

# 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                                               | 2021<br>Rs. 'Mn | 2020<br>Rs. 'Mn |
| Interest income                                                                 | 14,469          | 20,469          |
| Interest expenses                                                               | (4,785)         | (7,225)         |
| <b>Net interest income</b>                                                      | <b>9,684</b>    | <b>13,244</b>   |
| Fee and commission income                                                       | 3,359           | 2,260           |
| Fee and commission expenses                                                     | (974)           | (742)           |
| <b>Net fee and commission income</b>                                            | <b>2,385</b>    | <b>1,518</b>    |
| Net gains/(losses) on trading                                                   | 2,486           | 403             |
| Net fair value gains/(losses) on:                                               |                 |                 |
| Financial assets at fair value through profit or loss                           | (14)            | 467             |
| 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             |
| Net other operating income                                                      | 115             | 59              |
| <b>Total operating income</b>                                                   | <b>14,656</b>   | <b>16,439</b>   |
| Impairment (charges)/reversals                                                  | 1,007           | (4,947)         |
| <b>Net operating income</b>                                                     | <b>15,663</b>   | <b>11,492</b>   |
| Personal expenses                                                               | (2,827)         | (2,869)         |
| Depreciation and amortisation expenses                                          | (450)           | (497)           |
| Other expenses                                                                  | (6,092)         | (5,427)         |
| <b>Operating profit/(loss) before VAT and other taxes on financial services</b> | <b>6,294</b>    | <b>2,699</b>    |
| Value added tax (VAT) on financial services                                     | (1,892)         | (633)           |
| Other taxes on financial services                                               | (26)            | 57              |
| <b>Operating profit/(loss) after VAT and other taxes on financial services</b>  | <b>4,376</b>    | <b>2,123</b>    |
| Share of profits of associates and joint ventures                               | -               | -               |
| <b>Profit/(loss) before tax</b>                                                 | <b>4,376</b>    | <b>2,123</b>    |
| Income tax expenses                                                             | (1,373)         | (789)           |
| <b>Profit/(loss) for the period</b>                                             | <b>3,003</b>    | <b>1,334</b>    |
| <b>Profit attributable to:</b>                                                  |                 |                 |
| Equity holders of the parent                                                    | 3,003           | 1,334           |
| Non-controlling interests                                                       | -               | -               |

| Statement of Cash Flows                                                   |                                       |                                              |
|---------------------------------------------------------------------------|---------------------------------------|----------------------------------------------|
|                                                                           | 2021<br>As at 30 September<br>Rs. 'Mn | Audited 2020<br>As at 31 December<br>Rs. 'Mn |
| <b>Cash flows from operating activities</b>                               |                                       |                                              |
| Interest receipts                                                         | 11,881                                | 26,343                                       |
| Interest payments                                                         | (4,842)                               | (8,653)                                      |
| Net commission receipts                                                   | 2,385                                 | 2,165                                        |
| Trading income                                                            | 2,472                                 | 1,092                                        |
| Payments to employees                                                     | (2,818)                               | (3,862)                                      |
| VAT on financial services                                                 | (905)                                 | (748)                                        |
| Receipts from other operating activities                                  | 440                                   | 1,140                                        |
| Payments to other operating activities                                    | (6,061)                               | (7,415)                                      |
| <b>Operating profit before change in operating assets and liabilities</b> | <b>2,552</b>                          | <b>10,062</b>                                |
| <b>(Increase)/decrease in operating assets</b>                            |                                       |                                              |
| Balances with Central Bank of Sri Lanka                                   | (9,559)                               | (8,713)                                      |
| Financial assets at amortised cost - loans and advances                   | (18,438)                              | 54,433                                       |
| Treasury bills & bonds                                                    | 8,602                                 | (25,040)                                     |
| Other assets                                                              | (185)                                 | 3,284                                        |
|                                                                           | (19,580)                              | 23,964                                       |
| <b>Increase/(decrease) in operating liabilities</b>                       |                                       |                                              |
| Financial liabilities at amortised cost - due to depositors               | 41,501                                | 27,452                                       |
| Financial liabilities at amortised cost - due to other borrowers          | (12,402)                              | (82,298)                                     |
| Other liabilities                                                         | 2,158                                 | 8,159                                        |
|                                                                           | 31,257                                | (46,687)                                     |
| <b>Net cash generated from operating activities before income tax</b>     | <b>14,229</b>                         | <b>(12,661)</b>                              |
| Income tax paid                                                           | (541)                                 | (2,212)                                      |
| <b>Net cash (used in)/from operating activities</b>                       | <b>13,688</b>                         | <b>(14,873)</b>                              |
| <b>Cash flows from investing activities</b>                               |                                       |                                              |
| Purchase of property, plant & equipment                                   | (93)                                  | (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>(93)</b>                           | <b>(209)</b>                                 |
| <b>Cash flows from financing activities</b>                               |                                       |                                              |
| Profit transferred to head office                                         | (3,651)                               | -                                            |
| <b>Net cash (used in)/from financing activities</b>                       | <b>(3,651)</b>                        | <b>-</b>                                     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>               | <b>9,944</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               | 2,993                                 | 1,508                                        |
| Cash and cash equivalents at the end of the period                        | 33,349                                | 20,412                                       |

