



BANK OF SHANGHAI (HONG KONG) LIMITED

**REGULATORY DISCLOSURE STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2023**

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This document contains Pillar 3 disclosures of Bank of Shanghai (Hong Kong) Limited (the “Bank”) relating to key prudential 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”).

As a result of the review of the scope of consolidation for regulatory purposes, the Bank is required to calculate the key prudential ratios on both unconsolidated and consolidated basis with effective from 1 July 2022. Except where indicated otherwise, the financial information contained in this Regulatory Disclosure Statement has been prepared on a consolidated basis. The financial information for different position dates were prepared on different consolidation bases and may not be directly comparable.

1 Key Prudential Ratios

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

HK\$'000		As at 31 March 2023	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022	As at 31 March 2022
		Consolidated	Consolidated	Consolidated	Unconsolidated	Unconsolidated
	Regulatory Capital (amount)					
1	Common Equity Tier 1 (CET1)	6,413,315	3,816,131	3,660,441	4,399,679	4,433,967
2	Tier 1	6,413,315	3,816,131	3,660,441	4,399,679	4,433,967
3	Total Capital	6,716,445	4,058,756	3,947,831	4,630,699	4,674,835
	RWA (amount)					
4	Total RWA	26,838,936	22,054,158	25,836,485	23,252,949	25,244,407
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	23.9	17.3	14.2	18.9	17.6
6	Tier 1 ratio (%)	23.9	17.3	14.2	18.9	17.6
7	Total Capital ratio (%)	25.0	18.4	15.3	19.9	18.5
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	2.500	2.500
9	Countercyclical capital buffer requirement (%)	0.465	0.392	0.400	0.529	0.509
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	–	–	–	–	–
11	Total AI-specific CET1 buffer requirements (%)	2.965	2.892	2.900	3.029	3.009
12	CET1 available after meeting the AI’s minimum capital requirements (%)	17.0	10.4	7.3	11.9	10.5
	Basel III Leverage ratio					
13	Total Leverage ratio (LR) exposure measure	34,746,897	29,298,980	32,640,293	31,886,711	33,579,546
14	LR (%)	18.5	13.0	11.2	13.8	13.2

1 Key Prudential Ratios (continued)

HK\$'000		As at 31 March 2023	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022	As at 31 March 2022
		Consolidated	Consolidated	Consolidated	Unconsolidated	Unconsolidated
	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 (%)	160.7	129.2	132.2	127.9	143.2
	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 (%)	123.5	113.7	137.0	123.4	107.3

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):

HK\$'000		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 March 2023	As at 31 December 2022	As at 31 March 2023
1	Credit risk for non-securitization exposures	24,224,580	19,367,146	1,937,966
2	Of which STC approach	24,224,580	19,367,146	1,937,966
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	25,780	42,874	2,062
7	Of which SA-CCR approach	25,780	42,874	2,062
7a	Of which CEM	–	–	–
8	Of which IMM(CCR) approach	–	–	–
9	Of which others	–	–	–
10	CVA risk	22,538	16,313	1,803
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 (including IAA)	–	–	–
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	Market risk	727,438	869,550	58,195
21	Of which STM approach	727,438	869,550	58,195
22	Of which IMM approach	–	–	–

2 Overview of Risk-weighted amount (continued)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 March 2023	As at 31 December 2022	As at 31 March 2023
HK\$'000				
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	1,838,600	1,758,275	147,088
24a	Sovereign concentration risk	–	–	–
25	Amounts below the thresholds for deduction (subject to 250% RW)	–	–	–
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	26,838,936	22,054,158	2,147,114

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

3 Leverage Ratio

		As at 31 March 2023 HK\$'000	As at 31 December 2022 HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	35,515,946	30,189,267
2	Less: Asset amounts deducted in determining Tier 1 capital	(311,385)	(354,661)
3	Total on-balance sheet exposures (excluding derivatives contracts and SFTs)	35,204,561	29,834,606
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)	10,235	27,250
5	Add-on amounts for PFE associated with all derivatives contracts	70,559	90,132
6	Gross-up for collateral provided in respect of derivative contracts 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	(35,800)	(117,382)
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivatives contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivatives contracts	-	-
11	Total exposures arising from derivative contracts	44,994	-
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	4,237,310	5,583,844
18	Less: Adjustments for conversion to credit equivalent amounts	(3,556,170)	(4,936,533)
19	Off-balance sheet items	681,140	647,311
Capital and total exposures			
20	Tier 1 capital	6,413,315	3,816,131
20a	Total exposures before adjustments for specific and collective provisions	35,930,695	30,481,917
20b	Adjustments for specific and collective provisions	(1,183,798)	(1,182,937)
21	Total exposures after adjustments for specific and collective provisions	34,746,897	29,298,980
Leverage ratio			
22	Leverage ratio	18.5%	13.0%

Leverage ratio increased as the Bank completed the HK\$2.3 billion new capital issuance during the quarter which increased the Tier 1 capital, and this impact was partly offset by the increased balance sheet size during the quarter.