The Hongkong and Shanghai Banking Corporation Limited

Incorporated in the Hongkong SAR with limited liability

Sri Lanka Branch

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

Summarised Income Statement		
For the period ended 30 June	2016	2015
	Rs. '000	Rs. '000
Interest income	12,374,588	11,902,145
Interest expenses	(3,976,520)	(3,588,895)
Net interest income	8,398,068	8,313,250
Fee and commission income	1,738,718	1,887,607
Fee and commission expenses	(281,632)	(323,545)
Net fee and commission income	1,457,086	1,564,062
Net gain/(loss) from trading	1,236,114	478,108
Net gain/(loss) from financial instruments designated at		
fair value through profit or loss	-	-
Net gain/(loss) from financial investments	(6,037)	-
Other operating income (net)	22,462	35,838
Total operating income	11,107,693	10,391,258
Impairment for loans and other losses		
Individual impairment	19,963	239,564
Collective impairment	(87,599)	63,556
Others		
Net operating income	11,040,057	10,694,378
Personnel expenses	(1,683,406)	(1,720,100
Depreciation and amortisation	(168,988)	(112,751)
Other expenses	(3,110,114)	(2,829,916
Operating profit/(loss) before value added tax (VAT)	6,077,549	6,031,611
Value Added Tax (VAT) on financial services	(820,731)	(829,860)
Operating profit/(loss) after value added tax (VAT)	5,256,818	5,201,751
Share of profits of associates and joint ventures	_	-
Profit/(loss) before tax	5,256,818	5,201,751
Tax expenses	(1,986,925)	(1,863,870
Profit/(loss) for the period	3,269,893	3,337,88
Profit attributable to:		
Owners of the parent		
Non-controlling interest		
		-
Earnings per share on profit		
Basic earnings per ordinary share	-	
Diluted earnings per ordinary share	-	-

Cash Flow Statement			
	_		
	Rs. '000	Rs. '00	
Operating activities			
Interest received	10,928,762	(5,833,18, 622,84 3,119,72 1,509,15 705,27 (8,960,044 15,542,23 18,835,94 3,684,96 6,511,28 (16,597,49) (14,137,91) (172,778, 6,540,77 (17,177,91) (1,635,68) (8,988,00) (10,623,69) 17,74 (1,044,31) (1,026,570 (1,543,30) (13,193,56 24,015,52 1,716,07 12,538,05 1,016,22 4,797,00 6,724,82	
Interest paid	(2,783,642)	(5,833,182	
Recoveries on previously written off loans	275,226	622,84	
Fees and commission received	1,457,086	As at 31 Decembers, 2000 10,928,762 24,378,44; (2,783,642) (2,783,642) (2,783,642) (2,783,642) (2,883,18,275,226 (22,86 1,457,086 3,119,73 - 1,236,114 1,509,11 (6,037) 705,22 (4,662,267) (8,960,04 6,445,242 15,542,22 33,642,102 18,835,982) 3,684,90 (6,797,340 6,511,28 (16,212,758) (16,597,49 (4,115,469) (4,115,469) (4,115,469) (4,115,469) (4,115,469) (1,137,91 13,402,172 19,838,05 935,671 (1,449,67 2,309,217 (17,177,91 8,754,459 (1,635,68 (2,302,587) (8,988,00 6,451,872 (10,623,69 - 9,398 17,74 (61,378) (1,044,31 (51,980) (1,026,57) - (1,543,30 - (1,5	
Dividends received	10,928,762 24,378 (2,783,642) (5,833, 275,226 622 1,457,086 3,119 - 1,236,114 1,509 (6,037) 705 (4,662,267) (8,960,0 6,445,242 15,542 33,642,102 18,835 (28,185,982) 3,684 6,797,340 6,511 (16,212,758) (16,597,40) (4,115,469) (14,137,40) (669,287) (727,73,284,572) 6,540 13,402,172 (19,838,69) 2,309,217 (17,177,88,754,459) (16,35,674) (2,302,587) (8,988,674) - 9,398 17 (61,378) (1,044,674) (51,980) (1,026,674) - (1,543,674) - (1,543,675) (1,543,675) (1,044,675		
Net (payments)/receipts from trading activities	1,236,114	1,509,15	
Net (payments)/receipts from investing activities	(6,037)	705,27	
Operating expenses paid	(4,662,267)	(8,960,048	
Operating profit before changes in operating assets and liabilities	6,445,242	15,542,23	
Change in operating assets/liabilities			
(Increase)/decrease in treasury bills and other eligible bills	33,642,102	18,835,96	
(Increase)/decrease in treasury bonds	(28,185,982)	3,684,98	
(Increase)/decrease in loans to other banks	6,797,340	6,511,28	
(Increase)/decrease in loans and advances	(16,212,758)	(16,597,499	
(Increase)/decrease in government bonds	(4,115,469)	(14,137,912	
(Increase)/decrease in other assets	(669,287)	622.84 3,119,72 1,509,15 705,27 (8,960,048 15,542,23 18,835,96 3,684,98 6,511,28 (16,597,499 (14,137,912 (727,78: 6,540,77 (19,838,059 (1,449,672 (17,177,919 (1,635,686 (8,988,007 (10,623,693 17,74 (1,044,317 (1,026,576 (1,543,300 (13,193,563 (24,015,54 1,716,07	
Increase/(decrease) in deposits from customers		6,540,77	
Increase/(decrease) in borrowings	13,402,172	(19,838,059	
Increase/(decrease) in other liabilities		(1,449,674	
	2,309,217	(17,177,919	
Net cash flow from operating activities before tax	8,754,459	(1,635,686	
Tax paid	(2.302.587)	(8.988.007	
Net cash flow from operating activities		, , , ,	
Investing activities	0,102,012	(10,020,000	
Proceeds from sale of joint venture	_		
Proceeds from disposal of property, plant and equipment	0 308	17.74	
Acquisition of property, plant and equipment			
Net cash flow from investing activities		, , , ,	
•	(51,980)	(1,020,570	
Financing activities Profit transferred to head office	_	(1.543.300	
Net cash flow from financing activities	_		
Net increase / (decrease) in cash and cash equivalents	6.399.892		
Cash and cash equivalents at the beginning of the period			
Exchange Adjustment		1,716,07	
Cash and cash equivalents at the end of the period	19,176,461	12,538,05	
Analysis of cash and cash equivalents at the period	. /	. ,	
Cash in hand	1,299,504	1,016,22	
Balances with other banks	8,652,729	4,797,00	
Balances with Central Bank	9,224,228	6,724,82	
Cash and cash equivalents at the end of the period	19,176,461	12,538,05	

