THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

Key Regulatory Ratios - Capital and Liquidity

	2018 As at 30 June	2018 As at 31 March
Regulatory Capital Adequacy *		
Common Equity Tier 1, Rs. '000	43,596,707	43,581,206
Tier 1 Capital, Rs. '000	43,596,707	43,581,206
Total Capital, Rs. '000	43,953,624	43,938,123
Common Equity Tier 1 Capital Ratio, **as** % of Risk Weighted Assets (Minimum Requirement, 5.75%)	14.93%	15.54%
Tier 1 Capital Ratio, **as** % of Risk Weighted Assets (Minimum Requirement, 7.25%)	14.93%	15.54%
Total Capital Ratio, **as** % of Risk Weighted Assets (Minimum Requirement, 11.25%)	15.05%	15.67%

	2018 As at 30 June	2018 As at 31 March
Regulatory Liquidity		
Statutory Liquid Assets, Rs.'000		
Domestic Banking unit	91,291,242	93,060,300
Off-Shore Banking Unit	60,726,838	72,041,879
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit	51.13%	48.42%
Off-Shore Banking Unit	37.48%	42.99%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 2018 - 90%; 2017 - 80%)	200.69%	178.94%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 2018 - 90%; 2017 - 80%)	298.56%	354.51%

Basel III Computation of Capital Adequacy Ratio

Item	**Amount as at June 2018 (LKR '000)**	**Amount as at March 2018 (LKR '000)**
Common Equity Tier I (CETI) Capital after Adjustments	**43,596,707**	**43,581,206**
Total Common Equity Tier I (CET1) Capital	**43,929,862**	**43,929,862**
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	29,326,261
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	**333,155**	**348,656**
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(330,510)	(314,623)
Deferred tax assets (net)	663,665	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	**43,596,707**	**43,581,206**
Total Capital	**43,953,624**	**43,938,123**
Total Risk Weighted Assets (RWA)	**292,057,920**	**280,432,855**
RWAs for Credit Risk	244,283,536	232,553,686
RWAs for Market Risk	19,459,329	19,794,133
RWAs for Operational Risk	28,315,055	28,085,036
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**14.93%**	**15.54%**
of which: Capital Conservation Buffer (%)	1.875%	**1.875%**
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		
Total Tier 1 Capital Ratio (%)	**14.93%**	**15.54%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical	**15.05%**	**15.67%**
Capital Buffer & Surcharge on D-SIBs) (%)		
of which: Capital Conservation Buffer (%)	1.875%	**1.875%**
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		

Basel III Computation of Liquidity Coverage Ratio

Item	**Amount (LKR'000)**		**Amount (LKR'000)**	
	30-Jun-18		**31-Mar-18**	
	Total Un-weighted Value	**Total Weighted Value**	**Total Un-weighted Value**	**Total Weighted Value**
Total Stock of High-Quality Liquid Assets (HQLA)	**80,308,201**	**80,308,201**	**73,492,805**	**73,492,805**
Total Adjusted Level 1A Assets	**80,308,201**	**80,308,201**	**73,492,805**	**73,492,805**
Level 1 Assets	**80,308,201**	**80,308,201**	**73,492,805**	**73,492,805**
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	**427,383,412**	**61,369,181**	**450,378,857**	**63,987,182**
Deposits	107,024,233	10,702,423	113,168,975	11,316,897
Unsecured Wholesale Funding	86,638,506	35,170,931	90,879,566	40,144,022
Secured Funding Transactions	473,877	-	392,072	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	220,710,430	2,959,460	235,905,595	2,493,613
Additional Requirements	12,536,367	12,536,367	10,032,649	10,032,649
Total Cash Inflows	**55,507,101**	**34,470,874**	**69,199,189**	**43,256,115**
Maturing Secured Lending Transactions Backed by Collateral				
Committed Facilities				
Other Inflows by Counterparty which are Maturing within 30 Days	46,867,603	34,300,311	57,667,216	43,126,828
Operational Deposits	8,459,615	-	11,367,908	-
Other Cash Inflows	179,883	170,563	164,065	129,287
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		**298.56%**		**354.51%**

