

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 01.

Summarised Income Statement		
For the period ended 31 December	Audited 2023 Rs. 'Mn	Audited 2022 Rs. 'Mn
Interest income	44,657	45,488
Interest expenses	(9,854)	(11,863)
Net interest income	34,803	33,625
Fee and commission income	7,614	6,627
Fee and commission expenses	(1,892)	(1,753)
Net fee and commission income	5,722	4,874
Net gains/(losses) from trading	9,125	4,685
Net fair value gain/ (losses) on		
Financial assets at fair value through profit or loss	23	(9)
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	-	-
Net other operating income	103	220
Total operating income	49,776	43,395
Impairment (charges) / reversals	7,781	(12,480)
Net operating income	57,557	30,915
Personal expenses	(5,808)	(5,568)
Depreciation and amortisation expenses	(525)	(586)
Other expenses	(13,276)	(11,608)
Operating profit/(loss) before VAT and other taxes on financial services	37,948	13,153
Value Added Tax (VAT), on financial services	(6,432)	(3,164)
Other taxes on financial services	(893)	(96)
Operating profit/(loss) After VAT and other taxes on financial services	30,623	9,893
Income tax expenses	(10,473)	(2,921)
Profit/(loss) for the period	20,150	6,972
Profit attributable to:		
Equity holders of the parent	20,150	6,972
Non-controlling interests	-	-

Statement of Cash Flows		
For the Year ended 31 December	Audited 2023 Rs. 'Mn	Audited 2022 Rs. 'Mn
Cash flows from operating activities		
Interest receipts	45,463	44,512
Interest payments	(11,124)	(12,897)
Net commission receipts	5,722	4,874
Trading income	8,438	4,680
Payments to employees	(5,589)	(5,211)
VAT on financial services	(6,282)	(2,957)
Receipts from other operating activities	118	730
Payments to other operating activities	(13,276)	(10,958)
Operating profit before change in operating assets and liabilities	23,470	22,773
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	75,522	(132,536)
Financial assets at amortised cost - loans and advances	19,504	3,191
Treasury bills & bonds	29,579	87,039
Other assets	(13,741)	(2,258)
	110,864	(44,564)
Increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	(95,819)	178,256
Financial liabilities at amortised cost - due to other borrowers	3,363	(25,789)
Other liabilities	6,160	(9,859)
	(86,296)	142,608
Net cash (used in) generated from operating activities before income tax	48,038	120,817
Income tax paid	(9,198)	(2,938)
Net cash (used in)/from operating activities	38,840	117,879
Cash flows from investing activities		
Purchase of property, plant & equipment	(325)	(247)
Proceeds from sale of property, plant & equipment	-	-
Purchase of financial investments	-	-
Proceeds from sale and maturity of financial investments	-	-
Others	-	-
Net cash (used in)/from investing activities	(325)	(247)
Cash flows from financing activities		
Lease payments in lieu of leases with more than one year contract period	(148)	(334)
Net cash (used in)/from financing activities	(148)	(334)
Net increase/(decrease) in cash and cash equivalents	38,367	117,298
Cash and cash equivalents at the beginning of the period	190,932	35,460
Exchange difference in respect of cash and cash equivalents	(11,125)	38,174
Cash and cash equivalents at the end of the period	218,174	190,932

Statement of Comprehensive Income		
For the period ended 31 December	Audited 2023 Rs. 'Mn	Audited 2022 Rs. 'Mn
Profit/(loss) for the year	20,150	6,972
Items that will be reclassified to income statement		
Exchange differences on translation of foreign operations	(11,125)	38,738
Net gains/(losses) on cash flow hedges	-	-
Gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	835	837
Share of profits of associates and joint ventures	-	-
Debit instruments at fair value through other comprehensive income	-	-
	(10,290)	39,575
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	-	-
Re-measurement of post-employment benefit obligations (Net of Tax)	499	(482)
Changes in revaluation (deficit) surplus (Net of Tax)	286	(261)
Share of profits of associates and joint ventures	-	-
	785	(743)
Total comprehensive income for the period	(9,505)	38,832
Attributable to:		
Equity holders of the parent	10,645	45,804
Non-controlling interests	-	-

