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	2015	2014
For the period ended 31 December	Rs. '000	Rs. '00
Interest income	23,548,828	24,121,085
Interest expenses	(7,217,254)	(7,136,321
Net interest income	16,331,574	16,984,764
Fee and commission income	3,781,024	3,931,030
Fee and commission expenses	(661,297)	(670,334
Net fee and commission income	3,119,727	3,260,69
Net gain/(loss) from trading	1,509,156	1,447,16
Net gain/(loss) from financial instruments designated at		
fair value through profit or loss	-	-
Net gain/(loss) from financial investments	705,274	357,47
Other operating income (net)	61,066	496,989
Total operating income	21,726,797	22,547,08
Impairment for loans and other losses		
Individual impairment	181,606	508,83
Collective impairment	438,997	(1,024,495
Others	_	
Net operating income	22,347,400	22,031,42
Personnel expenses	(3,431,337)	(3,246,473
Depreciation and amortisation	(260,650)	(164,769
Other expenses	(5,920,681)	(5,776,188
Operating profit/(loss) before value added tax (VAT)	12,734,732	12,843,99
Value Added Tax (VAT) on financial services	(1,535,048)	(1,626,600
Operating profit/(loss) after value added tax (VAT)	11,199,684	11,217,39
Share of profits of associates and joint ventures	_	
Profit/(loss) before tax	11,199,684	11,217,39
Tax expenses	(3,676,034)	(3,746,544
Profit/(loss) for the period	7,523,650	7,470,85
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	_	

operating activities Interest received Interest paid Interest p	Rs. '000 24,378,459 (5,833,182) 622,847 3,119,727 - 1,509,156 705,274 (8,960,048) 15,542,233 18,835,968 3,684,981 6,511,288 (16,597,499)	Rs. '00 24,359,42 (6,684,049 642,77 3,260,69 1,804,63 (7,910,900 15,472,58 (27,591,367 8,104,19
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ncrease)/decrease in loans and advances increase)/decrease in government bonds	′ ′	
ncrease)/decrease in government bonds	(16 597 499)	(5,569,138
,	(10,337,433)	(40,284,934
noranca)/dacranca in other nesate	(14,137,912)	(5,507,247
nerease//decrease ill other assets	(727,782)	1,272,61
ncrease/(decrease) in deposits from customers	6,540,770	21,399,79
ncrease/(decrease) in borrowings	(19,838,059)	51,580,81
ncrease/(decrease) in other liabilities	(1,449,674)	(1,133,471
	(17,177,919)	2,271,25
et cash flow from operating activities before tax	(1,635,686)	17,743,84
ax paid	(8,988,007)	(6,885,579
et cash flow from operating activities	(10,623,693)	10,858,26
nvesting activities		
roceeds from sale of joint venture	-	
roceeds from disposal of property, plant and equipment	17,747	13,48
cquisition of property, plant and equipment	(1,044,317)	(547,906
et cash flow from investing activities	(1,026,570)	(534,421
inancing activities		
rofit transferred to head office	(1,543,300)	(3,531,000
et cash flow from financing activities	(1,543,300)	(3,531,000
et increase / (decrease) in cash and cash equivalents	(13,193,563)	6,792,84
ash and cash equivalents at the beginning of the period	24,015,547	17,517,71
xchange Adjustment	1,716,071	(295,009
ash and cash equivalents at the end of the period	12,538,055	24,015,54
nalysis of cash and cash equivalents at the period		
ash in hand	1,016,228	1,222,49
alances with other banks	4,797,002	15,947,88
alances with Central Bank	6,724,825	6,845,17

