

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 30 September 2013 Rs. '000	Audited As at 31 December 2012 Rs. '000
Operating activities		
Interest received	19,566,268	21,073,192
Interest paid	(5,929,620)	(6,839,869)
Recoveries on previously written off loans	1,135,786	788,301
Fees and commission received	2,813,112	3,334,703
Dividends received	-	446
Net (payments) / receipts from trading activities	2,151,664	2,687,883
Operating expenses paid	(6,441,488)	(9,768,268)
Operating profit before changes in operating assets and liabilities	13,295,722	11,276,388
Change in operating assets/liabilities		
(Increase)/decrease in treasury bills and other eligible bills	(17,977,914)	23,511,858
(Increase)/decrease in treasury bonds	(2,845,529)	(28,386,722)
(Increase)/decrease in loans to other banks	(776,683)	(5,414,827)
(Increase)/decrease in loans and advances	(7,074,233)	(2,812,772)
(Increase)/decrease in government bonds	(3,676,691)	(2,791,777)
(Increase)/decrease in other assets	(762)	(2,140,983)
Increase/(decrease) in deposits from customers	16,029,909	6,764,743
Increase/(decrease) in borrowings	5,281,059	5,046,926
Increase/(decrease) in other liabilities	2,249,898	469,905
	(8,790,946)	(5,753,469)
Net cash flow from operating activities before tax	4,504,776	5,522,739
Tax paid	(5,017,316)	(1,591,625)
Net cash flow from operating activities	(512,540)	3,931,114
Investing activities		
Proceeds from sale of joint venture	-	-
Proceeds from disposal of property, plant and equipment	34,533	26,336
Acquisition of property, plant and equipment	(82,256)	(143,489)
Net cash flow from investing activities	(47,723)	(117,153)
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	(2,133,263)	3,813,961
Cash and cash equivalents at the beginning of the period	20,942,883	17,128,922
Cash and cash equivalents at the end of the period	18,809,620	20,942,883
Analysis of cash and cash equivalents at the period		
Cash in hand and balances with banks	1,220,233	1,233,687
Balances with other banks	10,029,236	9,230,438
Balances with central bank	7,560,151	10,478,758
Cash and cash equivalents at the end of the period	18,809,620	20,942,883

Statement of Financial Position

	As at 30 September 2013 Rs. '000	Audited As at 31 December 2012 Rs. '000
Assets		
Cash and cash equivalents	11,249,469	1,233,687
Balances with Central Bank	7,560,151	10,478,758
Placements with banks	24,215,597	32,637,438
Derivative financial instruments	1,762,672	5,935,245
Other financial assets Held-for-trading	16,094,868	7,218,481
Financial assets designated at fair value through profit or loss	-	-
Loans and receivables to banks	7,100,000	7,131,914
Loans and receivables to other customers	130,100,587	122,856,462
Financial investments - Available-for-sale	93,813,158	77,452,338
Financial investments Held-to-maturity	-	-
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	1,439,784	1,472,059
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	-	89,395
Other assets	7,094,548	6,780,641
Total assets	300,430,834	273,286,418
Liabilities		
Due to banks	87,934,199	73,281,289
Derivative financial instruments	1,379,569	3,670,858
Financial liabilities Held-for-trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Due to other customers	156,305,077	149,647,020
Other borrowings	-	-
Debt securities issued	-	-
Current tax liabilities	2,574,942	2,894,196
Deferred tax liabilities	26,931	-
Other provisions	-	-
Other liabilities	12,585,495	10,302,572
Due to subsidiaries	-	-
Subordinated term debts	-	-
Total liabilities	260,806,213	239,795,935
Equity		
Stated capital/Assigned capital	3,152,358	3,152,358
Statutory reserve fund	1,625,952	1,625,952
Retained earnings	29,583,701	25,336,956
Other reserves	5,262,610	3,375,217
Total shareholders' equity	39,624,621	33,490,483
Non-controlling interest	-	-
Total equity	39,624,621	33,490,483
Total liabilities and equity	300,430,834	273,286,418
Contingent liabilities and commitments	677,662,260	618,300,267
Memorandum information		
Number of employees	1,397	1,457
Number of branches	16	16

Loans and Receivables to Other Customers - By product

	As at 30 September 2013 Rs. '000	Audited As at 31 December 2012 Rs. '000
By product-Domestic Currency		
Overdrafts	13,873,078	15,816,321
Term loans	36,146,383	36,106,671
Lease rentals receivable	-	-
Credit Cards	19,521,155	18,813,915
Pawning	-	-
Other loans	499,097	27,211
Sub total	70,039,712	70,764,118
By product-Foreign Currency		
Overdrafts	3,194,311	4,389,991
Term loans	54,124,250	46,476,441
Other loans	5,746,221	3,858,081
Sub total	63,064,782	54,724,514
Total	133,104,494	125,488,631

Loans and Receivables to Other Customers

	As at 30 September 2013 Rs. '000	Audited As at 31 December 2012 Rs. '000
Gross loans and receivables	133,104,494	125,488,631
(Less) Individual impairment	(2,367,677)	(2,141,849)
Collective impairment	(626,230)	(490,320)
Net loans and receivables including these designed at fair value through profit or loss	130,100,587	122,856,462
(Less) Loans and receivables designated at fair value through profit or loss	-	-
Net loans and receivables	130,100,587	122,856,462

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

	As at 30 September 2013 Rs. '000	Audited As at 31 December 2012 Rs. '000
Individual impairment		
Opening balance	2,141,849	1,956,596
Change/(Write back) to income statement	244,839	9,867
Write-off during the year	(19,011)	-
Other movements	-	175,386
Other loans	-	-
Closing balance	2,367,677	2,141,849
Collective impairment		
Opening balance	490,320	430,254
Change/(Write back) to income statement	145,910	112,915
Other movements	-	(52,849)
Closing balance	636,230	490,320
Total impairment	3,003,907	2,632,169

Due to Other Customers - By product

	As at 30 September 2013 Rs. '000	Audited As at 31 December 2012 Rs. '000
By product-Domestic Currency		
Demand deposits (current accounts)	17,764,471	15,090,657
Savings deposits	14,587,217	13,038,694
Fixed deposits	59,581,266	58,368,073
Other deposits	2,387,443	2,476,676
Sub total	94,320,397	88,974,100
By product-Foreign Currency		
Demand deposits (current accounts)	11,046,055	9,651,167
Savings deposits	13,639,484	14,970,426
Fixed deposits	31,570,940	32,916,488
Other deposits	5,278,202	3,134,839
Sub total	61,984,680	60,672,920
Total	156,305,077	149,647,020

The financial information summarised above for the nine months ended 30 September 2013 is drawn up from the un-audited accounts of the bank, prepared according to the Sri Lanka Accounting Standards (SLFRS/LKAS).

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 un-audited financial statements of the bank unless indicated as audited
- 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

