

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SRI LANKA BRANCH

Basel III - Disclosures Under Pillar 3 as per the Banking Act Direction No.01 of 2016

Key Regulatory Ratios - Capital and Liquidity

	2022 (Audited) As at 31 December	2021 (Audited) As at 31 December
Regulatory Capital Adequacy		
Common Equity Tier 1, Rs.'Mn	62,891	62,121
Tier 1 Capital, Rs.'Mn	62,891	62,121
Total Capital, Rs.'Mn	68,279	65,052
Common Equity Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 6.5%)	16.37%	19.68%
Tier 1 Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 8.0%)	16.37%	19.68%
Total Capital Ratio, as % of Risk Weighted Assets (Minimum Requirement, 12.0%)	17.78%	20.61%

	2022 As at 31 December	2021 As at 31 December
Regulatory Liquidity		
Statutory Liquid Assets, Rs.'Mn		
Domestic Banking unit	219,945	160,087
Off-Shore Banking Unit	184,362	35,053
Total Bank	404,212	195,140
Statutory Liquid Assets Ratio,%		
Domestic Banking Unit	52.23%	58.02%
Off-Shore Banking Unit	121.47%	29.80%
Total Bank (Minimum Requirement, 20%)	70.54%	50.26%
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement, 90%)	297.00%	320.57%
Liquidity Coverage Ratio (%) - All currency (Minimum Requirement, 90%)	500.40%	356.74%
Net Stable Funding Ratio (%) (Minimum Requirement 90%)	163%	149%
Leverage Ratio (%) (Minimum Requirement 3%)	8.27%	10.66%

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Basel III Computation of Capital Adequacy Ratio

Item	As at 31 December 2022 Rs.'Mn
Common Equity Tier 1 (CET1) Capital after Adjustments	62,891
Total Common Equity Tier 1 (CET1) Capital	67,254
Equity capital or stated capital/assigned capital	3,152
Reserve fund	2,997
Published retained earnings/(accumulated retained losses)	54,766
Accumulated other comprehensive income (OCI)	6,114
General and other disclosed reserves	225
Total Adjustments to CET1 Capital	4,363
Revaluation losses of property, plant and equipment	-
Deferred tax assets (net)	-
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(38)
Tier 2 Capital after Adjustments	5,389
Total Tier 2 Capital	5,389
Revaluation gains	1,050
General provisions	4,339
Total Adjustments to Tier 2 Capital	-
Total Tier 1 Capital	62,891
Total Capital	68,279
Total Risk Weighted Assets (RWA)	384,121
RWAs for Credit Risk	347,099
RWAs for Market Risk	3,989
RWAs for Operational Risk	33,033
CET1 Capital Ratio (including Capital Conservation Buffer,	
Countercyclical Capital Buffer & Surcharge on D-SIBs)	
(%)	16.37%
of which: Capital Conservation Buffer (%)	1.00%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-
Total Tier 1 Capital Ratio (%)	16.37%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical	
Capital Buffer & Surcharge on D-SIBs) (%)	17.78%
of which: Capital Conservation Buffer (%)	1.00%
of which: Countercyclical Buffer (%)	-
of which: Capital Surcharge on D-SIBs (%)	-

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Computation of Leverage Ratio

Item	As at 31 December 2022	As at 31 December 2021
	Rs.'Mn	Rs.'Mn
Tier 1 Capital	62,891	56,642
Total Exposures	759,452	531,105
On Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	668,472	460,437
Derivative Exposures	929	511
Securities Financing Transaction Exposures	-	-
Other Off-Balance Sheet Exposures	90,051	70,157
Basel III Leverage Ratio	8.27%	10.66%

Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	As at 31 December 2022		As at 31 December 2021	
	Rs'Mn		Rs'Mn	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	199,645	199,645	135,277	135,277
Total Adjusted Level 1A Assets	199,645	199,645	135,277	135,277
Level 1 Assets	199,645	199,645	135,277	135,277
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	911,642	159,589	661,972	100,185
Deposits	163,377	16,338	124,397	12,440
Unsecured Wholesale Funding	313,468	125,607	177,604	70,635
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	420,107	2,955	345,715	2,855
Additional Requirements	14,690	14,690	14,255	14,255
Total Cash Inflows	224,506	164,432	89,837	62,265
Maturing Secured Lending Transactions Backed by Collateral Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	179,292	163,160	74,895	60,803
Operational Deposits	43,776	-	12,630	-
Other Cash Inflows	1,438	1,272	2,311	1,462
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		500.40%		356.74%

