

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

Basel III Computation of Capital Ratios

Item	Amount (LKR '000)
	30-Sep-17
Common Equity Tier I (CET1) Capital after Adjustments	43,561,917
Total Common Equity Tier I (CET1) Capital	43,717,880
Equity capital or stated capital/assigned capital	3,152,358
Reserve fund	2,222,693
Published retained earnings/(Accumulated retained losses)	31,050,571
Accumulated other comprehensive income (OCI)	2,012,430
General and other disclosed reserves	5,279,828
Unpublished current year's profit/(losses) and gains reflected in OCI	-
Ordinary shares issued by consolidated banking and financial subsidiaries of the bank and held by third parties	-
Total Adjustments to CET1 Capital	155,963
Goodwill (net)	-
Other intangible assets (net)	-
Deferred tax assets (net)	147,678
Defined benefit pension fund assets	109,579
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(101,294)
Additional Tier 1 (AT1) Capital after Adjustments	-
Total Additional Tier 1 (AT1) Capital	-
Qualifying Additional Tier 1 Capital Instruments	-
Instruments issued by consolidated banking and financial subsidiaries of the bank and held by third parties	-
Total Adjustments to AT1 Capital	-
Investment in own shares	-
Others (specify)	-
Tier 2 Capital after Adjustments	356,917
Total Tier 2 Capital	356,917
Qualifying Tier 2 Capital Instruments	-
Revaluation gains	356,917
Loan Loss Provisions	-
Instruments issued by consolidated banking and financial subsidiaries of the bank and held by third parties	-
Total Adjustments to Tier 2 Capital	-
Investment in own shares	-
Others (specify)	-
Total Tier 1 Capital	43,561,917
Total Capital	43,918,834

Item	Amount (LKR '000)
	30-Sep-17
Total Risk Weighted Assets (RWA)	266,429,248
RWAs for Credit Risk	210,735,790
RWAs for Market Risk	26,302,470
RWAs for Operational Risk	29,390,988
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	16.35%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-
Total Tier 1 Capital Ratio (%)	16.35%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	16.48%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-

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Basel III Computation of Liquidity Coverage Ratio

Item	Amount (LKR'000)	
	30-Sep-17	
	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	93,820,217	93,820,217
Total Adjusted Level 1A Assets	93,822,547	93,822,547
Level 1 Assets	93,820,217	93,820,217
Total Adjusted Level 2A Assets	-	-
Level 2A Assets	-	-
Total Adjusted Level 2B Assets	-	-
Level 2B Assets	-	-
Total Cash Outflows	433,765,360	67,419,566
Deposits	111,165,635	11,116,564
Unsecured Wholesale Funding	83,061,889	40,622,526
Secured Funding Transactions	230,693	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	227,106,621	3,479,953
Additional Requirements	12,200,523	12,200,523
Total Cash Inflows	66,776,837	46,808,381
Maturing Secured Lending Transactions Backed by Collateral		
Committed Facilities		
Other Inflows by Counterparty which are Maturing within 30 Days	58,966,687	46,556,223
Operational Deposits	7,391,087	-
Other Cash Inflows	419,064	252,158
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		455.19%

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Credit Risk under Standardised Approach –
Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Amount (LKR'000) as at 30 September 2017					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density(ii)
Claims on Central Government and CBSL	167,366,228	28,428,013	167,366,228	616,950	-	0.00%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	5,968,718	137,144,651	5,968,718	14,581,083	5,815,509	28.30%
Claims on Financial Institutions	352,664	10,348,772	352,664	500,000	852,664	100.00%
Claims on Corporates	161,701,468	208,464,372	161,382,734	18,200,571	166,652,518	92.80%
Retail Claims	40,126,846	48,002,517	32,636,240	91,791	24,892,624	76.06%
Claims Secured by Residential Property	3,163,921	-	3,163,921	-	2,269,225	71.72%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	1,258,136	6,049	1,258,136	6,049	1,803,377	142.65%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	10,539,384	-	10,539,384	-	8,449,872	80.17%
Total	390,477,365	432,394,374	382,668,025	33,996,445	210,735,790	

