



BANK OF SHANGHAI (HONG KONG) LIMITED

2021 INTERIM REGULATORY DISCLOSURES STATEMENTS

**BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021**

CONTENTS

	Pages
Introduction	1
Key Prudential Ratios	1
Composition of Capital	3
Leverage Ratio	15
Overview of Risk-weighted Amount	17
Credit Risk	19
Counterparty Credit Risk	22
Market Risk Under Standardized Approach	24
International Claims	24
Further Analysis of Loans and Advances to Customers	25
Mainland Activities	29
Currency Concentrations	31
Countercyclical Capital Buffer	31

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

1 INTRODUCTION

The information contained in this document is for Bank of Shanghai (Hong Kong) Limited (“the Company”) and its subsidiaries (together “the Group”) and is prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

Basis of preparation

For regulatory reporting purpose, the Company is required to report its capital adequacy ratios, leverage ratios and liquidity maintenance ratio (“LMR”) on an unconsolidated basis. The other financial information contained in this document is prepared based on an unconsolidated base unless otherwise specified.

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.

2 KEY PRUDENTIAL RATIOS

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

In HK\$’000		As at 30 June 2021	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020	As at 30 June 2020
	Regulatory Capital (amount)					
1	Common Equity Tier 1 (CET1)	4,555,639	4,587,428	4,465,317	4,502,677	4,468,116
2	Tier 1	4,555,639	4,587,428	4,465,317	4,502,677	4,468,116
3	Total Capital	4,782,964	4,790,542	4,711,552	4,748,816	4,667,587
	RWA (amount)					
4	Total RWA	26,025,484	25,307,458	25,143,135	25,906,784	23,873,089
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	17.5	18.1	17.8	17.4	18.7
6	Tier 1 ratio (%)	17.5	18.1	17.8	17.4	18.7
7	Total Capital ratio (%)	18.4	18.9	18.7	18.3	19.6
	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 (%)	0.451	0.433	0.472	0.443	0.432
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	–	–	–	–	–
11	Total AI-specific CET1 buffer requirements (%)	2.951	2.933	2.972	2.943	2.932
12	CET1 available after meeting the AI’s minimum capital requirements (%)	10.4	10.9	10.7	10.3	11.6

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

2 KEY PRUDENTIAL RATIOS (CONTINUED)

In HK\$'000		As at 30 June 2021	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020	As at 30 June 2020
	Basel III Leverage ratio					
13	Total Leverage ratio (LR) exposure measure	30,979,169	30,842,619	29,162,128	29,413,775	28,849,625
14	LR (%)	14.7	14.9	15.3	15.3	15.5
	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 (%)	74.1	66.1	77.2	70.1	65.8
	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 (%)	128.2	120.6	116.6	125.7	112.5

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL

(a) Financial Statements and Regulatory Scope of Consolidation

Capital adequacy ratios were calculated in accordance with the Capital Rules issued by the HKMA. The basis of consolidation for regulatory reporting purposes is different from the basis of consolidation for accounting purposes. As specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules, the Company is only required to calculate capital adequacy ratio on an unconsolidated basis. Subsidiaries not included in consolidation for regulatory reporting purposes are companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorized institutions under the Capital Rules and the Banking Ordinance. Details of subsidiaries that are not included in consolidation for regulatory reporting purposes are as follows:

