

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

Key Regulatory Ratios - Capital and Liquidity

	2019	2018
	As at 31 March	As at 31 December
Regulatory Capital Adequacy *		
Common Equity Tier 1, Rs. '000	53,369,814	51,903,569
Tier 1 Capital, Rs. '000	53,369,814	51,903,569
Total Capital, Rs. '000	54,419,579	52,953,334
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 2019 - 7% / 2018 - 6.375%)	15.16%	15.16%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 2019 - 8.50% / 2018 7.875%)	15.16%	15.16%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 2019 - 12.5% / 2018 - 11.875%)	15.47%	15.47%

* 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.

	2019	2018
	As at 31 March	As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs.000		
Domestic Banking Unit	118,913,307	115,206,461
Off-Shore Banking Unit	50,618,588	70,115,622
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit	55.25%	54.33%
Off-Shore Banking Unit	29.15%	39.38%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 2019 - 100%; 2018 - 90%)	193.99%	150.18%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 2019 - 100%; 2018 - 90%)	333.97%	275.03%
Net Stable Funding Ratio (%) (Minimum Requirement 90%)	117.46%	119.09%

Computation of capital adequacy ratio

Item	Amount as at Mar 2019 (LKR '000)
Common Equity Tier 1 (CET1) Capital after Adjustments	53,369,814
Total Common Equity Tier 1 (CET1) Capital	53,293,319
Equity capital or stated capital/assigned capital	3,152,358
Reserve fund	2,473,285
Published retained earnings/(accumulated retained losses)	38,168,102
Accumulated other comprehensive income (OCI)	4,605,413
General and other disclosed reserves	4,894,160
Total Adjustments to CET1 Capital (76,495)	(76,495)
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(76,495)
Tier 2 Capital after Adjustments	1,049,765
Total Tier 2 Capital	1,049,765
Revaluation gains	1,049,765
Total Adjustments to Tier 2 Capital	-
Total Tier 1 Capital	53,369,814
Total Capital	54,419,579
Total Risk Weighted Assets (RWA)	330,588,433
RWAs for Credit Risk	285,028,973
RWAs for Market Risk	18,119,328
RWAs for Operational Risk	27,440,131
CET1 Capital Ratio (including Capital Conservation Buffer,	
Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	16.14%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-
Total Tier 1 Capital Ratio (%)	16.14%
Total Capital Ratio (including Capital Conservation Buffer,	
Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	16.46%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-

Computation of Leverage Ratio

Item	Amount in LKR 000's	
	As at Mar 2019	As at Dec 2018
Tier 1 Capital	53,369,814	44,114,425
Total Exposures	487,728,949	521,986,088
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	437,561,899	467,979,731
Derivative Exposures	4,517,675	8,570,101
Securities Financing Transaction Exposures	-	-
Other Off-Balance Sheet Exposures	45,649,375	45,436,256
Basel III Leverage Ratio	10.94%	8.45%

Computation of Liquidity Coverage Ratio

Item	Amount (LKR'000)		Amount (LKR'000)	
	31-Mar-19		31-Dec-18	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	57,360,923	57,360,923	57,360,923	57,360,923
Total Adjusted Level 1A Assets	57,307,146	57,307,146	57,307,146	57,307,146
Level 1 Assets	57,360,923	57,360,923	57,360,923	57,360,923
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	507,993,980	79,801,822	537,749,918	83,424,510
Deposits	103,658,126	10,365,813	104,820,995	10,482,100
Unsecured Wholesale Funding	114,044,629	50,101,176	140,386,559	54,754,820
Secured Funding Transactions	10,714,279	-	8,686,934	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	263,799,784	3,558,671	268,946,657	3,278,817
Additional Requirements	15,776,162	15,776,162	14,908,773	14,908,773
Total Cash Inflows	112,419,269	74,821,410	121,215,816	74,219,611
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	97,663,967	74,454,983	82,923,001	66,154,351
Operational Deposits	14,364,946	-	22,970,952	-
Other Cash Inflows	390,356	366,427	15,321,863	8,065,260
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) *		333.97%		275.03%

