



BANK OF SHANGHAI (HONG KONG) LIMITED

**REGULATORY DISCLOSURES STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2025

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REGULATORY DISCLOSURES STATEMENTS (UNAUDITED)
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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

Except where indicated otherwise, the financial information contained in this Regulatory Disclosure Statement has been prepared on a consolidated basis. The financial information for different position dates were prepared on different consolidation bases and may not be directly comparable.

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 Standardised Approach.

The information in this document is not audited and does not constitute statutory accounts.

2 KEY PRUDENTIAL RATIOS

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

		(restated)				
In HK\$’000		As at 31 December 2025	As at 30 September 2025	As at 30 June 2025	As at 31 March 2025	As at 31 December 2024
	Regulatory capital (amount)					
1 & 1a	Common Equity Tier 1 (CET1)	5,053,047	5,039,857	5,009,822	4,903,419	4,807,864
2 & 2a	Tier 1	5,053,047	5,039,857	5,009,822	4,903,419	4,807,864
3 & 3a	Total capital	5,324,621	5,315,700	5,283,002	5,206,295	5,099,636
	RWA (amount)					
4	Total RWA	24,763,914	26,068,262	27,909,061	26,618,690	26,762,249
4a	Total RWA (pre-floor)	24,763,914	26,068,262	27,909,061	26,618,690	26,762,249
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5 & 5a	CET1 ratio (%)	20.4	19.3	18.0	18.4	18.0
5b	CET1 ratio (%) (pre-floor ratio)	20.4	19.3	18.0	18.4	18.0
6 & 6a	Tier 1 ratio (%)	20.4	19.3	18.0	18.4	18.0
6b	Tier 1 ratio (%) (pre-floor ratio)	20.4	19.3	18.0	18.4	18.0
7 & 7a	Total capital ratio (%)	21.5	20.4	18.9	19.6	19.1
7b	Total capital ratio (%) (pre-floor ratio)	21.5	20.4	18.9	19.6	19.1
	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 (%)	0.312	0.329	0.310	0.304	0.333
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	–	–	–	–	–
11	Total AI-specific CET1 buffer requirements (%)	2.812	2.829	2.810	2.804	2.833
12	CET1 available after meeting the AI’s minimum capital requirements (%)	13.5	12.4	10.9	11.6	11.1

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2 KEY PRUDENTIAL RATIOS (CONTINUED)

(restated)

In HK\$'000		As at 31 December 2025	As at 30 September 2025	As at 30 June 2025	As at 31 March 2025	As at 31 December 2024
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	30,408,071	32,285,640	35,489,313	34,634,332	34,101,727
13a	LR exposure measure based on mean values of gross assets of SFTs	30,386,964	32,030,416	35,639,639	34,985,661	NA
14, 14a & 14b	LR (%)	16.6	15.6	14.1	14.2	14.1
14c & 14d	LR (%) based on mean values of gross assets of SFTs	16.6	15.7	14.1	14.0	NA
	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 (%)	119.7	114.3	99.4	79.3	76.2
	Net Stable Funding Ratio (NSFR)/ Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
	Applicable to category 2 institution only:					
20a	CFR (%)	119.8	110.1	109.1	94.4	94.3

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 purpose is the same as the basis of consolidation for accounting purpose.

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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 31 December 2025	As at 31 December 2025	
	HK\$'000	HK\$'000	
Assets			
Cash and balances from banks and central bank	1,913,338	1,913,338	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		51	(1)
Placements with and advances to banks	278,294	278,294	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		6	(2)
Financial assets at fair value through profit and loss	592,221	592,221	
Derivative financial assets	23,951	23,951	
Loans and advances to customers	16,943,217	16,943,217	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		265,383	(3)
Investment securities	9,104,760	9,104,760	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		266	(4)
Investment in subsidiary	–	–	
Investment in associate	5,772	5,772	
Property and equipment	36,336	36,336	
Intangible assets	1,817	1,817	(5)
Current tax recoverable	19	19	
Deferred tax assets	58,833	58,833	(6)
<i>of which: deferred tax liabilities related to intangible assets</i>		242	(7)
Other assets	381,609	381,609	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		40	(8)
Total assets	29,340,167	29,340,167	

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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 31 December 2025	As at 31 December 2025	
	HK\$'000	HK\$'000	
Liabilities			
Financial liabilities at fair value through Profit and Loss	–	–	
Deposits from customers	16,856,907	16,856,907	
Deposits from banks	1,541,389	1,541,389	
Financial assets sold under repurchase agreement	292,677	292,677	
Derivative financial liabilities	83,236	83,236	
Certificates of deposit and other debt securities issued	4,673,738	4,673,738	
Current tax payable	50,845	50,845	
Deferred tax liabilities	89	89	
Lease liabilities	32,830	32,830	
Other borrowings	219,702	219,702	
Other liabilities	475,056	475,056	
<i>of which: collective provision eligible for inclusion in Tier 2 capital</i>		16,567	(9)
Total liabilities	24,226,469	24,226,469	
Equity			
Share capital	6,305,476	6,305,476	
<i>Of which: amount eligible for CET1</i>	6,305,476	6,305,476	(10)
<i>Of which: amount eligible for AT1</i>	–	–	
Retained profits	(1,277,853)	(1,277,854)	(11)
Other reserves	86,075	86,076	(12)
<i>of which: regulatory reserves</i>		–	(13)
Total equity	5,113,698	5,113,698	
Total equity and liabilities	29,340,167	29,340,167	

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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	6,305,476	(10)
2	Retained earnings	(1,277,854)	(11)
3	Disclosed reserves	86,075	(12)
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	5,113,697	
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)	1,575	(5) – (7)
10	Deferred tax assets (net of associated deferred tax liabilities)	59,075	(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)	–	
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)	–	

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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
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	–	(13)
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	60,650	
29	CET1 capital	5,053,047	
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	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
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)	–	

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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
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)	5,053,047	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	–	
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)	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	271,574	
51	Tier 2 capital before regulatory deductions	271,574	
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	–	

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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	271,574	
59	Total regulatory capital (Total Capital = Tier 1 + Tier 2)	5,324,621	
60	Total risk weighted assets	24,763,914	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	20.4%	
62	Tier 1 capital ratio	20.4%	
63	Total capital ratio	21.5%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.812%	
65	<i>of which: capital conservation buffer requirement</i>	2.500%	
66	<i>of which: bank specific countercyclical capital buffer requirement</i>	0.312%	
67	<i>of which: higher loss absorbency requirement</i>	0.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	13.50%	
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	–	
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

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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)	282,313	(1)+(2)+(3)+(4)+(8)+(9)
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	271,574	
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	-	

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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
	Other intangible assets (net of associated deferred tax liabilities)	1,575	1,575
9	<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>		
	Deferred tax assets (net of associated deferred tax liabilities)	59,075	–
10	<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>		

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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)	–	–
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>		

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3 COMPOSITION OF CAPITAL (CONTINUED)

(c) Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				not subject to capital requirements or subject to deduction from capital
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets							
Cash and balances from banks and central bank	1,913,338	1,913,338	1,913,338	–	–	–	–
Placements with and advances to banks	278,294	278,294	278,294	–	–	–	–
Financial assets at fair value through profit and loss	592,221	592,221	592,221	–	–	–	–
Derivative financial assets	23,951	23,951	–	23,951	–	–	–
Loans and advances to customers	16,943,217	16,943,217	16,943,217	–	–	–	–
Investment securities	9,104,760	9,104,760	9,104,760	–	–	–	–
Investment in subsidiary	–	–	–	–	–	–	–
Investment in associate	5,772	5,772	5,772	–	–	–	–
Property and equipment	36,336	36,336	36,336	–	–	–	–
Intangible assets	1,817	1,817	–	–	–	–	1,817
Current tax recoverable	19	19	19	–	–	–	–
Deferred tax assets	58,833	58,833	–	–	–	–	58,833
Other assets	381,609	381,609	381,609	–	–	–	–
Total assets	29,340,167	29,340,167	29,255,566	23,951	–	–	60,650
Liabilities							
Deposits from customers	16,856,907	16,856,907	–	–	–	–	16,856,907
Deposits from banks	1,541,389	1,541,389	–	–	–	–	1,541,389
Financial assets sold under repurchase agreement	292,677	292,677	–	–	–	–	292,677
Derivative financial liabilities	83,236	83,236	–	83,236	–	–	–
Certificate of deposit and other debt securities issued	4,673,738	4,673,738	–	–	–	–	4,673,738
Current tax payable	50,845	50,845	–	–	–	–	50,845
Deferred tax liabilities	89	89	–	–	–	–	89
Lease liabilities	32,830	32,830	–	–	–	–	32,830
Other borrowings	219,702	219,702	–	–	–	–	219,702
Other liabilities	475,056	475,056	–	–	–	–	475,056
Total liabilities	24,226,469	24,226,469	–	83,236	–	–	24,143,233

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3 COMPOSITION OF CAPITAL (CONTINUED)

(c) Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories (continued)

The above table illustrates the key differences between regulatory exposure amounts and accounting carrying values under the regulatory scope of consolidation. The amounts shown in the column “Carrying values under scope of regulatory consolidation” do not equal the sum of the amounts shown in the remaining columns of the table for “Derivative financial assets” and “Derivative financial liabilities” as they are subject to regulatory capital charges in credit risk, counterparty credit risk and market risk categories.

