

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	2020 Rs. 'Mn	2019 Rs. 'Mn
Interest income	20,469	23,474
Interest expenses	(7,225)	(9,388)
Net interest income	13,244	14,086
Fee and commission income	2,260	3,083
Fee and commission expenses	(742)	(909)
Net fee and commission income	1,518	2,174
Net gains/(losses) from trading	403	740
Net fair value gains/(losses) on:	-	-
Financial assets at fair value through profit or loss	467	230
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	748	380
Net other operating income	59	33
Total operating income	16,439	17,643
Impairment charges	(4,947)	(511)
Net operating income	11,492	17,132
Personal expenses	(2,869)	(3,023)
Depreciation and amortisation expenses	(497)	(407)
Other expenses	(5,370)	(5,741)
Operating profit/(loss) before VAT & NBT on financial services	2,756	7,961
Value added tax (VAT) on financial services	(633)	(1,225)
Nation Building Tax (NBT) on financial services	-	(166)
Operating profit/(loss) after VAT & NBT on financial services	2,123	6,570
Share of profits of associates and joint ventures	-	-
Profit/(loss) before tax	2,123	6,570
Income tax expenses	(789)	(2,276)
Profit/(loss) for the period	1,334	4,294
Profit attributable to:		
Equity holders of the parent	1,334	4,294
Non-controlling interests	-	-

Statement of Comprehensive Income		
For the period ended 30 September	2020 Rs. 'Mn	2019 Rs. 'Mn
Profit/(loss) for the year	1,334	4,294
Items that will be reclassified to income statement		
Exchange differences on translation of foreign operations	725	(59)
Net gains/(losses) on cash flow hedges	-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	(268)	1,156
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	75	(324)
	532	773
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	7	-
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	-	-
	7	-
Other comprehensive income for the period, net of taxes	539	773
Total comprehensive income for the period	1,873	5,067
Attributable to:		
Equity holders of the parent	1,873	5,067
Non-controlling interests	-	-

Statement of Financial Position		
	2020 As at 30 September Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Assets		
Cash and cash equivalents	8,871	33,986
Balances with central bank	12,724	9,740
Placements with banks	12,944	27,215
Derivative financial instruments	257	812
Financial assets measured at fair value through profit or loss	20,723	4,751
Financial assets designated at fair value through profit or loss	-	-
Financial assets at amortised cost - loans and advances	228,591	260,155
Financial assets at amortised cost - debt instruments	3,074	3,088
Financial assets measured at fair value through other comprehensive income	112,113	107,855
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	5,134	5,213
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	481	-
Other assets	17,209	14,518
Total assets	422,121	467,333
Liabilities		
Due to banks	101,611	170,600
Derivative financial instruments	1,074	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	227,265	209,805
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	16	79
Current tax liabilities	11	358
Deferred tax liabilities	-	366
Other provisions	-	-
Other liabilities	22,355	18,445
Total liabilities	352,332	400,706
Equity		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,598	2,598
Retained earnings	46,456	45,105
Other reserves	17,583	15,772
Total shareholders' equity	69,789	66,627
Non-controlling interests	-	-
Total equity	69,789	66,627
Total equity and liabilities	422,121	467,333
Contingent liabilities and commitments	515,016	493,622
Memorandum information		
Number of employees	1,044	1,197
Number of branches	13	14

Statement of Cash Flows		
	2020 As at 30 September Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Cash flows from operating activities		
Interest receipts	19,658	32,203
Interest payments	(6,634)	(10,629)
Net commission receipts	1,518	1,673
Trading income	870	1,747
Payments to employees	(2,726)	(4,005)
VAT & NBT on financial services	(638)	(1,649)
Receipts from other operating activities	232	343
Payments to other operating activities	(5,339)	(7,776)
Operating profit before change in operating assets and liabilities	6,941	11,907
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	(2,984)	(2,407)
Financial assets at amortised cost - loans and advances	33,746	21,066
Treasury bills & bonds	(20,511)	3,709
Other assets	2,960	730
	13,211	23,098
Increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	17,460	3,932
Financial liabilities at amortised cost - due to other borrowers	(68,988)	(14,187)
Other liabilities	5,435	(7,186)
	(46,093)	(17,441)
Net cash generated from operating activities before income tax	(25,941)	17,564
Income tax paid	(961)	(4,835)
Net cash (used in)/from operating activities	(26,902)	12,729
Cash flows from investing activities		
Purchase of property, plant & equipment	(137)	(531)
Proceeds from sale of property, plant & equipment	24	337
Purchase of financial investments	-	-
Proceeds from sale and maturity of financial investments	-	-
Others	-	-
Net cash (used in)/from investing activities	(113)	(194)
Cash flows from financing activities		
Profit transferred to head office	-	-
Net cash (used in)/from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(27,015)	12,535
Cash and cash equivalents at the beginning of the period	33,986	23,502
Exchange difference in respect of cash and cash equivalents	1,900	(2,051)
Cash and cash equivalents at the end of the period	8,871	33,986

