

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	2014 MUR'000	2013 MUR'000	2012 MUR'000
ASSETS			
Cash and cash equivalents	2,814,959	3,838,653	3,081,589
Trading assets	585,558	347,638	551,756
Loans and advances to banks	311,710	1,522,203	245,440
Loans and advances to customers	12,188,035	12,956,929	9,582,666
Investment securities	4,828,602	5,527,575	7,849,488
Property, plant and equipment	274,119	290,717	224,934
Intangible asset	-	166	3,030
Deferred tax assets	33,408	27,587	19,572
Other assets	1,688,162	1,604,358	1,746,482
Assets held for sale	26,980	-	3,681,847
Total assets	22,751,533	26,115,826	26,986,804

	2014 MUR'000	2013 MUR'000	2012 MUR'000
LIABILITIES			
Deposits from banks	805,551	566,665	367,873
Deposits from customers	18,585,933	20,272,079	8,034,205
Trading liabilities	3,584	8,772	67,933
Other borrowed funds	375,189	2,125,330	1,875,783
Current tax liabilities	75,175	80,927	83,647
Other liabilities	931,212	888,324	684,946
Liabilities held for sale	-	-	13,601,794
Total liabilities	20,776,644	23,942,097	24,716,181
Shareholders' funds			
Assigned capital	239,265	239,265	239,265
Retained earnings	1,121,831	1,297,840	1,392,180
Other reserves	613,793	636,624	639,178
Total shareholders' funds	1,974,889	2,173,729	2,270,623
Total liabilities and shareholders' funds	22,751,533	26,115,826	26,986,804

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014

	2014 MUR'000	2013 MUR'000	2012 MUR'000
Interest income	886,288	996,024	1,102,418
Interest expense	(321,451)	(390,462)	(488,220)
Net interest income	564,837	605,562	614,198
Fee and commission income	223,360	213,367	235,938
Fee and commission expense	(26,703)	(19,927)	(21,391)
Net fee and commission income	196,657	193,440	214,547
Net trading income	165,985	187,839	238,881
Net (loss)/income from other financial instruments carried at fair value through profit or loss	-	(1,242)	2,027
Revenue	927,479	985,599	1,069,653
Other operating income	126,567	113,218	78,924
Total Operating income	1,054,046	1,098,817	1,148,577
Net impairment (loss)/gain on financial assets	(6,303)	(5,666)	1,818
Personnel expenses	(331,296)	(313,552)	(307,561)
Operating lease expenses	(44,501)	(42,816)	(41,371)
Depreciation	(14,168)	(29,872)	(19,587)
Amortisation	(166)	(2,864)	(3,283)
Impairment of intangible assets	-	-	(3,563)
Other expenses	(334,848)	(334,854)	(329,999)
Total expenses	(724,979)	(723,958)	(705,364)
Profit before tax	322,746	369,193	445,031
Tax expense	(95,891)	(120,733)	(95,540)
Profit for the year	226,873	248,460	349,491
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit asset	(42,598)	(41,907)	(38,440)
Related tax	6,390	6,286	5,766
Changes in revaluation surplus	7,831	11,804	18,391
	(28,377)	(23,817)	(14,283)
Items that may be reclassified to profit or loss			
Net change in fair value	(47,994)	(16,411)	113,209
	(47,994)	(16,411)	113,209
Other comprehensive income for the year	(76,371)	(40,228)	98,926
Total comprehensive income for the year	150,502	208,232	448,417
Profit attributable to:			
Equity holders of the Bank	226,873	248,460	349,491
Total comprehensive income attributable to:			
Equity holders of the Bank	150,502	208,232	448,417

STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	2014 MUR'000	2013 MUR'000	2012 MUR'000
Cash flows from operating activities			
Profit for the year	226,873	248,460	349,491
Adjustments for:			
Depreciation	14,168	29,872	19,587
Amortisation	166	2,864	3,283
Impairment of intangible asset	-	-	3,563
(Profit)/Loss on sale of fixed assets	63	(660)	(65)
Provision and adjustments to income for impairment losses	359	(776)	(19,807)
Tax expense	95,891	120,733	95,540
	337,520	400,493	451,592
Change in:			
Derivative financial assets held for risk management	-	-	90,652
Other assets	(83,804)	163,283	(81,828)
Other liabilities	634	2,012	(83,532)
Investment securities	698,973	2,321,913	1,040,307
Trading assets	(285,914)	187,707	122,903
Trading liabilities	(5,188)	(59,161)	(113,658)
Loans and advances to customers	768,535	214,304	1,318,534
Loans and advances to banks	1,210,493	(1,276,763)	704,960
Deposits from customers	(1,686,146)	(1,157,089)	(601,038)
Deposits from banks	238,886	151,204	352,966
Other borrowed funds	-	(458,750)	(2,034,583)
	1,193,989	489,153	1,167,275
Tax paid	(101,240)	(124,369)	(69,668)
Net cash flows from operating activities	1,092,749	364,784	1,097,607
Cash flows from investing activities			
Acquisition of property, plant and equipment	(16,811)	(9,499)	(5,793)
Proceeds from disposal of property, plant and equipment	-	758	65
Net cash used in investing activities	(16,811)	(8,741)	(5,728)
Cash flows used in financing activities			
Repatriation of profit	(349,491)	(307,276)	-
Net change in cash and cash equivalents	726,447	48,767	1,091,879
Cash and cash equivalents at 1 January	1,713,323	1,664,556	572,677
Cash and cash equivalents at 31 December	2,439,770	1,713,323	1,664,556

