

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 June	2020 Rs. 'Mn	2019 Rs. 'Mn
Interest income	14,570	15,566
Interest expenses	(5,327)	(6,279)
Net interest income	9,243	9,287
Fee and commission income	1,495	2,019
Fee and commission expenses	(496)	(602)
Net fee and commission income	999	1,417
Net gains/(losses) from trading	(89)	596
Net fair value gains/(losses) on: Financial assets at fair value through profit or loss Financial liabilities at fair value through profit or loss	570	233
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	172	377
Net other operating income	14	19
Total operating income	10,909	11,929
Impairment charges	(2,709)	(523)
Net operating income	8,200	11,406
Personal expenses	(1,897)	(2,074)
Depreciation and amortisation expenses	(331)	(227)
Other expenses	(3,312)	(3,725)
Operating profit/(loss) before VAT & NBT on financial services	2,660	5,380
Value added tax (VAT) on financial services	(205)	(830)
Nation Building Tax (NBT) on financial services	-	(118)
Operating profit/(loss) after VAT & NBT on financial services	2,455	4,432
Share of profits of associates and joint ventures	-	-
Profit/(loss) before tax	2,455	4,432
Income tax expenses	(250)	(1,768)
Profit/(loss) for the period	2,205	2,664
Profit attributable to: Equity holders of the parent Non-controlling interests	2,205 -	2,664 -

Statement of Comprehensive Income		
For the period ended 30 June	2020 Rs. 'Mn	2019 Rs. 'Mn
Profit/(loss) for the year	2,205	2,664
Items that will be reclassified to income statement		
Exchange differences on translation of foreign operations	1,013	(372)
Net gains/(losses) on cash flow hedges	-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	(456)	1,097
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	128	(80)
	685	645
Items that will not be reclassified to income statement		
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	17	-
Changes in revaluation surplus/(deficit)	-	-
Share of profits of associates and joint ventures	-	-
Others	-	-
Less: Tax expense relating to items that will not be reclassified to income statement	-	(1)
	17	(1)
Other comprehensive income for the period, net of taxes	702	644
Total comprehensive income for the period	2,907	3,308
Attributable to: Equity holders of the parent Non-controlling interests	2,907 -	3,308 -

Selected Performance Indicators		
	2020 As at 30 June	Audited 2019 As at 31 December
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	59,513	57,269
Core (Tier 1) Capital	59,513	57,269
Total Capital Base	62,816	59,489
Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)	17.73%	16.85%
Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	17.73%	16.85%
Total Capital Ratio (Minimum Requirement, 12.5%)	18.72%	17.51%
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	113,457	107,236
Off-shore banking unit	35,531	77,675
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	47.29%	50.14%
Off-shore banking unit	21.24%	44.69%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	97,145	78,955
All currency	97,202	79,079
Liquidity Coverage Ratio		
Rupee (Minimum Requirement 100%)	508.00%	231.15%
All currency (Minimum Requirement 100%)	226.61%	360.57%
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	121.00%	121.44%
Leverage ratio (%) - (Minimum Requirement - 3%)	12.05%	9.53%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio (net of interest in suspense)	2.73%	0.57%
Net Non-Performing Advances Ratio (net of interest in suspense and provisions)	2.27%	0.51%
Profitability		
Interest Margin	3.92%	4.09%
Return on Assets (before tax)	1.04%	1.83%
Return on Equity	6.57%	9.83%

Note: Profitability ratios are based on SLFRS data

Analysis of Deposits		
	2020 As at 30 June Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	19,516	21,545
Savings deposits	23,230	24,414
Fixed deposits	71,361	68,367
Other deposits	2,784	2,136
Sub total	116,891	116,462
By product - Foreign Currency		
Demand deposits (current accounts)	33,593	33,935
Savings deposits	25,314	23,514
Fixed deposits	34,090	32,371
Other deposits	4,034	3,523
Sub total	97,031	93,343
Total	213,922	209,805