| Statement of Comprehensive Income                                                                                                                  |                 |                 |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|--|
| For the period ended 30 September                                                                                                                  | 2021<br>Rs. 'Mn | 2020<br>Rs. 'Mn |  |
| <b>Profit/(loss) for the year</b>                                                                                                                  | <b>3,003</b>    | <b>1,334</b>    |  |
| <b>Items that will be reclassified to income statement</b>                                                                                         |                 |                 |  |
| Exchange differences on translation of foreign operations                                                                                          | 2,161           | 725             |  |
| Net gains/(losses) on cash flow hedges                                                                                                             | -               | -               |  |
| Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income                                    | (1,430)         | (268)           |  |
| 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                                                                  | 345             | 75              |  |
|                                                                                                                                                    | 1,076           | 532             |  |
| <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                                                                                              | (35)            | 7               |  |
| 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                                                              | -               | -               |  |
|                                                                                                                                                    | (35)            | 7               |  |
| <b>Other comprehensive income for the period, net of taxes</b>                                                                                     | <b>1,041</b>    | <b>539</b>      |  |
| <b>Total comprehensive income for the period</b>                                                                                                   | <b>4,044</b>    | <b>1,873</b>    |  |
| <b>Attributable to:</b>                                                                                                                            |                 |                 |  |
| Equity holders of the parent                                                                                                                       | 4,044           | 1,873           |  |
| Non-controlling interests                                                                                                                          | -               | -               |  |

| Selected Performance Indicators                                                |                            |                           |  |
|--------------------------------------------------------------------------------|----------------------------|---------------------------|--|
|                                                                                | 2021<br>As at 30 September | 2020<br>As at 31 December |  |
| <b>Regulatory Capital Adequacy (LKR Millions)</b>                              |                            |                           |  |
| Common Equity Tier 1                                                           | 57,069                     | 62,385                    |  |
| Core (Tier 1) Capital                                                          | 57,069                     | 62,385                    |  |
| Total Capital Base                                                             | 59,084                     | 65,116                    |  |
| <b>Regulatory Capital Ratios</b>                                               |                            |                           |  |
| Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)                   | 17.60%                     | 20.55%                    |  |
| Tier 1 Capital Ratio (Minimum Requirement, 8.5%)                               | 17.60%                     | 20.55%                    |  |
| Total Capital Ratio (Minimum Requirement, 12.5%)                               | 18.22%                     | 21.45%                    |  |
|                                                                                | As at 30 September         | As at 31 December         |  |
| <b>Regulatory Liquidity</b>                                                    |                            |                           |  |
| Statutory Liquid Assets (LKR Millions)                                         |                            |                           |  |
| Domestic banking unit                                                          | 148,189                    | 148,237                   |  |
| Off-shore banking unit                                                         | 34,694                     | 29,940                    |  |
| Statutory Liquid Assets Ratio (Minimum Requirement, 20%)                       |                            |                           |  |
| Domestic banking unit                                                          | 58.48%                     | 66.30%                    |  |
| Off-shore banking unit                                                         | 27.14%                     | 23.19%                    |  |
| Total Stock of High-Quality Liquid Assets (LKR Millions)                       |                            |                           |  |
| Rupee                                                                          | 129,004                    | 125,724                   |  |
| All currency                                                                   | 129,039                    | 125,764                   |  |
| Liquidity Coverage Ratio                                                       |                            |                           |  |
| Rupee (Minimum Requirement - 100%)                                             | 369.00%                    | 424.02%                   |  |
| All currency (Minimum Requirement - 100%)                                      | 345.41%                    | 316.12%                   |  |
| Net Stable Funding Ratio - (Minimum Requirement - 100%)                        | 145.00%                    | 129.66%                   |  |
| Leverage ratio - (Minimum Requirement - 3%)                                    | 10.62%                     | 12.26%                    |  |
| <b>Assets Quality (Quality of Loan Portfolio)</b>                              |                            |                           |  |
| Gross Non-Performing Advances Ratio (net of interest in suspense)              | 0.80%                      | 0.94%                     |  |
| Net Non-Performing Advances Ratio (net of interest in suspense and provisions) | 0.71%                      | 0.83%                     |  |
| Impaired Loans (Stage 3) Ratio                                                 | 0.05%                      | 0.02%                     |  |
| Impairment (Stage 3) to Stage 3 Loans Ratio                                    | 81.13%                     | 93.19%                    |  |
| <b>Profitability</b>                                                           |                            |                           |  |
| Interest Margin                                                                | 2.94%                      | 3.73%                     |  |
| Return on Assets (before tax)                                                  | 1.33%                      | 0.85%                     |  |
| Return on Equity                                                               | 5.57%                      | 3.48%                     |  |

