

OCBC Wing Hang Bank Limited
2020 Interim Report



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Unaudited Consolidated Statement of Profit or Loss

(Expressed in millions of Hong Kong dollars unless otherwise stated)

	Notes	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Interest income calculated using the effective interest method	4(a)	4,057	4,483
Other interest income	4(a)	208	340
Interest expense	4(b)	(1,811)	(2,353)
Net interest income		2,454	2,470
Fees and commissions (net)	4(c)	469	466
Dividends	4(d)	10	10
Rental income	4(e)	3	3
Other income	4(f)	512	170
Other operating income		994	649
Operating income		3,448	3,119
Operating expenses	4(g)	(1,510)	(1,609)
Operating profit before expected credit loss		1,938	1,510
Change in expected credit loss and other credit impairment charges		(175)	(121)
Operating profit after expected credit loss		1,763	1,389
Share of net gains of associated companies		8	32
Profit before taxation		1,771	1,421
Taxation	5	(295)	(218)
Profit for the period attributable to equity shareholder of the Bank		1,476	1,203

The notes on pages 8 to 30 form part of the unaudited interim financial report.

Unaudited Consolidated Statement of Comprehensive Income

(Expressed in millions of Hong Kong dollars unless otherwise stated)

	Notes	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Profit for the period		1,476	1,203
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss			
– (Deficit)/surplus on revaluation of bank premises	10	(87)	52
– Deferred taxes		1	(8)
– Share of (deficit)/surplus on revaluation of bank premises of associated companies		(19)	7
		(105)	51
– Equity securities measured at fair value through other comprehensive income			
– Fair value changes		(60)	548
– Deferred taxes		1	(35)
		(59)	513
		(164)	564
Items that are or may be reclassified subsequently to profit or loss			
– Exchange adjustments on translation of financial statements of subsidiaries		(149)	(43)
		(149)	(43)
– Debt securities measured at fair value through other comprehensive income			
– Fair value changes		(131)	199
– Transfer to consolidated statement of profit or loss			
– gains on disposal		(48)	(3)
– expected credit loss recognised		27	14
– Deferred taxes		30	(32)
– Exchange adjustments		–	–
– Share of fair value changes of financial assets of associated companies		(33)	23
		(155)	201

Unaudited Consolidated Statement of Comprehensive Income

(Expressed in millions of Hong Kong dollars unless otherwise stated)

	Notes	Six months ended 30th June, 2020	Six months ended 30th June, 2019
– Cash flow hedging reserve			
– Fair value changes taken to equity		11	(23)
– Deferred taxes		(2)	3
		9	(20)
– Unappropriated profits			
– Bank premises			
– Deferred taxes		9	7
		(14)	–
		(300)	145
Other comprehensive income for the period, net of tax		(464)	709
Total comprehensive income for the period attributable to equity shareholder of the Bank		1,012	1,912

The notes on pages 8 to 30 form part of the unaudited interim financial report.

Unaudited Consolidated Statement of Financial Position

(Expressed in millions of Hong Kong dollars unless otherwise stated)

	Notes	30th June, 2020	31st December, 2019
ASSETS			
Cash and balances with banks, central banks and other financial institutions	6	7,739	9,415
Placements with banks, central banks and other financial institutions	7	496	2,639
Amounts due from ultimate holding company, fellow subsidiaries and fellow associates		18,977	1,135
Trading assets		8,989	5,966
Advances to customers and other accounts	8(a)	198,610	195,779
Financial assets measured at fair value through other comprehensive income		71,578	74,144
Investments in associated companies		571	614
Tangible fixed assets	10		
– Investment properties		300	346
– Other properties, plants and equipment		5,573	5,777
Assets held for sale	11	86	–
Goodwill		1,306	1,306
Current tax recoverable		6	4
Deferred tax assets		30	10
Total assets		314,261	297,135
EQUITY AND LIABILITIES			
Deposits and balances of banks, central banks and other financial institutions	12	7,994	9,024
Amounts due to ultimate holding company and fellow subsidiaries		21,776	12,398
Deposits from customers	13	211,667	209,528
Certificates of deposit and fixed rate note issued	14	18,590	14,254
Trading liabilities		4,446	3,408
Lease liabilities	15	259	231
Current tax payable		361	509
Deferred tax liabilities		228	254
Other accounts and provisions	16	4,758	4,287
Total liabilities		270,079	253,893
Share capital		7,308	7,308
Reserves	17	33,874	32,934
Perpetual capital securities issued		3,000	3,000
Total equity		44,182	43,242
Total equity and liabilities		314,261	297,135

Approved and authorised for issue by the Board of Directors on 28th September, 2020.

FUNG Yuk Bun Patrick
NA Wu Beng

Chairman
Executive Director and Chief Executive

The notes on pages 8 to 30 form part of the unaudited interim financial report.

Unaudited Consolidated Statement of Changes in Equity

(Expressed in millions of Hong Kong dollars unless otherwise stated)

	Six months ended 30th June, 2020					At 30th June
	At 1st January	Transfer (from)/to reserve	Coupon of perpetual capital securities	Profit for the period	Other comprehensive income for the period	
Share capital	7,308	-	-	-	-	7,308
Capital reserve	403	-	-	-	-	403
Statutory reserve	430	-	-	-	-	430
General reserve	1,539	-	-	-	(149)	1,390
Bank premises revaluation reserve	3,856	(27)	-	-	(105)	3,724
Investment revaluation reserve (recycling)	200	-	-	-	(155)	45
Investment revaluation reserve (non-recycling)	1,761	-	-	-	(59)	1,702
Cash flow hedging reserve	(3)	-	-	-	9	6
Unappropriated profits	24,748	27	(72)	1,476	(5)	26,174
Perpetual capital securities	3,000	-	-	-	-	3,000
Total equity	43,242	-	(72)	1,476	(464)	44,182

	Six months ended 31st December, 2019							At 31st December
	At 30th June	Issuance of perpetual capital securities	Transfer to/(from) reserve	Coupon of perpetual capital securities	Dividends paid for the period	Profit for the period	Other comprehensive income for the period	
Share capital	7,308	-	-	-	-	-	-	7,308
Capital reserve	379	-	24	-	-	-	-	403
Statutory reserve	430	-	-	-	-	-	-	430
General reserve	1,707	-	-	-	-	-	(168)	1,539
Bank premises revaluation reserve	3,932	-	(27)	-	-	-	(49)	3,856
Investment revaluation reserve (recycling)	136	-	-	-	-	-	64	200
Investment revaluation reserve (non-recycling)	1,514	-	-	-	-	-	247	1,761
Cash flow hedging reserve	(15)	-	-	-	-	-	12	(3)
Unappropriated profits	24,998	-	3	(40)	(1,500)	1,280	7	24,748
Perpetual capital securities	1,500	1,500	-	-	-	-	-	3,000
Total equity	41,889	1,500	-	(40)	(1,500)	1,280	113	43,242

