THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

1 Key Regulatory Ratios - Capital and Liquidity

	2020 As at 31 December	2019 As at 31 December
Regulatory Capital Adequacy *		
Common Equity Tier 1, Rs. '000	62,407,994	57,269,332
Tier 1 Capital, Rs. '000	62,407,994	57,269,332
Total Capital, Rs. '000	65,138,321	59,488,702
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7%)	20.56%	16.85%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 8.5%)	20.56%	16.85%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 12.5%)	21.46%	17.51%

* 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.

	2020 As at 31 December	2019 As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs.'000		
Domestic Banking unit	148,237,430	107,235,873
Off-Shore Banking Unit	29,940,230	77,675,082
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit	66.30%	50.14%
Off-Shore Banking Unit	23.19%	44.69%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 100%)	424.02%	231.15%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 100%)	316.12%	360.57%
Leverage Ratio (%) (Minimum Requirement 3%)	12.26%	9.53%
Net Stable Funding Ratio (%) (Minimum Requirement 100%)	129.66%	121.44%

2 Computation of capital adequacy ratio

Item	Amount as at Dec 2020 (LKR '000)
Common Equity Tier I (CETI) Capital after Adjustments	**62,407,994**
Total Common Equity Tier I (CET1) Capital	**62,818,284**
Equity capital or stated capital/assigned capital	3,152,358
Reserve fund	2,649,783
Published retained earnings/(accumulated retained losses)	48,159,525
Accumulated other comprehensive income (OCI)	5,710,753
General and other disclosed reserves	3,145,865
Total Adjustments to CET1 Capital	**410,290**
Revaluation losses of property, plant and equipment	106,000
Deferred tax assets (net)	367,616
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(63,326)
Tier 2 Capital after Adjustments	**2,730,327**
Total Tier 2 Capital	**2,730,327**
Revaluation gains	1,049,765
General provisions	1,680,562
Total Adjustments to Tier 2 Capital	-
Total Tier 1 Capital	**62,407,994**
Total Capital	**65,138,321**
Total Risk Weighted Assets (RWA)	**303,504,606**
RWAs for Credit Risk	264,327,111
RWAs for Market Risk	12,667,295
RWAs for Operational Risk	26,510,199
CET1 Capital Ratio (including Capital Conservation Buffer,	
Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**20.56%**
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	
of which: Capital Surcharge on D-SIBs (%)	
Total Tier 1 Capital Ratio (%)	**20.56%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical	**21.46%**
Capital Buffer & Surcharge on D-SIBs) (%)	
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	
of which: Capital Surcharge on D-SIBs (%)	

3 Computation of Leverage Ratio

Item	Amount in LKR 000's	
	As at Dec 2020	As at Dec 2019
Tier 1 Capital	59,762,025	50,097,072
Total Exposures	487,650,819	525,634,765
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	426,578,558	468,152,506
Derivative Exposures	2,357,762	2,434,714
Securities Financing Transaction Exposures		
Other Off-Balance Sheet Exposures	58,714,498	55,047,544
Basel III Leverage Ratio	12.26%	9.53%

4 Computation of Liquidity Coverage Ratio (All Currency)

Item	Amount (LKR'000)		Amount (LKR'000)	
	31-Dec-20		31-Dec-19	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	**125,764,327**	**125,764,327**	**79,343,979**	**79,078,821**
Total Adjusted Level 1A Assets	**125,764,327**	**125,764,327**	**79,343,979**	**79,343,979**
Level 1 Assets	**125,764,327**	**125,764,327**	**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	**582,198,839**	**83,696,958**	**361,498,492**	**87,727,646**
Deposits	114,430,106	11,443,011	107,351,212	10,735,121
Unsecured Wholesale Funding	139,873,169	58,929,230	124,316,603	58,174,109
Secured Funding Transactions	-	-	4,000,000	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	316,253,008	1,682,161	114,631,185	7,618,924
Additional Requirements	11,642,556	11,642,556	11,199,492	11,199,492
Total Cash Inflows	**70,352,607**	**43,912,682**	**74,931,778**	**72,594,388**
Maturing Secured Lending Transactions Backed by Collateral				
Committed Facilities				
Other Inflows by Counterparty which are Maturing within 30 Days	56,538,359	41,147,799	51,249,544	66,247,142
Operational Deposits	8,680,353	-	11,293,272	-
Other Cash Inflows	5,133,896	2,764,883	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		**316.12%**		**360.57%**

5 Main Features of Regulatory Capital Instruments - N/A

6 Summary discussion on Adequacy/Meeting Current and Future Capital Requirements - Discussed in Qualitative Disclosures, Kept at a minimum.

