



上海銀行（香港）
Bank of Shanghai (Hong Kong)

BANK OF SHANGHAI (HONG KONG) LIMITED

2026 INTERIM FINANCIAL REPORT

BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026

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BANK OF SHANGHAI (HONG KONG) LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2026

Bank of Shanghai (Hong Kong) Limited (the “Company”) is pleased to present the condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the first half of 2026 ended 30 June 2026. The condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, and the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2026, and the condensed consolidated statement of financial position as at 30 June 2026 of the Group, along with the explanatory notes (all of which are unaudited) are illustrated on pages 2 to 30 of these condensed consolidated financial statements.

In preparing the unaudited condensed consolidated financial statements and the Regulatory Disclosure Statements for the first half of 2026, the Company has fully complied with the disclosure requirements stipulated in the Banking (Disclosure) Rules.

Financial Review

The Group’s pre-tax profit for the period was HK\$184 million (first half of 2025: HK\$151 million). The increase in the pre-tax profit was mainly driven by the net impact of decrease in net interest income, net income from financial instruments measured at fair value and release in allowances for credit and other losses.

Operating and other expenses increased by 6% to HK\$86 million. Release of credit and other losses was HK\$84 million (first half of 2025: impairment loss of HK\$58 million). Total gross loans and advances to customers decreased by 9% to HK\$15,698 million (2025 year end: HK\$17,317 million), customer deposits decreased by 11% to HK\$15,080 million (2025 year end: HK\$16,857 million).

The Group’s financial position remained sound. Total capital adequacy ratio was maintained at a comfortable level at 23.8%, and the average liquidity maintenance ratio (“LMR”) at 145.2%. Both ratios are calculated on regulatory consolidated basis and adequately met the statutory requirements.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Interest income		547,439	736,301
Interest expense		(438,577)	(597,552)
Net interest income	4	108,862	138,749
Fee and commission income		7,362	13,755
Fee and commission expense		(933)	(918)
Net fee and commission income	5	6,429	12,837
Net income from financial instruments measured at fair value	6	66,314	130,157
Net income from investment securities		1,592	8,012
Other operating income		2,299	201
Total operating income		185,496	289,956
Operating and other expenses	7	(86,433)	(81,454)
Operating profit before impairment losses		99,063	208,502
Reversal of/(allowance for) credit and other losses	8	84,470	(57,505)
Profit before taxation		183,533	150,997
Taxation	9	(42,348)	(59,526)
Profit for the period		141,185	91,471
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for subsidiaries		1,515	4,333
Net movement in revaluation reserve	10	(21,443)	30,165
Total comprehensive income for the period		121,257	125,969

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Assets			
Cash and balances with banks and central bank	11	2,176,068	1,913,338
Placements with and advances to banks	12	1,290,799	278,294
Financial assets at fair value through profit or loss		553,449	592,221
Derivative financial assets	20	28,759	23,951
Loans and advances to customers	13	15,393,432	16,943,217
Investment securities	14	9,237,580	9,104,760
Investment in an associate		5,928	5,772
Property and equipment	15	27,637	36,336
Intangible assets		6,811	1,817
Current tax recoverable		172	19
Deferred tax assets		34,880	58,833
Other assets	16	228,604	381,609
TOTAL ASSETS		28,984,119	29,340,167
Liabilities			
Deposits from customers	17	15,080,164	16,856,907
Deposits from banks		2,941,726	1,541,389
Financial assets sold under repurchase agreement		601,624	292,677
Derivative financial liabilities	20	66,503	83,236
Certificates of deposit and other debt securities issued	18	4,341,243	4,673,738
Current tax payable		61,157	50,845
Deferred tax liabilities		1,700	89
Lease liabilities		23,961	32,830
Other borrowings		226,850	219,702
Other liabilities	19	404,236	475,056
TOTAL LIABILITIES		23,749,164	24,226,469
Capital and reserves			
Share capital	22	6,305,476	6,305,476
Retained profits		(1,136,668)	(1,277,853)
Other reserves		66,147	86,075
TOTAL EQUITY		5,234,955	5,113,698
TOTAL EQUITY AND LIABILITIES		28,984,119	29,340,167