Six months ended 30th June, 2019

	At 1st January	Transfer (from)/to reserve	Coupon of perpetual capital securities	Profit for the period	Other comprehensive income for the period	At 30th June
Share capital	7,308	-	-	-	-	7,308
Capital reserve	379	-	-	-	-	379
Statutory reserve	430	-	-	-	-	430
General reserve	1,750	-	-	-	(43)	1,707
Bank premises revaluation reserve	3,908	(27)	-	-	51	3,932
Investment revaluation reserve (recycling)	(65)	-	-	-	201	136
Investment revaluation reserve (non-recycling)	1,001	-	-	-	513	1,514
Cash flow hedging reserve	5	-	-	-	(20)	(15)
Unappropriated profits	23,801	27	(40)	1,203	7	24,998
Perpetual capital securities	1,500	-	-	-	-	1,500
Total equity	40,017	-	(40)	1,203	709	41,889

The notes on pages 8 to 30 form part of the unaudited interim financial report.

Notes to Unaudited Interim Financial Report

(Expressed in millions of Hong Kong dollars unless otherwise stated)

1. GENERAL INFORMATION

OCBC Wing Hang Bank Limited ("the Bank") is a licensed bank in Hong Kong. The Bank together with its subsidiaries (collectively "the Group") provide banking, financial and other related services.

The unaudited consolidated profit for the period attributable to equity shareholders of the Group for the six months ended 30th June, 2020 was HK\$1,476 million. The results of the Group for the period ended 30th June, 2020 and the state of affairs of the Group and the Bank as at 30th June, 2020 are set out in the interim financial report on pages 2 to 30.

2. BASIS OF PREPARATION

The accounting policies and methods of computation used in the preparation of the 2020 interim consolidated financial report is consistent with those used and described in the Group's annual audited financial report for the year ended 31st December, 2019, except for the following accounting policies of assets held for sales and the changes in accounting policies as described in note 3.

As at 30th June 2020, the Group has classified the properties that the Group is disposing of as assets held for sale. Per the accounting policy for assets held for sale, the assets that are expected to be recovered through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter, the assets are generally measured at the lower of their carrying amount and fair value less cost to sell.

In preparing the interim consolidated financial report for 2020, the Bank has fully complied with the disclosure standards set out in the "Banking (Disclosure) Rules" and the "Guideline on the Application of the Banking (Disclosure) Rules" issued by the Hong Kong Monetary Authority ("HKMA").

Disclosures on capital and leverage required by the Banking (Disclosure) Rules will be disclosed before 30th September, 2020 under "Regulatory Disclosure" on the website of the Bank (www.ocbcwhhk.com).

The interim consolidated financial report was approved by the Board of Directors for issue on 28th September, 2020.

These interim consolidated financial report has not been audited.

3. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued the following amendments to HKFRS and HKAS that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3, *Definition of a business*
Amendments to HKAS 1 and HKAS 8, *Definition of material*

The Group has assessed that those HKFRS's and HKAS's amendments have no significant impact to the interim consolidated financial report.

4. OPERATING PROFIT

(a) Interest income

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Interest income calculated using the effective interest method:		
– financial assets not measured at fair value through profit or loss	4,057	4,483
Other interest income:		
– trading assets	208	340
of which: interest income from impaired financial assets	13	17

4. OPERATING PROFIT *(Continued)*

(b) Interest expense

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Interest expense including the following:		
– Financial liabilities not measured at fair value through profit or loss	1,592	2,056

(c) Fee and commission (net)

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Fees and commission		
Credit commission and fees	76	99
Credit card related fees	84	106
Trade related fees	35	37
Insurance commission	79	97
Stockbroking fees	64	46
Wealth management fees	24	27
Deposit commission	63	40
Other fees and commission income	103	83
Less: Fees and commission expenses	(59)	(69)
	469	466

of which:

Net fees and commission, other than amounts included in determining the effective interest rate, arising from financial instruments that are not measured at fair value through profit or loss		
– fees and commission income	121	146
– fees and commission expenses	–	–
	121	146

(d) Dividends

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Dividend income from financial assets measured at fair value through other comprehensive income		
– Unlisted financial assets	10	10
Dividend income from listed trading investments	–	–
	10	10

Notes to Unaudited Interim Financial Report

4. OPERATING PROFIT *(Continued)*

(e) Rental income

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Rental income from investment properties less direct expenses of HK\$0.1 million (30th June, 2019: HK\$0.2 million)	3	3
	3	3

(f) Other income

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Foreign exchange*	172	39
Hedging activities		
– Fair value hedges		
– hedged items	437	288
– hedging instruments	(443)	(294)
Interest rate and other derivatives	42	(2)
Trading securities	76	34
Others	1	1
Net trading income	285	66
Gains transferred from investment revaluation reserve upon disposal	48	3
Disposal of financial assets measured at fair value through other comprehensive income	133	84
Total gains on disposal of financial assets measured at fair value through other comprehensive income	181	87
Revaluation of investment properties (note 10)	(5)	7
Disposal of tangible fixed assets	41	(1)
Others	10	11
	512	170

* Included the net interest income element of HK\$18 million (30th June, 2019: net interest expense for HK\$96 million) on the cross currency funding swap classified as "Other income".

4. OPERATING PROFIT *(Continued)*

(g) Operating expenses

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Staff costs		
Salaries and other staff costs	980	1,023
Retirement benefit costs	48	47
Share based expenses	17	17
	1,045	1,087
Premises and equipment expenses, excluding depreciation	145	187
Depreciation (note 10)	167	165
Others	153	170
	1,510	1,609

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Current tax – Provision for Hong Kong profits tax	219	181
Current tax – Provision for tax outside Hong Kong	64	(21)
Deferred taxation	12	58
	295	218

6. CASH AND BALANCES WITH BANKS, CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	30th June, 2020	31st December, 2019
Cash balances	805	1,126
Balances with central banks	5,289	7,050
Balances with banks	1,646	1,239
Expected credit loss (Stage 1) (note 9)	(1)	–
	7,739	9,415

Notes to Unaudited Interim Financial Report

7. PLACEMENTS WITH BANKS, CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	30th June, 2020	31st December, 2019
Remaining maturity		
– Within 1 month	329	2,639
– Over 1 month but within 1 year	167	–
Expected credit loss (Stage 1) (note 9)	–	–
	496	2,639

8. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

(a) Advances to customers and other accounts

	30th June, 2020	31st December, 2019
Gross advances to customers	191,488	190,168
Expected credit loss (Stages 1 and 2) for loans and advances (note 9)	(399)	(363)
Expected credit loss (Stage 3) for impaired loans and advances (note 9)	(179)	(124)
Net advances to customers	190,910	189,681
Gross trade bills	1,740	780
Expected credit loss (Stage 1) for trade bills (note 9)	(4)	(2)
Expected credit loss (Stage 3) for impaired trade bills (note 9)	–	–
Net trade bills	1,736	778
Advances to banks	2,443	1,503
Expected credit loss (Stage 1) for advances to banks (note 9)	–	–
Net advances to banks	2,443	1,503
Customer liability under acceptances	943	1,188
Interest receivables	930	1,144
Positive fair values of derivative financial instruments held for hedging	7	3
Other accounts	1,641	1,482
	198,610	195,779

8. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS *(Continued)*

(b) Advances to customers analysed by industry sectors

The information concerning advances to customers by industry sectors is prepared by classifying the advances according to the usage of the advances and is stated gross of any expected credit loss.

	30th June, 2020		31st December, 2019	
	Gross advances to customers	% of gross advances covered by collateral	Gross advances to customers	% of gross advances covered by collateral
Advances for use in Hong Kong				
Industrial, commercial and financial				
– Property development	5,659	66.6	5,878	68.3
– Property investment	31,194	89.2	30,067	95.3
– Financial concerns	11,176	12.0	10,244	13.7
– Stockbrokers	3,273	11.2	3,233	12.7
– Wholesale and retail trade	4,862	68.1	8,121	39.5
– Manufacturing	2,895	67.6	2,973	65.8
– Transport and transport equipment	6,543	73.6	6,560	88.6
– Information technology	44	42.8	54	60.3
– Share financing	146	96.1	187	94.8
– Recreational activities	7	–	10	–
– Others	7,974	77.0	5,076	64.8
Individuals				
– Advances for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	1,037	100.0	1,127	100.0
– Advances for the purchase of other residential properties	35,376	100.0	38,124	100.0
– Credit card advances	236	–	288	0.5
– Others	11,347	74.3	11,703	65.4
	121,769	77.6	123,645	77.5
Trade finance	4,067	41.9	3,992	50.2
Advances for use outside Hong Kong				
– Mainland China	36,791	47.5	34,621	52.0
– Macau	21,382	89.8	21,307	90.7
– Others	7,479	100.0	6,603	93.8
	65,652	67.2	62,531	69.6
	191,488	73.3	190,168	74.3

Notes to Unaudited Interim Financial Report

8. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS *(Continued)*

(c) Impaired advances to customers

The gross impaired advances to customers, market value of collateral held with respect to such advances and expected credit loss (Stage 3) are as follows:

	30th June, 2020	31st December, 2019
Gross impaired advances to customers	930	745
Gross impaired advances to customers as a percentage of total advances to customers	0.49%	0.39%
Market value of collateral held with respect to impaired advances to customers	733	601
Expected credit loss (Stage 3)	179	124

Impaired advances to customers are individually assessed loans with objective evidence of impairment on an individual basis. Individually assessed expected credit loss (Stage 3) were made after taking into account the net present value of future recoverable amounts in respect of such loans and advances, and the collateral held mainly comprised properties and vehicles.

There were no impaired advances to banks nor expected credit loss (Stage 3) made on advances to banks as at 30th June, 2020 and 31st December, 2019.

(d) Repossessed assets

At 30th June, 2020, repossessed assets obtained as securities for impaired advances to customers totaled HK\$42 million (31st December, 2019: HK\$28 million).

9. EXPECTED CREDIT LOSS

(a) Reconciliation of expected credit loss

	Six months ended 30th June, 2020				
	Stage 1	Stage 2	Stages 1 and 2	Stage 3	Total
At 1st January	355	123	478	124	602
Transfers of financial instruments					
– transfers from Stage 1 to Stage 2	(37)	37	–	–	–
– transfers from Stage 2 to Stage 1	75	(75)	–	–	–
– transfers to Stage 3	–	(32)	(32)	32	–
– transfers from Stage 3	1	3	4	(4)	–
Net re-measurement of expected credit loss	(30)	101	71	63	134
New financial assets originated or purchased assets derecognised, repayments and further lending	77	(18)	59	(18)	41
Amounts written off	–	–	–	(21)	(21)
Recoveries of advances written off in prior years	–	–	–	9	9
Unwind of discount of expected credit losses	–	–	–	(6)	(6)
Exchange adjustments	(2)	–	(2)	–	(2)
At 30th June	439	139	578	179	757
Representing expected credit loss for:					
Balances and placement with central banks	–	–	–	–	–
Balances and placement with banks	1	–	1	–	1
Advances to customers (note 8(a))	306	93	399	179	578
Trade bills (note 8(a))	4	–	4	–	4
Advances to banks (note 8(a))	–	–	–	–	–
Contingent liabilities and commitments to extend credit (note 16)	118	29	147	–	147
Financial assets measured at fair value through other comprehensive income	10	17	27	–	27
	439	139	578	179	757

Notes to Unaudited Interim Financial Report

9. EXPECTED CREDIT LOSS *(Continued)*

(a) Reconciliation of expected credit loss (Continued)

	Year ended 31st December, 2019				
	Stage 1	Stage 2	Stages 1 and 2	Stage 3	Total
At 1st January	486	76	562	249	811
Transfers of financial instruments					
– transfers from Stage 1 to Stage 2	(38)	38	–	–	–
– transfers from Stage 2 to Stage 1	94	(94)	–	–	–
– transfers to Stage 3	(2)	(12)	(14)	14	–
– transfers from Stage 3	4	5	9	(9)	–
Net re-measurement of expected credit loss	(272)	152	(120)	242	122
New financial assets originated or purchased assets derecognised, repayments and further lending	87	(41)	46	110	156
Amounts written off	–	–	–	(503)	(503)
Recoveries of advances written off in prior years	–	–	–	37	37
Unwind of discount of expected credit losses	–	–	–	(15)	(15)
Exchange adjustments	(4)	(1)	(5)	(1)	(6)
At 31st December	<u>355</u>	<u>123</u>	<u>478</u>	<u>124</u>	<u>602</u>
Representing expected credit loss for:					
Balances and placement with central banks	–	–	–	–	–
Balances and placement with banks	–	–	–	–	–
Advances to customers (note 8(a))	259	104	363	124	487
Trade bills (note 8(a))	2	–	2	–	2
Advances to banks (note 8(a))	–	–	–	–	–
Contingent liabilities and commitments to extend credit (note 16)	83	17	100	–	100
Financial assets measured at fair value through other comprehensive income	11	2	13	–	13
	<u>355</u>	<u>123</u>	<u>478</u>	<u>124</u>	<u>602</u>

9. EXPECTED CREDIT LOSS (Continued)

(b) Impairment allowances on financial assets

The following tables set out information on the credit quality of financial assets and other liabilities.