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

Asset Class	Amount (LKR'000) as at 31 December 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	158,009,057	28,203,000	158,009,057	1,410,150	2,448,617	1.54%
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	5,999,417	97,450,347	5,999,417	24,916,166	9,104,420	29.45%
Claims on Financial Institutions	-	4,280,182	-	1,000,000	500,000	50.00%
Claims on Corporates	145,959,233	230,022,704	145,446,449	35,882,860	179,329,955	98.90%
Retail Claims	35,513,997	52,929,867	30,171,522	63,563	22,834,339	75.52%
Claims Secured by Residential Property	2,673,368	-	2,673,368	-	2,673,368	100.00%
Claims Secured by Commercial Real Estate	37,420,658	-	37,420,658	-	37,420,658	100.00%
Non-Performing Assets (NPAs)	618,934	-	618,934	-	624,436	100.89%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	11,031,928	-	11,031,928	-	9,391,318	85.13%
Total	**397,226,591**	**412,886,100**	**391,371,332**	**63,272,739**	**264,327,111**	

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

8 Credit risk under standardised approach: exposures by asset classes and risk weights

Description	Amount (LKR'000) as at 31 December 2020 (Post CCF & CRM)							
Risk Weight / Asset classes	0%	20%	50%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and Central Bank of Sri Lanka	147,705,134	12,243,087	-	-	-	-	-	**159,948,221**
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	-	24,986,970	3,643,173	-	2,285,439	-	-	**30,915,582**
Claims on Financial Institutions	-	-	1,000,000	-	-	-	-	**1,000,000**
Claims on Corporates	-	2,499,194	-	-	178,830,116	-	-	**181,329,310**
Retail Claims	-	-	-	29,602,984	632,101	-	-	**30,235,085**
Claims Secured by Residential Property	-	-	-	-	2,673,368	-	-	**2,673,368**
Claims Secured by Commercial Real Estate	-	-	-	-	37,420,658	-	-	**37,420,658**
Non-Performing Assets (NPAs)	-	-	27,482	-	552,965	38,487	-	**618,934**
Higher-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	944,509	870,126	-	-	9,217,293	-	-	**11,031,928**
Total	**148,649,643**	**40,599,377**	**4,670,655**	**29,602,984**	**231,611,940**	**38,487**	**-**	**455,173,086**

9 Market risk under standardised measurement method

Item	RWA amount (LKR'000) as at 31 December 2020
(a) RWA for Interest Rate Risk	**12,399,450**
General Interest Rate Risk	
(i) Net Long or Short Position	1,549,931
(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	**267,845**
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	**1,583,412**

10 Operational risk under basic indicator approach

	Capital Charge	Gross Income (LKR'000) as at 31-Dec-20		
	Factor	1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	19,981,034	22,992,653	23,301,812
Capital Charges for Operational Risk (LKR'000)				
The Basic Indicator Approach	3,313,775			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	26,510,199			

11 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 2020				
	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	20,411,976	21,916,136	6,398,133	15,529,162	15,518,003
Balances with Central Banks	18,453,574	18,453,574	18,453,574		
Placements with Banks	-	11,657,240	-	13,161,400	11,657,240
Derivative Financial Instruments	656,466	656,466	610,304		46,161
Other Financial Assets Held-For-Trading	334,969	136,966,480	136,966,480	136,966,480	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-		
Loans and Receivables to Banks	-	-	-		
Loans and Receivables to Other Customers	219,123,466	221,563,924	221,566,405	13,310,534	(1,226,033)
Financial Investments - Available-For-Sale	136,631,512	-	-	0	
Financial Investments - Held-To-Maturity	3,118,017	3,120,147	3,120,147	3,120,147	
Investments in Subsidiaries	-	-	-		
Investments in Associates and Joint Ventures	-	-	-		
Property, Plant and Equipment	4,824,372	4,824,372	4,824,372		
Investment Properties	-	-	-		
Goodwill and Intangible Assets	-	-	-		
Deferred Tax Assets	367,616	268,968	-		268,968
Other Assets	20,729,282	5,287,176	5,287,176	570,670	
Liabilities					
Due to Banks	88,302,330	101,125,732		24,865,105	76,260,627
Derivative Financial Instruments	508,372	508,372		491,631	16,740
Other Financial Liabilities Held-For-Trading		-			
Financial Liabilities Designated at Fair Value Through Profit or Loss		-			
Due to Other Customers	237,257,573	237,595,572		51,843,974	185,751,598
Other Borrowings					
Retirement Benefit Obligations	245,976				
Current Tax Liabilities	136,063	396,380			396,380
Deferred Tax Liabilities	-	-			-
Other Provisions					
Other Liabilities	27,895,776	13,510,530		1,256,213	12,254,317
Due to Subsidiaries					
Subordinated Term Debts					
Off-Balance Sheet Liabilities					
Guarantees	82,366,177	82,366,177	82,366,177		
Performance Bonds	18,904,919	18,904,919	18,904,919		
Letters of Credit	13,745,574	13,745,574	13,745,574		
Other Contingent Items	-	14,591,857	14,591,857	8,216,933	
Undrawn Loan Commitments	186,644,334	186,644,334	186,644,334		
Other Commitments	229,172,962	166,348,294	96,633,239	36,305,098	31,091,546
Shareholders' Equity	-	**(0)**	-		
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	47,213,276	50,697,098	48,159,525		
Accumulated Other Comprehensive Income	11,541,082		5,710,753		
Statutory reserve fund	2,649,711	2,598,159	2,649,783		
Other Reserves	5,748,732	15,130,282	3,145,865		
Total Shareholders' Equity	**70,305,159**	**71,577,897**	**62,818,284**		

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

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