

OCBC Wing Hang Bank Limited
2021 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, 2021	Six months ended 30th June, 2020
Interest income calculated using the effective interest method	4(a)	3,115	4,057
Other interest income	4(a)	56	208
Interest expense	4(b)	(865)	(1,811)
Net interest income		2,306	2,454
Fees and commission income		619	528
Fees and commission expense		(62)	(59)
Net fees and commissions income	4(c)	557	469
Dividends	4(d)	9	10
Rental income	4(e)	2	3
Other income	4(f)	151	512
Other operating income		719	994
Operating income		3,025	3,448
Operating expenses	4(g)	(1,611)	(1,510)
Operating profit before expected credit loss		1,414	1,938
Change in expected credit loss and other credit impairment charges		138	(175)
Operating profit after expected credit loss		1,552	1,763
Share of net gains of associated companies		73	8
Profit before taxation		1,625	1,771
Taxation	5	(261)	(295)
Profit for the period attributable to equity shareholder of the Bank		1,364	1,476

The notes on pages 9 to 42 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, 2021	Six months ended 30th June, 2020
Profit for the period		1,364	1,476
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss			
– Surplus/(deficit) on revaluation of bank premises	10	28	(87)
– Income tax related to the above		(8)	1
– Share of surplus/(deficit) on revaluation of bank premises of associated companies		3	(19)
		23	(105)
– Equity securities measured at fair value through other comprehensive income			
– Fair value changes		(484)	(60)
– Deferred taxes		29	1
		(455)	(59)
		(432)	(164)
Items that are or may be reclassified subsequently to profit or loss			
– Exchange adjustments on translation of financial statements of subsidiaries		120	(149)
		120	(149)
– Debt securities measured at fair value through other comprehensive income			
– Fair value changes		(70)	(131)
– Transfer to consolidated statement of profit or loss			
– gains on disposal		(49)	(48)
– expected credit loss recognised		(6)	27
– Income tax related to the above		20	30
– Share of fair value changes of financial assets of associated companies		7	(33)
		(98)	(155)

Unaudited Consolidated Statement of Comprehensive Income

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

	Notes	Six months ended 30th June, 2021	Six months ended 30th June, 2020
– Cash flow hedging reserve			
– Fair value changes taken to equity		(4)	11
– Deferred taxes		1	(2)
		(3)	9
– Unappropriated profits			
– Bank premises			
– Deferred taxes		9	9
		–	(14)
		28	(300)
Other comprehensive income for the period, net of tax		(404)	(464)
Total comprehensive income for the period attributable to equity shareholder of the Bank		960	1,012

The notes on pages 9 to 42 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, 2021	31st December, 2020
ASSETS			
Cash and balances with banks, central banks and other financial institutions	6	9,104	9,460
Placements with banks, central banks and other financial institutions	7	2,031	528
Amounts due from ultimate holding company, fellow subsidiaries and fellow associates		14,107	6,830
Trading assets		5,936	9,704
Advances to customers and other accounts	8(a)	195,089	198,047
Financial assets measured at fair value through other comprehensive income		75,830	79,899
Assets held for sale	11	1	1
Investments in associated companies		707	624
Tangible fixed assets	10		
– Investment properties		311	312
– Other properties, plants and equipment		5,329	5,427
Goodwill		1,306	1,306
Current tax recoverable		5	14
Deferred tax assets		14	19
Total assets		309,770	312,171
EQUITY AND LIABILITIES			
Deposits and balances of banks, central banks and other financial institutions	12	10,722	10,264
Amounts due to ultimate holding company and fellow subsidiaries		14,008	9,740
Deposits from customers	13	212,544	217,414
Certificates of deposit and fixed rate note issued	14	17,184	17,644
Trading liabilities		3,566	5,895
Lease liabilities	15	180	220
Current tax payable		308	132
Deferred tax liabilities		291	298
Other accounts and provisions	16	4,068	4,354
Total liabilities		262,871	265,961
Share capital		7,308	7,308
Reserves	17	36,591	35,902
Perpetual capital securities issued		3,000	3,000
Total equity		46,899	46,210
Total equity and liabilities		309,770	312,171

Approved and authorised for issue by the Board of Directors on 20th September, 2021.

FUNG Yuk Bun Patrick
AU-YEUNG Lai Ling Ivy

Chairman
Executive Director and Chief Executive

The notes on pages 9 to 42 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, 2021							
	At 1st January	Transfer to/(from) reserve	Coupon of perpetual capital securities	Dividends declared or approved during the period	Profit for the period	Other comprehensive income for the period	At 30th June
Share capital	7,308	-	-	-	-	-	7,308
Capital reserve	440	1	-	-	-	-	441
Statutory reserve	430	-	-	-	-	-	430
General reserve	2,139	-	-	-	-	120	2,259
Bank premises revaluation reserve	3,617	(29)	-	-	-	23	3,611
Investment revaluation reserve (recycling)	251	-	-	-	-	(98)	153
Investment revaluation reserve (non-recycling)	2,431	-	-	-	-	(455)	1,976
Cash flow hedging reserve	(3)	-	-	-	-	(3)	(6)
Unappropriated profits	26,597	28	(71)	(200)	1,364	9	27,727
Perpetual capital securities	3,000	-	-	-	-	-	3,000
Total equity	46,210	-	(71)	(200)	1,364	(404)	46,899

Six months ended 31st December, 2020							
	At 30th June	Transfer to/(from) reserve	Coupon of perpetual capital securities	Dividends declared or approved during the period	Profit for the period	Other comprehensive income for the period	At 31st December
Share capital	7,308	-	-	-	-	-	7,308
Capital reserve	403	37	-	-	-	-	440
Statutory reserve	430	-	-	-	-	-	430
General reserve	1,390	-	-	-	-	749	2,139
Bank premises revaluation reserve	3,724	(28)	-	-	-	(79)	3,617
Investment revaluation reserve (recycling)	45	-	-	-	-	206	251
Investment revaluation reserve (non-recycling)	1,702	-	-	-	-	729	2,431
Cash flow hedging reserve	6	-	-	-	-	(9)	(3)
Unappropriated profits	26,174	(9)	(72)	(900)	1,401	3	26,597
Perpetual capital securities	3,000	-	-	-	-	-	3,000
Total equity	44,182	-	(72)	(900)	1,401	1,599	46,210

Six months ended 30th June, 2020

	At 1st January	Transfer to/(from) reserve	Coupon of perpetual capital securities	Dividends declared or approved during the period	Profit for the period	Other comprehensive income for the period	At 30th June
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

The notes on pages 9 to 42 form part of the unaudited interim financial report.

