

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED  
SRI LANKA BRANCH

Key Regulatory Ratios - Capital and Liquidity

	2018	2017
	As at 31 December	As at 31 December
<b>Regulatory Capital Adequacy *</b>		
Common Equity Tier 1, Rs. '000	51,903,569	45,862,234
Tier 1 Capital, Rs. '000	51,903,569	45,862,234
Total Capital, Rs. '000	52,953,334	46,219,151
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5.75%)	15.16%	17.30%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7.25%)	15.16%	17.30%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 11.25%)	15.47%	17.43%

\* 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.

	2018	2017
	As at 31 December	As at 31 December
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets, Rs. '000		
Domestic Banking unit	115,206,461	103,016,474
Off-Shore Banking Unit	70,115,622	82,536,029
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)		
Domestic Banking Unit	54.33%	55.67%
Off-Shore Banking Unit	39.38%	47.49%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 2017 - 80%; 2016 - 70%)	150.18%	216.40%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 2017 - 80%; 2016 - 70%)	275.03%	379.95%

Computation of capital adequacy ratio

Item	Amount as at Dec 2018 (LKR '000)
<b>Common Equity Tier 1 (CET1) Capital after Adjustments</b>	<b>51,903,569</b>
<b>Total Common Equity Tier 1 (CET1) Capital</b>	<b>51,879,126</b>
Equity capital or stated capital/assigned capital	3,152,358
Reserve fund	2,473,285
Published retained earnings/(accumulated retained losses)	36,882,472
Accumulated other comprehensive income (OCI)	4,476,850
General and other disclosed reserves	4,894,160
<b>Total Adjustments to CET1 Capital</b>	<b>(24,443)</b>
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(24,443)
<b>Tier 2 Capital after Adjustments</b>	<b>1,049,765</b>
<b>Total Tier 2 Capital</b>	<b>1,049,765</b>
Revaluation gains	1,049,765
<b>Total Adjustments to Tier 2 Capital</b>	<b>-</b>
<b>Total Tier 1 Capital</b>	<b>51,903,569</b>
<b>Total Capital</b>	<b>52,953,334</b>
<b>Total Risk Weighted Assets (RWA)</b>	<b>342,354,662</b>
RWAs for Credit Risk	296,029,229
RWAs for Market Risk	17,506,057
RWAs for Operational Risk	28,819,376
<b>CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>15.16%</b>
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-
<b>Total Tier 1 Capital Ratio (%)</b>	<b>15.16%</b>
<b>Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>15.47%</b>
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-

Computation of Liquidity Coverage Ratio

Item	Check			
	Amount (LKR'000)		Amount (LKR'000)	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
<b>Total Stock of High-Quality Liquid Assets (HQLA)</b>	<b>57,360,923</b>	<b>57,360,923</b>	<b>89,368,940</b>	<b>89,368,940</b>
<b>Total Adjusted Level 1A Assets</b>	<b>57,307,146</b>	<b>57,307,146</b>	<b>89,370,909</b>	<b>89,370,909</b>
<b>Level 1 Assets</b>	<b>57,360,923</b>	<b>57,360,923</b>	<b>89,368,940</b>	<b>89,368,940</b>
<b>Total Adjusted Level 2A Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Level 2A Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Adjusted Level 2B Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Level 2B Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Cash Outflows</b>	<b>537,749,918</b>	<b>83,424,510</b>	<b>467,488,187</b>	<b>77,314,888</b>
Deposits	104,820,995	10,482,100	107,930,534	10,793,053
Unsecured Wholesale Funding	140,386,559	54,754,820	97,777,035	48,135,091
Secured Funding Transactions	8,686,934	-	227,989	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	268,946,657	3,278,817	248,400,559	5,234,674
Additional Requirements	14,908,773	14,908,773	13,152,069	13,152,069
<b>Total Cash Inflows</b>	<b>121,215,816</b>	<b>74,219,611</b>	<b>74,024,597</b>	<b>53,793,385</b>
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	82,923,001	66,154,351	65,815,850	53,515,300
Operational Deposits	22,970,952	-	7,915,352	-
Other Cash Inflows	15,321,863	8,065,260	293,394	278,085
<b>Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100</b>		<b>275.03%</b>		<b>379.95%</b>

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

Asset Class	Amount (LKR'000) as at 31 December 2018					
	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	127,364,729	19,205,550	127,364,729	548,730	9,713,781	7.59%
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	21,116,120	142,549,805	21,116,120	21,324,714	18,787,693	44.27%
Claims on Financial Institutions	-	11,584,612	-	500,000	500,000	100.00%
Claims on Corporates	206,209,012	213,991,180	205,844,608	27,590,761	223,006,928	95.53%
Retail Claims	45,430,540	47,408,969	38,058,412	94,234	29,054,666	76.15%
Claims Secured by Residential Property	2,904,662	-	2,904,662	-	2,904,662	100.00%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	1,377,606	-	1,377,606	-	1,979,899	143.72%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	12,441,925	-	12,441,925	-	10,081,599	81.03%
<b>Total</b>	<b>416,844,594</b>	<b>434,740,116</b>	<b>409,108,062</b>	<b>50,058,438</b>	<b>296,029,229</b>	

