

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 September	2022 Rs. 'Mn	2021 Rs. 'Mn
Interest income	30,841	14,469
Interest expenses	(8,758)	(4,785)
Net interest income	22,083	9,684
Fee and commission income	4,740	3,359
Fee and commission expenses	(1,277)	(974)
Net fee and commission income	3,463	2,385
Net gains/(losses) from trading	3,063	2,486
Net fair value gains/(losses) on:	-	-
Financial assets at fair value through profit or loss	(12)	(14)
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	97	115
Total operating income	28,694	14,656
Impairment (charges) / reversals	(8,713)	1,007
Net operating income	19,981	15,663
Personal expenses	(3,357)	(2,827)
Depreciation and amortisation expenses	(455)	(450)
Other expenses	(7,934)	(6,092)
Operating profit/(loss) before VAT and other taxes on financial services	8,235	6,294
Value added tax (VAT) on financial services	(2,775)	(1,892)
Other taxes on financial services	-	(26)
Operating profit/(loss) after VAT and other taxes on financial services	5,460	4,376
Share of profits of associates and joint ventures	-	-
Profit/(loss) before tax	5,460	4,376
Income tax expenses	(971)	(1,373)
Profit/(loss) for the period	4,489	3,003
Profit attributable to:		
Equity holders of the parent	4,489	3,003
Non-controlling interests	-	-

Statement of Cash Flows		
	2022 As at 30 September Rs. 'Mn	Audited 2021 As at 31 December Rs. 'Mn
Cash flows from operating activities		
Interest receipts	25,990	18,530
Interest payments	(7,059)	(6,209)
Net commission receipts	3,463	3,340
Trading income	3,051	2,660
Payments to employees	(3,291)	(3,652)
VAT on financial services	(1,096)	(905)
Receipts from other operating activities	523	535
Payments to other operating activities	(2,721)	(8,084)
Operating profit before change in operating assets and liabilities	18,860	6,214
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	(137,652)	(12,606)
Financial assets at amortised cost - loans and advances	(177,062)	(5,365)
Treasury bills & bonds	79,011	797
Other assets	6,943	(421)
	(228,760)	(17,595)
Increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	202,406	52,753
Financial liabilities at amortised cost - due to other borrowers	(15,924)	(27,518)
Other liabilities	(28,320)	4,357
	158,162	29,592
Net cash (used in)/generated from operating activities before income tax	(51,738)	18,211
Income tax paid	(1,087)	(2,436)
Net cash (used in)/from operating activities	(52,825)	15,775
Cash flows from investing activities		
Purchase of property, plant & equipment	(188)	(93)
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	(188)	(93)
Cash flows from financing activities		
Profit transferred to head office	-	(3,627)
Net cash (used in)/from financing activities	-	(3,627)
Net increase/(decrease) in cash and cash equivalents	(53,013)	12,055
Cash and cash equivalents at the beginning of the period	35,460	20,412
Exchange difference in respect of cash and cash equivalents	44,022	2,993
Cash and cash equivalents at the end of the period	26,469	35,460

Statement of Comprehensive Income		
For the period ended 30 September	2022 Rs. 'Mn	2021 Rs. 'Mn
Profit/(loss) for the year	4,489	3,003
Items that will be reclassified to income statement		
Exchange differences on translation of foreign operations	37,443	2,161
Net gains/(losses) on cash flow hedges	-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	(7,089)	(1,430)
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	1,350	345
	31,704	1,076
Items 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	(22)	(35)
Changes in revaluation surplus/(deficit)	-	-
Share of profits of associates and joint ventures	-	-
Less: Tax expense relating to items that will not be reclassified to income statement	-	-
	(22)	(35)
Other comprehensive income for the period, net of taxes	31,682	1,041
Total comprehensive income for the period	36,171	4,044
Attributable to:		
Equity holders of the parent	36,171	4,044
Non-controlling interests	-	-

