

OCBC Wing Hang Bank Limited  
2022 Interim Report



## Contents

	<b>Page</b>
Unaudited Consolidated Statement of Profit or Loss	<b>2</b>
Unaudited Consolidated Statement of Comprehensive Income	<b>3</b>
Unaudited Consolidated Statement of Financial Position	<b>5</b>
Unaudited Consolidated Statement of Changes in Equity	<b>6</b>
Unaudited Consolidated Cash Flow Statement	<b>8</b>
Notes to Unaudited Interim Financial Report	<b>9</b>

## Unaudited Consolidated Statement of Profit or Loss

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

	Notes	Six months ended 30th June, 2022	Six months ended 30th June, 2021
Interest income calculated using the effective interest method	4(a)	<b>3,300</b>	3,115
Other interest income	4(a)	<b>127</b>	56
Interest expense	4(b)	<b>(1,084)</b>	(865)
Net interest income		<b>2,343</b>	2,306
Fees and commission income		<b>740</b>	619
Fees and commission expense		<b>(61)</b>	(62)
Net fees and commissions income	4(c)	<b>679</b>	557
Dividends	4(d)	<b>10</b>	9
Rental income	4(e)	<b>2</b>	2
Other income	4(f)	<b>434</b>	151
Other operating income		<b>1,125</b>	719
Operating income		<b>3,468</b>	3,025
Operating expenses	4(g)	<b>(1,843)</b>	(1,611)
Operating profit before expected credit loss		<b>1,625</b>	1,414
Change in expected credit loss and other credit impairment charges		<b>(352)</b>	138
Operating profit after expected credit loss		<b>1,273</b>	1,552
Share of net gains of associated companies		<b>67</b>	73
Profit before taxation		<b>1,340</b>	1,625
Taxation	5	<b>(218)</b>	(261)
Profit for the period attributable to equity shareholder of the Bank		<b>1,122</b>	1,364

The notes on pages 9 to 44 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	<b>Six months ended 30th June, 2022</b>	Six months ended 30th June, 2021
Profit for the period		<b>1,122</b>	1,364
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss			
– Surplus on revaluation of bank premises	10	<b>14</b>	28
– Income tax related to the above		<b>(6)</b>	(8)
– Share of surplus on revaluation of bank premises of associated companies		–	3
		<b>8</b>	23
– Equity securities measured at fair value through other comprehensive income			
– Fair value changes		<b>(261)</b>	(484)
– Deferred taxes		<b>16</b>	29
– Share of fair value changes of financial assets of associated companies		<b>3</b>	–
		<b>(242)</b>	(455)
		<b>(234)</b>	(432)
Items that are or may be reclassified subsequently to profit or loss			
– Exchange adjustments on translation of financial statements of subsidiaries		<b>(465)</b>	120
		<b>(465)</b>	120
– Debt securities measured at fair value through other comprehensive income			
– Fair value changes		<b>(888)</b>	(70)
– Transfer to consolidated statement of profit or loss			
– gains on disposal		<b>(35)</b>	(49)
– expected credit loss recognised		<b>5</b>	(6)
– Income tax related to the above		<b>152</b>	20
– Share of fair value changes of financial assets of associated companies		<b>(106)</b>	7
		<b>(872)</b>	(98)

## Unaudited Consolidated Statement of Comprehensive Income

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

	Notes	<b>Six months ended 30th June, 2022</b>	Six months ended 30th June, 2021
– Cash flow hedging reserve			
– Fair value changes taken to equity		2	(4)
– Deferred taxes		–	1
		<b>2</b>	<b>(3)</b>
– Unappropriated profits			
– Bank premises			
– Deferred taxes		11	9
		<b>(1,324)</b>	<b>28</b>
Other comprehensive income for the period, net of tax		<b>(1,558)</b>	<b>(404)</b>
Total comprehensive income for the period attributable to equity shareholder of the Bank		<b>(436)</b>	<b>960</b>

The notes on pages 9 to 44 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, 2022	31st December, 2021
<b>ASSETS</b>			
Cash and balances with banks, central banks and other financial institutions	6	9,929	15,191
Placements with banks, central banks and other financial institutions	7	1,666	1,992
Amounts due from ultimate holding company, fellow subsidiaries and fellow associates		22,121	11,492
Trading assets		8,823	7,243
Advances to customers and other accounts	8	209,134	206,977
Financial assets measured at fair value through other comprehensive income		76,636	74,890
Assets held for sale	11	–	11
Investments in associated companies		626	661
Tangible fixed assets	10		
– Investment properties		300	310
– Other properties, plants and equipment		5,152	5,265
Goodwill		1,306	1,306
Current tax recoverable		–	130
Deferred tax assets		31	10
<b>Total assets</b>		<b>335,724</b>	<b>325,478</b>
<b>EQUITY AND LIABILITIES</b>			
Deposits and balances of banks		15,660	7,070
Amounts due to ultimate holding company and fellow subsidiaries		14,200	14,899
Deposits from customers	12	229,391	229,734
Certificates of deposit and fixed rate note issued	13	19,335	16,724
Trading liabilities		6,412	5,324
Lease liabilities	14	87	102
Current tax payable		252	160
Deferred tax liabilities		495	708
Other accounts and provisions	15	4,023	4,131
<b>Total liabilities</b>		<b>289,855</b>	<b>278,852</b>
Share capital		7,308	7,308
Reserves	16	35,561	36,318
Perpetual capital securities issued		3,000	3,000
<b>Total equity</b>		<b>45,869</b>	<b>46,626</b>
<b>Total equity and liabilities</b>		<b>335,724</b>	<b>325,478</b>