Note: Profitability ratios are based on SLFRS data

| Analysis of Deposits                  |                                |                                     |  |
|---------------------------------------|--------------------------------|-------------------------------------|--|
|                                       | 2021<br>30 September<br>Rs. Mn | 2020<br>As at 31 December<br>Rs. Mn |  |
| <b>By product - Domestic Currency</b> |                                |                                     |  |
| Demand deposits (current accounts)    | 33,415                         | 32,095                              |  |
| Savings deposits                      | 39,388                         | 27,454                              |  |
| Fixed deposits                        | 97,626                         | 78,228                              |  |
| Other deposits                        | 4,165                          | 3,164                               |  |
| <b>Sub total</b>                      | <b>174,594</b>                 | <b>140,941</b>                      |  |
| <b>By product - Foreign Currency</b>  |                                |                                     |  |
| Demand deposits (current accounts)    | 41,839                         | 28,291                              |  |
| Savings deposits                      | 28,045                         | 28,036                              |  |
| Fixed deposits                        | 28,046                         | 35,483                              |  |
| Other deposits                        | 6,235                          | 4,507                               |  |
| <b>Sub total</b>                      | <b>104,165</b>                 | <b>96,317</b>                       |  |
| <b>Total</b>                          | <b>278,759</b>                 | <b>237,258</b>                      |  |

