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.

For the period ended 31 December	2016	2015
	Rs. '000	Rs. '000
Interest income	25,738,799	23,548,828
Interest expenses	(8,446,028)	(7,217,254)
Net interest income	17,292,771	16,331,574
Fee and commission income	3,484,406	3,781,024
Fee and commission expenses	(632,242)	(661,297
Net fee and commission income	2,852,164	3,119,727
Net gain/(loss) from trading	2,145,085	1,509,150
Net gain/(loss) from financial instruments designated at		
fair value through profit or loss	-	-
Net gain/(loss) from financial investments	(5,910)	705,274
Other operating income (net)	49,675	61,066
Total operating income	22,333,785	21,726,797
Impairment for loans and other losses		
Individual impairment	(89,112)	181,606
Collective impairment	(112,866)	438,997
Others	_	
Net operating income	22,131,807	22,347,400
Personnel expenses	(3,247,347)	(3,431,337
Depreciation and amortisation	(337,479)	(260,650)
Other expenses	(6,220,694)	(5,920,681
Operating profit/(loss) before value added tax (VAT)	12,326,287	12,734,732
Value Added Tax (VAT) on financial services	(1,689,578)	(1,535,048
Operating profit/(loss) after value added tax (VAT)	10,636,709	11,199,684
Share of profits of associates and joint ventures	_	-
Profit/(loss) before tax	10,636,709	11,199,684
Tax expenses	(4,025,792)	(3,676,034
Profit/(loss) for the period	6,610,917	7,523,650
Profit attributable to:		
Owners of the parent	6,610,917	7,523,650
Non-controlling interest	-	-,,,,,,,,,
Earnings per share on profit		
Basic earnings per ordinary share	_	
Diluted earnings per ordinary share	_	

As at 31 December	2016	2015
	Rs '000	Rs. '000
Operating activities		
Interest received	24,209,937	24,378,459
Interest paid	(6,166,626)	(5,833,182)
Recoveries on previously written off loans	204,908	622,847
Fees and commission received	2,852,164	3,119,727
Dividends received	_	_
Net (payments)/receipts from trading activities	2,154,880	1,509,156
Net (payments)/receipts from investing activities	(5,910)	705,274
Operating expenses paid	(9,233,463)	(8,960,048)
Operating cash flow before changes in operating assets and liabilities	14,015,890	15,542,233
Change in operating assets/liabilities		
(Increase)/decrease in treasury bills and other eligible bills	39,231,598	18,835,968
(Increase)/decrease in treasury bonds	(27,815,617)	3,684,981
(Increase)/decrease in loans to other banks	(5,270,200)	6,511,288
(Increase)/decrease in loans and advances	(27,419,151)	(16,597,499)
(Increase)/decrease in government bonds	(3,224,974)	(14,137,912)
(Increase)/decrease in other assets	802,764	(727,782)
Increase/(decrease) in deposits from customers	455,682	6,540,770
Increase/(decrease) in borrowings	22,222,378	(19,838,059)
Increase/(decrease) in other liabilities	(1,692,248)	(1,449,674)
metalos (decrease) in otto monte	(2,709,768)	(17,177,919)
Net cash flow from operating activities before tax	11,306,122	(1,635,686)
Tax paid	(6,171,416)	(8,988,007)
Net cash flow from operating activities	5,134,706	(10,623,693)
Investing activities	2,22 3,100	(,,)
Proceeds from sale of joint venture		
Proceeds from disposal of property, plant and equipment	16,877	17,747
Acquisition of property, plant and equipment	(239,411)	(1,044,317)
Net cash flow from investing activities	(222,534)	(1,026,570)
Financing activities	(222,334)	(1,020,370)
Profit transferred to head office	(1,935,000)	(1,543,300)
Net cash flow from financing activities	(1,935,000)	(1,543,300)
Net increase / (decrease) in cash and cash equivalents	2,977,172	(13,193,563)
Cash and cash equivalents at the beginning of the period	12,538,055	24,015,547
Exchange Adjustment	963,107	1,716,071
Cash and cash equivalents at the end of the period	16,478,334	12,538,055
Analysis of cash and cash equivalents at the period	1,184,524	1,016,228
Analysis of cash and cash equivalents at the period Cash in hand		
	6,203,784	4,797,002
Cash in hand		4,797,002 6,724,825