Approved and authorised for issue by the Board of Directors on 20th September, 2022.

**FUNG Yuk Bun Patrick**  
**AU-YEUNG Lai Ling Ivy**

*Chairman*  
*Executive Director and Chief Executive*

The notes on pages 9 to 44 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, 2022						
	At	Transfer	Coupon of	Dividends	Profit for	Other	At
	1st January	to/(from)	perpetual	declared or	the period	comprehensive	30th June
		reserve	capital	approved		income for	
			securities	during		the period	
Share capital	7,308	-	-	-	-	-	7,308
Capital reserve	483	(5)	-	-	-	-	478
Statutory reserve	430	-	-	-	-	-	430
General reserve	2,447	-	-	-	-	(464)	1,983
Bank premises revaluation reserve	3,169	(31)	-	-	-	8	3,146
Investment revaluation reserve (recycling)	151	-	-	-	-	(873)	(722)
Investment revaluation reserve (non-recycling)	2,276	-	-	-	-	(242)	2,034
Cash flow hedging reserve	(2)	-	-	-	-	2	-
Unappropriated profits	27,364	36	(71)	(250)	1,122	11	28,212
Perpetual capital securities	3,000	-	-	-	-	-	3,000
<b>Total equity</b>	<b>46,626</b>	<b>-</b>	<b>(71)</b>	<b>(250)</b>	<b>1,122</b>	<b>(1,558)</b>	<b>45,869</b>

	Six months ended						
	31st December, 2021						
	At	Transfer	Coupon of	Dividends	Profit for	Other	At
	30th June	to/(from)	perpetual	declared or	the period	comprehensive	31st December
		reserve	capital	approved		income for	
			securities	during		the period	
Share capital	7,308	-	-	-	-	-	7,308
Capital reserve	441	42	-	-	-	-	483
Statutory reserve	430	-	-	-	-	-	430
General reserve	2,259	-	-	-	-	188	2,447
Bank premises revaluation reserve	3,611	(29)	-	-	-	(413)	3,169
Investment revaluation reserve (recycling)	153	-	-	-	-	(2)	151
Investment revaluation reserve (non-recycling)	1,976	-	-	-	-	300	2,276
Cash flow hedging reserve	(6)	-	-	-	-	4	(2)
Unappropriated profits	27,727	(13)	(72)	(1,300)	1,011	11	27,364
Perpetual capital securities	3,000	-	-	-	-	-	3,000
<b>Total equity</b>	<b>46,899</b>	<b>-</b>	<b>(72)</b>	<b>(1,300)</b>	<b>1,011</b>	<b>88</b>	<b>46,626</b>

## Unaudited Consolidated Statement of Changes in Equity

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

	Six months ended 30th June, 2021						At
	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	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
<b>Total equity</b>	<b>46,210</b>	<b>-</b>	<b>(71)</b>	<b>(200)</b>	<b>1,364</b>	<b>(404)</b>	<b>46,899</b>

The notes on pages 9 to 44 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, 2022	Six months ended 30th June, 2021
Net cash (outflow)/inflow from operating activities	18(a)	<b>(8,449)</b>	4,155
Investing activities			
Purchase of financial assets measured at fair value through other comprehensive income		<b>(11,149)</b>	(8,387)
Sale and redemption of financial assets measured at fair value through other comprehensive income		<b>15,397</b>	9,557
Purchase of properties and equipment		<b>(32)</b>	(40)
Sale of properties and equipment		<b>68</b>	3
Net cash inflow from investing activities		<b>4,284</b>	1,133
Financing activities			
Dividends paid		<b>(250)</b>	(200)
Net proceeds from issue of fixed rate notes		<b>879</b>	878
Interest paid on fixed rate note		<b>(30)</b>	–
Coupon of perpetual capital securities		<b>(71)</b>	(71)
Payment of lease liabilities		<b>(38)</b>	(46)
Net cash inflow from financing activities		<b>490</b>	561
(Decrease)/increase in cash and cash equivalents		<b>(3,675)</b>	5,849
Cash and cash equivalents at 1st January		<b>29,024</b>	16,376
Effects of foreign exchange rate changes		<b>(545)</b>	148
Cash and cash equivalents at 30th June		<b>24,804</b>	22,373
Analysis of the balances of cash and cash equivalents			
Cash and balances with banks, central banks and other financial institutions		<b>9,436</b>	7,391
Placements with banks, central banks and other financial institutions with an original maturity within three months		<b>1,666</b>	2,032
Amounts due from ultimate holding company, fellow subsidiaries and fellow associates with an original maturity within three months		<b>10,736</b>	12,901
Treasury bills with an original maturity within three months		<b>2,966</b>	49
		<b>24,804</b>	22,373
Cash flows from operating activities included:			
Interest received		<b>3,500</b>	3,295
Interest paid		<b>952</b>	874
Dividend received		<b>10</b>	9

