

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 31 December	2016 Rs. '000	2015 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	1,509,156
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	–	–

Cash Flow Statement		
As at 31 December	2016 Rs. '000	2015 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)
	(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		
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		
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		
Cash in hand	1,184,524	1,016,228
Balances with other banks	6,203,784	4,797,002
Balances with Central Bank	9,090,026	6,724,825
Cash and cash equivalents at the end of the period	16,478,334	12,538,055

Analysis of Financial Instruments by Measurement Basis							
For the period ended 31 December 2016	Held-for-trading Rs. '000	Designated at fair value through profit/loss Rs. '000	Held-to-maturity Rs. '000	Amortised cost Rs. '000	Available-for-sale Rs. '000	Hedging Rs. '000	Total 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 of Changes in Equity										
For the period ended 31 December 2016	Stated Capital/Assigned capital			Reserves				Total	Non-controlling interest	Total equity
	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			
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	–	48,995,110
Total comprehensive income for the period	–	–	–	–	–	6,610,917	–	6,610,917	–	6,610,917
Profit/(loss) for the period	–	–	–	–	–	6,610,917	–	6,610,917	–	6,610,917
Other comprehensive income (net of tax)	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	6,610,917	–	6,610,917	–	6,610,917
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	–	–	–	–	–	–	–	–	–	–
Total transactions with equity holders	–	–	–	132,218	–	(21,304)	–	(21,304)	–	(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 Lanka 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 has been extracted from the audited financial statements of the bank unless indicated as unaudited

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

Mark G Prothero
(Signed) Chief Executive Officer

Kanchana Hewavitharana
(Signed) Chief Financial Officer

The Hongkong and Shanghai Banking Corporation Limited - Sri Lanka is a licensed commercial bank supervised by the Central Bank of Sri Lanka.
Issued by The Hongkong and Shanghai Banking Corporation Limited - Sri Lanka.

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	–	–

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		
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%)	54.87%	57.56%
Domestic banking unit	37.91%	40.51%

Loans and Receivables to Other Customers (Gross) - By product		
As at 31 December	2016 Rs. '000	2015 Rs. '000
By product-Domestic Currency		
Overdrafts	12,026,830	11,717,421
Term loans	31,369,946	33,667,278
Lease rentals receivable	–	–
Credit cards	20,521,991	19,317,096
Pawning	–	–
Other loans	327,888	634,397
Sub total	64,246,655	65,336,192
By product-Foreign Currency		
Overdrafts	4,710,339	3,356,495
Term loans	143,739,065	113,593,639
Other loans	1,300,075	3,074,818
Sub total	149,749,479	120,024,952
Total	213,996,134	185,361,144

Due to Other Customers - By product		
As at 31 December	2016 Rs. '000	2015 Rs. '000
By product-Domestic Currency		
Demand deposits (current accounts)	17,821,126	17,397,133
Savings deposits	22,826,325	27,370,943
Fixed deposits	71,092,006	67,038,340
Other deposits	2,141,438	2,020,065
Sub total	113,880,895	113,826,481
By product-Foreign Currency		
Demand deposits (current accounts)	21,712,930	19,688,729
Savings deposits	21,397,500	17,857,482
Fixed deposits	24,491,523	28,835,111
Other deposits	1,860,364	2,679,727
Sub total	69,462,317	69,061,049
Total	183,343,212	182,887,530

Statement of Financial Position		
As at 31 December	2016 Rs. '000	2015 Rs. '000
Assets		
Cash and cash equivalents	7,388,308	5,813,230
Balances with Central Bank	9,090,026	6,724,825
Placements with banks	40,524,300	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	–	–
Loans and receivables to banks	–	15,784,400
Loans and receivables to other customers	212,875,084	