(d) Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements

	(a)	(b)	(c)	(d)	(e)	
	Total HK\$'000	Items subject to:				
		credit risk framework HK\$'000	securitization framework HK\$'000	counterparty credit risk framework HK\$'000	market risk framework HK\$'000	
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	29,279,517	29,255,566	–	23,951	–
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	83,236	–	–	83,236	–
3	Total net amount under regulatory scope of consolidation	29,196,281	29,255,566	–	(59,285)	–
4	Off-balance sheet amounts	7,207,351	1,007,702	–	–	–
5	<i>Potential future exposures</i>	112,242	–	–	112,242	–
6	<i>Differences due to consideration of provisions</i>	265,746	265,746	–	–	–
7	<i>Differences due to specific regulatory adjustments and other adjustments</i>	(399,258)	(533,788)	–	134,530	–
8	Exposure amounts considered for regulatory purposes	36,382,362	29,995,226	–	187,487	–

The key differences between regulatory exposure amounts and accounting carrying values under the regulatory scope of consolidation are: (i) off-balance sheet exposures including contingent liabilities and commitments after application of Credit Conversion Factor (“**CCF**”), (ii) potential future exposures for derivatives, (iii) differences due to consideration of provisions and (iv) differences due to specific regulatory adjustments and other differences, including recognition of effect of credit risk mitigations.

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3 COMPOSITION OF CAPITAL (CONTINUED)

(e) Main Features of Capital Instruments

1	Issuer	Bank of Shanghai (Hong Kong) Limited	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	NA
3	Governing law(s) of the instrument	Hong Kong	Hong Kong	Hong Kong
	<i>Regulatory treatment</i>			
4	Transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	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	HK\$2,305 million
9	Par value of instrument	HK\$10 each	RMB10 each	HK\$10 each
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance	2/12/1974	1/3/2014	1/10/2023
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	Not applicable
16	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable
	<i>Coupons/dividends</i>			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	Not applicable	Not applicable	Not applicable
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable

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3 COMPOSITION OF CAPITAL (CONTINUED)

(e) Main Features of Capital Instruments (continued)

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

4 LEVERAGE RATIO

(a) Components of Leverage ratio

Leverage Ratio Disclosure Template

	Item	Leverage ratio framework As at 31 December 2025 HK\$'000	Leverage ratio framework As at 30 September 2025 HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral)	29,514,950	31,182,810
2	Gross-up for derivative contracts collateral provided where deducted from balance sheet assets pursuant to the applicable accounting standard	–	–
3	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(49,200)	(5,524)
4	Less: Adjustment for assets other than money received under SFTs that are recognised as an asset	–	–
5	Less: Specific and collective provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital	(497,757)	(478,710)
6	Less: Asset amounts deducted in determining Tier 1 capital	(60,650)	(100,417)
7	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	28,907,343	30,598,159

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4 LEVERAGE RATIO (CONTINUED)

(a) Components of Leverage ratio (continued)

Leverage Ratio Disclosure Template (continued)

	Item	Leverage ratio framework As at 31 December 2025 HK\$'000	Leverage ratio framework As at 30 September 2025 HK\$'000
Exposures arising from derivative contracts			
8	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	22,287	24,858
9	Add-on amounts for PFE associated with all derivative contracts	165,200	129,529
10	Less: Exempted CCP leg of client-cleared trade exposures	–	–
11	Adjusted effective notional amount of written credit-related derivative contracts	–	–
12	Less: Permitted reductions in effective notional amount and permitted deductions from add-on amounts for PFE of written credit-related derivative contracts	–	–
13	Total exposures arising from derivative contracts (sum of rows 8 to 12)	187,487	154,387
Exposures arising from SFTs			
14	Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	299,022	412,637
15	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
16	CCR exposure for SFT assets	6,345	20,729
17	Agent transaction exposures	–	–
18	Total exposures arising from SFTs (sum of rows 14 to 17)	305,367	433,366

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4 LEVERAGE RATIO (CONTINUED)

(a) Components of Leverage ratio (continued)

Leverage Ratio Disclosure Template (continued)

	Item	Leverage ratio framework As at 31 December 2025 HK\$'000	Leverage ratio framework As at 30 September 2025 HK\$'000
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	7,207,351	7,399,646
20	Less: Adjustments for conversion to credit equivalent amounts	(6,199,477)	(6,299,918)
21	Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital	–	–
22	Off-balance sheet items (sum of rows 19 to 21)	1,007,874	1,099,728
Capital and total exposures			
23	Tier 1 capital	5,053,047	5,039,857
24	Total exposures (sum of rows 7, 13, 18 and 22)	30,408,071	32,285,640
Leverage ratio			
25 & 25a	Leverage ratio	16.6%	15.6%
26	Minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	Not applicable	Not applicable
Disclosure of mean values			
28	Mean value of gross assets of SFTs, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	277,915	157,413
29	Quarter-end value of gross amount of SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	299,022	412,637
30 & 30a	Total exposures based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	30,386,964	32,030,416
31 & 31a	Leverage ratio based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	16.6%	15.7%

Leverage ratio increased as the Bank has a lower exposure after adjustments for specific and collective provisions during the quarter.

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4 LEVERAGE RATIO (CONTINUED)

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

	Item	Leverage ratio framework as at 31 December 2025 HK\$'000
1	Total consolidated assets as per published financial statements	29,340,167
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
4	Adjustments for temporary exemption of central bank reserves	Not applicable
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	–
7	Adjustments for eligible cash pooling transactions	–
8	Adjustments for derivative contracts	187,487
9	Adjustment for SFTs (i.e. repos and similar secured lending)	305,367
10	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	1,007,874
11	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(497,757)
12	Other adjustments	64,933
13	Leverage ratio exposure measure	30,408,071

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5 RISK MANAGEMENT APPROACH

In executing our strategic priorities and business opportunities, the Company is faced with economic, financial and other types of risk. These risks are interdependent and require a holistic approach to risk management. Very broadly, these risks can be aligned around the following key risk categories:

- Credit
- Market
- Liquidity
- Interest rate
- Operational
- Reputational
- Compliance

These key risks are explained in further details in sections 7 to 11.

The Board oversees the Company's affairs and provides sound leadership for the Chief Executive Officer and management. Authorised by the Board, various Board committees oversee specific responsibilities based on clearly defined terms of references. Under our risk management approaches, the Board, through the Risk & Compliance Committee ("**RCC**") or its designated committees, sets our Risk Appetite, oversees the establishment of risk management policies and processes, and sets risk limits to guide the Company's risk-taking. The RCC also oversees the identification, monitoring, management and reporting of credit, market, liquidity, operational and reputational risks. To facilitate the RCC's risk oversight, the following committees carrying risk management functions, have been established:

- Asset & Liability Committee
- Credit Committee
- Management Committee
- Operations and Technology Committee
- Accountability Management Committee

These committees as a whole serve as an executive forum to discuss and implement the Company's risk management. Key responsibilities include

- Assess and approve risk-taking activities
- Oversee the Company's risk management infrastructure, which includes frameworks, decision criteria, authorities, people, policies, standards, processes, information and systems
- Approve risk policies, the evaluation and endorsement of risk models
- Assess and monitor specific credit concentration
- Recommend scenarios and the resulting macroeconomic variable projections used for enterprise-wide stress tests

The members in these committees comprise representatives from the Risk Management unit ("**RMU**") as well as key business and support units.

Our Risk Appetite takes into account a spectrum of risk types, and it is implemented using thresholds, policies, processes and controls. It is driven by the Board and senior management with the involvement of management at departmental and divisional levels for providing information and analysis to facilitate the review and approval.