The notes on pages 9 to 44 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, 2022 was HK\$1,122 million. The results of the Group for the period ended 30th June, 2022 and the state of affairs of the Group and the Bank as at 30th June, 2022 are set out in the interim financial report on pages 2 to 44.

## 2. BASIS OF PREPARATION

The accounting policies and methods of computation used in the preparation of the 2022 interim consolidated financial report are consistent with those used and described in the Group’s annual audited financial report for the year ended 31st December, 2021, except for the changes in accounting policies as described in note 3.

In preparing the interim consolidated financial report for 2022, 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, 2022 under “Regulatory Disclosure” on the website of the Bank ([www.ocbcwhhk.com](http://www.ocbcwhhk.com)).

The interim consolidated financial report was approved by the Board of Directors for issue on 20th September, 2022.

The interim consolidated financial report has not been audited.

## 3. CHANGES IN ACCOUNTING POLICIES

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

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, 2022	Six months ended 30th June, 2021
Interest income calculated using the effective interest method:		
– financial assets not measured at fair value through profit or loss	3,300	3,115
Other interest income:		
– trading assets	127	56
of which: interest income from impaired financial assets	9	7

## Notes to Unaudited Interim Financial Report

### 4. OPERATING PROFIT *(Continued)*

#### *(b) Interest expense*

	<b>Six months ended 30th June, 2022</b>	Six months ended 30th June, 2021
Interest expense including the following:		
– Financial liabilities not measured at fair value through profit or loss	<b>911</b>	714

#### *(c) Fee and commission (net)*

	<b>Six months ended 30th June, 2022</b>	Six months ended 30th June, 2021
Fees and commission		
– Credit commission and fees	<b>62</b>	76
– Credit card related fees	<b>47</b>	92
– Trade related fees	<b>37</b>	41
– Insurance commission	<b>68</b>	80
– Stockbroking fees	<b>57</b>	89
– Wealth management fees	<b>54</b>	62
– Other fees and commission income	<b>415</b>	179
– Less: Fees and commission expenses	<b>(61)</b>	(62)
	<b>679</b>	557

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	<b>104</b>	130
– fees and commission expenses	<b>–</b>	–
	<b>104</b>	130

#### *(d) Dividends*

	<b>Six months ended 30th June, 2022</b>	Six months ended 30th June, 2021
Dividend income from financial assets measured at fair value through other comprehensive income		
– Unlisted financial assets	<b>10</b>	9
Dividend income from listed trading investments	<b>–</b>	–
	<b>10</b>	9

#### 4. OPERATING PROFIT *(Continued)*

##### *(e) Rental income*

	<b>Six months ended 30th June, 2022</b>	Six months ended 30th June, 2021
Rental income from investment properties less direct expenses of HK\$0.1 million (30th June, 2021: HK\$0.1 million)	<b>2</b>	2
	<b>2</b>	2

##### *(f) Other income*

	<b>Six months ended 30th June, 2022</b>	Six months ended 30th June, 2021
Foreign exchange *	<b>248</b>	72
Hedging activities		
– Fair value hedges		
– hedged items	<b>(487)</b>	(215)
– hedging instruments	<b>486</b>	219
Interest rate and other derivatives	<b>101</b>	4
Trading securities	<b>(2)</b>	15
Net trading income	<b>346</b>	95
Gains transferred from investment revaluation reserve upon disposal	<b>35</b>	49
Disposal of financial assets measured at fair value through other comprehensive income	<b>(6)</b>	(4)
Total gains on disposal of financial assets measured at fair value through other comprehensive income	<b>29</b>	45
Revaluation of investment properties (note 10)	<b>(10)</b>	(2)
Disposal of tangible fixed assets	<b>57</b>	2
Others	<b>12</b>	11
	<b>434</b>	151

\* Included the net interest expense element of HK\$51 million (30th June, 2021: net interest expense for HK\$12 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, 2022	Six months ended 30th June, 2021
Staff costs (note (i))		
Salaries and other staff costs	1,311	1,094
Retirement benefit costs	60	51
Share based expenses	17	16
	<b>1,388</b>	1,161
Premises and equipment expenses, excluding depreciation	121	121
Depreciation (note 10)	159	171
Others	175	158
	<b>1,843</b>	1,611