Selected Performance Indicators		
	2022 As at 30 September Rs. 'Mn	Audited 2021 As at 31 December Rs. 'Mn
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	55,597	62,121
Core (Tier 1) Capital	55,597	62,121
Total Capital Base	61,134	65,052
Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 6.5%)	14.09%	19.68%
Tier 1 Capital Ratio (Minimum Requirement, 8.0%)	14.09%	19.68%
Total Capital Ratio (Minimum Requirement, 12.0%)	15.49%	20.61%
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	225,821	160,087
Off-shore banking unit	151,424	35,053
Statutory Liquid Assets Ratio (Minimum Requirement, 20%)		
Domestic banking unit	58.05%	58.02%
Off-shore banking unit	83.11%	29.80%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	212,672	135,246
All currency	213,040	135,277
Liquidity Coverage Ratio		
Rupee (Minimum Requirement - 90%)	287.00%	321.00%
All currency (Minimum Requirement - 90%)	509.77%	356.74%
Net Stable Funding Ratio - (Minimum Requirement - 90%)	161.00%	149.00%
Leverage ratio - (Minimum Requirement - 3%)	7.09%	10.66%
Assets Quality (Quality of Loan Portfolio)		
Impaired Loans (Stage 3) Ratio	2.29%	0.33%
Impairment (Stage 3) to Stage 3 Loans Ratio	7.69%	44.83%
Profitability		
Interest Margin	4.45%	2.96%
Return on Assets (before tax)	1.10%	1.27%
Return on Equity	8.78%	4.58%

Note: Profitability ratios are based on SLFRS data

Analysis of Deposits		
	2022 As at 30 September Rs. 'Mn	Audited 2021 As at 31 December Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	35,314	35,356
Savings deposits	69,244	41,899
Fixed deposits	137,522	98,316
Other deposits	6,725	4,794
Sub total	248,805	180,365
By product - Foreign Currency		
Demand deposits (current accounts)	70,183	44,102
Savings deposits	74,698	30,707
Fixed deposits	75,493	26,902
Other deposits	23,237	7,934
Sub total	243,611	109,645
Total	492,416	290,010

Statement of Financial Position		
	2022 As at 30 September Rs. 'Mn	Audited 2021 As at 31 December Rs. 'Mn
Assets		
Cash and cash equivalents	26,469	35,460
Balances with central bank	168,711	31,059
Placements with banks	140,989	-
Derivative financial instruments	376	39
Financial assets measured at fair value through profit or loss	52	152
Financial assets designated at fair value through profit or loss	-	-
Financial assets at amortised cost - loans and advances	255,851	223,668
Financial assets at amortised cost - debt instruments	104	593
Financial assets measured at fair value through other comprehensive income	54,684	137,684
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	5,255	5,342
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	3,825	189
Other assets	28,721	24,041
Total assets	685,037	458,227
Liabilities		
Due to banks	44,860	60,785
Derivative financial instruments	575	286
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	492,416	290,010
Financial liabilities at amortised cost - due to other borrowers	-	-
Due to subsidiaries	-	-
Retirement benefit obligations	-	-
Current tax liabilities	8,043	2,617
Deferred tax liabilities	-	-
Other provisions	-	-
Other liabilities	33,779	33,866
Total liabilities	579,673	387,564
Equity		
Stated capital/Assigned capital	3,152	3,152
Statutory reserve fund	2,783	2,783
Retained earnings	52,371	49,404
Other reserves	47,058	15,324
Total shareholders' equity	105,364	70,663
Non-controlling interests	-	-
Total equity	105,364	70,663
Total equity and liabilities	685,037	458,227
Contingent liabilities and commitments	495,769	391,234
Memorandum information		
Number of employees	934	972
Number of branches	13	13

Analysis of loans and advances, commitments, contingencies and impairment		
	2022 As at 30 September Rs. 'Mn	Audited 2021 As at 31 December Rs. 'Mn
Product-wise gross loans and advances		
By product - Domestic Currency		
Overdrafts	16,203	16,627
Term loans	20,976	22,554
Lease rentals receivable	-	-
Credit cards	20,662	22,497
Pawning	-	-
Other loans	-	-
Sub total	57,841	61,678
By product - Foreign Currency		
Overdrafts	9,814	12,744
Term loans	195,779	146,442
Guarantees	-	-
Bonds	-	-
Other loans	2,962	4,986
Sub total	208,555	164,172
Total	266,396	225,850

Product-wise commitments and contingencies		
	2022 As at 30 September Rs. 'Mn	Audited 2021 As at 31 December Rs. 'Mn
By product - Domestic currency		
Guarantees	15,864	19,364
Bonds	2,663	8,035
Undrawn credit lines	100,587	90,857
Foreign exchange contracts	2,538	8,107
Other	183	21,831
Sub total	121,835	148,194
By product - Foreign Currency		
Guarantees	100,024	62,194
Bonds	28,410	21,744
Undrawn credit lines	117,078	99,045
Foreign exchange contracts	24,766	21,697
Other	103,656	38,360
Sub total	373,934	243,040
Total	495,769	391,234

Stage-wise impairment on loans & advances		
	2022 As at 30 September Rs. 'Mn	Audited 2021 As at 31 December Rs. 'Mn
Gross loans and advances	266,396	225,850
Less: accumulated impairment under stage 1	(748)	(423)
accumulated impairment under stage 2	(9,171)	(845)
accumulated impairment under stage 3	(626)	(814)
Net value of loans and advances	255,851	223,668

