

**Key Regulatory Ratios - Capital and Liquidity**

	<b>2019</b> <b>As at 30 June</b>	2018 As at 31 December
<b>Regulatory Capital Adequacy *</b>		
Common Equity Tier 1, Rs. '000	53,318,521	51,903,569
Tier 1 Capital, Rs. '000	53,318,521	51,903,569
Total Capital, Rs. '000	54,368,286	52,953,334
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 2019 - 7% / 2018 - 6.375%)	15.93%	15.16%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 2019 - 8.50% / 2018 7.875%)	15.93%	15.16%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 2019 - 12.5% / 2018 - 11.875%)	16.25%	15.47%

<b>Regulatory Liquidity</b>	<b>2019</b> <b>As at June</b>	2018 As at 31 December
Statutory Liquid Assets, Rs.'000		
Domestic Banking unit	101,928,555	115,206,461
Off-Shore Banking Unit	43,777,666	70,115,622
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit	46.12%	54.33%
Off-Shore Banking Unit	27.29%	39.38%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 2019 - 100%; 2018 - 90%)	233.82%	150.18%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 2019 - 100%; 2018 - 90%)	277.36%	275.03%
Net Stable Funding Ratio (%) (Minimum Requirement 90%)	117.85%	119.09%
Leverage Ratio (%) (Minimum Requirement 3%)	10.98%	8.45%

Basel III Computation of Capital Adequacy Ratio

Item	Amount as at June 2019 (LKR '000)
<b>Common Equity Tier I (CET1) Capital after Adjustments</b>	<b>53,318,521</b>
<b>Total Common Equity Tier I (CET1) Capital</b>	<b>53,293,318</b>
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
<b>Total Adjustments to CET1 Capital</b>	<b>(25,203)</b>
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(25,203)
<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>53,318,521</b>
<b>Total Capital</b>	<b>54,368,286</b>
<b>Total Risk Weighted Assets (RWA)</b>	<b>334,620,407</b>
RWAs for Credit Risk	290,257,791
RWAs for Market Risk	16,806,560
RWAs for Operational Risk	27,556,056
<b>CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>15.93%</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>15.93%</b>
<b>Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>16.25%</b>
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	
of which: Capital Surcharge on D-SIBs (%)	

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**  
**SRI LANKA BRANCH**

**Computation of Leverage Ratio**

<b>Item</b>	<b>Amount in LKR 000's</b>	
	<b>As at Jun 2019</b>	<b>As at Dec 2018</b>
Tier 1 Capital	53,318,522	44,114,425
Total Exposures	485,732,800	521,986,088
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	433,568,001	467,979,731
Derivative Exposures	4,085,204	8,570,101
Securities Financing Transaction Exposures		
Other Off-Balance Sheet Exposures	48,079,595	45,436,256
Basel III Leverage Ratio	10.98%	8.45%

Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	Amount (LKR'000)		Amount (LKR'000)	
	30-Jun-19		31-Dec-18	
	Un-weighted	Weighted	Un-weighted	Weighted
<b>Total Stock of High-Quality Liquid Assets (HQLA)</b>	<b>76,364,417</b>	<b>76,364,417</b>	<b>57,360,923</b>	<b>57,360,923</b>
<b>Total Adjusted Level 1A Assets</b>	<b>76,364,417</b>	<b>76,364,417</b>	<b>57,307,146</b>	<b>57,307,146</b>
Level 1 Assets	76,364,417	76,364,417	57,360,923	57,360,923
<b>Total Adjusted Level 2A Assets</b>	-	-	-	-
Level 2A Assets	-	-	-	-
<b>Total Adjusted Level 2B Assets</b>	-	-	-	-
Level 2B Assets	-	-	-	-
<b>Total Cash Outflows</b>	<b>488,674,228</b>	<b>81,744,856</b>	<b>537,749,918</b>	<b>83,424,510</b>
Deposits	104,955,016	10,495,502	104,820,995	10,482,100
Unsecured Wholesale Funding	114,958,560	51,534,909	140,386,559	54,754,820
Secured Funding Transactions	629,816	-	8,686,934	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	251,841,894	3,425,503	268,946,657	3,278,817
Additional Requirements	16,288,942	16,288,942	14,908,773	14,908,773
<b>Total Cash Inflows</b>	<b>86,606,815</b>	<b>54,212,087</b>	<b>121,215,816</b>	<b>74,219,611</b>
Maturing Secured Lending Transactions Backed by Collateral				
Committed Facilities				
Other Inflows by Counterparty which are Maturing within 30 Days	74,798,565	53,861,763	82,923,001	66,154,351
Operational Deposits	11,361,361	-	22,970,952	-
Other Cash Inflows	446,889	350,325	15,321,863	8,065,260
<b>Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100</b>		<b>277.36%</b>		<b>275.03%</b>