Statement of Financial Position		
	2020 As at 30 June Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Assets		
Cash and cash equivalents	7,637	33,986
Balances with central bank	15,411	9,740
Placements with banks	10,429	27,215
Derivative financial instruments	897	812
Financial assets measured at fair value through profit or loss	20,520	4,751
Financial assets designated at fair value through profit or loss	-	-
Financial assets at amortised cost - loans and advances	255,606	260,155
Financial assets at amortised cost - debt instruments	3,081	3,088
Financial assets measured at fair value through other comprehensive income	99,861	107,855
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	5,136	5,213
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	690	-
Other assets	14,449	14,518
Total assets	433,517	467,333
Liabilities		
Due to banks	130,515	170,600
Derivative financial instruments	731	1,053
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	213,922	209,805
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	26	79
Current tax liabilities	664	358
Deferred tax liabilities	-	366
Other provisions	-	-
Other liabilities	17,897	18,445
Total liabilities	363,755	400,706
Equity		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,598	2,598
Retained earnings	47,334	45,105
Other reserves	16,679	15,772
Total shareholders' equity	69,762	66,627
Non-controlling interests	-	-
Total equity	69,762	66,627
Total equity and liabilities	433,517	467,333
Contingent liabilities and commitments	531,564	493,622
Memorandum information		
Number of employees	1,133	1,197
Number of branches	13	14

Analysis of loans and advances, commitments, contingencies and impairment		
	2020 As at 30 June Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Product-wise gross loans and advances		
By product - Domestic Currency		
Overdrafts	21,720	19,061
Term loans	37,984	49,294
Lease rentals receivable	-	-
Credit cards	23,509	26,038
Pawning	-	-
Other loans	-	27
Sub total	83,213	94,420
By product - Foreign Currency		
Overdrafts	15,136	17,850
Term loans	151,270	134,715
Guarantees	-	-
Bonds	-	-
Other loans	9,611	14,877
Sub total	176,017	167,442
Total	259,230	261,862

Product-wise commitments and contingencies		
	2020 As at 30 June Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
By product - Domestic currency		
Guarantees	19,626	19,588
Bonds	6,440	7,182
Undrawn credit lines	95,397	99,014
Foreign exchange contracts	74,423	72,468
Other	332	361
Sub total	196,208	188,613
By product - Foreign Currency		
Guarantees	53,761	51,406
Bonds	13,285	12,829
Undrawn credit lines	84,735	82,408
Foreign exchange contracts	156,486	129,754
Other	27,089	28,612
Sub total	335,356	305,009
Total	531,564	493,622

Stage-wise impairment on loans & advances		
	2020 As at 30 June Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Gross loans and advances	259,230	261,862
Less: accumulated impairment under stage 1	(710)	(681)
accumulated impairment under stage 2	(662)	(507)
accumulated impairment under stage 3	(2,252)	(539)
Net value of loans and advances	255,606	260,155

Movement of impairment during the period		
	2020 As at 30 June Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Under stage 1		
Opening balance	661	817
Charge/(write back) to income statement	41	(151)
Other movements	8	(5)
Closing balance	710	661
Under stage 2		
Opening balance	507	610
Charge/(write back) to income statement	153	(91)
Other movements	2	(12)
Closing balance	662	507
Under stage 3		
Opening balance	539	725
Charge/(write back) to income statement	1,706	(180)
Other movements	7	(6)
Closing balance	2,252	539
Total impairment	3,624	1,707

Stage-wise impairment on commitments and contingencies		
	2020 As at 30 June Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Commitments and contingencies	531,564	493,622
Less: accumulated impairment under stage 1	(33)	(31)
accumulated impairment under stage 2	(77)	(32)
accumulated impairment under stage 3	-	-
Net commitments and contingencies	531,454	493,559

Analysis of Financial Instruments by Measurement Basis				
In Rupee Millions For the period ended 30 June 2020	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	7,637	-	-	7,637
Balances with Central Banks	15,411	-	-	15,411
Placements with banks	10,429	-	-	10,429
Derivative financial instruments	-	697	-	697
Loans and advances	255,606	-	-	255,606
Debt instruments	3,081	20,520	99,861	123,462
Equity instruments	-	-	-	-
Acceptance and endorsements	4,634	-	-	4,634
Total financial assets	296,798	21,217	99,861	417,876
Liabilities				
Due to banks	130,515	-	-	130,515
Derivative financial instruments	-	731	-	731
Financial liabilities - due to depositors	213,922	-	-	213,922
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	4,634	-	-	4,634
Total financial liabilities	349,071	731	-	349,802

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
Assets				
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
Total financial assets	340,533	5,563	107,855	453,951
Liabilities				
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
Total financial liabilities	386,754	1,053	-	387,807

Statement of Changes in Equity										
For the Period Ended 30 June 2020 (In Rupee Millions)	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 01/01/2020 (Opening balance)	-	-	3,152	2,598	2,462	45,105	13,310	66,627	-	66,627
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year (net of tax)	-	-	-	-	-	2,205	-	2,205	-	2,205
Other comprehensive income (net of tax)	-	-	-	-	-	17	-	702	-	702
Total comprehensive income for the year	-	-	-	-	-	2,222	685	2,907	-	2,907
Transactions with equity holders recognised directly in equity										