| Statement of Financial Position                                            |                                       |                                              |
|----------------------------------------------------------------------------|---------------------------------------|----------------------------------------------|
|                                                                            | 2021<br>As at 30 September<br>Rs. 'Mn | Audited 2020<br>As at 31 December<br>Rs. 'Mn |
| <b>Assets</b>                                                              |                                       |                                              |
| Cash and cash equivalents                                                  | 33,349                                | 20,412                                       |
| Balances with central bank                                                 | 28,012                                | 18,454                                       |
| Placements with banks                                                      | -                                     | -                                            |
| Derivative financial instruments                                           | 221                                   | 656                                          |
| Financial assets measured at fair value through profit or loss             | 264                                   | 335                                          |
| Financial assets designated at fair value through profit or loss           | -                                     | -                                            |
| Financial assets at amortised cost - loans and advances                    | 237,024                               | 219,123                                      |
| Financial assets at amortised cost - debt instruments                      | 486                                   | 3,118                                        |
| Financial assets measured at fair value through other comprehensive income | 129,874                               | 136,632                                      |
| Investments in subsidiaries                                                | -                                     | -                                            |
| Investments in associates and joint ventures                               | -                                     | -                                            |
| Property, plant and equipment                                              | 4,832                                 | 4,836                                        |
| Investment properties                                                      | -                                     | -                                            |
| Goodwill and intangible assets                                             | -                                     | -                                            |
| Deferred tax assets                                                        | 302                                   | 368                                          |
| Other assets                                                               | 33,442                                | 20,717                                       |
| <b>Total assets</b>                                                        | <b>467,806</b>                        | <b>424,651</b>                               |
| <b>Liabilities</b>                                                         |                                       |                                              |
| Due to banks                                                               | 75,900                                | 88,302                                       |
| Derivative financial instruments                                           | 446                                   | 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                | 278,759                               | 237,258                                      |
| Financial liabilities at amortised cost - due to other borrowers           | -                                     | -                                            |
| Due to subsidiaries                                                        | -                                     | -                                            |
| Retirement benefit obligations                                             | 233                                   | 246                                          |
| Current tax liabilities                                                    | 1,851                                 | 126                                          |
| Deferred tax liabilities                                                   | -                                     | -                                            |
| Other provisions                                                           | -                                     | -                                            |
| Other liabilities                                                          | 46,613                                | 27,906                                       |
| <b>Total liabilities</b>                                                   | <b>397,802</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                                                          | 48,902                                | 47,213                                       |
| Other reserves                                                             | 15,300                                | 17,290                                       |
| <b>Total shareholders' equity</b>                                          | <b>70,004</b>                         | <b>70,305</b>                                |
| Non-controlling interests                                                  | -                                     | -                                            |
| <b>Total equity</b>                                                        | <b>70,004</b>                         | <b>70,305</b>                                |
| <b>Total equity and liabilities</b>                                        | <b>467,806</b>                        | <b>424,651</b>                               |
| <b>Contingent liabilities and commitments</b>                              | <b>396,989</b>                        | <b>530,834</b>                               |
| <b>Memorandum information</b>                                              |                                       |                                              |
| Number of employees                                                        | 984                                   | 1,020                                        |
| Number of branches                                                         | 13                                    | 13                                           |

| Analysis of loans and advances, commitments, contingencies and impairment |                                 |                                      |  |
|---------------------------------------------------------------------------|---------------------------------|--------------------------------------|--|
|                                                                           | 2021<br>30 September<br>Rs. 'Mn | 2020<br>As at 31 December<br>Rs. 'Mn |  |
| <b>Product-wise gross loans and advances</b>                              |                                 |                                      |  |
| <b>By product - Domestic Currency</b>                                     |                                 |                                      |  |
| Overdrafts                                                                | 16,907                          | 17,737                               |  |
| Term loans                                                                | 26,316                          | 22,660                               |  |
| Lease rentals receivable                                                  | -                               | -                                    |  |
| Credit cards                                                              | 21,316                          | 21,420                               |  |
| Pawning                                                                   | -                               | -                                    |  |
| Other loans                                                               | -                               | 103                                  |  |
| <b>Sub total</b>                                                          | <b>63,639</b>                   | <b>61,920</b>                        |  |
| <b>By product - Foreign Currency</b>                                      |                                 |                                      |  |
| Overdrafts                                                                | 16,158                          | 14,226                               |  |
| Term loans                                                                | 148,097                         | 139,186                              |  |
| Guarantees                                                                | -                               | -                                    |  |
| Bonds                                                                     | -                               | -                                    |  |
| Other loans                                                               | 11,104                          | 6,724                                |  |
| <b>Sub total</b>                                                          | <b>175,359</b>                  | <b>160,136</b>                       |  |
| <b>Total</b>                                                              | <b>238,998</b>                  | <b>222,056</b>                       |  |

| Product-wise commitments and contingencies |                                 |                                      |  |
|--------------------------------------------|---------------------------------|--------------------------------------|--|
|                                            | 2021<br>30 September<br>Rs. 'Mn | 2020<br>As at 31 December<br>Rs. 'Mn |  |
| <b>By product - Domestic currency</b>      |                                 |                                      |  |
| Guarantees                                 | 18,134                          | 19,370                               |  |
| Bonds                                      | 9,798                           | 7,262                                |  |
| Undrawn credit lines                       | 88,452                          | 103,947                              |  |
| Foreign exchange contracts                 | 5,790                           | 6,825                                |  |
| Other                                      | 840                             | 182                                  |  |
| <b>Sub total</b>                           | <b>123,014</b>                  | <b>193,586</b>                       |  |
| <b>By product - Foreign Currency</b>       |                                 |                                      |  |
| Guarantees                                 | 53,857                          | 58,732                               |  |
| Bonds                                      | 22,066                          | 15,906                               |  |
| Undrawn credit lines                       | 88,989                          | 82,697                               |  |
| Foreign exchange contracts                 | 50,300                          | 147,610                              |  |
| Other                                      | 58,763                          | 32,303                               |  |
| <b>Sub total</b>                           | <b>273,975</b>                  | <b>337,248</b>                       |  |
| <b>Total</b>                               | <b>396,989</b>                  | <b>530,834</b>                       |  |

