

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

Key Regulatory Ratios - Capital and Liquidity

	2021 As at 31 March	2020 (Audited) As at 31 December
Regulatory Capital Adequacy		
Common Equity Tier 1, Rs. '000	62,858,766	62,385,254
Tier 1 Capital, Rs. '000	62,858,766	62,385,254
Total Capital, Rs. '000	66,024,922	65,115,581
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Asset (Minimum Requirement, 7%)	19.83%	20.55%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 8.5%)	19.83%	20.55%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 12.5%)	20.83%	21.45%

	2021 As at 31 March	2020 As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000		
Domestic Banking unit	127,279,000	148,237,430
Off-Shore Banking Unit	29,911,456	29,940,230
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)		
Domestic Banking Unit	55.39%	66.30%
Off-Shore Banking Unit	23.62%	23.19%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 100%)	333.09%	424.02%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 100%)	258.05%	316.12%
Leverage Ratio (%) (Minimum Requirement 3%)	12.85%	12.26%
Net Stable Funding Ratio (%) (Minimum Requirement 100%)	130.45%	129.66%

Computation of capital adequacy ratio

Item	Amount as at Mar 2021 (LKR '000)
Common Equity Tier 1 (CET1) Capital after Adjustments	62,858,766
Total Common Equity Tier 1 (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	(40,482)
Revaluation losses of property, plant and equipment	-
Deferred tax assets (net)	-
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(40,482)
Tier 2 Capital after Adjustments	3,166,156
Total Tier 2 Capital	3,166,156
Revaluation gains	1,049,765
General provisions	2,116,391
Total Adjustments to Tier 2 Capital	-
Total Tier 1 Capital	62,858,766
Total Capital	66,024,922
Total Risk Weighted Assets (RWA)	316,966,528
RWAs for Credit Risk	277,848,870
RWAs for Market Risk	12,975,317
RWAs for Operational Risk	26,142,342
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	19.83%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-
Total Tier 1 Capital Ratio (%)	19.83%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	20.83%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-

Computation of Leverage Ratio

Item	Amount in LKR 000's	
	As at Mar 2021	As at Dec 2020
Tier 1 Capital	62,858,766	59,762,024
Total Exposures	489,286,562	487,650,818
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	428,129,379	426,578,558
Derivative Exposures	2,168,538	2,357,762
Securities Financing Transaction Exposures	-	-
Other Off-Balance Sheet Exposures	58,988,645	58,714,498
Basel III Leverage Ratio	12.85%	12.26%

Computation of Liquidity Coverage Ratio (All Currency)

Item	Amount (LKR'000)		Amount (LKR'000)	
	31-Mar-21		31-Dec-20	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	108,553,067	108,553,067	125,764,328	125,764,328
Total Adjusted Level 1A Assets	108,553,067	108,553,067	125,764,328	125,764,328
Level 1 Assets	108,553,067	108,553,067	125,764,328	125,764,328
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	605,230,592	92,471,838	582,198,839	83,696,958
Deposits	119,598,894	11,959,889	114,430,106	11,443,011
Unsecured Wholesale Funding	147,446,360	66,911,641	139,873,169	58,929,230
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	326,589,277	2,004,247	316,253,008	1,682,161
Additional Requirements	11,596,061	11,596,061	11,642,556	11,642,556
Total Cash Inflows	84,055,051	50,404,935	70,352,607	43,912,682
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	70,119,016	49,867,988	56,538,359	41,147,799
Operational Deposits	13,394,945	-	8,680,353	-
Other Cash Inflows	541,090	536,947	5,133,895	2,764,883
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		258.05%		316.12%