Unaudited Consolidated Cash Flow Statement

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

	Notes	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Net cash inflow from operating activities	20(a)	4,155	7,548
Investing activities			
Purchase of financial assets measured at fair value through other comprehensive income		(8,387)	(9,415)
Sale and redemption of financial assets measured at fair value through other comprehensive income		9,557	13,109
Purchase of properties and equipment		(40)	(47)
Sale of properties and equipment		3	48
Net cash inflow from investing activities		1,133	3,695
Financing activities			
Dividends paid		(200)	–
Net proceeds from issue of fixed rate notes		878	–
Coupon of perpetual capital securities		(71)	(72)
Payment of lease liabilities		(46)	(60)
Net cash inflow/(outflow) from financing activities		561	(132)
Increase in cash and cash equivalents		5,849	11,111
Cash and cash equivalents at 1st January		16,376	12,484
Effects of foreign exchange rate changes		148	(186)
Cash and cash equivalents at 30th June		22,373	23,409
Analysis of the balances of cash and cash equivalents			
Cash and balances with banks, central banks and other financial institutions		7,391	7,486
Placements with banks, central banks and other financial institutions with an original maturity within three months		2,032	329
Amounts due from ultimate holding company, fellow subsidiaries and fellow associates with an original maturity within three months		12,901	15,017
Treasury bills with an original maturity within three months		49	577
		22,373	23,409
Cash flows from operating activities included:			
Interest received		3,295	4,479
Interest paid		874	1,707
Dividend received		9	10

The notes on pages 9 to 42 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, 2021 was HK\$1,364 million. The results of the Group for the period ended 30th June, 2021 and the state of affairs of the Group and the Bank as at 30th June, 2021 are set out in the interim financial report on pages 2 to 42.

2. BASIS OF PREPARATION

The accounting policies and methods of computation used in the preparation of the 2021 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, 2020, except for the changes in accounting policies as described in note 3.

In preparing the interim consolidated financial report for 2021, 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, 2021 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 20th September, 2021.

This 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:

- Interest Rate Benchmark Reform – Phase 2 Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

4. OPERATING PROFIT

(a) Interest income

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Interest income calculated using the effective interest method:		
– financial assets not measured at fair value through profit or loss	3,115	4,057
Other interest income:		
– trading assets	56	208
of which: interest income from impaired financial assets	7	13

Notes to Unaudited Interim Financial Report

4. OPERATING PROFIT *(Continued)*

(b) Interest expense

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Interest expense including the following:		
– Financial liabilities not measured at fair value through profit or loss	714	1,592

(c) Fee and commission (net)

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Fees and commission		
Credit commission and fees	76	76
Credit card related fees	92	84
Trade related fees	41	35
Insurance commission	80	79
Stockbroking fees	89	64
Wealth management fees	62	24
Other fees and commission income	179	166
Less: Fees and commission expenses	(62)	(59)
	557	469

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	130	121
– fees and commission expenses	–	–
	130	121

(d) Dividends

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Dividend income from financial assets measured at fair value through other comprehensive income		
– Unlisted financial assets	9	10
Dividend income from listed trading investments	–	–
	9	10

4. OPERATING PROFIT *(Continued)*

(e) Rental income

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Rental income from investment properties less direct expenses of HK\$0.1 million (30th June, 2020: HK\$0.1 million)	2	3
	2	3

(f) Other income

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Foreign exchange*	72	172
Hedging activities		
– Fair value hedges		
– hedged items	(215)	437
– hedging instruments	219	(443)
Interest rate and other derivatives	4	42
Trading securities	15	76
Others	–	1
Net trading income	95	285
Gains transferred from investment revaluation reserve upon disposal	49	48
Disposal of financial assets measured at fair value through other comprehensive income	(4)	133
Total gains on disposal of financial assets measured at fair value through other comprehensive income	45	181
Revaluation of investment properties (note 10)	(2)	(5)
Disposal of tangible fixed assets	2	41
Others	11	10
	151	512

* Included the net interest expense element of HK\$12 million (30th June, 2020: net interest income for HK\$18 million) on the cross currency funding swap classified as "Other income".

Notes to Unaudited Interim Financial Report

4. OPERATING PROFIT *(Continued)*

(g) Operating expenses

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Staff costs (note (i))		
Salaries and other staff costs	1,094	980
Retirement benefit costs	51	48
Share based expenses	16	17
	1,161	1,045
Premises and equipment expenses, excluding depreciation	121	145
Depreciation (note 10)	171	167
Others	158	153
	1,611	1,510

note (i) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Current tax – Provision for Hong Kong profits tax	167	219
Current tax – Provision for tax outside Hong Kong	46	64
Deferred taxation	48	12
	261	295

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

	30th June, 2021	31st December, 2020
Cash balances	789	731
Balances with central banks	5,638	7,016
Balances with banks	2,677	1,713
Expected credit loss (Stage 1) (note 9)	–	–
	9,104	9,460

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

	30th June, 2021	31st December, 2020
Remaining maturity		
– Within 1 month	2,032	528
– Over 1 month but within 1 year	–	–
Expected credit loss (Stage 1) (note 9)	(1)	–
	2,031	528

8. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

(a) Advances to customers and other accounts

	30th June, 2021	31st December, 2020
Gross advances to customers	188,251	189,447
Expected credit loss (Stages 1 and 2) for loans and advances (note 9)	(325)	(425)
Expected credit loss (Stage 3) for impaired loans and advances (note 9)	(149)	(134)
Net advances to customers	187,777	188,888
Gross trade bills	1,594	2,750
Expected credit loss (Stages 1 and 2) for trade bills (note 9)	(2)	(6)
Expected credit loss (Stage 3) for impaired trade bills (note 9)	–	–
Net trade bills	1,592	2,744
Advances to banks	1,902	2,335
Expected credit loss (Stage 1) for advances to banks (note 9)	–	–
Net advances to banks	1,902	2,335
Customer liability under acceptances	979	979
Interest receivables	897	1,021
Positive fair values of derivative financial instruments held for hedging	22	7
Other accounts	1,920	2,073
	195,089	198,047

Notes to Unaudited Interim Financial Report

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, 2021		31st December, 2020	
	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	6,435	81.0	5,874	67.1
– Property investment	32,902	95.4	32,404	90.1
– Financial concerns	8,278	22.5	10,487	18.8
– Stockbrokers	4,208	11.7	4,211	23.1
– Wholesale and retail trade	5,096	59.9	4,326	69.5
– Manufacturing	3,053	73.3	3,111	71.7
– Transport and transport equipment	5,349	67.4	6,263	64.3
– Information technology	42	69.1	44	59.9
– Share financing	130	95.4	128	93.7
– Recreational activities	7	42.9	10	27.3
– Others	9,795	76.8	8,432	77.1
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	852	100.0	944	100.0
– Advances for the purchase of other residential properties	34,647	100.0	36,407	100.0
– Credit card advances	199	0.0	163	0.0
– Others	8,428	71.0	8,444	67.9
	119,421	81.2	121,248	78.4
Trade finance	5,258	42.4	3,728	44.0
Advances for use outside Hong Kong				
– Mainland China	34,584	59.1	35,252	55.0
– Macau	20,066	86.6	20,591	88.1
– Others	8,922	100.0	8,628	100.0
	63,572	73.5	64,471	71.6
	188,251	77.5	189,447	75.4

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, 2021	31st December, 2020
Gross impaired advances to customers	670	833
Gross impaired advances to customers as a percentage of total advances to customers	0.36%	0.44%
Market value of collateral held with respect to impaired advances to customers	519	658
Expected credit loss (Stage 3)	149	134

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, 2021 and 31st December, 2020.