Market Risk under Standardised Measurement Method

Item	RWA Amount (LKR'000) as at 30 September 2017
(a) RWA for Interest Rate Risk	25,487,407
General Interest Rate Risk	
(i) Net Long or Short Position	25,487,407
(ii) Horizontal Disallowance	
(iii) Vertical Disallowance	
(iv) Options	
Specific Interest Rate Risk	
(b) RWA for Equity	
(i) General Equity Risk	
(ii) Specific Equity Risk	
(c) RWA for Foreign Exchange & Gold	815,062
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	2,959,028

Operational Risk under Basic Indicator Approach

	Capital Charge	Gross Income (LKR'000) as at 30 September 2017		
		1st Year	2nd Year	3rd Year
The Basic Indicator Approach	Factor	22,421,832	22,157,315	21,550,577
Capital Charges for Operational Risk (LKR'000)	15%			
The Basic Indicator Approach	3,306,486			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	29,390,988			

Differences between Accounting and Regulatory Scopes and
Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank Only

Item	Amount (LKR '000) as at 30September2017				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets					
Cash and Cash Equivalents	7,599,136	8,647,473	7,203,135	2,275,023	1,296,474
Balances with Central Banks	6,578,795	6,578,795	6,578,795		
Placements with Banks	34,145,760	34,145,760			34,145,760
Derivative Financial Instruments	1,177,976	1,177,976	1,176,210		1,766
Other Financial Assets Held-For-Trading	4,068,847	137,666,151	137,666,151	137,666,151	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	
Loans and Receivables to Banks	-	-	-	-	
Loans and Receivables to Other Customers	211,505,379	212,268,836	213,304,069	21,914,519	(1,035,233)
Financial Investments - Available-For-Sale	150,006,828	-	-	-	
Financial Investments - Held-To-Maturity	-	16,311,391	16,311,391	5,592,991	
Investments in Subsidiaries	-	-	-	-	
Investments in Associates and Joint Ventures	-	-	-	-	
Property, Plant and Equipment	3,521,996	3,521,996	3,521,996		
Investment Properties	-	-	-	-	
Goodwill and Intangible Assets	-	-	-	-	
Deferred Tax Assets	-	147,678	-	-	147,678
Other Assets	12,792,440	4,715,618	4,715,618	2,847,068	
Liabilities					
Due to Banks	176,029,329	176,029,329		14,652,565	161,376,764
Derivative Financial Instruments	1,485,508	1,485,508		1,377,391	108,117
Other Financial Liabilities Held-For-Trading	-	-			
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-			
Due to Other Customers	176,625,500	176,625,500		36,214,142	140,411,358
Other Borrowings					
Debt Securities Issued					
Current Tax Liabilities	2,029,969	2,253,912			2,253,912
Deferred Tax Liabilities	58,236	-			-
Other Provisions					
Other Liabilities	16,739,827	11,373,666		4,772,210	6,601,456
Due to Subsidiaries					
Subordinated Term Debts					
Off-Balance Sheet Liabilities					
Guarantees	32,822,634	32,822,634	32,822,634		
Performance Bonds	5,233,786	5,233,786	5,233,786		
Letters of Credit	10,180,707	10,180,707	10,180,707		
Other Contingent Items	44,977,061	50,341,056	50,341,056	1,898,776	
Undrawn Loan Commitments	173,505,498	173,505,498	173,505,498		
Other Commitments	351,558,699	222,314,515	160,310,692	161,153,526	45,752,721
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital	3,152,358	3,152,358	3,152,358		
of which Amount Eligible for CET1					3,152,358
of which Amount Eligible for AT1					
Retained Earnings	39,563,093	40,804,171	31,050,571		
Accumulated Other Comprehensive Income	6,113,968		2,012,430		
Statutory reserve fund	2,222,694	2,222,695	2,222,695		
Other Reserves	7,376,675	11,234,537	5,279,828		
Total Shareholders' Equity	58,428,787	57,413,760	43,717,882		

Notes :

- Items subject to both credit risk and market risk are reported in both columns, therefore in such instances sum of column c to e may be greater than column b
- Amounts reported in column 'Subject to credit risk framework' under Shareholders' Equity represent the position of regulatory capital as at 30September2017 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III