- (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, 2022	Six months ended 30th June, 2021
Current tax – Provision for Hong Kong profits tax	166	167
Current tax – Provision for tax outside Hong Kong	80	46
Deferred taxation	(28)	48
	<b>218</b>	261

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

	30th June, 2022	31st December, 2021
Cash balances	952	876
Balances with central banks	6,496	9,119
Balances with banks	2,482	5,196
Expected credit loss (Stage 1) (note 9)	(1)	–
	<b>9,929</b>	15,191

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

	30th June, 2022	31st December, 2021
Remaining maturity		
– Within 1 month	1,666	1,992
– Over 1 month but within 1 year	–	–
Expected credit loss (Stage 1) (note 9)	–	–
	<b>1,666</b>	<b>1,992</b>

## 8. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

	30th June, 2022	31st December, 2021
Gross advances to customers	203,707	199,230
Expected credit loss (Stages 1 and 2) for loans and advances (note 9)	(448)	(349)
Expected credit loss (Stage 3) for impaired loans and advances (note 9)	(347)	(226)
Net advances to customers	202,912	198,655
Gross trade bills	1,497	2,990
Expected credit loss (Stages 1 and 2) for trade bills (note 9)	–	–
Expected credit loss (Stage 3) for impaired trade bills (note 9)	–	–
Net trade bills	1,497	2,990
Advances to banks	1,082	1,419
Expected credit loss (Stage 1) for advances to banks (note 9)	–	(1)
Net advances to banks	1,082	1,418
Customer liability under acceptances	760	1,360
Interest receivables	876	950
Positive fair values of derivative financial instruments held for hedging	588	116
Other accounts	1,419	1,488
	<b>209,134</b>	<b>206,977</b>

## Notes to Unaudited Interim Financial Report

### 9. EXPECTED CREDIT LOSS

#### (a) Reconciliation of expected credit loss

	Six months ended 30th June, 2022			
	Stage 1	Stage 2	Stage 3	Total
At 1st January	322	147	226	695
Transfers of financial assets				
– transfers from Stage 1 to Stage 2	(35)	35	–	–
– transfers from Stage 2 to Stage 1	36	(36)	–	–
– transfers to Stage 3	(1)	(6)	7	–
– transfers from Stage 3	3	–	(3)	–
Changes in PDs/LGDs/EADs/forward-looking assumptions	43	96	145	284
New financial assets originated or purchased assets derecognised, repayments and further lending	65	6	(3)	68
Amounts written off	–	–	(51)	(51)
Recoveries of advances written off in prior years	–	–	36	36
Unwind of discount of expected credit losses	–	–	(5)	(5)
Exchange adjustments	(6)	(1)	(5)	(12)
<b>At 30th June</b>	<b>427</b>	<b>241</b>	<b>347</b>	<b>1,015</b>
Representing expected credit loss for:				
Balances and placement with central banks	–	–	–	–
Balances and placement with banks	1	–	–	1
Advances to customers (note 8)	284	164	347	795
Trade bills (note 8)	–	–	–	–
Advances to banks (note 8)	–	–	–	–
Contingent liabilities and commitments to extend credit (note 15)	128	62	–	190
Financial assets measured at fair value through other comprehensive income	14	15	–	29
	<b>427</b>	<b>241</b>	<b>347</b>	<b>1,015</b>

## 9. EXPECTED CREDIT LOSS *(Continued)*

### *(a) Reconciliation of expected credit loss (Continued)*

	Year ended 31st December, 2021			
	Stage 1	Stage 2	Stage 3	Total
At 1st January	401	183	134	718
Transfers of financial assets				
– transfers from Stage 1 to Stage 2	(48)	48	–	–
– transfers from Stage 2 to Stage 1	122	(122)	–	–
– transfers to Stage 3	(1)	(5)	6	–
– transfers from Stage 3	1	8	(9)	–
Changes in PDs/LGDs/EADs/forward-looking assumptions	(287)	105	131	(51)
New financial assets originated or purchased assets derecognised, repayments and further lending	134	(72)	(14)	48
Amounts written off	–	–	(32)	(32)
Recoveries of advances written off in prior years	–	–	16	16
Unwind of discount of expected credit losses	–	–	(7)	(7)
Exchange adjustments	–	2	1	3
<b>At 31st December</b>	<b>322</b>	<b>147</b>	<b>226</b>	<b>695</b>
Representing expected credit loss for:				
Balances and placement with central banks	–	–	–	–
Balances and placement with banks	–	–	–	–
Advances to customers (note 8)	240	109	226	575
Trade bills (note 8)	–	–	–	–
Advances to banks (note 8)	1	–	–	1
Contingent liabilities and commitments to extend credit (note 15)	72	23	–	95
Financial assets measured at fair value through other comprehensive income	9	15	–	24
	<b>322</b>	<b>147</b>	<b>226</b>	<b>695</b>