(d) Repossessed assets

At 30th June, 2021, repossessed assets obtained as securities for impaired advances to customers totaled HK\$46 million (31st December, 2020: HK\$103 million).

Notes to Unaudited Interim Financial Report

9. EXPECTED CREDIT LOSS

(a) Reconciliation of expected credit loss

	Six months ended 30th June, 2021				
	Stage 1	Stage 2	Stages 1 and 2	Stage 3	Total
At 1st January	401	183	584	134	718
Transfers of financial instruments					
– transfers from Stage 1 to Stage 2	(17)	17	–	–	–
– transfers from Stage 2 to Stage 1	80	(80)	–	–	–
– transfers to Stage 3	–	(6)	(6)	6	–
– transfers from Stage 3	–	1	1	(1)	–
Changes in PDs/LGDs/EADs/forward-looking assumptions	(204)	18	(186)	46	(140)
New financial assets originated or purchased assets derecognised, repayments and further lending	62	(37)	25	(23)	2
Amounts written off	–	–	–	(17)	(17)
Recoveries of advances written off in prior years	–	–	–	8	8
Unwind of discount of expected credit losses	–	–	–	(4)	(4)
Exchange adjustments	–	2	2	–	2
At 30th June	322	98	420	149	569
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))	240	85	325	149	474
Trade bills (note 8(a))	2	–	2	–	2
Advances to banks (note 8(a))	–	–	–	–	–
Contingent liabilities and commitments to extend credit (note 16)	71	7	78	–	78
Financial assets measured at fair value through other comprehensive income	8	6	14	–	14
	322	98	420	149	569

9. EXPECTED CREDIT LOSS *(Continued)*

(a) Reconciliation of expected credit loss (Continued)

	Year ended 31st December, 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	(82)	82	–	–	–
– transfers from Stage 2 to Stage 1	131	(131)	–	–	–
– transfers to Stage 3	(1)	(36)	(37)	37	–
– transfers from Stage 3	1	5	6	(6)	–
Changes in PDs/LGDs/EADs/forward-looking assumptions	(130)	171	41	90	131
New financial assets originated or purchased assets derecognised, repayments and further lending	118	(33)	85	(42)	43
Amounts written off	–	–	–	(76)	(76)
Recoveries of advances written off in prior years	–	–	–	19	19
Unwind of discount of expected credit losses	–	–	–	(11)	(11)
Exchange adjustments	9	2	11	(1)	10
At 31st December	401	183	584	134	718
Representing expected credit loss for:					
Balances and placement with central banks	–	–	–	–	–
Balances and placement with banks	–	–	–	–	–
Advances to customers (note 8(a))	275	150	425	134	559
Trade bills (note 8(a))	6	–	6	–	6
Advances to banks (note 8(a))	–	–	–	–	–
Contingent liabilities and commitments to extend credit (note 16)	112	20	132	–	132
Financial assets measured at fair value through other comprehensive income	8	13	21	–	21
	401	183	584	134	718

Notes to Unaudited Interim Financial Report

9. EXPECTED CREDIT LOSS *(Continued)*

(b) Expected credit loss on financial assets

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

	Six months ended 30th June, 2021			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with banks, central banks and other financial institutions				
Pass	9,104	–	–	9,104
Less: Expected credit loss	–	–	–	–
Carrying amount	9,104	–	–	9,104
Placements with banks, central banks and other financial institutions				
Pass	726	1,306	–	2,032
Less: Expected credit loss	(1)	–	–	(1)
Carrying amount	725	1,306	–	2,031
Advances to customers				
Pass	170,910	15,822	–	186,732
Special mention	–	849	–	849
Substandard	–	–	180	180
Doubtful	–	–	449	449
Loss	–	–	41	41
Less: Expected credit loss	(240)	(85)	(149)	(474)
Carrying amount	170,670	16,586	521	187,777
Trade bills				
Pass	1,594	–	–	1,594
Special mention	–	–	–	–
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
Less: Expected credit loss	(2)	–	–	(2)
Carrying amount	1,592	–	–	1,592
Advances to banks				
Pass	1,902	–	–	1,902
Less: Expected credit loss	–	–	–	–
Carrying amount	1,902	–	–	1,902
Financial assets measured at fair value through other comprehensive income				
Pass	72,761	854	–	73,615
Special mention	–	24	–	24
Substandard	–	–	–	–
Expected credit loss	(8)	(6)	–	(14)
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	49,692	2,307	–	51,999
Special mention	–	–	–	–
Expected credit loss	(71)	(7)	–	(78)

9. EXPECTED CREDIT LOSS *(Continued)*

(b) Expected credit loss on financial assets (Continued)

	Year ended 31st December, 2020			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with banks, central banks and other financial institutions				
Pass	9,460	–	–	9,460
Less: Expected credit loss	–	–	–	–
Carrying amount	9,460	–	–	9,460
Placements with banks, central banks and other financial institutions				
Pass	528	–	–	528
Less: Expected credit loss	–	–	–	–
Carrying amount	528	–	–	528
Advances to customers				
Pass	166,172	21,576	–	187,748
Special mention	–	866	–	866
Substandard	–	–	196	196
Doubtful	–	–	585	585
Loss	–	–	52	52
Less: Expected credit loss	(275)	(150)	(134)	(559)
Carrying amount	165,897	22,292	699	188,888
Trade bills				
Pass	2,748	2	–	2,750
Special mention	–	–	–	–
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
Less: Expected credit loss	(6)	–	–	(6)
Carrying amount	2,742	2	–	2,744
Advances to banks				
Pass	2,335	–	–	2,335
Less: Expected credit loss	–	–	–	–
Carrying amount	2,335	–	–	2,335
Financial assets measured at fair value through other comprehensive income				
Pass	76,235	961	–	77,196
Special mention	–	–	–	–
Substandard	–	–	30	30
Expected credit loss	(8)	(13)	–	(21)
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	50,559	2,975	–	53,534
Special mention	–	348	–	348
Expected credit loss	(112)	(20)	–	(132)