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5 RISK MANAGEMENT APPROACH (CONTINUED)

Threshold structures are essential in making the Company's Risk Appetite an intrinsic part of our businesses, because they help to keep all our risks within acceptable levels. Portfolio risk limits for the quantifiable risk types reach all parts of the Company from the top down, and these are implemented using formal frameworks. As for the non-quantifiable risk types, these are controlled under qualitative principles through established policies.

We manage these risks by diversifying our risk across industries and individual exposures. The Company has three lines of defense when it comes to risk taking where each line of defense has a clear responsibility. Working closely with the support units, our business units are our first line of defense for risk management. Their responsibilities include identification and management of risks inherent in their businesses and ensuring that our business operations remain within approved boundaries of our risk appetite and policies.

Corporate oversight and control functions such as RMU, Compliance and parts of Technology and Finance form the second line of defense. They are responsible for design and maintenance of the internal control frameworks covering financial, operational, compliance and information technology controls as well as risk management policies and systems. In addition, RMU is responsible for identifying individual and portfolio risk, approving transactions and trades and ensuring that they are within approved limits, and monitoring and reporting on the portfolio. These are carried out with a view of current and future potential developments, and evaluated through stress testing.

Company's Audit forms the third line of defense. It provides an independent assessment and assurance on the reliability, adequacy and effectiveness of our system of internal controls, risk management procedures, governance framework and processes.

The Company believes that effective safeguards against undesired business conduct have to go beyond a "tick-the-box" mentality. Other than relying on published codes of conduct, the Company also advocates the following organizational safeguards to maintain a strong risk and governance culture:

- Tone from the top
- Aligning strategies and incentives via key performance index. Performance is assessed against the key performance index to determine remuneration, providing a clear line of sight between employee goals and organizational imperatives
- Respecting voice of control functions
- Risk ownership
- Having established escalation protocols
- Encouraging constructive challenges at all level
- Reinforcing cultural alignment

In addition to cultivating a strong risk and governance culture, robust internal control processes and systems have been designed and implemented to support the respective risk management approaches. These are reviewed regularly by the respective risk units to assess and ensure their effectiveness.

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5 RISK MANAGEMENT APPROACH (CONTINUED)

Risk management reports including exposure and position information for all significant risk areas are provided to the risk management committees and senior management on a regular basis, as deemed appropriate. The Company, through various risk management committees, determines the risk reporting requirements that best suit the business. This includes the following:

- risk exposures and profile against risk limits and risk strategy
- large risk events and subsequent remedial action plans
- market developments such as macro-economic, credit, industry, country risks, emerging risk concentrations and stress tests related to these developments

Stress testing is an integral part of our risk management process, and includes both sensitivity analysis and scenario analysis. This related to regulatory and internal stress test over the whole portfolio and gamut of risk types. Every stress test is documented and results are discussed at the relevant risk management committees.

This element alerts senior management of our potential vulnerability to exceptional but plausible adverse events. As such, stress testing enables us to assess capital adequacy and identify potentially risky portfolio segments as well as inherent systematic risks. This then allows us to develop the right contingency plans, exit strategies and mitigating actions beforehand.

The capital planning process according to our Internal Capital Adequacy Assessment Process seeks to align our expected business trajectory to our Risk Appetite.

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6 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 31 December 2025	As at 30 September 2025	As at 31 December 2025
HK\$'000				
1	Credit risk for non-securitization exposures	21,680,381	23,102,057	1,734,430
2	Of which STC approach	21,680,381	23,102,057	1,734,430
2a	Of which BSC approach	–	–	–
3	Of which foundation IRB approach	–	–	–
4	Of which supervisory slotting criteria approach	–	–	–
5	Of which advanced IRB approach	–	–	–
5a	Of which retail IRB approach	–	–	–
5b	Of which specific risk-weight approach	–	–	–
6	Counterparty default risk and default fund contributions	45,570	40,317	3,646
7	Of which SA-CCR approach	44,301	36,171	3,544
7a	Of which CEM	–	–	–
8	Of which IMM(CCR) approach	–	–	–
9	Of which others	1,269	4,146	102
10	CVA risk	6,075	7,625	486
11	Equity positions in banking book under the simple risk-weight method and internal models method	NA	NA	NA
12	Collective investment scheme (“CIS”) exposures – look-through approach/third-party approach	NA	NA	NA
13	CIS exposures – mandate-based approach	NA	NA	NA
14	CIS exposures – fall-back approach	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	–	–	–

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6 OVERVIEW OF RISK-WEIGHTED AMOUNT (CONTINUED)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 December 2025	As at 30 September 2025	As at 31 December 2025
HK\$'000				
20	Market risk	2,210,888	1,963,075	176,871
21	Of which STM approach	2,210,888	1,963,075	176,871
22	Of which IMA	–	–	–
22a	Of which SSTM approach	–	–	–
23	Capital charge for moving exposures between trading book and banking book	NA	NA	NA
24	Operational risk	821,000	955,188	65,680
24a	Sovereign concentration risk	NA	NA	NA
25	Amounts below the thresholds for deduction (subject to 250% RW)	–	–	–
26	Output floor level applied	NA	NA	
27	Floor adjustment (before application of transitional cap)	NA	NA	
28	Floor adjustment (after application of transitional cap)	NA	NA	NA
28a	Deduction to RWA	–	–	–
28b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
28c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
29	Total	24,763,914	26,068,262	1,981,113

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

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7 CREDIT RISK

(a) Qualitative Disclosures

(i) General Qualitative Disclosures

Credit risk arises from borrowers or counterparties failing to meet their debt or contractual obligations. It includes both the risk of lending as well as the pre-settlement and settlement risk of foreign exchange, derivatives and debt securities.

The Company's Credit Risk Policy sets forth the principles by which the Company conducts its credit risk management and control activities.

These policies, supplemented by a number of operational policies and standards, ensure consistency in identifying, assessing, underwriting, measuring, reporting and controlling credit risk across the Company, and provide guidance in the formulation of business-specific credit risk policies and standards.

In managing its risk profile, the Company has some criteria in place that serve to support the Company's portfolio strategy planning and ensure sound, well-defined and consistent credit underwriting standards across business units of the Company. The Company sets Risk Appetite to specify the guidelines for the acceptance of risks associated with the extension of credit facilities. The delegation of authority sets out the level of credit authority required for approval of credit extension to a counterparty group.

RMU is the second line of defense responsible for the development and maintenance of credit risk management and internal control frameworks. It provides independent review and challenge to the first line of defense (e.g. Business Units) who are ultimately responsible for the identification, assessment and management of risk on an end-to-end basis and in conformity with approved risk appetite and policies.

Credit risk managers under RMU reports to the Chief Risk Officer:

- to review and control credit risk and portfolio quality and ensure compliance with all applicable credit policies, and procedures.
- to work with first line of defense to perform post-approval monitoring and to ensure completion of the post-approval conditions and documentation

The Company's ultimate credit authority is vested with the Company's Board of Directors.

Please refer to Section 5 on the risk management committees established to discuss the various risk types.

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7 CREDIT RISK (CONTINUED)

(a) Qualitative Disclosures (continued)

(i) General Qualitative Disclosures (continued)

RMU also partners the Compliance unit and Technology Risk to ensure all risk-taking activities abide by all regulations and Operation to perform independent checks on completeness of documentation, compliance of condition precedent / credit conditions prior to the activation of credit facilities, while Internal Audit unit serves as a third line of defense to provide an independent assessment and assurance on the reliability, adequacy and effectiveness of our system of internal controls, risk management procedures, governance framework and processes.

The Company constantly invests in systems to support risk monitoring and reporting for our businesses. The end-to-end credit process is continually reviewed and improved through various front-to-back initiatives involving the business units, operations, RMU and other key stakeholders.

(ii) Qualitative Disclosures related to Credit Risk Mitigation techniques

The Company's Credit Risk Policy provides policy requirements and references on:

- Eligible collaterals
- Collateral valuation and valuation method
- Appointment of valuers / appraisers
- Loan-to-valuation / margin calls

Core processes for collateral evaluation include frequency of valuation for the various asset classes.