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Retained profits HK\$'000	Revaluation reserve HK\$'000	Capital Contribution HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
Balance at 1 January 2025	6,305,476	(1,358,307)	(44,042)	129,874	(50,977)	4,982,024
Profit for the period	–	91,471	–	–	–	91,471
Other comprehensive income	–	–	30,165	–	4,333	34,498
Total comprehensive income	–	91,471	30,165	–	4,333	125,969
Balance at 30 June 2025	6,305,476	(1,266,836)	(13,877)	129,874	(46,644)	5,107,993
Loss for the period	–	(11,017)	–	–	–	(11,017)
Other comprehensive income	–	–	9,579	–	359	9,938
Total comprehensive income	–	(11,017)	9,579	–	359	(1,079)
Contribution of shareholder	–	–	–	6,784	–	6,784
Balance at 1 January 2026	6,305,476	(1,277,853)	(4,298)	136,658	(46,285)	5,113,698
Profit for the period	–	141,185	–	–	–	141,185
Other comprehensive income	–	–	(21,443)	–	1,515	(19,928)
Total comprehensive income	–	141,185	(21,443)	–	1,515	121,257
Balance at 30 June 2026	<u>6,305,476</u>	<u>(1,136,668)</u>	<u>(25,741)</u>	<u>136,658</u>	<u>(44,770)</u>	<u>5,234,955</u>

The regulatory reserve is maintained in accordance with Hong Kong Banking regulations. At 30 June 2026, no regulatory reserve (31 December 2025: Nil) was required to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movement in this reserve was made directly through retained profits after consultation with the Hong Kong Monetary Authority. The regulatory reserve is non-distributable.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Notes	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Net cash inflow from operating activities	21(a)	1,048,175	2,050,476
Investing activities			
Proceeds from sale and redemption of investment securities		2,532,326	2,828,814
Purchase of investment securities		(2,871,857)	(3,367,770)
Purchases of property and equipment and intangible assets		(8,046)	(2,599)
Interest received from investment securities		229,632	231,386
Net cash outflow from investing activities		(117,945)	(310,169)
Financing activities			
Proceeds from the issuance of other debt securities		4,486,337	4,700,000
Redemption of other debt securities		(4,242,617)	(5,400,000)
Interest paid for other debt securities		(36,781)	(53,093)
Net proceeds/payment from other borrowings		7,150	(4,129)
Interest paid for other borrowings		(3,347)	(4,209)
Payment of lease liabilities		(8,905)	(9,545)
Net cash inflow/(outflow) from financing activities	21(d)	201,837	(770,976)
Increase in cash and cash equivalents		1,132,067	969,331
Cash and cash equivalents at 1 January		3,038,724	2,891,769
Exchange differences in respect of cash and cash equivalents		16,025	41,737
Cash and cash equivalents at 30 June	21(b)	4,186,816	3,902,837

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) BASIS OF CONSOLIDATION

The condensed consolidated financial statements covers the consolidated positions of the Company and its subsidiaries.

For regulatory reporting purposes, the Company is required to compute its capital adequacy ratios and leverage ratio on an unconsolidated basis that is different from the basis of consolidation for accounting purposes. The basis is illustrated in note 3(a) of the Regulatory Disclosure Statements.

(2) BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial report has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies applied in preparing the condensed consolidated financial statements are the same as those applied in preparing the financial statements for the year ended 31 December 2025 as disclosed in the Group's Directors' Report and consolidated financial statements for the year ended 31 December 2025, which were prepared in accordance with all applicable HKFRS Accounting Standards, except for the accounting policy changes that are expected to be reflected in 2026 annual financial statements. Details of any changes in accounting policies are set out in note 2(b).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2025 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.

The interim financial report is unaudited.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(2) BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRS Accounting Standards that are first effective for the current accounting period. Of these, only the amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: Disclosures – Amendments to the classification and measurement of financial instruments*, are relevant to the Group's financial statements.

None of the amendments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these interim Condensed Consolidated Financial Statements. The Group has not applied any new or amended standards which are not yet effective for the current accounting period.

(c) Critical accounting estimates

The preparation of condensed consolidated financial statements requires management to exercise judgements, use estimates and make assumptions that affect the application of policies and reported amounts in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. In preparing these condensed consolidated financial statements, critical accounting estimates and assumptions used that are significant to the condensed consolidated financial statements, and areas involving a higher degree of judgement and complexity were the same as those disclosed in the consolidated financial statements for the year ended 31 December 2025.

