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 September**	2019 As at 31 December
Regulatory Capital Adequacy		
Common Equity Tier 1, Rs. '000	**59,758,880**	57,269,332
Tier 1 Capital, Rs. '000	**59,758,880**	57,269,332
Total Capital, Rs. '000	**63,912,882**	59,488,702
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7%)	**19.15%**	16.85%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 8.50%)	**19.15%**	16.85%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 12.5%)	**20.48%**	17.51%

	2020 **As at 30 September**	2019 As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs.'000		
Domestic Banking unit	**132,854,595**	107,235,873
Off-Shore Banking Unit	**36,224,978**	77,675,082
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit	**64.60%**	50.14%
Off-Shore Banking Unit	**24.34%**	44.69%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement 100%)	**464.43%**	231.15%
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement 100%)	**376.85%**	360.57%
Net Stable Funding Ratio (%) (Minimum Requirement 100%)	**129.18%**	121.44%
Leverage Ratio (%) (Minimum Requirement 3%)	**12.32%**	9.53%

Computation of capital adequacy ratio

Item	**As at 30 September 2020 Rs.'000**
Common Equity Tier I (CETI) Capital after Adjustments	**59,758,880**
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	**313,824**
Deferred tax assets (net)	**481,409**
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(167,585)
Tier 2 Capital after Adjustments	**4,154,003**
Total Tier 2 Capital	**4,154,003**
Revaluation gains	1,049,765
General provisions	3,104,238
Total Adjustments to Tier 2 Capital	-
Total Tier 1 Capital	**59,758,880**
Total Capital	**63,912,883**
Total Risk Weighted Assets (RWA)	**312,025,040**
RWAs for Credit Risk	271,683,360
RWAs for Market Risk	13,239,448
RWAs for Operational Risk	27,102,232
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**19.15%**
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	
of which: Capital Surcharge on D-SIBs (%)	
Total Tier 1 Capital Ratio (%)	**19.15%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical	**20.48%**
Capital Buffer & Surcharge on D-SIBs) (%)	
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 September 2020** **Rs.'000**	As at 31 December 2019 Rs.'000
Tier 1 Capital	**59,758,880**	50,097,073
Total Exposures	**485,108,492**	525,634,765
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	**425,394,414**	468,152,506
Derivative Exposures	**1,522,566**	2,434,714
Securities Financing Transaction Exposures		
Other Off-Balance Sheet Exposures	**58,191,512**	55,047,544
Basel III Leverage Ratio	**12.32%**	9.53%

Computation of Liquidity Coverage Ratio (All Currency)

Item	**As at 30 September 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)	**111,284,083**	**111,284,083**	79,343,979	79,078,821
Total Adjusted Level 1A Assets	**111,284,083**	**111,284,083**	79,343,979	79,343,979
Level 1 Assets	**111,284,083**	**111,284,083**	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	**561,770,740**	**78,182,121**	361,498,492	87,727,646
Deposits	**110,698,285**	**11,069,828**	107,351,212	10,735,121
Unsecured Wholesale Funding	**125,495,054**	**52,777,721**	124,316,603	58,174,109
Secured Funding Transactions	-	-	4,000,000	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	**312,779,603**	**1,536,773**	114,631,185	7,618,924
Additional Requirements	**12,797,799**	**12,797,799**	11,199,492	11,199,492
Total Cash Inflows	**83,180,474**	**48,652,321**	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	**63,433,028**	**43,388,364**	82,115,334	66,247,142
Operational Deposits	**9,274,709**	-	11,293,272	-
Other Cash Inflows	**10,472,736**	**5,263,957**	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		**376.85%**		360.57%

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

Asset Class	As at 30 September 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	148,671,755	27,736,500	148,671,755	1,386,825	4,329,792	2.89%
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	6,824,510	85,870,643	6,824,510	27,620,474	10,100,722	29.32%
Claims on Financial Institutions	1,750,000	2,704,244	1,750,000	250,000	1,125,000	56.25%
Claims on Corporates	151,205,633	226,559,031	150,920,246	32,147,998	179,031,946	97.80%
Retail Claims	37,950,864	53,874,557	32,612,324	80,139	24,831,861	75.96%
Claims Secured by Residential Property	2,743,107	-	2,743,107	-	2,743,107	100.00%
Claims Secured by Commercial Real Estate	36,979,526	-	36,979,526	-	36,979,526	100.00%
Non-Performing Assets (NPAs)	815,706	-	815,706	-	848,777	104.05%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	13,346,360	-	13,346,360	-	11,692,629	87.61%
Total	**400,287,461**	**396,744,974**	**394,663,533**	**61,485,436**	**271,683,360**	

