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.

For the period ended 31 December	2020	2019
	Rs. 'Mn	Rs. 'Mı
Interest income	25,673	31,07
Interest expenses	(9,001)	(12,441
Net interest income	16,672	18,63
Fee and commission income	3,169	4,23
Fee and commission expenses	(1,004)	(1,280
Net fee and commission income	2,165	2,95
Net gains/(losses) from trading	699	1,13
Net fair value gains/(losses) on:	-	
Financial assets at fair value through profit or loss	393	23
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	748	38
at fair value through other comprehensive income Net other operating income	49	38
Total operating income	20,726	23,37
	(3,581)	(810
Impairment charges	17,145	22,56
Net operating income	17,145	22,50
Personal expenses	(3,904)	(4,019
Depreciation and amortisation expenses	(1,044)	(561
Other expenses	(7,525)	(6,881
Operating profit/(loss) before VAT, NBT and other taxes		
on financial services	4,672	11,10
Value added tax (VAT) on financial services	(793)	(1,526
Nation Building Tax (NBT) and other taxes on financial services	(54)	(1,253
Operating profit/(loss) after VAT, NBT and other taxes		
on financial services	3,825	8,32
Share of profits of associates and joint ventures	-	
Profit/(loss) before tax	3,825	8,32
Income tax expenses	(1,437)	(2,082
Profit/(loss) for the period	2,388	6,24
Profit attributable to:		
Equity holders of the parent	2,388	6,24
Non-controlling interests	2,000	3,24

As at 31 December	2020 Rs. 'Mn	2019 Rs. 'Mn
Cash flows from operating activities		
Interest receipts	26,343	32,203
Interest payments	(8,653)	(10,629)
Net commission receipts	2,165	1,673
Trading income	1,840	1,747
Payments to employees	(3,862)	(4,005
VAT & NBT on financial services	(748)	(1,649
Receipts from other operating activities	392	343
Payments to other operating activities	(7,415)	(7,776
Operating profit before change in operating assets and liabilities	10,062	11,907
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	(8,713)	(2,407)
Financial assets at amortised cost - loans and advances	54,433	21,066
Treasury bills & bonds	(25,040)	3,709
Other assets	3,284	730
	23,964	23,098
Increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	27,452	3,932
Financial liabilities at amortised cost - due to other borrowers	(82,298)	(14,187)
Other liabilities	8,159	(7,186)
	(46,687)	(17,441)
Net cash generated from operating activities before income tax	(12,661)	17,564
Income tax paid	(2,212)	(4,835)
Net cash (used in)/from operating activities	(14,873)	12,729
Cash flows from investing activities	(00.4)	/504
Purchase of property, plant & equipment	(234)	(531)
Proceeds from sale of property, plant & equipment Purchase of financial investments	25	337
Proceeds from sale and maturity of financial investments	-	_
Others	-	_
Net cash (used in)/from investing activities	(209)	(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	(15,082)	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	1,508	(2,051)
Cash and cash equivalents at the end of the period	20,412	33,986

Tront transferred to flead office		-	By product - Foreign Currency	
Net cash (used in)/from financing activities			Demand deposits (current acco	unts)
			Savings deposits	
Net increase/(decrease) in cash and cash equivalents	(15,08	2) 12,535	Fixed deposits	
Cash and cash equivalents at the beginning of the period	od 33,98	36 23,502	Other deposits	
Exchange difference in respect of cash and cash equival	ents 1,50	08 (2,051)	Sub total	
	ents 1,50	(2,051)	Total	
Cash and cash equivalents at the end of the period	20,4	33,986	Total	
Analy	sis of Financial Instru	ıments by Measuremen	t Basis	
In Rupee Millions For the period ended 31 December 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	20,412	-	-	20,412
Balances with Central Banks	18,454	-	-	18,454
Placements with banks	-		-	-
Derivative financial instruments	-	656	-	656
Loans and advances Debt instruments	219,123 3,118	335	126 622	219,123 140,085
Equity instruments	3,110	335	136,632	140,000
Acceptance and endorsements	9,153	-	-	9,153
Total financial assets	270,260	991	136,632	407,883
Liabilities				
Due to banks	88,302		_	88,302
Derivative financial instruments	-	508	-	508
Financial liabilities - due to depositors	237,258	-	-	237,258
Financial liabilities - due to other borrowers	-	-	-	
Acceptance and endorsements	9,153	-	-	9,153
Total financial liabilities	334,713	508		335,221
rotai imanciai liabilities	334,/13	508	-	335,2