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 31 December 2018 (Post CCF & CRM)
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Asset classes	Risk Weight	0%	20%	50%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka		127,913,459	-	-	-	-	-	-	127,913,459
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		-	19,402,120	16,262,889	-	6,775,825	-	-	42,440,834
Claims on Financial Institutions		-	-	-	-	500,000	-	-	500,000
Claims on Corporates		-	11,643,080	2,227,954	-	219,564,336	-	-	233,435,369
Retail Claims		-	-	-	36,391,920	1,760,726	-	-	38,152,646
Claims Secured by Residential Property		-	-	-	-	2,904,662	-	-	2,904,662
Claims Secured by Commercial Real Estate		-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)		-	-	-	-	173,019	1,204,586	-	1,377,605
Higher-risk Categories		-	-	-	-	-	-	-	-
Cash Items and Other Assets		1,543,232	1,021,369	-	-	9,877,325	-	-	12,441,925
<b>Total</b>		<b>129,456,690</b>	<b>32,066,568</b>	<b>18,490,843</b>	<b>36,391,920</b>	<b>241,555,893</b>	<b>1,204,586</b>	<b>-</b>	<b>459,166,500</b>

Market risk under standardised measurement method

Item	RWA amount (LKR'000) as at 31 December 2018
<b>(a) RWA for Interest Rate Risk</b>	<b>17,506,057</b>
General Interest Rate Risk	
(i) Net Long or Short Position	2,053,801
(ii) Horizontal Disallowance	
(iii) Vertical Disallowance	
(iv) Options	
Specific Interest Rate Risk	
<b>(b) RWA for Equity</b>	
(i) General Equity Risk	
(ii) Specific Equity Risk	
<b>(c) RWA for Foreign Exchange &amp; Gold</b>	<b>25,043</b>
<b>Capital Charge for Market Risk [(a) + (b) + (c)] * CAR</b>	<b>2,078,844</b>

Operational risk under basic indicator approach

	Capital Charge Factor	Gross Income (LKR'000) as at 31-Dec-18		
		1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	23,299,997	22,829,116	22,316,906
<b>Capital Charges for Operational Risk (LKR'000)</b>				
The Basic Indicator Approach	3,422,301			
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>				
The Basic Indicator Approach	28,819,376			

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 December 2018				
	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
<b>Assets</b>					
Cash and Cash Equivalents	23,502,316	23,502,050	17,534,080	8,210,924	5,967,970
Balances with Central Banks	7,332,880	7,332,880	7,332,880		
Placements with Banks	49,385,700	53,043,900	3,658,200	46,276,230	3,109,470
Derivative Financial Instruments	4,466,754	4,466,754	4,440,396		26,358
Other Financial Assets Held-For-Trading	-	112,465,730	112,465,730	112,465,730	
Financial Assets Designated at Fair Value through Profit or Loss	11,516,593	-	-		
Loans and Receivables to Banks	-	-	-		
Loans and Receivables to Other Customers	255,830,602	253,720,917	255,217,363	16,222,156	(1,496,446)
Financial Investments - Available-For-Sale	100,949,137	-	-	0	
Financial Investments - Held-To-Maturity	5,308,259	5,322,359	5,322,359	5,322,359	
Investments in Subsidiaries	-	-	-		
Investments in Associates and Joint Ventures	-	-	-		
Property, Plant and Equipment	4,789,830	4,789,830	4,789,830		
Investment Properties	-	-	-		
Goodwill and Intangible Assets	-	-	-		
Deferred Tax Assets	-	88,288	-		88,288
Other Assets	14,357,782	6,083,754	6,083,756	5,149,131	
<b>Liabilities</b>					
Due to Banks	184,786,888	184,786,887		14,513,411	170,273,476
Derivative Financial Instruments	3,875,848	3,875,848		3,826,052	49,797
Other Financial Liabilities Held-For-Trading	-	-			
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-			
Due to Other Customers	205,873,323	205,873,322		67,711,236	138,162,086
<b>Other Borrowings</b>					
Retirement Benefit Obligations	23,005				
Current Tax Liabilities	1,925,367	2,094,079			2,094,079
Deferred Tax Liabilities	132,730	-			-
Other Provisions					
Other Liabilities	21,146,951	14,177,439		4,238,798	9,938,641
Due to Subsidiaries					
Subordinated Term Debts					
<b>Off-Balance Sheet Liabilities</b>					
Guarantees	63,441,836	63,441,836	63,441,836		
Performance Bonds	9,000,541	9,000,541	9,000,541		
Letters of Credit	6,420,366	6,420,366	6,420,366		
Other Contingent Items	4,572,750	11,415,955	11,415,955	2,671,134	
Undrawn Loan Commitments	183,240,708	183,240,708	183,240,708		
Other Commitments	345,906,501	204,800,483	161,220,709	15,400,021	49,839,936
<b>Shareholders' Equity</b>					
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	37,298,783	38,021,094	36,882,472		
Accumulated Other Comprehensive Income	9,299,124		4,476,850		
Statutory reserve fund	2,473,285	2,350,856	2,473,285		
Other Reserves	7,452,191	16,484,578	4,894,160		
<b>Total Shareholders' Equity</b>	<b>59,675,741</b>	<b>60,008,887</b>	<b>51,879,126</b>		

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