## 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.

	<b>30th June, 2022</b>			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with banks, central banks and other financial institutions				
Pass	9,930	–	–	9,930
Less: Expected credit loss	(1)	–	–	(1)
<b>Carrying amount</b>	<b>9,929</b>	<b>–</b>	<b>–</b>	<b>9,929</b>
Placements with banks, central banks and other financial institutions				
Pass	1,665	1	–	1,666
Less: Expected credit loss	–	–	–	–
<b>Carrying amount</b>	<b>1,665</b>	<b>1</b>	<b>–</b>	<b>1,666</b>
Advances to customers				
Pass	180,334	20,719	–	201,053
Special mention	–	1,816	–	1,816
Substandard	–	–	154	154
Doubtful	–	–	634	634
Loss	–	–	50	50
Less: Expected credit loss	(284)	(164)	(347)	(795)
<b>Carrying amount</b>	<b>180,050</b>	<b>22,371</b>	<b>491</b>	<b>202,912</b>
Trade bills				
Pass	1,497	–	–	1,497
Special mention	–	–	–	–
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
Less: Expected credit loss	–	–	–	–
<b>Carrying amount</b>	<b>1,497</b>	<b>–</b>	<b>–</b>	<b>1,497</b>
Advances to banks				
Pass	1,082	–	–	1,082
Less: Expected credit loss	–	–	–	–
<b>Carrying amount</b>	<b>1,082</b>	<b>–</b>	<b>–</b>	<b>1,082</b>
Financial assets measured at fair value through other comprehensive income				
Pass	71,005	3,370	–	74,375
Special mention	–	–	–	–
Substandard	–	–	17	17
Expected credit loss	(14)	(15)	–	(29)
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	32,061	28,465	–	60,526
Special mention	–	–	–	–
Expected credit loss	(128)	(62)	–	(190)

## 9. EXPECTED CREDIT LOSS *(Continued)*

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

	31st December, 2021			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with banks, central banks and other financial institutions				
Pass	15,191	–	–	15,191
Less: Expected credit loss	–	–	–	–
<b>Carrying amount</b>	<b>15,191</b>	<b>–</b>	<b>–</b>	<b>15,191</b>
Placements with banks, central banks and other financial institutions				
Pass	1,992	–	–	1,992
Less: Expected credit loss	–	–	–	–
<b>Carrying amount</b>	<b>1,992</b>	<b>–</b>	<b>–</b>	<b>1,992</b>
Advances to customers				
Pass	183,444	13,935	–	197,379
Special mention	–	1,090	–	1,090
Substandard	–	–	227	227
Doubtful	–	–	503	503
Loss	–	–	31	31
Less: Expected credit loss	(240)	(109)	(226)	(575)
<b>Carrying amount</b>	<b>183,204</b>	<b>14,916</b>	<b>535</b>	<b>198,655</b>
Trade bills				
Pass	2,976	13	–	2,989
Special mention	–	1	–	1
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
Less: Expected credit loss	–	–	–	–
<b>Carrying amount</b>	<b>2,976</b>	<b>14</b>	<b>–</b>	<b>2,990</b>
Advances to banks				
Pass	1,419	–	–	1,419
Less: Expected credit loss	(1)	–	–	(1)
<b>Carrying amount</b>	<b>1,418</b>	<b>–</b>	<b>–</b>	<b>1,418</b>
Financial assets measured at fair value through other comprehensive income				
Pass	69,496	2,868	–	72,364
Special mention	–	–	–	–
Substandard	–	–	21	21
Expected credit loss	(9)	(15)	–	(24)
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	34,520	22,666	–	57,186
Special mention	–	–	–	–
Expected credit loss	(72)	(23)	–	(95)

