THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

Key Regulatory Ratios - Capital and Liquidity

	2019 As at 30 September	2018 As at 31 December
Regulatory Capital Adequacy		
Common Equity Tier 1, Rs. '000	52,782,978	51,903,569
Tier 1 Capital, Rs. '000	52,782,978	51,903,569
Total Capital, Rs. '000	55,000,307	52,953,334
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 2019 - 7% / 2018 - 6.375%)	15.21%	15.16%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 2019 - 8.50% / 2018 7.875%)	15.21%	15.16%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 2019 - 12.5% / 2018 - 11.875%)	15.84%	15.47%

	2019 **As at 30 September**	2018 As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs.'000		
Domestic Banking unit	106,418,467	115,206,461
Off-Shore Banking Unit	73,873,385	70,115,622
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit	48.68%	54.33%
Off-Shore Banking Unit	43.61%	39.38%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 2019 - 100%; 2018 - 90%)	202.68%	150.18%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 2019 - 100%; 2018 - 90%)	368.46%	275.03%
Net Stable Funding Ratio (%) (Minimum Requirement 90%)	119.42%	119.09%

Computation of capital adequacy ratio

Item	**Amount as at Sep 2019 (LKR '000)**
Common Equity Tier I (CETI) Capital after Adjustments	**52,782,978**
Total Common Equity Tier I (CET1) Capital	**52,689,930**
Equity capital or stated capital/assigned capital	3,152,358
Reserve fund	2,473,285
Published retained earnings/(accumulated retained losses)	37,619,567
Accumulated other comprehensive income (OCI)	4,550,560
General and other disclosed reserves	4,894,160
Total Adjustments to CET1 Capital	**(93,048)**
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(93,048)
Tier 2 Capital after Adjustments	**2,217,330**
Total Tier 2 Capital	**2,217,330**
Revaluation gains	1,049,765
Total Adjustments to Tier 2 Capital	**1,167,565**
Total Tier 1 Capital	-
Total Capital	**52,782,978**
Total Risk Weighted Assets (RWA)	**55,000,307**
RWAs for Credit Risk	347,133,641
RWAs for Market Risk	302,428,180
RWAs for Operational Risk	17,241,384
CET1 Capital Ratio (including Capital Conservation Buffer,	27,464,077
Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	
of which: Capital Conservation Buffer (%)	15.21%
of which: Countercyclical Buffer (%)	1.25%
of which: Capital Surcharge on D-SIBs (%)	
Total Tier 1 Capital Ratio (%)	
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical	**15.21%**
Capital Buffer & Surcharge on D-SIBs) (%)	**15.84%**
of which: Capital Conservation Buffer (%)	
of which: Countercyclical Buffer (%)	1.25%
of which: Capital Surcharge on D-SIBs (%)	

Computation of Leverage Ratio

Item	**Amount in LKR 000's**	
	As at Sep 2019	As at Dec 2018
Tier 1 Capital	53,122,384	44,114,425
Total Exposures	526,006,238	521,986,088
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	471,871,386	467,979,731
Derivative Exposures	2,758,983	8,570,101
Securities Financing Transaction Exposures		
Other Off-Balance Sheet Exposures	51,375,869	45,436,256
Basel III Leverage Ratio	10.10%	8.45%

Computation of Liquidity Coverage Ratio (All Currency)

Item	**Amount (LKR'000) 30-Sep-19**		**Amount (LKR'000) 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)	**79,249,245**	**79,249,245**	**57,360,923**	**57,360,923**
Total Adjusted Level 1A Assets	**79,249,245**	**79,249,245**	**57,307,146**	**57,307,146**
Level 1 Assets	**79,249,245**	**79,249,245**	**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	**520,138,594**	**86,032,572**	**537,749,918**	**83,424,510**
Deposits	106,290,097	10,629,010	104,820,995	10,482,100
Unsecured Wholesale Funding	121,534,307	57,625,842	140,386,559	54,754,820
Secured Funding Transactions	730,951	-	8,686,934	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	279,421,982	5,616,463	268,946,657	3,278,817
Additional Requirements	12,161,257	12,161,257	14,908,773	14,908,773
Total Cash Inflows	**96,709,844**	**68,502,386**	**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	89,215,301	68,245,381	82,923,001	66,154,351
Operational Deposits	7,225,069	-	22,970,952	-
Other Cash Inflows	269,474	257,005	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) * 100		**368.46%**		**275.03%**