Name of companies	Principal activities	Total assets as at 30 June 2021 HK\$'000	Total equity as at 30 June 2021 HK\$'000
BOSC International Company Limited	Investment banking	866,875	807,415
BOSC International Securities Limited	Dormant	9,995	9,858
BOSC International Asset Management Limited	Dormant	5,000	4,858
BOSC International Financial Products Limited (formerly "BOSC International Capital Limited")	Corporate finance	10,000	9,855
BOSC International Investment Limited	Investment trading	5,203,790	258,517
BOSC International (Shenzhen) Company Limited	Corporate advisory	681,066	332,247
BOSC International Advisory (Shenzhen) Company Limited	Corporate advisory	164,959	72,558
BOSC International Equity Investment Fund Management (Shenzhen) Company Limited	Fund management	6,313	(3,912)
BOSC International Investment (Shenzhen) Company Limited	Investment trading	15,089	12,665
BOSC International (BVI) Limited	Special purpose entity for financing	24,422	18,773
BOSCI (BVI) Limited	Special purpose entity for financing	3,878,753	536
BOSC International Investment (BVI) Limited	Investment trading	–	(23)

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet

Table 1 : Reconciliation of Regulatory Scope Consolidated Balance Sheet to Capital Components

	Balance sheet as in published disclosure statements	Under regulatory scope of consolidation	Cross reference to Capital Disclosures
	As at 30 June 2021	As at 30 June 2021	
	HK\$'000	HK\$'000	
Assets			
Cash and balances from banks and central bank	1,357,284	1,167,886	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		68	(1)
Placements with and advances to banks	1,374,667	1,374,667	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		329	(2)
Financial assets at fair value through profit and loss	1,027,213	459,769	
Derivative financial assets	36,440	36,440	
Loans and advances to customers	19,903,739	19,903,739	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		212,685	(3)
Investment securities	11,931,469	6,736,393	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		4,760	(4)
Interests in associate	4,419	–	
Investment in subsidiary	–	780,000	
Property and equipments	23,373	10,112	
Intangible assets	2,616	2,442	(5)
Current tax recoverable	33,805	30,984	
Deferred tax assets	68,973	33,024	(6)
<i>of which: deferred tax liabilities related to intangible assets</i>		277	(7)
Other assets	295,289	136,424	
Total assets	36,059,287	30,671,880	

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 1 : Reconciliation of Regulatory Scope Consolidated Balance Sheet to Capital Components (continued)

	Balance sheet as in published disclosure statements	Under regulatory scope of consolidation	Cross reference to Capital Disclosures
	As at 30 June 2021	As at 30 June 2021	
	HK\$'000	HK\$'000	
Liabilities			
Deposits from customers	13,101,427	13,105,065	
Deposits from banks	4,927,530	4,927,530	
Financial assets sold under repurchase agreement	164,744	–	
Derivative financial liabilities	29,046	29,046	
Certificates of deposit and other debt securities issued	11,352,502	7,489,648	
Current tax payable	74,831	–	
Deferred tax liabilities	59	–	
Lease liabilities	20,420	8,102	
Short-term borrowings	619,400	–	
Other liabilities	429,623	221,373	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		9,483	(8)
Total liabilities	30,719,582	25,780,764	
Equity			
Share capital	4,000,000	4,000,000	
<i>of which: amount eligible for CET1</i>	4,000,000	4,000,000	(9)
<i>of which: amount eligible for AT1</i>	–	–	
Retained profits	1,368,177	853,942	(10)
Other reserves	(28,472)	37,174	(11)
<i>of which: regulatory reserves</i>		–	
Total equity	5,339,705	4,891,116	
Total equity and liabilities	36,059,287	30,671,880	

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures

As the Company does not have any capital deduction qualified for transition arrangement under section 3 of Schedule 4H of the Banking (Capital) Rules (“**BCR**”), the Company has applied full capital deductions under BCR and the Company adopted this Capital Disclosures Template for making disclosures specified in the relevant subsections of section 24 of Banking (Disclosures) Rules.

