

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH
MARKET DISCIPLINE - DISCLOSURE REQUIREMENTS UNDER PILLAR III

Key Regulatory Ratios - Capital and Liquidity

	2020 As at 30 June	2019 As at 31 December
Regulatory Capital Adequacy		
Common Equity Tier 1, Rs. '000	59,512,987	57,269,332
Tier 1 Capital, Rs. '000	59,512,987	57,269,332
Total Capital, Rs. '000	62,816,041	59,488,702
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7%)	17.73%	16.85%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 8.50%)	17.73%	16.85%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 12.5%)	18.72%	17.51%

	2020 As at 30 June	2019 As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs.000		
Domestic Banking unit	113,456,509	107,235,873
Off-Shore Banking Unit	35,531,426	77,675,082
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)		
Domestic Banking Unit	47.29%	50.14%
Off-Shore Banking Unit	21.24%	44.69%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement 100%)	508.00%	231.15%
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement 100%)	226.61%	360.57%
Net Stable Funding Ratio (%) (Minimum Requirement 100%)	120.88%	121.44%
Leverage Ratio (%) (Minimum Requirement 3%)	12.05%	9.53%

Computation of capital adequacy ratio

Item	As at 30 June 2020 Rs.'000
Common Equity Tier 1 (CET1) Capital after Adjustments	59,512,987
Total Common Equity Tier 1 (CET1) Capital	60,072,704
Equity capital or stated capital/assigned capital	3,152,358
Reserve fund	2,598,157
Published retained earnings/(Accumulated retained losses)	45,722,459
Accumulated other comprehensive income (OCI)	5,461,155
General and other disclosed reserves	3,138,575
Total Adjustments to CET1 Capital	559,717
Deferred tax assets (net)	690,282
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(130,565)
Tier 2 Capital after Adjustments	3,303,054
Total Tier 2 Capital	3,303,054
Revaluation gains	1,049,765
General provisions	2,253,289
Total Adjustments to Tier 2 Capital	-
Total Tier 1 Capital	59,512,987
Total Capital	62,816,041
Total Risk Weighted Assets (RWA)	335,626,617
RWAs for Credit Risk	292,110,982
RWAs for Market Risk	16,115,040
RWAs for Operational Risk	27,402,592
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	17.73%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-
Total Tier 1 Capital Ratio (%)	17.73%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	18.72%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-

Computation of Leverage Ratio

Item	As at 30 June 2020 Rs.'000	As at 31 December 2019 Rs.'000
Tier 1 Capital	59,512,987	50,097,073
Total Exposures	493,953,868	525,634,765
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	436,311,742	468,152,506
Derivative Exposures	2,415,461	2,434,714
Securities Financing Transaction Exposures	-	-
Other Off-Balance Sheet Exposures	55,226,665	55,047,544
Basel III Leverage Ratio	12.05%	9.53%

Computation of Liquidity Coverage Ratio (All Currency)

Item	As at 30 June 2020 Rs.'000		As at 31 December 2019 Rs.'000	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	97,201,554	97,201,554	79,343,979	79,078,821
Total Adjusted Level 1A Assets	97,201,554	97,201,554	79,343,979	79,343,979
Level 1 Assets	97,201,554	97,201,554	79,078,821	79,078,821
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	526,199,726	75,283,081	361,498,492	87,727,646
Deposits	110,590,289	11,059,029	107,351,212	10,735,121
Unsecured Wholesale Funding	115,117,710	50,463,459	124,316,603	58,174,109
Secured Funding Transactions	-	-	4,000,000	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	288,358,394	1,627,260	114,631,185	7,618,924
Additional Requirements	12,133,333	12,133,333	11,199,492	11,199,492
Total Cash Inflows	58,654,989	32,388,940	105,797,568	72,594,388
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	47,853,152	30,526,576	82,115,334	66,247,142
Operational Deposits	7,532,577	-	11,293,272	-
Other Cash Inflows	3,269,260	1,862,364	12,388,962	6,347,246
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) *	100	226.61%		360.57%

