

# 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

	2013 Rs. '000	2012 Rs. '000
<b>Operating activities</b>		
Interest received	26,281,178	21,073,192
Interest paid	(7,515,127)	(6,839,869)
Recoveries on previously written off loans	825,184	788,301
Fees and commission received	3,784,138	3,334,703
Dividends received	-	446
Net (payments) / receipts from trading activities	1,547,379	2,687,883
Operating expenses paid	(7,531,718)	(8,149,793)
Operating profit before changes in operating assets and liabilities	17,391,034	12,894,863
<b>Change in operating assets/liabilities</b>		
(Increase)/decrease in treasury bills and other eligible bills	(16,584,085)	23,511,858
(Increase)/decrease in treasury bonds	(11,399,339)	(28,386,722)
(Increase)/decrease in loans to other banks	(5,538,599)	(5,414,827)
(Increase)/decrease in loans and advances	(6,899,202)	(2,812,772)
(Increase)/decrease in government bonds	(3,270,500)	(2,791,777)
(Increase)/decrease in other assets	2,926,891	(2,140,983)
Increase/(decrease) in deposits from customers	4,757,324	6,764,743
Increase/(decrease) in borrowings	23,358,311	5,046,926
Increase/(decrease) in other liabilities	217,676	2,416,454
	(12,431,523)	(3,807,100)
<b>Net cash flow from operating activities before tax</b>	<b>4,959,511</b>	<b>9,087,763</b>
Tax paid	(6,837,571)	(5,112,648)
<b>Net cash flow from operating activities</b>	<b>(1,878,060)</b>	<b>3,975,115</b>
<b>Investing activities</b>		
Proceeds from sale of joint venture	-	-
Proceeds from disposal of property, plant and equipment	34,533	26,336
Acquisition of property, plant and equipment	(178,846)	(143,489)
<b>Net cash flow from investing activities</b>	<b>(144,313)</b>	<b>(117,153)</b>
<b>Financing activities</b>		
Profit transferred to head office	(1,573,000)	-
<b>Net cash flow from financing activities</b>	<b>(1,573,000)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(3,595,373)</b>	<b>3,857,962</b>
Cash and cash equivalents at the beginning of the period	20,942,883	16,610,883
Exchange Adjustment	170,206	474,038
<b>Cash and cash equivalents at the end of the period</b>	<b>17,517,716</b>	<b>20,942,883</b>
<b>Analysis of cash and cash equivalents for the period</b>		
Cash in hand	1,367,826	1,233,687
Balances with other banks	8,103,943	9,230,438
Balances with Central Bank	8,045,947	10,478,758
<b>Cash and cash equivalents at the end of the period</b>	<b>17,517,716</b>	<b>20,942,883</b>

### Statement of Financial Position

As at 31 December

	2013 Rs. '000	2012 Rs. '000
<b>Assets</b>		
Cash and cash equivalents	9,471,769	10,464,125
Balances with Central Bank	8,045,947	10,478,758
Placements with banks	5,636,400	23,407,000
Derivative financial instruments	2,983,392	5,935,245
Other financial assets Held-for-trading	11,995,713	7,218,481
Financial assets designated at fair value through profit or loss	-	-
Loans and receivables to banks	30,559,850	7,131,914
Loans and receivables to other customers	129,012,751	123,081,468
Financial investments - Available-for-sale	107,011,206	77,452,338
Financial investments Held-to-maturity	-	-
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	1,917,321	1,472,059
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	-	89,395
Other assets	19,524,361	16,448,926
<b>Total assets</b>	<b>326,158,710</b>	<b>283,179,709</b>
<b>Liabilities</b>		
Due to banks	97,620,005	73,281,289
Derivative financial instruments	4,088,096	3,850,947
Financial liabilities Held-for-trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Due to other customers	154,946,963	149,647,020
Other borrowings	-	-
Debt securities issued	-	-
Current tax liabilities	2,687,452	2,894,196
Deferred tax liabilities	683,869	-
Other provisions	-	-
Other liabilities	23,085,546	19,865,456
Due to subsidiaries	-	-
Subordinated term debts	-	-
<b>Total liabilities</b>	<b>283,111,931</b>	<b>249,538,908</b>
<b>Equity</b>		
Stated capital / Assigned capital	3,152,358	3,152,358
Statutory reserve fund	1,790,585	1,625,952
Retained earnings	32,003,445	25,336,956
Other reserves	6,100,391	3,525,535
Total shareholders' equity	43,046,779	33,640,801
Non-controlling interest	-	-
<b>Total equity</b>	<b>43,046,779</b>	<b>33,640,801</b>
<b>Total liabilities and equity</b>	<b>326,158,170</b>	<b>283,179,709</b>
<b>Contingent liabilities and commitments</b>	<b>741,593,231</b>	<b>608,406,976</b>
<b>Memorandum information</b>		
Number of employees	1,374	1,457
Number of branches	16	16

