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	2019		
	Rs. 'Mn	Rs. 'Mr		
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	570	233		
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	377		
Net other operating income	14	19		
Total operating income	10,909	11,929		
Impairment charges	(2,709)	(523		
Net operating income	8,200	11,400		
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	4,43		
Share of profits of associates and joint ventures	-			
Profit/(loss) before tax	2,455	4,43		
Income tax expenses	(250)	(1,768		
Profit/(loss) for the period	2,205	2,66		
Profit attributable to: Equity holders of the parent Non-controlling interests	2,205 -	2,66		

	2020 As at 30 June Rs. 'Mn	Audited 2019 As at 31 December Rs. 'Mn
Cash flows from operating activities		
nterest receipts	14,745	32,203
nterest payments	(4,602)	(10,629)
Net commission receipts	998	1,673
Frading income	481	1,747
Payments to employees	(1,799)	(4,005)
/AT & NBT on financial services	(531)	(1,649)
Receipts from other operating activities	98	343
Payments to other operating activities	(3,321)	(7,776)
Operating profit before change in operating assets and liabilities	6,069	11,907
Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	(5,671)	(2,407)
Financial assets at amortised cost - loans and advances	16,361	21,066
Treasury bills & bonds	(8,200)	3,709
Other assets	819	730
	3,309	23,098
ncrease/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	4,116	3,932
Financial liabilities at amortised cost - due to other borrowers	(40,085)	(14,187)
Other liabilities	469	(7,186)
	(35,500)	(17,441)
Net cash generated from operating activities before income tax	(26,122)	17,564
ncome tax paid	(518)	(4,835)
Net cash (used in)/from operating activities	(26,640)	12,729
Cash flows from investing activities		
Purchase of property, plant & equipment	(79)	(531)
Proceeds from sale of property, plant & equipment	-	337
Purchase of financial investments	-	-
Proceeds from sale and maturity of financial investments	-	-
Others	_	_
Net cash (used in)/from investing activities Cash flows from financing activities	(79)	(194)
Profit transferred to head office	_	
Net cash (used in)/from financing activities		_
Net increase/(decrease) in cash and cash equivalents	(26,719)	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	370	(2,051)
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Exchange difference in respect of cash and cash equivalent	s 370	(2,051)	Sub total			
Cash and cash equivalents at the end of the period	7,637	33,986	Total			
A L	. (= 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1		nt.			
Analysis of Financial Instruments by Measurement Basis						
In Rupee Millions For the		Fair value through	Fair value through other			
period ended 30 June 2020	Amortised cost	profit and loss	comprehensive income	Total		
_	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	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		
	<u> </u>	-	<u> </u>			

Debt instruments Equity instruments	3,081		20,520		99,861	123,462	
Acceptance and endorsements	4,634		-		-	4,634	4
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	
						Statement of	Cha
			Stated Capi	tal/Assig	ned Capital		
For the Period Ended 30 June 2020	Ore	dinary	Ord	linary			
(In Rupee Millions)	,	oting	non-ve	oting	Assigned	Rese	erve
		hares		hares	capital	f	und
		s. 'Mn			Rs. 'Mn	Rs.	
	n	S. IVIN	ns	. 'Mn	ns. ivin	ns.	IVIII

				Statement of Chan	ges in Equity					
	Stated Capital/Assigned Capital				Reserves					
For the Period Ended 30 June 2020 (In Rupee Millions)	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	Total Rs. 'Mn	Non-controlling interest Rs. 'Mn	Total equity 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	685	702	-	702
Total comprehensive income for the year	-	-	-	-	-	2,222	685	2,907	-	2,907
Transactions with equity holders recognised directly in equity										
Share issue/increase of assigned capital	-	-	-	-	-	-	-	-	-	-
Transfer to reserves during the period	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office	-	-	-	-	-	-	-	_	-	-
Gain/(loss) on revaluation of property, plant and equipment										
(if cost method is adopted)	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(2)	7	223	228	-	228
Total transactions with equity holders	-	-	-	-	(2)	7	223	228	-	228
Balance as at 30/06/2020 (Closing balance)	-	-	3,152	2,598	2,460	47,334	14,218	69,762	-	69,762

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 Net gains/(losses) on cash flow hedges	1,013	(372)
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)
Items that will not be reclassified to income statement	685	645
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	2,907	3,308
Non-controlling interests		,

