

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	2022 Rs. 'Mn	2021 Rs. 'Mn
Interest income	46,946	19,920
Interest expenses	(13,321)	(6,775)
Net interest income	33,625	13,145
Fee and commission income	6,627	4,609
Fee and commission expenses	(1,753)	(1,269)
Net fee and commission income	4,874	3,340
Net gains/(losses) on trading	4,685	2,676
Net fair value gains/(losses) on:	-	-
Financial assets at fair value through profit or loss	(9)	(16)
Financial liabilities at fair value through profit or loss	-	-
Net other operating income	220	61
Total operating income	43,395	19,206
Impairment (charges) / reversals	(12,480)	749
Net operating income	30,915	19,955
Personal expenses	(5,568)	(3,682)
Depreciation and amortisation expenses	(586)	(602)
Other expenses	(11,495)	(7,805)
Operating profit/(loss) before VAT and other taxes on financial services	13,266	7,866
Value Added Tax (VAT), Other taxes on financial services	(3,373)	(2,222)
Profit/(loss) before tax	9,893	5,644
Income tax expenses	(2,921)	(2,361)
Profit/(loss) for the period	6,972	3,283
Profit attributable to:		
Equity holders of the parent	6,972	3,283
Non-controlling interests	-	-

Statement of Cash Flows		
For the Year ended 31 December	2022 Rs. 'Mn	2021 Rs. 'Mn
Cash flows from operating activities		
Interest receipts	45,971	18,530
Interest payments	(14,355)	(6,209)
Net commission receipts	4,874	3,340
Trading income	4,680	2,660
Payments to employees	(5,211)	(3,652)
VAT on financial services	(2,957)	(905)
Receipts from other operating activities	730	535
Payments to other operating activities	(10,958)	(8,084)
Operating profit before change in operating assets and liabilities	22,774	6,214
(Increase)/decrease in operating assets		
Balances with Central Bank of Sri Lanka	(132,536)	(12,606)
Financial assets at amortised cost - loans and advances	3,191	(5,365)
Treasury bills & bonds	87,039	797
Other assets	(2,258)	(421)
	(44,564)	(17,595)
Increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	178,256	52,753
Financial liabilities at amortised cost - due to other borrowers	(25,789)	(27,518)
Other liabilities	(9,859)	4,357
	142,608	29,592
Net cash generated from operating activities before income tax	120,818	18,211
Income tax paid	(2,938)	(2,436)
Net cash (used in)/from operating activities	117,880	15,775
Cash flows from investing activities		
Purchase of property, plant & equipment	(247)	(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	(247)	(93)
Cash flows from financing activities		
Lease payments in lieu of leases with more than one year contract period	(334)	-
Profit transferred to head office	-	(3,627)
Net cash (used in)/from financing activities	(334)	(3,627)
Net increase/(decrease) in cash and cash equivalents	117,299	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	38,174	2,993
Cash and cash equivalents at the end of the period	190,933	35,460

Statement of Comprehensive Income		
For the period ended 31 December	2022 Rs. 'Mn	2021 Rs. 'Mn
Profit/(loss) for the year	6,972	3,283
Items that will be reclassified to income statement		
Exchange differences on translation of foreign operations	38,738	2,194
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income (Net of Tax)	837	(2,152)
Total	39,575	42
Items that will not be reclassified to profit or loss		
Re-measurement of post-employment benefit obligations (Net of Tax)	(482)	300
Changes in revaluation (deficit) / surplus (Net of Tax)	(261)	343
	(743)	643
Other comprehensive income for the period, net of taxes	38,832	685
Total comprehensive income for the period	45,806	3,968
Attributable to:		
Equity holders of the parent	45,806	3,968
Non-controlling interests	-	-

Selected Performance Indicators		
As at 31 December	2022	2021
Regulatory Capital Adequacy (LKR Millions)		
Common Equity Tier 1	62,891	62,121
Core (Tier 1) Capital	62,891	62,121
Total Capital Base	68,279	65,052
Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio (Minimum Requirement, 6.5%)	16.37%	19.68%
Tier 1 Capital Ratio (Minimum Requirement, 8.0%)	16.37%	19.68%
Total Capital Ratio (Minimum Requirement, 12.0%)	17.78%	20.61%

As at 31 December	Unaudited 2022	Unaudited 2021
Regulatory Liquidity		
Statutory Liquid Assets (LKR Millions)		
Domestic banking unit	219,945	160,087
Off-shore banking unit	184,362	35,053
Total Bank	404,212	195,140
Statutory Liquid Assets Ratio		
Domestic banking unit	52.23%	58.02%
Off-shore banking unit	121.47%	29.80%
Total Bank (Minimum Requirement, 20%)	70.54%	50.26%
Total Stock of High-Quality Liquid Assets (LKR Millions)		
Rupee	199,108	135,246
All currency	199,645	135,277
Liquidity Coverage Ratio		
Rupee (Minimum Requirement - 90%)	297.00%	321.00%
All currency (Minimum Requirement - 90%)	500.40%	356.74%
Net Stable Funding Ratio - (Minimum Requirement - 90%)	162.79%	149.00%
Leverage ratio - (Minimum Requirement - 3%)	8.27%	10.66%
Assets Quality (Quality of Loan Portfolio)		
Impaired Loans (Stage 3) Ratio	4.59%	0.33%
Impairment (Stage 3) to Stage 3 Loans Ratio	6.32%	44.83%
Profitability		
Interest Margin	5.08%	2.96%
Return on Assets (before tax)	1.49%	1.27%
Return on Equity	8.73%	4.58%