## Notes to Unaudited Interim Financial Report

### 10. TANGIBLE FIXED ASSETS

	Six months ended 30th June, 2022								
	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	310	5,240	317	5,557	1,601	5	1,606	7,163	7,473
Additions	-	-	24	24	32	-	32	56	56
Disposals	-	-	-	-	(7)	-	(7)	(7)	(7)
Transfer from bank premises to assets held for sale	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on revaluation									
– credited to bank premises revaluation reserve	-	14	-	14	-	-	-	14	14
– charged to consolidated statement of profit or loss	(10)	-	-	-	-	-	-	-	(10)
Elimination of accumulated depreciation on revalued bank premises	-	(52)	-	(52)	-	-	-	(52)	(52)
Termination of leases	-	-	(1)	(1)	-	-	-	(1)	(1)
Exchange adjustment	-	(12)	(3)	(15)	-	-	-	(15)	(15)
<b>At 30th June</b>	<b>300</b>	<b>5,190</b>	<b>337</b>	<b>5,527</b>	<b>1,626</b>	<b>5</b>	<b>1,631</b>	<b>7,158</b>	<b>7,458</b>
The analysis of cost or valuation of the above assets is as follows:									
At cost	-	1,321	337	1,658	1,626	5	1,631	3,289	3,289
At valuation 2022	300	3,869	-	3,869	-	-	-	3,869	4,169
<b>At 30th June</b>	<b>300</b>	<b>5,190</b>	<b>337</b>	<b>5,527</b>	<b>1,626</b>	<b>5</b>	<b>1,631</b>	<b>7,158</b>	<b>7,458</b>
Accumulated depreciation									
At 1st January	-	387	220	607	1,290	1	1,291	1,898	1,898
Charge for the period	-	65	36	101	57	1	58	159	159
Written back on disposals	-	-	-	-	(7)	-	(7)	(7)	(7)
Transfer from bank premises to assets held for sale	-	-	-	-	-	-	-	-	-
Elimination of accumulated depreciation on revalued bank premises	-	(52)	-	(52)	-	-	-	(52)	(52)
Termination of leases	-	-	-	-	-	-	-	-	-
Exchange adjustment	-	10	(2)	8	-	-	-	8	8
<b>At 30th June</b>	<b>-</b>	<b>410</b>	<b>254</b>	<b>664</b>	<b>1,340</b>	<b>2</b>	<b>1,342</b>	<b>2,006</b>	<b>2,006</b>
Net book value									
At 30th June	300	4,780	83	4,863	286	3	289	5,152	5,452

## 10. TANGIBLE FIXED ASSETS (Continued)

	Year ended 31st December, 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	–	–	47	47	116	3	119	166	166
Disposals	–	–	(167)	(167)	(58)	(1)	(59)	(226)	(226)
Transfer from bank premises to assets held for sale	–	(37)	–	(37)	–	–	–	(37)	(37)
Surplus/(deficit) on revaluation									
– credited to bank premises revaluation reserve	–	83	–	83	–	–	–	83	83
– charged to consolidated statement of profit or loss	(2)	–	–	–	–	–	–	–	(2)
Elimination of accumulated depreciation on revalued bank premises									
	–	(97)	–	(97)	–	–	–	(97)	(97)
Exchange adjustment	–	3	7	10	–	–	–	10	10
<b>At 31st December</b>	<b>310</b>	<b>5,240</b>	<b>317</b>	<b>5,557</b>	<b>1,601</b>	<b>5</b>	<b>1,606</b>	<b>7,163</b>	<b>7,473</b>
The analysis of cost or valuation of the above assets is as follows:									
At cost	–	1,333	317	1,650	1,601	5	1,606	3,256	3,256
At valuation 2021	310	3,907	–	3,907	–	–	–	3,907	4,217
	310	5,240	317	5,557	1,601	5	1,606	7,163	7,473
Accumulated depreciation									
At 1st January	–	375	218	593	1,243	1	1,244	1,837	1,837
Charge for the year	–	123	113	236	104	1	105	341	341
Written back on disposals	–	–	(115)	(115)	(58)	(1)	(59)	(174)	(174)
Transfer from bank premises to assets held for sale	–	(16)	–	(16)	–	–	–	(16)	(16)
Elimination of accumulated depreciation on revalued bank premises									
	–	(97)	–	(97)	–	–	–	(97)	(97)
Exchange adjustment	–	2	4	6	1	–	1	7	7
<b>At 31st December</b>	<b>–</b>	<b>387</b>	<b>220</b>	<b>607</b>	<b>1,290</b>	<b>1</b>	<b>1,291</b>	<b>1,898</b>	<b>1,898</b>
Net book value									
At 31st December	310	4,853	97	4,950	311	4	315	5,265	5,575

## Notes to Unaudited Interim Financial Report

### 11. ASSETS HELD FOR SALE

	30th June, 2022	31st December, 2021
Assets held for sale		
– Bank premises	–	11
	–	11

### 12. DEPOSITS FROM CUSTOMERS

	30th June, 2022	31st December, 2021
Demand deposits and current accounts	101,609	104,255
Savings deposits	30,761	33,567
Time, call and notice deposits	97,021	91,912
	229,391	229,734

*The above deposits from customers included deposits from central banks.*

### 13. CERTIFICATES OF DEPOSIT AND FIXED RATE NOTE ISSUED

	30th June, 2022	31st December, 2021
Certificates of deposit issued at amortised cost	16,400	14,567
Fixed rate note issued at amortised cost	2,935	2,157
	19,335	16,724

## 14. LEASE LIABILITIES

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

	30th June, 2022		31st December, 2021	
	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	53	54	66	67
After 1 year but within 2 years	19	19	29	30
After 2 years but within 5 years	15	15	7	8
After 5 years	–	–	–	–
	<b>34</b>	<b>34</b>	36	38
	<b>87</b>	<b>88</b>	102	105
Less: total future interest expenses		(1)		(3)
Present value of lease liabilities		<b>87</b>		102

## 15. OTHER ACCOUNTS AND PROVISIONS

	30th June, 2022	31st December, 2021
Acceptances outstanding	760	1,360
Interest payable	327	227
Negative fair value of derivative financial instruments held for hedging	59	303
Other payables	2,687	2,146
Expected credit loss (Stages 1 and 2) on contingent liabilities and commitments to extend credit (note 9)	190	95
	<b>4,023</b>	4,131

## 16. RESERVES

The Group's unappropriated profits as at 30th June, 2022 included a regulatory reserve of HK\$918 million (31st December, 2021: HK\$985 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.

