THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

Key Regulatory Ratios - Capital and Liquidity

	2017 **As at 31 December**	2016 As at 31 December
Regulatory Capital Adequacy *		
Common Equity Tier 1, Rs. '000	45,862,234	-
Tier 1 Capital, Rs. '000	45,862,234	52,601,360
Total Capital, Rs. '000	46,219,151	52,958,277
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5.75%)	17.30%	-
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7.25%)	17.30%	20.51%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 11.25%)	17.43%	20.65%

* With effect from 1 July 2017, Regulatory Capital and Ratios are computed in accordance to Basel III minimum capital requirements whilst comparatives were reported based on Basel II.

	2017 **As at 31 December**	2016 As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs.'000		
Domestic Banking unit	103,016,474	104,550,306
Off-Shore Banking Unit	82,536,029	62,436,840
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit	55.67%	54.87%
Off-Shore Banking Unit	47.49%	37.91%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 2017 - 80%; 2016 - 70%)	216.40%	194.69%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 2017 - 80%; 2016 - 70%)	379.95%	349.92%

Computation of capital adequacy ratio

Item	Amount as at Dec 2017 (LKR '000)
Common Equity Tier I (CETI) Capital after Adjustments	**45,862,234**
Total Common Equity Tier I (CET1) Capital	**45,644,036**
Equity capital or stated capital/assigned capital	3,152,358
Reserve fund	2,350,854
Published retained earnings/(accumulated retained losses)	31,040,434
Accumulated other comprehensive income (OCI)	3,823,696
General and other disclosed reserves	5,276,693
Total Adjustments to CET1 Capital	**(218,198)**
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(218,198)
Tier 2 Capital after Adjustments	**356,917**
Total Tier 2 Capital	**356,917**
Revaluation gains	356,917
Total Adjustments to Tier 2 Capital	-
Total Tier 1 Capital	**45,862,234**
Total Capital	**46,219,151**
Total Risk Weighted Assets (RWA)	**265,172,147**
RWAs for Credit Risk	213,931,330
RWAs for Market Risk	21,840,907
RWAs for Operational Risk	29,399,910
CET1 Capital Ratio (including Capital Conservation Buffer,	
Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**17.30%**
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	
of which: Capital Surcharge on D-SIBs (%)	
Total Tier 1 Capital Ratio (%)	**17.30%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical	**17.43%**
Capital Buffer & Surcharge on D-SIBs) (%)	
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	
of which: Capital Surcharge on D-SIBs (%)	

Computation of Liquidity Coverage Ratio

Item	Amount (LKR'000) 31-Dec-17		Amount (LKR'000) 31-Dec-16	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	**89,368,940**	**89,368,940**	**73,488,509**	**73,488,509**
Total Adjusted Level 1A Assets	**89,370,909**	**89,370,909**	**73,490,605**	**73,490,605**
Level 1 Assets	**89,368,940**	**89,368,940**	**73,488,509**	**73,488,509**
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	**467,488,187**	**77,314,888**	**446,501,904**	**78,809,693**
Deposits	107,930,534	10,793,053	108,504,076	10,850,408
Unsecured Wholesale Funding	97,777,035	48,135,091	96,922,344	49,219,208
Secured Funding Transactions	227,989	-	207,438	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	248,400,559	5,234,674	225,076,160	2,948,192
Additional Requirements	13,152,069	13,152,069	15,791,886	15,791,886
Total Cash Inflows	**74,024,597**	**53,793,385**	**77,973,687**	**57,808,658**
Maturing Secured Lending Transactions Backed by Collateral				
Committed Facilities				
Other Inflows by Counterparty which are Maturing within 30 Days	65,815,850	53,515,300	72,850,355	57,712,328
Operational Deposits	7,915,352	-	4,958,282	-
Other Cash Inflows	293,394	278,085	165,050	96,331
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		**379.95%**		**349.93%**

Credit Risk under standardised approach - credit risk exposures and credit risk mitigation (CRM) effects

Asset Class	Amount (LKR'000) as at 31December2017					
	Exposures before Credit Conversion		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	168,414,487	7,675,000	168,414,487	153,500	-	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	5,346,277	113,242,512	5,346,277	14,472,075	5,969,019	30.12%
Claims on Financial Institutions	175,000	10,711,127	175,000	500,000	675,000	100.00%
Claims on Corporates	153,414,561	208,633,443	153,095,431	26,788,809	168,069,940	93.43%
Retail Claims	41,387,893	46,838,062	33,737,362	88,330	25,681,689	75.92%
Claims Secured by Residential Property	3,138,979	-	3,138,979	-	2,302,399	73.35%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	1,153,928	-	1,153,928	-	1,658,102	143.69%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	12,063,335	-	12,063,335	-	9,575,181	79.37%
Total	**385,094,458**	**387,100,145**	**377,124,798**	**42,002,714**	**213,931,330**	

Note : RWA Density – Total RWA/Exposures post CCF and CRM.