Statement of Comprehensive Income		
For the period ended 30 June	2016 Rs. '000	2015 Rs. '000
Profit/(loss) for the year	3,269,893	3,337,881
Other comprehensive income, net of tax		
Changes in revaluation surpluses	(39,362)	_
Actuarial gains and losses on defined benefit plans	(27,551)	(8,731)
Gains and losses (arising from translating the		
financial statements of a foreign operation)	238,551	210,752
Gains and losses on re-measuring available-for-sale financial assets	(1,309,523)	(1,679,319)
Gains and losses on cash flow hedges	-	_
Others	-	_
Share of profits of associates and joint ventures	-	_
Less: Tax expense/(income) relating to components of other		
comprehensive income	367,304	472,796
Other comprehensive income for the period, net of taxes	(770,581)	(1,004,502)
Total comprehensive income for the period	2,499,312	2,333,379
Attributable to:		
Owners of the parent	-	_
Non-controlling interest	_	_

Selected Performance Indicators		
	2016 As at 30 June	Audited 2015 As at 31 December
Regulatory capital adequacy		
Core Capital (Tier 1 Capital) Rs. '000	47,681,527	47,323,907
Total Capital Base. Rs. '000	48,038,444	47,680,824
Core Capital Adequacy Ratio, as % of risk weighted assets	13,223,111	,,
(Minimum requirement 5%)	18.81%	21.62%
Total Capital Adequacy Ratio as % of risk weighted assets		
Minimum requirement 10%)	18.95%	21.79%
	2016	2015
	As at 30 June	As at 31 December
Assets quality (quality of loan portfolio)		
Gross Non-Performing Advances Ratio %		
(net of interest in suspense)	0.97%	1.04%
Net Non-Performing Advances Ratio % (net of interest in suspense and provisions)	0.42%	0.46%
1 1 /	0.42%	0.46%
Profitability Interest Margin, %	4.09%	4.19%
Return on Assets (before Tax), %	2.50%	3.30%
Return on Equity, %	9.10%	16.14%
Regulatory liquidity	3110 %	10.1147.0
Statutory Liquid Assets, Rs. '000		
Domestic banking unit	118,977,729	111,431,275
Offshore banking unit	55,416,266	54,832,748
Statutory Liquid Assets ratio, %	,,	,2,1110
(minimum requirement, 20%)		
Domestic banking unit	56.79%	57.56%
Offshore banking unit	37.45%	40.51%