	Six months ended 30th June, 2020			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with banks, central banks and other financial institutions				
Pass	7,740	–	–	7,740
Less: Impairment allowances	(1)	–	–	(1)
Carrying amount	7,739	–	–	7,739
Placements with banks, central banks and other financial institutions				
Pass	496	–	–	496
Less: Impairment allowances	–	–	–	–
Carrying amount	496	–	–	496
Advances to customers				
Pass	167,918	21,881	–	189,799
Special mention	–	759	–	759
Substandard	–	–	230	230
Doubtful	–	–	639	639
Loss	–	–	61	61
Less: Impairment allowances	(306)	(93)	(179)	(578)
Carrying amount	167,612	22,547	751	190,910
Trade bills				
Pass	1,740	–	–	1,740
Special mention	–	–	–	–
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
Less: Impairment allowances	(4)	–	–	(4)
Carrying amount	1,736	–	–	1,736
Advances to banks				
Pass	2,443	–	–	2,443
Less: Impairment allowances	–	–	–	–
Carrying amount	2,443	–	–	2,443
Financial assets measured at fair value through other comprehensive income				
Pass	68,605	1,049	–	69,654
Special mention	–	–	–	–
Substandard	–	–	34	34
Doubtful	–	–	–	–
Loss	–	–	–	–
Impairment allowances	(10)	(17)	–	(27)
	68,595	1,032	34	69,661
Contingent liabilities and commitments to extend credit				
Pass	52,780	3,682	–	56,462
Special mention	–	116	–	116
Impairment allowances	(118)	(29)	–	(147)

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed:

Notes to Unaudited Interim Financial Report

9. EXPECTED CREDIT LOSS *(Continued)*

(b) Impairment allowances on financial assets (Continued)

	Year ended 31st December, 2019			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with banks, central banks and other financial institutions				
Pass	9,415	–	–	9,415
Less: Impairment allowances	–	–	–	–
Carrying amount	9,415	–	–	9,415
Placements with banks, central banks and other financial institutions				
Pass	2,639	–	–	2,639
Less: Impairment allowances	–	–	–	–
Carrying amount	2,639	–	–	2,639
Advances to customers				
Pass	174,157	14,459	–	188,616
Special mention	–	807	–	807
Substandard	–	–	338	338
Doubtful	–	–	341	341
Loss	–	–	66	66
Less: Impairment allowances	(259)	(104)	(124)	(487)
Carrying amount	173,898	15,162	621	189,681
Trade bills				
Pass	780	–	–	780
Special mention	–	–	–	–
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
Less: Impairment allowances	(2)	–	–	(2)
Carrying amount	778	–	–	778
Advances to banks				
Pass	1,503	–	–	1,503
Less: Impairment allowances	–	–	–	–
Carrying amount	1,503	–	–	1,503
Financial assets measured at fair value through other comprehensive income				
Pass	71,535	655	–	72,190
Impairment allowances	(11)	(2)	–	(13)
	71,524	653	–	72,177
For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed:				
Contingent liabilities and commitments to extend credit				
Pass	47,664	1,117	–	48,781
Special mention	–	382	–	382
Impairment allowances	(83)	(17)	–	(100)

10. TANGIBLE FIXED ASSETS

	Six months ended 30th June, 2020									
	Investment properties	Bank premises	Right of use – Bank premises	Total Bank premises	Equipment	Right of use – equipment	Total equipment	Bank premises and equipment	Total	
At 1st January	367	5,687	338	6,025	1,535	2	1,537	7,562	7,929	
Additions	–	–	87	87	47	1	48	135	135	
Disposals	(47)	–	–	–	(65)	–	(65)	(65)	(112)	
Transfer from bank premises to assets held for sale	–	(164)	–	(164)	–	–	–	(164)	(164)	
Deficit on revaluation										
– charged to bank premises revaluation reserve	–	(87)	–	(87)	–	–	–	(87)	(87)	
– charges to consolidated statement of profit or loss	(5)	–	–	–	–	–	–	–	(5)	
Elimination of accumulated depreciation on revalued bank premises	–	(44)	–	(44)	–	–	–	(44)	(44)	
Termination of leases	–	–	(3)	(3)	–	–	–	(3)	(3)	
Exchange adjustment	1	(1)	(3)	(4)	–	–	–	(4)	(3)	
At 30th June	316	5,391	419	5,810	1,517	3	1,520	7,330	7,646	
The analysis of cost or valuation of the above assets is as follows:										
At cost	–	1,195	419	1,614	1,517	3	1,520	3,134	3,134	
At valuation 2020	316	4,196	–	4,196	–	–	–	4,196	4,512	
	316	5,391	419	5,810	1,517	3	1,520	7,330	7,646	
Accumulated depreciation										
At 1st January	21	420	110	530	1,254	1	1,255	1,785	1,806	
Charge for the period	–	61	59	120	47	–	47	167	167	
Written back on disposals	(5)	–	–	–	(66)	–	(66)	(66)	(71)	
Transfer from bank premises to assets held for sale	–	(78)	–	(78)	–	–	–	(78)	(78)	
Elimination of accumulated depreciation on revalued bank premises	–	(44)	–	(44)	–	–	–	(44)	(44)	
Termination of leases	–	–	(1)	(1)	–	–	–	(1)	(1)	
Exchange adjustment	–	(5)	(1)	(6)	–	–	–	(6)	(6)	
At 30th June	16	354	167	521	1,235	1	1,236	1,757	1,773	
Net book value										
At 30th June	300	5,037	252	5,289	282	2	284	5,573	5,873	

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10. TANGIBLE FIXED ASSETS *(Continued)*

	Year ended 31st December, 2019								
	Investment properties	Bank premises	Right of use – Bank premises	Total Bank premises	Equipment	Right of use – equipment	Total equipment	Bank premises and equipment	Total
Cost or valuation									
At 31st December, 2018	289	5,777	–	5,777	1,506	–	1,506	7,283	7,572
Impact on initial application of HKFRS16	–	–	299	299	–	2	2	301	301
At 1st January, 2019 after opening balance adjustment	289	5,777	299	6,076	1,506	2	1,508	7,584	7,873
Additions	79	2	44	46	85	–	85	131	210
Disposals	–	–	(2)	(2)	(56)	–	(56)	(58)	(58)
Deficit on revaluation									
– charged to bank premises revaluation reserve	–	(6)	–	(6)	–	–	–	(6)	(6)
– credited to consolidated statement of profit or loss	–	–	–	–	–	–	–	–	–
Elimination of accumulated depreciation on revalued bank premises	–	(86)	–	(86)	–	–	–	(86)	(86)
Exchange adjustment	(1)	–	(3)	(3)	–	–	–	(3)	(4)
At 31st December, 2019	367	5,687	338	6,025	1,535	2	1,537	7,562	7,929
The analysis of cost or valuation of the above assets is as follows:									
At cost	–	1,359	338	1,697	1,535	2	1,537	3,234	3,234
At valuation 2019	367	4,328	–	4,328	–	–	–	4,328	4,695
	367	5,687	338	6,025	1,535	2	1,537	7,562	7,929
Accumulated depreciation									
At 1st January, 2019	21	385	–	385	1,207	–	1,207	1,592	1,613
Charge for the period	–	121	112	233	95	1	96	329	329
Written back on disposals	–	–	(1)	(1)	(48)	–	(48)	(49)	(49)
Elimination of accumulated depreciation on revalued bank premises	–	(86)	–	(86)	–	–	–	(86)	(86)
Exchange adjustment	–	–	(1)	(1)	–	–	–	(1)	(1)
At 31st December, 2019	21	420	110	530	1,254	1	1,255	1,785	1,806
Net book value									
At 31st December, 2019	346	5,267	228	5,495	281	1	282	5,777	6,123

11. ASSETS HELD FOR SALE

	30th June, 2020
Asset held for sale	
– Bank premises	86
	86

In February 2020, the Group decided to divest one of the self-use bank premises 23F, 21st Century Tower to Bank of Ningbo Co., Ltd. Letter of intent has been signed in June 2020 and the sales amounts were fully received in July 2020. In early August 2020, the property has been handed over to buyer and title deed transfer is targeted to be completed by end of August 2020.

12. DEPOSITS AND BALANCES OF BANKS, CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	30th June, 2020	31st December, 2019
Deposits from central banks	–	–
Deposits from banks	7,994	9,024
	7,994	9,024

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13. DEPOSITS FROM CUSTOMERS

	30th June, 2020	31st December, 2019
Demand deposits and current accounts	79,999	71,027
Savings deposits	28,606	28,089
Time, call and notice deposits	103,062	110,412
	211,667	209,528

14. CERTIFICATES OF DEPOSIT AND FIXED RATE NOTE ISSUED

	30th June, 2020	31st December, 2019
Certificates of deposit issued at amortised cost	16,398	12,025
Fixed rate note issued at amortised cost	2,192	2,229
	18,590	14,254

15. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	30th June, 2020		31st December, 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	111	114	107	108
After 1 year but within 2 years	84	88	65	67
After 2 years but within 5 years	62	68	53	59
After 5 years	2	3	6	7
	148	159	124	133
	259	273	231	241
Less: total future interest expenses		(14)		(10)
Present value of lease liabilities		259		231

16. OTHER ACCOUNTS AND PROVISIONS

	30th June, 2020	31st December, 2019
Acceptances outstanding	943	1,188
Interest payable	549	446
Negative fair value of derivative financial instruments held for hedging	805	362
Other payables	2,314	2,191
Expected credit loss (Stages 1 and 2) on contingent liabilities and commitments to extend credit (note 9)	147	100
	4,758	4,287

17. RESERVES

The Group's unappropriated profits as at 30th June, 2020 included a regulatory reserve of HK\$884 million (31st December, 2019: HK\$1,824 million). The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Group will or may incur on advances to customers in addition to expected credit loss recognised. Movements in the reserve are earmarked directly through unappropriated profits and in consultation with the HKMA.

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18. CONTINGENT LIABILITIES AND COMMITMENTS TO EXTEND CREDIT

Contingent liabilities and commitments arises from forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed, asset sales or other transactions with recourse, as well as credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The risk involved in these credit-related instruments is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contractual amounts is not representative of future cash flows.

The risk weights used in the computation of credit risk weighted amounts range from 0% to 100%.

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments to extend credit:

	30th June, 2020	31st December, 2019
Direct credit substitutes	3,234	2,836
Transaction-related contingencies	1,088	1,362
Trade-related contingencies	2,114	1,416
Forward deposits	8,758	1,790
Other commitments:		
With an original maturity of not more than one year	620	594
With an original maturity over one year	6,470	5,847
Which are unconditionally cancellable	34,294	35,318
Total	56,578	49,163
Credit risk weighted amounts	8,981	6,679

19. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

Derivative financial instruments arise from forward, swap and option transactions undertaken by the Group and the Bank in the foreign exchange, interest rate and equity markets.

Derivative financial instruments are also used to manage the Group's own exposures to market risk as part of its asset and liability management process. The principal derivatives instruments used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter ("OTC") derivatives. The Group also participates in exchange traded derivatives. Most of the Group's derivatives positions have been entered into to meet customer demand and to hedge these and other trading positions. For accounting purposes, derivatives are classified as held for trading or held for hedging.

The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting date and do not represent amounts at risk.

19. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The following table is a summary of the notional amounts of each significant type of derivatives.

	30th June, 2020		
	Qualifying for hedge accounting	Others, including held for trading	Total
Exchange rate contracts			
Forwards	493	320,727	321,220
Options purchased	–	12,008	12,008
Options written	–	11,998	11,998
Interest rate contracts			
Swaps	24,129	496,075	520,204
Equity contracts			
Options purchased	–	2,357	2,357
Options written	–	2,357	2,357
Credit derivative contracts			
Credit defaults swaps purchased	–	2,063	2,063
Credit defaults swaps written	–	2,063	2,063
	24,622	849,648	874,270
	31st December, 2019		
	Qualifying for hedge accounting	Others, including held for trading	Total
Exchange rate contracts			
Forwards	495	292,858	293,353
Options purchased	–	10,234	10,234
Options written	–	10,239	10,239
Interest rate contracts			
Swaps	24,938	440,967	465,905
Equity contracts			
Options purchased	–	2,172	2,172
Options written	–	2,172	2,172
Credit derivative contracts			
Credit defaults swaps purchased	–	2,184	2,184
Credit defaults swaps written	–	2,184	2,184
	25,433	763,010	788,443

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19. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The trading transactions include the Group's positions arising from the execution of trade orders from customers or transactions undertaken to hedge these positions.