Change in operating assets/liabilities			
(Increase)/decrease in treasury bills and other eligible bills	18,835,968	(27,591,367)	
(Increase)/decrease in treasury bonds	3,684,981	8,104,192	
(Increase)/decrease in loans to other banks	6,511,288	(5,569,138)	
(Increase)/decrease in loans and advances	(16,597,499)	(40,284,934)	
(Increase)/decrease in government bonds	(14,137,912)	(5,507,247)	
(Increase)/decrease in other assets	(727,782)	1,272,617	
Increase/(decrease) in deposits from customers	6,540,770	21,399,796	
Increase/(decrease) in borrowings	(19,838,059)	51,580,810	
Increase/(decrease) in other liabilities	(1,449,674)	(1,133,471)	
	(17,177,919)	2,271,258	
Net cash flow from operating activities before tax	(1,635,686)	17,743,841	
Tax paid	(8,988,007)	(6,885,579)	
Net cash flow from operating activities	(10,623,693)	10,858,262	
Investing activities			
Proceeds from sale of joint venture	_	-	
Proceeds from disposal of property, plant and equipment	17,747	13,485	
Acquisition of property, plant and equipment	(1,044,317)	(547,906)	
Net cash flow from investing activities	(1,026,570)	(534,421)	
Financing activities			
Profit transferred to head office	(1,543,300)	(3,531,000)	
Net cash flow from financing activities	(1,543,300)	(3,531,000)	
Net increase / (decrease) in cash and cash equivalents	(13,193,563)	6,792,841	
Cash and cash equivalents at the beginning of the period	24,015,547	17,517,716	
Exchange Adjustment	1,716,071	(295,009)	
Cash and cash equivalents at the end of the period	12,538,055	24,015,548	
Analysis of cash and cash equivalents at the period			
Cash in hand	1,016,228	1,222,493	
Balances with other banks	4,797,002	15,947,885	
Balances with Central Bank	6,724,825	6,845,170	
Cash and cash equivalents at the end of the period	12,538,055	24,015,548	
	An	alysis of Financial In	stı
For the period ended 31 December 2015	Held-for-trading	Designated at fair va through profit/	los
Assets	Rs. '000	Rs.	00
Cash and cash equivalents	_		
Balances with central banks	_		

Statement of Comprehensive Income		
For the period ended 31 December	2015 Rs. '000	2014 Rs. '000
Profit/(loss) for the period	7,523,650	7,470,855
Other comprehensive income, net of tax		
Changes in revaluation surpluses	89,050	438,728
Actuarial gains/(losses) on defined benefit plans	363,329	(14,148)
Gains and losses (arising from translating the		
financial statements of a foreign operation)	1,739,424	(292,898)
Gains and losses on re-measuring available-for-sale financial assets	(5,224,000)	1,480,503
Gains and losses on cash flow hedges	-	-
Other	-	-
Share of profits of associates and joint ventures	-	-
Less: income tax (charge)/credit related to components of		
other comprehensive income	1,630,170	(427,923)
Other comprehensive income for the period net of taxes	(1,402,027)	1,184,262
Total comprehensive income for the period	6,121,623	8,655,117
Attributable to:		
Owners of the parent	-	-
Non-controlling interest	_	

Non-contoning interest		
Selected Performance Indicators		
As at 31 December	2015	2014
Regulatory capital adequacy		
Core Capital (Tier 1 Capital) Rs. '000	46,834,442	46,546,213
Total Capital Base. Rs. '000	47,191,359	46,903,130
Core Capital Adequacy Ratio, as % of risk weighted assets		
(Minimum requirement 5%)	21.40%	22.94%
Total Capital Adequacy Ratio as % of risk weighted assets		
(Minimum requirement 10%)	21.56%	23.12%
	Unaudited	Unaudited
As at 31 December	2015	2014
Assets quality (quality of loan portfolio)		
Gross Non-Performing Advances Ratio %		
(net of interest in suspense)	1.04%	1.53%
Net Non-Performing Advances Ratio %		
(net of interest in suspense and provisions)	0.46%	0.21%
Profitability		
Interest Margin, %	4.19%	5.03%
Return on Assets (before Tax), %	3.30%	3.76%
Return on Equity, %	16.14%	16.46%
Regulatory liquidity		
Statutory Liquid Assets, Rs. '000		
Domestic banking unit	111,431,275	167,326,451
Offshore banking unit	54,832,748	40,544,461
Statutory Liquid Assets ratio, %		
(minimum requirement, 20%)		
Domestic banking unit	57.56%	75.89%
Offshore banking unit	40.51%	37.10%

As at 31 December	2015 Rs. '000	2014 Rs. '000	
By product-Domestic Currency			
Overdrafts	11,717,421	9,271,52	
Term loans	33,667,278	32,786,37	
Lease rentals receivable	55,007,270	52,760,57	
Credit cards	19,317,096	19,704,89	
Pawning	-	15,704,05	
Other loans	634,397	94,40	
Sub total	65,336,192	61,857,20	
By product-Foreign Currency			
Overdrafts	3,356,495	2,598,55	
Term loans	113,593,639	103,236,80	
Other loans	3,074,818	3,421,26	
Sub total	120,024,952	109,256,62	
Total	185,361,144	171,113,82	

