

# 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	2021 Rs. 'Mn	2020 Rs. 'Mn
Interest income	9,526	14,570
Interest expenses	(3,202)	(5,327)
<b>Net interest income</b>	<b>6,324</b>	<b>9,243</b>
Fee and commission income	2,107	1,495
Fee and commission expenses	(581)	(496)
<b>Net fee and commission income</b>	<b>1,526</b>	<b>999</b>
Net gains/(losses) on trading	1,753	(89)
Net fair value gains/(losses) on:		
Financial assets at fair value through profit or loss	(3)	570
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	-	172
Net other operating income	18	14
<b>Total operating income</b>	<b>9,618</b>	<b>10,909</b>
Impairment (charges)/reversals	991	(2,709)
<b>Net operating income</b>	<b>10,609</b>	<b>8,200</b>
Personal expenses	(1,855)	(1,897)
Depreciation and amortisation expenses	(263)	(331)
Other expenses	(3,777)	(3,410)
<b>Operating profit/(loss) before VAT and other taxes on financial services</b>	<b>4,714</b>	<b>2,562</b>
Value added tax (VAT) on financial services	(737)	(182)
Other taxes on financial services	(27)	75
<b>Operating profit/(loss) after VAT and other taxes on financial services</b>	<b>3,950</b>	<b>2,455</b>
Share of profits of associates and joint ventures	-	-
<b>Profit/(loss) before tax</b>	<b>3,950</b>	<b>2,455</b>
Income tax expenses	(1,277)	(250)
<b>Profit/(loss) for the period</b>	<b>2,673</b>	<b>2,205</b>
<b>Profit attributable to:</b>		
Equity holders of the parent	2,673	2,205
Non-controlling interests	-	-

Statement of Cash Flows		
	2021 As at 30 June Rs. 'Mn	Audited 2020 As at 31 December Rs. 'Mn
<b>Cash flows from operating activities</b>		
Interest receipts	6,609	26,343
Interest payments	(2,197)	(8,653)
Net commission receipts	1,526	2,165
Trading income	1,750	1,092
Payments to employees	(1,849)	(3,862)
VAT on financial services	(439)	(748)
Receipts from other operating activities	246	1,140
Payments to other operating activities	(3,749)	(7,415)
<b>Operating profit before change in operating assets and liabilities</b>	<b>1,897</b>	<b>10,062</b>
<b>(Increase)/decrease in operating assets</b>		
Balances with Central Bank of Sri Lanka	(2,043)	(8,713)
Financial assets at amortised cost - loans and advances	(13,667)	54,433
Treasury bills & bonds	13,092	(25,040)
Other assets	70	3,284
	(2,548)	23,964
<b>(Increase)/decrease in operating liabilities</b>		
Financial liabilities at amortised cost - due to depositors	10,789	27,452
Financial liabilities at amortised cost - due to other borrowers	(17,900)	(82,298)
Other liabilities	1,498	8,159
	(5,613)	(46,687)
<b>Net cash generated from operating activities before income tax</b>	<b>(6,264)</b>	<b>(12,661)</b>
Income tax paid	(489)	(2,212)
<b>Net cash (used in)/from operating activities</b>	<b>(6,753)</b>	<b>(14,873)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(19)	(234)
Proceeds from sale of property, plant & equipment	-	25
Purchase of financial investments	-	-
Proceeds from sale and maturity of financial investments	-	-
Others	-	-
<b>Net cash (used in)/from investing activities</b>	<b>(19)</b>	<b>(209)</b>
<b>Cash flows from financing activities</b>		
Profit transferred to head office	(3,548)	-
<b>Net cash (used in)/from financing activities</b>	<b>(3,548)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(10,320)</b>	<b>(15,082)</b>
Cash and cash equivalents at the beginning of the period	20,412	33,986
Exchange difference in respect of cash and cash equivalents	2,236	1,508
Cash and cash equivalents at the end of the period	12,328	20,412

Statement of Comprehensive Income			
For the period ended 30 June	2021 Rs. 'Mn	2020 Rs. 'Mn	
<b>Profit/(loss) for the year</b>	<b>2,673</b>	<b>2,205</b>	
<b>Items that will be reclassified to income statement</b>			
Exchange differences on translation of foreign operations	2,470	1,013	
Net gains/(losses) on cash flow hedges	-	-	
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	568	(456)	
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	(136)	128	
	2,902	685	
<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	(20)	17	
Changes in revaluation surplus/(deficit)	-	-	
Share of profits of associates and joint ventures	-	-	
Less: Tax expense relating to items that will not be reclassified to income statement	-	-	
	(20)	17	
<b>Other comprehensive income for the period, net of taxes</b>	<b>2,882</b>	<b>702</b>	
<b>Total comprehensive income for the period</b>	<b>5,555</b>	<b>2,907</b>	
<b>Attributable to:</b>			
Equity holders of the parent	5,555	2,907	
Non-controlling interests	-	-	