The fair values of derivative financial instruments held for trading purposes are as follows:

	30th June, 2020		31st December, 2019	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	1,387	1,256	2,150	1,927
Interest rate contracts	2,951	2,766	1,073	999
Equity contracts	423	423	481	481
Credit derivative contracts	1	1	1	1
	4,762	4,446	3,705	3,408

The fair values of derivative financial instruments held for hedging purposes are as follows:

	30th June, 2020		31st December, 2019	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	–	16	–	17
Interest rate contracts	7	789	3	345
	7	805	3	362

The credit risk weighted amounts are as follows:

	30th June, 2020	31st December, 2019
Exchange rate contracts	2,650	2,850
Interest rate contracts	162	113
Equity contracts	–	95
Credit derivative contracts	–	–
	2,812	3,058

The risk weights used in the computation of credit risk weighted average amounts range from 0% to 100%, after taking into account the effects of bilateral netting arrangement (31st December, 2019: These amounts do not take into account the effects of bilateral netting arrangements).

19. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Fair value hedges

The fair value hedges principally consist of interest rate swaps. The interest rate swaps are used to protect against changes in the fair value of certain fixed rate assets and floating rate assets due to movements in market interest rates. At 30th June, 2020, the net negative fair value of derivatives held as fair value hedges was HK\$805 million (31st December, 2019: net negative value of HK\$356 million).

The losses on the hedging instruments for the period were HK\$443 million (31st December, 2019: losses of HK\$276 million). The gains on the hedged item attributable to the hedged risk for the period were HK\$440 million (31st December, 2019: gains of HK\$279 million).

Cash flow hedges

The cash flow hedges principally consist of interest rate contracts that are used to hedge against the variability in cash flows of certain floating rate assets and fixed rate liabilities. At 30th June, 2020 the net positive fair value of derivatives held as cash flow hedges was HK\$6 million (31st December, 2019: net positive fair value of HK\$3 million). During the period, there was no ineffectiveness recognised in the statement of profit or loss that arose from cash flow hedges (31st December, 2019: nil).

The time periods in which the hedged cash flows are expected to occur and affect the consolidated statement of profit or loss are as follows:

	30th June, 2020		
	Less than 1 year	1 to 5 years	Total
Forecast receivable cash flows	11	356	367
Forecast payable cash flows	(9)	(285)	(294)
Forecast net receivable cash flows	2	71	73
	31st December, 2019		
	Less than 1 year	1 to 5 years	Total
Forecast receivable cash flows	118	–	118
Forecast payable cash flows	(88)	–	(88)
Forecast net receivable cash flows	30	–	30

20. LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of inability to fund an increase in assets or meet obligations as they fall due. An institution's obligations, and the funding sources used to meet them, depend significantly on its business mix, statement of financial position structure, and the cash flow profiles of its on-and off-balance sheet obligation. The Group's primary objective of liquidity risk management is to manage the liquidity risk exposures under both normal and stressed conditions. The Group has established liquidity management policies for ensuring adequate liquidity is maintained at all times. The Group maintained an average liquidity maintenance ratio and core funding ratio of 38.7% and 129.6% respectively for the six months ended 30th June, 2020 (30th June, 2019: 38.2% and 130.7% respectively), which is well above the statutory requirement of 25% and 75% respectively. The liquidity maintenance ratio and core funding ratio as of 30th June, 2020 and 30th June, 2019 are compiled in accordance with the Banking (Liquidity) Rules effective from 1st January, 2015 and 1st January, 2018 respectively.

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20. LIQUIDITY RISK MANAGEMENT *(Continued)*

Roles and responsibilities in the Group's liquidity risk management structure are mainly distributed across different committees and hierarchical levels: Board of Directors, Risk Management Committee ("RMC"), Asset and Liability Management Committee ("ALCO"), Investment Strategy Committee, Treasury Division, Financial Management Division, Risk Management Division, Corporate Banking Division and Retail Banking Division.

Liquidity is managed on a day-to-day basis by the Treasurer under the direction of ALCO. ALCO, which comprises personnel from senior management, treasury function, risk management, financial management and business areas that could affect liquidity risk, is responsible for overseeing liquidity risk management, in particular implementation of appropriate liquidity policies and procedures, identifying, measuring and monitoring liquidity risk, and control over the liquidity risk management process. The Board of Directors approves the liquidity risk strategy and policies, and is responsible for maintaining continued awareness of the overall liquidity risk profile, and ensuring liquidity risk is adequately managed and controlled by senior management within the established risk management framework.

Customer deposits form an important part of funding source of the Group. The Retail Banking Division and Corporate Banking Division are responsible for maintaining customer deposits as well as advising their funding needs to the Treasury Division. The head of Retail Banking Division provides the latest information to the ALCO on material customer deposits balance movements and strategy to tap deposits.

To cater for funding requirements in the ordinary course of business, sufficient liquid assets are held and access to the interbank market is maintained. In addition, adequate standby facilities are maintained in order to meet any unexpected and material cash outflows. The Group also performs regular stress tests which include an institution-specific crisis scenario, a general market wide crisis scenario and a combined scenario on its liquidity positions to ensure adequate liquidity is maintained at all times.

The Treasury Division acts in accordance with the Liquidity Portfolio Framework and Debt Securities Investment Framework to address the issue of liquidity cushions. The objective of the Liquidity Portfolio Framework is to ensure that the Group can meet its obligations when they fall due in normal circumstances, and an adequate stock of high quality liquid assets in the portfolio could provide a safety cushion in the event of a funding crisis.

Due to the close proximity of the three operating regions in Hong Kong, China and Macau, the Group adopts a centralised approach to manage liquidity and funding for both domestic and overseas subsidiaries. At the next granular level, such as branches and sub-branches, the overseas subsidiaries take responsibility for managing their funding arrangements in relation to the use and application of funds. The Financial Management Division provides a consolidated picture to the Group's senior management.

The identification of liquidity risk depends first and foremost on its ability to accurately measure net funding requirements along different time horizons of its cash-flow projections. Setting up liquidity risk tolerance, including the quality and mixture of liquid asset holdings, maturity or currency mismatches and concentration of funding as well as stress testing are performed to facilitate liquidity risk control within the liquidity management framework.

Commensurate with the Group's business size, structure and complexity, the Group sets targets for the critical liquidity risk indicators for monitoring and controlling liquidity risk exposures.