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Assigned capital MUR'000	Reserves for own shares MUR'000	Revaluation reserves MUR'000	Statutory reserve MUR'000	General banking reserve MUR'000	Retained earnings MUR'000	Fair value reserve MUR'000	Total MUR'000
Balance at 1 January 2012	239,265	25,172	201,891	243,185	73,935	1,101,876	(62,555)	1,822,769
Total comprehensive income								
Profit for the year	-	-	-	-	-	349,491	-	349,491
Other comprehensive income								
Net change in fair value	-	-	-	-	-	-	113,209	113,209
Remeasurements of defined benefit asset	-	-	-	-	-	(38,440)	-	(38,440)
Revaluation of properties	-	-	19,930	-	-	-	-	19,930
Movement during the year	-	-	(1,550)	-	-	-	-	(1,550)
Tax on other comprehensive income	-	-	11	-	-	5,766	-	5,777
Total other comprehensive income	-	-	18,391	-	-	(32,674)	113,209	98,926
Total comprehensive income								
	-	-	18,391	-	-	316,817	113,209	448,417
Transactions with owners of the Bank								
Movement during the year	-	8,603	-	-	-	886	-	9,489
Net change in fair value	-	(10,052)	-	-	-	-	-	(10,052)
Transactions with owners of the Bank	-	(1,449)	-	-	-	886	-	(563)
Transfer to/(from) general banking reserve	-	-	-	-	27,399	(27,399)	-	-
Balance at 31 December 2012	239,265	23,723	220,282	243,185	101,334	1,392,180	50,654	2,270,623
Total comprehensive income								
Profit for the year	-	-	-	-	-	248,460	-	248,460
Other comprehensive income								
Net change in fair value	-	-	-	-	-	-	13,768	13,768
Movement during the year	-	-	560	-	-	-	(30,179)	(29,619)
Remeasurements of defined benefit asset	-	-	-	-	-	(41,907)	-	(41,907)
Revaluation of properties	-	-	11,000	-	-	-	-	11,000
Tax on other comprehensive income	-	-	244	-	-	6,286	-	6,530
Total other comprehensive income	-	-	11,804	-	-	(35,621)	(16,411)	(40,228)
Total comprehensive income								
	-	-	11,804	-	-	212,839	(16,411)	208,232
Transactions with owners of the Bank								
Movement during the year	-	2,774	-	-	-	1,568	-	4,342
Net change in fair value	-	(2,192)	-	-	-	-	-	(2,192)
Profit remittance to Head office	-	-	-	-	-	(307,276)	-	(307,276)
Transactions with owners of the Bank	-	582	-	-	-	(305,708)	-	(305,126)
Transfer to/(from) general banking reserve	-	-	-	-	1,471	(1,471)	-	-
Balance at 31 December 2013	239,265	24,305	232,086	243,185	102,805	1,297,840	34,243	2,173,729
Total comprehensive income								
Profit for the year	-	-	-	-	-	226,873	-	226,873
Other comprehensive income								
Net change in fair value	-	-	-	-	-	-	(47,994)	(47,994)
Movement during the year	-	-	(6,213)	-	-	6,213	-	-
Remeasurements of defined benefit asset	-	-	-	-	-	(42,598)	-	(42,598)
Revaluation of properties	-	-	7,802	-	-	-	-	7,802
Tax on other comprehensive income	-	-	29	-	-	6,390	-	6,419
Total other comprehensive income	-	-	1,618	-	-	(29,995)	(47,994)	(76,371)
Total comprehensive income								
	-	-	1,618	-	-	196,878	(47,994)	150,502
Transactions with owners of the Bank								
Movement during the year	-	3,358	-	-	-	(445)	-	2,913
Net change in fair value	-	(2,764)	-	-	-	-	-	(2,764)
Profit remittance to Head office	-	-	-	-	-	(349,491)	-	(349,491)
Transactions with owners of the Bank	-	594	-	-	-	(349,936)	-	(349,342)
Transfer to/(from) general banking reserve	-	-	-	-	22,951	(22,951)	-	-
Balance at 31 December 2014	239,265	24,899	233,704	243,185	125,756	1,121,831	(13,751)	1,974,889

Approved on 25 February 2015

Alastair J Bryce
Chief Executive Officer

Giovanna Viccione
Chief Financial Officer

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 2014, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 25 February 2015, 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

Ebène, Mauritius

Date: 25 February 2015

KPMG's report on the complete set of financial statements reads as follows:

We have audited the financial statements of The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch (the "Bank"), which comprise the statement of financial position at 31 December 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 46 to 143.

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 we 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 about whether the financial statements are free from material misstatement.

The above information, including the independent auditors' report, has been extracted from the audited financial statements for the year ended 31 December 2014. It should therefore be read in conjunction with the rest of the audited financial statements.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the