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 30 June	2017	2016
	Rs. '000	Rs. '000
Interest income	13,591,425	12,374,588
Interest expenses	(4,954,407)	(3,976,520)
Net interest income	8,637,018	8,398,068
Fee and commission income	1,842,200	1,738,718
Fee and commission expenses	(441,969)	(281,632)
Net fee and commission income	1,400,231	1,457,086
Net gain/(loss) from trading	1,336,638	1,236,114
Net gain/(loss) from financial instruments designated at		
fair value through profit or loss	_	-
Net gain/(loss) from financial investments	433	(6,037)
Other operating income (net)	18,439	22,462
Total operating income	11,392,759	11,107,693
Impairment for loans and other losses		
Individual impairment	33,301	19,963
Collective impairment	(108,851)	(87,599)
Others	_	_
Net operating income	11,317,209	11,040,057
Personnel expenses	(1,682,117)	(1,683,406)
Depreciation and amortisation	(157,963)	(168,988)
Other expenses	(2,922,293)	(3,110,114)
Operating profit/(loss) before value added tax (VAT)	6,554,836	6,077,549
Value Added Tax (VAT) on financial services	(935,616)	(820,731)
Operating profit/(loss) after value added tax (VAT)	5,619,220	5,256,818
Share of profits of associates and joint ventures	_	_
Profit/(loss) before tax	5,619,220	5,256,818
Tax expenses	(2,040,443)	(1,986,925)
Profit/(loss) for the period	3,578,777	3,269,893
Profit attributable to:		
Owners of the parent	3,578,777	3,269,893
Non-controlling interest	-	
Earnings per share on profit		
Basic earnings per ordinary share	_	_
Diluted earnings per ordinary share		

	As at 30 June 2017 Rs '000	Audited As at 31 December 2016 Rs. '000
Operating activities		
Interest received	13,092,485	24,209,937
Interest paid	(4,978,099)	(6,166,626)
Recoveries on previously written off loans	381,022	204,908
Fees and commission received	1,400,230	2,852,164
Dividends received	-	-
Net (payments)/receipts from trading activities	1,336,638	2,154,880
Net (payments)/receipts from investing activities	433	(5,910)
Operating expenses paid	(4,379,711)	(9,233,463)
Operating cash flow before changes in operating assets and liabilities	6,852,998	14,015,890
Change in operating assets/liabilities		
(Increase)/decrease in treasury bills and other eligible bills	2,574,761	39,231,598
(Increase)/decrease in treasury bonds	(15,354,523)	(27,815,617)
(Increase)/decrease in loans to other banks	10,371,440	(5,270,200)
(Increase)/decrease in loans and advances	6,186,792	(27,419,151)
(Increase)/decrease in government bonds	(10,879,654)	(3,224,974)
(Increase)/decrease in other assets	(657,558)	802,764
Increase/(decrease) in deposits from customers	(6,377,749)	455,682
Increase/(decrease) in borrowings	11,124,063	22,222,378
Increase/(decrease) in other liabilities	(677,452)	(1,692,248)
	(3,689,880)	(2,709,768)
Net cash flow from operating activities before tax	3,163,118	11,306,122
Tax paid	(3,526,200)	(6,171,416)
Net cash flow from operating activities	(363,082)	5,134,706
Investing activities		
Proceeds from sale of joint venture	-	_
Proceeds from disposal of property, plant and equipment	5,501	16,877
Acquisition of property, plant and equipment	(13,545)	(239,411)
Net cash flow from investing activities	(8,044)	(222,534)
Financing activities		/* 00# 0C**
Profit transferred to head office	_	(1,935,000)
Net cash flow from financing activities	/251 100	(1,935,000)
Net increase / (decrease) in cash and cash equivalents	(371,126)	2,977,172
Cash and cash equivalents at the beginning of the period	16,478,334	12,538,055
Exchange Adjustment	629,150	963,107
Cash and cash equivalents at the end of the period	16,736,358	16,478,334
Analysis of cash and cash equivalents at the period	1 244 10#	1 104 504
Cash in hand	1,246,185	1,184,524
Balances with other banks Balances with Central Bank	6,670,857	6,203,784
Balances with Central Bank	8,819,316	9,090,026
Cash and cash equivalents at the end of the period	16,736,358	16,478,334

Statement of Comprehensive Income		
For the period ended 30 June	2017 Rs. '000	2016 Rs. '000
Profit/(loss) for the year	3,578,777	3,269,893
Other comprehensive income, net of tax		
Changes in revaluation surplus	-	(39,362)
Actuarial gains and losses on defined benefit plans	13,318	(27,551)
Gains and losses (arising from translating the		
financial statements of a foreign operation)	629,260	238,551
Gains and losses on re-measuring available-for-sale financial assets	812,268	(1,309,523
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	(225,517)	367,304
Other comprehensive income for the period, net of taxes	1,229,329	(770,581
Total comprehensive income for the period	4,808,106	2,499,312
Attributable to:		
Owners of the parent	4,808,106	2,499,312
Non-controlling interest	_	-

