

The Hongkong and Shanghai Banking Corporation Limited- Mauritius Branch

STATEMENT OF FINANCIAL POSITION

at 31 December 2013

	2013 MUR'000	2012 MUR'000	2011 MUR'000
ASSETS			
Cash and cash equivalents	3,838,653	3,081,589	2,026,003
Trading assets	347,638	551,756	561,450
Derivative assets held for risk management	-	-	90,652
Loans and advances to banks	1,522,203	245,440	950,400
Loans and advances to customers	12,956,929	9,582,666	14,469,184
Investment securities	5,527,575	7,849,488	8,889,795
Property, plant and equipment	290,717	224,934	291,701
Intangible asset	166	3,030	9,876
Deferred tax assets	27,587	19,572	13,970
Other assets	1,604,358	1,746,482	1,685,811
Assets held for sale	-	3,681,847	-
Total assets	26,115,826	26,986,804	28,988,842
LIABILITIES			
Deposits from banks	566,665	367,873	62,495
Deposits from customers	20,272,079	8,034,205	22,030,206
Trading liabilities	8,772	67,933	181,591
Other borrowed funds	2,125,330	1,875,783	3,946,659
Current tax liabilities	80,927	83,647	57,955
Other liabilities	888,324	684,946	887,167
Liabilities held for sale	-	13,601,794	-
Total liabilities	23,942,097	24,716,181	27,166,073
Shareholders' funds			
Assigned capital	239,265	239,265	239,265
Retained earnings	1,297,840	1,392,180	1,101,876
Other reserves	636,624	639,178	481,628
Total shareholders' funds	2,173,729	2,270,623	1,822,769
Total liabilities and shareholders' funds	26,115,826	26,986,804	28,988,842

Approved on 20 March 2014

Alastair J Bryce
Chief Executive Officer

Giovanna Viscione
Chief Financial Officer



The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

	2013 MUR'000	2012 MUR'000	2011 MUR'000
Interest income	996,024	1,102,418	1,163,706
Interest expense	(390,462)	(488,220)	(562,579)
Net interest income	605,562	614,198	601,127
Fee and commission income	213,367	235,938	262,574
Fee and commission expense	(19,927)	(21,391)	(22,432)
Net fee and commission income	193,440	214,547	240,142
Net trading income	187,839	238,881	230,917
Net (loss)/income from other financial instruments carried at fair value through profit or loss	(1,242)	2,027	414
Revenue	985,599	1,069,653	1,072,600
Other operating income	113,218	78,924	42,021
Total Operating income	1,098,817	1,148,577	1,114,621
Net impairment (loss)/gain on financial assets	(5,666)	1,818	(1,104)
Personnel expenses	(313,552)	(307,561)	(312,530)
Operating lease expenses	(42,816)	(41,371)	(40,348)
Depreciation	(29,872)	(19,587)	(28,590)
Amortisation	(2,864)	(3,283)	(4,741)
Impairment of intangible assets	-	(3,563)	-
Other expenses	(334,854)	(329,999)	(359,026)
Total expenses	(723,958)	(705,364)	(745,235)
Profit before tax	369,193	445,031	368,282
Tax expense	(120,733)	(95,540)	(61,007)
Profit for the year	248,460	349,491	307,275
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit asset	(41,907)	(38,440)	(51,185)
Related tax	6,286	5,766	8,887
Changes in revaluation surplus	11,804	18,391	25,547
	(23,817)	(14,283)	(16,751)
Items that may be reclassified to profit or loss			
Exchange difference on remeasurements of defined benefit asset	-	-	8,487
Net change in fair value	(16,411)	113,209	(79,174)
	(16,411)	113,209	(70,687)
Other comprehensive income for the year	(40,228)	98,926	(87,438)
Total comprehensive income for the year	208,232	448,417	219,837
<i>Profit attributable to:</i>			
Equity holders of the Bank	248,460	349,491	307,275
<i>Total comprehensive income attributable to:</i>			
Equity holders of the Bank	208,232	448,417	219,837

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 2013, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 20 March 2014, 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: 20 March 2014