Selected Performance Indicators		
	2020 As at 30 September	Audited 2019 As at 31 December
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	59,759	57,269
Core (Tier 1) Capital	59,759	57,269
Total Capital Base	63,913	59,489
Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)	19.15%	16.85%
Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	19.15%	16.85%
Total Capital Ratio (Minimum Requirement, 12.5%)	20.48%	17.51%
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	132,855	107,236
Off-shore banking unit	36,225	77,675
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	64.60%	50.14%
Off-shore banking unit	24.34%	44.69%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	111,243	78,955
All currency	111,284	79,079
Liquidity Coverage Ratio		
Rupee (Minimum Requirement 100%)	464.43%	231.15%
All currency (Minimum Requirement 100%)	376.85%	360.57%
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	129.18%	121.44%
Leverage ratio (%) - (Minimum Requirement - 3%)	12.32%	9.53%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio (net of interest in suspense)	0.93%	0.57%
Net Non-Performing Advances Ratio (net of interest in suspense and provisions)	0.85%	0.51%
Profitability		
Interest Margin	3.88%	4.09%
Return on Assets (before tax)	0.81%	1.83%
Return on Equity	2.62%	9.83%

Note: Profitability ratios are based on SLFRS data

Analysis of Deposits		
	2020 As at 30 September Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	18,557	21,545
Savings deposits	28,667	24,414
Fixed deposits	77,984	68,367
Other deposits	2,800	2,136
Sub total	128,008	116,462
By product - Foreign Currency		
Demand deposits (current accounts)	29,623	33,935
Savings deposits	24,720	23,514
Fixed deposits	40,760	32,371
Other deposits	4,154	3,523
Sub total	99,257	93,343
Total	227,265	209,805

Analysis of loans and advances, commitments, contingencies and impairment		
	2020 As at 30 September Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Product-wise gross loans and advances		
By product - Domestic Currency		
Overdrafts	14,309	19,061
Term loans	28,936	49,294
Lease rentals receivable	-	-
Credit cards	22,039	26,038
Pawning	-	-
Other loans	-	27
Sub total	65,284	94,420
By product - Foreign Currency		
Overdrafts	16,953	17,850
Term loans	141,472	134,715
Guarantees	-	-
Bonds	8,663	14,877
Other loans	-	-
Sub total	167,088	167,442
Total	232,372	261,862
Product-wise commitments and contingencies		
By product - Domestic currency		
Guarantees	18,809	19,588
Bonds	8,007	7,182
Undrawn credit lines	111,265	99,014
Foreign exchange contracts	70,633	72,468
Other	197	361
Sub total	208,911	188,613
By product - Foreign Currency		
Guarantees	54,275	51,406
Bonds	17,149	12,829
Undrawn credit lines	78,834	82,408
Foreign exchange contracts	124,513	129,754
Other	31,334	28,612
Sub total	306,105	305,009
Total	515,016	493,622
Stage-wise impairment on loans & advances		
Gross loans and advances	232,372	261,862
Less: accumulated impairment under stage 1	(1,430)	(681)
accumulated impairment under stage 2	(1,497)	(507)
accumulated impairment under stage 3	(854)	(539)
Net value of loans and advances	228,591	260,155

Movement of impairment during the period		
	2020 As at 30 September Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Under stage 1		
Opening balance	661	817
Charge/(write back) to income statement	762	(151)
Other movements	7	(5)
Closing balance	1,430	661
Under stage 2		
Opening balance	507	610
Charge/(write back) to income statement	989	(91)
Other movements	1	(12)
Closing balance	1,497	507
Under stage 3		
Opening balance	539	725
Charge/(write back) to income statement	315	(180)
Other movements	-	(6)
Closing balance	854	539
Total impairment	3,781	1,707

Stage-wise impairment on commitments and contingencies		
	2020 As at 30 September Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Commitments and contingencies	515,016	493,622
Less: accumulated impairment under stage 1	(37)	(31)
accumulated impairment under stage 2	(33)	(32)
accumulated impairment under stage 3	-	-
Net commitments and contingencies	514,946	493,559

Analysis of Financial Instruments by Measurement Basis				
In Rupee Millions For the period ended 30 September 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	8,871	-	-	8,871
Balances with Central Banks	12,724	-	-	12,724
Placements with banks	12,944	-	-	12,944
Derivative financial instruments	-	257	-	257
Loans and advances	228,591	-	-	228,591
Debt instruments	3,074	20,723	112,113	135,910
Equity instruments	-	-	-	-
Acceptance and endorsements	8,887	-	-	8,887
Total financial assets	275,091	20,980	112,113	408,184
Liabilities				
Due to banks	101,611	-	-	101,611
Derivative financial instruments	-	1,074	-	1,074
Financial liabilities - due to depositors	227,265	-	-	227,265
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	8,887	-	-	8,887
Total financial liabilities	337,763	1,074	-	338,837

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