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Credit Risk under Standardised Approach - Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	As at 31 December 2022					
	Exposures before		Exposures post CCF		RWA and RWA	
	On-Balance Sheet Amount Rs.'Mn	Off-Balance Sheet Amount Rs.'Mn	On-Balance Sheet Amount Rs.'Mn	Off-Balance Sheet Amount Rs.'Mn	RWA Rs.'Mn	RWA Density(ii) Rs.'Mn
Claims on Central Government and CBSL	208,051	-	208,051	-	-	0.00%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Bank	-	-	-	-	-	-
Claims on Banks Exposures	167,921	61,000	167,921	23,569	39,941	20.86%
Claims on Financial Institutions	-	-	-	-	-	0.00%
Claims on Corporates	139,272	156,009	138,864	62,633	200,626	99.57%
Retail Claims	29,704	350	25,347	315	19,390	75.56%
Claims Secured by Residential Property	2,369	-	2,369	-	2,369	100.00%
Claims Secured by Commercial Real Estate	51,707	-	51,707	-	51,707	100.00%
Non-Performing Assets (NPAs)	11,581	-	11,524	-	16,776	145.58%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	19,109	-	19,109	-	16,290	85.25%
Total	629,713	217,359	624,891	86,517	347,099	-

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

Market Risk under Standardised Measurement Method

As at 31 December 2022	RWA Amount Rs.'Mn
(a) RWA for Interest Rate Risk	390
General Interest Rate Risk	-
(i) Net Long or Short Position	390
(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	109
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	3,989

Operational Risk under Basic Indicator Approach

	Capital Charge	Gross Income For the period ending 31 December 2022		
		1st Year Rs.'Mn	2nd Year Rs.'Mn	3rd Year Rs.'Mn
The Basic Indicator Approach	Factor 15%	43,396	19,206	19,981
Capital Charges for Operational Risk (LKR'Mn)				
The Basic Indicator Approach	4,129			
Risk Weighted Amount for Operational Risk (LKR'Mn)				
The Basic Indicator Approach	33,033			

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Credit Risk under Standardised Approach
Exposures by Asset Classes and Risk Weights (Post CCF & CRM)

Description	Amount (Rs Mn) as at 31 December 2022 (Post CCF & CRM)							Total Credit Exposures Amount
	0%	20%	50%	75%	100%	150%	>150%	
Claims on Central Government and Central Bank of Sri Lanka	208,051	-	-	-	-	-	-	208,051
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	-	186,255	5,090	-	145	-	-	191,490
Claims on Financial Institutions	-	-	-	-	-	-	-	-
Claims on Corporates	-	205	1,413	-	199,879	-	-	201,497
Retail Claims	-	-	-	25,091	572	-	-	25,662
Claims Secured by Residential Property	-	-	-	-	2,369	-	-	2,369
Claims Secured by Commercial Real Estate	-	-	-	-	51,707	-	-	51,707
Non-Performing Assets (NPAs)	-	-	7	-	1,005	10,512	-	11,524
Higher-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	1,639	1,475	-	-	15,995	-	-	19,109
Total	209,689	187,936	6,509	25,091	271,672	10,512	-	711,408

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Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank Only

Item	As at 31 December 2022				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements Rs'Mn	Carrying Values under Scope of Regulatory Reporting Rs'Mn	Subject to Credit Risk Framework Rs'Mn	Subject to Market Risk Framework Rs'Mn	Not subject to Capital Requirements or Subject to Deduction from Capital Rs'Mn
Assets					
Cash and Cash Equivalents	190,932	190,932	169,671	-	21,262
Balances with Central Banks	163,595	163,595	163,595	-	-
Derivative Financial Instruments	286	286	-	-	-
Other Financial Assets Held-For-Trading	57	57	57	57	25
Loans and Receivables to Other Customers	227,054	227,054	229,810	-	4,592
Financial Investments - Fair value through other comprehensive income	43,635	43,635	43,635	43,635	-
Financial Investments - Amortised cost	70	70	70	-	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	5,233	5,233	5,227	-	6
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	4,355	4,355	-	-	4,355
Other Assets	28,553	28,553	10,378	-	-
Liabilities					
Due to Banks	34,996	34,996	-	-	-
Derivative Financial Instruments	127	127	-	-	-
Other Financial Liabilities Held-For-Trading	-	-	-	-	-
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-	-	-	-
Due to Other Customers	468,266	468,266	-	-	-
Other Borrowings	-	-	-	-	-
Retirement Benefit Obligations	514	514	-	-	-
Current Tax Liabilities	7,450	7,450	-	-	-
Deferred Tax Liabilities	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Liabilities	37,436	37,436	-	-	-
Due to Subsidiaries	-	-	-	-	-
Subordinated Term Debts	-	-	-	-	-
Off-Balance Sheet Liabilities					
Guarantees	114,598	114,598	131,119	-	388
Performance Bonds	27,623	27,623	27,623	-	-
Letters of Credit	32,142	32,142	32,142	-	-
Other Contingent Items	-	-	-	-	-
Undrawn Loan Commitments	226,518	226,518	226,518	-	-
Other Commitments	81,657	81,657	23,664	-	-
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital of which Amount Eligible for CET1	3,152	3,152	3,152	-	-
of which Amount Eligible for AT1	-	-	3,152	-	-
Retained Earnings	54,067	54,067	54,766	-	-
Accumulated Other Comprehensive Income	-	-	6,114	-	-
Statutory reserve fund	2,979	2,979	2,997	-	-
Other Reserves	54,784	54,784	225	-	-
Total Shareholders' Equity	114,982	114,982	67,254	-	-