Note: Profitability ratios are based on SLFRS data

Analysis of Deposits		
As at 31 December	2022 Rs. 'Mn	2021 Rs. 'Mn
By product - Domestic Currency		
Demand deposits (current accounts)	37,632	35,356
Savings deposits	72,020	41,899
Fixed deposits	118,465	98,316
Other deposits	2,641	4,794
Sub total	230,758	180,365
By product - Foreign Currency		
Demand deposits (current accounts)	62,726	44,102
Savings deposits	68,876	30,707
Fixed deposits	78,481	26,902
Other deposits	28,425	7,934
Sub total	237,508	109,645
Total	468,266	290,010

Statement of Financial Position		
As at 31 December	2022 Rs. 'Mn	2021 Rs. 'Mn
Assets		
Cash and cash equivalents	190,933	35,460
Balances with the CBSL	163,595	31,059
Derivative financial instruments	286	38
Financial assets measured at fair value through profit or loss	57	152
Financial assets at amortised cost - loans and advances	227,054	223,668
Financial assets at amortised cost - debt instruments	70	593
Financial assets measured at fair value through other comprehensive income	43,635	136,211
Retirement benefit obligations surplus	-	224
Property, plant and equipment	5,233	5,342
Deferred tax assets	4,355	189
Other assets	28,553	25,291
Total assets	663,771	458,227
Liabilities		
Due to banks	34,996	60,785
Derivative financial instruments	127	286
Financial liabilities at amortised cost - due to depositors	468,266	290,010
Retirement benefit obligations	514	-
Current tax liabilities	7,450	1,530
Other liabilities	37,436	34,953
Total liabilities	548,789	387,564
Equity		
Assigned capital	3,152	3,152
Statutory reserve fund	2,997	2,783
Retained earnings	54,766	49,404
Other reserves	54,066	15,324
Total shareholders' equity	114,982	70,663
Total equity	114,982	70,663
Total equity and liabilities	663,771	458,227
Contingent liabilities and commitments	482,537	391,234
Memorandum information		
Number of employees	884	972
Number of branches	13	13

Analysis of loans and advances, commitments, contingencies and impairment		
As at 31 December	2022 Rs. 'Mn	2021 Rs. 'Mn
Product-wise gross loans and advances		
By product - Domestic Currency		
Overdrafts	16,159	16,627
Term loans	19,873	22,554
Lease rentals receivable	-	-
Credit cards	20,435	22,497
Pawning	-	-
Other loans	-	-
Sub total	56,467	61,678
By product - Foreign Currency		
Overdrafts	9,679	12,744
Term loans	169,845	146,442
Other loans	367	4,986
Sub total	179,891	164,172
Total	236,358	225,850

Product-wise commitments and contingencies		
As at 31 December	2022 Rs. 'Mn	2021 Rs. 'Mn
By product - Domestic Currency		
Guarantees	16,861	19,364
Bonds	2,309	8,035
Undrawn credit lines	105,379	90,857
Foreign exchange contracts	10,119	8,107
Other	181	21,831
Sub total	134,849	148,194
By product - Foreign Currency		
Guarantees	96,388	62,194
Bonds	26,662	21,744
Undrawn credit lines	121,137	99,045
Foreign exchange contracts	27,662	21,697
Other	75,239	38,360
Sub total	347,688	243,040
Total	482,537	391,234

Stage-wise impairment on loans & advances		
As at 31 December	2022 Rs. 'Mn	2021 Rs. 'Mn
Gross loans and advances	236,358	225,850
Less: accumulated impairment under stage 1	(161)	(423)
accumulated impairment under stage 2	(7,962)	(945)
accumulated impairment under stage 3	(731)	(814)
Net value of loans and advances	227,054	223,668

Movement of impairment during the period		
As at 31 December	2022 Rs. 'Mn	2021 Rs. 'Mn
Under stage 1		
Opening balance	423	589
Charge/(write back) to income statement	107	(181)
Other movements	81	15
Closing balance	611	423
Under stage 2		
Opening balance	945	1,282
Charge/(write back) to income statement	5,845	(373)
Other movements	1,172	36
Closing balance	7,962	945
Under stage 3		
Opening balance	814	1,062
Charge/(write back) to income statement	(80)	(248)
Other movements	3	-
Closing balance	731	814
Total impairment	9,304	2,182

Stage-wise impairment on commitments and contingencies		
As at 31 December	2022 Rs. 'Mn	2021 Rs. 'Mn
Gross commitments and contingencies	482,537	391,234
Less: accumulated impairment under stage 1	(185)	(31)
accumulated impairment under stage 2	(382)	(13)
accumulated impairment under stage 3	-	-
Net commitments and contingencies	481,970	391,190

Analysis of Financial Instruments by Measurement Basis				
For the period ended 31 December 2022	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	190,933	-	-	190,933
Balances with Central Banks	163,595	-	-	163,595
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	18,209	-	-	18,209
Total financial assets	599,861	343	43,635	643,839
Liabilities				
Due to banks	34,996	-	-	34,996
Derivative financial instruments	-	127	-	127
Financial liabilities - due to depositors	468,266	-	-	468,266
Financial liabilities - due to other borrowers	-	-	-	-
Acceptance and endorsements	18,209	-	-	18,209
Total financial liabilities	521,471	127	-	521,598

Analysis of Financial Instruments by Measurement Basis				
For the period ended 31 December 2021	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	35,460	-	-	35,460
Balances with CBSL	31,059	-	-	31,059
Placements with banks	-	-	-	-
Derivative financial instruments	-	39	-	39
Loans and advances	223,668	-	-	223,668
Debt instruments	593	152	136,211	136,956
Equity instruments	-	-	-	-
Acceptance and endorsements	18,196	-	-	18,196
Total financial assets	308,976	191	136,211	445,378
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