Analysis of Financial Instruments by Measurement Basis								
For the period ended 31 December 2015	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	-	_	-	5,813,230	-	-	5,813,230	
Balances with central banks	_	_	_	6,724,825	-	-	6,724,825	
Placements with banks	-	_	-	19,469,700	-	-	19,469,700	
Derivative financial instruments	2,078,082	_	_	-	-	-	2,078,082	
Other financial assets held-for-trading	330,825	_	_	-	-	-	330,825	
Loans and receivables to banks	-	_	-	15,784,400	-	-	15,784,400	
Loans and receivables to other customers	_	_	_	184,328,632	-	-	184,328,632	
Financial investments	-	_	_	-	131,828,703	-	131,828,703	
Acceptances & Endorsements	-	_	-	10,395,323	-	-	10,395,323	
Total financial assets	2,408,907	-	-	242,516,110	131,828,703	-	376,753,720	
Liabilities								
Due to banks	_	_	_	129,362,756	-	_	129,362,756	
Derivative financial instruments	1,814,184	_	_		-	_	1,814,184	
Other financial liabilities at fair value through profit or loss	_	_	_	_	-	_	_	
Due to other customers	_	_	_	182,887,530	-	-	182,887,530	
Other borrowings	_	_	_	_	-	-	-	
Debt securities issued	_	_	-	-	-	-	-	
Acceptances & Endorsements	_	-	-	10,395,323	-	_	10,395,323	
Total financial liabilities	1,814,184	_	_	322,645,609	-	-	324,459,793	

Statement of Changes in Equity										
	Stat	ted Capital/Assign	ned capital		Rese	rves				
For the period ended 31 December 2015	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	Total Rs. '000	Non-controlling interest Rs. '000	Tota equit Rs. '00
	Ks. 000	Ks. 000							Ks. 000	
Balance as at 01/01/2015 (opening balance)	-	-	3,152,358	1,940,002	1,781,682	33,732,702	7,568,046	48,174,790	-	48,174,79
Total comprehensive income for the period	-	-	_	_	_	_	_	_	-	
Profit/(loss) for the period	-	-	-	-	-	7,523,650	-	7,523,650	-	7,523,65
Super gains tax paid as per Part III of the Finance Act	-	-	-	-	-	(3,764,383)	-	(3,764,383)	-	(3,764,383
Other comprehensive income (net of tax)	-	-	_	-	206,430	(3,347,880)	1,739,423	(1,402,027)	-	(1,402,027
Total comprehensive income for the period	-	-	-	_	206,430	411,387	1,739,423	2,357,240	-	2,357,24
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	-	-	_	150,473	_	(150,473)	_	_	-	
Dividends to equity holders	-	-	_	_	_	_	_	_	-	
Profit transferred to head office	-	-	_	_	_	(1,543,300)	_	(1,543,300)	-	(1,543,300
Gain/(loss) on revaluation of property, plant and equipment										
(if cost method is adopted)	_	-	_	_	_	-	_	_	-	
Others	_	-	-	_	(30,902)	24,486	12,796	6,380	-	6,38
Total transactions with equity holders	-	-	-	150,473	(30,902)	(1,669,287)	12,796	(1,536,920)	-	(1,536,920
Balance as at 31/12/2015 (closing balance)	_	_	3,152,358	2,090,475	1,957,210	32,474,802	9,320,265	48,995,110	_	48,995,11

The financial information summarised above for the twelve months ended 31 December 2015 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 23 March 2016, 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.