## Notes to Unaudited Interim Financial Report

### 17. 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.

	<b>30th June, 2022</b>		Total
	Qualifying for hedge accounting	Others, including held for trading	
Exchange rate contracts	<b>2,853</b>	<b>420,004</b>	<b>422,857</b>
Interest rate contracts	<b>24,339</b>	<b>615,472</b>	<b>639,811</b>
Equity contracts	–	<b>7,740</b>	<b>7,740</b>
Credit derivative contracts	–	<b>6,473</b>	<b>6,473</b>
	<b>27,192</b>	<b>1,049,689</b>	<b>1,076,881</b>

	31st December, 2021		Total
	Qualifying for hedge accounting	Others, including held for trading	
Exchange rate contracts	2,388	404,850	407,238
Interest rate contracts	25,867	681,032	706,899
Equity contracts	–	8,111	8,111
Credit derivative contracts	–	3,709	3,709
	28,255	1,097,702	1,125,957

## 17. 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. 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, 2022		31st December, 2021	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	4,210	4,249	2,703	2,759
Interest rate contracts	1,669	1,612	2,060	1,995
Equity contracts	438	442	567	567
Credit derivative contracts	109	109	3	3
	<b>6,426</b>	<b>6,412</b>	5,333	5,324

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

	30th June, 2022		31st December, 2021	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	273	29	66	57
Interest rate contracts	315	30	50	246
	<b>588</b>	<b>59</b>	116	303

The credit risk weighted amounts are as follows:

	30th June, 2022	31st December, 2021
Exchange rate contracts	1,174	1,444
Interest rate contracts	255	243
Equity contracts	328	213
Credit derivative contracts	2	1
Derivative contracts subject to valid bilateral netting agreements	314	322
	<b>2,073</b>	2,223

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. Effective from 30th June, 2021, the Group used standardised (counterparty credit risk) approach to calculate default risk exposures in respect of derivative contracts.



## Notes to Unaudited Interim Financial Report

### 17. 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, 2022, the net positive fair value of derivatives held as fair value hedges was HK\$530 million (31st December, 2021: net negative fair value of HK\$185 million).

The gains on the hedging instruments for the period were HK\$486 million (31st December, 2021: gains of HK\$497 million). The losses on the hedged item attributable to the hedged risk for the period were HK\$487 million (31st December, 2021: losses of HK\$492 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, 2022 the net negative fair value of derivatives held as cash flow hedges was HK\$1 million (31st December, 2021: net negative fair value of HK\$2 million). During the period, there was no ineffectiveness recognised in the statement of profit or loss that arose from cash flow hedges (31st December, 2021: 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, 2022		Total
	Less than 1 year	1 to 5 years	
Forecast receivable cash flows	4	–	4
Forecast payable cash flows	(2)	–	(2)
<b>Forecast net receivable cash flows</b>	<b>2</b>	<b>–</b>	<b>2</b>
	31st December, 2021		Total
	Less than 1 year	1 to 5 years	
Forecast receivable cash flows	88	–	88
Forecast payable cash flows	(11)	–	(11)
<b>Forecast net receivable cash flows</b>	<b>77</b>	<b>–</b>	<b>77</b>

## 18. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30th June, 2022	Six months ended 30th June, 2021
Operating profit	1,273	1,552
Adjustments for non-cash items:		
Change in expected credit loss and other credit impairment charges	352	(138)
Interest expense on fixed rate note issued	38	52
Interest expense on lease liabilities	1	1
Net gains from disposal of financial assets measured at fair value through other comprehensive income (note 4(f))	(29)	(45)
Losses on revaluation of investment properties (note 4(f))	10	2
Gains on disposal of tangible fixed assets (note 4(f))	(57)	(2)
Depreciation (note 4(g))	159	171
	<b>1,747</b>	1,593
Changes in working capital:		
Change in treasury bills with original maturity of three months or above	(192)	2,031
Change in amounts due from ultimate holding company and fellow subsidiaries maturing after three months	(9,435)	(277)
Change in certificates of deposit held	(6,135)	858
Change in trading assets	(1,377)	2,963
Change in advances to customers and other accounts	(2,411)	3,035
Change in deposits and balances of banks	8,411	(1,114)
Change in amounts due to ultimate holding company and fellow subsidiaries	(1,371)	3,946
Change in deposits from customers	(343)	(4,869)
Change in certificates of deposit issued	1,833	(1,366)
Change in trading liabilities	1,088	(2,329)
Change in other accounts and provision	(206)	(288)
Net cash (outflow)/inflow from operations	<b>(8,391)</b>	4,183
Profits tax paid	(58)	(28)
Net cash (outflow)/inflow from operating activities	<b>(8,449)</b>	4,155