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

Asset Class	Amount (LKR'000) as at 31 March 2019					
	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(%)
Claims on Central Government and CBSL	106,644,682	35,100,000	106,644,682	1,070,550	3,782,421	3.51%
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	16,094,978	91,359,913	16,094,978	19,491,325	16,623,252	46.71%
Claims on Financial Institutions	-	11,537,389	-	500,000	500,000	100.00%
Claims on Corporates	199,203,634	194,521,872	198,849,222	27,232,624	217,677,687	96.28%
Retail Claims	44,853,729	48,073,401	37,568,925	89,285	28,648,804	76.08%
Claims Secured by Residential Property	2,841,342	-	2,841,342	-	2,841,342	100.00%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	1,357,315	-	1,357,315	-	1,957,709	144.23%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	15,094,534	-	15,094,534	-	12,997,758	86.11%
Total	386,090,215	380,592,575	378,450,999	48,383,784	285,028,973	

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

Market risk under standardised measurement method

Item	RWA Amount (LKR'000) as at 31 March 2019
(a) RWA for Interest Rate Risk	17,656,112
General Interest Rate Risk	
(i) Net Long or Short Position	2,207,014
(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	463,216
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	2,264,916

Operational risk under basic indicator approach

Item	Capital Charge Factor	Gross Income (LKR'000) as at		
		1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	23,060,934	23,192,955	22,346,440
Capital Charges for Operational Risk (LKR'000)				
The Basic Indicator Approach				
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach				

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

Item	Amount (LKR'000) as at 31 March 2019				
	a Carrying Values as Reported in Published Financial Statements	b Carrying Values under Scope of Regulatory Reporting	c Subject to Credit Risk Framework	d Subject to Market Risk Framework	e Not subject to Capital Requirements or Subject to Deduction from Capital
Assets					
Cash and Cash Equivalents	14,545,812	14,545,525	12,887,144	3,873,718	1,658,381
Balances with Central Banks	6,087,617	6,087,617	6,087,617	-	-
Placements with Banks	51,246,000	54,756,000	3,510,000	47,736,000	3,510,000
Derivative Financial Instruments	1,792,861	1,792,861	1,756,886	-	35,974
Other Financial Assets Held-For-Trading	8,564,817	94,024,198	94,024,198	94,024,198	-
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables to Banks	3,510,000	-	-	-	-
Loans and Receivables to Other Customers	246,424,796	247,853,003	249,192,939	14,060,561	(1,339,936)
Financial Investments - Available-For-Sale	85,459,382	-	-	-	0
Financial Investments - Held-To-Maturity	4,759,763	4,779,997	4,779,997	4,779,997	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	4,713,976	4,713,976	4,713,976	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	-	-	-	-	-
Other Assets	14,527,681	9,164,809	9,164,809	2,398,280	-
Liabilities					
Due to Banks	148,191,669	148,191,669	-	14,499,940	133,691,729
Derivative Financial Instruments	2,456,981	2,456,981	-	2,416,836	40,145
Other Financial Liabilities Held-For-Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Other Customers	206,676,792	206,676,792	-	67,733,488	138,943,303
Other Borrowings	-	-	-	-	-
Retirement Benefit Obligations	2,378	-	-	-	-
Current Tax Liabilities	1,734,137	1,899,630	-	-	1,899,630
Deferred Tax Liabilities	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	24,448,523	18,963,785	-	4,914,272	14,049,513
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
Off-Balance Sheet Liabilities					
Guarantees	62,924,808	62,924,808	62,924,808	-	-
Performance Bonds	9,237,276	9,237,276	9,237,276	-	-
Letters of Credit	7,226,293	7,226,293	7,226,293	-	-
Other Contingent Items	-	6,536,378	6,536,378	2,208,848	-
Undrawn Loan Commitments	177,875,030	177,875,030	177,875,030	-	-
Other Commitments	287,426,269	171,421,901	116,792,791	20,937,771	34,396,605
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	39,131,857	40,193,584	38,168,102	-	-
Accumulated Other Comprehensive Income	9,416,432	-	4,605,413	-	-
Statutory reserve fund	2,473,286	2,350,856	2,473,285	-	-
Other Reserves	6,988,549	13,832,231	4,894,160	-	-
Total Shareholders' Equity	61,162,481	59,529,129	53,293,319		

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 2019 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III