(3) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND STATUTORY FINANCIAL STATEMENTS

The financial information relating to the year ended 31 December 2025 that is included in the condensed consolidated financial statements for the six months ended 30 June 2026 as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Group has delivered the financial statements for the year ended 31 December 2025 to the Registrar of Companies as required by section 662(3) of and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Group's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(4) NET INTEREST INCOME

	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Interest income		
– Placements with and advances to banks	13,918	23,148
– Loans and advances to customers	331,703	486,618
– Investment securities	181,876	206,441
– Cash and balances with banks and central bank	19,942	20,094
	<u>547,439</u>	<u>736,301</u>
Interest expense		
– Deposits from banks	(45,192)	(73,692)
– Deposits from customers	(310,526)	(380,515)
– Certificate of deposits and other debt securities issued	(73,975)	(114,592)
– Other	(8,884)	(28,753)
	<u>(438,577)</u>	<u>(597,552)</u>
Net interest income	<u>108,862</u>	<u>138,749</u>

The interest income accrued on impaired financial assets and on unwinding of discount on loan impairment allowances amounted to HK\$2,840,000 (first half of 2025: HK\$3,571,000).

Include within interest income is HK\$547,439,000 (first half of 2025: HK\$736,301,000) earned from financial assets that are not recognised at fair value through profit or loss.

(5) NET FEE AND COMMISSION INCOME

	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Credit facilities	2,185	3,626
Trade services	209	1,199
Corporate advisory	611	5,192
Asset management	3,560	3,417
Brokerage	3	1
Others	794	320
	<u>7,362</u>	<u>13,755</u>
Total fee and commission income	7,362	13,755
Fee and commission expense	<u>(933)</u>	<u>(918)</u>
Net fee and commission income	<u>6,429</u>	<u>12,837</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(6) NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE

	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Foreign exchange	53,714	102,545
Interest rate and others	12,600	27,612
	<u>66,314</u>	<u>130,157</u>

(7) OPERATING AND OTHER EXPENSES

	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Staff costs		
– salaries and other benefits	47,185	47,054
– pension and provident fund costs	2,299	2,152
	<u>49,484</u>	<u>49,206</u>
Premises and equipment expenses excluding depreciation		
– Variable lease payments not included in the measurement of lease liabilities	60	30
– Maintenance and office facility expenses	1,843	1,804
– Others	750	704
	<u>2,653</u>	<u>2,538</u>
Auditor's remuneration	856	926
Depreciation of property and equipment	1,752	1,521
Amortisation of right-of-use ("RoU") assets	7,911	7,435
Amortisation of intangible assets	2,119	458
Legal and professional fees	3,733	3,027
Litigation expense	4,615	4,344
IT and system expenses	5,605	5,442
Data subscription fees	3,117	3,062
Other operating expenses	4,588	3,495
	<u>34,296</u>	<u>29,710</u>
	<u>86,433</u>	<u>81,454</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(8) (REVERSAL OF)/ALLOWANCES FOR CREDIT AND OTHER LOSSES

	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Cash and balances with banks and central bank	(10)	27
Placements with and advances to banks	150	(18)
Loans and advances to customers	(77,225)	49,769
Investment securities	396	1,442
Other assets	274	5,271
Off-balance sheet credit exposures	(8,055)	1,014
	<u>(84,470)</u>	<u>57,505</u>

The table below shows the movements in Stage 3 ECL and Stage 1 & 2 ECL during the period.

	Balance at 1 January HK\$'000	Charge to/ (release from) statement of comprehensive income HK\$'000	Recoveries HK\$'000	Write-off HK\$'000	Exchange and other movements HK\$'000	Balance at 30 June HK\$'000
2026						
Stage 3 Expected Credit Losses ("ECL")						
Loans and advances to customers	108,636	5,286	11,314	–	(3,156)	122,080
Investment securities	68,826	6,892	1,401	–	–	77,119
Other assets	123,612	166	–	–	1,708	125,486
Total specific allowances	<u>301,074</u>	<u>12,344</u>	<u>12,715</u>	<u>–</u>	<u>(1,448)</u>	<u>324,685</u>
Stage 1&2 ECL						
Cash and balances with banks and central bank	51	(10)	–	–	–	41
Placements with and advances to banks	6	150	–	–	–	156
Loans and advances to customers	265,383	(82,511)	–	–	–	182,872
Investment securities	8,582	(6,496)	–	–	–	2,086
Other assets	40	108	–	–	(8)	140
Off-balance sheet credit exposures	16,567	(8,055)	–	–	–	8,512
Total general allowances	<u>290,629</u>	<u>(96,814)</u>	<u>–</u>	<u>–</u>	<u>(8)</u>	<u>193,807</u>
Total allowances for credit and other losses	<u>591,703</u>	<u>(84,470)</u>	<u>12,715</u>	<u>–</u>	<u>(1,456)</u>	<u>518,492</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(8) (REVERSAL OF)/ALLOWANCES FOR CREDIT AND OTHER LOSSES (CONTINUED)