The Group adopts a range of liquidity metrics to manage its liquidity position, namely liquidity maintenance ratios, core funding ratios, loan to deposit ratios, etc. Those liquidity indicators are subject to ALCO's review on a regular basis against the targets.

20. LIQUIDITY RISK MANAGEMENT *(Continued)*

The maintenance of liquidity maintenance ratio serves the purpose of addressing short-term liquidity stability. The core funding ratios give a clear picture of the Group's medium-term liquidity profile. A core funding ratio is a percentage of the amount of the Group's "available core funding" to the amount of its "required core funding" as defined by the Banking (Liquidity) Rules.

Based on the projection of future cash flows under normal and stressed conditions over different time horizons the Group identifies potential funding mismatches by comparing against the liquidity metrics. Moreover, the risk is further analysed by currencies and entities for senior management's review.

Stress tests for liquidity risk management are designed to assess the Group's ability to generate sufficient liquidity from assets and liabilities aspects in meeting funding needs under adverse conditions. The scenarios cover crisis under institution specific, general market wide and combined basis. Assumptions are subject to regular review by the ALCO to ensure the effectiveness of the stress testing process. Stress tests are performed regularly at the individual major entity level. The impact is further analysed on the consolidated group-wide level.

The Group has formulated a contingency plan setting out strategies for dealing with a liquidity crisis and the procedures for making up cash-flow deficits in emergency situations. The plan is updated and reviewed at least annually by the ALCO to ensure that it remains robust over time. Any revision will be approved by the Board of Directors. Apart from the liquidity limits and ratios agreed with the HKMA, the Group will promptly inform the HKMA of any indicators of serious liquidity problems, which may trigger the contingency funding plan.

21. CURRENCY RISK

The Group's foreign exchange positions, which arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures arising from capital investment in subsidiaries outside Hong Kong, mainly in US dollar, Macau Patacas and Renminbi, are managed by ALCO. All foreign exchange positions are managed by the ALCO within limits approved by the Board.

30th June, 2020										
	US\$	Chinese Renminbi	Pound Sterling	Euro	Canadian \$	Australian \$	Singapore \$	New Zealand \$	Macau Patacas	Total
Spot assets	94,839	43,880	3,922	876	25	5,464	339	214	13,709	164,030
Spot liabilities	(73,243)	(46,116)	(1,606)	(1,831)	(1,798)	(8,405)	(339)	(2,524)	(13,843)	(151,019)
Forward										
purchases	151,109	142,479	183	1,147	1,863	3,169	1,833	2,385	-	304,917
Forward sales	(169,148)	(143,886)	(2,495)	(179)	(80)	(189)	(1,833)	(40)	-	(318,061)
Net option positions	(5,285)	5,285	-	-	-	-	-	-	-	-
Net long/ (short) positions	(1,728)	1,642	4	13	10	39	-	35	(134)	(133)

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21. CURRENCY RISK *(Continued)*

	31st December, 2019									
	US\$	Chinese Renminbi	Pound Sterling	Euro	Canadian \$	Australian \$	Singapore \$	New Zealand \$	Macau Patacas	Total
Spot assets	75,309	48,259	2,577	956	68	6,362	320	214	13,265	148,143
Spot liabilities	(59,318)	(49,146)	(1,288)	(1,676)	(1,966)	(8,008)	(329)	(2,658)	(13,422)	(139,209)
Forward purchases	138,882	128,286	1,445	1,937	1,900	2,193	153	2,503	-	278,031
Forward sales	(153,060)	(129,322)	(2,721)	(1,206)	(5)	(505)	(150)	(34)	-	(287,160)
Net option positions	(3,568)	3,568	-	-	-	-	-	-	-	-
Net long/ (short) positions	(1,755)	1,645	13	11	(3)	42	(6)	25	(157)	(195)

The net positions or net structural positions in foreign currencies are disclosed above where each currency constitutes 10% or more of the respective total net position or total net structural position in all foreign currencies.

The net option position is calculated on the basis of delta-weighted positions of all foreign exchange options contracts. The net structural position includes the Bank's overseas banking subsidiaries and other subsidiaries substantially involved in foreign exchange trading and includes structural assets or liabilities as follow:

	30th June, 2020				31st December, 2019			
	Macau Patacas	Chinese Renminbi	US\$	Total	Macau Patacas	Chinese Renminbi	US\$	Total
Net structural positions	3,811	7,363	1,519	12,693	3,472	7,250	1,526	12,248

Unaudited Supplementary Financial Information

(Expressed in millions of Hong Kong dollars unless otherwise stated)

(A) CAPITAL, LIQUIDITY MAINTENANCE AND CORE FUNDING RATIOS

(i) Capital ratio

	30th June, 2020	31st December, 2019
Common Equity Tier 1 capital ratio	15.6%	15.4%
Tier 1 capital ratio	17.0%	16.9%
Total capital ratio	18.4%	18.7%
Capital conservation buffer ratio	2.500%	2.500%
Countercyclical capital buffet ratio	0.572%	1.225%
Common Equity Tier 1 capital	34,347	32,269
Tier 1 capital	37,347	35,269
Total capital	40,513	39,184
Risk weighted assets	220,070	209,152

The calculation of the regulatory capital and capital charges are in accordance with the Banking (Capital) Rules ("the Capital Rules"). The capital ratios are computed on a consolidated basis including the Bank and certain of its subsidiaries as specified by the Hong Kong Monetary Authority ("HKMA") for its regulatory purposes, and are in accordance with the Capital Rules.

In view of the Capital Rules, the Group has adopted the "basic indicator approach" for the calculation of the operational risk and the "standardised (market risk) approach" for the calculation of market risk. For the calculation of the risk-weighted assets for credit risk, the Group has adopted the "standardised (credit risk) approach" as of 30th June, 2020 and 31st December, 2019.

In calculating the capital ratio of the Group at 30th June, 2020 and 31st December, 2019, the following subsidiaries are excluded from the regulatory scope of consolidation. These are mainly securities and insurance companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Capital Rules and the Banking Ordinance.

