

# 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 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn
Interest income	19,920	25,673
Interest expenses	(6,775)	(9,001)
<b>Net interest income</b>	<b>13,145</b>	<b>16,672</b>
Fee and commission income	4,609	3,169
Fee and commission expenses	(1,269)	(1,004)
<b>Net fee and commission income</b>	<b>3,340</b>	<b>2,165</b>
Net gains/(losses) on trading	2,676	699
Net fair value gains/(losses) on:	-	-
Financial assets at fair value through profit or loss	(16)	393
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	61	49
<b>Total operating income</b>	<b>19,206</b>	<b>20,726</b>
Impairment (charges) / reversals	749	(3,581)
<b>Net operating income</b>	<b>19,955</b>	<b>17,145</b>
Personal expenses	(3,682)	(3,904)
Depreciation and amortisation expenses	(602)	(1,044)
Other expenses	(7,805)	(7,525)
<b>Operating profit/(loss) before VAT and other taxes on financial services</b>	<b>7,866</b>	<b>4,672</b>
Value added tax (VAT) on financial services	(2,058)	(793)
Other taxes on financial services	(164)	(54)
<b>Operating profit/(loss) after VAT and other taxes on financial services</b>	<b>5,644</b>	<b>3,825</b>
Share of profits of associates and joint ventures	-	-
<b>Profit/(loss) before tax</b>	<b>5,644</b>	<b>3,825</b>
Income tax expenses	(2,361)	(1,437)
<b>Profit/(loss) for the period</b>	<b>3,283</b>	<b>2,388</b>
<b>Profit attributable to:</b>		
Equity holders of the parent	3,283	2,388
Non-controlling interests	-	-

Statement of Cash Flows		
As at 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn
<b>Cash flows from operating activities</b>		
Interest receipts	18,530	26,343
Interest payments	(6,209)	(8,653)
Net commission receipts	3,340	2,165
Trading income	2,660	1,092
Payments to employees	(3,652)	(3,862)
VAT on financial services	(905)	(748)
Receipts from other operating activities	535	1,140
Payments to other operating activities	(8,084)	(7,415)
<b>Operating profit before change in operating assets and liabilities</b>	<b>6,214</b>	<b>10,062</b>
<b>(Increase)/decrease in operating assets</b>		
Balances with Central Bank of Sri Lanka	(12,606)	(8,713)
Financial assets at amortised cost - loans and advances	(5,365)	54,433
Treasury bills & bonds	797	(25,040)
Other assets	(421)	3,284
	(17,595)	23,964
<b>Increase/(decrease) in operating liabilities</b>		
Financial liabilities at amortised cost - due to depositors	52,753	27,452
Financial liabilities at amortised cost - due to other borrowers	(27,518)	(82,298)
Other liabilities	4,357	8,159
	29,592	(46,687)
<b>Net cash generated from operating activities before income tax</b>	<b>18,211</b>	<b>(12,661)</b>
Income tax paid	(2,436)	(2,212)
<b>Net cash (used in)/from operating activities</b>	<b>15,775</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	(3,627)	-
<b>Net cash (used in)/from financing activities</b>	<b>(3,627)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12,055</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	35,460	20,412

Statement of Comprehensive Income			
For the period ended 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn	
<b>Profit/(loss) for the year</b>	<b>3,283</b>	<b>2,388</b>	
<b>Items that will be reclassified to income statement</b>			
Exchange differences on translation of foreign operations	2,194	1,414	
Net gains/(losses) on cash flow hedges	-	-	
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	(2,600)	(660)	
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	448	186	
	42	940	
<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	406	(242)	
Changes in revaluation surplus/(deficit)	413	51	
Share of profits of associates and joint ventures	-	-	
Less: Tax expense relating to items that will not be reclassified to income statement	(176)	99	
	643	(92)	
<b>Other comprehensive income for the period, net of taxes</b>	<b>685</b>	<b>848</b>	
<b>Total comprehensive income for the period</b>	<b>3,968</b>	<b>3,236</b>	
<b>Attributable to:</b>			
Equity holders of the parent	3,968	3,236	
Non-controlling interests	-	-	

