cost - due to other borrowers	(14,187)	9,386
Other liabilities	(7,186)	3,792
	(17,441)	38,326
<b>Net cash generated from operating activities before income tax</b>	<b>17,564</b>	<b>21,457</b>
Income tax paid	(4,835)	(4,376)
<b>Net cash (used in)/from operating activities</b>	<b>12,729</b>	<b>17,081</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(531)	(281)
Proceeds from sale of property, plant & equipment	337	23
Purchase of financial investments	-	-
Proceeds from sale and maturity of financial investments	-	-
Others	-	-
<b>Net cash (used in)/from investing activities</b>	<b>(194)</b>	<b>(258)</b>
<b>Cash flows from financing activities</b>		
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>12,535</b>	<b>11,788</b>
Cash and cash equivalents at the beginning of the period	23,502	7,721
Exchange difference in respect of cash and cash equivalents	(2,051)	3,993
Cash and cash equivalents at the end of the period	33,986	23,502

Statement of Comprehensive Income		
For the period ended 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
<b>Profit/(loss) for the year</b>	<b>6,245</b>	<b>6,121</b>
<b>Items that will be reclassified to income statement</b>		
Exchange differences on translation of foreign operations	(188)	3,921
Net gains/(losses) on cash flow hedges	-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	1,325	(1,655)
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	(371)	463
	766	2,729
<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	-	-
Re-measurement of post-employment benefit obligations	(125)	34
Changes in revaluation surplus/(deficit)	(126)	873
Share of profits of associates and joint ventures	-	-
Less: Tax expense relating to items that will not be reclassified to income statement	72	(852)
	(179)	55
<b>Other comprehensive income for the period, net of taxes</b>	<b>587</b>	<b>2,784</b>
<b>Total comprehensive income for the period</b>	<b>6,832</b>	<b>8,905</b>
<b>Attributable to:</b>		
Equity holders of the parent	6,832	8,905
Non-controlling interests	-	-

Selected Performance Indicators		
As at 31 December	2019	2018
<b>Regulatory Capital Adequacy (LKR Millions)</b>		
Common Equity Tier 1	57,269	51,904
Core (Tier 1) Capital	57,269	51,904
Total Capital Base	59,489	52,953
<b>Regulatory Capital Ratios</b>		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)	16.85%	15.16%
Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	16.85%	15.16%
Total Capital Ratio (Minimum Requirement, 12.5%)	17.51%	15.47%
<b>As at 31 December</b>	<b>Unaudited 2019</b>	<b>Unaudited 2018</b>
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	107,236	115,206
Off-shore banking unit	77,675	70,116
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	50.14%	54.33%
Off-shore banking unit	44.69%	39.38%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	78,955	57,248
All currency	79,079	57,361
Liquidity Coverage Ratio		
Rupee (Minimum Requirement 2019 - 100%; 2018 - 90%)	231.15%	150.18%
All currency (Minimum Requirement 2019 - 100%; 2018 - 90%)	360.57%	275.03%
Net Stable Funding Ratio - (Minimum Requirement - 100%)	121.44%	119.09%
Leverage ratio - (Minimum Requirement - 3%)	9.53%	8.45%
<b>Assets Quality (Quality of Loan Portfolio)</b>		
Gross Non-Performing Advances Ratio (net of interest in suspense)	0.57%	0.69%
Net Non-Performing Advances Ratio (net of interest in suspense and provisions)	0.51%	0.52%
<b>Profitability</b>		
Interest Margin	4.09%	4.26%
Return on Assets (before tax)	1.83%	2.32%
Return on Equity	9.83%	11.18%

Note: Profitability ratios are based on SLFRS data

Analysis of Deposits		
As at 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
<b>By product - Domestic Currency</b>		
Demand deposits (current accounts)	21,545	15,579
Savings deposits	24,414	20,869
Fixed deposits	68,367	63,980
Other deposits	2,136	2,186
<b>Sub total</b>	<b>116,462</b>	<b>102,614</b>
<b>By product - Foreign Currency</b>		
Demand deposits (current accounts)	33,935	54,488
Savings deposits	23,514	19,435
Fixed deposits	32,371	26,026
Other deposits	3,523	3,310
<b>Sub total</b>	<b>93,343</b>	<b>103,259</b>
<b>Total</b>	<b>209,805</b>	<b>205,873</b>

Statement of Financial Position		
As at 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
<b>Assets</b>		
Cash and cash equivalents	33,986	23,502
Balances with central bank	9,740	7,333
Placements with banks	27,215	49,386
Derivative financial instruments	812	4,467
Financial assets measured at fair value through profit or loss	4,751	11,517
Financial assets designated at fair value through profit or loss	-	-
Financial assets at amortised cost - loans and advances	260,155	255,831
Financial assets at amortised cost - debt instruments	3,088	5,308
Financial assets measured at fair value through other comprehensive income	107,855	100,949
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	5,213	4,790
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	-	-
Other assets	14,518	14,358
<b>Total assets</b>	<b>467,333</b>	<b>477,441</b>
<b>Liabilities</b>		
Due to banks	170,600	184,787
Derivative financial instruments	1,053	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	209,805	205,873
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	79	23
Current tax liabilities	358	1,925
Deferred tax liabilities	366	133
Other provisions	-	-
Other liabilities	18,445	21,149
<b>Total liabilities</b>	<b>400,706</b>	<b>417,766</b>
<b>Equity</b>		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,598	2,473
Retained earnings	45,105	37,311
Other reserves	15,772	16,739
<b>Total shareholders' equity</b>	<b>66,627</b>	<b>59,675</b>
Non-controlling interests	-	-
<b>Total equity</b>	<b>66,627</b>	<b>59,675</b>
<b>Total equity and liabilities</b>	<b>467,333</b>	<b>477,441</b>
<b>Contingent liabilities and commitments</b>	<b>493,622</b>	<b>612,583</b>
<b>Memorandum information</b>		
Number of employees	1,224	1,245
Number of branches	14	14