Where possible, the Company takes collateral as a secondary recourse to the borrower. This includes, but not limited to, cash, marketable securities, real estate, trade receivables, inventory and equipment, and other physical and / or financial collateral. The Company may also take fixed and floating charges on the assets of borrowers. Policies are in place to determine the eligibility of collateral for credit risk mitigation. These include requiring specific collateral to meet minimum operational requirements in order to be considered as effective risk mitigants. The Company's collateral is generally solid and periodic valuations of collateral are required. For derivatives, collateral arrangements are typically covered under market-standard documentation, such as International Swaps & Derivatives Association (ISDA) Agreements and Master Repurchase Agreements. The collateral received is marked-to-market on a frequency the Company and the counterparties mutually agreed upon, governed by internal guidelines with respect to the collateral eligibility. In the event of a default, the credit risk exposure is reduced by master-netting arrangements where the Company is allowed to offset what the Company owes a counterparty against what is due from that counterparty in a netting-eligible jurisdiction.

In times of difficulty, the Company will review the customer's specific situation and circumstances to assist them in restructuring their repayment liabilities.

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7 CREDIT RISK (CONTINUED)

(a) Qualitative Disclosures (continued)

(iii) Additional Disclosures related to the Credit Quality of Assets

HKMA's Loan Classification System requires credit portfolios to be categorised into one of the following five categories, according to the Company's assessment of a borrower's ability to repay a credit facility from its normal sources of income.

Pass:	This refers to loans where borrowers are current in meeting commitments and full repayment of interest and principal is not in doubt.
Special Mention:	This refers to loans where borrowers are experiencing difficulties which may threaten the lender's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.
Substandard:	This refers to loans where borrowers are displaying a definable weakness that is likely to jeopardize repayment. The Company is relying heavily on available security. This would include loans where some loss of principal or interest is possible after taking account of the net realizable value of the security, and rescheduled loans where concessions have been made to a borrower on interest or principal such as to render the loan "non-commercial" to the Company.
Doubtful:	This refers to loans where collection in full is improbable and the Company expects to sustain a loss of principal and / or interest after taking account of the net realizable value of the security.
Loss:	This refers to loans which are considered uncollectible after exhausting all collection efforts such as realization of collateral, institution of legal proceedings, etc.

Credit facilities are classified as restructured assets when the Company grants non-commercial concessions to a borrower because it is in a worse financial position or is unable to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade based on the assessment of the borrower's financial condition and its ability to repay according to the restructured terms.

Such credit facilities are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

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7 CREDIT RISK (CONTINUED)

(a) Qualitative Disclosures (continued)

(iii) Additional Disclosures related to the Credit Quality of Assets (continued)

Currently, different terminology and criteria exists for the categorization of quality of credit exposures for various purpose:

1. Prudential / Regulatory definition for capital adequacy purpose – “Default”

Under Basel, a default is considered to have occurred when an obligor is considered Unlikely to Pay (UTP) (with list of such indicators specified in the Basel Accord) its credit obligations in full without recourse to actions such as realizing collateral (if held), or the obligor is more than 90 Days Past Due (90DPD) on any material obligation. It should be noted that the Basel UTP and 90DPD criteria are aligned to the Company’s definition of Subjective and Technical Default respectively.

2. Accounting definition for valuation / provisioning purpose – “Credit-Impaired”

Under HKFRS 9, a financial asset is considered credit-impaired when one or more events (with list of such events specified in the HKFRS 9) that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. All such financial instruments are classified as Stage 3 and requires individual assessment of provisions under the principle of HKFRS 9. This is aligned to the Company’s definition. In other words exposures which are classified as Default under Basel purpose are considered to be Credit-Impaired for HKFRS 9 purpose.

(iv) ECAI rating under the STC approach

The Company adopted the Standard (Credit Risk) Approach for credit risk. The Company used the credit ratings from the following external credit assessment institutions (“ECAIs”) for all classes of credit exposures mentioned below:

- Moody’s Investors Services
- Standard and Poor’s Rating Services
- Fitch Ratings

The process used to map ECAIs issue specific rating to the exposures recorded in the Company’s banking book is consistent with those prescribed in the Banking (Capital) Rules.

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7 CREDIT RISK (CONTINUED)

(b) Credit quality of assets

		(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		
As at 31 December 2025		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	287,344	19,270,835	374,144	108,703	265,441	–	19,184,035
2	Debt securities	39,628	9,782,404	266	–	266	–	9,821,766
3	Off-balance sheet exposures	–	957,129	2,961	–	2,961	–	954,168
4	Total	326,972	30,010,368	377,371	108,703	268,668	–	29,959,969

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

- a) Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without taking action such as realising security (if held).
- b) 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.

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

		HK\$'000
1	Defaulted loans and debt securities as at 30 June 2025	357,833
2	Loans and debt securities that have defaulted since the last reporting period	12,726
3	Returned to non-defaulted status	–
4	Amounts written off	(30,038)
5	Other changes (Note a)	(13,549)
6	Defaulted loans and debt securities as at 31 December 2025	326,972

Note a: Other change included repayments, market value change and exchange movements.

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7 CREDIT RISK (CONTINUED)

(d) Additional Quantitative Disclosures related to Credit Quality of Assets

(i) Credit risk exposure by geographical areas, industry and residual maturity

Geographical area HK\$'000	As at 31 December 2025
– Hong Kong	12,968,156
– China	4,994,550
– Others	12,374,634
Total	30,337,340

Industry HK\$'000	As at 31 December 2025
Banks	9,459,945
Official sector	1,005,963
Public sector entity	949,060
Non-bank private sector	
– Property development	1,617,621
– Property investment	690,551
– Civil engineering	372,455
– Financial concerns	5,076,403
– Stockbrokers	–
– Electricity and gas	1,175,775
– Wholesale and retail trade	2,908,376
– Manufacturing	2,202,649
– Transport and Transport equipment	1,830,974
– Information technology	173,132
– Individual	–
– Others	2,874,436
Total	30,337,340

Residual maturity HK\$'000	As at 31 December 2025
– Up to and including one year	25,797,469
– Over one year and up to including two years	2,175,823
– Over two years	2,364,048
Total	30,337,340

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7 CREDIT RISK (CONTINUED)

(d) Additional Quantitative Disclosures related to Credit Quality of Assets (continued)

(ii) Impaired exposures and related allowances and write-offs by geographical area and industries

**Geographical area
HK\$'000**

	31 December 2025		
	Hong Kong	China	Total
Gross outstanding	287,218	–	287,218
<i>Of which:</i>			
<i>Exposures subject to Stage 3 ECL</i>	287,218	–	287,218
Less: Impairment	(108,636)	–	(108,636)
	<u>178,582</u>	<u>–</u>	<u>178,582</u>

Impaired exposures subject to Stage 3 ECL are mainly related to property development and construction.

(iii) Aging analysis of accounting past due exposures

Please refer to section 20 overdue and rescheduled assets for details.

(iv) Breakdown of restructured exposures

Please refer to section 20 overdue and rescheduled assets for details.

(e) 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 31 December 2025		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	18,650,249	533,786	56,020	477,766	–
2	Debt securities	9,821,766	–	–	–	–
3	Total	28,472,015	533,786	56,020	477,766	–
4	Of which defaulted	218,269	–	–	–	–

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7 CREDIT RISK (CONTINUED)

(f) Credit risk exposures and effects of recognized credit risk mitigation – STC approach

Exposure classes		As at 31 December 2025					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	%
1	Sovereign exposures	1,029,561	–	1,029,561	–	–	–
2	Public sector entity exposures	986,787	155,696	986,787	62,278	267,840	26
3	Multilateral development bank exposures	–	–	–	–	–	–
3a	Unspecified multilateral body exposures	–	–	–	–	–	–
4	Bank exposures	9,311,753	–	9,311,753	–	2,413,787	26
4a	Qualifying non-bank financial institution exposures	108,362	112,215	108,362	11,222	89,688	75
5	Eligible covered bond exposures	–	–	–	–	–	–
6	General corporate exposures	16,265,858	6,900,615	15,732,071	918,671	16,297,967	98
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	3,163,510	1,534,580	3,163,510	166,826	3,082,150	93
6b	Specialized lending	–	–	–	–	–	–
7	Equity exposures	336,679	–	336,679	–	841,698	250
7a	Significant capital investments in commercial entities	5,772	–	5,772	–	14,430	250
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	223,366	–	223,366	–	335,049	150
7c	Subordinated debts issued by banks, non-bank financial institutions and corporates	350,006	–	350,006	–	525,008	150
8	Retail exposures	–	–	–	–	–	–
8a	Exposures arising from IPO financing	–	–	–	–	–	–
9	Real estate exposures	522,652	38,825	522,652	15,530	538,182	100
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	–
9b	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	–
9c	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	–
9d	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	–
9e	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	522,652	38,825	522,652	15,530	538,182	100
9f	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	–
9g	Of which: land acquisition, development and construction exposures	–	–	–	–	–	–
10	Defaulted exposures	243,977	–	243,977	–	365,966	150
11	Other exposures	36,336	–	36,336	–	36,336	100
11a	Cash and gold	–	–	–	–	–	–
11b	Items in the process of clearing or settlement	100,203	–	100,203	–	–	–
12	Total	29,521,312	7,207,351	28,987,525	1,007,701	21,725,951	72

