

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

Key Regulatory Ratios - Capital and Liquidity

	2021	2020 (Audited)
	As at 30 June	As at 31 December
Regulatory Capital Adequacy *		
Common Equity Tier 1, Rs. '000	57,046,646	62,385,254
Tier 1 Capital, Rs. '000	57,046,646	62,385,254
Total Capital, Rs. '000	59,144,964	65,115,581
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7%)	17.83%	20.55%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 8.5%)	17.83%	20.55%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 12.5%)	18.49%	21.45%

	2021	2020
	As at 30 June	As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000		
Domestic Banking Unit	134,294,039	148,237,430
Off-Shore Banking Unit	33,536,676	29,940,230
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)		
Domestic Banking Unit	57.15%	66.30%
Off-Shore Banking Unit	26.26%	23.19%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 100%)	337.00%	424.02%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 100%)	202.90%	316.12%
Leverage Ratio (%) (Minimum Requirement 3%)	11.65%	12.26%
Net Stable Funding Ratio (%) (Minimum Requirement 100%)	130.00%	129.66%

Computation of capital adequacy ratio

Item	Amount as at Jun 2021 (LKR '000)
Common Equity Tier 1 (CET1) Capital after Adjustments	57,046,646
Total Common Equity Tier 1 (CET1) Capital	57,016,853
Equity capital or stated capital/assumed capital	3,152,338
Reserve fund	2,649,711
Published retained earnings/accumulated retained losses	42,885,569
Accumulated other comprehensive income (OCI)	5,183,350
General and other disclosed reserves	3,145,865
Total Adjustments to CET1 Capital	(29,793)
Revaluation losses of property, plant and equipment	-
Deferred tax assets (net)	-
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(29,793)
Tier 2 Capital after Adjustments	2,098,318
Total Tier 2 Capital	2,098,318
Revaluation gains	1,048,765
General provisions	1,048,553
Total Adjustments to Tier 2 Capital	-
Total Tier 1 Capital	57,046,646
Total Capital	59,144,965
Total Risk Weighted Assets (RWA)	319,870,982
RWAs for Credit Risk	283,344,573
RWAs for Market Risk	10,757,143
RWAs for Operational Risk	25,769,267
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	17.83%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-
Total Tier 1 Capital Ratio (%)	17.83%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	18.49%
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 Jun 2021	As at Dec 2020
Tier 1 Capital	57,046,646	59,762,024
Total Exposures	489,462,784	487,650,818
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	427,000,210	426,578,558
Derivative Exposures	758,428	2,357,762
Securities Financing Transaction Exposures	-	-
Other Off-Balance Sheet Exposures	61,704,146	58,714,498
Basel III Leverage Ratio	11.65%	12.26%

Computation of Liquidity Coverage Ratio (All Currency)

Item	Amount (LKR '000)		Amount (LKR '000)	
	30-Jun-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)	118,954,695	118,954,695	125,764,328	125,764,328
Total Adjusted Level 1A Assets	118,954,695	118,954,695	125,764,328	125,764,328
Level 1 Assets	118,954,695	118,954,695	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	627,120,768	95,846,002	582,198,839	83,696,958
Deposits	120,924,358	12,092,436	114,430,106	11,443,011
Unsecured Wholesale Funding	145,576,161	64,423,652	139,873,169	58,929,230
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	344,096,267	2,805,932	316,253,008	1,682,161
Additional Requirements	16,523,982	16,523,982	11,642,556	11,642,556
Total Cash Inflows	69,647,178	37,219,365	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	50,330,054	33,494,452	56,538,359	41,142,799
Operational Deposits	11,879,378	-	8,680,353	-
Other Cash Inflows	7,437,746	3,724,914	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		202.90%		316.12%

