THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

Key Regulatory Ratios - Capital and Liquidity

	2018 As at 31 March	2017 As at 31 December
Regulatory Capital Adequacy *		
Common Equity Tier 1, Rs. '000	43,581,206	45,862,234
Tier 1 Capital, Rs. '000	43,581,206	45,862,234
Total Capital, Rs. '000	43,938,123	46,219,151
Common Equity Tier 1 Capital Ratio, **as** % of Risk Weighted Assets (Minimum Requirement, 5.75%)	15.54%	17.30%
Tier 1 Capital Ratio, **as** % of Risk Weighted Assets (Minimum Requirement, 7.25%)	15.54%	17.30%
Total Capital Ratio, **as** % of Risk Weighted Assets (Minimum Requirement, 11.25%)	15.67%	17.43%

	2018 As at 31 March	2017 As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs.'000		
Domestic Banking unit	93,060,300	103,016,474
Off-Shore Banking Unit	72,041,879	82,536,029
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit	48.42%	55.67%
Off-Shore Banking Unit	42.99%	47.49%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 2018 - 90%; 2017 - 80%)	178.94%	216.40%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 2018 - 90%; 2017 - 80%)	354.51%	379.95%

Basel III Computation of Capital Adequacy Ratio

Item	Amount as at March 2018 (LKR '000)	Amount as at Dec 2017 (LKR '000)
Common Equity Tier I (CETI) Capital after Adjustments	**43,581,206**	**45,862,234**
Total Common Equity Tier I (CET1) Capital	**43,929,862**	**45,644,036**
Equity capital or stated capital/assigned capital	3,152,358	3,152,358
Reserve fund	2,350,854	2,350,854
Published retained earnings/(Accumulated retained losses)	29,326,261	31,040,434
Accumulated other comprehensive income (OCI)	3,823,696	3,823,696
General and other disclosed reserves	5,276,693	5,276,693
Total Adjustments to CET1 Capital	**348,656**	**(218,198)**
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(314,623)	(218,198)
Deferred tax assets (net)	663,279	-
Tier 2 Capital after Adjustments	**356,917**	**356,917**
Total Tier 2 Capital	**356,917**	**356,917**
Revaluation gains	356,917	356,917
Total Adjustments to Tier 2 Capital	-	-
Total Tier 1 Capital	**43,581,206**	**45,862,234**
Total Capital	**43,938,123**	**46,219,151**
Total Risk Weighted Assets (RWA)	**280,432,855**	**265,172,147**
RWAs for Credit Risk	232,553,686	213,931,330
RWAs for Market Risk	19,794,133	21,840,907
RWAs for Operational Risk	28,085,036	29,399,910
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**15.54%**	**17.30%**
of which: Capital Conservation Buffer (%)	1.875%	1.25%
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		
Total Tier 1 Capital Ratio (%)	**15.54%**	**17.30%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical	**15.67%**	**17.43%**
Capital Buffer & Surcharge on D-SIBs) (%)		
of which: Capital Conservation Buffer (%)	1.875%	1.25%
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		

Basel III Computation of Liquidity Coverage Ratio

Item	Amount (LKR'000) 31-Mar-18 Total Un-weighted Value	Amount (LKR'000) 31-Mar-18 Total Weighted Value	Amount (LKR'000) 31-Dec-17 Total Un-weighted Value	Amount (LKR'000) 31-Dec-17 Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	**73,492,805**	**73,492,805**	**89,368,940**	**89,368,940**
Total Adjusted Level 1A Assets	**73,492,805**	**73,492,805**	**89,370,909**	**89,370,909**
Level 1 Assets	**73,492,805**	**73,492,805**	**89,368,940**	**89,368,940**
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	**450,378,857**	**63,987,182**	**467,488,187**	**77,314,888**
Deposits	113,168,975	11,316,897	107,930,534	10,793,053
Unsecured Wholesale Funding	90,879,566	40,144,022	97,777,035	48,135,091
Secured Funding Transactions	392,072	-	227,989	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	235,905,595	2,493,613	248,400,559	5,234,674
Additional Requirements	10,032,649	10,032,649	13,152,069	13,152,069
Total Cash Inflows	**69,199,189**	**43,256,115**	**74,024,597**	**53,793,385**
Maturing Secured Lending Transactions Backed by Collateral				
Committed Facilities				
Other Inflows by Counterparty which are Maturing within 30 Days	57,667,216	43,126,828	65,815,850	53,515,300
Operational Deposits	11,367,908	-	7,915,352	-
Other Cash Inflows	164,065	129,287	293,394	278,085
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		**354.51%**		**379.95%**