Selected Performance Indicators

	As at 30 June	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%
	2020 As at 30 June	2019 As at 31 December
Regulatory Liquidity	A3 ut 50 buile	As at 51 December
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%

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

In Rupee Millions For the period ended 31 December 2019

Cash and cash equivalents Balances with Central Banks

Derivative financial instruments

Acceptance and endorsements

Derivative financial instruments

Financial liabilities - due to depositors Financial liabilities - due to other borrowers

Placements with banks

Loans and advances

Equity instruments

Total financial assets Liabilities Due to banks

Total financial liabilities

	2020 As
Assets	30 Jur Rs. 'N
Cash and cash equivalents	7,63
Balances with central bank	15,41
Placements with banks	10,42
Derivative financial instruments	69
Financial assets measured at fair value through profit or loss	20,52
Financial assets designated at fair value through profit or loss	
Financial assets at amortised cost - loans and advances	255,60
Financial assets at amortised cost - debt instruments	3,08
Financial assets measured at fair value through other	99,86
comprehensive income	
Investments in subsidiaries	
Investments in associates and joint ventures	
Property, plant and equipment	5,13
Investment properties	
Goodwill and intangible assets	
Deferred tax assets	69
Other assets Total assets	14,44 433.51
	433,5
Liabilities	
Due to banks	130,5
Derivative financial instruments	73
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	213,92
Financial liabilities at amortised cost - due to other borrowers	
Due to subsidiaries	
Retirement benefit obligations	
Current tax liabilities	60
Deferred tax liabilities	
Other provisions	47.0
Other liabilities Total liabilities	17,89
	363,7
Equity	2.41
Stated capital/Assigned capital	3,15
Statutory reserve fund Retained earnings	2,59 47,33
Other reserves	16,67
Total shareholders' equity	69,76
Non-controlling interests	03,70
Total equity	69,76
Total equity Total equity and liabilities	433,51
Contingent liabilities and commitments	531,56
Contingent natinates and commitments	33 I,5t
Memorandum information	

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Analysis of loans and advances, commitments, contingenci	es and impairme	ent
Product-wise gross loans and advances	2020 As at 30 June Rs.'Mn	Audited 2019 As at 31 December Rs. 'Mn
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	131,270	134,713
Bonds	_	_
Other loans	9,611	14,877
Sub total	176,017	167,442
Total	259,230	261,862
	2020	Audited 2019

	Rs. 'Mn
19,626	19,588
6,440	7,182
95,387	89,014
74,423	72,468
332	361
196,208	188,613
53,761	51,406
13,285	12,829
84,735	82,408
156,486	129,754
27,089	28,612
335,356	305,009
531,564	493,622
2020 As at 30 June Rs.'Mn	Audited 2019 As at 31 December Rs. 'Mn
259,230	261,862
	6,440 95,387 74,423 332 196,208 53,761 13,285 84,735 156,486 27,089 335,356 531,564

Net value of loans and advances	255,606	260,155
	2020	Audited 2019
Movement of impairment during the period	As at 30 June	As at 31 December
	Rs.'Mn	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
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Under stage 3		
Opening balance	539	725
Charge/(write back) to income statement	1.706	(180)
Other movements	1 7	(6)
Cli b-l	2.252	F20

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 Less: accumulated impairment under stage 1 accumulated impairment under stage 2 accumulated impairment under stage 3	531,564 (33) (77)	493,622 (31) (32)
Net commitments and contingencies	531,454	493,559

Fair value through other comprehensive income

107,855

107,855

Rs. 'Mn

33,986 9,740

27,215 812

260,155

6,349

453,951

209,805

6,349

387,807

The financial information summarised above for the six months ended 30 June 2020 is drawn up from the un-audited accounts of the Bank, prepared according to the Sri Lankan Accounting Standards. (SLFRS/LKAS).

We, the undersigned, being the Chief Executive Officer and the Chief Financial Officer of HSBC Bank certify jointly that:

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka

(b) the information contained in these statements have been extracted from the un-audited financial statements of the Bank unless indicated as audited

Total impairment

Analysis of Financial Instruments by Measurement Basis

9,740

27,215

260,155

6.349

340,533

209,805

6,349

386,754

Fair value through profit and loss Rs. 'Mn

812

4,751

5,563

1,053

1,053



(Signed) Chief Executive Officer

Angelo Pillai (Signed) Chief Financial Officer