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10. TANGIBLE FIXED ASSETS

	Six months ended 30th June, 2021								
	Investment properties	Bank premises	Right of use assets – Bank premises	Total Bank premises	Equipment	Right of use assets – equipment	Total equipment	Bank premises and equipment	Total
Cost or valuation									
At 1st January	312	5,288	430	5,718	1,543	3	1,546	7,264	7,576
Additions	-	-	20	20	40	1	41	61	61
Disposals	-	-	-	-	(27)	-	(27)	(27)	(27)
Transfer from bank premises to assets held for sale	-	(3)	-	(3)	-	-	-	(3)	(3)
Surplus/(deficit) on revaluation									
– credited to bank premises revaluation reserve	-	28	-	28	-	-	-	28	28
– charged to consolidated statement of profit or loss	(2)	-	-	-	-	-	-	-	(2)
Elimination of accumulated depreciation on revalued bank premises	-	(44)	-	(44)	-	-	-	(44)	(44)
Termination of leases	-	-	(34)	(34)	-	-	-	(34)	(34)
Exchange adjustment	1	-	2	2	-	-	-	2	3
At 30th June	311	5,269	418	5,687	1,556	4	1,560	7,247	7,558
The analysis of cost or valuation of the above assets is as follows:									
At cost	-	1,365	418	1,783	1,556	4	1,560	3,343	3,343
At valuation 2021	311	3,904	-	3,904	-	-	-	3,904	4,215
	311	5,269	418	5,687	1,556	4	1,560	7,247	7,558
Accumulated depreciation									
At 1st January	-	375	218	593	1,243	1	1,244	1,837	1,837
Charge for the period	-	61	60	121	50	-	50	171	171
Written back on disposals	-	-	-	-	(26)	-	(26)	(26)	(26)
Transfer from bank premises to assets held for sale	-	(2)	-	(2)	-	-	-	(2)	(2)
Elimination of accumulated depreciation on revalued bank premises	-	(44)	-	(44)	-	-	-	(44)	(44)
Termination of leases	-	-	(18)	(18)	-	-	-	(18)	(18)
Exchange adjustment	-	(1)	1	-	-	-	-	-	-
At 30th June	-	389	261	650	1,267	1	1,268	1,918	1,918
Net book value									
At 30th June	311	4,880	157	5,037	289	3	292	5,329	5,640

10. TANGIBLE FIXED ASSETS (Continued)

	Year ended 31st December, 2020								
	Investment properties	Bank premises	Right of use assets – Bank premises	Total Bank premises	Equipment	Right of use assets – equipment	Total equipment	Bank premises and equipment	Total
Cost or valuation									
At 1st January	367	5,687	338	6,025	1,535	2	1,537	7,562	7,929
Additions	–	–	119	119	117	2	119	238	238
Disposals	(74)	(165)	(38)	(203)	(108)	(1)	(109)	(312)	(386)
Reclassification of bank premises to assets held for sale	–	(2)	–	(2)	–	–	–	(2)	(2)
Surplus/(deficit) on revaluation									
– charged to bank premises revaluation reserve	–	(152)	–	(152)	–	–	–	(152)	(152)
– credited to consolidated statement of profit or loss	17	–	–	–	–	–	–	–	17
Elimination of accumulated depreciation on revalued bank premises	–	(92)	–	(92)	–	–	–	(92)	(92)
Exchange adjustment	2	12	11	23	(1)	–	(1)	22	24
At 31st December	312	5,288	430	5,718	1,543	3	1,546	7,264	7,576
The analysis of cost or valuation of the above assets is as follows:									
At cost	–	1,367	430	1,797	1,543	3	1,546	3,343	3,343
At valuation 2020	312	3,921	–	3,921	–	–	–	3,921	4,233
	312	5,288	430	5,718	1,543	3	1,546	7,264	7,576
Accumulated depreciation									
At 1st January	21	420	110	530	1,254	1	1,255	1,785	1,806
Charge for the year	–	120	120	240	95	1	96	336	336
Written back on disposals	(21)	(78)	(19)	(97)	(107)	(1)	(108)	(205)	(226)
Reclassification of bank premises to assets held for sale	–	(1)	–	(1)	–	–	–	(1)	(1)
Elimination of accumulated depreciation on revalued bank premises	–	(92)	–	(92)	–	–	–	(92)	(92)
Exchange adjustment	–	6	7	13	1	–	1	14	14
At 31st December	–	375	218	593	1,243	1	1,244	1,837	1,837
Net book value									
At 31st December	312	4,913	212	5,125	300	2	302	5,427	5,739

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11. ASSETS HELD FOR SALE

	30th June, 2021	31st December, 2020
Assets held for sale		
– Bank premises	1	1
	1	1

In April 2021, the Group decided to divest one of the self-use bank premises Ground Floor of On Keung Building, No. 51 Hong Keung Street, San Po Kong, Kowloon to a third party. Preliminary Sale & Purchase Agreement has been signed in April 2021 and the sales amounts to be fully received in July 2021. In July 2021, the property will be handed over to buyer and title deed transfer is targeted to be completed by end of July 2021.

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

	30th June, 2021	31st December, 2020
Deposits from central banks	–	–
Deposits from banks	10,722	10,264
	10,722	10,264

13. DEPOSITS FROM CUSTOMERS

	30th June, 2021	31st December, 2020
Demand deposits and current accounts	93,360	94,413
Savings deposits	34,837	34,687
Time, call and notice deposits	84,347	88,314
	212,544	217,414

14. CERTIFICATES OF DEPOSIT AND FIXED RATE NOTE ISSUED

	30th June, 2021	31st December, 2020
Certificates of deposit issued at amortised cost	13,903	15,268
Fixed rate note issued at amortised cost	3,281	2,376
	17,184	17,644

15. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	30th June, 2021		31st December, 2020	
	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	117	119	108	112
After 1 year but within 2 years	54	55	83	85
After 2 years but within 5 years	10	10	29	30
After 5 years	–	–	–	–
	64	65	112	115
	181	184	220	227
Less: total future interest expenses		(4)		(7)
Present value of lease liabilities		180		220

16. OTHER ACCOUNTS AND PROVISIONS

	30th June, 2021	31st December, 2020
Acceptances outstanding	979	979
Interest payable	268	276
Negative fair value of derivative financial instruments held for hedging	478	685
Other payables	2,265	2,282
Expected credit loss (Stages 1 and 2) on contingent liabilities and commitments to extend credit (note 9)	78	132
	4,068	4,354

17. RESERVES

The Group's unappropriated profits as at 30th June, 2021 included a regulatory reserve of HK\$935 million (31st December, 2020: HK\$844 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, 2021	31st December, 2020
Direct credit substitutes	4,566	3,919
Transaction-related contingencies	1,455	1,251
Trade-related contingencies	2,326	2,475
Forward forward deposits	2,330	3,255
Other commitments:		
With an original maturity of not more than one year	–	1,318
With an original maturity over one year	5,132	5,661
Which are unconditionally cancellable	36,190	36,003
Total	51,999	53,882
Credit risk weighted amounts	8,103	8,459

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.