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

Asset Class	Amount (LKR'000) as at 30June2018					
	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	138,316,191	-	138,316,191	-	8,724,281	6.31%
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	13,853,509	112,208,292	13,853,509	12,628,020	7,185,576	27.13%
Claims on Financial Institutions	800,000	4,140,982	800,000	250,000	650,000	61.90%
Claims on Corporates	172,699,687	188,973,970	172,365,323	24,058,673	186,852,946	95.13%
Retail Claims	42,477,397	47,945,931	35,264,215	82,351	26,882,054	76.05%
Claims Secured by Residential Property	2,982,538	-	2,982,538	-	2,982,538	100.00%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	1,295,225	-	1,295,225	-	1,853,607	143.11%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	11,189,050	-	11,189,050	-	9,152,534	81.80%
Total	**383,613,597**	**353,269,175**	**376,066,051**	**37,019,043**	**244,283,536**	

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

Item	Amount (LKR '000) as at 30June2018				
	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	8,778,107	8,777,999	6,626,193	3,440,119	2,151,806
Balances with Central Banks	8,426,757	8,426,757	8,426,757		
Placements with Banks	19,783,020	22,949,620	8,066,600	1,899,960	12,983,060
Derivative Financial Instruments	637,692	637,692	576,921		60,772
Other Financial Assets Held-For-Trading	14,649,549	119,627,523	119,627,523	119,627,523	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-		
Loans and Receivables to Banks	4,316,600	1,150,000	1,150,000		
Loans and Receivables to Other Customers	220,400,645	220,701,072	223,585,516	19,115,216	(2,884,830)
Financial Investments - Available-For-Sale	104,977,974	-	-	0	
Financial Investments - Held-To-Maturity	5,673,225	5,675,355	5,675,355	5,675,355	
Investments in Subsidiaries	-	-	-		
Investments in Associates and Joint Ventures	-	-	-		
Property, Plant and Equipment	3,824,098	3,824,098	3,824,098		
Investment Properties	-	-	-		
Goodwill and Intangible Assets	-	-	-		
Deferred Tax Assets	595,800	663,279	-		663,279
Other Assets	12,697,125	6,054,634	6,054,634	1,023,949	
Liabilities					
Due to Banks	152,617,005	152,617,004		13,243,149	139,373,855
Derivative Financial Instruments	937,945	937,945		794,453	143,491
Other Financial Liabilities Held-For-Trading		-			
Financial Liabilities Designated at Fair Value Through Profit or Loss		-			
Due to Other Customers	178,362,476	178,362,473		37,163,394	141,199,079
Other Borrowings					
Debt Securities Issued					
Current Tax Liabilities	2,288,531	2,288,531			2,288,531
Deferred Tax Liabilities	-	-			-
Other Provisions					
Other Liabilities	17,941,286	12,703,116		2,089,099	10,614,017
Due to Subsidiaries					
Subordinated Term Debts					
Off-Balance Sheet Liabilities					
Guarantees	42,382,559	42,382,559	42,382,559		
Performance Bonds	6,398,356	6,398,356	6,398,356		
Letters of Credit	6,121,505	6,121,505	6,121,505		
Other Contingent Items	12,501,737	18,056,757	18,056,757	1,836,334	
Undrawn Loan Commitments	160,252,991	160,252,991	160,252,991		
Other Commitments	301,919,857	179,112,690	120,057,008	55,871,361	41,229,181
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	33,839,846	34,424,586	29,326,261		
Accumulated Other Comprehensive Income	5,473,929		3,823,696		
Statutory reserve fund	2,350,855	2,350,856	2,350,854		
Other Reserves	7,796,362	11,651,160	5,276,693		
Total Shareholders' Equity	**-**	**51,578,961**	**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 30 June 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 30 June 2018
(a) RWA for Interest Rate Risk	**19,373,459**
General Interest Rate Risk	
(i) Net Long or Short Position	2,300,598
(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	**85,869**
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	**2,310,795**

Operational Risk under Basic Indicator Approach

	Capital Charge As at 30June2018	Gross Income (LKR'000) as at 30-Jun-18		
	Factor	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%	22,914,258	22,603,005	21,730,992
Capital Charges for Operational Risk (LKR'000)				
The Basic Indicator Approach	3,362,413			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	28,315,055			