Non-controlling interest	-	-
Selected Performance Indicators		
	2017 As at 30 June	Audited 2016 As at 31 December
Regulatory capital adequacy		
Core Capital (Tier 1 Capital) Rs. '000	53,029,931	52,601,360
Total Capital Base. Rs. '000	53,386,848	52,958,277
Core Capital Adequacy Ratio, as % of risk weighted assets		
(Minimum requirement 5%)	19.47%	20.51%
Total Capital Adequacy Ratio as % of risk weighted assets		
(Minimum requirement 10%)	19.60%	20.65%
Assets quality (quality of loan portfolio) Gross Non-Performing Advances Ratio % (net of interest in suspense)	2017 As at 30 June	2016 As at 31 December
Net Non-Performing Advances Ratio % (net of interest in suspense and provisions)	0.56%	0.38%
Profitability Interest Margin, % Return on Assets (before Tax), % Return on Equity, %	4.24% 3.11% 15.27%	4.24% 2.86% 11.17%
Regulatory liquidity		
Statutory Liquid Assets, Rs. '000 Domestic banking unit Offshore banking unit Statutory Liquid Assets ratio, % (minimum requirement, 20%) Domestic banking unit Offshore banking unit	104,008,924 64,175,892 52.59% 41.91%	104,550,306 62,436,840 54.87% 37.91%

Loans and Receivables to Other Customers (Gross) - By product						
	As at 30 June 2017 Rs '000	Audited As at 31 December 2016 Rs. '000				
By product-Domestic Currency						
Overdrafts	15,513,911	12,026,830				
Term loans	29,169,573	31,369,946				
Lease rentals receivable	-	-				
Credit cards	20,521,370	20,521,991				
Pawning	-	-				
Other loans	-	327,888				
Sub total	65,204,854	64,246,655				
By product-Foreign Currency						
Overdrafts	5,412,617	4,710,339				
Term loans	135,830,420	143,739,065				
Other loans	1,085,984	1,300,075				
Sub total	142,329,021	149,749,479				
Total	207,533,875	213,996,134				

Due to Other Customers - By product		
	As at 30 June 2017 Rs '000	Audited As at 31 December 2016 Rs. '000
By product-Domestic Currency		
Demand deposits (current accounts)	16,244,764	17,821,126
Savings deposits	20,350,054	22,826,325
Fixed deposits	72,312,250	71,092,006
Other deposits	2,112,741	2,141,438
Sub total	111,019,809	113,880,895
By product-Foreign Currency		
Demand deposits (current accounts)	22,036,811	21,712,930
Savings deposits	16,542,494	21,397,500
Fixed deposits	25,057,751	24,491,523
Other deposits	2,308,598	1,860,364
Sub total	65,945,654	69,462,317
Total	176,965,463	183,343,212

Statement of Financial Position		
		Audite
	2017 As at 30 June	As at 31 Decembe
	As at 30 June Rs. '000	As at 31 December Rs. '00
Assets Cash and cash equivalents	7,917,042	7,388,30
Balances with Central Bank	8,819,316	9,090,02
Placements with banks	24,552,860	40,524,30
Derivative financial instruments	416,827	471,75
Other financial assets Held-for-trading	4,896,006	756,10
Financial assets designated at fair value through profit or loss	4,020,000	750,10
Loans and receivables to banks	5,600,000	
Loans and receivables to other customers	206,411,041	212,875,08
Financial investments - Available-for-sale	142,846,488	122,514,57
Financial investments Held-to-maturity	142,040,400	122,514,57
Investments in subsidiaries	_	
Investments in associates and joint ventures	_	
Property, plant and equipment	3,589,385	3,737,37
Investment properties	5,505,505	5,757,57
Goodwill and intangible assets	_	
Deferred tax assets	320,273	545,07
Other assets	15,267,897	13,400,06
Total assets	420,637,135	411,302,6
	420,037,133	411,302,07
Liabilities		
Due to banks	162,709,197	151,585,13
Derivatives financial instruments	361,728	383,47
Financial liabilities Held-for-trading	-	
Financial liabilities designated at fair value through profit or loss Due to other customers	176,965,463	183,343,2
Other borrowings	170,905,405	165,345,2
Debt securities issued	_	
Current tax liabilities	1,764,989	1,720,29
Deferred tax liabilities	1,704,262	1,720,2
Other provisions	_	
Other liabilities	19,796,773	20,027.0
Due to subsidiaries	15,750,775	20,027,0
Subordinated term debts	_	
Total liabilities	361,598,150	357,059,1
	501,550,150	337,037,1.
Equity	2 152 250	2 152 2
Stated capital / Assigned capital	3,152,358 2,222,694	3,152,35
Statutory reserve fund Retained earnings	2,222,694 41,057,090	2,222,69 37,475,75
Other reserves	, ,	11,392,72
	12,606,843	
Total sharedholders' equity	59,038,985	54,243,52
Non-controlling interest	_	
Total equity	59,038,985	54,243,52
Total liabilities and equity	420,637,135	411,302,67
Contingent liabilities and commitments	567,580,086	540,191,60
Memorandum information		
Number of employees	1,244	1,29
Number of branches	15	