		(a)	(b)
		HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	4,000,000	(9)
2	Retained earnings	853,942	(10)
3	Disclosed reserves	37,174	(11)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	–	
6	CET1 capital before regulatory adjustments	4,891,116	
CET1 capital: regulatory deductions			
7	Valuation adjustments	–	
8	Goodwill (net of associated deferred tax liabilities)	–	
9	Other intangible assets (net of associated deferred tax liabilities)	2,165	(5) - (7)
10	Deferred tax assets (net of deferred tax liabilities)	33,301	(6) + (7)
11	Cash flow hedge reserve	–	
12	Excess of total EL amount over total eligible provisions under the IRB approach	–	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures (continued)

		(a)	(b)
		HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	300,011	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	–	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	
26b	Regulatory reserve for general banking risks	–	
26c	Securitization exposures specified in a notice given by the MA	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	
28	Total regulatory deductions to CET1 capital	335,477	
29	CET1 capital	4,555,639	

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures (continued)

		(a)	(b)
		HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	–	
31	of which: classified as equity under applicable accounting standards	–	
32	of which: classified as liabilities under applicable accounting standards	–	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
36	AT1 capital before regulatory deductions	–	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments applied to AT1 capital	–	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	
43	Total regulatory deductions to AT1 capital	–	
44	AT1 capital	–	
45	Tier 1 capital (T1 = CET1 + AT1)	4,555,639	

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures (continued)

		(a)	(b)
		HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	–	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	–	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	–	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	227,325	(1) + (2) + (3) + (4) + (8)
51	Tier 2 capital before regulatory deductions	227,325	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	–	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	–	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments applied to Tier 2 capital	–	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	–	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	–	

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures (continued)

		(a)	(b)
		HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
57	Total regulatory adjustments to Tier 2 capital	–	
58	Tier 2 capital	227,325	
59	Total regulatory capital (Total capital=Tier 1+Tier 2)	4,782,964	
60	Total risk weighted assets	26,025,484	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	17.5%	
62	Tier 1 capital ratio	17.5%	
63	Total capital ratio	18.4%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.951%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.451%	
67	of which: higher loss absorbency requirement	–	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.38%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	–	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	485,565	
74	Mortgage servicing rights (net of associated deferred tax liability)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liability)	Not applicable	Not applicable

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures (continued)

		(a)	(b)
		HK\$'000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	227,325	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	301,914	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	–	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	–	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	–	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	–	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	–	

**BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021**

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Notes to the Table 2:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row No.	Description	Hong Kong basis	Basel III basis
9	Other intangible assets (net of associated deferred tax liabilities)	2,165	2,165
	<p>Explanation</p> <p>As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (“MSRs”) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI’s financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 9 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		
10	Deferred tax assets (net of associated deferred tax liabilities)	33,301	–
	<p>Explanation</p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 10 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		

**BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021**

3 COMPOSITION OF CAPITAL (CONTINUED)

(b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Notes to the Table 2: (continued)

Row No.	Description	Hong Kong basis	Basel III basis
	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	300,011	294,435
19	<p>Explanation</p> <p>For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p>		

**BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021**

3 COMPOSITION OF CAPITAL (CONTINUED)

(c) Main Features of Capital Instruments

1	Issuer	Bank of Shanghai (Hong Kong) Limited	Bank of Shanghai (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA
3	Governing law(s) of the instrument	Hong Kong	Hong Kong
	<i>Regulatory treatment</i>		
4	Transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$2,200 million	HK\$1,800 million
9	Par value of instrument	HK\$10 each	RMB\$10 each
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	12/2/1974	3/1/2014
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable
16	Subsequent call dates, if applicable	Not applicable	Not applicable
	<i>Coupons/dividends</i>		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	Not applicable	Not applicable
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

3 COMPOSITION OF CAPITAL (CONTINUED)

(c) Main Features of Capital Instruments (continued)

29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Not applicable
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

4 LEVERAGE RATIO

(a) Components of Leverage ratio

Leverage Ratio Disclosure Template

	Item	As at 30 June 2021 HK\$'000	As at 31 March 2021 HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	30,998,303	31,031,004
2	Less: Asset amounts deducted in determining Tier 1 capital	(335,477)	(352,267)
3	Total on-balance sheet exposures (excluding derivatives contracts and SFTs)	30,662,826	30,678,737
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)	19,089	73,500
5	Add-on amounts for PFE associated with all derivatives contracts	72,274	61,628
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	(24,382)	–
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	66,981	135,128