Credit risk under standardised approach: exposures by asset classes and risk weights

Description	Amount (LKR'000) as at 31December2017 (Post CCF & CRM)							
Weight / Risk Asset classes	0%	20%	50%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	168,567,987	-	-	-	-	-	-	**168,567,987**
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	-	16,018,366	2,069,279	-	1,730,706	-	-	**19,818,351**
Claims on Financial Institutions	-	-	-	-	675,000	-	-	**675,000**
Claims on Corporates	-	14,091,716	1,081,854	-	164,710,670	-	-	**179,884,240**
Retail Claims	-	-	-	32,576,014	1,249,679	-	-	**33,825,693**
Claims Secured by Residential Property	-	-	1,673,161	-	1,465,818	-	-	**3,138,979**
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)			12,004		121,571	1,020,353		**1,153,928**
Higher-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	1,287,738	1,500,519			9,275,078			**12,063,335**
Total	**169,855,725**	**31,610,601**	**4,836,298**	**32,576,014**	**179,228,521**	**1,020,353**	**-**	**419,127,512**

Market risk under standardised measurement method

Item	RWA amount (LKR'000) as at 31 December 2017
(a) RWA for Interest Rate Risk	**21,421,298**
General Interest Rate Risk	
(i) Net Long or Short Position	2,409,896
(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	**419,609**
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	**2,457,102**

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Operational risk under basic indicator approach

	Capital Charge Factor	Gross Income (LKR'000) as at 31-Dec-17 1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	21,003,776	22,316,906	22,829,116
Capital Charges for Operational Risk (LKR'000)				
The Basic Indicator Approach	3,307,490			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	29,399,910			

Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories – bank only

Item	Amount (LKR '000) as at 31December2017				
	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	7,721,011	7,720,364	5,433,686	4,389,223	2,286,679
Balances with Central Banks	7,765,246	7,765,246	7,765,246		
Placements with Banks	41,214,750	41,214,750		18,727,000	22,487,750
Derivative Financial Instruments	1,265,432	1,265,432	1,254,358		11,074
Other Financial Assets Held-For-Trading	4,762,430	139,153,617	139,153,617	139,153,617	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-		
Loans and Receivables to Banks	-	-	-		
Loans and Receivables to Other Customers	202,739,049	203,377,533	204,390,693	20,505,506	(1,013,160)
Financial Investments - Available-For-Sale	150,869,348	-	-	0	
Financial Investments - Held-To-Maturity	-	16,365,632	16,365,632	5,620,632	
Investments in Subsidiaries	-	-	-		
Investments in Associates and Joint Ventures	-	-	-		
Property, Plant and Equipment	3,940,743	3,940,743	3,940,743		
Investment Properties	-	-	-		
Goodwill and Intangible Assets	-	-	-		
Deferred Tax Assets	-	182,925	-		182,925
Other Assets	14,627,602	6,790,484	6,790,484	1,734,168	
Liabilities					
Due to Banks	175,400,730	175,400,730		13,407,002	161,993,728
Derivative Financial Instruments	1,032,710	1,032,710		960,206	72,504
Other Financial Liabilities Held-For-Trading		-			
Financial Liabilities Designated at Fair Value Through Profit or Loss		-			
Due to Other Customers	180,725,041	180,725,041		43,593,795	137,131,246
Other Borrowings					
Debt Securities Issued					
Current Tax Liabilities	1,923,018	1,785,884			1,785,884
Deferred Tax Liabilities	106,271	-			-
Other Provisions					
Other Liabilities	18,870,111	12,632,456		6,120,701	6,511,756
Due to Subsidiaries					
Subordinated Term Debts					
Off-Balance Sheet Liabilities					
Guarantees	46,175,651	46,175,651	46,175,651		
Performance Bonds	6,136,407	6,136,407	6,136,407		
Letters of Credit	8,012,482	8,012,482	8,012,482		
Other Contingent Items	21,885,007	28,124,560	28,124,560	2,545,254	
Undrawn Loan Commitments	181,836,466	181,836,466	181,836,466		
Other Commitments	269,218,293	162,995,643	116,814,579	161,153,526	26,283,591
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	37,173,351	39,092,495	31,040,434		
Accumulated Other Comprehensive Income	6,372,827		3,823,696		
Statutory reserve fund	2,350,855	2,222,694	2,350,854		
Other Reserves	7,798,339	11,732,354	5,276,693		
Total Shareholders' Equity	**56,847,730**	**56,199,902**	**45,644,036**		

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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 December 2017 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III