| Stage-wise impairment on loans & advances  |                                 |                                      |  |
|--------------------------------------------|---------------------------------|--------------------------------------|--|
|                                            | 2021<br>30 September<br>Rs. 'Mn | 2020<br>As at 31 December<br>Rs. 'Mn |  |
| <b>Gross loans and advances</b>            | <b>238,998</b>                  | <b>222,056</b>                       |  |
| Less: accumulated impairment under stage 1 | (376)                           | (589)                                |  |
| accumulated impairment under stage 2       | (623)                           | (1,282)                              |  |
| accumulated impairment under stage 3       | (975)                           | (1,062)                              |  |
| <b>Net value of loans and advances</b>     | <b>237,024</b>                  | <b>219,123</b>                       |  |

| Movement of impairment during the period |                                 |                                      |  |
|------------------------------------------|---------------------------------|--------------------------------------|--|
|                                          | 2021<br>30 September<br>Rs. 'Mn | 2020<br>As at 31 December<br>Rs. 'Mn |  |
| <b>Under stage 1</b>                     |                                 |                                      |  |
| Opening balance                          | 589                             | 661                                  |  |
| Charge/(write back) to income statement  | (228)                           | (87)                                 |  |
| Other movements                          | 15                              | 15                                   |  |
| Closing balance                          | 376                             | 589                                  |  |
| <b>Under stage 2</b>                     |                                 |                                      |  |
| Opening balance                          | 1,282                           | 508                                  |  |
| Charge/(write back) to income statement  | (644)                           | 754                                  |  |
| Other movements                          | (15)                            | 20                                   |  |
| Closing balance                          | 623                             | 1,282                                |  |
| <b>Under stage 3</b>                     |                                 |                                      |  |
| Opening balance                          | 1,062                           | 538                                  |  |
| Charge/(write back) to income statement  | (135)                           | 524                                  |  |
| Other movements                          | 48                              | -                                    |  |
| Closing balance                          | 975                             | 1,062                                |  |
| <b>Total impairment</b>                  | <b>1,974</b>                    | <b>2,933</b>                         |  |

| Stage-wise impairment on commitments and contingencies |                                 |                                      |  |
|--------------------------------------------------------|---------------------------------|--------------------------------------|--|
|                                                        | 2021<br>30 September<br>Rs. 'Mn | 2020<br>As at 31 December<br>Rs. 'Mn |  |
| <b>Commitments and contingencies</b>                   | <b>396,989</b>                  | <b>530,834</b>                       |  |
| Less: accumulated impairment under stage 1             | (20)                            | (40)                                 |  |
| accumulated impairment under stage 2                   | (33)                            | (54)                                 |  |
| accumulated impairment under stage 3                   | -                               | -                                    |  |
| <b>Net commitments and contingencies</b>               | <b>396,936</b>                  | <b>530,740</b>                       |  |

| Analysis of Financial Instruments by Measurement Basis |                           |                                               |                                                          |                  |
|--------------------------------------------------------|---------------------------|-----------------------------------------------|----------------------------------------------------------|------------------|
| For the period ended 30 September 2021                 | Amortised cost<br>Rs. 'Mn | Fair value through profit and loss<br>Rs. 'Mn | Fair value through other comprehensive income<br>Rs. 'Mn | Total<br>Rs. 'Mn |
| <b>Assets</b>                                          |                           |                                               |                                                          |                  |
| Cash and cash equivalents                              | 33,349                    | -                                             | -                                                        | 33,349           |
| Balances with Central Banks                            | 28,012                    | -                                             | -                                                        | 28,012           |
| Placements with banks                                  | -                         | -                                             | -                                                        | -                |
| Derivative financial instruments                       | -                         | 221                                           | -                                                        | 221              |
| Loans and advances                                     | 237,024                   | -                                             | -                                                        | 237              |