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

4 LEVERAGE RATIO (CONTINUED)

(a) Components of Leverage ratio (continued)

	Item	As at 30 June 2021 HK\$'000	As at 31 March 2021 HK\$'000
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	3,806,429	3,692,750
18	Less: Adjustments for conversion to credit equivalent amounts	(3,194,204)	(3,215,161)
19	Off-balance sheet items	612,225	477,589
Capital and total exposures			
20	Tier 1 capital	4,555,639	4,587,428
20a	Total exposures before adjustments for specific and collective provisions	31,342,032	31,291,454
20b	Adjustments for specific and collective provisions	(362,863)	(448,835)
21	Total exposures after adjustments for specific and collective provisions	30,979,169	30,842,619
Leverage ratio			
22	Leverage ratio	14.7%	14.9%

(b) Reconciliation of published financial statements to leverage ratio exposure

	Item	Leverage ratio framework As at 30 June 2021 HK\$'000
1	Total consolidated assets as per published financial statements	36,059,287
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(5,387,407)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
3a	Adjustments for eligible cash pooling transactions	–
4	Adjustment for derivative contracts	66,981
5	Adjustment for SFTs (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet ("OBS") items(i.e. conversion to credit equivalent amounts of OBS exposures)	612,225
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	–
7	Other adjustments	(371,917)
8	Leverage ratio exposure measure	30,979,169

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

5 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
		As at 30 June 2021	As at 31 March 2021	As at 30 June 2021	
	HK\$'000				
1	Credit risk for non-securitization exposures	22,904,512	22,205,661	1,832,361	
2	Of which STC approach	22,904,512	22,205,661	1,832,361	
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	34,708	57,253	2,777	
7	Of which SA-CCR approach	34,708	NA	2,777	
7a	Of which CEM	–	57,253	–	
8	Of which IMM(CCR) approach	–	–	–	
9	Of which others	–	–	–	
10	CVA risk	29,875	36,263	2,390	
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	830,588	832,775	66,447	
21	Of which STM approach	830,588	832,775	66,447	
22	Of which IMM approach	–	–	–	

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

5 OVERVIEW OF RISK-WEIGHTED AMOUNT (CONTINUED)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
HK\$'000		As at 30 June 2021	As at 31 March 2021	As at 30 June 2021
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	1,011,888	953,963	80,951
24a	Sovereign concentration risk	–	–	–
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,213,913	1,221,543	97,113
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	26,025,484	25,307,458	2,082,039

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

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

6 CREDIT RISK

(a) Credit quality of assets

As at 30 June 2021	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
	Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values	
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Loans	254,883	22,582,830	354,252	141,170	213,082	–	22,483,461
2	Debt securities	–	7,245,087	4,760	–	4,760	–	7,240,327
3	Off-balance sheet exposures	–	688,249	4,907	–	4,907	–	683,342
4	Total	254,883	30,516,166	363,919	141,170	222,749	–	30,407,130

A default is considered to have occurred with regard to a particular borrower when either or both of the following events have taken place:

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without taking action such as realising security (if held).
- Technical default: Borrower is more than 90 days past due on any credit obligation.

Loans included balances with banks and central bank, placements with and advances to banks, loans and advances to customers and related interest receivables.

Debt securities included non-trading investment securities and related interest receivables.

Off-balance sheet exposures included direct credit substitutes, transaction-related contingencies, trade-related contingencies and irrecoverable loans commitment.

(b) Changes in Stock of Defaulted Loans and Debt Securities

As at 30 June 2021		(a)
		HK\$'000
1	Default loans and debt securities as at 31 December 2020	541,785
2	Loans and debt securities that have defaulted since the last reporting period	–
3	Returned to non-defaulted status	–
4	Amounts written off	(287,648)
5	Other changes (Note a)	746
6	Defaulted loans and debt securities as at 30 June 2021	254,883

Note a : The amount includes foreign exchange movements.

