

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.

Cash Flow Statement		
As at 31 December	2014 Rs. '000	2013 Rs. '000
Operating activities		
Interest received	24,359,423	26,281,178
Interest paid	(6,684,049)	(7,515,127)
Recoveries on previously written off loans	642,774	825,184
Fees and commission received	3,260,696	3,784,138
Dividends received	-	-
Net (payments) / receipts from trading activities	1,804,639	1,547,379
Operating expenses paid	(7,910,900)	(7,531,718)
Operating profit before changes in operating assets and liabilities	15,472,583	17,391,034
Change in operating assets/liabilities		
(Increase)/decrease in treasury bills and other eligible bills	(27,591,367)	(16,584,085)
(Increase)/decrease in treasury bonds	8,104,192	(11,399,339)
(Increase)/decrease in loans to other banks	(5,569,138)	(5,538,599)
(Increase)/decrease in loans and advances	(40,284,934)	(6,899,202)
(Increase)/decrease in government bonds	(5,507,247)	(3,270,500)
(Increase)/decrease in other assets	1,272,617	3,258,357
Increase/(decrease) in deposits from customers	21,399,796	4,757,324
Increase/(decrease) in borrowings	51,580,810	23,358,311
Increase/(decrease) in other liabilities	(1,133,471)	217,676
	2,271,258	(12,100,057)
Net cash flow from operating activities before tax	17,743,841	5,290,977
Tax paid	(6,885,579)	(6,837,571)
Net cash flow from operating activities	10,858,262	(1,546,594)
Investing activities		
Proceeds from sale of joint venture	-	-
Proceeds from disposal of property, plant and equipment	13,485	34,533
Acquisition of property, plant and equipment	(547,906)	(510,312)
Net cash flow from investing activities	(534,421)	(475,779)
Financing activities		
Profit transferred to head office	(3,531,000)	(1,573,000)
Net cash flow from financing activities	(3,531,000)	(1,573,000)
Net increase / (decrease) in cash and cash equivalents	6,792,841	(3,595,373)
Cash and cash equivalents at the beginning of the period	17,517,716	20,942,883
Exchange Adjustment	(295,009)	170,206
Cash and cash equivalents at the end of the period	24,015,548	17,517,716
Analysis of cash and cash equivalents at the period		
Cash in hand	1,222,493	1,367,826
Balances with other banks	15,947,885	8,103,943
Balances with Central Bank	6,845,170	8,045,947
Cash and cash equivalents at the end of the period	24,015,548	17,517,716

Loans and Receivables to Other Customers (net)		
As at 31 December	2014 Rs. '000	2013 Rs. '000
Gross loans and receivables	171,113,828	131,366,181
(Less) Individual impairment	(950,637)	(1,564,713)
Collective impairment	(1,228,250)	(788,717)
Net loans and receivables including those designed at fair value through profit or loss	168,934,941	129,012,751
(Less) Loans and receivables designated at fair value through profit or loss	-	-
Net loans and receivables	168,934,941	129,012,751

Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers		
As at 31 December	2014 Rs. '000	2013 Rs. '000
Individual impairment		
Opening balance	1,564,713	2,142,122
Change/(Write back) to income statement	(480,861)	(242,390)
Write-off during the year	-	(330,760)
Other movements	(133,215)	(4,259)
Closing balance	950,637	1,564,713
Collective impairment		
Opening balance	788,717	490,047
Change/(Write back) to income statement	514,411	384,481
Other movements	(74,878)	(85,811)
Closing balance	1,228,250	788,717
Total impairment	2,178,887	2,353,430

Statement of Financial Position		
As at 31 December	2014 Rs. '000	2013 Rs. '000
Assets		
Cash and cash equivalents	17,170,378	9,471,769
Balances with Central Bank	6,845,170	8,045,947
Placements with banks	15,444,288	5,636,400
Derivative financial instruments	1,140,619	2,983,392
Other financial assets Held-for-trading	1,722,700	11,995,713
Financial assets designated at fair value through profit or loss	-	-
Loans and receivables to banks	26,321,100	30,559,850
Loans and receivables to other customers	168,934,941	129,012,751
Financial investments - Available-for-sale	142,316,265	107,011,206
Financial investments Held-to-maturity	-	-
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	3,282,332	2,460,791
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	-	-
Other assets	21,438,471	18,980,891
Total assets	404,616,264	326,158,710
Liabilities		
Due to banks	149,200,815	97,620,005
Derivatives financial instruments	609,806	4,088,096
Financial liabilities Held-for-trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Due to other customers	176,346,760	154,946,963
Other borrowings	-	-
Debt securities issued	-	-
Current tax liabilities	1,445,077	2,687,452
Deferred tax liabilities	998,463	683,869
Other provisions	-	-
Other liabilities	27,840,553	23,085,546
Due to subsidiaries	-	-
Subordinated term debts	-	-
Total liabilities	356,441,474	283,111,931
Equity		
Stated capital / Assigned capital	3,152,358	3,152,358
Statutory reserve fund	1,940,002	1,790,585
Retained earnings	33,732,703	29,409,259
Other reserves	9,349,727	8,694,577
Total shareholders' equity	48,174,790	43,046,779
Non-controlling interest	-	-
Total equity	48,174,790	43,046,779
Total liabilities and equity	404,616,264	326,158,710
Contingent liabilities and commitments	582,340,237	741,593,231
Memorandum information		
Number of employees	1,379	1,374
Number of branches	16	18

Loans and Receivables to Other Customers - By product		
As at 31 December	2014 Rs. '000	2013 Rs. '000
By product-Domestic Currency		
Overdrafts	9,271,529	13,027,588
Term loans	32,786,376	34,986,843
Lease rentals receivable	-	-
Credit cards	19,704,899	19,987,344
Pawning	-	-
Other loans	94,402	448,336
Sub total	61,857,206	68,450,111
By product-Foreign Currency		
Overdrafts	2,598,552	2,708,344
Term loans	103,236,808	55,618,149
Other loans	3,421,262	4,589,577
Sub total	109,256,622	62,916,070
Total	171,113,828	131,366,181

Due to Other Customers - By product		
As at 31 December	2014 Rs. '000	2013 Rs. '000
By product-Domestic Currency		
Demand deposits (current accounts)	17,370,695	14,962,680
Savings deposits	19,295,266	13,278,698
Fixed deposits	70,323,288	63,590,810
Other deposits	2,445,430	2,630,237
Sub total	109,434,679	94,462,425
By product-Foreign Currency		
Demand deposits (current accounts)	9,130,937	10,119,091
Savings deposits	23,444,384	14,490,351
Fixed deposits	29,214,476	30,328,469
Other deposits	5,122,284	5,546,627
Sub total	66,912,081	60,484,538
Total	176,346,760	154,946,963

The financial information summarised above for the twelve months ended 31 December 2014 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 KPMG.

In their report of 25 March 2015, 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 un-audited

(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

Kanchana Hewavitharana
(Signed) Chief Financial Officer