Selected Performance Indicators			
	2021 As at 30 June	2020 As at 31 December	
<b>Regulatory Capital Adequacy (LKR Millions)</b>			
Common Equity Tier 1	57,047	62,385	
Core (Tier 1) Capital	57,047	62,385	
Total Capital Base	59,145	65,116	
<b>Regulatory Capital Ratios</b>			
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)	17.83%	20.55%	
Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	17.83%	20.55%	
Total Capital Ratio (Minimum Requirement, 12.5%)	18.49%	21.45%	
<b>Regulatory Liquidity</b>			
Statutory Liquid Assets (LKR Millions)			
Domestic banking unit	134,294	148,237	
Off-shore banking unit	33,537	29,940	
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)			
Domestic banking unit	57.15%	66.30%	
Off-shore banking unit	26.26%	23.19%	
Total Stock of High-Quality Liquid Assets (LKR Millions)			
Rupee	118,916	125,724	
All currency	118,955	125,764	
Liquidity Coverage Ratio			
Rupee (Minimum Requirement - 100%)	337.00%	424.02%	
All currency (Minimum Requirement - 100%)	202.90%	316.12%	
Net Stable Funding Ratio - (Minimum Requirement - 100%)	130.00%	129.66%	
Leverage ratio - (Minimum Requirement - 3%)	11.65%	12.26%	
<b>Assets Quality (Quality of Loan Portfolio)</b>			
Gross Non-Performing Advances Ratio (net of interest in suspense)	0.75%	0.94%	
Net Non-Performing Advances Ratio (net of interest in suspense and provisions)	0.64%	0.83%	
<b>Profitability</b>			
Interest Margin	2.97%	3.73%	
Return on Assets (before tax)	1.86%	0.85%	
Return on Equity	7.33%	3.48%	

Note: Profitability ratios are based on SLFRS data

Analysis of Deposits			
	2021 30 June Rs. 'Mn	2020 As at 31 December Rs. 'Mn	
<b>By product - Domestic Currency</b>			
Demand deposits (current accounts)	29,434	32,095	
Savings deposits	31,384	27,454	
Fixed deposits	92,274	78,228	
Other deposits	3,339	3,164	
<b>Sub total</b>	<b>156,431</b>	<b>140,941</b>	
<b>By product - Foreign Currency</b>			
Demand deposits (current accounts)	30,605	28,291	
Savings deposits	29,115	28,036	
Fixed deposits	26,637	35,483	
Other deposits	5,258	4,507	
<b>Sub total</b>	<b>91,615</b>	<b>96,317</b>	
<b>Total</b>	<b>248,046</b>	<b>237,258</b>	

Statement of Financial Position		
	2021 As at 30 June Rs. 'Mn	Audited 2020 As at 31 December Rs. 'Mn
<b>Assets</b>		
Cash and cash equivalents	12,328	20,412
Balances with central bank	20,497	18,454
Placements with banks	-	-
Derivative financial instruments	127	656
Financial assets measured at fair value through profit or loss	573	335
Financial assets designated at fair value through profit or loss	-	-
Financial assets at amortised cost - loans and advances	233,925	219,123
Financial assets at amortised cost - debt instruments	489	3,118
Financial assets measured at fair value through other comprehensive income	126,656	136,632
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	4,836	4,836
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	-	368
Other assets	25,590	20,717
<b>Total assets</b>	<b>425,021</b>	<b>424,651</b>
<b>Liabilities</b>		
Due to banks	70,402	88,302
Derivative financial instruments	398	508
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	248,046	237,258
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	235	246
Current tax liabilities	765	126
Deferred tax liabilities	427	-
Other provisions	-	27,906
Other liabilities	33,049	17,939
<b>Total liabilities</b>	<b>353,322</b>	<b>354,346</b>
<b>Equity</b>		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,650	2,650
Retained earnings	48,697	47,213
Other reserves	17,200	17,290
<b>Total shareholders' equity</b>	<b>71,699</b>	<b>70,305</b>
Non-controlling interests	-	-
<b>Total equity</b>	<b>71,699</b>	<b>70,305</b>
<b>Total equity and liabilities</b>	<b>425,021</b>	<b>424,651</b>
<b>Contingent liabilities and commitments</b>	<b>446,170</b>	<b>530,834</b>
<b>Memorandum information</b>		
Number of employees	1,017	1,020
Number of branches	13	13