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

6 CREDIT RISK (CONTINUED)

(c) Overview of Recognized Credit Risk Mitigation

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
As at 30 June 2021		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	17,650,736	4,832,725	179,548	4,653,177	–
2	Debt securities	7,240,327	–	–	–	–
3	Total	24,891,063	4,832,725	179,548	4,653,177	–
4	Of which defaulted	113,713	–	–	–	–

(d) Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – STC approach

		As at 30 June 2021					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
1	Sovereign exposures	768,952	–	768,952	–	–	–
2	PSE exposures	–	–	–	–	–	–
2a	Of which: domestic PSEs	–	–	–	–	–	–
2b	Of which: foreign PSEs	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–
4	Bank exposures	4,557,637	–	9,216,191	–	3,853,297	42
5	Securities firm exposures	790,158	50,000	790,158	–	395,079	50
6	Corporate exposures	23,487,778	3,756,429	18,649,571	294,977	18,190,856	96
7	CIS exposures	–	–	–	–	–	–
8	Cash items	–	–	–	–	–	–
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	–
10	Regulatory retail exposures	5,025	–	5,025	–	3,769	75
11	Residential mortgage loans	–	–	–	–	–	–
12	Other exposures which are not past due exposures	290,941	–	290,941	–	290,941	100
13	Past due exposures	113,713	–	113,713	–	170,570	150
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	Total	30,014,204	3,806,429	29,834,551	294,977	22,904,512	76

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

6 CREDIT RISK (CONTINUED)

(e) Credit Risk Exposures by Asset Classes and by Risk Weights – STC approach

		As at 30 June 2021										
Risk Weight	Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM) HK\$'000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	Sovereign exposures	768,952	-	-	-	-	-	-	-	-	-	768,952
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	2,515,995	-	6,700,196	-	-	-	-	-	9,216,191
5	Securities firm exposures	-	-	-	-	790,158	-	-	-	-	-	790,158
6	Corporate exposures	-	-	-	-	1,941,016	-	16,569,900	433,632	-	-	18,944,548
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	5,025	-	-	-	-	5,025
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	290,941	-	-	-	290,941
13	Past due exposures	-	-	-	-	-	-	-	113,713	-	-	113,713
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	768,952	-	2,515,995	-	9,431,370	5,025	16,860,841	547,345	-	-	30,129,528

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

7 COUNTERPARTY CREDIT RISK (“CCR”)

(a) Analysis of Counterparty Default Risk Exposures (Other than those to CCPs) by Approaches

		As at 30 June 2021					
		Replacement cost (RC) HK\$'000	PFE HK\$'000	Effect EPE HK\$'000	Alpha (α) used for computing default risk exposure HK\$'000	Default risk exposure after CRM HK\$'000	RWA HK\$'000
1	SA – CCR approach (for derivative contracts)	13,635	49,093		1.4	87,819	34,708
1a	CEM (for derivative contracts)	–	–		1.4	–	–
2	IMM (CCR) approach			–	–	–	–
3	Simple Approach (for SFTs)					–	–
4	Comprehensive Approach (for SFTs)					–	–
5	VaR (for SFTs)					–	–
6	Total						34,708

(b) CVA Capital Charge

		As at 30 June 2021	
		(a)	(b)
		EAD post CRM HK\$'000	RWA HK\$'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	–	–
1	(i) VaR (after application of multiplication factor if applicable)		–
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		–
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	87,819	29,875
4	Total	87,819	29,875

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

7 COUNTERPARTY CREDIT RISK (“CCR”) (CONTINUED)

(c) Counterparty Default Risk Exposures (Other than those to CCPs) by Asset Classes and by Risk Weights – for STC approach