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

Asset Class	Amount (LKR'000) as at 30 June 2019					
	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	120,900,743	30,891,000	120,900,743	988,512	3,343,666	2.74%
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	9,356,728	114,517,905	9,356,728	21,399,240	13,240,030	43.05%
Claims on Financial Institutions	-	1,508,010	-	250,000	250,000	100.00%
Claims on Corporates	213,889,527	191,646,581	213,551,624	28,573,682	228,344,306	94.31%
Retail Claims	44,644,759	49,316,941	37,649,097	89,849	28,695,000	76.04%
Claims Secured by Residential Property	2,773,693	-	2,773,693	-	2,773,693	100.00%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	1,405,497	-	1,405,497	-	2,044,363	145.45%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	13,635,384	-	13,635,384	-	11,566,734	84.83%
<b>Total</b>	<b>406,606,331</b>	<b>387,880,436</b>	<b>399,272,765</b>	<b>51,301,283</b>	<b>290,257,791</b>	

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

Market Risk under Standardised Measurement Method

Item	RWA Amount (LKR'000) as at 30 June 2019
<b>(a) RWA for Interest Rate Risk</b>	<b>16,198,155</b>
General Interest Rate Risk	
(i) Net Long or Short Position	2,024,769
(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>608,405</b>
<b>Capital Charge for Market Risk [(a) + (b) + (c)] * CAR</b>	<b>2,100,820</b>

Operational Risk under Basic Indicator Approach

	Capital Charge	Gross Income (LKR'000) as at		
	Factor	1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	23,372,873	22,914,258	22,603,006
<b>Capital Charges for Operational Risk (LKR'000)</b>				
The Basic Indicator Approach	3,444,507			
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>				
The Basic Indicator Approach	27,556,056			

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

Item	Amount (LKR '000) as at 30 June 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
<b>Assets</b>					
Cash and Cash Equivalents	11,732,667	11,732,667	9,841,279	1,883,584	1,891,388
Balances with Central Banks	7,434,096	7,434,096	7,434,096	-	-
Placements with Banks	26,124,960	26,124,960	-	19,946,760	6,178,200
Derivative Financial Instruments	1,393,170	1,393,170	1,365,400	-	27,770
Other Financial Assets Held-For-Trading	7,984,144	103,670,486	103,670,486	103,670,486	-
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables to Banks	5,050,000	5,050,000	5,050,000	-	-
Loans and Receivables to Other Customers	259,377,859	260,838,207	262,177,800	14,146,585	(1,339,593)
Financial Investments - Available-For-Sale	95,686,342	-	-	0	0
Financial Investments - Held-To-Maturity	4,746,161	4,748,291	4,748,291	4,748,291	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	4,653,694	4,653,694	4,653,694	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	-	-	-	-	-
Other Assets	13,691,370	7,665,285	7,665,285	1,787,137	-
<b>Liabilities</b>					
Due to Banks	142,945,725	142,945,725	-	20,753,929	122,191,796
Derivative Financial Instruments	2,559,795	2,559,795	2,559,795	2,513,449	46,346
Other Financial Liabilities Held-For-Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Other Customers	206,783,438	206,783,438	-	42,927,273	163,856,165
Other Borrowings	-	-	-	-	-
Retirement Benefit Obligations	13,169	-	-	-	-
Current Tax Liabilities	1,967,475	1,909,558	-	-	1,909,558
Deferred Tax Liabilities	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	22,230,181	17,188,130	-	4,614,020	12,574,109
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
<b>Off-Balance Sheet Liabilities</b>					
Guarantees	67,708,186	67,708,186	67,708,186	-	-
Performance Bonds	9,467,732	9,467,732	9,467,732	-	-
Letters of Credit	10,954,033	10,954,033	10,954,033	-	-
Other Contingent Items	-	6,210,601	6,210,601	2,900,629	-
Drawn Loan Commitments	157,501,342	157,501,342	157,501,342	-	-
Other Commitments	317,657,175	191,129,086	156,058,542	31,435,443	34,712,104
<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	40,718,396	42,402,342	38,168,102	-	-
Accumulated Other Comprehensive Income	10,236,243	-	4,605,413	-	-
Statutory reserve fund	2,473,286	2,350,856	2,473,285	-	-
Other Reserves	6,987,275	14,018,654	4,894,159	-	-
<b>Total Shareholders' Equity</b>	<b>63,567,558</b>	<b>61,924,211</b>	<b>53,293,318</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