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7 CREDIT RISK (CONTINUED)

(g) Credit risk exposures by exposure classes and by risk weights – STC approach

HK\$'000

		0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
1	Sovereign exposures	1,029,561	–	–	–	–	–	1,029,561

		0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
2	Public sector entity exposures	–	855,642	193,423	–	–	–	1,049,065

		0%	20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
3	Multilateral development bank exposures	–	–	–	–	–	–	–	–

		20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
3a	Unspecified multilateral body exposures	–	–	–	–	–	–	–

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7 CREDIT RISK (CONTINUED)

(g) Credit risk exposures by exposure classes and by risk weights – STC approach (continued)

HK\$'000

		20%	30%	40%	50%	75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
4	Bank exposures	4,863,234	4,143,444	–	305,075	–	–	–		9,311,753
4a	Non-bank financial institution exposures	–	–	–	–	119,584	–	–		119,584
5	Eligible covered bond exposures	–	–	–	–	–	–	–	–	–

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7 CREDIT RISK (CONTINUED)

(g) Credit risk exposures by exposure classes and by risk weights – STC approach (continued)

HK\$'000

		20%	30%	50%	65%	75%	85%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6	General corporate exposures	–	–	101,721		1,205,989	2,780	15,340,252	–		16,650,742
6a	Of which: securities firms and financial institutions	–	–	–		325,754	–	3,004,582	–	–	3,330,336
			20%	50%	75%	80%	100%	130%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6b	Specialized lending	–	–	–	–	–	–	–	–	–	–
					100%	250%	400%			Other	Total credit exposure amount (post-CCF and post-CRM)
7	Equity exposures					336,679	–	–	–	–	336,679
										Other	Total credit exposure amount (post-CCF and post-CRM)
7a	Significant capital investments in commercial entities				250%	400%	1,250%			–	5,772

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7 CREDIT RISK (CONTINUED)

(g) Credit risk exposures by exposure classes and by risk weights – STC approach (continued)

HK\$'000

		150%	250%	400%	Other	Total credit exposure amount (post-CCF and post-CRM)
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	223,366	–	–	–	223,366

		150%	Other	Total credit exposure amount (post-CCF and post-CRM)
7c	Subordinated debts issued by banks, non-bank financial institutions and corporates	350,006	–	350,006

		45%	75%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
8	Retail exposures	–	–	–	–	–

		0%	Other	Total credit exposure amount (post-CCF and post-CRM)
8a	IPO financing	–	–	–

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7 CREDIT RISK (CONTINUED)

(g) Credit risk exposures by exposure classes and by risk weights – STC approach (continued)

HK\$'000

		0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)	
9	Real estate exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	538,182	-	-	-	-	538,182	
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)		-	-	-		-		-			-									-	-
9b	Of which: no loan splitting applied		-	-	-		-		-			-									-	-
9c	Of which: loan splitting applied (secured)																					
9d	Of which: loan splitting applied (unsecured)																					
9e	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)					-	-		-												-	-
9f	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-		-		-		-	-				-	-	-					-	-
9g	Of which: no loan splitting applied	-	-		-		-		-	-				-	-	-					-	-
9h	Of which: loan splitting applied (secured)																					
9i	Of which: loan splitting applied (unsecured)																					
9j	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)																				-	-
9k	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-		-		-		-							538,182					-	-
9l	Of which: no loan splitting applied	-	-		-		-		-							-					-	-
9m	Of which: loan splitting applied (secured)																					
9n	Of which: loan splitting applied (unsecured)																					
9o	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)																				-	-
9p	Of which: land acquisition, development and construction exposures																				-	-

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7 CREDIT RISK (CONTINUED)

(g) Credit risk exposures by exposure classes and by risk weights – STC approach (continued)

HK\$'000

		50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)			
10	Defaulted exposures		–	243,977	–	243,977			
			100%	1,250%	Other	Total credit exposure amount (post-CCF and post-CRM)			
11	Other exposures		36,336	–	–	36,336			
			0%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)			
11a	Cash and gold		–	–	–	–			
		0%	20%	100%	625%	937.5%	1,250%	Other	Total credit exposure amount (post-CCF and post-CRM)
11b	Items in the process of clearing or settlement	100,203	–	–	–	–	–	–	100,203

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7 CREDIT RISK (CONTINUED)

(g) Credit risk exposures by exposure classes and by risk weights – STC approach (continued)

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures (STC version)

HK\$'000

		(a)	(b)	(c)	(d)
	Risk Weight	On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF	Exposure (post-CCF and post-CRM)
1	Less than 40%	10,929,806	155,696	–	10,992,083
2	40-70%	600,219	–	–	600,219
3	75%	1,314,040	115,329	0.10	1,325,573
4	85%	2,780	–	–	2,780
5	90-100%	14,980,880	6,934,605	0.13	15,914,770
6	105-130%	–	–	–	–
7	150%	817,349	–	–	817,349
8	250%	342,451	–	–	342,451
9	400%	–	–	–	–
10	1,250%	–	–	–	–
11	Total exposures	28,987,525	7,205,630	0.04	29,995,226

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8 COUNTERPARTY CREDIT RISK (“CCR”)

(a) Qualitative Disclosures related to Counterparty Credit Risk

Counterparty Credit Risk is defined as the risk that a counterparty could default before the final settlement of the cash flows of derivatives or securities financing transactions.

Pre-settlement credit risk for traded products arising from a counterparty potentially defaulting on its obligations is quantified by evaluation of the market price, plus potential future exposure.

Issuer default risk that may also arise from derivatives, notes and securities are generally measured based on jump-to-default computations.

The Company's Credit Risk Policy and related standards set out the Company's overarching requirements for guarantees and Traded Products.

Credit limits and exposures to counterparties are subject to the Company's overarching credit risk management framework. Counterparties are assessed individually and assigned credit risk ratings. After the credit exposures are assessed, credit limits are proposed by the business unit, and are approved by the credit risk function after an independent credit assessment.

The Company actively monitors and manages our exposure to counterparties in OTC derivative trades to protect our balance sheet in the event of a counterparty default. Counterparty risk exposures that may be adversely affected by market risk events are identified, reviewed and acted upon by management, and highlighted to the appropriate risk management committees.

Furthermore, the Company enters into master netting / collateral arrangements with counterparties where it is appropriate and feasible to mitigate counterparty risk.

The Company's Credit Risk Policy provide the definition and management of specific wrong-way risk (SWWR). SWWR arises when there is unfavourable correlation between the mark-to-market value of the instrument and the financial strength of the counterparty. An example of SWWR is when granting a credit limit to a counterparty secured by the counterparty's own shares.

The Company does not have external credit ratings, which thus have no impact on the Company's collateral obligations under derivative contracts.

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

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

		As at 31 December 2025					
		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)	15,919	112,242		1.4	179,425	44,301
1a	CEM (for derivative contracts)	–	–		1.4	–	–
2	IMM (CCR) approach			–	–	–	–
3	Simple Approach (for SFTs)					6,345	1,269
4	Comprehensive Approach (for SFTs)					–	–
5	VaR (for SFTs)					–	–
6	Total						45,570

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

		As at 31 December 2025											Total default risk exposure after CRM HK\$'000
Risk Weight	Exposure class	0% HK\$'000	10% HK\$'000	20% HK\$'000	30% HK\$'000	40% HK\$'000	50% HK\$'000	75% HK\$'000	85% HK\$'000	100% HK\$'000	150% HK\$'000	Others HK\$'000	
1	Sovereign exposures	–	–	–	–	–	–	–	–	–	–	–	–
2	Public sector entity exposures	–	–	–	–	–	–	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–	–
4	Unspecified multilateral body exposures	–	–	–	–	–	–	–	–	–	–	–	–
5	Bank exposures	–	–	101,625	84,141	–	4	–	–	–	–	–	185,770
6	Qualifying non-bank financial institution exposures	–	–	–	–	–	–	–	–	–	–	–	–
7	General corporate exposures	–	–	–	–	–	–	–	–	–	–	–	–
8	Retail exposures	–	–	–	–	–	–	–	–	–	–	–	–
9	Defaulted exposures	–	–	–	–	–	–	–	–	–	–	–	–
10	Other exposures	–	–	–	–	–	–	–	–	–	–	–	–
11	Total	–	–	101,625	84,141	–	4	–	–	–	–	–	185,770

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

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

	As at 31 December 2025					
	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	–	–	–	49,200	–	–
Corporate bonds	–	–	–	–	–	299,022
Total	–	–	–	49,200	–	299,022

9 MARKET RISK UNDER STANDARDIZED APPROACH

(a) Qualitative Disclosures

Market risk is the risk of loss on assets, liabilities and commitments arising from the net effect of changes in market rates, such as foreign exchange rates and interest rates. Market risk also includes credit spread risk arising from trading and banking book exposures.