For the Period Ended 31 December 2020 (In Rupee Millions)	vo		ordinary n-voting shares	Assigned capital	Reserv
				gned Capital	
					Statement of Ch
Total financial liabilities	334,713	508		-	335,221
Acceptance and endorsements	9,153	-		-	9,153
Financial liabilities - due to other borrowers	237,236	-		-	237,236
Derivative financial instruments Financial liabilities - due to depositors	237,258	508		-	508 237,258
Due to banks	88,302			-	88,302
Liabilities					
Total financial assets	270,260	991		136,632	407,883
Acceptance and endorsements	9,153	-		-	9,153
Equity instruments	- 1	-		-	-
Debt instruments	3,118	335		136,632	140,085
Derivative financial instruments Loans and advances	219,123	656		-	656 219,123
Placements with banks	-	-		-	-
Balances with Central Banks	18,454	-		-	18,454

Total financial liabilities	334,713	508	-	335,221	Total financial liabilities		386,754	1,053	
				Statement of Chan	ges in Equity				
		Stated Capital/As	signed Capital		Res	erves			
For the Period Ended 31 December 2020	Ordinary	Ordinary							
(In Rupee Millions)	voting	non-voting	Assigned	Reserve	Revaluation	Retained	Other		Non-controlling
	shares	shares	capital	fund	reserve	earnings	reserves	Tot	al interest
	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'M	In Rs. 'Mn
Balance as at 01/01/2020 (Opening balance)	-	-	3,152	2,598	2,462	45,105	13,310	66,62	27 –
Total comprehensive income for the year									
Profit/(loss) for the year (net of tax)	-	-	-	-	-	2,388	-	2,38	
Other comprehensive income (net of tax)	-	-	-	-	146	(238)	940	84	- 48
Total comprehensive income for the year	-	-	-	-	146	2,150	940	3,23	
Transactions with equity holders recognised directly in equity									
Share issue/increase of assigned capital	-	-	-	-	-	-	-		-
Transfer to reserves during the period	-	-	-	52	-	(52)	7		7 -
Dividends to equity holders	-	-	-	-	-	-	-		-
Profit transferred to head office	-	-	-	-	-	-	-		_
Gain/(loss) on revaluation of property, plant and equipment									
(if cost method is adopted)	-	-	-	-	-	-	-		-

2.650

3,152

Statement of Comprehensive Income		
For the period ended 31 December	2020 Rs. 'Mn	2019 Rs. 'Mr
Profit/(loss) for the year	2,388	6,245
Items that will be reclassified to income statement		
Exchange differences on translation of foreign operations	1,414	(188
Net gains/(losses) on cash flow hedges	-	
Net gains/(losses) on investments in debt instruments measured at		
fair value through other comprehensive income	(660)	1,32
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	186	(371
	940	76
tems that will not be reclassified to profit or loss		
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	(242)	(125
Changes in revaluation surplus/(deficit)	51	(126
Share of profits of associates and joint ventures	-	
Less: Tax expense relating to items that will not be reclassified to income statement	99	7:
	(92)	(179
Other comprehensive income for the period, net of taxes	848	58
Fotal comprehensive income for the period	3,236	6,83
Attributable to:		
Equity holders of the parent	3,236	6,83
Non-controlling interests		

