

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

STATEMENT OF FINANCIAL POSITION

at 31 December 2012

	2012 MUR'000	2011 MUR'000	2010 MUR'000
ASSETS			
Cash and cash equivalents	3,081,589	2,026,003	4,622,830
Trading assets	551,756	561,450	84,048
Derivative assets held for risk management	-	90,652	3,428
Loans and advances to banks	245,440	950,400	802,508
Loans and advances to customers	9,582,666	14,469,184	15,174,161
Investment securities	7,849,488	8,889,795	8,455,900
Property, plant and equipment	224,934	291,701	296,556
Intangible asset	3,030	9,876	14,617
Deferred tax assets	19,572	13,970	-
Other assets	1,746,482	1,685,811	1,407,938
Assets held for sale	3,681,847	-	-
Total assets	26,986,804	28,988,842	30,861,986
LIABILITIES			
Deposits from banks	367,873	62,495	1,080,797
Deposits from customers	8,034,205	22,030,206	22,666,715
Trading liabilities	67,933	181,591	34,316
Other borrowed funds	1,875,783	3,946,659	4,314,961
Current tax liabilities	83,647	57,955	74,803
Deferred tax liabilities	-	-	13,636
Other liabilities	684,946	887,167	728,316
Liabilities held for sale	13,601,794	-	-
Total liabilities	24,716,181	27,166,073	28,913,544
Shareholders' funds			
Assigned capital	239,265	239,265	239,265
Retained earnings	1,392,180	1,101,876	1,174,733
Other reserves	639,178	481,628	534,444
Total shareholders' funds	2,270,623	1,822,769	1,948,442
Total liabilities and shareholders' funds	26,986,804	28,988,842	30,861,986

Approved on 22 March 2013

Alastair J Bryce **Sangita Aggarwal**
Chief Executive Officer Chief Financial Officer



The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	2012 MUR'000	2011 MUR'000	2010 MUR'000
Interest income	818,613	912,831	1,028,970
Interest expense	(66,416)	(103,654)	(114,117)
Net interest income	752,197	809,177	914,853
Fee and commission income	120,056	131,455	132,163
Fee and commission expense	(3,138)	(2,035)	(574)
Net fee and commission income	116,918	129,420	131,589
Net trading income	206,787	209,701	223,523
Net income from other financial instruments carried at fair value through profit or loss	2,027	414	7,026
Other operating income	72,760	38,695	43,769
	281,574	248,810	274,318
Operating income	1,150,689	1,187,407	1,320,760
Net impairment gain on financial assets	15,426	808	38,095
Personnel expenses	(220,179)	(222,995)	(193,549)
Operating lease expenses	(33,042)	(28,966)	(26,206)
Depreciation	(17,352)	(19,211)	(10,686)
Amortisation	(2,797)	(2,797)	(2,294)
Other expenses	(285,306)	(284,935)	(334,855)
Total expenses	(558,676)	(558,904)	(567,590)
Profit before tax	607,439	629,311	791,265
Tax expense on continuing operation	(95,540)	(61,007)	(99,733)
Profit from continuing operation	511,899	568,304	691,532
Loss from discontinued operation, net of tax	(162,408)	(261,029)	(292,258)
Profit for the year	349,491	307,275	399,274
Other comprehensive income, net of income tax			
Unrecognised actuarial loss, net of deferred tax	(32,674)	(42,298)	(79,004)
Exchange difference	-	8,487	32,794
Changes in revaluation surplus	19,941	25,547	(17,034)
Net gain/(loss) on available-for-sale financial assets	113,209	(79,174)	(39,193)
Other comprehensive income / (loss) for the year, net of tax	100,476	(87,438)	(102,437)
Total comprehensive income for the year	449,967	219,837	296,837
<i>Profit attributable to:</i>			
Head Office	349,491	307,275	399,274
<i>Total comprehensive income attributable to:</i>			
Head Office	449,967	219,837	296,837

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED - MAURITIUS BRANCH

We have audited the financial statements of The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch (the "Bank") for the year ended 31 December 2012, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 22 March 2013, we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Bank's financial position and the financial performance and cash flows for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