The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	2013 MUR'000	2012 MUR'000	2011 MUR'000
Cash flows from operating activities			
Profit for the year	248,460	349,491	307,275
Adjustments for:			
Depreciation	29,872	19,587	28,590
Amortisation	2,864	3,283	4,741
Impairment of intangible asset	-	3,563	-
Profit on sale of fixed assets	(660)	(65)	(127)
Provision and adjustments to income for impairment losses	(776)	(19,807)	(3,890)
Tax expense	120,733	95,540	61,007
	400,493	451,592	397,596
Change in derivative financial assets held for risk management	-	90,652	(87,224)
Change in other assets	163,283	(81,828)	(277,874)
Change in other liabilities	2,012	(83,532)	111,036
Change in investment securities	2,321,913	1,040,307	(433,895)
Change in trading assets	187,707	122,903	(556,576)
Change in trading liabilities	(59,161)	(113,658)	147,275
Change in loans and advances to customers	214,304	1,318,534	708,867
Change in loans and advances to banks	(1,276,763)	704,960	(147,892)
Change in deposits from customers	(1,157,089)	(601,038)	(636,509)
Change in deposits from banks	151,204	352,966	(1,018,302)
Change in other borrowed funds	(458,750)	(2,034,583)	(1,114,013)
	489,153	1,167,275	(2,907,511)
Tax paid	(124,369)	(69,668)	(78,710)
Net cash flows from/(used in) operating activities	364,784	1,097,607	(2,986,221)
Cash flows from investing activities			
Acquisition of property, plant and equipment	(9,499)	(5,793)	(16,174)
Proceeds from disposal of property, plant and equipment	758	65	253
Net cash used in investing activities	(8,741)	(5,728)	(15,921)
Cash flows used in financing activities			
Repatriation of profit	(307,276)	-	(348,883)
Net change in cash and cash equivalents	48,767	1,091,879	(3,351,025)
Cash and cash equivalents at 1 January	1,664,556	572,677	3,915,215
Effects of exchange fluctuations on cash and cash equivalents	-	-	8,487
Cash and cash equivalents at 31 December	1,713,323	1,664,556	572,677

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"), which comprise the statement of financial position at 31 December 2013 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 45 to 133.

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.

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 give a true and fair view of the financial position of The Hongkong and Shanghai Banking Corporation Limited - Mauritius Bank at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of 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. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the financial statements and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the financial statements is consistent with the requirements of the Code.

KPMG

Ebène, Mauritius

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Licensed by FRC

Date: 20 March 2014



The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Assigned capital	Reserves for own shares	Revaluation reserves	Statutory reserve	General banking reserve	Retained earnings	Fair value reserves	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Balance at 31 December 2010	239,265	22,707	176,344	243,185	75,589	1,174,733	16,619	1,948,442
Total comprehensive income								
Profit for the year	-	-	-	-	-	307,275	-	307,275
Other comprehensive income								
Net change in fair value	-	-	-	-	-	-	(79,174)	(79,174)
Remeasurements of defined benefit asset	-	-	-	-	-	(51,185)	-	(51,185)
Exchange difference on remeasurements of defined benefit asset	-	-	-	-	-	8,487	-	8,487
Revaluation of properties	-	-	7,683	-	-	-	-	7,683
Tax on other comprehensive income	-	-	17,864	-	-	8,887	-	26,751
Total other comprehensive income	-	-	25,547	-	-	(33,811)	(79,174)	(87,438)
Total comprehensive income	-	-	25,547	-	-	273,464	(79,174)	219,837
Transactions with owners of the Bank								
Movement during the year	-	2,575	-	-	-	908	-	3,483
Net change in fair value	-	(110)	-	-	-	-	-	(110)
Profit remittance to Head office	-	-	-	-	-	(348,883)	-	(348,883)
Transactions with owners of the Bank	-	2,465	-	-	-	(347,975)	-	(345,510)
Transfer (from)/ to general banking reserve	-	-	-	-	(1,654)	1,654	-	-
Balance at 31 December 2011	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

