

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	2015 Rs. '000	2014 Rs. '000
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	3,260,696
Net gain/(loss) from trading	1,509,156	1,447,165
Net gain/(loss) from financial instruments designated at fair value through profit or loss	-	-
Net gain/(loss) from financial investments	705,274	357,473
Other operating income (net)	61,066	496,989
Total operating income	21,726,797	22,547,087
Impairment for loans and other losses		
Individual impairment	181,606	508,837
Collective impairment	438,997	(1,024,495)
Others	-	-
Net operating income	22,347,400	22,031,429
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	12,843,999
Value Added Tax (VAT) on financial services	(1,535,048)	(1,626,600)
Operating profit/(loss) after value added tax (VAT)	11,199,684	11,217,399
Share of profits of associates and joint ventures	-	-
Profit/(loss) before tax	11,199,684	11,217,399
Tax expenses	(3,676,034)	(3,746,544)
Profit/(loss) for the period	7,523,650	7,470,855
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	-	-

Cash Flow Statement		
As at 31 December	2015 Rs. '000	2014 Rs. '000
Operating activities		
Interest received	24,378,459	24,359,423
Interest paid	(5,833,182)	(6,684,049)
Recoveries on previously written off loans	622,847	642,774
Fees and commission received	3,119,727	3,260,696
Dividends received	-	-
Net (payments)/receipts from trading activities	1,509,156	1,804,639
Net (payments)/receipts from investing activities	705,274	-
Operating expenses paid	(8,960,048)	(7,910,900)
Operating profit before changes in operating assets and liabilities	15,542,233	15,472,583
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

Analysis of Financial Instruments by Measurement Basis							
For the period ended 31 December 2015	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	-	-	-	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	-	-	324,491,213

Statement of Changes in Equity										
For the period ended 31 December 2015	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 01/01/2015 (opening balance)	-	-	3,152,358	1,940,002	1,781,682	33,732,702	7,568,046	48,174,790	-	48,174,790
Total comprehensive income for the period	-	-	-	-	-	7,523,650	-	7,523,650	-	7,523,650
Profit/(loss) for the period	-	-	-	-	-	(3,764,383)	-	(3,764,383)	-	(3,764,383)
Super gains tax paid as per Part III of the Finance Act	-	-	-	-	206,430	(3,447,880)	1,739,423	(1,402,027)	-	(1,402,027)
Other comprehensive income (net of tax)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	206,430	411,387	1,739,423	2,357,240	-	2,357,240
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	-	6,380
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	-	48,995,110

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:

- the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka
- the information contained in these statements have been extracted from the audited financial statements of the bank unless indicated as unaudited
- 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

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	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	-	-

Selected Performance Indicators		
As at 31 December	2015	2014
Regulatory capital adequacy		
Core Capital (Tier I 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%
As at 31 December	Unaudited 2015	Unaudited 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%

Loans and Receivables to Other Customers (Gross) - By product		
As at 31 December	2015 Rs. '000	2014 Rs. '000
By product-Domestic Currency		
Overdrafts	11,717,421	9,271,529
Term loans	33,667,278	32,786,376
Lease rentals receivable	-	-
Credit cards	19,317,096	19,704,899
Pawning	-	-
Other loans	634,397	94,402
Sub total	65,336,192	61,857,206
By product-Foreign Currency		
Overdrafts	3,356,495	2,598,552
Term loans	113,593,639	103,236,808
Other loans	3,074,818	3,421,262
Sub total	120,024,952	109,256,622
Total	185,361,144	171,113,828

Due to Other Customers - By product		
As at 31 December	2015 Rs. '000	2014 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

Statement of Financial Position		
As at 31 December	2015 Rs. '000	2014 Rs. '000
Assets		
Cash and cash equivalents	5,813,230	17,170,378
Balances with Central Bank	6,724,825	6,845,170
Placements with banks	19,469,700	15,444,288
Derivative financial instruments	2,078,082	1,140,619
Other financial assets Held-for-trading	330,825	1,722,700
Financial assets designated at fair value through profit or loss	-	-
Loans and receivables to banks	15,784,400	26,321,100
Loans and receivables to other customers	184,328,632	168,934,941
Financial investments - Available-for-sale	131,828,703	142,316,265
Financial investments Held-to-maturity	-	-
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant		