



BANK OF SHANGHAI (HONG KONG) LIMITED

**REGULATORY DISCLOSURES STATEMENT
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

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This document contains Pillar 3 disclosures of Bank of Shanghai (Hong Kong) Limited (the “Bank”) relating to capital adequacy ratios, leverage ratio and risk-weighted amount (“RWA”) by risk types. The following disclosures are prepared in accordance with the Banking (Disclosure) Rules and standard disclosure templates promulgated by the Hong Kong Monetary Authority (the “HKMA”). The Bank is only required to calculate capital adequacy ratio and leverage ratio on an unconsolidated basis.

1 Key Prudential Ratios

The following table provides an overview of the Bank’s key prudential ratios.

	HK\$'000	As at 30 September 2018	As at 30 June 2018	As at 31 March 2018	As at 31 December 2017	As at 30 September 2017
	Regulatory Capital (amount)					
1	Common Equity Tier 1 (CET1)	4,036,988	3,989,052	4,012,509	3,934,044	3,900,237
2	Tier 1	4,036,988	3,989,052	4,012,509	3,934,044	3,900,237
3	Total Capital	4,199,153	4,149,736	4,178,967	4,087,329	4,024,904
	RWA (amount)					
4	Total RWA	18,527,606	16,471,672	17,585,483	18,298,193	15,923,931
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	21.8	24.2	22.8	21.5	24.5
6	Tier 1 ratio (%)	21.8	24.2	22.8	21.5	24.5
7	Total Capital ratio (%)	22.7	25.2	23.8	22.3	25.3
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.875	1.875	1.875	1.250	1.250
9	Countercyclical capital buffer requirement (%)	0.700	0.765	0.732	0.534	0.459
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	–	–	–	–	–
11	Total AI-specific CET1 buffer requirements (%)	2.575	2.640	2.607	1.784	1.709
12	CET1 available after meeting the AI’s minimum capital requirements (%)	14.7	17.2	15.8	14.3	17.3
	Basel III Leverage ratio					
13	Total Leverage ratio (LR) exposure measure	23,466,992	21,319,696	24,349,456	24,974,850	24,305,928
14	LR (%)	17.2	18.7	16.5	15.8	16.1

1 Key Prudential Ratios (continued)

HK\$'000		As at 30 September 2018	As at 30 June 2018	As at 31 March 2018	As at 31 December 2017	As at 30 September 2017
	Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	NA	NA	NA	NA	NA
16	Total net cash outflows	NA	NA	NA	NA	NA
17	LCR (%)	NA	NA	NA	NA	NA
	Applicable to category 2 institution only:					
17a	LMR (%)	55.2	55.6	55.1	46.4	47.3
	Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required Stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
	Applicable to category 2A institution only:					
20a	CFR (%)	108.3	105.8	105.5	NA	NA

2 Overview of Risk-weighted amount

The table below sets out the RWA by risk types and their corresponding capital requirements (i.e. 8% of the RWA):

		(a)	(b)	(c)
		RWA		Minimum capital requirements
HK\$'000		As at 30 September 2018	As at 30 June 2018	As at 30 September 2018
1	Credit risk for non-securitization exposures	15,603,789	13,647,156	1,248,303
2	Of which STC approach	15,603,789	13,647,156	1,248,303
2a	Of which BSC approach	–	–	–
3	Of which foundation IRB approach	–	–	–
4	Of which supervisory slotting criteria approach	–	–	–
5	Of which advanced IRB approach	–	–	–
6	Counterparty default risk and default fund contributions	37,331	35,838	2,986
7	Of which SA-CCR*	–	–	–
7a	Of which CEM	37,331	35,838	2,986
8	Of which IMM(CCR) approach	–	–	–
9	Of which others	–	–	–
10	CVA risk	43,263	45,375	3,461
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme (“CIS”) exposures – LTA*	NA	NA	NA
13	CIS exposures – MBA*	NA	NA	NA
14	CIS exposures – FBA*	NA	NA	NA
14a	CIS exposures – combination of approaches*	NA	NA	NA
15	Settlement risk	–	–	–
16	Securitization exposures in banking book	–	–	–
17	Of which SEC-IRBA	–	–	–
18	Of which SEC-ERBA	–	–	–
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	Market risk	1,019,775	965,238	81,582
21	Of which STM approach	1,019,775	965,238	81,582
22	Of which IMM approach	–	–	–

3 Overview of Risk-weighted amount (continued)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
HK\$'000		As at 30 September 2018	As at 30 June 2018	As at 30 September 2018
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	NA	NA	NA
24	Operational risk	727,213	692,375	58,177
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,096,235	1,085,690	87,699
26	Capital floor adjustment	–	–	–
26a	Deduction to RWA			
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27	Total	18,527,606	16,471,672	1,482,208

Total RWA increased mainly attributable to increase in RWA for credit risk, which was driven by the increase in corporate exposures during the quarter.

3 Leverage Ratio

		As at 30 September 2018 HK\$'000	As at 30 June 2018 HK\$'000
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	23,654,181	21,674,725
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	-416,083	-433,488
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	23,238,098	21,241,237
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	61,965	53,379
5	Add-on amounts for PFE associated with all derivatives contracts	55,072	58,464
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivatives contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives	-	-
11	Total exposures arising from derivative contracts	117,037	111,843
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	1,941,022	1,837,058
18	Less: Adjustments for conversion to credit equivalent amounts	-1,588,418	-1,496,816
19	Off-balance sheet items	352,604	340,242
Capital and total exposures			
20	Tier 1 capital	4,036,988	3,989,052
20a	Total exposures before adjustments for specific and collective provisions	23,707,739	21,693,322
20b	Adjustments for specific and collective provisions	-240,747	-373,626
21	Total exposures after adjustments for specific and collective provisions	23,466,992	21,319,696
Leverage ratio			
22	Leverage ratio	17.2%	18.7%