Market risk exposures are coming from either Trading book or Banking book.

Trading book consists of:

- proprietary positions in financial instruments taken for short-term resale or to benefit in the short term from actual or expected differences between the buying and selling prices or from other price or interest rate variations;
- positions arising from the execution of trade orders from customers and market making;
- positions taken to hedge other elements of the trading book.

Banking book consists of:

- positions other than those categorised under the trading book.

The Company’s market risk management framework is designed to identify, measure, monitor, and control market risks in a prudent and consistent manner, aligned with the nature, scale, and complexity of its business activities.

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9 MARKET RISK UNDER STANDARDIZED APPROACH (CONTINUED)

(a) Qualitative Disclosures (continued)

The Company's approach to market risk management is formulated on the following building blocks:

- Market Risk Policies
- Market Risk Systems
- Market Risk Measurement, Monitoring and Reporting

The Company's market risk policies are designed to identify and analyse these market risks so as to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of reliable and up-to-date information systems. Such policy is a compilation of sets of market risk related policies to govern the market risk profile of the Company and to ensure that market risk management strategies are effectively implemented for the Company. The Company has market risk management policies on foreign exchange, interest rate, debt securities and liquidity.

A clear segregation of responsibilities is maintained between risk-taking units and risk oversight functions. Business units are responsible for the day-to-day management of market risk within approved limits and in compliance with the Company's risk appetite. An independent risk management function monitors market risk exposures, performs stress testing, and ensures timely reporting to management.

The level of sophistication of the Company's risk management information systems is commensurate with the nature, scale and complexity of the Company's business activities.

Market risk limits are put in place to control the Company's exposure to various quantifiable market risks associated with its business activities. Risk limits are set in line with the Company's risk appetite and are suitable for the size and complexity of the Company's business activities and compatible with the sophistication of its products and services. Market risk limits are reviewed at least annually to ensure its adequacy and appropriateness under the prevailing business environment. As and when the portfolio or market conditions change significantly, underlying assumptions for establishing the limits will then be reviewed in the context of changes in strategy, or according to the risk tolerance of the Company, market conditions, and regulatory requirement etc. Market risk exposures are monitored on a frequent basis.

Stress testing is an essential tool for the Company to manage market risk and is run on interest rate, foreign exchange, liquidity and debt security portfolio on a regular basis. It helps alert the Company's management to adverse unexpected outcomes related to a variety of risks to which the Company is exposed, and provides an indication of the amount of financial resources (including capital and liquidity) that might be necessary to absorb losses caused by, or to withstand, severe stressed conditions.

Hedging activities are undertaken to mitigate market risk exposures arising from trading and banking book positions. The effectiveness of hedging strategies is monitored through regular reconciliations and automated reporting systems. Any material issues identified are reviewed by management.

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9 MARKET RISK UNDER STANDARDIZED APPROACH (CONTINUED)

(a) Qualitative Disclosures (continued)

Internal risk transfer arrangements are used to facilitate the consolidated management of market risk exposures where appropriate to support effective hedging and consistent risk oversight. All such arrangements are conducted in accordance with internal control procedures and are subject to independent monitoring.

The Company applies the Standardized Approach for regulatory capital calculation for market risk, in line with the Banking (Capital) Rules. VaR back-testing is performed on a regular basis to validate the robustness of internal models. Exceptions are investigated and documented, with remedial actions taken where necessary.

(b) Market risk under STM approach

		As at 31 December 2025
		Market risk capital charges under STM approach HK\$'000
1	General interest rate risk	13,741
2	Equity risk	–
3	Commodity risk	–
4	Foreign exchange risk	163,130
5	Credit spread risk (non-securitization)	–
6	Credit spread risk (securitization: non-correlation trading portfolio (“CTP”))	–
7	Credit spread risk (securitization: CTP)	–
8	Standardized default risk charge (“SA-DRC”) (non-securitization)	–
9	SA-DRC (securitization: non-CTP)	–
10	SA-DRC (securitization: CTP)	–
11	Residual risk add-on	–
12	Total	176,871

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10 CREDIT VALUATION ADJUSTMENT RISK

(a) Qualitative Disclosures

CVA risk arises from changes in the credit spreads of counterparties that affect the valuation of over-the-counter (OTC) derivative transactions. The Company manages CVA risk as part of its broader counterparty credit risk framework, with the objective of protecting the balance sheet from potential mark-to-market losses due to counterparty credit deterioration.

The Company's approach to CVA risk management includes the identification, measurement, and monitoring of CVA exposures across all relevant derivative transactions. Exposures are assessed at the counterparty level, taking into account netting agreements, collateral arrangements, and credit mitigation techniques such as margin calls and credit support annexes under ISDA agreements.

CVA risk is measured using internal systems that incorporate market data and counterparty credit spreads. The Company employs hedging strategies, including the use of eligible credit derivatives and interest rate instruments, to mitigate CVA volatility where appropriate. The effectiveness of such hedges is monitored on an ongoing basis through regular reporting and reconciliation processes.

For regulatory capital purposes, the Company calculates CVA risk capital charges in accordance with the Banking (Capital) Rules. The Company does not currently apply the option to set RWA for CVA risk at 100% of counterparty credit risk RWA, and instead applies the reduced basic approach (Reduced BA-CVA) for CVA risk as prescribed by the HKMA.

The Company's management is regularly informed of CVA risk exposures and any significant changes in counterparty credit quality through established reporting mechanisms. The Company continues to enhance its CVA risk management capabilities in line with evolving regulatory expectations and market practices.

(b) CVA risk under reduced basic CVA approach

		(a)	(b)
		Components HK\$'000	CVA risk capital charge under the reduced basic CVA approach HK\$'000
1	Aggregation of systematic components of CVA risk	1,252	
2	Aggregation of idiosyncratic components of CVA risk	471	
3	Total		486

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11 ASSET ENCUMBRANCE

In HK\$'000	(a)	(c)	(d)
	Encumbered assets	Unencumbered assets	Total
Cash and balances from banks and central bank	–	1,913,338	1,913,338
Placements with and advances to banks	–	278,294	278,294
Financial assets at fair value through profit and loss	–	592,221	592,221
Derivative financial assets	–	23,951	23,951
Loans and advances to customers	–	16,943,217	16,943,217
Investment securities	299,022	8,805,738	9,104,760
Interests in associate	–	–	–
Investment in subsidiary	–	5,772	5,772
Property and equipments	–	36,336	36,336
Intangible assets	–	1,817	1,817
Current tax recoverable	–	19	19
Deferred tax assets	–	58,833	58,833
Other assets	–	381,609	381,609
Total assets	299,022	29,041,145	29,340,167

12 OPERATIONAL RISK

(a) Qualitative Disclosures

Operational risk is inherent in our business activities and it may arise from inadequate or failed internal processes, people, or systems, or from external events.

The Company's objective is to keep operational risk at appropriate levels, taking into account the markets the Company operates in, the characteristics of the businesses as well as our economic and regulatory environment.

The Operational Risk Management Framework ensures oversight and accountability of the operational risks. The Group aligns the risk appetite with strategic objectives and employ robust risk methodologies to identify, assess, monitor, control and mitigate operational risk effectively.

The Board and senior management communicate a culture emphasising high standards of ethical behaviour and prohibiting conflicts of interest or inappropriate provision of financial services (whether wilful or negligent) at all levels of the Bank. This is achieved through the establishment and application to both staff and Board members a Code of Conduct, and by members of the Board (or its delegated committee) and senior management setting the example of following it.

Effective internal policies and controls can mitigate operational risks. Regular Risk Forum meetings and transparent risk reporting mechanisms provide stakeholders with timely and accurate information. The Group continuously improves the operational risk management practices to safeguard stakeholder interests.