Selected Performance Indicators		
As at 31 December	Audited 2023 Rs. 'Mn	2022 Rs. 'Mn
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	85,252	62,891
Core (Tier 1) Capital	85,252	62,891
Total Capital Base	89,332	68,461
Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 7%)	23.43%	15.77%
Tier 1 Capital Ratio (Minimum Requirement, 8.5%)	23.43%	15.77%
Total Capital Ratio (Minimum Requirement, 12.5%)	24.55%	17.17%
<i>Note: Audited Capital Adequacy Ratio (2022) - 17.78%, Amended CAR post to the statutory audit (2022) - 17.17%</i>		
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	132,648	219,945
Off-shore banking unit	188,341	184,362
Total Bank	322,416	404,212
Statutory Liquid Assets Ratio		
Domestic banking unit	49.96%	52.23%
Off-shore banking unit	109.40%	121.47%
Total Bank (Minimum Requirement, 20%)	73.00%	70.54%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	105,809	199,108
All currency	106,206	199,645
Liquidity Coverage Ratio		
Rupee (Minimum Requirement - 100%)	163.00%	297.00%
All currency (Minimum Requirement - 100%)	251.85%	500.40%
Net Stable Funding Ratio - (Minimum Requirement - 100%)	144.43%	162.79%
Leverage Ratio - (Minimum Requirement - 3%)	13.14%	8.27%
Assets Quality (Quality of Loan Portfolio)		
Impaired Loans (Stage 3) Ratio	3.35%	4.59%
Impairment (Stage 3) to Stage 3 Loans Ratio	13.38%	6.32%
Profitability		
Interest Margin	5.99%	5.08%
Return on Assets (before tax)	5.27%	1.49%
Return on Equity	17.74%	8.73%

Analysis of Deposits		
	Audited 2023 As at 31 December Rs. 'Mn	Audited 2022 As at 31 December Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	35,824	37,632
Savings deposits	56,610	72,020
Fixed deposits	90,532	118,465
Other deposits	1,293	2,640
Sub total	184,259	230,757
By product - Foreign Currency		
Demand deposits (current accounts)	65,156	66,294
Savings deposits	55,977	79,063
Fixed deposits	64,961	78,561
Other deposits	2,095	13,591
Sub total	188,189	237,509
Total	372,448	468,266

Statement of Financial Position		
As at 31 December	Audited 2023 Rs. 'Mn	Audited 2022 Rs. 'Mn
Assets		
Cash and cash equivalents	218,143	190,917
Balances with the CBSL	88,041	163,152
Placements with banks	11,337	-
Derivative financial instruments	1,011	286
Financial assets measured at fair value through profit or loss	24	57
Financial assets at amortised cost - loans and advances	210,214	227,054
Financial assets at amortised cost - debt instruments	94	70
Financial assets measured at fair value through other comprehensive income	19,662	43,635
Retirement benefit obligations surplus	86	-
Property, plant and equipment	5,518	5,233
Deferred tax assets	1,286	4,355
Other assets	31,012	29,011
Total assets	586,428	663,770
Liabilities		
Due to banks	38,359	34,996
Derivative financial instruments	229	127
Financial liabilities at amortised cost - due to depositors	372,448	468,266
Retirement benefit obligations	-	514
Current tax liabilities	6,349	7,450
Other liabilities	46,494	37,436
Total liabilities	463,879	548,789
Equity		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	3,152	2,997
Retained earnings	72,239	54,766
Other reserves	44,006	54,066
Total shareholders' equity	122,549	114,981
Total equity	122,549	114,981
Total equity and liabilities	586,428	663,770
Contingent liabilities and commitments	442,170	482,537
Memorandum information		
Number of employees	747	884
Number of branches	13	13

Analysis of loans and advances, commitments, contingencies and impairment		
Product-wise gross loans and advances As at 31 December	Audited 2023 Rs. 'Mn	Audited 2022 Rs. 'Mn
By product - Domestic Currency		
Overdrafts	41,378	16,159
Term loans	45,313	19,873
Credit cards	21,089	19,942
Trade loans	537	493
Sub total	108,317	56,467
By product - Foreign Currency		
Overdrafts	7,421	9,679
Term loans	63,056	111,189
Trade loans	36,261	59,023
Sub total	106,738	179,891
Total	215,055	236,358

