

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 31 March	2019 As at 31 December
<b>Regulatory Capital Adequacy</b>		
Common Equity Tier 1, Rs. '000	54,439,425	57,269,332
Tier 1 Capital, Rs. '000	54,439,425	57,269,332
Total Capital, Rs. '000	56,980,027	59,488,702
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7%)	15.29%	16.85%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 8.50%)	15.29%	16.85%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 12.5%)	16.01%	17.51%

	2020 As at 31 March	2019 As at 31 December
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets, Rs.000		
Domestic Banking unit	138,853,538	107,235,873
Off-Shore Banking Unit	76,319,595	77,675,082
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)		
Domestic Banking Unit	70.42%	50.14%
Off-Shore Banking Unit	42.56%	44.69%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement 100%)	288.94%	231.15%
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement 100%)	622.90%	360.57%
Net Stable Funding Ratio (%) (Minimum Requirement 100%)	131.17%	121.44%
Leverage Ratio (%) (Minimum Requirement 3%)	9.58%	9.53%

Computation of capital adequacy ratio

Item	As at 31 March 2020 Rs.'000
Common Equity Tier 1 (CET1) Capital after Adjustments	54,439,425
<b>Total Common Equity Tier 1 (CET1) Capital</b>	<b>55,956,107</b>
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)	1,344,558
General and other disclosed reserves	3,138,575
<b>Total Adjustments to CET1 Capital</b>	<b>1,516,682</b>
Deferred tax assets (net)	1,564,931
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(48,249)
<b>Tier 2 Capital after Adjustments</b>	<b>2,540,602</b>
<b>Total Tier 2 Capital</b>	<b>2,540,602</b>
Revaluation gains	1,049,765
General provisions	1,490,837
<b>Total Adjustments to Tier 2 Capital</b>	<b>-</b>
<b>Total Tier 1 Capital</b>	<b>54,439,425</b>
<b>Total Capital</b>	<b>56,980,027</b>
<b>Total Risk Weighted Assets (RWA)</b>	<b>355,942,032</b>
RWAs for Credit Risk	305,679,884
RWAs for Market Risk	22,834,324
RWAs for Operational Risk	27,427,823
<b>CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>15.29%</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>15.29%</b>
<b>Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>16.01%</b>
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 31 March 2020 Rs.'000	As at 31 December 2019 Rs.'000
Tier 1 Capital	54,439,425	50,097,073
Total Exposures	568,463,568	525,634,765
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	507,214,393	468,152,506
Derivative Exposures	5,031,795	2,434,714
Securities Financing Transaction Exposures	-	-
Other Off-Balance Sheet Exposures	56,217,381	55,047,544
Basel III Leverage Ratio	9.58%	9.53%

Computation of Liquidity Coverage Ratio (All Currency)

Item	As at 31 March 2020 Rs.'000		As at 31 December 2019 Rs.'000	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
<b>Total Stock of High-Quality Liquid Assets (HQLA)</b>	<b>128,203,030</b>	<b>128,203,030</b>	79,343,979	79,078,821
<b>Total Adjusted Level 1A Assets</b>	<b>128,203,030</b>	<b>128,203,030</b>	79,343,979	79,343,979
<b>Level 1 Assets</b>	<b>128,203,030</b>	<b>128,203,030</b>	79,078,821	79,078,821
<b>Total Adjusted Level 2A Assets</b>	<b>-</b>	<b>-</b>	-	-
<b>Level 2A Assets</b>	<b>-</b>	<b>-</b>	-	-
<b>Total Adjusted Level 2B Assets</b>	<b>-</b>	<b>-</b>	-	-
<b>Level 2B Assets</b>	<b>-</b>	<b>-</b>	-	-
<b>Total Cash Outflows</b>	<b>361,741,869</b>	<b>82,326,447</b>	361,498,492	87,727,646
Deposits	111,038,231	11,103,823	107,351,212	10,735,121
Unsecured Wholesale Funding	127,823,699	57,582,339	124,316,603	58,174,109
Secured Funding Transactions	-	-	4,000,000	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	110,468,909	1,229,256	114,631,185	7,618,924
Additional Requirements	12,411,030	12,411,030	11,199,492	11,199,492
<b>Total Cash Inflows</b>	<b>109,149,853</b>	<b>77,454,230</b>	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	99,065,446	76,916,363	82,115,334	66,247,142
Operational Deposits	9,532,573	-	11,293,272	-
Other Cash Inflows	551,834	517,866	12,388,962	6,347,246
<b>Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100</b>		<b>622.90%</b>		360.57%