Risk Weight Exposure class		As at 30 June 2021										Total default risk exposure after CRM HK\$'000
		0% HK\$'000	10% HK\$'000	20% HK\$'000	35% HK\$'000	50% HK\$'000	75% HK\$'000	100% HK\$'000	150% HK\$'000	250% HK\$'000	Others HK\$'000	
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	31,468	-	55,875	-	-	-	-	-	87,343
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	476	-	-	-	476
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	31,468	-	55,875	-	476	-	-	-	87,819

(d) Composition of Collateral for Counterparty Default Risk Exposures (including those for Contracts or Transactions Cleared through CCPs)

	As at 30 June 2021					
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received HK\$'000	Fair value of posted collateral HK\$'000
	Segregated HK\$'000	Unsegregated HK\$'000	Segregated HK\$'000	Unsegregated HK\$'000		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	36,632	-	24,382	-	-
Corporate bonds	-	-	-	-	-	-
Total	-	36,632	-	24,382	-	-

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

8 MARKET RISK UNDER STANDARDIZED APPROACH

		As at 30 June 2021
		(a)
		RWA HK\$'000
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	29,588
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	801,000
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	–
7	Other approach	–
8	Securitization exposures	–
9	Total	830,588

9 INTERNATIONAL CLAIMS

International claims are exposures of counterparties based on the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims are shown as follows:

In HK\$'000	Non-bank private sector				
	Banks	Official sector	Non-bank financial institution	Non-financial private sector	Total
As at 30 June 2021:					
Developed countries	1,630,483	–	118,926	448,404	2,197,813
Offshore centers	1,031,165	–	2,245,306	2,985,152	6,261,623
of which Hong Kong SAR	1,025,387	–	2,245,306	2,619,945	5,890,638
Developing Asia and Pacific	1,539,635	–	2,231,983	12,383,335	16,154,953
of which China	1,515,771	–	2,154,439	12,157,855	15,828,065
	4,201,283	–	4,596,215	15,816,891	24,614,389
	4,201,283	–	4,596,215	15,816,891	24,614,389

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

9 INTERNATIONAL CLAIMS (CONTINUED)

			<u>Non-bank private sector</u>		Total
	Banks	Official sector	Non-bank financial institution	Non-financial private sector	
As at 31 December 2020:					
Developed countries	783,274	–	120,799	477,056	1,381,129
Offshore centers	532,537	–	2,337,583	4,022,043	6,892,163
of which Hong Kong SAR	390,150	–	2,337,583	3,593,108	6,320,841
Developing Asia and Pacific	1,125,795	–	2,910,053	11,796,665	15,832,513
of which China	1,101,873	–	2,910,053	11,571,590	15,583,516
	<u>2,441,606</u>	<u>–</u>	<u>5,368,435</u>	<u>16,295,764</u>	<u>24,105,805</u>

The geographical analysis has taken into account the transfer of risk.

10 FURTHER ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS

(a) Gross loans and advances to customers by industry sector

	30 June 2021		31 December 2020	
	HK\$'000	% of gross advances covered by collaterals	HK\$'000	% of gross advances covered by collaterals
Gross loans and advances to customers for use in Hong Kong				
Industrial, commercial and financial sectors				
– property development	1,399,750	50.5	1,128,742	47.6
– property investment	608,772	100.0	–	–
– financial concerns	6,306,509	18.9	6,456,091	21.9
– wholesale and retail trade	–	–	25,583	–
– manufacturing	813,632	15.7	879,423	50.3
– transport and transport equipment	199,722	–	199,654	–
– others	962,984	57.6	463,018	65.4
	<u>10,291,369</u>	<u>31.0</u>	<u>9,152,511</u>	<u>28.2</u>
Individuals	<u>40,530</u>	<u>–</u>	<u>45,505</u>	<u>–</u>
Total gross loans and advances for use in Hong Kong	<u>10,331,899</u>	<u>30.9</u>	<u>9,198,016</u>	<u>28.1</u>
Trade finance	153,970	–	148,784	–
Gross loans and advances for use outside Hong Kong	<u>9,768,178</u>	<u>17.2</u>	<u>11,251,403</u>	<u>24.3</u>
Gross loans and advances to customers	<u>20,254,047</u>	<u>24.1</u>	<u>20,598,203</u>	<u>25.8</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