Patrick J Gallagher (Signed) Chief Executive Officer

For the model and all December	2015	2014
For the period ended 31 December	Rs. '000	Rs. '000
Profit/(loss) for the period	7,523,650	7,470,855
Other comprehensive income, net of tax		
Changes in revaluation surpluses	89,050	438,728
Actuarial gains/(losses) on defined benefit plans	363,329	(14,148)
Gains and losses (arising from translating the		
financial statements of a foreign operation)	1,739,424	(292,898)
Gains and losses on re-measuring available-for-sale financial assets	(5,224,000)	1,480,503
Gains and losses on cash flow hedges	-	-
Other	-	-
Share of profits of associates and joint ventures	-	-
Less: income tax (charge)/credit related to components of		
other comprehensive income	1,630,170	(427,923)
Other comprehensive income for the period net of taxes	(1,402,027)	1,184,262
Total comprehensive income for the period	6,121,623	8,655,117
Attributable to:		
Owners of the parent	-	-
Non-controlling interest	-	-

Selected Performance Indicators		
As at 31 December	2015	201
Regulatory capital adequacy		
Core Capital (Tier 1 Capital) Rs. '000	46,834,442	46,546,21
Total Capital Base. Rs. '000	47,191,359	46,903,13
Core Capital Adequacy Ratio, as % of risk weighted assets		
(Minimum requirement 5%)	21.40%	22.949
Total Capital Adequacy Ratio as % of risk weighted assets		
(Minimum requirement 10%)	21.56%	23.129
	Unaudited	Unaudite
As at 31 December	2015	201
Assets quality (quality of loan portfolio)		
Gross Non-Performing Advances Ratio %		
(net of interest in suspense)	1.04%	1.539
Net Non-Performing Advances Ratio %		
(net of interest in suspense and provisions)	0.46%	0.219
Profitability		
Interest Margin, %	4.19%	5.039
Return on Assets (before Tax), %	3.30%	3.769
Return on Equity, %	16.14%	16.469
Regulatory liquidity		
Statutory Liquid Assets, Rs. '000		
Domestic banking unit	111,431,275	167,326,45
Offshore banking unit	54,832,748	40,544,46
Statutory Liquid Assets ratio, %		
(minimum requirement, 20%)		
Domestic banking unit	57.56%	75.899
Offshore banking unit	40.51%	37.109

Loans and Receivables to Other Customers (Gross) - By product					
2015 Rs. '000	2014 Rs. '000				
11,717,421	9,271,529				
33,667,278	32,786,376				
_	-				
19,317,096	19,704,899				
_	-				
634,397	94,402				
65,336,192	61,857,206				
3,356,495	2,598,552				
113,593,639	103,236,808				
3,074,818	3,421,262				
120,024,952	109,256,622				
185,361,144	171,113,828				
	2015 Rs. '000 11,717,421 33,667,278 - 19,317,096 - 634,397 65,336,192 3,356,495 113,593,639 3,074,818 120,024,952				

Total	185,361,144	171,113,828					
Due to Other Customers - By product							
As at 31 December	2015	2014					
	Rs. '000	Rs. '000					
By product-Domestic Currency							
Demand deposits (current accounts)	17,397,133	17,370,695					
Savings deposits	27,370,943	19,295,266					
Fixed deposits	67,038,340	70,323,288					
Other deposits	2,020,065	2,445,430					
Sub total	113,826,481	109,434,679					
By product-Foreign Currency							
Demand deposits (current accounts)	19,688,729	9,130,937					
Savings deposits	17,857,482	23,444,384					
Fixed deposits	28,835,111	29,214,476					
Other deposits	2,679,727	5,122,284					
Sub total	69,061,049	66,912,081					
Total	182,887,530	176,346,760					