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

Asset Class	Amount (LKR'000) as at 31 March 2021					
	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	147,851,547	398,955	147,851,547	7,979	901,230	0.61%
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	9,469,528	101,625,609	9,469,528	23,565,547	7,909,619	23.94%
Claims on Financial Institutions	-	4,999,863	-	1,000,000	500,000	50.00%
Claims on Corporates	168,336,661	241,067,897	168,087,289	37,975,368	205,085,812	99.53%
Retail Claims	35,272,044	51,975,867	29,801,269	62,801	22,610,506	75.71%
Claims Secured by Residential Property	2,603,140	-	2,603,140	-	2,603,140	100.00%
Claims Secured by Commercial Real Estate	27,481,014	-	27,481,014	-	27,481,014	100.00%
Non-Performing Assets (NPAs)	488,722	-	488,722	-	504,306	103.19%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	12,429,738	-	12,429,738	-	10,253,243	82.49%
Total	403,932,394	400,068,191	398,212,247	62,611,695	277,848,870	

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

Market risk under standardised measurement method

Item	RWA amount (LKR'000) as at 31 March 2021
(a) RWA for Interest Rate Risk	11,749,022
General Interest Rate Risk	
(i) Net Long or Short Position	1,468,628
(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	1,226,294
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	1,621,915

Operational risk under basic indicator approach

Item	Capital Charge Factor	Gross Income (LKR'000) as at For the period ending 31 March 2021		
		1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	20,005,883	22,245,274	23,104,698
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	26,510,200			

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 March 2021				
	a Carrying Values as Reported in Published Financial Statements	b Carrying Values under Scope of Regulatory Reporting	c Subject to Credit Risk Framework	d Subject to Market Risk Framework	e Not subject to Capital Requirements or Subject to Deduction from Capital
Assets					
Cash and Cash Equivalents	19,467,273	43,731,404	10,525,522	12,268,979	33,205,882
Balances with Central Banks	28,307,177	28,307,177	28,307,177		
Placements with Banks	-	6,416,960	-	30,681,090	6,416,960
Derivative Financial Instruments	709,135	709,135	709,135		0
Other Financial Assets Held-For-Trading	430,726	116,419,643	116,419,643	116,419,643	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Loans and Receivables to Other Customers	231,194,702	233,278,523	233,532,355	14,385,924	(1,281,786)
Financial Investments - Fair value through other comprehensive income	115,988,916	-	-	-	0
Financial Investments - Amortised cost	3,113,124	3,126,857	3,126,857	3,126,857	
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	4,835,060	4,835,060	4,835,060		
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	-	45,602	-	-	45,602
Other Assets	22,170,864	5,827,419	5,827,419	1,819,886	
Liabilities					
Due to Banks	73,496,744	103,839,834		13,348,135	90,491,699
Derivative Financial Instruments	478,372	478,372		464,440	13,932
Other Financial Liabilities Held-For-Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Other Customers	248,243,580	248,581,580		56,100,782	192,480,798
Other Borrowings	-	-	-	-	-
Retirement Benefit Obligations	238,198				
Current Tax Liabilities	858,380	858,380			858,380
Deferred Tax Liabilities	196,680	-			-
Other Provisions	-	-	-	-	-
Other Liabilities	28,537,301	13,916,731		1,591,582	12,325,149
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
Off-Balance Sheet Liabilities					
Guarantees	76,453,359	76,453,359	76,453,359		
Performance Bonds	21,558,243	21,558,243	21,558,243		
Letters of Credit	20,778,561	20,778,561	20,778,561		
Other Contingent Items	-	15,274,896	15,274,896	10,748,281	
Undrawn Loan Commitments	192,524,217	192,524,217	192,524,217		
Other Commitments	198,064,649	158,862,989	73,478,914	14,347,023	43,969,397
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital of which Amount Eligible for CET1	3,152,358	3,152,358	3,152,358		3,152,358
of which Amount Eligible for AT1	-	-	-	-	-
Retained Earnings	48,533,453	51,376,209	48,159,525		
Accumulated Other Comprehensive Income	14,086,419		5,710,753		
Statutory reserve fund	2,649,711	2,598,161	2,649,783		
Other Reserves	5,745,781	17,896,156	3,145,865		
Total Shareholders' Equity	74,167,722	75,022,885	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 March 2021 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III