Loans and Receivables to Other Customers (Gross) - By product						
	Audited					
2016	2015					
As at 30 June	As at 31 December					
Rs '000	Rs '000					
12,374,828	11,717,421					
30,231,313	33,667,278					
_	_					
19,172,046	19,317,096					
_	_					
40,854	634,397					
61,819,041	65,336,192					
4,090,716	3,356,495					
133,510,258	113,593,639					
2,010,945	3,074,818					
139,611,919	120,024,952					
201,430,960	185,361,144					
	2016 As at 30 June Rs '000 12,374,828 30,231,313 - 19,172,046 - 40,854 61,819,041 4,090,716 133,510,258 2,010,945 139,611,919					

		Audited
	2016	2015
	As at 30 June	As at 31 December
	Rs '000	Rs. '000
By product-Domestic Currency		
Demand deposits (current accounts)	17,818,721	17,397,133
Savings deposits	23,480,502	27,370,943
Fixed deposits	72,455,814	67,038,340
Other deposits	2,236,680	2,020,065
Sub total	115,991,717	113,826,481
By product-Foreign Currency		
Demand deposits (current accounts)	18,491,845	19,688,729
Savings deposits	16,171,860	17,857,482
Fixed deposits	26,748,615	28,835,111
Other deposits	2,198,921	2,679,727
Sub total	63,611,241	69,061,049
Total	179,602,958	182,887,530

Statement of Financial Position		
		Audite
	2016	20
	As at 30 June	As at 31 Decemb
	Rs. '000	Rs. '0
Assets		
Cash and cash equivalents	9,952,233	5,813,2
Balances with Central Bank	9,224,228	6,724,8
Placements with banks	17,706,760	19,469,70
Derivative financial instruments	1,628,832	2,078,0
Other financial assets Held-for-trading	1,320,676	330,8
Financial assets designated at fair value through profit or loss	-	
Loans and receivables to banks	10,750,000	15,784,4
Loans and receivables to other customers	200,494,245	184,328,6
Financial investments - Available-for-sale	128,188,432	131,828,70
Financial investments Held-to-maturity	-	
Investments in subsidiaries	-	
Investments in associates and joint ventures	-	
Property, plant and equipment	3,507,704	3,644,89
Investment properties	-	
Goodwill and intangible assets		2.0.4
Deferred tax assets	727,421	360,1
Other assets	17,744,081	16,316,2
Total assets	401,244,612	386,679,69
Liabilities		
Due to banks	142,764,928	129,362,7
Derivatives financial instruments	1,632,635	1,814,1
Financial liabilities Held-for-trading	-	
Financial liabilities designated at fair value through profit or loss	-	
Due to other customers	179,602,958	182,887,5
Other borrowings	-	
Debt securities issued	-	
Current tax liabilities	2,266,763	1,548,7
Deferred tax liabilities	-	
Other provisions	-	
Other liabilities	23,468,207	22,071,30
Due to subsidiaries	-	
Subordinated term debts	-	
Total liabilities	349,735,491	337,684,5
Equity		
Stated capital / Assigned capital	3,152,358	3,152,3
Statutory reserve fund	2,090,476	2,090,4
Retained earnings	36,221,425	32,964,20
Other reserves	10,044,862	10,788,0
Total sharedholders' equity	51,509,121	48,995,1
Non-controlling interest	-	
Total equity	51,509,121	48,995,1
Total liabilities and equity	401,244,612	386,679,69
Contingent liabilities and commitments	677,355,033	616,100,5
Memorandum information		
Number of employees	1,272	1,3
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Loans and Receivables to Other Customers (net)								
		Audited						
	2016	2015						
	As at 30 June	As at 31 December						
	Rs '000	Rs. '000						
Gross loans and receivables	201,430,960	185,361,144						
(Less) Individual impairment	(622,546)	(698,755)						
Collective impairment	(314,169)	(333,757)						
Net loans and receivables including those designed at fair value								
through profit or loss	200,494,245	184,328,632						
(Less) Loans and receivables designated at fair value through profit or loss	-	_						
Net loans and receivables	200,494,245	184,328,632						