As at 31 December	2015 Rs. '000	201 Rs. '00
Assets		
Cash and cash equivalents	5,813,230	17,170,37
Balances with Central Bank	6,724,825	6,845,17
Placements with banks	19,469,700	15,444,28
Derivative financial instruments	2,078,082	1,140,6
Other financial assets Held-for-trading	330,825	1,722,70
Financial assets designated at fair value through profit or loss	_	,,,,,,,
Loans and receivables to banks	15,784,400	26,321,10
Loans and receivables to other customers	184,328,632	168,934,9
Financial investments - Available-for-sale	131,828,703	142,316,2
Financial investments Held-to-maturity	_	
Investments in subsidiaries	_	
Investments in associates and joint ventures	_	
Property, plant and equipment	3,644,899	3,282,3
Investment properties	_	-,,-
Goodwill and intangible assets	_	
Deferred tax assets	360,117	
Other assets	16,316,285	21,438,4
Total assets	386,679,698	404,616,2
	200,075,050	101,010,2
Liabilities		
Due to banks	129,362,756	149,200,8
Derivatives financial instruments	1,814,184	609,8
Financial liabilities Held-for-trading	-	
Financial liabilities designated at fair value through profit or loss	-	
Due to other customers	182,887,530	176,346,7
Other borrowings	-	
Debt securities issued	-	
Current tax liabilities	1,548,753	1,445,0
Deferred tax liabilities	-	998,4
Other provisions	-	
Other liabilities	22,071,365	27,840,5
Due to subsidiaries	-	
Subordinated term debts	-	
Total liabilities	337,684,588	356,441,4
Equity		
Stated capital / Assigned capital	3,152,358	3,152,3
Statutory reserve fund	2,090,475	1,940,0
Retained earnings	32,474,802	33,732,7
Other reserves	11,277,475	9,349,7
Total sharedholders' equity	48,995,110	48,174,7
Non-controlling interest	_	
Total equity	48,995,110	48,174,7
Total liabilities and equity	386,679,698	404,616,2
Contingent liabilities and commitments	616,100,549	582,340,2
Memorandum information		
Number of employees	1,325	1,3
Number of branches	15	

Loans and Receivables to Other Customers (net)		
As at 31 December	2015	2014
	Rs. '000	Rs. '000
Gross loans and receivables	185,361,144	171,113,82
(Less) Individual impairment	(698,755)	(950,637
Collective impairment	(333,757)	(1,228,250
Net loans and receivables including those designed at fair value		
through profit or loss	184,328,632	168,934,94
(Less) Loans and receivables designated at fair value through profit or loss	-	
Net loans and receivables	184,328,632	168,934,94

Movements in Individual and Collective Impairment Receivables to Other Customers	during the period for Loans an	d.
As at 31 December	2015	2014
	Rs. '000	Rs. '000
Individual impairment		
Opening balance	950,638	1,564,713
Change/(Write back) to income statement	(242,554)	(480,861)
Write-off during the year	-	-
Other movements	(9,329)	(133,215)
Closing balance	698,755	950,637
Collective impairment		
Opening balance	1,228,249	788,717
Change/(Write back) to income statement	(833,228)	514,411
Other movements	(61,264)	(74,878)
Closing balance	333,757	1,228,250
Total impairment	1,032,512	2,178,887

Total impairment	1,032,512	2,170,007
Primary Dealer Unit Summarised Income Statement		
For the period ended 31 December	2015 Rs. '000	2014 Rs. '000
Interest income Interest expenses	149,753	313,757
Net interest income	149,753	313,757
Capital gain/(loss) from investment securities Gain/(loss) from revaluation of securities	155,698 (11,925)	504,834 (165,993)
Net gain/(loss) from trading	143,773	338,841
Total operating income	293,526	652,598
Personal expenses Other expenses	(11,664) (67,607)	(69,973)
Operating profit/(loss) before value added tax (VAT)	214,255	582,625
Value added tax (VAT) on financial services	(25,452)	(63,171)
Operating profit/(loss) after value added tax (VAT)	188,803	519,454
Share of profits of associates and joint ventures	_	_
Profit/(loss) before tax	188,803	519,454
Tax expenses	(61,287)	(163,135
Profit/(loss) for the period	127,516	356,319

Primary Dealer Unit Statement of Financial Position		
As at 31 December	2015	2014
	Rs. '000	Rs. '000
Assets		
Other financial assets held-for-trading	330,826	1,711,584
Other assets	5,579	32,883
Total Assets	336,405	1,744,467
Liabilities		
Current tax liabilities	39,658	213,768
Other liabilities	277	253
Amounts due to related party	168,954	1,174,127
Total Liabilities	208,889	1,388,148
Equity		
Retained earnings	127,516	356,319
Total equity	127,516	356,319
Total equity and liabilities	336,405	1,744,467

Primary Dealer Unit Statement of Changes in Equity		
For the period ended 31 December 2015	Retained Earnings Rs. '000	Total Rs. '000
Balance as at 1st January 2015 (opening balance)	356,319	356,319
Profit transferred to head office Profit/(loss) for the period	(356,319) 127,516	(356,319) 127,516
Total comprehensive income for the year	127,516	127,516
Balance as at 31 December 2015 (closing balance)	127,516	127,516