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

	30th June, 2021		
	Qualifying for hedge accounting	Others, including held for trading	Total
Exchange rate contracts	688	272,053	272,741
Interest rate contracts	24,313	606,426	630,739
Equity contracts	–	7,805	7,805
Credit derivative contracts	–	5,794	5,794
	25,001	892,078	917,079

19. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

	31st December, 2020		
	Qualifying for hedge accounting	Others, including held for trading	Total
Exchange rate contracts	493	259,681	260,174
Interest rate contracts	25,162	487,141	512,303
Equity contracts	–	5,089	5,089
Credit derivative contracts	–	3,204	3,204
	25,655	755,115	780,770

The trading transactions include the Group's positions arising from the execution of trade orders from customers or transactions undertaken to hedge these positions. Derivatives arise from futures, forward, swap and option transactions undertaken by the Group in the foreign exchange, interest rate, debt and equity markets. The notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting period; they do not represent amounts at risk.

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

	30th June, 2021		31st December, 2020	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	2,048	1,956	4,471	3,936
Interest rate contracts	1,415	1,256	1,807	1,567
Equity contracts	353	353	391	391
Credit derivative contracts	1	1	1	1
	3,817	3,566	6,670	5,895

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

	30th June, 2021		31st December, 2020	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	–	52	–	52
Interest rate contracts	22	426	7	633
	22	478	7	685

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19. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The credit risk weighted amounts are as follows:

	30th June, 2021	31st December, 2020
Exchange rate contracts	2,694	3,504
Interest rate contracts	278	133
Equity contracts	265	40
Credit derivative contracts	1	–
Derivative contracts subject to valid bilateral netting agreements	446	228
	3,684	3,905

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 arrangements.

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, 2021, the net negative fair value of derivatives held as fair value hedges was HK\$450 million (31st December, 2020: net negative fair value of HK\$674 million).

The gains on the hedging instruments for the period were HK\$219 million (31st December, 2020: losses of HK\$284 million). The losses on the hedged item attributable to the hedged risk for the period were HK\$215 million (31st December, 2020: gains of HK\$283 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, 2021 the net negative fair value of derivatives held as cash flow hedges was HK\$7 million (31st December, 2020: net negative fair value of HK\$4 million). During the period, there was no ineffectiveness recognised in the statement of profit or loss that arose from cash flow hedges (31st December, 2020: 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, 2021		
	Less than 1 year	1 to 5 years	Total
Forecast receivable cash flows	132	52	184
Forecast payable cash flows	(14)	(6)	(20)
Forecast net receivable cash flows	118	46	164
	31st December, 2020		
	Less than 1 year	1 to 5 years	Total
Forecast receivable cash flows	–	302	302
Forecast payable cash flows	–	(72)	(72)
Forecast net receivable cash flows	–	230	230

20. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Operating profit	1,552	1,763
Adjustments for non-cash items:		
Change in expected credit loss and other credit impairment charges	(138)	175
Interest expense on fixed rate note issued	52	45
Interest expense on lease liabilities	1	3
Net gains from disposal of financial assets measured at fair value through other comprehensive income (note 4(f))	(45)	(181)
Losses on revaluation of investment properties (note 4(f))	2	5
Gains on disposal of tangible fixed assets (note 4(f))	(2)	(41)
Depreciation (note 4(g))	171	167
	1,593	1,936
Changes in working capital:		
Change in treasury bills with original maturity of three months or above	2,031	(1,980)
Change in placements with banks, central banks and other financial institutions with original maturity of three months or above	–	1,273
Change in amounts due from ultimate holding company and fellow subsidiaries maturing after three months	(277)	(2,909)
Change in certificates of deposit held	858	(532)
Change in trading assets	2,963	(2,692)
Change in advances to customers and other accounts	3,035	(1,610)
Change in deposits and balances of banks, central banks and other financial institutions	(1,114)	(1,089)
Change in amounts due to ultimate holding company and fellow subsidiaries	3,946	8,983
Change in deposits from customers	(4,869)	2,139
Change in certificates of deposit issued	(1,366)	4,373
Change in trading liabilities	(2,329)	1,038
Change in other accounts and provision	(288)	(950)
Net cash inflow from operations	4,183	7,980
Profits tax paid	(28)	(432)
Net cash inflow from operating activities	4,155	7,548

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20. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Reconciliation of cash and cash equivalents with the consolidated statement of financial position

	30th June, 2021	31st December, 2020
Cash and balances with banks, central banks and other financial institutions	9,104	9,460
Placements with banks, central banks and other financial institutions	2,032	528
Amounts due from ultimate holding company and fellow subsidiaries	14,107	6,830
Treasury bills	17,979	20,266
	43,222	37,084
Amounts shown in the consolidated statement of financial position		
Less: Amounts with an original maturity of three months or above	(18,608)	(20,362)
Deposits and balances of banks, central banks and other financial institutions that are repayable on demand	(2,241)	(346)
	22,373	16,376
Cash and cash equivalents in the consolidated cash flow statement	22,373	16,376

21. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. The segment disclosure is based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters.

Hong Kong segment

This is mainly composed of retail banking activities, corporate banking activities and treasury activities.

Retail banking activities include acceptance of deposits, residential mortgages, hire purchase, consumer loans, wealth management, stock brokerage and insurance services.

Corporate banking activities include acceptance of deposits, advance of commercial and industrial loans, trade financing and institutional banking.

Treasury activities include foreign exchange services, management of investment securities, trading activities and management of shareholders' funds.

Mainland China segment

This comprises the business of OCBC Wing Hang Bank (China) Limited, for which the main business is corporate banking and treasury activities.

Macau segment

This comprises the business of Banco OCBC Weng Hang, S.A., for which the main business is retail banking activities.

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include tangible assets (including equipment of the Group and overseas bank premises), balance and placement with banks, central banks and other financial institutions and advances to customers and banks which have been reported under Mainland China and Macau segments and financial assets with the exception of goodwill, interest in associated companies, taxation and other assets. Segment liabilities include deposits and financial liabilities.

Revenue and expenses are allocated to the reportable segments with reference to interest and fees and commission income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The identification of reportable segments also considered geographical information which has been classified by the geographical location of the principal operations of the subsidiaries, or in the case of the Bank itself, of the geographical location of the branch responsible for reporting the results or booking the assets and liabilities.

Specified non-current assets of the Group include tangible fixed assets, goodwill and investments in associated companies.

"Others" in the reconciliation to the reported amount on the consolidated statement of profit or loss and consolidated statement of financial position mainly represent the management of equity shares.