	Balance at 1 January HK\$'000	Charge to/ (release from) statement of comprehensive income HK\$'000	Recoveries HK\$'000	Write-off HK\$'000	Exchange and other movements HK\$'000	Balance at 30 June HK\$'000
2025						
Stage 3 Expected Credit Losses ("ECL")						
Loans and advances to customers	345,649	69,534	–	(300,000)	(7,309)	107,874
Investment securities	–	–	–	–	–	–
Other assets	113,812	5,276	–	(6,169)	2,981	115,900
	<u>459,461</u>	<u>74,810</u>	<u>–</u>	<u>(306,169)</u>	<u>(4,328)</u>	<u>223,774</u>
Stage 1&2 ECL						
Cash and balances with banks and central bank	39	27	–	–	–	66
Placements with and advances to banks	18	(18)	–	–	–	–
Loans and advances to customers	273,012	(19,765)	–	–	–	253,247
Investment securities	52,463	1,442	–	–	–	53,905
Other assets	60	(5)	–	–	2	57
Off-balance sheet credit exposures	18,434	1,014	–	–	–	19,448
	<u>344,026</u>	<u>(17,305)</u>	<u>–</u>	<u>–</u>	<u>2</u>	<u>326,723</u>
Total allowances for credit and other losses	<u>803,487</u>	<u>57,505</u>	<u>–</u>	<u>(306,169)</u>	<u>(4,326)</u>	<u>550,497</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(9) TAXATION

Taxation in the condensed consolidated statement of comprehensive income is illustrated below:

	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Current Tax		
Hong Kong profit tax		
– provision for the year	10,740	2,128
– over provision in prior year	(34)	(7,686)
	<u>10,706</u>	<u>(5,558)</u>
Taxation outside Hong Kong		
– provision for the period	579	150
– over provision in prior year	–	(9,832)
	<u>11,285</u>	<u>(15,240)</u>
Deferred tax		
Origination and reversal of temporary differences	<u>31,063</u>	<u>74,766</u>
Total tax expense	<u>42,348</u>	<u>59,526</u>

The provision for Hong Kong profits tax was calculated at 16.5% (2025: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the periods at the rates of taxation prevailing in the countries in which the Group operates.

(10) OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Fair value through other comprehensive income:		
Changes in fair value recognised during the year	(27,846)	23,306
Reclassification adjustments for amounts transferred to profit or loss upon disposal	918	8,012
Net deferred tax debited to revaluation reserve	<u>5,485</u>	<u>(1,153)</u>
Total	<u>(21,443)</u>	<u>30,165</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(11) CASH AND BALANCES WITH BANKS AND CENTRAL BANK

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Balances with banks	2,097,943	1,832,761
Balances with central bank	<u>78,166</u>	<u>80,628</u>
	2,176,109	1,913,389
Allowance for credit and other losses at stage 1	<u>(41)</u>	<u>(51)</u>
Net cash and balances with banks and central bank	<u><u>2,176,068</u></u>	<u><u>1,913,338</u></u>

(12) PLACEMENTS WITH AND ADVANCES TO BANKS

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Gross placements with and advances to banks		
– maturing within one month	1,212,655	200,000
– maturing over one month but within 1 year	–	78,300
– maturing over 1 year but within 5 years	<u>78,300</u>	<u>–</u>
	1,290,955	278,300
Allowance for credit and other losses at stage 1	<u>(156)</u>	<u>(6)</u>
Net placements with and advances to banks	<u><u>1,290,799</u></u>	<u><u>278,294</u></u>

There were no overdue, impaired or rescheduled placements with and advances to banks for the periods indicated.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(13) LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Gross loans and advances to customers	15,698,384	17,317,236
Less: Allowance for credit and other losses		
– Stage 1 & 2 ECL	(182,872)	(265,383)
– Stage 3 ECL	(122,080)	(108,636)
	<u>15,393,432</u>	<u>16,943,217</u>

(b) Loans and advances to customers by credit quality

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 30 June 2026				
Neither past due nor impaired				
– Pass	15,304,885	–	–	15,304,885
– Special Mention	–	105,385	–	105,385
Past due but not impaired	–	–	–	–
Impaired	–	–	288,114	288,114
Allowance for credit and other losses	(169,126)	(13,746)	(122,080)	(304,952)
	<u>15,135,759</u>	<u>91,639</u>	<u>166,034</u>	<u>15,393,432</u>
As at 31 December 2025				
Neither past due nor impaired				
– Pass	16,924,627	–	–	16,924,627
– Special Mention	–	105,391	–	105,391
Past due but not impaired	–	–	–	–
Impaired	–	–	287,218	287,218
Allowance for credit and other losses	(236,790)	(28,593)	(108,636)	(374,019)
	<u>16,687,837</u>	<u>76,798</u>	<u>178,582</u>	<u>16,943,217</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(14) INVESTMENT SECURITIES