		Analysis of Financial Inst	truments by Measure	ment Basis			
For the period ended 31 December 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	-	_	-	7,388,308	-	-	7,388,308
Balances with central banks	-	_	_	9,090,026	-	_	9,090,026
Placements with banks	-	_	_	40,524,300	-	_	40,524,300
Derivative financial instruments	471,757	_	_	-	-	_	471,757
Other financial assets Held-for-trading	756,106	_	-	-	-	-	756,106
Loans and receivables to banks	-	_	_	-	-	_	_
Loans and receivables to other customers	-	_	_	212,875,084	-	_	212,875,084
Financial investments	-	_	_	-	122,514,575	_	122,514,575
Acceptances & Endorsements	-	-	-	6.506,718	-	-	6,506,718
Total financial assets	1,227,863	-	_	276,384,436	122,514,575	_	400,126,874
Liabilities							
Due to banks	_	_	_	151,585,134	_	_	151,585,134
Derivative financial instruments	383,472	_	_	_	_	_	383,472
Other financial liabilities at fair value through profit or loss	_	_	_	_	-	-	_
Due to other customers	_	_	_	183,343,212	_	_	183,343,212
Other borrowings	_	_	_	_	-	-	_
Debt securities issued	_	_	_	_	-	-	_
Acceptances & Endorsements	-	-	_	6,506,718	-	-	6,506,718
Total financial liabilities	383,472	-	-	341,435,064	_	-	341,818,536

			Statement o	f Changes in	Equity					
	Stated Capital/Assigned capital		Reserves							
For the period ended 31 December 2016	Ordinary voting shares Rs. '000	Ordinary non-voting shares Rs. '000	Assigned capital	Reserve fund Rs. '000	Revaluation reserve Rs. '000	Retained earnings Rs. '000	Other reserves Rs. '000	Total Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000
	Ks. 000	Ks. 000							K3. 000	
Balance as at 01/01/2016 (opening balance) Total comprehensive income for the period	-	-	3,152,358	2,090,476	1,957,210	32,964,266	8,830,800	48,995,110	-	48,995,110
Profit/(loss) for the period	-	-	-	-	-	6,610,917	-	6,610,917	-	6,610,917
Other comprehensive income (net of tax)	-	-	-	-	163,623	(53,519)	463,220	573,324	-	573,324
Total comprehensive income for the period	_	-	-	-	163,623	6,557,398	463,220	7,184,241	-	7,184,241
Transactions with equity holders recognised directly in equity										
Share issue/increase of assigned capital	-	-	-	-	-	-	-	-	-	-
Share options exercised	-		-	-	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-	-	-	-	-
Rights issue	-	-	-	-	-	-	-	-	-	-
Transfer to reserves during the period	-	-	-	132,218	-	(132,218)	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Profit transferred to head office	-	-	-	-	-	(1,935,000)	-	(1,935,000)	-	(1,935,000)
Gain/(loss) on revaluation of property, plant and equipment										
(if cost method is adopted)	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(21,304)	21,304	(828)	(828)	-	(828)
Total transactions with equity holders	-	_	-	132,218	(21,304)	(2,045,914)	(828)	(1,935,828)	-	(1,935,828)
Balance as at 31/12/2016 (closing balance)	_	-	3,152,358	2,222,694	2,099,529	37,475,750	9,293,192	54,243,523	_	54,243,523

The financial information summarised above for the twelve months ended 31 December 2016 is drawn up from the audited accounts of the Bank, prepared according to the Sri Lankan Accounting Standards. (SLFRS/LKAS). These accounts were audited by PricewaterhouseCoopers (PwC). In their report of 30 March 2017, they have expressed an unqualified opinion of these accounts.

In addition, we have included a summary of the HSBC Group Corporate Governance Report. To facilitate comparison, previous year's figures have been re-stated to conform to current classification and presentation. 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 audited financial statements of the bank unless indicated as unaudited

(c) the information contained in these statements are true and correct to the best of our knowledge and belief.