Analysis of loans and advances, commitments, contingencies and impairment		
As at 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
<b>Product-wise gross loans and advances</b>		
<b>By product - Domestic Currency</b>		
Overdrafts	19,061	21,200
Term loans	49,294	41,094
Lease rentals receivable	-	-
Credit cards	26,038	24,428
Pawning	-	-
Other loans	27	131
<b>Sub total</b>	<b>94,420</b>	<b>86,853</b>
<b>By product - Foreign Currency</b>		
Overdrafts	17,850	14,659
Term loans	134,715	155,342
Guarantees	-	-
Bonds	-	-
Other loans	14,877	1,129
<b>Sub total</b>	<b>167,442</b>	<b>171,130</b>
<b>Total</b>	<b>261,862</b>	<b>257,983</b>

Product-wise commitments and contingencies		
As at 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
<b>By product - Domestic currency</b>		
Guarantees	19,588	12,537
Bonds	7,182	3,237
Undrawn credit lines	89,014	81,155
Foreign exchange contracts	72,468	141,106
Other	361	247
<b>Sub total</b>	<b>188,613</b>	<b>238,282</b>
<b>By product - Foreign Currency</b>		
Guarantees	51,406	46,722
Bonds	12,829	9,946
Undrawn credit lines	82,408	102,086
Foreign exchange contracts	129,754	184,885
Other	28,612	30,662
<b>Sub total</b>	<b>305,009</b>	<b>374,301</b>
<b>Total</b>	<b>493,622</b>	<b>612,583</b>

Stage-wise impairment on loans & advances		
As at 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
<b>Gross loans and advances</b>	<b>261,862</b>	<b>257,983</b>
Less: accumulated impairment under stage 1	(661)	(617)
accumulated impairment under stage 2	(507)	(610)
accumulated impairment under stage 3	(539)	(725)
<b>Net value of loans and advances</b>	<b>260,155</b>	<b>255,831</b>

Movement of impairment during the period		
As at 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
<b>Under stage 1</b>		
Opening balance	817	-
Charge/(write back) to income statement	(151)	16
SLFRS 9 - Day 1 impact	-	719
Other movements	(6)	82
Closing balance	661	817
<b>Under stage 2</b>		
Opening balance	610	-
Charge/(write back) to income statement	(91)	(283)
SLFRS 9 - Day 1 impact	-	848
Other movements	(12)	45
Closing balance	507	610
<b>Under stage 3</b>		
Opening balance	725	767
Charge/(write back) to income statement	(180)	191
SLFRS 9 - Day 1 impact	-	236
Other movements	(6)	(469)
Closing balance	539	725
<b>Total impairment</b>	<b>1,707</b>	<b>2,152</b>

Stage-wise impairment on commitments and contingencies		
As at 31 December	2019 Rs. 'Mn	2018 Rs. 'Mn
<b>Commitments and contingencies</b>	<b>493,622</b>	<b>612,583</b>
Less: accumulated impairment under stage 1	(31)	(71)
accumulated impairment under stage 2	(32)	(6)
accumulated impairment under stage 3	-	-
<b>Net commitments and contingencies</b>	<b>493,559</b>	<b>612,506</b>

Analysis of Financial Instruments by Measurement Basis				
In Rupee Millions For the period ended 31 December 2019	Amortised cost Rs. 'Mn	Fair value through profit and loss Rs. 'Mn	Fair value through other comprehensive income Rs. 'Mn	Total Rs. 'Mn
<b>Assets</b>				
Cash and cash equivalents	33,986	-	-	33,986
Balances with Central Banks	9,740	-	-	9,740
Placements with banks	27,215	-	-	27,215
Derivative financial instruments	-	812	-	812
Loans and advances	260,155	-	-	260,155
Debt instruments	3,088	4,751	107,855	115,694
Equity instruments	-	-	-	-
Acceptance and endorsements	6,349	-	-	6,349
<b>Total financial assets</b>	<b>340,533</b>	<b>5,563</b>	<b>107,855</b>	<b>453,951</b>
<b>Liabilities</b>				
Due to banks	170,600	-	-	170,600
Derivative financial instruments	-	1,053	-	1,053
Financial liabilities - due to depositors	209,805	-	-	209,805
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	6,349	-	-	6,349
<b>Total financial liabilities</b>	<b>386,754</b>	<b>1,053</b>		