21. SEGMENT REPORTING *(Continued)*

(a) *Segment results, assets and liabilities*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Hong Kong				Mainland China	Macau	Total
	Retail banking	Corporate banking	Treasury	Total			
Six months ended 30th June, 2021							
Net interest income	693	331	502	1,526	515	278	2,319
Non-interest income	340	62	40	442	189	103	734
Reportable segment revenue	1,033	393	542	1,968	704	381	3,053
Operating expenses	(725)	(155)	(70)	(950)	(480)	(159)	(1,589)
Operating profit before expected credit losses	308	238	472	1,018	224	222	1,464
Change in expected credit loss and other credit impairment charges	20	51	2	73	57	10	140
Operating profit	328	289	474	1,091	281	232	1,604
Share of net gains of associated companies	-	-	-	-	-	-	-
Reportable segment profit before tax	328	289	474	1,091	281	232	1,604
Depreciation	36	-	1	37	69	11	117
At 30th June, 2021							
Reportable segment assets	67,129	69,170	64,280	200,579	70,921	32,971	304,471
Addition to non-current segment assets	20	-	-	20	16	-	36
Reportable segment liabilities	110,432	37,594	20,019	168,045	60,453	27,751	256,249

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21. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities (Continued)

	Hong Kong				Mainland China	Macau	Total
	Retail banking	Corporate banking	Treasury	Total			
Six months ended 30th June, 2020							
Net interest income	787	394	534	1,715	454	295	2,464
Non-interest income	299	58	297	654	285	68	1,007
Reportable segment revenue	1,086	452	831	2,369	739	363	3,471
Operating expenses	(704)	(151)	(65)	(920)	(394)	(161)	(1,475)
Operating profit before expected credit losses	382	301	766	1,449	345	202	1,996
Change in expected credit loss and other credit impairment charges	(58)	(28)	(6)	(92)	(54)	(15)	(161)
Operating profit	324	273	760	1,357	291	187	1,835
Share of net gains of associated companies	–	–	–	–	–	–	–
Reportable segment profit before tax	324	273	760	1,357	291	187	1,835
Depreciation	37	–	1	38	62	12	112
At 31st December, 2020							
Reportable segment assets	69,155	67,935	59,333	196,423	73,221	34,013	303,657
Addition to non-current segment assets	29	–	–	29	52	6	87
Reportable segment liabilities	112,695	37,092	14,040	163,827	63,113	28,788	255,728

21. SEGMENT REPORTING *(Continued)*

(a) *Segment results, assets and liabilities (Continued)*

Reconciliations of reportable segment revenue, profit before taxation, assets and liabilities:

	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Revenue		
Reportable segment revenue	3,053	3,471
Other revenue	11	10
Elimination of inter-segment revenue	(39)	(33)
Consolidated operating income	3,025	3,448
	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Profit before taxation		
Reportable segment profit before taxation	1,604	1,835
Share of net gains of associated companies	73	8
Other net losses	(52)	(72)
Consolidated profit before taxation	1,625	1,771
	30th June, 2021	31st December, 2020
Assets		
Reportable segment assets	304,471	303,657
Investments in associated companies	707	624
Tangible fixed assets	4,551	4,605
Goodwill	1,306	1,306
Current tax recoverable	2	14
Deferred tax assets	14	19
Other assets	10,024	10,975
Elimination of inter-segment assets	(11,305)	(9,029)
Consolidated total assets	309,770	312,171

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21. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities (Continued)

	30th June, 2021	31st December, 2020
Liabilities		
Reportable segment liabilities	256,249	255,728
Current tax payable	175	21
Deferred tax liabilities	15	35
Other liabilities	9,609	11,629
Elimination of inter-segment liabilities	(3,177)	(1,452)
Consolidated total liabilities	262,871	265,961

(b) Other geographical information

	30th June, 2021				
	Hong Kong	Mainland China	Macau	Less: inter- segment elimination	Total
Specified non-current assets	6,553	475	614	11	7,653
Contingent liabilities and commitments	21,433	27,930	3,318	(682)	51,999

	31st December, 2020				
	Hong Kong	Mainland China	Macau	Less: inter- segment elimination	Total
Specified non-current assets	6,523	514	620	12	7,669
Contingent liabilities and commitments	24,966	26,249	3,407	(740)	53,882

22. 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 35.9% and 134.6% respectively for the six months ended 30th June, 2021 (30th June, 2020: 38.7% and 129.6% respectively), which is well above the statutory requirement of 25% and 75% respectively. The 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.

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"), Funding Strategy Committee, 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 Wholesale Banking Division are responsible for maintaining customer deposits as well as advising their funding needs to the Treasury Division. The heads of business units provide 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 Asset 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 Risk Management Division provides a consolidated picture to the Group's senior management.

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22. LIQUIDITY RISK MANAGEMENT *(Continued)*

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.

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.

23. 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, 2021										
	US\$	Chinese Renminbi	Pound Sterling	Euro	Canadian \$	Australian \$	Singapore \$	New Zealand \$	Macau Patacas	Total
Spot assets	84,046	65,395	5,449	677	49	5,075	357	111	12,241	174,270
Spot liabilities	(70,213)	(58,253)	(1,671)	(2,431)	(1,638)	(7,001)	(328)	(2,267)	(13,243)	(158,576)
Forward purchases	123,283	108,360	123	5,068	1,705	2,130	31	2,268	-	243,884
Forward sales	(136,813)	(115,166)	(3,902)	(3,338)	(104)	(174)	(31)	(71)	-	(259,873)
Net option positions	(391)	391	-	-	-	-	-	-	-	-
Net long/(short) positions	(88)	727	(1)	(24)	12	30	29	41	(1,002)	(295)

31st December, 2020										
	US\$	Chinese Renminbi	Pound Sterling	Euro	Canadian \$	Australian \$	Singapore \$	New Zealand \$	Macau Patacas	Total
Spot assets	82,883	62,912	5,063	1,001	58	5,136	344	251	13,331	171,901
Spot liabilities	(65,933)	(59,566)	(1,822)	(2,378)	(1,833)	(7,323)	(291)	(2,410)	(13,310)	(156,379)
Forward purchases	110,621	99,410	53	1,550	1,787	2,452	1,952	2,212	-	220,783
Forward sales	(127,611)	(103,056)	(3,289)	(164)	(1)	(224)	(2,010)	(9)	-	(236,533)
Net option positions	(2,759)	2,759	-	-	-	-	-	-	-	-
Net long/(short) positions	(2,799)	2,459	5	9	11	41	(5)	44	21	(228)

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 branch, banking subsidiaries and other subsidiaries substantially involved in foreign exchange trading and include structural assets or liabilities as follow:

	30th June, 2021				31st December, 2020			
	Macau Patacas	Chinese Renminbi	US\$	Total	Macau Patacas	Chinese Renminbi	US\$	Total
Net structural positions	3,698	8,490	1,522	13,710	3,493	8,156	1,520	13,169

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24. FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) *Financial instruments measured at fair value*

Financial instruments measured at fair value on an ongoing basis include trading assets and liabilities, financial instruments designated at FVTPL, and financial instruments classified as measured at FVOCI.