### Loans and Receivables to Other Customers - by Product

As at 31 December

	2013 Rs. '000	2012 Rs. '000
<b>By product-Domestic Currency</b>		
Overdrafts	13,027,588	15,816,321
Term loans	34,986,843	36,106,671
Lease rentals receivable	-	-
Credit cards	19,987,344	19,038,921
Pawning	-	-
Other loans	448,336	27,211
<b>Sub total</b>	<b>68,450,111</b>	<b>70,989,124</b>
<b>By product-Foreign Currency</b>		
Overdrafts	2,708,344	4,389,991
Term loans	55,618,149	46,476,441
Other loans	4,589,577	3,858,081
<b>Sub total</b>	<b>62,916,070</b>	<b>54,724,513</b>
<b>Total</b>	<b>131,366,181</b>	<b>125,713,637</b>

### Loans and Receivables to Other Customers

As at 31 December

	2013 Rs. '000	2012 Rs. '000
Gross loans and receivables	131,366,181	125,713,637
(Less) Individual impairment	(1,564,713)	(2,142,122)
Collective impairment	(788,717)	(490,047)
Net loans and receivables including those designed at fair value through profit or loss	129,012,751	123,081,468
(Less) Loans and receivables designated at fair value through profit or loss	-	-
<b>Net loans and receivables</b>	<b>129,012,751</b>	<b>123,081,468</b>

### Movements in Individual and Collective Impairment during the period for Loans and Receivables to Other Customers

As at 31 December

	2013 Rs. '000	2012 Rs. '000
<b>Individual impairment</b>		
Opening balance	2,142,122	1,956,596
Change/(Write back) to income statement	(242,390)	9,867
Write-off during the year	(330,760)	-
Other movements	(4,259)	175,659
Closing balance	1,564,713	2,142,122
<b>Collective impairment</b>		
Opening balance	490,047	430,254
Change/(Write back) to income statement	384,481	112,915
Other movements	(85,811)	(53,122)
Closing balance	788,717	490,047
<b>Total impairment</b>	<b>2,353,430</b>	<b>2,632,169</b>

### Due to Other Customers - by Product

As at 31 December

	2013 Rs. '000	2012 Rs. '000
<b>By product-Domestic Currency</b>		
Demand deposits (current accounts)	14,962,680	15,090,657
Savings deposits	13,278,698	13,038,694
Fixed deposits	63,590,810	58,368,073
Other deposits	2,630,237	2,476,676
<b>Sub total</b>	<b>94,462,425</b>	<b>88,974,100</b>
<b>By product-Foreign Currency</b>		
Demand deposits (current accounts)	10,119,091	9,651,167
Savings deposits	14,490,351	14,970,426
Fixed deposits	30,328,469	32,916,488
Other deposits	5,546,627	3,134,839
<b>Sub total</b>	<b>60,484,538</b>	<b>60,672,920</b>
<b>Total</b>	<b>154,946,963</b>	<b>149,647,020</b>

The financial information summarised above for the twelve months ended 31 December 2013 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 21 March 2014, 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

Patrick J Gallagher  
(Signed) Chief Executive Officer

Kanchana Hewavitharana  
(Signed) Chief Financial Officer