Stage-wise impairment on loans & advances		
	Audited 2023 Rs. 'Mn	Audited 2022 Rs. 'Mn
Gross loans and advances	215,055	236,358
Less: accumulated impairment under stage 1	(745)	(611)
accumulated impairment under stage 2	(2,984)	(7,962)
accumulated impairment under stage 3	(1,112)	(731)
Net value of loans and advances	210,214	227,054

Movement of impairment on loans and advances during the period		
	Audited 2023 Rs. 'Mn	Audited 2022 Rs. 'Mn
Under stage 1		
Opening balance	611	423
Charge/(write back) to income statement	(85)	107
Other movements	219	81
Closing balance	745	611
Under stage 2		
Opening balance	7,962	945
Charge/(write back) to income statement	(4,917)	5,845
Other movements	(61)	1,172
Closing balance	2,984	7,962
Under stage 3		
Opening balance	731	814
Charge/(write back) to income statement	131	(80)
Other movements	(131)	(9)
Closing balance	1,112	731
Total impairment	4,841	9,304

Product-wise commitments and contingencies As at 31 December		
	Audited 2023 Rs. 'Mn	Audited 2022 Rs. 'Mn
By product - Domestic Currency		
Performance bonds	11,137	14,407
Letters of credit	142	-
Guarantees	4,491	4,763
Undrawn loan commitment	110,387	120,618
Foreign exchange contracts	24,506	10,117
Other contra accounts	50	181
Sub total	150,713	150,086
By product - Foreign Currency		
Performance bonds	73,704	114,056
Letters of credit	30,059	34,455
Guarantees	3,984	5,587
Undrawn loan commitment	128,176	105,899
Foreign exchange contracts	36,643	27,862
Other contra accounts	19,891	44,792
Sub total	291,457	332,451
Total	442,170	482,537

Stage-wise impairment on commitments and contingencies As at 31 December		
	Audited 2023 Rs. 'Mn	Audited 2022 Rs. 'Mn
Gross commitments and contingencies	442,170	482,537
Less: accumulated impairment under stage 1	(346)	(229)
accumulated impairment under stage 2	(301)	(386)
accumulated impairment under stage 3	-	-
Net commitments and contingencies	441,523	481,922

Analysis of Financial Instruments by Measurement Basis				
For the period ended 31 December 2023 Audited	Amortised cost Rs. 'Mn	Fair value through profit or loss Rs. 'Mn	Fair value through other comprehensive income Rs. 'Mn	Total Rs. 'Mn
Assets				
Cash and cash equivalents	218,143	-	-	218,143
Balances with CBSL	88,041	-	-	88,041
Placements with banks	11,337	-	-	11,337
Derivative financial instruments	-	1,011	-	1,011
Loans and advances	210,214	-	-	210,214
Debt instruments	94	24	19,662	19,780
Equity instruments	-	-	-	-
Acceptance and endorsements	24,265	-	-	24,265
Total financial assets	552,094	1,035	19,662	572,791
Liabilities				
Due to banks	38,359	-	-	38,359
Derivative financial instruments	-	229	-	229
Financial liabilities - due to depositors	372,448	-	-	372,448
Acceptance and endorsements	24,525	-	-	24,525
Total financial liabilities	435,332	229	-	435,561

Analysis of Financial Instruments by Measurement Basis				
For the period ended 31 December 2022 Audited	Amortised cost Rs. 'Mn	Fair value through profit or loss Rs. 'Mn	Fair value through other comprehensive income Rs. 'Mn	Total Rs. 'Mn
Assets				
Cash and cash equivalents	190,917	-	-	190,917
Balances with Central Banks	163,152	-	-	163,152
Derivative financial instruments	-	286	-	286
Loans and advances	227,054	-	-	227,054
Debt instruments	70	57	43,635	43,762
Equity instruments	-	-	-	-
Acceptance and endorsements	18,096	-	-	18,096
Total financial assets	599,289	343		