Selected Performance Indicators			
As at 31 December	2021	2020	
<b>Regulatory Capital Adequacy (LKR Millions)</b>			
Common Equity Tier 1	62,121	62,385	
Core (Tier 1) Capital	62,121	62,385	
Total Capital Base	65,052	65,116	
<b>Regulatory Capital Ratios</b>			
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 6.5%)	19.68%	20.55%	
Tier 1 Capital Ratio (Minimum Requirement, 8.0%)	19.68%	20.55%	
Total Capital Ratio (Minimum Requirement, 12.0%)	20.61%	21.45%	
<b>As at 31 December</b>	<b>Unaudited 2021</b>	<b>Unaudited 2020</b>	
<b>Regulatory Liquidity</b>			
Statutory Liquid Assets (LKR Millions)			
Domestic banking unit	160,087	148,237	
Off-shore banking unit	35,053	29,940	
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)	58.02%	66.30%	
Domestic banking unit	58.02%	66.30%	
Off-shore banking unit	29.80%	23.19%	
Total Stock of High-Quality Liquid Assets (LKR Millions)			
Rupee	135,246	125,724	
All currency	135,277	125,764	
Liquidity Coverage Ratio			
Rupee (Minimum Requirement - 100%)	321.00%	424.02%	
All currency (Minimum Requirement - 100%)	356.74%	316.12%	
Net Stable Funding Ratio - (Minimum Requirement - 100%)	149.00%	129.66%	
Leverage ratio - (Minimum Requirement - 3%)	10.66%	12.26%	
<b>Assets Quality (Quality of Loan Portfolio)</b>			
Gross Non-Performing Advances Ratio (net of interest in suspense)	0.59%	0.94%	
Net Non-Performing Advances Ratio (net of interest in suspense and provisions)	0.49%	0.83%	
<b>Impaired Loans (Stage 3) Ratio</b>	<b>0.33%</b>	<b>0.02%</b>	
<b>Impairment (Stage 3) to Stage 3 Loans Ratio</b>	<b>44.83%</b>	<b>93.19%</b>	
<b>Profitability</b>			
Interest Margin	2.96%	3.73%	
Return on Assets (before tax)	1.27%	0.85%	
Return on Equity	4.58%	3.48%	

Note: Profitability ratios are based on SLFRS data

Analysis of Deposits			
As at 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn	
<b>By product - Domestic Currency</b>			
Demand deposits (current accounts)	35,356	32,095	
Savings deposits	41,899	27,454	
Fixed deposits	98,316	78,228	
Other deposits	4,794	3,164	
<b>Sub total</b>	<b>180,365</b>	<b>140,941</b>	
<b>By product - Foreign Currency</b>			
Demand deposits (current accounts)	44,102	28,291	
Savings deposits	30,707	28,036	
Fixed deposits	26,902	35,483	
Other deposits	7,934	4,507	
<b>Sub total</b>	<b>109,645</b>	<b>96,317</b>	
<b>Total</b>	<b>290,010</b>	<b>237,258</b>	

Statement of Financial Position			
As at 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn	
<b>Assets</b>			
Cash and cash equivalents	35,460	20,412	
Balances with central bank	31,059	18,454	
Placements with banks	-	-	
Derivative financial instruments	39	656	
Financial assets measured at fair value through profit or loss	152	335	
Financial assets designated at fair value through profit or loss	-	-	
Financial assets at amortised cost - loans and advances	223,668	219,123	
Financial assets at amortised cost - debt instruments	593	3,118	
Financial assets measured at fair value through other comprehensive income	137,684	136,632	
Investments in subsidiaries	-	-	
Investments in associates and joint ventures	-	-	
Property, plant and equipment	5,342	4,836	
Investment properties	-	-	
Goodwill and intangible assets	-	-	
Deferred tax assets	189	368	
Other assets	24,041	20,717	
<b>Total assets</b>	<b>458,227</b>	<b>424,651</b>	
<b>Liabilities</b>			
Due to banks	60,785	88,302	
Derivative financial instruments	286	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	290,010	237,258	
Financial liabilities at amortised cost - due to other borrowers	-	-	
Due to subsidiaries	-	-	
Retirement benefit obligations	-	246	
Current tax liabilities	2,617	126	
Deferred tax liabilities	-	-	
Other provisions	-	-	
Other liabilities	33,866	27,906	
<b>Total liabilities</b>	<b>387,564</b>	<b>354,346</b>	
<b>Equity</b>			
Stated capital/Assigned capital	3,152	3,152	
Statutory reserve fund	2,783	2,650	
Retained earnings	49,404	47,213	
Other reserves	15,324	17,290	
<b>Total shareholders' equity</b>	<b>70,663</b>	<b>70,305</b>	
Non-controlling interests	-	-	
<b>Total equity</b>	<b>70,663</b>	<b>70,305</b>	
<b>Total equity and liabilities</b>	<b>458,227</b>	<b>424,651</b>	
<b>Contingent liabilities and commitments</b>	<b>391,234</b>	<b>530,834</b>	
<b>Memorandum information</b>			
Number of employees	972	1,020	
Number of branches	13	13	

