

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 March 2014 Rs. '000	Audited As at 31 December 2013 Rs. '000
Operating activities		
Interest received	5,920,168	26,281,178
Interest paid	(1,501,319)	(7,515,127)
Recoveries on previously written off loans	147,058	825,184
Fees and commission received	806,195	3,784,138
Dividends received	–	–
Net (payments) / receipts from trading activities	844,502	1,547,379
Operating expenses paid	(1,980,134)	(7,531,718)
Operating profit before changes in operating assets and liabilities	4,236,470	17,391,034
Change in operating assets/liabilities		
(Increase)/decrease in treasury bills and other eligible bills	6,591,121	(16,584,085)
(Increase)/decrease in treasury bonds	7,619,417	(11,399,339)
(Increase)/decrease in loans to other banks	(2,529,796)	(5,538,599)
(Increase)/decrease in loans and advances	1,556,820	(6,899,202)
(Increase)/decrease in government bonds	(636,603)	(3,270,500)
(Increase)/decrease in other assets	228,253	2,926,891
Increase/(decrease) in deposits from customers	2,479,683	4,757,324
Increase/(decrease) in borrowings	(16,752,036)	23,358,311
Increase/(decrease) in other liabilities	78,622	217,676
	(1,364,519)	(12,431,523)
Net cash flow from operating activities before tax	2,871,951	4,959,511
Tax paid	(1,288,239)	(6,837,571)
Net cash flow from operating activities	1,583,712	(1,878,060)
Investing activities		
Proceeds from sale of joint venture	–	–
Proceeds from disposal of property, plant and equipment	5,990	34,533
Acquisition of property, plant and equipment	(17,035)	(178,846)
Net cash flow from investing activities	(11,045)	(144,313)
Financing activities		
Profit transferred to head office	–	(1,573,000)
Net cash flow from financing activities	–	(1,573,000)
Net increase / (decrease) in cash and cash equivalents	1,572,668	(3,595,373)
Cash and cash equivalents at the beginning of the period	17,517,716	20,942,883
Exchange Adjustment	(12,408)	170,206
	19,077,976	17,517,716
Cash and cash equivalents at the end of the period	19,077,976	17,517,716
Analysis of cash and cash equivalents at the period		
Cash in hand	1,086,538	1,367,826
Balances with other banks	8,499,986	8,103,943
Balances with Central Bank	9,491,452	8,045,947
Cash and cash equivalents at the end of the period	19,077,976	17,517,716

Loans and Receivables to Other Customers		
	As at 31 March 2014 Rs. '000	Audited As at 31 December 2013 Rs. '000
Gross loans and receivables	129,965,037	131,366,181
(Less) Individual impairment	(1,224,298)	(1,564,713)
Collective impairment	(738,431)	(788,717)
Net loans and receivables including these designed at fair value through profit or loss	128,002,308	129,012,751
(Less) Loans and receivables designated at fair value through profit or loss	–	–
Net loans and receivables	128,002,308	129,012,751

Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers		
	As at 31 March 2014 Rs. '000	Audited As at 31 December 2013 Rs. '000
Individual impairment		
Opening balance	1,564,713	2,142,122
Change/(Write back) to income statement	(344,911)	(242,390)
Write-off during the year	–	(330,760)
Other movements	4,496	(4,259)
Closing balance	1,224,298	1,564,713
Collective impairment		
Opening balance	788,717	490,047
Change/(Write back) to income statment	(50,286)	384,481
Other movements	–	(85,811)
Closing balance	738,431	788,717
Total impairment	1,962,729	2,353,430

The financial information summarised above for the three months ended 31 March 2014 is drawn up from the un-audited accounts of the Bank, prepared according to the Sri Lankan Accounting Standards. (SLFRS/LKAS).

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 un-audited financial statements of the bank unless indicated as 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

Issued by The Hongkong and Shanghai Banking Corporation Limited - Sri Lanka. Fitch rating of AAA (lka).

Statement of Financial Position		
	As at 31 March 2014 Rs. '000	Audited As at 31 December 2013 Rs. '000
Assets		
Cash and cash equivalents	9,586,524	9,471,769
Balances with Central Bank	9,491,452	8,045,947
Placements with banks	13,900,600	5,636,400
Derivative financial instruments	2,864,225	2,983,392
Other financial assets Held-for-trading	11,650,431	11,995,713
Financial assets designated at fair value through profit or loss	–	–
Loans and receivables to banks	24,825,446	30,559,850
Loans and receivables to other customers	128,002,308	129,012,751
Financial investments - Available-for-sale	93,265,641	107,011,206
Financial investments Held-to-maturity	–	–
Investments in subsidiaries	–	–
Investments in associates and joint ventures	–	–
Property, plant and equipment	1,897,087	1,917,321
Investment properties	–	–
Goodwill and intangible assets	–	–
Deferred tax assets	–	–
Other assets	19,942,689	19,524,361
Total assets	315,426,403	326,158,710
Liabilities		
Due to banks	80,867,974	97,620,005
Derrivative financial instruments	70,302	4,088,096
Financial liabilities Held-for-trading	–	–
Financial liabilities designated at fair value through profit or loss	–	–
Due to other customers	157,426,647	154,946,963
Other borrowings	–	–
Debt securities issued	–	–
Current tax liabilities	3,176,258	2,687,452
Deferred tax liabilities	799,079	683,869
Other provisions	–	–
Other liabilities	27,901,368	23,085,546
Due to subsidiaries	–	–
Subordinated term debts	–	–
Total liabilities	270,241,628	283,111,931
Equity		
Stated capital / Assigned capital	3,152,358	3,152,358
Statutory reserve fund	1,790,585	1,790,585
Retained earnings	34,038,052	32,003,445
Other reserves	6,203,780	6,100,391
Total shareholders' equity	45,184,775	43,046,779
Non-controlling interest	–	–
Total equity	45,184,775	43,046,779
Total liabilities and equity	315,426,403	326,158,710
Contingent liabilities and commitments	751,117,372	741,593,231
Memorandum information		
Number of employees	1,375	1,374
Number of branches	16	16

Loans and Receivables to Other Customers - By product		
	As at 31 March 2014 Rs. '000	Audited As at 31 December 2013 Rs. '000
By product-Domestic Currency		
Overdrafts	12,600,295	13,027,588
Term loans	31,915,591	34,986,843
Lease rentals receivable	–	–
Credit cards	19,327,642	19,987,344
Pawning	–	–
Other loans	322,958	448,336
Sub total	64,166,486	68,450,111
By product-Foreign Currency		
Overdrafts	1,826,678	2,708,344
Term loans	59,464,831	55,618,149
Other loans	4,507,042	4,589,577
Sub total	65,798,551	62,916,070
Total	129,965,037	131,366,181

Due to Other Customers - By product		
	As at 31 March 2014 Rs. '000	Audited As at 31 December 2013 Rs. '000
By product-Domestic Currency		
Demand deposits (current accounts)	17,321,015	14,962,680
Savings deposits	15,571,752	13,278,698
Fixed deposits	62,589,251	63,590,810
Other deposits	1,940,379	2,630,237
Sub total	97,422,397	94,462,425
By product-Foreign Currency		
Demand deposits (current accounts)	9,881,235	10,119,091
Savings deposits	14,292,662	14,490,351
Fixed deposits	30,161,562	30,328,469
Other deposits	5,668,791	5,546,627
Sub total	60,004,250	60,484,538
Total	157,426,647	154,946,963