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Investment securities measured at amortised cost		
– at stage 1	1,009,761	795,894
– at stage 2	–	–
– at stage 3	–	–
Of which: past due and impaired	–	–
Allowance for credit and other losses		
– at stage 1	(367)	(266)
– at stage 2	–	–
– at stage 3	–	–
Of which: past due and impaired	–	–
	<u>1,009,394</u>	<u>795,628</u>
Investment securities at fair value through other comprehensive income		
– at stage 1	8,211,538	8,298,992
– at stage 2	–	–
– at stage 3	16,648	10,140
Of which: past due and impaired	<u>16,648</u>	<u>10,140</u>
	<u>8,228,186</u>	<u>8,309,132</u>
	<u>9,237,580</u>	<u>9,104,760</u>

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(14) INVESTMENT SECURITIES (CONTINUED)

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Analysed by type of securities:		
Government bills, notes and bonds	798,052	948,468
Certificate of deposit	98,194	539,791
Debt securities	8,341,334	7,616,501
	<u>9,237,580</u>	<u>9,104,760</u>
Analysed by issuers:		
– Sovereigns	805,752	948,468
– Public sector entities	966,829	640,538
– Banks	7,295,517	7,042,799
– Corporates	169,482	472,955
	<u>9,237,580</u>	<u>9,104,760</u>
Analysed by listing status:		
– Listed in Hong Kong	1,432,555	1,128,034
– Listed outside Hong Kong	3,497,380	3,261,253
– Unlisted	4,307,645	4,715,473
	<u>9,237,580</u>	<u>9,104,760</u>

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(15) PROPERTY AND EQUIPMENT

Details of movement of property and equipment are as follows:

	Leasehold improvements HK\$'000	Furniture, computer and other equipment HK\$'000	Motor vehicles HK\$'000	RoU assets – properties and office equipment HK\$'000	Total HK\$'000
Cost:					
At 1 January 2025	22,475	27,861	2,846	129,558	182,740
Additions	–	3,504	–	2,760	6,264
Write-off	–	–	–	(777)	(777)
Exchange adjustments	–	111	51	–	162
At 31 December 2025	22,475	31,476	2,897	131,541	188,389
At 1 January 2026	22,475	31,476	2,897	131,541	188,389
Additions	–	932	–	–	932
Write-off	–	–	–	–	–
Exchange adjustments	–	94	43	64	201
At 30 June 2026	22,475	32,502	2,940	131,605	189,522
Accumulated depreciation:					
At 1 January 2025	(22,475)	(20,420)	(2,811)	(87,542)	(133,248)
Charge for the year	–	(3,317)	–	(15,751)	(19,068)
Write-off	–	–	–	441	441
Exchange adjustments	–	(107)	(50)	(21)	(178)
At 31 December 2025	(22,475)	(23,844)	(2,861)	(102,873)	(152,053)
At 1 January 2026	(22,475)	(23,844)	(2,861)	(102,873)	(152,053)
Charge for the year	–	(1,752)	–	(7,911)	(9,663)
Write-off	–	–	–	–	–
Exchange adjustments	–	(91)	(42)	(36)	(169)
At 30 June 2026	(22,475)	(25,687)	(2,903)	(110,820)	(161,885)
Net book value:					
At 30 June 2026	–	6,815	37	20,785	27,637
At 31 December 2025	–	7,632	36	28,668	36,336

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(16) OTHER ASSETS

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Interest receivables (note a)	141,801	180,829
Collaterals placed (note b)	35,918	49,200
Fees receivable	132	138
Prepaid expenses	11,128	12,965
Accounts receivable (note c)	32,756	31,406
Trade date receivable	—	100,203
Others	6,869	6,868
	<u>228,604</u>	<u>381,609</u>

Note a: Included Stage 3 ECL of interest receivable of HK\$119,000 associated with loans and advances to customers at stage 3 as at 30 June 2026 (2025: HK\$67,000).

Note b: Mainly relates to cash collaterals placed in respect of derivative financial liabilities.

Note c: Included Stage 3 ECL of accounts receivable of HK\$125,120,000 as at 30 June 2026 (2025: HK\$123,307,000).

