The Hongkong and Shanghai Banking Corporation Limited

Incorporated in the Hong Kong SAR with limited liability

Sri Lanka Branch

Statement of Cash Flows

Cash flows from operating activities

Interest payments

Trading income

Net commission receipts

Payments to employees

Treasury bills & bonds

Other assets

Other liabilities

Others

VAT & NBT on financial services

Receipts from other operating activities

Payments to other operating activities

(Increase)/decrease in operating assets Balances with Central Bank of Sri Lanka

Increase/(decrease) in operating liabilities

Net cash (used in)/from operating activities Cash flows from investing activities Purchase of property, plant & equipment

Net cash (used in)/from investing activities Cash flows from financing activities Profit transferred to head office Net cash (used in)/from financing activities

Purchase of financial investments

Proceeds from sale of property, plant & equipment

Proceeds from sale and maturity of financial investments

Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at the end of the period

Cash and cash equivalents at the beginning of the period

Exchange difference in respect of cash and cash equivalents

Operating profit before change in operating assets and liabilities

Financial assets at amortised cost - loans and advances

Financial liabilities at amortised cost - due to depositors

Financial liabilities at amortised cost - due to other borrowers

Net cash generated from operating activities before income tax

Main Office - 24, Sir Baron Jayatilaka Mawatha, Colombo 1.

For the period ended 30 September	2020	2019
·	Rs. 'Mn	Rs. 'Mr
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	3,08
Fee and commission expenses	(742)	(909
Net fee and commission income	1,518	2,17
Net gains/(losses) from trading	403	74
Net fair value gains/(losses) on:	-	
Financial assets at fair value through profit or loss	467	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	_	
at fair value through other comprehensive income	748	38
Net other operating income	59	3
Total operating income	16,439	17,64
Impairment charges	(4,947)	(511
Net operating income	11,492	17,13
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	7,96
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	6,57
Share of profits of associates and joint ventures	-	
Profit/(loss) before tax	2,123	6,57
Income tax expenses	(789)	(2,276
Profit/(loss) for the period	1,334	4,29
Profit attributable to: Equity holders of the parent	1.334	4.29

2019 Rs. 'Mr	2020 Rs. 'Mn	For the period ended 30 September					
4,294	1,334	Profit/(loss) for the year					
		Items that will be reclassified to income statement					
(59)	725	Exchange differences on translation of foreign operations					
_	-	Net gains/(losses) on cash flow hedges					
		Net gains/(losses) on investments in debt instruments measured at					
1,156	(268)	fair value through other comprehensive income					
-	-	Share of profits of associates and joint ventures					
_	-	Debt instruments at fair value through other comprehensive income					
-	-	Others					
(324)	75	Less: Tax expense relating to items that will be reclassified to income statement					
773	532						
		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					
_	7	Re-measurement of post-employment benefit obligations					
_	<i>'</i>	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					
		Less. Tax expense relating to items that will not be reclassified to income statement					
_	7						
773	539	Other comprehensive income for the period, net of taxes					
5,067	1,873	Total comprehensive income for the period					
		Attributable to:					
5,067	1,873	Equity holders of the parent					
		Non-controlling interests					

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Change in fair value on investments in equity instruments designate	ed at			
fair value through other comprehensive income			-	-
Change in fair value attributable to change in the Bank's own credit ris	sk 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 state	ment		_	_
Less. Tax expense relating to items that will not be reclassified to income state	illelit		7	
		_	1	_
Other comprehensive income for the period, net of taxes		5:	39	773
Total comprehensive income for the period	1,8	73	5,067	
Attributable to:				
Equity holders of the parent	1,873		5,067	
Non-controlling interests				-
			_	
Selected Performance Indicators				
		2020		Audited 2019
	As at	30 September	A	s at 31 December
Regulatory Capital Adequacy (LKR Millions)				
Common Equity Tier 1		59,759		57,269
Core (Tier 1) Capital 59,7				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%

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Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	19.15%	16.85%
Total Capital Ratio (Minimum Requirement, 12.5%)	20.48%	17.51%
	2020 As at 30 September	2019 As at 31 December
Regulatory Liquidity	7 to at ou coptomiso.	710 01 01 0000111001
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%