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

Market risk under standardised measurement method

Item	As at 30 September 2020 RWA Amount Rs.'000
(a) RWA for Interest Rate Risk	**13,088,392**
General Interest Rate Risk	
(i) Net Long or Short Position	1,636,049
(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	**151,056**
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	**1,654,931**

Operational risk under basic indicator approach

	Capital Charge	Gross Income For the period ending 30 September 2020		
	Factor	1st Year Rs. 000's	2nd Year Rs. 000's	3rd Year Rs. 000's
The Basic Indicator Approach	15%	21,492,621	23,251,315	23,011,638
Capital Charges for Operational Risk (LKR'000)				
The Basic Indicator Approach	3,387,779			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	27,102,232			

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

Item	As at 30 September 2020				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements Rs. 000's	Carrying Values under Scope of Regulatory Reporting Rs. 000's	Subject to Credit Risk Framework Rs. 000's	Subject to Market Risk Framework Rs. 000's	Not subject to Capital Requirements or Subject to Deduction from Capital Rs. 000's
Assets					
Cash and Cash Equivalents	8,870,651	22,738,909	7,501,041	3,506,776	15,237,868
Balances with Central Banks	12,724,099	12,724,099	12,724,099		
Placements with Banks	12,943,700	12,943,700	-	26,811,950	-
Derivative Financial Instruments	257,292	257,292	183,527		73,765
Other Financial Assets Held-For-Trading	20,723,468	132,836,497	132,088,228	132,836,497	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-		
Loans and Receivables to Banks	-	-	-		
Loans and Receivables to Other Customers	228,590,804	231,961,648	232,086,437	12,342,899	(1,301,093)
Financial Investments - Available-For-Sale	112,113,030	-	-	0	
Financial Investments - Held-To-Maturity	3,073,970	3,113,289	3,113,289	3,113,289	
Investments in Subsidiaries	-	-	-		
Investments in Associates and Joint Ventures	-	-	-		
Property, Plant and Equipment	5,134,361	5,134,361	5,134,361		
Investment Properties	-	-	-		
Goodwill and Intangible Assets	-	-	-		
Deferred Tax Assets	481,409	-	-		-
Other Assets	17,208,037	7,456,471	7,456,471	170,006	
Liabilities					
Due to Banks	101,611,448	115,116,698		20,712,366	94,404,332
Derivative Financial Instruments	1,074,237	1,074,237		1,000,324	73,913
Other Financial Liabilities Held-For-Trading		-			
Financial Liabilities Designated at Fair Value Through Profit or Loss		-			
Due to Other Customers	227,265,146	227,628,146		46,316,190	181,311,956
Other Borrowings					
Retirement Benefit Obligations	15,834				
Current Tax Liabilities	10,547	241,656			241,656
Deferred Tax Liabilities	-	-			-
Other Provisions					
Other Liabilities	22,354,892	13,497,570		2,388,639	11,108,931
Due to Subsidiaries					
Subordinated Term Debts					
Off-Balance Sheet Liabilities					
Guarantees	77,686,270	77,686,270	77,686,270		
Performance Bonds	20,553,571	20,553,571	20,553,571		
Letters of Credit	15,554,124	15,554,124	15,554,124		
Other Contingent Items	-	8,886,747	8,886,747	4,243,735	
Undrawn Loan Commitments	190,098,891	190,098,891	190,098,891		
Other Commitments	211,123,415	140,489,952	83,965,371	27,457,999	39,930,687
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	46,455,504	51,670,937	45,722,459		
Accumulated Other Comprehensive Income	11,975,892		5,461,155		
Statutory reserve fund	2,598,158	2,473,287	2,598,157		
Other Reserves	5,606,812	14,311,377	3,138,575		
Total Shareholders' Equity	**69,788,724**	**71,607,959**	**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 September 2020 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III