10 FURTHER ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Segmental analysis of loans and advances to customers by geographical area

Loans and advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when a loan is guaranteed by a party located in an area that is different from that of the counterparty.

	Gross loans and advances to customers HK\$'000	Stage 3 impaired loans and advances HK\$'000	Overdue loans and advances HK\$'000	Stage 3 ECL HK\$'000	Stage 1&2 ECL HK\$'000
At 30 June 2021					
– Hong Kong	7,073,060	–	–	–	(127,421)
– Mainland China	12,514,800	248,478	248,478	(137,623)	(74,524)
– Others	666,187	–	–	–	(10,740)
	<u>20,254,047</u>	<u>248,478</u>	<u>248,478</u>	<u>(137,623)</u>	<u>(212,685)</u>
At 31 December 2020					
– Hong Kong	7,439,365	–	–	–	(121,561)
– Mainland China	12,507,249	503,902	503,902	(248,849)	(93,721)
– Others	651,589	–	–	–	(14,112)
	<u>20,598,203</u>	<u>503,902</u>	<u>503,902</u>	<u>(248,849)</u>	<u>(229,394)</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

10 FURTHER ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Overdue loans and advances to customers

The overdue loans and advances of the Company are analysed as follows:

	As at 30 June 2021		As at 31 December 2020	
	HK\$'000	% of gross loans and advances to customers	HK\$'000	% of gross loans and advances to customers
Six months or less but over three months	–	–	–	–
One year or less but over six months	–	–	503,902	2.45
Over one year	248,478	1.23	–	–
	<u>248,478</u>	<u>1.23</u>	<u>503,902</u>	<u>2.45</u>
Allowance for credit and other losses made in respect of the above overdue loans and advances	<u>137,623</u>		<u>248,849</u>	
Current market value of collateral held against the covered portion of the above overdue loans and advances	<u>–</u>		<u>–</u>	
Covered portion of the above overdue loans and advances	<u>–</u>		<u>–</u>	
Uncovered portion of the above overdue loans and advances	<u>248,478</u>		<u>503,902</u>	

(d) Rescheduled loans and advances

The rescheduled loans and advances of the Company are analysed as follows:

	As at 30 June 2021		As at 31 December 2020	
	HK\$'000	% of gross loans and advances to customers	HK\$'000	% of gross loans and advances to customers
Rescheduled loans and advances	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

10 FURTHER ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Repossessed assets

There were no repossessed assets as at 30 June 2021 and 31 December 2020.

(f) Overdue other assets

The overdue other assets of the Company are analysed as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Less than three months	1,459	1,818
Six months or less but over three months	572	–
One year or less but over six months	1,820	37,882
Over one year	6,405	–
	<u>10,256</u>	<u>39,700</u>

(g) Further analysis of loans and advances to customers

Impaired loans and advances, overdue loans and advances, Stage 3 ECL and Stage 1&2 ECL, in respect of industry sectors representing not less than 10% of gross loans and advances to customers are analysed as follows:

	30 June 2021			
	Impaired loans and advances HK\$'000	Overdue loans and advances HK\$'000	Stage 3 ECL HK\$'000	Stage 1&2 ECL HK\$'000
Financial concerns	–	–	–	(62,308)
Property development	248,478	248,478	(137,623)	(18,893)
Manufacturing	–	–	–	(36,290)
	<u>–</u>	<u>248,478</u>	<u>(137,623)</u>	<u>(97,491)</u>
	31 December 2020			
	Impaired loans and advances HK\$'000	Overdue loans and advances HK\$'000	Stage 3 ECL HK\$'000	Stage 1&2 ECL HK\$'000
Financial concerns	–	–	–	(102,614)
Property development	503,902	503,902	(248,849)	(30,458)
Manufacturing	–	–	–	(32,758)
	<u>503,902</u>	<u>503,902</u>	<u>(248,849)</u>	<u>(165,830)</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