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

Asset Class	As at 30 June 2020					
	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	138,905,535	27,936,000	138,905,535	1,396,800	4,765,907	3.40%
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	5,163,384	109,384,781	5,163,384	28,115,196	10,353,313	31.11%
Claims on Financial Institutions	1,750,000	1,417,837	1,750,000	250,000	1,125,000	56.25%
Claims on Corporates	170,219,351	200,381,562	169,964,278	27,923,662	191,999,669	97.02%
Retail Claims	41,362,241	54,299,731	35,530,935	68,016	27,137,652	76.23%
Claims Secured by Residential Property	2,791,091	-	2,791,091	-	2,791,091	100.00%
Claims Secured by Commercial Real Estate	37,063,128	-	37,063,128	-	37,063,128	100.00%
Non-Performing Assets (NPAs)	3,803,561	-	3,803,561	-	3,801,729	99.95%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	14,887,756	-	14,887,756	-	13,073,493	87.81%
Total	415,946,046	393,419,911	409,859,667	57,753,674	292,110,982	

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

Market risk under standardised measurement method

Item	As at 30 June 2020 RWA Amount Rs. '000
(a) RWA for Interest Rate Risk	15,972,224
General Interest Rate Risk	
(i) Net Long or Short Position	1,996,528
(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	140,816
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	2,014,130

Operational risk under basic indicator approach

Item	Capital Charge	Gross Income For the period ending 30 June 2020		
		1st Year Rs. 000's	2nd Year Rs. 000's	3rd Year Rs. 000's
The Basic Indicator Approach	15%	22,203,269	23,362,353	22,940,865
Capital Charges for Operational Risk (LKR'000)				
The Basic Indicator Approach	3,425,324			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	27,402,592			

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

Item	As at 30 June 2020				
	a Carrying Values as Reported in Published Financial Statements Rs. 000's	b Carrying Values under Scope of Regulatory Reporting Rs. 000's	c Subject to Credit Risk Framework Rs. 000's	d Subject to Market Risk Framework Rs. 000's	e Not subject to Capital Requirements or Subject to Deduction from Capital Rs. 000's
Assets					
Cash and Cash Equivalents	7,636,782	18,066,221	5,768,915	3,017,190	12,297,306
Balances with Central Banks	15,410,869	15,410,869	15,410,869		
Placements with Banks	10,429,440	-	-	10,429,440	-
Derivative Financial Instruments	697,129	697,129	674,381		22,748
Other Financial Assets Held-Fox-Trading	20,519,908	120,380,997	119,928,132	120,380,997	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Loans and Receivables to Other Customers	255,606,368	257,835,146	257,223,030	12,154,461	(1,493,303)
Financial Investments - Available-Fox-Sale	99,861,089	-	-	0	-
Financial Investments - Held-To-Maturity	3,081,309	3,115,799	3,115,799	3,115,799	
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	5,135,585	5,135,585	5,135,585		
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	690,282	-	-	-	-
Other Assets	14,446,296	8,689,336	8,689,336	879,943	
Liabilities					
Due to Banks	130,514,532	130,514,532		21,010,391	109,504,141
Derivative Financial Instruments	731,127	731,127		659,927	71,200
Other Financial Liabilities Held-Fox-Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Other Customers	213,921,537	213,921,537		47,884,768	166,036,769
Other Borrowings	-	-	-	-	-
Retirement Benefit Obligations	25,630	-	-	-	-
Current Tax Liabilities	663,666	663,666			663,666
Deferred Tax Liabilities	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	17,631,125	13,242,049		2,672,332	10,569,717
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
Off-Balance Sheet Liabilities					
Guarantees	75,964,808	75,964,808	75,964,808		
Performance Bonds	17,146,892	17,146,892	17,146,892		
Letters of Credit	10,490,769	10,490,769	10,490,769		
Other Contingent Items	-	4,634,224	4,634,224	2,216,615	
Undrawn Loan Commitments	180,121,701	180,121,701	180,121,701		
Other Commitments	247,839,952	173,416,981	105,061,517	46,003,071	35,894,555
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital of which Amount Eligible for CET1	3,152,358	3,152,358	3,152,358		
of which Amount Eligible for AT1					
Retained Earnings	47,326,949	50,043,404	45,722,459		
Accumulated Other Comprehensive Income	11,346,521	-	5,461,155		
Statutory reserve fund	2,598,158	2,473,287	2,598,157		
Other Reserves	5,603,453	14,589,122	3,138,575		
Total Shareholders' Equity	70,027,438	70,258,171	60,072,704		

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 2020 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III