

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

Key Regulatory Ratios - Capital and Liquidity

	2021		2020 (Audited)	
	As at 30 September		As at 31 December	
Regulatory Capital Adequacy *				
Common Equity Tier 1, Rs. '000	57,069,323		62,385,254	
Tier 1 Capital, Rs. '000	57,069,323		62,385,254	
Total Capital, Rs. '000	59,083,878		65,115,581	
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 7%)	17.60%		20.55%	
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 8.5%)	17.60%		20.55%	
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 12.5%)	18.22%		21.45%	

	2021		2020	
	As at 30 September		As at 31 December	
Regulatory Liquidity				
Statutory Liquid Assets, Rs.'000				
Domestic Banking unit	148,189,243		148,237,430	
Off-Shore Banking Unit	34,694,057		29,940,230	
Statutory Liquid Assets Ratio,% (Minimum Requirement, 20%)				
Domestic Banking Unit	58.48%		66.30%	
Off-Shore Banking Unit	27.14%		23.19%	
Liquidity Coverage Ratio (%) - Rupee Requirement, 100% (Minimum)	369.22%		424.02%	
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 100%)	345.41%		316.12%	
Leverage Ratio (%) (Minimum Requirement 3%)	10.62%		12.26%	
Net Stable Funding Ratio (%) (Minimum Requirement 100%)	144.80%		129.66%	

Computation of Capital Adequacy Ratio

Item	Amount as at Sep 2021 (LKR '000)
Common Equity Tier 1 (CET1) Capital after Adjustments	57,069,323
Total Common Equity Tier 1 (CET1) Capital	57,016,853
Equity capital or stated capital/assigned capital	3,152,358
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	(52,470)
Revaluation losses of property, plant and equipment	-
Deferred tax assets (net)	-
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(52,470)
Tier 2 Capital after Adjustments	2,014,555
Total Tier 2 Capital	2,014,555
Revaluation gains	1,049,765
General provisions	964,790
Total Adjustments to Tier 2 Capital	-
Total Tier 1 Capital	57,069,323
Total Capital	59,083,878
Total Risk Weighted Assets (RWA)	324,322,511
RWAs for Credit Risk	284,007,288
RWAs for Market Risk	14,831,242
RWAs for Operational Risk	25,483,980
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	17.60%
of which: Capital Conservation Buffer (%)	1.25%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-
Total Tier 1 Capital Ratio (%)	17.60%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	18.22%
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 Sep 2021	As at Dec 2020
Tier 1 Capital	57,069,323	59,762,024
Total Exposures	537,502,830	487,650,818
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	469,119,959	426,578,558
Derivative Exposures	864,920	2,357,762
Securities Financing Transaction Exposures	-	-
Other Off-Balance Sheet Exposures	67,517,951	58,714,498
Basel III Leverage Ratio	10.62%	12.26%

Computation of Liquidity Coverage Ratio (All Currency)

Item	Amount (LKR'000)		Amount (LKR'000)	
	30-Sep-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)	129,039,344	129,039,344	125,764,328	125,764,328
Total Adjusted Level 1A Assets	129,039,344	129,039,344	125,764,328	125,764,328
Level 1 Assets	129,039,344	129,039,344	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	651,083,408	103,443,619	582,198,839	83,696,958
Deposits	122,477,910	12,247,791	114,430,106	11,443,011
Unsecured Wholesale Funding	180,540,521	76,166,242	139,873,169	58,929,230
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	336,154,128	3,118,737	316,253,008	1,682,161
Additional Requirements	11,910,849	11,910,849	11,642,556	11,642,556
Total Cash Inflows	93,577,306	66,085,426	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	84,685,566	66,043,818	56,538,359	41,147,799
Operational Deposits	8,836,923	-	8,680,353	-
Other Cash Inflows	54,817	41,608	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		345.41%		316.12%