Analysis of loans and advances, commitments, contingencies and impairment			
As at 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn	
<b>Product-wise gross loans and advances</b>			
<b>By product - Domestic Currency</b>			
Overdrafts	16,627	17,737	
Term loans	22,554	22,660	
Lease rentals receivable	-	-	
Credit cards	22,497	21,420	
Pawning	-	-	
Other loans	-	103	
<b>Sub total</b>	<b>61,678</b>	<b>61,920</b>	
<b>By product - Foreign Currency</b>			
Overdrafts	12,744	14,226	
Term loans	146,442	139,186	
Guarantees	-	-	
Bonds	-	-	
Other loans	4,996	6,724	
<b>Sub total</b>	<b>164,172</b>	<b>160,136</b>	
<b>Total</b>	<b>225,850</b>	<b>222,056</b>	

Product-wise commitments and contingencies			
As at 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn	
<b>By product - Domestic currency</b>			
Guarantees	19,364	19,370	
Bonds	8,035	7,262	
Undrawn credit lines	90,857	103,947	
Foreign exchange contracts	8,107	62,825	
Other	21,831	182	
<b>Sub total</b>	<b>148,194</b>	<b>193,586</b>	
<b>By product - Foreign Currency</b>			
Guarantees	62,194	58,732	
Bonds	21,744	15,906	
Undrawn credit lines	99,045	82,697	
Foreign exchange contracts	21,697	147,610	
Other	38,360	32,303	
<b>Sub total</b>	<b>243,040</b>	<b>337,248</b>	
<b>Total</b>	<b>391,234</b>	<b>530,834</b>	

Stage-wise impairment on loans & advances			
As at 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn	
<b>Gross loans and advances</b>	<b>225,850</b>	<b>222,056</b>	
Less: accumulated impairment under stage 1	(423)	(589)	
accumulated impairment under stage 2	(945)	(1,282)	
accumulated impairment under stage 3	(814)	(1,062)	
<b>Net value of loans and advances</b>	<b>223,668</b>	<b>219,123</b>	

Movement of impairment during the period			
As at 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn	
<b>Under stage 1</b>			
Opening balance	589	661	
Charge/(write back) to income statement	(181)	(87)	
Other movements	15	15	
Closing balance	423	589	
<b>Under stage 2</b>			
Opening balance	1,282	508	
Charge/(write back) to income statement	(373)	754	
Other movements	36	20	
Closing balance	945	1,282	
<b>Under stage 3</b>			
Opening balance	1,062	538	
Charge/(write back) to income statement	(248)	524	
Other movements	-	-	
Closing balance	814	1,062	
<b>Total impairment</b>	<b>2,182</b>	<b>2,933</b>	

Stage-wise impairment on commitments and contingencies			
As at 31 December	2021 Rs. 'Mn	2020 Rs. 'Mn	
<b>Commitments and contingencies</b>	<b>391,234</b>	<b>530,834</b>	
Less: accumulated impairment under stage 1	(31)	(40)	
accumulated impairment under stage 2	(13)	(54)	
accumulated impairment under stage 3	-	-	
<b>Net commitments and contingencies</b>	<b>391,190</b>	<b>530,740</b>	

Analysis of Financial Instruments by Measurement Basis				
For the period ended 31 December 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>				