Kanchana Hewavitharana

Mark G Prothero

Statement of Comprehensive Income			
For the period ended 31 December	2016 Rs. '000	2015 Rs. '000	
Profit/(loss) for the year	6,610,917	7,523,650	
Other comprehensive income, net of tax			
Changes in revaluation surpluses	197,641	89,050	
Actuarial gains and losses on defined benefit plans	(60,294)	363,329	
Gains and losses (arising from translating the			
financial statements of a foreign operation)	962,728	1,739,424	
Gains and losses on re-measuring available-for-sale financial assets	(696,655)	(5,224,000)	
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	169,904	1,630,170	
Other comprehensive income for the period, net of taxes	573,324	(1,402,027)	
Total comprehensive income for the period	7,184,241	6,121,623	
Attributable to:			
Owners of the parent	7,184,241	6,121,623	
Non-controlling interest	-	_	

1101 Controlling Interest		
Selected Performance Indicators		
As at 31 December	2016	2015
Regulatory capital adequacy		
Core Capital (Tier 1 Capital) Rs. '000	52,601,360	47,323,907
Total Capital Base. Rs. '000	52,958,277	47,680,824
Core Capital Adequacy Ratio, as % of risk weighted assets		
(Minimum requirement 5%)	20.51%	21.62%
Total Capital Adequacy Ratio as % of risk weighted assets		
(Minimum requirement 10%)	20.65%	21.79%
As at 31 December	Unaudited 2016	Unaudited 2015
Assets quality (quality of loan portfolio)		
Gross Non-Performing Advances Ratio %		
(net of interest in suspense)	0.90%	1.04%
Net Non-Performing Advances Ratio % (net of interest in suspense and provisions)	0.38%	0.46%
Profitability	0.5070	0.4070
Interest Margin, %	4.24%	4.19%
Return on Assets (before Tax), %	2.86%	3.30%
Return on Equity, %	11.17%	16.14%
Regulatory liquidity		
Statutory Liquid Assets, Rs. '000		
Domestic banking unit	104,550,306	111,431,275
Offshore banking unit	62,436,840	54,832,748
Statutory Liquid Assets ratio, % (minimum requirement, 20%)		
Domestic banking unit	54.87%	57.56%
Offshore banking unit	37.91%	40.51%

As at 31 December	2016 Rs '000	201: Rs. '00
By product-Domestic Currency		
Overdrafts	12,026,830	11,717,42
Term loans	31,369,946	33,667,27
Lease rentals receivable	-	
Credit cards	20,521,991	19,317,09
Pawning	-	
Other loans	327,888	634,39
Sub total	64,246,655	65,336,19
By product-Foreign Currency		
Overdrafts	4,710,339	3,356,49
Term loans	143,739,065	113,593,63
Other loans	1,300,075	3,074,81
Sub total	149,749,479	120,024,95
Total	213,996,134	185,361,14

2016	2015
Rs '000	Rs. '000
17,821,126	17,397,133
22,826,325	27,370,943
71,092,006	67,038,340
2,141,438	2,020,065
113,880,895	113,826,481
21,712,930	19,688,729
21,397,500	17,857,482
24,491,523	28,835,111
1,860,364	2,679,727
69,462,317	69,061,049
183,343,212	182,887,530
	Rs '000 17,821,126 22,826,325 71,092,006 2,141,438 113,880,895 21,712,930 21,397,500 24,491,523 1,860,364 69,462,317

Statement of Financial Fostion		
As at 31 December	2016	2015
	Rs '000	Rs. '000
Assets		
	7,388,308	5,813,230
Cash and cash equivalents Balances with Central Bank	9,090,026	
Placements with banks	40,524,300	6,724,825 19,469,700
Derivative financial instruments	471,757	2,078,082
Other financial assets Held-for-trading	756,106	330,825
Financial assets designated at fair value through profit or loss	750,100	330,020
Loans and receivables to banks	_	15,784,400
Loans and receivables to other customers	212,875,084	184,328,632
Financial investments - Available-for-sale	122,514,575	131,828,70
Financial investments Held-to-maturity		131,020,70
Investments in subsidiaries	_	
Investments in associates and joint ventures	_	
Property, plant and equipment	3,737,377	3,644,89
Investment properties		
Goodwill and intangible assets	_	
Deferred tax assets	545,073	360,11
Other assets	13,400,067	16,316,28
		10,010,20
Total assets	411,302,673	386,679,698
Liabilities		
Due to banks	151,585,134	129,362,75
Derivatives financial instruments	383,472	1,814,18
Financial liabilities Held-for-trading	_	
Financial liabilities designated at fair value through profit or loss	_	
Due to other customers	183,343,212	182,887,53
Other borrowings	_	
Debt securities issued	_	
Current tax liabilities	1,720,292	1,548,75
Deferred tax liabilities	_	
Other provisions	_	
Other liabilities	20,027,040	22,071,36
Due to subsidiaries	_	
Subordinated term debts	_	
Total liabilities	357,059,150	337,684,58
Equity		
	3,152,358	3,152,35
Stated capital / Assigned capital Statutory reserve fund	2,222,694	2,090,47
Retained earnings	37,475,750	32,964,26
Other reserves	11,392,721	10,788,01
Total sharedholders' equity	54,243,523	48,995,11
Non-controlling interest	-	
Total equity	54,243,523	48,995,11
Total liabilities and equity	411,302,673	386,679,69
Contingent liabilities and commitments	540,191,605	616,100,549
Memorandum information		
X 1 0 1	1 207	1 22