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

Asset Class	Amount (LKR'000) as at 31March2018					
	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	130,686,586	102,518	130,686,586	51,259	8,916,823	6.82%
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	9,549,499	110,633,716	9,549,499	13,632,038	6,512,308	28.09%
Claims on Financial Institutions	2,550,000	-	2,550,000	-	1,275,000	50.00%
Claims on Corporates	163,747,920	203,962,073	163,354,842	24,679,924	177,557,042	94.43%
Retail Claims	41,443,219	47,926,460	34,086,872	81,854	26,022,564	76.16%
Claims Secured by Residential Property	3,040,034	-	3,040,034	-	2,244,340	73.83%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	1,295,521	-	1,295,521	-	1,849,485	142.76%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	10,878,392	-	10,878,392	-	8,176,123	75.16%
Total	**363,191,171**	**362,624,767**	**355,441,747**	**38,445,075**	**232,553,686**	

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

Item	Amount (LKR '000) as at 31March2018				
	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	11,222,724	11,222,685	9,751,485	4,647,183	1,471,200
Balances with Central Banks	8,667,613	8,667,613	8,667,613		
Placements with Banks	26,036,440	26,036,440	500,000	15,259,580	10,276,860
Derivative Financial Instruments	903,006	903,006	892,404		10,602
Other Financial Assets Held-For-Trading	5,563,710	111,269,075	111,269,075	111,269,075	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-		
Loans and Receivables to Banks	-	-	-		
Loans and Receivables to Other Customers	213,905,976	214,038,520	217,018,020	17,961,335	(2,979,500)
Financial Investments - Available-For-Sale	105,705,365	-	-	0	
Financial Investments - Held-To-Maturity	5,645,948	5,648,078	5,648,078	5,648,078	
Investments in Subsidiaries	-	-	-		
Investments in Associates and Joint Ventures	-	-	-		
Property, Plant and Equipment	3,884,062	3,884,062	3,884,062		
Investment Properties	-	-	-		
Goodwill and Intangible Assets	-	-	-		
Deferred Tax Assets	547,974	663,279	-		663,279
Other Assets	12,368,313	5,560,435	5,560,435	2,238,924	
Liabilities					
Due to Banks	140,388,968	140,388,968		14,051,478	126,337,490
Derivative Financial Instruments	858,931	858,931		796,211	62,720
Other Financial Liabilities Held-For-Trading		-			
Financial Liabilities Designated at Fair Value Through Profit or Loss		-			
Due to Other Customers	184,869,656	184,869,656		38,573,922	146,295,734
Other Borrowings					
Debt Securities Issued					
Current Tax Liabilities	2,046,288	1,904,728			1,904,728
Deferred Tax Liabilities	-	-			-
Other Provisions					
Other Liabilities	15,203,109	9,928,795		1,334,954	8,593,837
Due to Subsidiaries					
Subordinated Term Debts					
Off-Balance Sheet Liabilities					
Guarantees	44,543,762	44,543,762	44,543,762		
Performance Bonds	6,809,842	6,809,842	6,809,842		
Letters of Credit	7,744,634	7,744,634	7,744,634		
Other Contingent Items	15,301,103	20,861,919	20,861,919	2,009,034	
Undrawn Loan Commitments	171,246,542	171,246,542	171,246,542		
Other Commitments	282,854,523	172,782,045	111,418,069	146,199,120	43,080,845
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	32,622,640	33,330,311	29,326,261		
Accumulated Other Comprehensive Income	5,160,880		3,823,696		
Statutory reserve fund	2,350,855	2,222,694	2,350,854		
Other Reserves	7,797,446	11,236,751	5,276,693		
Total Shareholders' Equity	**51,084,179**	**49,942,115**	**43,929,862**		

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 31 March 2018 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III

Market Risk under Standardised Measurement Method

Item	**RWA Amount (LKR'000) as at 31 March 2018**
(a) RWA for Interest Rate Risk	**17,895,700**
General Interest Rate Risk	
(i) Net Long or Short Position	2,125,114
(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	**1,898,433**
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	**2,350,553**

Operational Risk under Basic Indicator Approach

	Capital Charge As at 31-Mar-2018	**Gross Income (LKR'000) as at 31-Mar-18**		
	Factor	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%	23,192,955	22,346,440	21,162,567
Capital Charges for Operational Risk (LKR'000)				
The Basic Indicator Approach	3,335,098			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	28,085,036			