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

Asset Class	Amount (LKR'000) as at 30 September 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	158,648,521	120,129	158,648,521	2,403	218,155	0.14%
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	5,727,650	80,643,082	5,727,650	25,521,082	7,544,503	24.14%
Claims on Financial Institutions	3,550,000	1,690,204	3,550,000	0	1,775,000	50.00%
Claims on Corporates	173,307,941	236,381,972	173,009,937	41,372,189	214,333,993	99.98%
Retail Claims	31,821,332	51,477,706	27,302,664	84,847	20,596,942	75.21%
Claims Secured by Residential Property	2,529,169	-	2,529,169	-	2,529,169	100.00%
Claims Secured by Commercial Real Estate	26,722,237	0	26,722,237	0	26,722,237	100.00%
Non-Performing Assets (NPAs)	488,727	109,301,861	488,727	31,087	538,990	103.69%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	11,458,709	-	11,458,709	-	9,748,299	85.07%
Total	414,284,285	479,614,954	409,437,614	67,011,608	284,007,288	

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

Market risk under standardised measurement method

Item	(LKR'000) as at 30 September 2021
(a) RWA for Interest Rate Risk	1,722,527
General Interest Rate Risk	-
(i) Net Long or Short Position	1,722,527
(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	131,378
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	14,831,242

Operational risk under basic indicator approach

Factor	Capital Charge	Gross Income (LKR'000) For the period ending 30 September 2021		
		1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	18,966,016	21,492,620	23,251,315
Capital Charges for Operational Risk (LKR'000)				
The Basic Indicator Approach	3,185,498			
Risk Weighted Amount for Operational Risk (LKR'000)				
The Basic Indicator Approach	25,483,980			

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 September 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	33,349,480	30,324,430	6,726,982	14,245	23,597,448
Balances with Central Banks	28,012,484	28,012,484	28,012,484	-	-
Placements with Banks	-	24,402,070	-	(16,407)	45,795,497
Derivative Financial Instruments	221,421	221,421	221,421	-	-
Other Financial Assets Held-For-Trading	264,491	130,138,273	130,138,273	130,138,273	-
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Loans and Receivables to Other Customers	237,023,858	238,262,099	238,338,054	(44,957)	(1,283,700)
Financial Investments - Fair value through other comprehensive income	129,873,782	-	-	-	-
Financial Investments - Amortised cost	486,161	499,894	499,894	499,894	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	4,832,221	4,821,521	4,821,521	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	302,359	-	-	-	-
Other Assets	33,440,712	5,414,304	5,414,304	(75,371)	-
Liabilities					
Due to Banks	75,900,464	97,280,271	-	(176,287)	97,456,558
Derivative Financial Instruments	445,833	445,833	-	11,252	434,581
Other Financial Liabilities Held-For-Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Other Customers	278,758,683	278,755,896	-	(473)	278,756,369
Other Borrowings	-	-	-	-	-
Retirement Benefit Obligations	233,058	-	-	-	-
Current Tax Liabilities	1,850,694	1,892,838	-	-	1,892,838
Deferred Tax Liabilities	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	40,614,349	13,963,294	-	-	13,963,294
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
Off-Balance Sheet Liabilities					
Guarances	76,537,330	76,537,330	76,537,330	-	-
Performance Bonds	27,317,554	27,317,554	27,317,554	-	-
Letters of Credit	27,705,694	27,705,694	27,705,694	-	-
Other Contingent Items	-	27,152,385	27,152,385	-	-
Undrawn Loan Commitments	177,440,879	177,440,879	177,440,879	-	-
Other Commitments	87,987,258	97,973,472	34,268,553	-	66,157,152
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	48,893,931	48,968,201	42,885,569	-	-
Accumulated Other Comprehensive Income	11,897,736	-	5,183,350	-	-
Statutory reserve fund	2,649,711	2,649,714	2,649,711	-	-
Other Reserves	3,410,152	14,988,093	3,145,865	-	-
Total Shareholders' Equity	70,003,888	69,758,364	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 September 2021 computed based on Banking Act Direction No. 01 of 2016 - Capital requirements under Basel III