(17) DEPOSITS FROM CUSTOMERS

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Deposits from customers		
– time, call and notice deposits	<u>15,080,164</u>	<u>16,856,907</u>

(18) CERTIFICATES OF DEPOSIT AND OTHER DEBT SECURITIES ISSUED

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Certificates of deposits issued at amortised costs	2,090,165	2,671,650
Other debt securities issued at amortised costs (note 21(d))	<u>2,251,078</u>	<u>2,002,088</u>
	<u>4,341,243</u>	<u>4,673,738</u>

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(19) OTHER LIABILITIES

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Interest payable	149,065	218,986
Account payable	2,526	3,674
Accrued expenses	5,476	6,114
Provision for short term employee benefits	3,742	7,999
Collateral received	14,116	—
Others (note a)	229,311	238,283
	<u>404,236</u>	<u>475,056</u>

Note a: Included allowance for credit and other losses of HK\$8,512,000 (2025: HK\$16,567,000).

(20) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are presented net when there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle them on a net basis or realise the asset and settle the liabilities simultaneously. As at 30 June 2026, no derivative financial instruments have fulfilled the above criteria, therefore no derivative financial instruments were offset on the condensed consolidated statement of financial position (2025: Nil).

Derivatives – held for trading

	At 30 June 2026			At 31 December 2025		
	Notional amount HK\$'000	Derivative financial assets HK\$'000	Derivative financial liabilities HK\$'000	Notional amount HK\$'000	Derivative financial assets HK\$'000	Derivative financial liabilities HK\$'000
Exchange rate contracts – Spot and forward	9,331,297	28,715	(66,470)	14,965,928	23,864	(83,236)
Interest rate contracts – Swap	1,058,713	44	(33)	739,556	87	—
	<u>10,390,010</u>	<u>28,759</u>	<u>(66,503)</u>	<u>15,705,484</u>	<u>23,951</u>	<u>(83,236)</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(21) NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash inflow from the operating activities

	Notes	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Profit before taxation		183,533	150,997
Adjustments for:			
Interest income	4	(547,439)	(736,301)
Interest expense	4	438,577	597,552
Depreciation of property and equipment	7	1,752	1,521
Amortisation of right-of-use assets	7	7,911	7,435
Amortisation of intangible assets	7	2,119	458
Impairment charges	8	(84,470)	57,505
Net income from investment securities		(1,592)	(8,012)
Interest received		343,920	510,330
Interest paid		(449,068)	(537,382)
Gain on early termination of a lease contract		–	(15)
Elimination of exchange differences and other non-cash items		31,371	130,120
Operating (loss)/profit before changes in working capital		(73,386)	174,208
Changes in financial assets at fair value through profit or loss		38,772	(42,709)
Change in gross loans and advances to customers		1,639,332	409,634
Change in other assets		14,372	(98,490)
Change in deposits from banks		1,400,337	(1,724,227)
Change in deposits from customers		(1,776,743)	1,408,154
Change in certificates of deposit issued		(509,395)	3,022,110
Change in amounts payable under repurchase agreement		308,947	(1,041,436)
Change in other liabilities		7,155	(55,720)
Cash generated from operating activities		1,049,391	2,051,524
Tax paid outside Hong Kong		(1,216)	(1,048)
Net cash inflow from operating activities		1,048,175	2,050,476

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(21) NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Cash and cash equivalents in the condensed consolidated statement of cash flows

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Gross cash and balances with banks and central bank (note 11)	2,176,109	3,091,101
Gross placements with banks with original maturity within three months (note 12)	1,212,655	12,562
Investment securities with original maturity within three months	798,052	799,174
	<u>4,186,816</u>	<u>3,902,837</u>

(c) Reconciliation with the condensed consolidated statement of financial position