Analysis of loans and advances, commitments, contingencies and impairment		
	2021 30 June Rs. 'Mn	Audited 2020 As at 31 December Rs. 'Mn
<b>Product-wise gross loans and advances</b>		
<b>By product - Domestic Currency</b>		
Overdrafts	15,715	17,737
Term loans	20,031	22,660
Lease rentals receivable	-	-
Credit cards	21,150	21,420
Pawning	-	-
Other loans	-	103
<b>Sub total</b>	<b>56,897</b>	<b>61,920</b>
<b>By product - Foreign Currency</b>		
Overdrafts	13,891	14,226
Term loans	156,726	139,186
Guarantees	-	-
Bonds	-	-
Other loans	8,533	6,724
<b>Sub total</b>	<b>179,150</b>	<b>160,136</b>
<b>Total</b>	<b>236,047</b>	<b>222,056</b>
<b>Product-wise commitments and contingencies</b>		
<b>By product - Domestic currency</b>		
Guarantees	17,182	19,370
Bonds	7,578	7,262
Undrawn credit lines	99,224	103,947
Foreign exchange contracts	10,053	62,825
Other	693	182
<b>Sub total</b>	<b>134,730</b>	<b>193,586</b>
<b>By product - Foreign Currency</b>		
Guarantees	55,480	58,732
Bonds	20,373	15,906
Undrawn credit lines	92,713	82,697
Foreign exchange contracts	80,929	147,610
Other	61,945	32,303
<b>Sub total</b>	<b>311,440</b>	<b>337,248</b>
<b>Total</b>	<b>446,170</b>	<b>530,834</b>

Stage-wise impairment on loans & advances		
	2021 30 June Rs. 'Mn	Audited 2020 31 December Rs. 'Mn
<b>Gross loans and advances</b>	<b>236,047</b>	<b>222,056</b>
Less: accumulated impairment under stage 1	(358)	(589)
accumulated impairment under stage 2	(767)	(1,282)
accumulated impairment under stage 3	(1,005)	(1,062)
<b>Net value of loans and advances</b>	<b>233,925</b>	<b>219,123</b>

Movement of impairment during the period		
	2021 30 June Rs. 'Mn	Audited 2020 31 December Rs. 'Mn
<b>Under stage 1</b>		
Opening balance	589	661
Charge/(write back) to income statement	(252)	(87)
Other movements	13	15
Closing balance	350	589
<b>Under stage 2</b>		
Opening balance	1,282	508
Charge/(write back) to income statement	(544)	754
Other movements	29	20
Closing balance	767	1,282
<b>Under stage 3</b>		
Opening balance	1,062	538
Charge/(write back) to income statement	(57)	524
Other movements	-	-
Closing balance	1,005	1,062
<b>Total impairment</b>	<b>2,122</b>	<b>2,933</b>

Stage-wise impairment on commitments and contingencies		
	2021 30 June Rs. 'Mn	Audited 2020 31 December Rs. 'Mn
<b>Commitments and contingencies</b>	<b>446,170</b>	<b>530,834</b>
Less: accumulated impairment under stage 1	(20)	(40)
accumulated impairment under stage 2	(32)	(54)
accumulated impairment under stage 3	-	-
<b>Net commitments and contingencies</b>	<b>446,118</b>	<b>530,740</b>

Analysis of Financial Instruments by Measurement Basis				
For the period ended 30 June 2021	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	12,328	-	-	12,328
Balances with Central Banks	20,497	-	-	20,497
Placements with banks	-	-	-	-
Derivative financial instruments	-	127	-	127
Loans and advances	233,925	-	-	233,925
Debt instruments	489	573	126,656	127,718
Equity instruments	-	-	-	-
Acceptance and endorsements	18,955	-	-	18,955
<b>Total financial assets</b>	<b>286,194</b>	<b>700</b>	<b>126,656</b>	<b>413,550</b>
<b>Liabilities</b>				
Due to banks	70,402	-	-	70,402
Derivative financial instruments	-	398	-	398
Financial liabilities - due to depositors	248,046	-	-	248,046
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	18,955	-	-	18,955
<b>Total financial liabilities</b>	<b>3</b>			