Selected Performance Indicators

As at 31 December

Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	62,408	57,269
Core (Tier 1) Capital	62,408	57,269
Total Capital Base	65,138	59,489
Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)	20.56%	16.85%
Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	20.56%	16.85%
Total Capital Ratio (Minimum Requirement, 12.5%)	21.46%	17.51%
As at 31 December	Unaudited 2020	Unaudited 2019
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	148,237	107,236
Off-shore banking unit	29,940	77,675
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	66.30%	50.14%
Off-shore banking unit	23.19%	44.69%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	125,724	78,955
All currency	125,764	79,079
Liquidity Coverage Ratio		
Rupee (Minimum Requirement - 100%)	424.02%	231.15%
All currency (Minimum Requirement - 100%)	316.12%	360.57%
Net Stable Funding Ratio - (Minimum Requirement - 100%)	129.66%	121.44%
Leverage ratio - (Minimum Requirement - 3%)	12.26%	9.53%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio		
(net of interest in suspense)	0.94%	0.57%
Net Non-Performing Advances Ratio		
(net of interest in suspense and provisions)	0.83%	0.51%
Profitability		
Interest Margin	3.73%	4.09%
Return on Assets (before tax)	0.85%	1.83%
Return on Equity	3.48%	9.83%

2020

2019

neturn on Assets (Before tax)	0.0070	1.0070
Return on Equity	3.48%	9.83%
Note: Profitability ratios are based on SLFRS data		
Analysis of Deposits		
As at 31 December	2020 Rs. 'Mn	2019 Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	32,095	21,545
Savings deposits	27,454	24,414
Fixed deposits	78,228	68,367
Other deposits	3,164	2,136
Sub total	140,941	116,462
By product - Foreign Currency		
Demand deposits (current accounts)	28,291	33,935
Savings deposits	28,036	23,514
Fixed deposits	35,483	32,371
Other deposits	4,507	3,523
Sub total	96,317	93,343
Total	237,258	209,805

In Rupee Millions For the period ended 31 December 2019

Derivative financial instruments

Derivative financial instruments

Acceptance and endorsements

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

2.603

Cash and cash equivalents Balances with Central Banks

Loans and advances

Equity instruments Acceptance and endorsements

Total financial assets

Liabilities Due to banks

As at 31 December	2020	2019
Assets	Rs. 'Mn	Rs. 'Mn
Cash and cash equivalents	20,412	33,986
Balances with central bank	18,454	9,740
Placements with banks		27,215
Derivative financial instruments	656	812
Financial assets measured at fair value through profit or loss	335	4.751
Financial assets designated at fair value through profit or loss		.,
Financial assets at amortised cost - loans and advances	219,123	260,155
Financial assets at amortised cost - debt instruments	3,118	3,088
Financial assets measured at fair value through other	136,632	107,855
comprehensive income	130,002	,
Investments in subsidiaries		_
Investments in associates and joint ventures		_
Property, plant and equipment	4.836	5.213
Investment properties	1,000	
Goodwill and intangible assets		_
Deferred tax assets	368	_
Other assets	20,717	14,518
Total assets	424,651	467,333
	12.7,001	107,000
Liabilities		
Due to banks	88,302	170,600
Derivative financial instruments	508	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	237,258	209,805
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	246	79
Current tax liabilities	126	358
Deferred tax liabilities	-	366
Other provisions		_
Other liabilities	27,906	18,445
Total liabilities	354,346	400,706
Equity		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,650	2,598
Retained earnings	47,213	45,105
Other reserves	17,290	15,772
Total shareholders' equity	70,305	66,627
Non-controlling interests	-	· -
Total equity	70,305	66,627
Total equity and liabilities	424,651	467,333
Contingent liabilities and commitments	530,834	493,622
No		
Memorandum information	1 000	1 107
Number of employees	1,020	1,197
Number of branches	13	14

