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	2017 Rs. '000	2016
Interest income	28,445,719	Rs. '000 25,738,799
Interest expenses	(10,303,277)	(8,446,028)
Net interest income	18,142,442	17,292,771
Fee and commission income	3,680,452	3,484,406
Fee and commission expenses	(882,970)	(632,242)
Net fee and commission income	2,797,482	2,852,164
Net gain/(loss) from trading	1,889,192	2,145,085
Net gain/(loss) from financial instruments designated at		
fair value through profit or loss	_	-
Net gain/(loss) from financial investments	307,951	(5,910)
Other operating income (net)	51,583	49,675
Total operating income	23,188,650	22,333,785
Impairment for loans and other losses		
Individual impairment	(22,165)	(89,112)
Collective impairment	(226,398)	(112,866)
Others	_	_
Net operating income	22,940,087	22,131,807
Personnel expenses	(3,492,303)	(3,247,347)
Depreciation and amortisation	(304,936)	(337,479)
Other expenses	(6,501,538)	(6,220,694)
Operating profit/(loss) before value added tax (VAT)	12,641,310	12,326,287
Value Added Tax (VAT) on financial services	(1,932,302)	(1,689,578)
Operating profit/(loss) after value added tax (VAT)	10,709,008	10,636,709
Share of profits of associates and joint ventures	_	_
Profit/(loss) before tax	10,709,008	10,636,709
Tax expenses	(4,300,974)	(4,025,792)
Profit/(loss) for the period	6,408,034	6,610,917
Profit attributable to:		
Owners of the parent	6,408,034	6,610,917
Non-controlling interest	_	_
Earnings per share on profit		
Basic earnings per ordinary share	_	-
Diluted earnings per ordinary share	_	-

As at 31 December	2017 Rs '000	2016 Rs. '000		
Operating activities				
Interest received	27,603,791 24,209			
nterest paid	(12,981,530) (6,166,62			
Recoveries on previously written off loans	391,120	204,908		
Fees and commission received	2,797,482	2,852,164		
Dividends received	-	-		
Net (payments)/receipts from trading activities	1,889,192	2,154,880		
Net (payments)/receipts from investing activities	307,951	(5,910)		
Operating expenses paid	(9,781,114)	(9,233,463)		
Operating cash flow before changes in operating assets and liabilities	10,226,892	14,015,890		
Change in operating assets/liabilities				
(Increase)/decrease in treasury bills and other eligible bills	350,996	39,231,598		
(Increase)/decrease in treasury bonds	(19,441,903)	(27,815,617)		
(Increase)/decrease in loans to other banks	(690,450)	(5,270,200)		
(Increase)/decrease in loans and advances	9,740,514	(27,419,151)		
(Increase)/decrease in government bonds	(10,846,626)	(3,224,974)		
(Increase)/decrease in other assets	(1,929,073)	802,764		
Increase/(decrease) in deposits from customers	(2,618,171)	455,682		
Increase/(decrease) in borrowings	23,815,596	22,222,378		
Increase/(decrease) in other liabilities	2,612,630	(1,692,248)		
	993,513	(2,709,768)		
Net cash flow from operating activities before tax	11,220,405	11,306,122		
Tax paid	(6,373,170)	(6,171,416)		
Net cash flow from operating activities	4,847,235	5,134,706		
Investing activities				
Proceeds from sale of joint venture	-	-		
Proceeds from disposal of property, plant and equipment	25,935	16,877		
Acquisition of property, plant and equipment	(52,838)	(239,411)		
Net cash flow from investing activities	(26,903)	(222,534)		
Financing activities				
Profit transferred to head office	(6,425,177)	(1,935,000)		
Net cash flow from financing activities	(6,425,177)	(1,935,000)		
Net increase / (decrease) in cash and cash equivalents	(1,604,845)	2,977,172		
Cash and cash equivalents at the beginning of the period	16,478,334	12,538,055		
Exchange Adjustment	612,768	963,107		
Cash and cash equivalents at the end of the period	15,486,257	16,478,334		
Analysis of cash and cash equivalents at the period				
Cash in hand	1,287,738	1,184,524		
Balances with other banks	6,433,273	6,203,784		
Balances with Central Bank	7,765,246	9,090,026		
Cash and cash equivalents at the end of the period	15,486,257	16,478,334		

Statement of Comprehensive Income For the period ended 31 December	2017	2016
For the period ended 31 December	Rs. '000	Rs. '000
Profit/(loss) for the year	6,408,034	6,610,917
Other comprehensive income, net of tax		
Changes in revaluation surplus	462,482	197,641
Actuarial gains and losses on defined benefit plans Gains and losses (arising from translating the	(218,746)	(60,294)
financial statements of a foreign operation)	626,846	962,728
Gains and losses on re-measuring available-for-sale financial assets	2,409,308	(696,655)
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	(641,579)	169,904
Other comprehensive income for the period, net of taxes	2,638,311	573,324
Total comprehensive income for the period	9,046,345	7,184,241
Attributable to:		
Owners of the parent	9,046,345	7,184,241
Non-controlling interest	-	-