Loans and Receivables to Other Customers (net)		
	As at 30 June 2017 Rs '000	Audited As at 31 December 2010 Rs. '000
Gross loans and receivables	207,533,875	213,996,134
(Less) Individual impairment	(720,533)	(727,608
Collective impairment	(402,301)	(393,442
Net loans and receivables including those designed at fair value		
through profit or loss	206,411,041	212,875,08
(Less) Loans and receivables designated at fair value through profit or loss	-	
Net loans and receivables	206,411,041	212,875,08

Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers						
		As at 30 June 2017 Rs '000	Audited As at 31 December 2016 Rs. '000			
Individual impairment						
Opening balance		727,608	698,755			
Charge/(Write back) to income statement		(21,035)	125,980			
Write-off during the year		-	(17,986)			
Other movements		13,960	(79,141)			
Closing balance		720,533	727,608			
Collective impairment						
Opening balance		393,442	333,757			
Charge/(Write back) to income statement		220,667	108,870			
Other movements		(211,808)	(49,185)			
Closing balance		402,301	393,442			
Total impairment		1,122,834	1,121,050			

			Analysis of Financial Inst	ruments by Measurement Basis	Analysis of Financial Instruments by Measurement Basis										
For the period ended 30 June 2017	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	_	-	_	7,917,042	_	_	7,917,042								
Balances with central banks	_	_	_	8,819,316	_	_	8,819,316								
Placements with banks	_	_	_	24,552,860	_	_	24,552,860								
Derivative financial instruments	416,827	_	_	_	_	_	416,827								
Other financial assets Held-for-trading	4,896,006	_	_	_	-	_	4,896,006								
Loans and receivables to banks	_	_	_	5,600,000	_	_	5,600,000								
Loans and receivables to other customers	_	_	_	206,411,041	_	_	206,411,041								
Financial investments	_	_	_	_	142,846,488	_	142,846,488								
Acceptances & Endorsements	_	-	_	7,045,580	_	_	7,045,580								
Total financial assets	5,312,833	-	-	260,345,839	142,846,488	-	408,505,160								
Liabilities															
Due to banks	_	_	_	162,709,197	_	_	162,709,197								
Derivative financial instruments	361,728	_	_		_	_	361,728								
Other financial liabilities at fair value through profit or loss	_	_	_	_	_	_	· -								
Due to other customers	_	_	_	176,965,463	_	_	176,965,463								
Other borrowings	_	_	_		_	_	· -								
Debt securities issued	_	_	_	_	_	_	_								
Acceptances & Endorsements	_	-	-	7,045,580	_	_	7,045,580								
Total financial liabilities	361,728	_	_	346,720,240	_	_	347,081,968								

				Statement of Chang	ges in Equity					
		Stated Capital/Ass	igned capital	Reserves						
For the period ended 30 June 2017	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
D-1			3,152,358	2,222,694	2,099,529	37,475,750	9,293,192	54,243,523		54,243,52
Balance as at 01/01/2017 (opening balance) Total comprehensive income for the period	-	-	3,152,358	2,222,694	2,099,529	37,475,750	9,293,192	54,245,525	_	54,243,5.
Profit/(loss) for the period	-	-	-	-	_	3,578,777	_	3,578,777	_	3,578,77
Other comprehensive income (net of tax)	-	-	-	-	-	13,318	1,216,011	1,229,329	-	1,229,32
Total comprehensive income for the period	-	-	-	-	-	3,592,095	1,216,011	4,808,106	-	4,808,10
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	-	-	-	-	_	_	_	-	_	
Dividends to equity holders	-	-	-	-	-	-	-	-	_	
Profit transferred to head office	-	-	-	-	_	-	-	_	_	
Gain/(loss) on revaluation of property, plant and equipment										
(if cost method is adopted)	-	-	=	-	-	-	-	_	-	
Others	-	-	-	-	-	(10,755)	(1,889)	(12,644)	_	(12,644
Total transactions with equity holders	-	-		_	_	(10,755)	(1,889)	(12,644)	-	(12,644
Balance as at 30/06/2017 (closing balance)	_	_	3,152,358	2,222,694	2,099,529	41,057,090	10,507,314	59,038,985	_	59,038,98

The financial information summarised above for the six months ended 30 June 2017 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.

Mark G Prothero (Signed) Chief Executive Officer Kanchana Hewavitharana (Signed) Chief Financial Officer HSBC (X)