Statement of Financial Position

Number of employees

Number of branches

Loans and Receivables to Other Customers (net)		
As at 31 December	2016	201:
	Rs '000	Rs. '00
Gross loans and receivables	213,996,134	185,361,14
(Less) Individual impairment	(727,608)	(698,755
Collective impairment	(393,442)	(333,757
Net loans and receivables including those designed at fair value		
through profit or loss	212,875,084	184,328,63
(Less) Loans and receivables designated at fair value through profit or loss	-	
Net loans and receivables	212,875,084	184,328,63

1,295 15

1,325

Movements in Individual and Collective Impairment Receivables to Other Customers	during the period for Loans an	d
As at 31 December	2016	2015
	Rs '000	Rs. '00
Individual impairment		
Opening balance	698,755	950,638
Charge/(Write back) to income statement	125,980	(242,554
Write-off during the year	(17,986)	
Other movements	(79,141)	(9,329
Closing balance	727,608	698,75
Collective impairment		
Opening balance	333,757	1,228,24
Charge/(Write back) to income statement	108,870	(833,228
Other movements	(49,185)	(61,264
Closing balance	393,442	333,75
Total impairment	1,121,050	1,032,512

	For the three months ended 31 March 2016 Rs '000	For the year ended 31 December 2015 Rs. '000
Interest income	20,443	149,753
Interest expenses	_	
Net interest income	20,443	149,75
Capital Gains/(loss) on Investment Securities	27,381	155,699
Gain/(Loss) from Revaluation of Securities	(24,275)	(11,925
Net gain/(loss) from trading	3,106	143,77
Total operating income	23,549	293,52
Personal expenses	(2,670)	(11,664
Other expenses	(14,980)	(67,607
Operating profit/(loss) before value added tax (VAT)	5,899	214,25
Value added tax (VAT) on financial services	(1,237)	(25,452
Operating profit/(loss) after value added tax (VAT)	4,662	188,80
Share of profits of associates and joint ventures	_	
Profit/(loss) before tax	4,662	188,80
Tax expenses	(1,715)	(61,287
Profit/(loss) for the period	2,947	127.51

	2016 As at 31 March Rs '000	As at 31 December Rs. '000
Assets		
Other FInancial assets held-for-trading	1,848,510	330,826
Other assets	434,204	5,579
Total Assets	2,282,714	336,403
Liabilities		
Current tax liabilities	37,129	39,658
Other liabilities	347	27
Due to HSBC Sri Lanka Branch	2,245,238	168,954
Total Liabilities	2,282,714	208,88
Equity		
Retained earinings	_	127,51
Total Equity	_	127,51
Total equity and liabilities	2,282,714	336,40

For the Period Ended 31 March 2016	Retained Earnings	Tota
	Rs '000	Rs. '000
Balance as at 1st January 2016 (Opening balance) Profit transferred to HSBC Sri Lanka Branch	127,516 (130,463)	127,51 (130,463
Profit/(Loss) for the period	2,947	2,94
Total comprehensive income for the year	_	
Balance as at 31st March 2016 (Closing balance)*	_	

*On 31 March 2016, the Primary Dealer Unit discontinued it's operations. All proceeds were liquidated and transferred to HSBC Sri Lanka Branch.