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12 OPERATIONAL RISK (CONTINUED)

(a) Qualitative Disclosures (continued)

No significant operational loss event was recorded for the reporting period.

The Company's approach to operational risk management comprises the following building blocks:

- Policies

The Company's Operational Risk Management ("ORM") Policy sets our overall approach for managing operational risk in a structured, systematic and consistent manner.

There are policies in place to govern ORM practices across the Company. These include corporate operational risk policies that are owned by the respective corporate oversight and control functions. The key policies address risk areas relating to technology, compliance, fraud, money laundering, financing of terrorisms and sanctions, new product and outsourcing.

- Risk Methodologies

The Company adopts the Basic Indicator Approach to compute operational risk regulatory capital.

To manage and control operational risk, we use various tools including risk and control self-assessment, operational risk event management and key risk indicator monitoring.

Risk and control self-assessment is conducted by each business or support unit to identify key operational risk and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues.

Operational risk events, including any significant incidents that may impact the Company's reputation, must be reported. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward looking manner.

Additional methodologies are in place to address subject-specific risks, including, but not limited to, the following:

Technology risk

Information technology risk is managed through an enterprise technology risk approach. This covers risk governance, communication, monitoring, assessment, mitigation and acceptance, and is supported by a set of information security policies and standards, control processes and risk mitigation programs.

We have also established policies and standards to manage and address cyber security risk. To enhance the management of this risk, the Company has appointed a Technology Risk Management Officer who is responsible for our cyber security risk management strategy and program.

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12 OPERATIONAL RISK (CONTINUED)

(a) Qualitative Disclosures (continued)

Compliance risk

Compliance risk refers to the risk of the Company not being able to successfully conduct our business because of any failure to comply with laws, regulatory requirements, industry codes or standards of business and professional conduct applicable to the financial sector.

This includes, in particular, laws and regulations applicable to the licensing and conducting of banking or other financial businesses, financial crime such as anti-money laundering and countering the financing of terrorism, fraud and bribery / corruption. We maintain a compliance program designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

The Company also provides relevant training and implements assurance processes. We strongly believe in the need to promote a strong compliance culture as well, and this is developed through the leadership of our Board and senior management.

Reputational risk

Reputational risk refers to the risk of failure to meet stakeholders' expectations as a result of any event, behavior and action by the company or our employees that might form a negative view of the Company. It is measured by reference to our reputation as indicated by our stakeholders, including media, regulators, customers and employees. It is monitored by a reputational risk management framework and managed by all staff as required by the Company's various policies and guidelines.

Fraud risk

The Company has established minimum standards for our business and support units to prevent, detect, investigate and remediate fraud and related events. These standards are implemented at the unit levels and aim to provide end-to-end management for fraud and related issues within the Company.

Money laundering, financing of terrorism and sanctions risks

There are minimum standards for our business and support units to mitigate and manage our actual and / or potential exposure to money laundering, terrorist financing, sanctions, corruption, or other illicit financial activities. Accountabilities have also been established for the protection of the Company's assets and reputation, as well as the interests of our customers and shareholders.

New product and outsourcing risks

Each new product, service or outsourcing initiative is subject to a risk review and sign-off process, where relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service.

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12 OPERATIONAL RISK (CONTINUED)

(a) Qualitative Disclosures (continued)

Other mitigation programs

To manage business disruptions effectively, business continuity management is vital as part of the Company's risk mitigation program.

A robust crisis management and business continuity management program is in place within essential business services for unforeseen events. Planning for business resilience includes the identification of key business processes via Business Impact Analysis as well as the documentation and maintenance of our Business Continuity Plan ("BCP").

The Company's BCP aims to minimize the impact of business interruption stemming from severe loss scenarios, and provide a reasonable level of service until normal business operations are resumed. Within the crisis management structure, we have in place an incident management process. This covers the situation from the point it begins and the crisis is declared to when the relevant committees or teams are activated to manage the crisis.

Exercises are conducted at least annually, simulating different scenarios to test our BCPs and crisis management protocol. These scenarios include technology issues affecting essential banking services across the Company, natural disasters with wide geographical impact, safety-at-risk incidents (e.g. terrorism) and other events leading to significant business disruption. The effectiveness of these exercises, as well as the Company's business continuity readiness, our alignment to regulatory guidelines and our disclosure of residual risks, are communicated with the Operations and Technology Committee.

To mitigate losses from specific unexpected and significant event risks, the Company purchases insurance policies from third-party insurers. The Company has acquired insurance policies relating to crime and professional indemnity; director and officer liability; property damage and business interruption; and general liability.

Processes, systems and reports

Robust internal control processes and systems are integral to identifying, monitoring, managing and reporting operational risk. All units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities, in accordance with the various frameworks and policies. The Operations and Technology Committee and other corporate oversight and control functions oversee and monitor the effectiveness of operational risk management, assess key operational risk issues with the units to determine the impact across the Company, and report and / or escalate key operational risks to relevant senior management and Board-level committees with recommendations on appropriate risk mitigation strategies.

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12 OPERATIONAL RISK (CONTINUED)

(b) Historical losses

		a	b	c	d	e	f	g	h	i	j	k
		T	T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	Average
Using HKD200,000 threshold												
1	Total amount of operational losses net of recoveries (no exclusions)	1,304	175,315	-	-	-	-	-	-	-	-	88,310
2	Total number of operational risk losses	-	-	-	-	-	-	-	-	-	-	-
3	Total amount of excluded operational risk losses	-	-	-	-	-	-	-	-	-	-	-
4	Total number of exclusions	-	-	-	-	-	-	-	-	-	-	-
5	Total amount of operational losses net of recoveries and net of excluded losses	1,304	175,315	-	-	-	-	-	-	-	-	88,310
Using HKD1 million threshold												
6	Total amount of operational losses net of recoveries (no exclusions)	-	-	-	-	-	-	-	-	-	-	-
7	Total number of operational risk losses	-	-	-	-	-	-	-	-	-	-	-
8	Total amount of excluded operational risk losses	-	-	-	-	-	-	-	-	-	-	-
9	Total number of exclusions	-	-	-	-	-	-	-	-	-	-	-
10	Total amount of operational losses net of recoveries and net of excluded losses	-	-	-	-	-	-	-	-	-	-	-
Details of operational risk capital charge calculation												
11	Are losses used to calculate the ILM (yes/no)?											No
12	If "no" in row 11, is the exclusion of internal loss data due to non-compliance with the minimum loss data standards (yes/no)?											No
13	Loss event threshold: HKD200,000 or HKD1 million for the operational risk capital calculation if applicable											200,000

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12 OPERATIONAL RISK (CONTINUED)

(c) Business Indicator and business indicator components breakdown

HK\$'000		(a)	(b)	(c)
BI and its subcomponents		T	T-1	T-2
1	Interest, lease and dividend component	379,322		
1a	Interest and lease income	1,359,339	1,721,956	1,700,948
1b	Interest and lease expenses	1,095,475	1,367,208	1,181,593
1c	Interest earning assets	31,748,124	32,757,689	33,486,432
1d	Dividend income	–	–	–
2	Services component	137,811		
2a	Fee and commission income	26,069	60,042	150,653
2b	Fee and commission expenses	2,133	1,798	13,419
2c	Other operating income	579	24	229
2d	Other operating expenses	1,304	175,367	–
3	Financial component	30,204		
3a	Net P&L on the trading book	–	–	–
3b	Net P&L on the banking book	8,374	(70,226)	(12,013)
4	BI	547,337		
5	Business indicator component (BIC)	65,680		

Disclosure on the BI		(a)
6a	BI gross of exclude divested businesses and activities	N/A
6b	Reduction in BI due to excluded divested businesses and activities	N/A

(d) Minimum operational risk capital requirement

In HK\$'000		(a)
1	Business indicator component (BIC)	65,680
2	Internal loss multiplier (ILM)	1
3	Minimum operational risk capital requirement	65,680
4	Total RWA for operational risk	821,000

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13 INTEREST RATE RISK IN BANKING BOOK

In HK\$'000		(a)	(b)	(c)	(d)
		Δ EVE ^{/1}		Δ NII ^{/1}	
	Period	As at 31 December 2025 Consolidated	As at 31 December 2024 Consolidated	As at 31 December 2025 Consolidated	As at 31 December 2024 Consolidated
1	Parallel up	80,000	87,000	(74,000)	(86,000)
2	Parallel down	3,000	34,000	74,000	86,000
3	Steeper	1,000	28,000		
4	Flattener	2,000	25,000		
5	Short rate up	107,000	44,000		
6	Short rate down	2,000	26,000		
7	Maximum	107,000	87,000	74,000	86,000
	Period	As at 31 December 2025 Consolidated		As at 31 December 2024 Consolidated	
8	Tier 1 capital	5,053,047		4,939,568	

^{/1} Positive values of Δ EVE and Δ NII indicate losses under the respective scenarios, in accordance with HKMA's disclosure requirement.