Return on Equity	2.62%	9.83%
ote: 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

Statement of Financial Position		
	2020 As at 30 September	Audited 2019 As at 31 December
Assets	Rs. 'Mn	Rs. 'Mn
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 Financial assets designated 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 - loans and advances	3,074	3,088
Financial assets measured at fair value through other	112,113	107,855
comprehensive income	112,110	107,033
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	.,,,,	- 1,000
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
Analysis of loans and advances, commitments, contingen	cies and impairme	ent
	2020	Audited 2019
Product-wise gross loans and advances	As at 30 Septmber Rs.'Mn	As at 31 December Rs. 'Mn
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

Overdrafts	16,953	17,850
Term loans	141,472	134,715
Guarantees	-	-
Bonds	-	-
Other loans	8,663	14,877
Sub total	167,088	167,442
Total	232,372	261,862
	2020	Audited 2019
Product-wise commitments and contingencies	As at 30 September Rs.'Mn	As at 31 December Rs. 'Mn
By product - Domestic currency	ns. IVIII	ns. IVIII
Guarantees	18,809	19,588
Bonds	8.007	7,182
Undrawn credit lines	111,265	89,014
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
	2020	Audited 2019
Stage-wise impairment on loans & advances	As at 30 September Rs.'Mn	As at 31 December Rs. 'Mn
Gross loans and advances	232,372	261,862

16,953 141,472

17,850 134,715

By product - Foreign Currency Overdrafts

Gross loans and advances	232,372	261,862
Less: accumulated impairment under stage 1	(1,430)	(661)
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
	2020	Audited 2019
Movement of impairment during the period	As at 30 September Rs.'Mn	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 Less: accumulated impairment under stage 1 accumulated impairment under stage 2 accumulated impairment under stage 3	515,016 (37) (33)	493,622 (31) (32)
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				

19,658 (6,634)

1,518

(2,726)

(638)

232

(5,339)

(2,984)

33,746

13,211

17,460

5,435

(46,093)

(25,941)

(26,902)

(961)

(137)

(27,015)

33,986

1,900

8,871

24

(68,988)

6,941

870

(10,629)

1,673

1,747

(4,005)

(1,649)

(7,776)

11,907

(2,407)

21,066

3,709

23,098

3,932

(14,187)

(7,186)

(17,441)

17,564

(4,835) 12,729

337

12,535

23,502

(2,051)

33,986

343

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				
Placements with banks	27,215	-	-	27,215				
Derivative financial instruments	-	812	-	812				
Loans and advances	260,155	-	-	260,155				
Debt instruments	3,088	4,751	107,855	115,694				
Equity instruments	-	-	-	-				
Acceptance and endorsements	6,349	-	-	6,349				
Total financial assets	340,533	5,563	107,855	453,951				
Liabilities								
Due to banks	170,600	-	-	170,600				
Derivative financial instruments	-	1,053	-	1,053				
Financial liabilities - due to depositors	209,805	-	-	209,805				
Financial liabilities - due to other borrowers	-	-	-	-				
Acceptance and endorsements	6,349	-	-	6,349				
Total financial liabilities	386,754	1,053	-	387,807				

				Statement of Chang	ges in Equity					
		Stated Capital/Assig	ned Capital		Rese	erves				
For the Period Ended 30 September 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)	_	-	-	-	-	1,334	_	1,334	_	1,334
Other comprehensive income (net of tax)	-	-	-	-	-	7	532	539	_	539
Total comprehensive income for the year	-	-	-	-	-	1,341	532	1,873	-	1,873
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	-	-	-	-	(3)	10	1,282	1,289	-	1,289
Total transactions with equity holders	-	-	-	-	(3)	10	1,282	1,289	-	1,289
Balance as at 30/09/2020 (Closing balance)	-	-	3,152	2,598	2,459	46,456	15,124	69,789	-	69,789

The financial information summarised above for the nine months ended 30 September 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

(c) the information contained in these statements are true and correct to the best of our knowledge and belief.



(Signed) Chief Executive Officer

Angelo Pillai (Signed) Chief Financial Officer