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair values at the end of the reporting period on a recurring basis using the following fair value hierarchy as defined in HKFRS 13, *Fair value measurement* that reflects the observability and significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable market data and for which unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments that are not traded in the active markets, the Group determines fair values using valuation techniques. Valuation techniques include net present value of expected future cash flows and discounted cash flow models based on "no-arbitrage" principles, standard option pricing models across the industry for vanilla derivative products. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The majority of valuation techniques employ only observable market data. Hence, the reliability of the fair values measurement is high. However, certain financial instruments are valued on the basis of one or more significant market inputs that are not observable. The fair value derived is more judgemental. "Not observable" does not mean there is absolutely no market data available, but rather that there is little or no current market data available from which to determine the level at which an arm's length transaction would likely occur. Examples of observable inputs include foreign exchange spot and forward rates, benchmark interest rate curves and volatility surfaces for commonly traded option products. Examples of unobservable inputs include volatility surfaces for less commonly traded option products and correlations between market factors.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the valuation uncertainty associated with determination of fair values. Availability varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses the broker pricing service, which adopts proprietary valuation models as inputs to a fair value measurement. These models are usually developed from recognised valuation models across the industry with some or all of the inputs into these models being unobservable in the market.

24. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) *Financial instruments measured at fair value (Continued)*

Fair values are subject to a control framework that aims to ensure that they are either determined or validated by a function independent of the risk-taker. To this end, the ultimate responsibility for the determination of fair values lies with Middle Office. Middle Office establishes procedures governing valuation, and is responsible for ensuring that these comply with all relevant accounting standards.

The table below analyses financial instruments measured at fair value at the reporting date according to the level in the fair value hierarchy into which they are categorised:

Recurring fair value measurements	30th June, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets				
– Treasury bills	1,491	–	–	1,491
– Other debt securities	628	–	–	628
– Positive fair values of derivative financial instruments held for trading	2	3,814	1	3,817
	2,121	3,814	1	5,936
Advances to customers and other accounts				
– Positive fair values of derivative financial instruments held for hedging	–	22	–	22
Financial assets measured at fair value through other comprehensive income				
– Treasury bills	15,164	1,324	–	16,488
– Certificates of deposit held	7,285	2,194	–	9,479
– Other debt securities	42,636	5,036	–	47,672
– Equity securities	–	2	2,189	2,191
	65,085	8,556	2,189	75,830
	67,206	12,392	2,190	81,788
Liabilities				
Trading liabilities				
– Negative fair values of derivative financial instruments held for trading	1	3,565	–	3,566
Other accounts and provisions				
– Negative fair values of derivative financial instruments held for hedging	–	478	–	478
	1	4,043	–	4,044

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24. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial instruments measured at fair value (Continued)

Recurring fair value measurements	31st December, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets				
– Treasury bills	2,294	–	–	2,294
– Other debt securities	740	–	–	740
– Positive fair values of derivative financial instruments held for trading	2	6,665	3	6,670
	3,036	6,665	3	9,704
Advances to customers and other accounts				
– Positive fair values of derivative financial instruments held for hedging	–	7	–	7
Financial assets measured at fair value through other comprehensive income				
– Treasury bills	15,703	2,269	–	17,972
– Certificates of deposit held	3,223	7,113	–	10,336
– Other debt securities	42,542	6,376	–	48,918
– Equity securities	–	1	2,672	2,673
	61,468	15,759	2,672	79,899
	64,504	22,431	2,675	89,610
Liabilities				
Trading liabilities				
– Negative fair values of derivative financial instruments held for trading	2	5,893	–	5,895
Other accounts and provisions				
– Negative fair values of derivative financial instruments held for hedging	–	685	–	685
	2	6,578	–	6,580

During the period ended 30th June, 2021, there were no material transfers between Level 1 and Level 2 (year ended 31st December, 2020: nil). During the period ended 30th June, 2021, there were no transfer between Level 1 and 2 into Level 3 (year ended 31st December, 2020: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

24. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) *Financial instruments measured at fair value (Continued)*

(i) Valuation of financial instruments with significant unobservable inputs

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

Assets/(liabilities)	Six months ended 30th June, 2021		
	Financial assets measured at fair value through other comprehensive income – Equity securities	Net fair values of derivative financial instrument held for trading	Total
At 1st January	2,672	3	2,675
Purchases	-	-	-
Sales	-	-	-
Settlements	-	-	-
Transfers	-	-	-
Changes in fair value recognised in the consolidated income statement	-	(2)	(2)
Changes in fair value recognised in the consolidated statement of other comprehensive income	(483)	-	(483)
At 30th June	2,189	1	2,190
Total gains or losses for the period included in investment revaluation reserve of the other comprehensive income for assets held at the reporting date	(483)	-	(483)
Total gains or losses for the period included in the consolidated statement of profit or loss for assets held at the reporting date			
- Net trading income	-	(2)	(2)
- Net gains from financial instruments designated at fair value through profit or loss	-	-	-
Assets/(liabilities)	Year ended 31st December, 2020		
	Financial assets measured at fair value through other comprehensive income – Equity securities	Net fair values of derivative financial instrument held for trading	Total
At 1st January	1,954	5	1,959
Purchases	-	-	-
Sales	-	-	-
Settlements	-	-	-
Transfers	-	-	-
Changes in fair value recognised in the consolidated income statement	-	(2)	(2)
Changes in fair value recognised in the consolidated statement of other comprehensive income	718	-	718
At 31st December	2,672	3	2,675
Total gains or losses for the year included in investment revaluation reserve of the other comprehensive income for assets held at the reporting date	718	-	718
Total gains or losses for the year included in the consolidated statement of profit or loss for assets held at the reporting date			
- Net trading income	-	(2)	(2)
- Net gains from financial instruments designated at fair value through profit or loss	-	-	-

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24. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) *Financial instruments measured at fair value (Continued)*

(i) **Valuation of financial instruments with significant unobservable inputs** *(Continued)*

Information about significant unobservable inputs in Level 3 valuations

	Valuation technique	Significant unobservable inputs	Range
Unlisted equity securities measured at fair value through other comprehensive income	Discounted cash flow model	Discount rates	5.05%–14.32% (2020: 10.08%–17.30%)
		P/E ratios	22.30%–46.39% (2020: 33.37%–59.64%)
	Market-comparable approach	Marketability discount	50.00% (2020: 50.00%)
		Risk discount rate	8.50%–15.00% (2020: 8.50%–15.00%)
	Embedded value approach	Expected investment return	2.50%–3.00% (2020: 2.50%–3.00%)

The fair value of unlisted financial assets measured at fair value through other comprehensive income is determined using the discounted cash flow model and the significant unobservable inputs used in the fair value measurement are forecasted cash flows and terminal growth rate. The fair value measurement is positively correlated to the net cash inflows and terminal growth rate.