11 MAINLAND ACTIVITIES

As at 30 June 2021	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	2,998,733	–	2,998,733
2. Local governments, local government-owned entities and their subsidiaries and JVs	2,553,651	–	2,553,651
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	8,033,763	–	8,033,763
4. Other entities of central government not reported in item 1 above	2,004,102	–	2,004,102
5. Other entities of local governments not reported in item 2 above	378,601	271,773	650,374
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,090,350	–	2,090,350
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,655,698	173,251	3,828,949
	<u>21,714,898</u>	<u>445,024</u>	<u>22,159,922</u>
Total assets after provision	<u>30,685,116</u>		
On-balance sheet exposures as percentage of total assets	<u>70.8%</u>		

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

11 MAINLAND ACTIVITIES (CONTINUED)

As at 31 December 2020	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	2,902,919	–	2,902,919
2. Local governments, local government-owned entities and their subsidiaries and JVs	3,280,481	–	3,280,481
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	8,734,076	1,222	8,735,298
4. Other entities of central government not reported in item 1 above	1,354,109	144,345	1,498,454
5. Other entities of local governments not reported in item 2 above	504,620	114,502	619,122
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,386,635	76,748	2,463,383
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>2,936,478</u>	<u>26,427</u>	<u>2,962,905</u>
	<u>22,099,318</u>	<u>363,244</u>	<u>22,462,562</u>
Total assets after provision	<u>29,080,560</u>		
On-balance sheet exposures as percentage of total assets	<u>76.0%</u>		

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS
FOR THE FIRST SIX MONTHS ENDED 30 JUNE 2021

12 CURRENCY CONCENTRATIONS

The Group (including the Company and its subsidiaries) had the following net foreign currency exposures which exceeded 10% of the net foreign currency exposure in all currencies:

	USD \$'000 HK\$ equivalent	RMB \$'000 HK\$ equivalent	Other foreign currencies \$'000 HK\$ equivalent	Total foreign currencies \$'000 HK\$ equivalent
As at 30 June 2021				
Spot assets	25,106,145	2,310,415	1,330,937	28,747,497
Spot liabilities	(23,783,678)	(3,390,355)	(72,863)	(27,246,896)
Forward purchases	2,878,105	520,447	311,068	3,709,620
Forward sales	(2,450,077)	–	(1,542,097)	(3,992,174)
Net long/(short) non-structural position	<u>1,750,495</u>	<u>(559,493)</u>	<u>27,045</u>	<u>1,218,047</u>
As at 31 December 2020				
Spot assets	28,045,248	2,176,236	2,493,818	32,715,302
Spot liabilities	(26,610,023)	(3,160,912)	(481,632)	(30,252,567)
Forward purchases	2,385,006	440,060	72,585	2,897,651
Forward sales	(2,187,683)	(5,958)	(2,069,373)	(4,263,014)
Net long/(short) non-structural position	<u>1,632,548</u>	<u>(550,574)</u>	<u>15,398</u>	<u>1,097,372</u>

As at 30 June 2021 and 31 December 2020, there was no net structural position.

13 COUNTERCYCLICAL CAPITAL BUFFER

Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer (“CCyB”)

The following table provides an overview of the geographical distribution of the RWA of private sector credit exposures relevant for the calculation of the Bank’s CCyB ratio.

In HK\$'000		As at 30 June 2021			
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong SAR	1.000	9,119,668		
	Sum		9,119,668		
	Total		20,211,007	0.451	117,375