Movements in Individual and Collective Impairme Receivables to Other Customers	nt during the period for Loan	s and
Receivables to Other Customers		
		Aud
	2016	2
	As at 30 June	As at 31 Decen
	Rs '000	Rs.
Individual impairment		
Opening balance	698,755	950,
Charge/(Write back) to income statement	(8,134)	(242,5
Write-off during the year	(17,986)	
Other movements	(50,089)	(9,3
Closing balance	622,546	698,
Collective impairment		
Opening balance	333,757	1,228,
Change/(Write back) to income statement	9,061	(833,2
Other movements	(28,649)	(61,2
Closing balance	314,169	333,
Total impairment	936,715	1,032,

		Analysis of Fina	ncial Instruments by Measurement I	Basis			
For the period ended 30 June 2016	Held-for-trading	Designated at fair value through profit/loss	Held-to-maturity	Amortised cost	Available-for-sale	Hedging	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Cash and cash equivalents	-	-	-	9,952,233	-	-	9,952,233
Balances with central banks	_	-	-	9,224,228	-	_	9,224,228
Placements with banks	-	_	-	17,706,760	_	-	17,706,760
Derivative financial instruments	1,628,832	_	-	-	_	-	1,628,832
Other financial assets Held-for-trading	1,320,676	_	-	-	_	-	1,320,676
Loans and receivables to banks	-	-	-	10,750,000	-	-	10,750,000
Loans and receivables to other customers	_	-	-	200,494,245	-	-	200,494,245
Financial investments	-	_	-	-	128,188,432	-	128,188,432
Acceptances & Endorsements	_	-	-	9,569,292	-	-	9,569,292
Total financial assets	2,949,508	-	-	257,696,758	128,188,432	-	388,834,698
Liabilities							
Due to banks	_	_	_	142,764,928	_	_	142,764,928
Derivative financial instruments	1,632,635	_	_	_	_	_	1,632,635
Other financial liabilities at fair value through profit or loss		_	_	_	_	_	_
Due to other customers	_	_	_	179,602,958	_	_	179,602,958
Other borrowings	_	_	_	_	_	_	
Debt securities issued	_	_	_	_	_	_	_
Acceptances & Endorsements	_	-	-	9,569,292	_	_	9,569,292
Total financial liabilities	1,632,635	_	_	331,937,178	_	_	333,569,813

				Statement of Cl	nanges in Equity												
	Stated Capital/Assigned capital Reserves		Stated Capital/Assigned capital		Reserves			Reserves		Reserves							
For the period ended 30 June 2016	Ordinary voting shares Rs. '000	Ordinary non-voting shares Rs. '000	Assigned capital Rs. '000	Reserve fund Rs. '000	Revaluation reserve Rs. '000	Retained earnings Rs. '000	Other reserves Rs. '000	Total Rs. '000	Non-controlling interest Rs. '000	Tota equit Rs. '00							
Balance as at 01/01/2016 (opening balance)	_	_	3,152,358	2,090,476	1,957,210	32,964,266	8,830,800	48,995,110	_	48,995,11							
Total comprehensive income for the period			, ,	, ,	, ,	, ,	, ,	, ,		, , , , , , , , , , , , , , , , , , ,							
Profit/(loss) for the period	-	_	-	-	_	3,269,893	_	3,269,893	_	3,269,89							
Other comprehensive income (net of tax)	-	-	-	-	(39,362)	(27,551)	(703,668)	(770,581)	_	(770,581							
Total comprehensive income for the period	-	-	-	-	(39,362)	3,242,342	(703,668)	2,499,312	-	2,499,31							
Transactions with equity holders recognised directly in equity																	
Share issue/increase of assigned capital	-	-	-	-	_	_	_	_	_								
Share option exercised	-	=-	-	-	=	=-	-	_									
Bonus issue	-	=-	-	-	=	=-	-	_									
Rights issue	-	-	-	-	=	-	-	_	_								
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	-	-	=	=	=	14,817	(118)	14,699	-	14,69							
Total transactions with equity holders	-	-	-	-	-	14,817	(118)	14,699	_	14,69							
Balance as at 30/06/2016 (closing balance)	_	_	3,152,358	2,090,476	1,917,848	36,221,425	8,127,014	51,509,121	_	51,509,12							

The financial information summarised above for the six months ended 30 June 2016 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.

HSBC (X)