Movement of impairment during the period		
	2022 As at 30 September Rs. 'Mn	Audited 2021 As at 31 December Rs. 'Mn
Under stage 1		
Opening balance	423	589
Charge/(write back) to income statement	152	(181)
Other movements	173	15
Closing balance	748	423
Under stage 2		
Opening balance	945	1,282
Charge/(write back) to income statement	6,823	(373)
Other movements	1,403	36
Closing balance	9,171	945
Under stage 3		
Opening balance	814	1,062
Charge/(write back) to income statement	(188)	(248)
Other movements	-	-
Closing balance	626	814
Total impairment	10,545	2,182

Stage-wise impairment on commitments and contingencies		
	2022 As at 30 September Rs. 'Mn	Audited 2021 As at 31 December Rs. 'Mn
Commitments and contingencies	495,769	391,234
Less: accumulated impairment under stage 1	(176)	(40)
accumulated impairment under stage 2	(305)	(54)
accumulated impairment under stage 3	-	-
Net commitments and contingencies	495,288	391,140

Analysis of Financial Instruments by Measurement Basis				
	Amortised cost Rs. 'Mn	Fair value through profit and loss Rs. 'Mn	Fair value through other comprehensive income Rs. 'Mn	Total Rs. 'Mn
For the period ended 30 September 2022				
Assets				
Cash and cash equivalents	26,469	-	-	26,469
Balances with Central Banks	168,711	-	-	168,711
Placements with banks	140,989	-	-	140,989
Derivative financial instruments	-	376	-	376
Loans and advances	255,851	-	-	255,851
Debt instruments	104	52	54,684	54,840
Equity instruments	-	-	-	-
Acceptance and endorsements	4,057	-	-	4,057
Total financial assets	596,181	428	54,684	651,293
Liabilities				
Due to banks	44,860	-	-	44,860
Derivative financial instruments	-	575	-	575
Financial liabilities - due to depositors	492,416	-	-	492,416
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	4,057	-	-	4,057
Total financial liabilities	541,333	575	-	541,908

Analysis of Financial Instruments by Measurement Basis				
	Amortised cost Rs. 'Mn	Fair value through profit and loss Rs. 'Mn	Fair value through other comprehensive income Rs. 'Mn	Total Rs. 'Mn
For the period ended 31 December 2021				
Assets				
Cash and cash equivalents	35,460	-	-	35,460
Balances with Central Banks	31,059	-	-	31,059
Placements with banks	-	-	-	-
Derivative financial instruments	-	39	-	39
Loans and advances	223,668	-	-	223,668
Debt instruments	593	152	137,684	138,429
Equity instruments	-	-	-	-
Acceptance and endorsements	18,196	-	-	18,196
Total financial assets	308,976	191	137,684	446,851
Liabilities				
Due to banks	60,785	-	-	60,785
Derivative financial instruments	-	286	-	286
Financial liabilities - due to depositors	290,010	-	-	290,010
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	18,196	-	-	18,196
Total financial liabilities	368,991	286	-	369,277

Statement of Changes in Equity										
For the Period Ended 30 September 2022	Stated Capital/Assigned Capital			Reserves				Total Rs. 'Mn	Non-controlling interest Rs. 'Mn	Total equity Rs. 'Mn
	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			
Balance as at 01/01/2022 (Opening balance)	-	-	3,152	2,783	2,945	49,404	12,379	70,663	-	70,663
Adjustment for surcharge tax levied under the Surcharge Tax Act No. 14 of 2022	-	-	-	-	-	(1,516)	-	(1,516)	-	(1,516)
Adjusted Balance as at 01/01/2022	-	-	3,152	2,783	2,945	47,888	12,379	69,147	-	69,147
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year (net of tax)	-	-	-	-	-	4,489	-	4,489	-	4,489
Other comprehensive income (net of tax)	-	-	-	-	-	(22)	31,704	31,682	-	31,682
Total comprehensive income for the year	-	-	-	-	-	4,467	31,704	36,171	-	36,171
Transactions with equity holders recognised directly in equity	-	-	-	-	-	-	-	-	-	-
Share issue/increase of assigned capital	-	-	-	-	-	-	-	-	-	-
Transfer to reserves during the period	-	-	-	-	-	603	(557)	46	-	46
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation of property, plant and equipment (if cost method is adopted)	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total transactions with equity holders	-	-	-	-	-	603	(557)	46	-	46
Balance as at 30/09/2022 (Closing balance)	-	-	3,152	2,783	2,945	52,958	43,526	105,364	-	105,364