The fair value of derivative financial instruments held for trading is determined based on similar methodology as that of derivative financial instruments classified as level 2 in the fair value hierarchy with significant unobservable inputs being the forecasted optimum rate of a derivative contract adopted for the fair value measurement of the optionality component to exercise partial take-up right of the derivative contract.

24. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) *Financial instruments measured at fair value (Continued)*

(ii) **Effect of changes in significant non-observable assumptions to reasonably possible alternative assumptions**

The fair value of financial instruments are, in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair values in Level 3 due to parallel movement of plus or minus 10 percent of change in fair value to reasonably possible alternative assumptions. This Level 3 sensitivity analysis assumes a one-way market move and does not consider offsets for hedges.

	30th June, 2021			
	Reflected in profit/(loss)		Reflected in other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Trading assets				
– Positive fair values of derivative financial instruments held for trading purpose	–	–	–	–
	–	–	–	–
Financial assets measured at fair value through other comprehensive income				
– Equity securities	–	–	219	(219)
	–	–	219	(219)
	31st December, 2020			
Trading assets				
– Positive fair values of derivative financial instruments held for trading purpose	–	–	–	–
	–	–	–	–
Financial assets measured at fair value through other comprehensive income				
– Equity securities	–	–	267	(267)
	–	–	267	(267)

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24. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30th June, 2021 and 31st December, 2020 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

30th June, 2021					
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial liabilities					
Certificates of deposit issued at amortised cost	13,903	13,924	–	13,924	–
Fixed rate note issued at amortised cost	3,281	3,295	–	3,295	–
31st December, 2020					
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial liabilities					
Certificates of deposit issued at amortised cost	15,268	15,304	–	15,304	–
Fixed rate note issued at amortised cost	2,376	2,392	–	2,392	–

The following methods and significant assumptions have been applied in determining the fair values of financial instruments not presented above.

- (i) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the reporting date.
- (ii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the amount of the expected credit loss from both the carrying amount and fair value.
- (iii) The fair value of fixed rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the expected credit loss from both the carrying amount and fair value.
- (iv) The fair value of unquoted equity investments is estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuers.

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, 2021	31st December, 2020
Common Equity Tier 1 capital ratio	17.4%	16.7%
Tier 1 capital ratio	18.8%	18.0%
Total capital ratio	20.2%	19.4%
Capital conservation buffer ratio	2.500%	2.500%
Countercyclical capital buffet ratio	0.542%	0.545%
Common Equity Tier 1 capital	36,970	36,477
Tier 1 capital	39,970	39,477
Total capital	42,975	42,558
Risk weighted assets	212,705	218,812

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, 2021 and 31st December, 2020.

Unaudited Supplementary Financial Information

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

(i) *Capital ratio (Continued)*

In calculating the capital ratio of the Group at 30th June, 2021 and 31st December, 2020, 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.

Subsidiaries	Principal activities	30th June, 2021		31st December, 2020	
		Total assets	Total equity	Total assets	Total equity
Chekiang First Bank (Nominees) Limited	Inactive/Nominee Services	-	-	-	-
Chekiang First Bank (Trustees) Limited	Undergoing voluntary liquidation	4	4	4	4
Chekiang First Limited	Dormant/undergoing voluntary liquidation	-	-	-	-
Honfirst Investment Limited	Futures Trading	17	17	17	17
OCBC Wing Hang (Nominees) Limited	Inactive/Nominee Services	-	-	-	-
OCBC Wing Hang (Trustee) Limited	Inactive	4	4	4	4
OCBC Wing Hang Insurance Agency Limited	Insurance Agency	137	129	125	120
OCBC Wing Hang Insurance Brokers Limited	Insurance Broker	196	149	176	123
OCBC Wing Hang Shares Brokerage Company Limited	Securities Dealing	671	356	916	342

As at 30th June, 2021, 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, 2021 (31st December, 2020: 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, 2021	Six months ended 30th June, 2020
Average liquidity maintenance ratio	35.9%	38.7%
Average core funding ratio	134.6%	129.6%

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, 2021					
	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	130,394	304	245	115	220
Macau	20,383	24	19	5	27
Mainland China	36,016	342	329	29	76
Others	1,458	–	–	–	2
	188,251	670	593	149	325

31st December, 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	133,258	430	331	101	305
Macau	21,215	26	20	5	29
Mainland China	32,905	375	362	28	89
Others	2,069	2	2	–	2
	189,447	833	715	134	425

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, 2021					
	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	32,902	10	10	2	30
Advances for the purchase of other residential properties	34,647	86	52	–	4
Advances for use outside Hong Kong					
– Mainland China	34,584	317	241	15	73
– Macau	20,066	24	19	5	27
31st December, 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	32,404	25	20	5	48
Advances for the purchase of other residential properties	36,407	128	83	–	5
Advances for use outside Hong Kong					
– Mainland China	35,252	338	325	16	88
– Macau	20,591	26	20	5	29

(D) OVERDUE AND RESCHEDULED ASSETS

(i) Overdue and rescheduled advances to customers

	30th June, 2021		31st December, 2020	
	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	58	0.03	48	0.03
– 1 year or less but over 6 months	51	0.03	224	0.12
– Over 1 year	484	0.26	443	0.23
	593	0.32	715	0.38
Covered portion of overdue advances	454		563	
Uncovered portion of overdue advances	139		152	
	593		715	
Current market values of collateral held against covered portion of overdue advances	975		1,160	
Expected credit loss (Stage 3) made on overdue advances	134		115	

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

	30th June, 2021		31st December, 2020	
	Amount	% of total advances to customers	Amount	% of total advances to customers
Rescheduled advances to customers	5	–	10	–

All rescheduled advances to customers are impaired as at 30th June, 2021 and 31st December, 2020 respectively.

There are no advances to banks which are overdue nor rescheduled as at 30th June, 2021 and 31st December, 2020 respectively.

Unaudited Supplementary Financial Information

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

(ii) *Other overdue assets*

	30th June, 2021	31st December, 2020
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 were no overdue debt securities included in “Financial assets measured at fair value through other comprehensive income” as at 30th June, 2021 (31st December, 2020: HK\$30 million).

Under “Other assets” as at 30th June, 2021 and 31st December, 2020, 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, 2021 under “Regulatory Disclosure” on the website of the Bank (www.ocbcwhhk.com).



Registered Office: 161 Queen's Road Central, Hong Kong

