

Bank of Shanghai (Hong Kong)
Limited

Regulatory Disclosures
for the quarter ended 31 March 2018

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This document contains Pillar 3 disclosures of Bank of Shanghai (Hong Kong) Limited (the “Company”) 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 Company is only required to calculate capital adequacy ratio and leverage ratio on an unconsolidated basis.

1 Capital adequacy ratios

The capital adequacy ratios were calculated in accordance with the Banking (Capital) Rules issued by the HKMA.

| | <i>31 March</i> 2018 % | <i>31 December</i> 2017 % |
|--------------------------------|-------------------------------------|--|
| Capital adequacy ratios | | |
| Common Equity Tier 1 | 22.8 | 21.5 |
| Tier 1 | 22.8 | 21.5 |
| Total | <u>23.8</u> | <u>22.3</u> |
| | <i>31 March</i> 2018 HK\$'000 | <i>31 December</i> 2017 HK\$'000 |
| Capital | | |
| Common Equity Tier 1 | 4,012,509 | 3,934,044 |
| Tier 1 | 4,012,509 | 3,934,044 |
| Total | <u>4,178,967</u> | <u>4,087,329</u> |
| Total RWA | <u>17,585,483</u> | <u>18,298,193</u> |

2 Leverage Ratio

The Leverage Ratios were computed in accordance with the Leverage Ratio Framework issued by the HKMA.

| | 31 March 2018 HK\$'000 | 31 December 2017 HK\$'000 |
|------------------|------------------------------|---------------------------------|
| Tier 1 capital | 4,012,509 | 3,934,044 |
| Exposure measure | 24,349,456 | 24,974,850 |
| Leverage Ratio | <u>16.5%</u> | <u>15.8%</u> |

3 Overview of Risk-weighted amount

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

| | | RWA | | Minimum capital requirements |
|----|---|------------------|---------------------|------------------------------|
| | | 31 March 2018 | 31 December 2017 | 31 March 2018 |
| | | HK\$ '000 | HK\$'000 | HK\$'000 |
| 1 | Credit risk for non-securitization exposures | 14,823,611 | 15,585,580 | 1,185,889 |
| 2 | Of which STC approach | 14,823,611 | 15,585,580 | 1,185,889 |
| 4 | Counterparty credit risk | 54,872 | 42,510 | 4,390 |
| 5a | Of which CEM | 24,472 | 20,447 | 1,958 |
| 16 | Market risk | 921,650 | 959,850 | 73,732 |
| 17 | Of which STM approach | 921,650 | 959,850 | 73,732 |
| 19 | Operational risk | 695,250 | 638,863 | 55,620 |
| 20 | Of which BIA approach | 695,250 | 638,863 | 55,620 |
| 23 | Amounts below the thresholds for deduction (subject to 250% RW) | 1,090,100 | 1,071,390 | 87,208 |
| 25 | Total | 17,585,483 | 18,298,193 | 1,406,839 |

In calculating the risk-weighted amount ("RWA"), the Company adopted the Standardised (Credit Risk) Approach for credit risk and the Standardised (Market Risk) Approach for market risk. For operational risk, the capital requirement was determined by using the Basic Indicator Approach.

The quarter to quarter decrease in total RWA was mainly related to credit risk arising from a lower total risk assets and partial shift of asset mix from bank exposures to sovereign exposures during the quarter.