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

Asset Class	Amount (LKR'000) as at 30 September 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(ii)
Claims on Central Government and CBSL	126,128,711	12,749,100	126,128,711	637,455	6,351,707	5.01%
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	5,500,645	106,214,104	5,500,645	24,588,199	11,920,413	39.62%
Claims on Financial Institutions	-	3,056,273	-	500,000	500,000	100.00%
Claims on Corporates	224,061,717	203,236,690	223,835,210	29,032,734	240,001,104	94.91%
Retail Claims	45,583,584	49,073,291	38,402,195	79,058	29,055,751	75.51%
Claims Secured by Residential Property	2,945,085	-	2,945,085	-	2,945,085	100.00%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	571,342	-	571,342	-	590,007	103.27%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	13,604,122	-	13,604,122	-	11,064,114	81.33%
Total	**418,395,206**	**374,329,458**	**410,987,310**	**54,837,446**	**302,428,181**	

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

Market risk under standardised measurement method

Item	RWA Amount (LKR'000) as at 30 Sep 2019
(a) RWA for Interest Rate Risk	**17,163,946**
General Interest Rate Risk	
(i) Net Long or Short Position	2,145,493
(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	**77,438**
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	**2,145,493**

Operational risk under basic indicator approach

	Capital Charge	Gross Income (LKR'000) as at 30-Sep-19		
	Factor	**1st Year**	**2nd Year**	**3rd Year**
The Basic Indicator Approach	15%	23,256,869	22,981,493	22,421,832
Capital Charges for Operational Risk (LKR'000)				
The Basic Indicator Approach	3,433,010			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	27,464,077			

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 September 2019				
	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	8,757,667	8,757,666	6,337,776	3,676,297	2,419,890
Balances with Central Banks	7,902,789	7,902,789	7,902,789		
Placements with Banks	44,075,460	44,075,460	-	22,584,120	21,491,340
Derivative Financial Instruments	930,401	930,401	873,901		56,500
Other Financial Assets Held-For-Trading	5,971,954	110,256,771	110,256,771	110,256,771	
Financial Assets Designated at Fair Value through Profit or Loss					
Loans and Receivables to Banks	3,200,000	3,200,000	3,200,000		
Loans and Receivables to Other Customers	271,116,341	272,355,858	272,938,259	18,656,911	(1,413,988)
Financial Investments - Available-For-Sale	104,284,817				
Financial Investments - Held-To-Maturity	4,769,151	4,771,281	4,771,281	4,771,281	
Investments in Subsidiaries					
Investments in Associates and Joint Ventures					
Property, Plant and Equipment	4,721,102	4,721,101	4,721,102		
Investment Properties					
Goodwill and Intangible Assets					
Deferred Tax Assets					
Other Assets	15,246,764	7,393,329	7,393,329	1,469,747	
Liabilities					
Due to Banks	177,127,450	177,127,451		35,902,632	141,224,819
Derivative Financial Instruments	1,278,333	1,278,333		1,206,845	71,489
Other Financial Liabilities Held-For-Trading					
Financial Liabilities Designated at Fair Value Through Profit or Loss					
Due to Other Customers	206,392,842	206,392,842		42,832,299	163,560,543
Other Borrowings					
Retirement Benefit Obligations					
Current Tax Liabilities	1,227,695	1,227,695			1,227,695
Deferred Tax Liabilities	427,512				
Other Provisions					
Other Liabilities	19,895,857	14,121,339		1,039,292	13,082,046
Due to Subsidiaries					
Subordinated Term Debts					
Off-Balance Sheet Liabilities					
Guarantees	71,844,599	71,844,599	71,844,599		
Performance Bonds	12,729,825	12,729,825	12,729,825		
Letters of Credit	11,521,346	11,521,346	11,521,346		
Other Contingent Items	-	6,591,621	6,591,621	2,228,597	
Undrawn Loan Commitments	176,734,592	176,734,592	176,734,592		
Other Commitments	227,654,912	140,365,416	94,907,476	34,728,396	28,602,270
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	42,079,065	43,692,551	37,619,567		
Accumulated Other Comprehensive Income	10,155,164		4,550,560		
Statutory reserve fund	2,473,286	2,473,287	2,473,285		
Other Reserves	6,766,883	14,898,800	4,894,160		
Total Shareholders' Equity	**64,626,756**	**64,216,996**	**52,689,930**		

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