KPMG
Licensed Auditors

Ebène
Date: 22 March 2013



The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	2012 MUR'000	2011 MUR'000	2010 MUR'000
Cash flows from operating activities			
Profit for the year	349,491	307,275	399,274
Adjustments for:			
Depreciation	17,352	19,211	10,686
Amortisation	2,797	2,797	2,294
Depreciation and amortisation on held for sale assets	2,721	11,323	19,236
Impairment of intangible asset	3,563	-	-
(Profit)/loss on sale of fixed assets	(65)	(127)	378
Provision and adjustments to income for credit losses	(19,807)	(3,890)	(38,335)
Tax expense	95,540	61,007	99,733
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	451,592	397,596	493,266
Change in derivative financial assets held for risk management	90,652	(87,224)	72,777
Change in derivative financial liabilities held for risk management	-	-	(35,224)
Change in other assets	(81,828)	(277,874)	7,042
Change in other liabilities	(83,532)	111,036	(205,808)
Change in investment securities	1,040,307	(433,895)	(478,375)
Change in trading assets	122,903	(556,576)	(66,155)
Change in trading liabilities	(113,658)	147,275	(26,706)
Change in loans and advances to customers	1,318,534	708,867	3,986,010
Change in loans and advances to banks	704,960	(147,892)	(752,508)
Change in deposits from customers	(601,038)	(636,509)	1,379,258
Change in deposits from banks	352,966	(1,018,302)	(7,359,287)
Change in other borrowed funds	(2,034,583)	(1,114,013)	(1,232,872)
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	1,167,275	(2,907,511)	(4,218,582)
Tax paid	(69,668)	(78,710)	(115,980)
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Net cash flows from/(used in) operating activities	1,097,607	(2,986,221)	(4,334,562)
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Cash flows from investing activities			
Acquisition of property, plant and equipment	(5,793)	(16,174)	(15,153)
Proceeds from disposal of property, plant and equipment	65	253	10
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Net cash used in investing activities	(5,728)	(15,921)	(15,143)
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Cash flows used in financing activities			
Repatriation of profit	-	(348,883)	(918,680)
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Net change in cash and cash equivalents	1,091,879	(3,351,025)	(5,268,385)
Cash and cash equivalents at 1 January	572,677	3,915,215	9,161,817
Effect of exchange fluctuations on cash and cash equivalents	-	8,487	21,783
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Cash and cash equivalents at 31 December	1,664,556	572,677	3,915,215
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KPMG's report on the complete set of financial statements reads as follows:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED- MAURITIUS BRANCH REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of The Hongkong and Shanghai Banking Corporation Limited- Mauritius Branch (the "Bank") on pages 44 to 141 which comprise the statement of financial position at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the Bank's members, as a body, in accordance with Section 205 of the Mauritius Companies Act. Our audit work has been undertaken so that we might state to the Bank's members those matters that are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act and Banking Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 44 to 141 give a true and fair view of the financial position of the Bank at 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Mauritius Companies Act

We have no relationship with or interests in the Bank other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Banking Act

In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking Act and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

The Financial Reporting Act 2004

Management is responsible for preparing the Corporate Governance Report and making disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). Our responsibility is to report on these disclosures.

In our opinion, the disclosures in the Corporate Governance Report, where applicable, are consistent with the requirements of the Code.

KPMG
Licensed Auditors

Jean Claude LIONG
Licensed by FRC

Ebène
Date: 22 March 2013



The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Assigned capital	Reserves for own shares	Revaluation reserves	Statutory reserve	General banking reserve	Retained earnings	Fair value reserve	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Balance at 31 December 2009	239,265	21,291	193,378	243,185	25,198	1,790,307	55,812	2,568,436
Profit for the year	-	-	-	-	-	399,274	-	399,274
Change in fair value	-	-	-	-	-	-	(39,193)	(39,193)
Unrecognised actuarial loss	-	-	-	-	-	(87,830)	-	(87,830)
Exchange difference	-	-	-	-	-	32,794	-	32,794
Revaluation of properties	-	-	11,638	-	-	-	-	11,638
Deferred tax	-	-	(28,672)	-	-	8,826	-	(19,846)
Total comprehensive income for the year	-	-	(17,034)	-	-	353,064	(39,193)	296,837
Movement during the year	-	1,196	-	-	-	433	-	1,629
Change in fair value	-	220	-	-	-	-	-	220
Transfer to/(from) reserves	-	-	-	-	50,391	(50,391)	-	-
Profit remittance to Head office	-	-	-	-	-	(918,680)	-	(918,680)
Transaction with owners of the Bank, recognised directly in equity	-	1,416	-	-	50,391	(968,638)	-	(916,831)
Balance at 31 December 2010	239,265	22,707	176,344	243,185	75,589	1,174,733	16,619	1,948,442
Profit for the year	-	-	-	-	-	307,275	-	307,275
Change in fair value	-	-	-	-	-	-	(79,174)	(79,174)
Unrecognised actuarial loss	-	-	-	-	-	(51,185)	-	(51,185)
Exchange difference	-	-	-	-	-	8,487	-	8,487
Revaluation of properties	-	-	7,683	-	-	-	-	7,683
Deferred tax	-	-	17,864	-	-	8,887	-	26,751
Total comprehensive income for the year	-	-	25,547	-	-	273,464	(79,174)	219,837
Movement during the year	-	2,575	-	-	-	908	-	3,483
Change in fair value	-	(110)	-	-	-	-	-	(110)
Transfer to/(from) reserves	-	-	-	-	(1,654)	1,654	-	-
Profit remittance to Head office	-	-	-	-	-	(348,883)	-	(348,883)
Transaction with owners of the Bank, recognised directly in equity	-	2,465	-	-	(1,654)	(346,321)	-	(345,510)
Balance at 31 December 2011	239,265	25,172	201,891	243,185	73,935	1,101,876	(62,555)	1,822,769
Profit for the year	-	-	-	-	-	349,491	-	349,491
Change in fair value	-	-	-	-	-	-	113,209	113,209
Unrecognised actuarial loss	-	-	-	-	-	(38,440)	-	(38,440)
Revaluation of properties	-	-	19,930	-	-	-	-	19,930
Deferred tax	-	-	11	-	-	5,766	-	5,777
Total comprehensive income for the year	-	-	19,941	-	-	316,817	113,209	449,967
Movement during the year	-	8,603	(1,550)	-	-	886	-	7,939
Change in fair value	-	(10,052)	-	-	-	-	-	(10,052)
Transfer to/(from) reserves	-	-	-	-	27,399	(27,399)	-	-
Transaction with owners of the Bank, recognised directly in equity	-	(1,449)	(1,550)	-	27,399	(26,513)	-	(2,113)
Balance at 31 December 2012	239,265	23,723	220,282	243,185	101,334	1,392,180	50,654	2,270,623