As at 31 December	2017	2016
Regulatory capital adequacy *		
Capital		
Common Equity Tier 1 Rs. '000	45,862,234	-
Tier 1 Capital Rs. '000	45,862,234	52,601,360
Total Capital, Rs. '000	46,219,151	52,958,277
Ratios		
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets		
(Minimum requirement 5.75%)	17.30%	_
Tier 1 Capital Ratio, as % of Risk Weighted Assets		
(Minimum Requirement, 7.25%)	17.30%	20.51%
Total Capital Ratio, as % of Risk Weighted Assets		
(Minimum Requirement, 11.25%)	17.43%	20.65%

*With effect from 1 July 2017, Regulatory Capital and Ratios are computed	ed in accordance with Bas	sel III minimum capital
requirements whilst comparatives are reported based on Basel II.		

As at 31 December	Unaudited 2017	Unaudite 201	
Assets quality (quality of loan portfolio)			
Gross Non-Performing Advances Ratio %			
(net of interest in suspense)	0.86%	0.90%	
Net Non-Performing Advances Ratio %			
(net of interest in suspense and provisions)	0.56%	0.38%	
Profitability			
Interest Margin, %	4.36%	4.24%	
Return on Assets (before Tax), %	3.09%	2.86%	
Return on Equity, %	15.20%	11.17%	
Regulatory liquidity			
Statutory Liquid Assets, Rs. '000			
Domestic banking unit	103,016,474	104,550,306	
Offshore banking unit	82,536,029	62,436,840	
Statutory Liquid Assets ratio, %			
(minimum requirement, 20%)			
Domestic banking unit	55.67%	54.87%	
Offshore banking unit	47.49%	37.91%	
Liquidity Coverage Ratio (%) - Rupee			
(Minimum Requrement, 2017 - 80%; 2016 - 70%)	216.40%	194.69%	
Liquidity Coverage Ratio (%) - All currencies			
(Minimum Requrement, 2017 – 80%; 2016 – 70%)	379.95%	349.92%	

As at 31 December	2017	2016	
By product-Domestic Currency	Rs '000	Rs. '000	
Overdrafts	12,627,843	12,026,830	
Term loans	32,691,908	31,369,946	
Lease rentals receivable	-	-	
Credit cards	21,266,957	20,521,991	
Pawning	_	-	
Other loans	20,834	327,888	
Sub total	66,607,542	64,246,655	
By product-Foreign Currency			
Overdrafts	4,304,702	4,710,339	
Term loans	131,552,074	143,739,065	
Other loans	1,041,245	1,300,075	
Sub total	136,898,021	149,749,479	
Total	203,505,563	213,996,134	

Due to Other Customers - By product		
As at 31 December	2017	2016
	Rs '000	Rs. '000
By product-Domestic Currency		
Demand deposits (current accounts)	19,412,014	17,821,126
Savings deposits	22,735,069	22,826,325
Fixed deposits	67,158,548	71,092,006
Other deposits	2,005,414	2,141,438
Sub total	111,311,045	113,880,895
By product-Foreign Currency		
Demand deposits (current accounts)	22,304,,981	21,712,930
Savings deposits	18,795,809	21,397,500
Fixed deposits	25,491,208	24,491,523
Other deposits	2,821,998	1,860,364
Sub total	69,413,996	69,462,317
Total	180,725,041	183,343,212

Statement of Financial Position		
A 421B	2017 P. 1000	2016 P. 1000
As at 31 December	Rs. '000	Rs. '000
Assets		7 200 200
Cash and cash equivalents	7,721,011	7,388,308
Balances with Central Bank	7,765,246	9,090,026
Placements with banks	41,214,750	40,524,300
Derivative financial instruments	1,265,432	471,757
Other financial assets Held-for-trading	4,762,430	756,106
Financial assets designated at fair value through profit or loss	-	-
Loans and receivables to banks		
Loans and receivables to other customers	202,739,049	212,875,084
Financial investments - Available-for-sale	150,869,348	122,514,575
Financial investments Held-to-maturity	_	_
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	_
Property, plant and equipment	3,940,743	3,737,377
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	_	545,073
Other assets	14,627,602	13,400,067
Total assets	434,905,611	411,302,673
Liabilities		
Due to banks	175,400,730	151,585,134
Derivatives financial instruments	1,032,710	383,472
Financial liabilities Held-for-trading	_	-
Financial liabilities designated at fair value through profit or loss	-	_
Due to other customers	180,725,041	183,343,212
Other borrowings	-	-
Debt securities issued	-	-
Current tax liabilities	1,923,018	1,720,292
Deferred tax liabilities	106,271	_
Other provisions	-	_
Other liabilities	18,870,111	20,027,040
Due to subsidiaries	_	-
Subordinated term debts	-	-
Total liabilities	378,057,881	357,059,150
Equity		
Stated capital / Assigned capital	3,152,358	3,152,358
Statutory reserve fund	2,350,855	2,222,694
Retained earnings	37,173,351	37,475,750
Other reserves	14,171,166	11,392,721
Total sharedholders' equity	56,847,730	54,243,523
Non-controlling interest	_	_
Total equity	56,847,730	54,243,523
Total liabilities and equity	434,905,611	411,302,673
Contingent liabilities and commitments	533,264,306	540,191,605
Memorandum information	555,254,500	5-10,171,005
Number of employees	1,247	1.295
Number of branches	1,247	1,293
ramoer of ordinenes	14	15