Statement of Financial Position

Analysis of loans and advances, commitments, continge	encies and impairment	
As at 31 December	2020 Rs.'Mn	2019 Rs. 'Mn
Product-wise gross loans and advances		
By product - Domestic Currency	47.707	40.004
Overdrafts	17,737	19,061
Term loans	22,660	49,294
Lease rentals receivable Credit cards	21,420	26,038
Pawning	21,420	20,038
Other loans	103	27
Sub total	61,920	94,420
Sub total	61,920	34,420
By product - Foreign Currency		
Overdrafts	14.226	17,850
Term loans	139,186	134,715
Guarantees		.0.,, .0
Bonds	_	_
Other loans	6.724	14,877
Sub total	160,136	167,442
Total	222,056	261,862
Product-wise commitments and contingencies	2020	2019
1 Todact-wise commitments and contingencies	Rs. 'Mn	Rs. 'Mn
By product - Domestic currency		
Guarantees	19,370	19,588
Bonds	7,262	7,182
Undrawn credit lines	103.947	89.014
Fi	C2 025	70.400

19,370	19,588
7,262	7,182
103,947	89,014
62,825	72,468
182	361
193,586	188,613
58,732	51,406
15,906	12,829
82,697	82,408
147,610	129,754
32,303	28,612
337,248	305,009
530,834	493,622
2020	2019
Rs. 'Mn	Rs. 'Mn
222,056	261,862
(589)	(661)
(1,281)	(507)
(1,063)	(539)
219,123	260,155
	7,262 103,947 62,825 182 193,586 58,732 15,906 82,697 147,610 32,303 337,248 530,834 2020 Rs. 'Mn

Movement of impairment during the period As at 31 December	2020 Rs. 'Mn	2019 Rs. 'Mn
Under stage 1		
Opening balance	661	817
Charge/(write back) to income statement	(87)	(151)
Other movements	15	(5
Closing balance	589	66
Under stage 2		
Opening balance	507	610
Charge/(write back) to income statement	754	(91
Other movements	20	(12
Closing balance	1,281	50
Under stage 3		
Opening balance	539	72
Charge/(write back) to income statement	524	(180
Other movements	-	(6
Closing balance	1,063	539
Total impairment	2.933	1,70

Stage-wise impairment on commitments and contingencies As at 31 December	2020 Rs. 'Mn	2019 Rs. 'Mn
Commitments and contingencies	530,834	493,622
Less: accumulated impairment under stage 1	(40)	(31)
accumulated impairment under stage 2	(54)	(32)
accumulated impairment under stage 3	-	-
Net commitments and contingencies	530,740	493,559

Fair value through other comprehensive income

Rs. 'Mn

107,855

107,855

Rs. 'Mn

9,740 27,215 812

260,155

6,349

453,951

209,805

6,349 387,807

Total

equity

70,305

	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn	Rs. 'Mn
	66,627	-	66,627	13,310	45,105	2,462	2,598
1	2,388 848		2,388 848	_ 940	2,388 (238)	- 146	
	3,236	-	3,236	940	2,150	146	-
	-	_	-	-	_	-	_
	7	-	7	7	(52)	-	52
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	435	-	435	430	10	(5)	-
	442	-	442	437	(42)	(5)	52

Analysis of Financial Instruments by Measurement Basis

9,740

260,155

6,349

340,533

170,600

209,805

6,349

Fair value through profit and loss Rs. 'Mn

812

4,751

5.563

1,053

70.305

The financial information summarised above for the twelve months ended 31 December 2020 is drawn up from the audited accounts of the Bank, prepared according to the Sri Lankan Accounting Standards. (SLFRS/LKAS).

14.687

These accounts were audited by PricewaterhouseCooper (PwC). In their report of 19 March 2021 they have expressed an unqualified opinion of these accounts. In addition, we have included a summary of the HSBC Group Corporate Governance Report. $\label{eq:hadded}$

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 audited financial statements of the Bank unless indicated as un-audited (c) the information contained in these statements are true and correct to the best of our knowledge and belief.

47,213



Total transactions with equity holders

Balance as at 31/12/2020 (Closing balance)

Others