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

Asset Class	Amount (LKR'000) as at 30 June 2021				RWA and RWA Density (%)	
	Exposures before Credit Conversion		Exposures post CCF and CRM		RWA	RWA Density(%)
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount		
Claims on Central Government and CBSL	148,225,810	100,770	148,225,810	2,015	937,699	0.63%
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	8,786,670	80,239,002	8,786,670	23,755,628	7,942,185	24.41%
Claims on Financial Institutions	-	5,176,193	-	1,000,000	875,000	87.50%
Claims on Corporates	172,660,968	245,457,474	172,368,246	40,222,361	212,566,039	99.99%
Retail Claims	32,573,290	52,037,602	27,665,989	58,549	20,868,114	75.27%
Claims Secured by Residential Property	2,563,007	-	2,563,007	-	2,563,007	100.00%
Claims Secured by Commercial Real Estate	27,411,335	-	27,411,335	-	27,411,335	100.00%
Non-Performing Assets (NPAs)	512,536	-	512,536	-	539,409	105.24%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	11,640,143	-	11,640,143	-	9,641,783	82.83%
Total	404,373,760	383,011,042	399,173,737	65,038,553	283,344,573	

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

Market risk under standardised measurement method

Item	RWA amount (LKR'000) as at 30 June 2021
(a) RWA for Interest Rate Risk	10,640,148
General Interest Rate Risk	-
(i) Net Long or Short Position	1,330,018
(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	116,995
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	1,344,643

Operational risk under basic indicator approach

	Capital Charge	Gross Income (LKR'000) as at For the period ending 30 June 2021		
		1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	18,857,544	22,203,269	23,262,353
Capital Charge for Operational Risk (LKR'000)				
The Basic Indicator Approach	3,221,158			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	25,769,267			

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

Item	Amount (LKR '000) as at 30 June 2021				
	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	12,328,294	47,844,545	9,825,789	9,168,522	38,018,756
Balances with Central Banks	20,496,765	20,496,765	20,496,765	-	-
Placements with Banks	-	608,850	-	36,125,100	608,850
Derivative Financial Instruments	127,358	127,358	127,358	-	-
Other Financial Assets Held-For-Trading	573,116	127,228,711	127,228,711	127,228,711	-
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Loans and Receivables to Other Customers	233,924,680	235,356,878	235,617,506	16,357,463	(1,267,180)
Financial Investments - Fair value through other comprehensive income	126,655,595	-	-	-	-
Financial Investments - Amortised cost	488,731	502,464	502,464	502,464	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	4,835,827	4,823,814	4,823,814	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	-	-	-	-	-
Other Assets	25,589,742	5,647,723	5,647,723	694,245	-
Liabilities					
Due to Banks	70,403,304	106,247,737	-	11,312,908	94,934,829
Derivative Financial Instruments	397,650	397,650	-	375,693	21,957
Other Financial Liabilities Held-For-Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Other Customers	248,046,263	248,325,930	-	53,434,593	194,891,337
Other Borrowings	-	-	-	-	-
Retirement Benefit Obligations	235,049	-	-	-	-
Current Tax Liabilities	764,733	764,733	-	-	764,733
Deferred Tax Liabilities	426,981	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	33,047,883	14,949,216	-	1,840,098	13,109,118
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
Off-Balance Sheet Liabilities					
Guarantees	78,264,337	78,264,337	78,264,337	-	-
Performance Bonds	22,338,352	22,338,352	22,338,352	-	-
Letters of Credit	32,600,372	32,600,372	32,600,372	-	-
Other Contingent Items	-	18,955,294	18,955,294	12,760,066	-
Undrawn Loan Commitments	191,937,912	191,937,912	191,937,912	-	-
Other Commitments	110,975,662	111,182,443	38,914,775	4,010,431	41,094,477
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	48,696,681	50,887,069	42,885,569	-	-
Accumulated Other Comprehensive Income	13,821,402	-	5,183,350	-	-
Statutory reserve fund	2,649,711	2,649,714	2,649,711	-	-
Other Reserves	3,379,094	15,262,702	3,145,865	-	-
Total Shareholders' Equity	71,699,246	71,951,843	57,016,853	-	-

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 2021 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III