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Cash and balances with banks and central bank (note 11)	2,176,109	3,091,101
Gross placements with and advances to banks (note 12)	1,212,655	12,562
Investment securities (note 14)	9,237,580	9,410,950
	12,626,344	12,514,613
Less: Balances, gross placements with and advances to banks and investment securities with an original maturity beyond three months	<u>(8,439,528)</u>	<u>(8,611,776)</u>
	<u>4,186,816</u>	<u>3,902,837</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(21) NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash change. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Other debt securities issued (note 18) HK\$'000	Other borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2025	2,750,000	221,335	44,737	3,016,072
Changes from financing cash flow:				
Redemption from other debt securities	(9,800,000)	–	–	(9,800,000)
Proceeds from the issuance of other debt securities	9,050,749	–	–	9,050,749
Net payment from short-term borrowings	–	(1,630)	–	(1,630)
Capital element of lease rentals paid	–	–	(14,357)	(14,357)
Interest element of lease rentals paid	–	–	(1,567)	(1,567)
Interest paid	(80,413)	(952)	–	(81,365)
Total changes from financing cash flow	(829,664)	(2,582)	(15,924)	(848,170)
New lease	–	–	2,760	2,760
Early termination	–	–	(310)	(310)
Interest expense	80,413	949	1,567	82,929
Exchange difference	1,339	–	–	1,339
Total other changes	81,752	949	4,017	86,718
At 31 December 2025 and 1 January 2026	2,002,088	219,702	32,830	2,254,620
Changes from financing cash flow:				
Redemption from other debt securities	(4,242,617)	–	–	(4,242,617)
Proceeds from the issuance of other debt securities	4,486,337	–	–	4,486,337
Net proceeds from short-term borrowings	–	7,150	–	7,150
Capital element of lease rentals paid	–	–	(8,869)	(8,869)
Interest element of lease rentals paid	–	–	(36)	(36)
Interest paid	(36,781)	(3,347)	–	(40,128)
Total changes from financing cash flow	206,939	3,803	(8,905)	201,837
Interest expense	36,781	3,347	36	40,164
Exchange difference	5,270	(2)	–	5,268
Total other changes	42,051	3,345	36	45,432
At 30 June 2026	2,251,078	226,850	23,961	2,501,889

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(22) SHARE CAPITAL

	No. of shares '000	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2025, 31 December 2025, 1 January 2026 and 30 June 2026	590,986	6,305,476

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

(23) CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Contract amounts		
– Direct credit substitutes	–	–
– Other commitments:		
– which are unconditionally cancellable	6,080,593	6,250,222
– with an original maturity under one year	138,551	200,258
– with an original maturity over one year	754,927	756,871
	<u>6,974,071</u>	<u>7,207,351</u>
Credit risk-weighted amounts	<u>962,523</u>	<u>954,996</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(24) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Financial assets and liabilities measured at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: fair value measured using quoted market prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: fair value measured using valuation techniques based on observable inputs, either directly or indirectly. This category includes quoted prices in active markets for similar financial instruments, or quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: fair value measured using significant unobservable inputs. This category includes inputs to valuation techniques not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Where available, the most suitable measure for fair value is the quoted market price. In absence of organised secondary markets for most of the unlisted securities and over-the-counter derivatives, direct market prices of these financial instruments may not be available. The fair values of such instruments are therefore calculated based on established valuation techniques using current market parameters or market prices provided by counterparties.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. For other derivative financial instruments, the Group uses estimated discounted cash flows to determine their fair value and the discount rate used is a discount rate at the end of reporting period applicable for an instrument with similar terms and conditions.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(24) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

The table below analyses financial instruments, measured at fair value as at 30 June 2026 and 31 December 2025, by the level in the fair value hierarchy into which the fair value treatment is categorised.

At 30 June 2026

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Assets				
Financial assets at fair value				
through profit or loss	–	180,931	372,517	553,449
Derivative financial assets (note 20)	–	28,759	–	28,759
Investment securities at fair value				
through other comprehensive income				
(note 14)	<u>798,052</u>	<u>7,430,134</u>	<u>–</u>	<u>8,228,186</u>
Liabilities				
Derivative financial liabilities (note 20)	<u>–</u>	<u>66,503</u>	<u>–</u>	<u>66,503</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(24) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

At 31 December 2025

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	–	235,498	356,723	592,221
Derivative financial assets (note 20)	–	23,951	–	23,951
Investment securities at fair value through other comprehensive income (note 14)	948,468	7,360,664	–	8,309,132
	<u>948,468</u>	<u>7,360,664</u>	<u>–</u>	<u>8,309,132</u>
Liabilities				
Derivative financial liabilities (note 20)	–	83,236	–	83,236
	<u>–</u>	<u>83,236</u>	<u>–</u>	<u>83,236</u>

During the six months ended 30 June 2026 and the year of 2025, there were no transfers of financial instruments between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of the debt securities in Level 2 is determined using broker quotes as at the end of the reporting period.

Valuation of financial instruments with significant unobservable inputs

The fair value of financial assets at fair value through profit and loss in Level 3 is determined using the most recent transactions, market comparable investment or discounted cashflow analysis. As at 30 June 2026, it is estimated that with all other variable held constant, an increase/decrease in the price of same products by 5% would have increased/decreased the Group's equity by HK\$19 million (2025: HK\$18 million).