Unaudited Supplementary Financial Information

(A) CAPITAL, LIQUIDITY MAINTENANCE AND CORE FUNDING RATIOS *(Continued)*

(i) *Capital ratio (Continued)*

Subsidiaries	Principal activities	30th June, 2020		31st December, 2019	
		Total assets	Total equity	Total assets	Total equity
CF Limited	Liquidated in 2019	-	-	-	-
C.F. Finance Company Limited	Liquidated in 2019	-	-	-	-
Chekiang First Bank (Nominees) Limited	Nominee Services	-	-	-	-
Chekiang First Bank (Trustees) Limited	Undergoing voluntary liquidation	4	4	4	4
Chekiang First Limited	Dormant/undergoing voluntary liquidation	-	-	-	-
Chekiang First Securities Company Limited	Liquidated in 2019	-	-	-	-
Cyber Wing Hang Limited	Liquidated in 2019	-	-	-	-
Data Processing Services Limited	Liquidated in 2019	-	-	-	-
Honfirst Investment Limited	Futures Trading	17	17	17	17
Honfirst Property Agency Limited	Liquidated in 2019	-	-	-	-
OCBC Wing Hang (Nominees) Limited	Nominee Services	-	-	-	-
OCBC Wing Hang (Trustee) Limited	Inactive	4	4	4	4
OCBC Wing Hang Insurance Agency Limited	Insurance Agency	122	113	114	103
OCBC Wing Hang Insurance Brokers Limited	Insurance Broker	159	112	143	91
OCBC Wing Hang Shares Brokerage Company Limited	Securities Dealing	669	331	684	326

As at 30th June, 2020, there are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation with different method of consolidation.

There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation.

There are no relevant capital shortfalls in any of the Group's subsidiaries as at 30th June, 2020 (31st December, 2019: nil) which are not included in the Group's consolidation for regulatory purposes.

The Group operates subsidiaries in a number of countries and territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the Group.

(A) CAPITAL, LIQUIDITY MAINTENANCE AND CORE FUNDING RATIOS *(Continued)*

(ii) Average liquidity maintenance and core funding ratios

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Average liquidity maintenance ratio	38.7%	38.2%
Average core funding ratio	129.6%	130.7%

The average liquidity maintenance ratio and core funding ratio for the six months includes the liquidity positions of the Bank and certain of its financial subsidiaries. The basis of computation has been agreed with the HKMA. Liquidity maintenance ratio and core funding ratio are compiled in accordance with the Banking (Liquidity) Rules effective from 1st January, 2015 and 1st January, 2018 respectively.

(B) ADVANCES TO CUSTOMERS ANALYSED BY GEOGRAPHICAL AREA

The geographical information is classified by the geographical location of the counterparties after taking into account any risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a geographical location which is different from that of the borrower or if the claims are on an overseas branch of a bank whose head office is located in another geographical location.

	30th June, 2020				
	Gross advances to customers	Impaired advances to customers	Overdue advances to customers for over three months	Expected credit loss (Stage 3) on advances to customers	Expected credit loss (Stages 1 and 2) on advances to customers
Hong Kong	133,135	481	308	143	253
Macau	21,767	25	13	5	29
Mainland China	34,531	419	403	30	112
Others	2,055	5	5	1	5
	191,488	930	729	179	399

	31st December, 2019				
	Gross advances to customers	Impaired advances to customers	Overdue advances to customers for over three months	Expected credit loss (Stage 3) on advances to customers	Expected credit loss (Stages 1 and 2) on advances to customers
Hong Kong	134,579	294	179	92	253
Macau	21,925	16	11	5	23
Mainland China	31,293	431	409	26	81
Others	2,371	4	4	1	6
	190,168	745	603	124	363

Unaudited Supplementary Financial Information

(C) FURTHER ANALYSIS OF ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS

The following information concerning further analysis of advances to customers by industry sectors is prepared by classifying the advances according to the usage of the advances in respect of industry sectors which constitute not less than 10% of gross advances to customers.

30th June, 2020					
	Gross advances to customers	Impaired advances to customers	Overdue advances to customers for over three months	Expected credit loss (Stage 3) on advances to customers	Expected credit loss (Stages 1 and 2) on advances to customers
Property investment	31,194	23	14	6	68
Advances for the purchase of other residential properties	35,376	101	66	–	5
Advances for use outside Hong Kong					
– Mainland China	36,791	373	357	17	99
– Macau	21,382	25	13	5	29
31st December, 2019					
	Gross advances to customers	Impaired advances to customers	Overdue advances to customers for over three months	Expected credit loss (Stage 3) on advances to customers	Expected credit loss (Stages 1 and 2) on advances to customers
Property investment	30,067	19	2	2	71
Advances for the purchase of other residential properties	38,124	90	37	–	6
Advances for use outside Hong Kong					
– Mainland China	34,621	374	371	12	84
– Macau	21,307	17	11	5	22

(D) OVERDUE AND RESCHEDULED ASSETS

(i) *Overdue and rescheduled advances to customers*

	30th June, 2020		31st December, 2019	
	Amount	% of total advances to customers	Amount	% of total advances to customers
Gross advances to customers which have been overdue with respect to either principal or interest for periods of:				
– 6 months or less but over 3 months	146	0.08	91	0.05
– 1 year or less but over 6 months	142	0.07	56	0.03
– Over 1 year	441	0.23	456	0.24
	729	0.38	603	0.32
Covered portion of overdue advances	542		553	
Uncovered portion of overdue advances	187		50	
	729		603	
Current market values of collateral held against covered portion of overdue advances	1,184		1,244	
Expected credit loss (Stage 3) made on overdue advances	140		79	

Collateral held with respect to overdue advances to customers is mainly properties and vehicles.

	30th June, 2020		31st December, 2019	
	Amount	% of total advances to customers	Amount	% of total advances to customers
Rescheduled advances to customers	17	–	6	–

All rescheduled advances to customers are impaired as at 30th June, 2020 and 31st December, 2019 respectively.

There are no advances to banks which are overdue nor rescheduled as at 30th June, 2020 and 31st December, 2019 respectively.

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(D) OVERDUE AND RESCHEDULED ASSETS *(Continued)*

(ii) Other overdue assets

	30th June, 2020	31st December, 2019
Trade bills which have been overdue with respect to either principal or interest for periods of:		
– 6 months or less but over 3 months	–	–
– 1 year or less but over 6 months	–	–
– Over 1 year	–	–
	–	–

There was HK\$34 million overdue debt securities included in “Financial assets measured at fair value through other comprehensive income” as at 30th June, 2020 (31st December, 2019: nil).

Under “Other assets” as at 30th June, 2020 and 31st December, 2019, there were no receivables which are overdue.

(E) DISCLOSURE REQUIREMENTS UNDER THE BANKING (DISCLOSURE) RULES

The detailed disclosures required by the Banking (Disclosure) Rules will be disclosed before 30th September, 2020 under “Regulatory Disclosure” on the website of the Bank (www.ocbcwhhk.com).



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