As at 31 December	2017 Rs '000	2016 Rs. '000
Gross loans and receivables	203,505,563	213,996,134
(Less) Individual impairment	(356,936)	(727,608)
Collective impairment	(409,578)	(393,442)
Net loans and receivables including those designed at fair value		
through profit or loss	202,739,049	212,875,084
(Less) Loans and receivables designated at fair value through profit or loss	-	-
Net loans and receivables	202,739,049	212,875,084

Movements in Individual and Collective Impairment Receivables to Other Customers	during the period for Loans an	u
As at 31 December	2017 Rs '000	201 Rs. '00
Individual impairment	KS 000	Ks. 00
Opening balance	727,608	698,75
Charge/(Write back) to income statement	(377,213)	125,98
Write-off during the year	(9,072)	(17,986
Other movements	15,613	(79,141
Closing balance	356,936	727,60
Collective impairment		
Opening balance	393,442	333,75
Charge/(Write back) to income statement	(26,525)	108,87
Other movements	42,661	(49,185
Closing balance	409,578	393,44
Total impairment	766,514	1,121,05

Analysis of Financial Instruments by Measurement Basis							
For the period ended 31 December 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	-	-	-	7,721,011	-	-	7,721,011
Balances with central banks	_	_	_	7,765,246	-	-	7,765,246
Placements with banks	_	_	_	41,214,750	-	-	41,214,750
Derivative financial instruments	1,265,432	_	_	_	-	-	1,265,432
Other financial assets Held-for-trading	4,762,430	-	_	_	-	-	4,762,430
Loans and receivables to banks	_	_	_	_	-	-	_
Loans and receivables to other customers	_	_	_	202,739,049	-	-	202,739,049
Financial investments	_	_	_	_	150,869,348	-	150,869,348
Acceptances & Endorsements	-	-	_	6,239,553	-	-	6,239,553
Total financial assets	6,027,862	-	-	265,679,609	150,869,348	-	422,576,819
Liabilities							
Due to banks	_	_	_	175,400,730	_	_	175,400,730
Derivative financial instruments	1,032,710	_	_	_	_	_	1,032,710
Other financial liabilities at fair value through profit or loss	_	_	_	_	_	_	_
Due to other customers	_	_	_	180,725,041	-	-	180,725,041
Other borrowings	_	_	_	-	-	-	_
Debt securities issued	-	-	-	-	_	-	_
Acceptances & Endorsements	-	-	-	6,239,553	_	-	6,239,553
Total financial liabilities	1,032,710	_	_	362,365,324	_	_	363,398,034

				Statement of Change	es in Equity					
	Stated Capital/Assigned capital			Reserves						
For the period ended 31 December 2017	Ordinary voting shares	Ordinary non-voting shares	Assigned capital	Reserve fund	Revaluation reserve	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '00
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	54,243,523	-	54,243,52
Profit/(loss) for the period Other comprehensive income (net of tax)		-	-		425,803	6,408,034 (146,953)	2,359,461	6,408,034 2,638,311	- -	6,408,03 2,638,31
Total comprehensive income for the period	_	-	_	-	425,803	6,261,081	2,359,461	9,046,345	-	9,046,34
Transactions with equity holders recognised directly in equity										
Share issue/increase of assigned capital	-	-	-	-	-	-	-	-	=	İ
Share options exercised	-	-	-	-	-	-	-	-	-	İ
Bonus issue	-	-	-	-	-	-	-	-	-	İ
Rights issue	-	-	-		-	-	-	-	_	İ
Transfer to reserves during the period	-	-	-	128,161	-	(128,161)	-	-	_	İ
Dividends to equity holders	-	-	-	-	-	-	-	-	=	İ
Profit transferred to head office	-	-	-	-	-	(6,425,177)	-	(6,425,177)	=	(6,425,17
Gain/(loss) on revaluation of property, plant and equipment										İ
(if cost method is adopted)	-	-	-	-	=	_	_	-	-	
Others	-	-	-	-	(3,684)	(10,142)	(3,135)	(16,961)	-	(16,961
Total transactions with equity holders	-	-	-	128,161	(3,684)	(6,563,480)	(3,135)	(6,442,138)	-	(6,442,138
Balance as at 31/12/2017 (closing balance)	_	_	3,152,358	2,350,855	2,521,648	37,173,351	11,649,518	56,847,730	_	58,847,73

The financial information summarised above for the twelve months ended 31 December 2017 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 28 March 2018, 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.

Mark G Prothero (Signed) Chief Executive Officer

Kanchana Hewavitharana (Signed) Chief Financial Officer