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14 INTERNATIONAL CLAIMS

International claims of the Company 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:

	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
As at 31 December 2025:					
Developed countries	5,439,358	–	–	450,505	5,889,863
Offshore centers	537,751	–	2,258,614	3,937,347	6,733,712
of which Hong Kong SAR	394,715	–	2,258,614	3,297,842	5,951,171
Developing Asia and Pacific	2,149,634	–	1,225,344	3,980,255	7,355,233
of which China	1,588,464	–	1,225,344	3,508,480	6,322,288
Developing Africa and Middle East	273,146	–	–	232,298	505,444
	<u>8,399,889</u>	<u>–</u>	<u>3,483,958</u>	<u>8,600,405</u>	<u>20,484,252</u>

	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institution	Non-financial private sector	
As at 31 December 2024:					
Developed countries	5,598,635	–	37,878	–	5,636,513
Offshore centers	333,348	–	2,020,637	5,730,018	8,084,003
of which Hong Kong SAR	314,791	–	2,020,637	4,860,228	7,195,656
Developing Asia and Pacific	1,918,891	–	1,148,584	4,210,426	7,277,901
of which China	1,394,475	–	1,148,584	3,857,736	6,400,795
Developing Africa and Middle East	187,681	–	–	15,531	203,212
	<u>8,038,555</u>	<u>–</u>	<u>3,207,099</u>	<u>9,955,975</u>	<u>21,201,629</u>

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

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15 SEGMENT INFORMATION

The following sections show the financial information of the Company and its subsidiaries.

(a) Segmental information by class of business

In HK\$'000 2025	Commercial banking	Investment banking	Others	Total
Total operating income	434,162	41,427	(10,467)	465,122
Profit before allowances for credit and other losses	308,232	(8,835)	(139)	299,258
Profit before income tax	(1,840,829)	(47,370)	2,083,861	195,662
Total assets	27,676,786	2,525,824	(862,443)	29,340,167

2024

Total operating income	473,193	(198,993)	(11,216)	262,984
Profit before allowances for credit and other losses	340,564	(262,713)	93	77,944
Profit before income tax	87,178	(1,181,879)	(24)	(1,094,725)
Total assets	33,122,295	3,427,265	(3,681,346)	32,868,214

(b) Segmental information by booking location

In HK\$'000	2025		2024	
	Hong Kong	China	Hong Kong	China
Total operating income	514,959	(9,873)	425,314	(114,016)
Profit before taxation	(1,835,903)	(42,128)	(709,979)	(335,541)
Total assets	30,193,580	474,887	37,559,976	604,654
Total liabilities	24,712,991	428,822	30,227,942	435,097
Contingent liabilities and commitments	7,207,351	–	7,993,470	–

Commercial banking business mainly comprises deposit account services, corporate lending and trade finance.

Investment banking business primarily include, financial and investment advisory, mergers and acquisitions, securities brokerage, asset management, fixed income and direct investment.

Others encompass the results of that are not attributed to business segments.

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16 MAINLAND ACTIVITIES

The analysis of non-bank Mainland China exposures of the Company is based on the categories of nonbank counterparties and the types of direct exposures defined by the HKMA under the Disclosure Rules with reference to the HKMA return in respect of non-bank Mainland China exposures.

At 31 December 2025	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	2,383,033	–	2,383,033
2. Local governments, local government-owned entities and their subsidiaries and JVs	2,565,119	–	2,565,119
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	6,031,986	340,384	6,372,370
4. Other entities of central government not reported in item 1 above	544,117	–	544,117
5. Other entities of local governments not reported in item 2 above	446,569	–	446,569
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	2,823,711	252,224	3,075,935
	<u>14,794,535</u>	<u>592,608</u>	<u>15,387,143</u>
Total assets after provision	<u>27,670,551</u>		
On-balance sheet exposures as percentage of total assets	<u>53.5%</u>		

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16 MAINLAND ACTIVITIES (CONTINUED)

At 31 December 2024	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	3,567,296	–	3,567,296
2. Local governments, local government-owned entities and their subsidiaries and JVs	3,013,258	11,188	3,024,446
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	7,089,005	493,050	7,582,055
4. Other entities of central government not reported in item 1 above	465,950	90,000	555,950
5. Other entities of local governments not reported in item 2 above	424,514	–	424,514
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	322,339	–	322,339
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,183,702	528,614	3,712,316
	<u>18,066,064</u>	<u>1,122,852</u>	<u>19,188,916</u>
Total assets after provision	<u>33,256,325</u>		
On-balance sheet exposures as percentage of total assets	<u>54.3%</u>		

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17 CURRENCY CONCENTRATIONS

The Group 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 31 December 2025				
Spot assets	13,997,557	5,690,513	826,963	20,515,033
Spot liabilities	(17,631,146)	(541,025)	(29,827)	(18,201,998)
Forward purchases	9,760,402	1,705,378	11,867	11,477,647
Forward sales	(5,207,450)	(6,662,240)	(771,349)	(12,641,039)
Net long/(short) non-structural position	919,363	192,626	37,654	1,149,643
At 31 December 2024				
Spot assets	15,501,925	5,647,523	1,167,756	22,317,204
Spot liabilities	(18,470,642)	(1,712,483)	(48,149)	(20,231,274)
Forward purchases	7,049,109	1,368,571	32,321	8,450,001
Forward sales	(1,896,210)	(3,981,891)	(1,116,723)	(6,994,824)
Net long/(short) non-structural position	2,184,182	1,321,720	35,205	3,541,107

Net structural foreign exchange position of the bank as at 31 December 2025 is -1,800 million (2024: -1,800 million).

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18 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 Group’s CCyB ratio.

In HK\$’000		As at 31 December 2025			
	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	0.500	11,728,492		
	Sum		11,728,492		
	Total		18,816,561	0.312	77,263

19 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:

	31 December 2025			
	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	–	–	–	(37,098)
Wholesale and retail trade	–	–	–	(49,857)
Manufacturing	–	–	–	(74,910)
Transport and transport equipment	–	–	–	(36,709)

	31 December 2024			
	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	–	–	–	(48,868)
Wholesale and retail trade	–	–	–	(50,221)
Manufacturing	–	–	–	(46,185)
Transport and transport equipment	–	–	–	(45,009)

The Group from time to time reviews the industry classification, and therefore the prior year information has been re-presented in order to conform with the industry classification adopted in the current year.

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20 OVERDUE AND RESCHEDULED ASSETS

(a) Overdue loans and advances to customers

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

	<u>As at 31 December 2025</u>		<u>As at 31 December 2024</u>	
	<u>HK\$'000</u>	<u>% of gross loans and advances to customers</u>	<u>HK\$'000</u>	<u>% of gross loans and advances to customers</u>
Less than three months	–	–	–	–
Six months or less but over three months	–	–	–	–
One year or less but over six months	–	–	–	–
Over one year	<u>287,218</u>	<u>1.66</u>	<u>288,333</u>	<u>1.37</u>
	<u>287,218</u>	<u>1.66</u>	<u>288,333</u>	<u>1.37</u>
Stage 3 ECL made in respect of the above overdue loans and advance	<u>108,636</u>		<u>165,649</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>287,218</u>		<u>288,333</u>	

(b) Rescheduled loans and advances

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

In HK\$'000	<u>As at 31 December 2025</u>		<u>As at 31 December 2024</u>	
		<u>% of gross loans and advances to customers</u>		<u>% of gross loans and advances to customers</u>
Rescheduled loans and advances	<u>244,559</u>	<u>1.41</u>	<u>–</u>	<u>–</u>

**BANK OF SHANGHAI (HONG KONG) LIMITED
REGULATORY DISCLOSURES STATEMENTS (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

20 OVERDUE AND RESCHEDULED ASSETS (CONTINUED)

(c) Repossessed assets

There were no repossessed assets as at 31 December 2025 and 31 December 2024.

(d) Overdue other assets

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

In HK\$'000	As at 31 December 2025	As at 31 December 2024
Less than 3 months	–	–
Over 3 months but less than 6 months	–	–
One year or less but over six months	–	–
Over one year	123,434	114,870
	123,434	114,870