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

Asset Class	As at 31 March 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	151,642,110	34,250,400	151,642,110	1,541,268	4,196,465	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	7,385,343	114,042,686	7,385,343	28,850,232	10,962,918	30.25%
Claims on Financial Institutions	2,250,000	3,635,900	2,250,000	303,518	1,401,759	54.90%
Claims on Corporates	186,324,038	203,245,485	186,063,541	29,449,694	206,323,829	95.74%
Retail Claims	44,348,693	52,644,802	37,519,485	71,207	28,434,165	75.64%
Claims Secured by Residential Property	2,818,488	-	2,818,488	-	2,818,488	100.00%
Claims Secured by Commercial Real Estate	38,928,161	-	38,928,161	-	38,928,161	100.00%
Non-Performing Assets (NPAs)	650,273	-	650,273	-	657,042	101.04%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	13,555,707	-	13,555,707	-	11,957,060	88.21%
<b>Total</b>	<b>447,902,812</b>	<b>407,819,273</b>	<b>440,813,107</b>	<b>60,215,919</b>	<b>305,679,884</b>	

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

Market risk under standardised measurement method

Item	As at 31 March 2020 RWA Amount Rs. '000
<b>(a) RWA for Interest Rate Risk</b>	<b>22,326,843</b>
General Interest Rate Risk	
(i) Net Long or Short Position	2,790,855
(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>507,481</b>
<b>Capital Charge for Market Risk [(a) + (b) + (c)] * CAR</b>	<b>2,790,855</b>

Operational risk under basic indicator approach

Item	Capital Charge	Gross Income For the period ending 31 March 2020		
		1st Year Rs. 000's	2nd Year Rs. 000's	3rd Year Rs. 000's
The Basic Indicator Approach	15%	22,245,274	23,104,698	23,219,587
<b>Capital Charges for Operational Risk (LKR'000)</b>				
The Basic Indicator Approach	3,428,478			
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>				
The Basic Indicator Approach	27,427,823			

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

Item	As at 31 March 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
<b>Assets</b>					
Cash and Cash Equivalents	10,497,931	10,497,931	7,571,879	4,825,014	2,926,052
Balances with Central Banks	7,413,325	7,413,325	7,413,325	-	-
Placements with Banks	52,517,280	52,517,280	-	13,319,600	39,197,680
Derivative Financial Instruments	2,368,031	2,368,031	2,239,062	-	128,969
Other Financial Assets Held-Fox-Trading	-	-	-	-	-
Financial Assets Designated at Fair Value through Profit or Loss	25,853,733	140,282,724	140,282,724	140,282,724	-
Loans and Receivables to Banks	-	-	-	-	-
Loans and Receivables to Other Customers	272,875,810	274,558,045	275,074,936	16,330,995	(1,505,050)
Financial Investments - Available-Fox-Sale	114,428,990	-	-	-	0
Financial Investments - Held-To-Maturity	3,095,499	3,108,923	3,108,923	3,108,923	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	5,178,329	5,178,328	5,178,329	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	1,592,004	-	-	-	-
Other Assets	13,538,401	7,033,635	7,033,635	2,399,593	-
<b>Liabilities</b>					
Due to Banks	202,909,442	202,909,441	-	55,084,562	147,824,879
Derivative Financial Instruments	1,190,249	1,190,249	-	780,447	409,802
Other Financial Liabilities Held-Fox-Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Other Customers	221,690,251	221,690,253	-	45,573,978	176,116,275
Other Borrowings	-	-	-	-	-
Retirement Benefit Obligations	70,165	-	-	-	-
Current Tax Liabilities	328,540	581,819	-	-	581,819
Deferred Tax Liabilities	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	18,776,935	14,180,023	-	1,009,458	13,170,564
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
<b>Off-Balance Sheet Liabilities</b>					
Guarantees	76,859,717	76,859,717	76,859,717	-	-
Performance Bonds	17,235,482	17,235,482	17,235,482	-	-
Letters of Credit	10,950,042	10,950,042	10,950,042	-	-
Other Contingent Items	-	5,213,785	5,213,785	2,301,619	-
Undrawn Loan Commitments	179,343,232	179,343,232	179,343,232	-	-
Other Commitments	279,985,053	182,804,510	118,217,014	67,913,980	40,508,580
<b>Shareholders' Equity</b>					
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	45,463,404	41,581,485	45,722,459	-	-
Accumulated Other Comprehensive Income	7,579,209	-	1,344,558	-	-
Statutory reserve fund	2,598,158	2,473,287	2,598,157	-	-
Other Reserves	5,600,622	15,199,307	3,138,575	-	-
<b>Total Shareholders' Equity</b>	<b>64,393,750</b>	<b>62,406,437</b>	<b>55,956,107</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 March 2020 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III