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(24) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

The movement during the period in the balance of these Level 3 fair value measurements are as follows:

	Assets		
	Return of beneficial interest HK\$'000	Unlisted equity investments HK\$'000	Total HK\$'000
At 1 January 2026	261,649	95,074	356,723
Additions	—	—	—
Disposal/redemption	(1,146)	(46)	(1,192)
Net surplus on revaluation	4,765	5,165	9,930
Exchange difference	3,404	3,652	7,056
At 30 June 2026	<u>268,672</u>	<u>103,845</u>	<u>372,517</u>
Total gains or losses for the period included in profit or loss for assets or liabilities held at the end of the reporting period			
– Net income from financial instruments measured at fair value	<u>4,765</u>	<u>5,165</u>	<u>9,930</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(24) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

The movement during the period in the balance of these Level 3 fair value measurements are as follows: (continued)

	Assets				
	Wealth	Convertible	Return of	Unlisted	Total
	management				
	products from banks	bonds	beneficial interest	equity investments	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2025	—	29,153	244,628	82,520	356,301
Additions	42,911	—	—	—	42,911
Disposal/redemption	—	—	—	(87)	(87)
Net surplus on revaluation	—	—	9,883	6,633	16,516
Exchange difference	924	885	7,592	2,615	12,016
	<u>43,835</u>	<u>30,038</u>	<u>262,103</u>	<u>91,681</u>	<u>427,657</u>
At 30 June 2025	<u>43,835</u>	<u>30,038</u>	<u>262,103</u>	<u>91,681</u>	<u>427,657</u>
Total gains or losses for the period included in profit or loss for assets or liabilities held at the end of the reporting period					
– Other operating income	—	—	—	184	184
– Net income from financial instruments measured at fair value	<u>—</u>	<u>—</u>	<u>9,883</u>	<u>6,633</u>	<u>16,516</u>

(b) Financial assets and liabilities not measured at fair value

Financial assets and liabilities that were presented not at their fair value on the condensed consolidated statement of financial position mainly represented cash and balances with banks and central bank, placements with and advances to banks, loans and advances to customers and investment securities at amortised costs. These financial assets were measured at amortised cost less impairment. Financial liabilities not presented at their fair value on the condensed consolidated statement of financial position mainly included deposits from banks, deposits from customers, certificates of deposit issued and other debt securities. These financial liabilities were measured at amortised cost.

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(24) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial assets and liabilities not measured at fair value (continued)

The Group assessed that the differences between fair values and carrying amounts of those financial assets and liabilities not presented on the Group's condensed consolidated statement of financial position at their fair values are minimal as most of the Group's financial assets and liabilities are either short-term or priced at floating rates, except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amounts at 30 June 2026 HK\$'000	Fair Value at 30 June 2026 HK\$'000	Fair Value measurements as at 30 June 2026 categorised into		
			Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000

Assets

Investment securities at amortized cost, net of ECL (note 14)	1,009,394	1,006,946	—	1,006,946	—
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	Carrying amounts at 31 December 2025 HK\$'000	Fair Value at 31 December 2025 HK\$'000	Fair Value measurements as at 31 December 2025 categorised into		
			Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000

Assets

Investments securities at amortised cost, net of ECL (note 14)	795,628	802,612	—	802,612	—
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(25) MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group entered into transactions with related parties in the normal course of business including accepting and placement of inter-bank deposits, conducting correspondent banking and foreign exchange transactions. All these related party transactions were priced at the relevant market rates at the time of each transaction.

The amount of material related party transactions during the period and outstanding balances at the reporting date are set out below:

	Immediate and ultimate holding company	
	6 months ended 30 June 2026 HK\$'000	6 months ended 30 June 2025 HK\$'000
Condensed consolidated statement of profit or loss and other comprehensive income:		
Interest income	33	13
Interest expense	(61,281)	(97,490)
Net fee and commission income	2,592	2,529
Operating and other expenses	(490)	—
	30 June 2026 HK\$'000	31 December 2025 HK\$'000

Condensed consolidated statement of financial position:

Amounts due from:		
– Cash and balances with banks and central bank	18,657	18,424
– Other assets	1,306	1,623
– Property and equipments	463	893
Amounts due to:		
– Deposits from banks	1,407,266	1,012,023
– Certificates of deposit and other debt securities issued	2,251,078	2,002,088
– Other liabilities	64,618	70,285
– Lease liabilities	1,949	1,846
– Other borrowings	226,850	219,702

(26) IMMEDIATE AND ULTIMATE HOLDING COMPANY

As at 30 June 2026, the Company's immediate and ultimate holding company is Bank of Shanghai Co., Limited, which is incorporated in the People's Republic of China. Bank of Shanghai Co., Limited produces financial statements available for public access.