## Notes to Unaudited Interim Financial Report

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

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

	30th June, 2022	31st December, 2021
Cash and balances with banks, central banks and other financial institutions	9,930	15,191
Placements with banks, central banks and other financial institutions	1,666	1,992
Amounts due from ultimate holding company and fellow subsidiaries	22,121	11,492
Treasury bills	23,323	22,108
<hr/>		
Amounts shown in the consolidated statement of financial position	57,040	50,783
Less: Amounts with an original maturity of three months or above	(30,196)	(20,569)
Deposits and balances of banks that are repayable on demand	(2,040)	(1,190)
<hr/>		
Cash and cash equivalents in the consolidated cash flow statement	24,804	29,024

### 19. 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.

## **19. SEGMENT REPORTING** *(Continued)*

### ***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.

## Notes to Unaudited Interim Financial Report

### 19. 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			
<b>Six months ended 30th June, 2022</b>							
Net interest income	769	396	345	1,510	588	258	2,356
Non-interest income	259	68	76	403	439	73	915
Reportable segment revenue	1,028	464	421	1,913	1,027	331	3,271
Operating expenses	(789)	(243)	(109)	(1,141)	(546)	(165)	(1,852)
Operating profit before expected credit losses	239	221	312	772	481	166	1,419
Change in expected credit loss and other credit impairment charges	(10)	(71)	(2)	(83)	(161)	(7)	(251)
Operating profit	229	150	310	689	320	159	1,168
Share of net gains of associated companies	-	-	-	-	-	-	-
Reportable segment profit before tax	229	150	310	689	320	159	1,168
Depreciation	31	-	1	32	58	11	101
<b>At 30th June, 2022</b>							
Reportable segment assets	68,754	76,375	72,427	217,556	79,268	32,079	328,903
Addition to non-current segment assets	6	-	-	6	13	1	20
Reportable segment liabilities	114,893	51,193	25,243	191,329	68,616	26,920	286,865

## 19. 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, 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 31st December, 2021							
Reportable segment assets	68,679	71,728	67,381	207,788	76,015	33,542	317,345
Addition to non-current segment assets	38	-	-	38	49	13	100
Reportable segment liabilities	112,246	47,101	17,896	177,243	65,135	28,324	270,702

## Notes to Unaudited Interim Financial Report

### 19. SEGMENT REPORTING *(Continued)*

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

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

	<b>Six months ended 30th June, 2022</b>	Six months ended 30th June, 2021
<b>Revenue</b>		
Reportable segment revenue	<b>3,271</b>	3,053
Other revenue	<b>227</b>	11
Elimination of inter-segment revenue	<b>(30)</b>	(39)
<b>Consolidated operating income</b>	<b>3,468</b>	3,025
	<b>Six months ended 30th June, 2022</b>	Six months ended 30th June, 2021
<b>Profit before taxation</b>		
Reportable segment profit before taxation	<b>1,168</b>	1,604
Share of net gains of associated companies	<b>67</b>	73
Other net gains/(losses)	<b>105</b>	(52)
<b>Consolidated profit before taxation</b>	<b>1,340</b>	1,625
	<b>30th June, 2022</b>	31st December, 2021
<b>Assets</b>		
Reportable segment assets	<b>328,903</b>	317,345
Investments in associated companies	<b>626</b>	661
Tangible fixed assets	<b>4,478</b>	4,525
Goodwill	<b>1,306</b>	1,306
Current tax recoverable	<b>–</b>	130
Deferred tax assets	<b>9</b>	10
Other assets	<b>10,045</b>	10,292
Elimination of inter-segment assets	<b>(9,643)</b>	(8,791)
<b>Consolidated total assets</b>	<b>335,724</b>	325,478

## 19. SEGMENT REPORTING *(Continued)*

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

30th June, 2022 31st December, 2021

#### Liabilities

Reportable segment liabilities	<b>286,865</b>	270,702
Current tax payable	<b>47</b>	14
Deferred tax liabilities	<b>293</b>	458
Other liabilities	<b>4,551</b>	9,186
Elimination of inter-segment liabilities	<b>(1,901)</b>	(1,508)
	<b>289,855</b>	278,852

### *(b) Other geographical information*

30th June, 2022

	Hong Kong	Mainland China	Macau	Less: inter- segment elimination	Total
Specified non-current assets	<b>6,399</b>	<b>385</b>	<b>589</b>	<b>11</b>	<b>7,384</b>
Contingent liabilities and commitments	<b>25,064</b>	<b>33,508</b>	<b>2,638</b>	<b>(684)</b>	<b>60,526</b>

31st December, 2021

	Hong Kong	Mainland China	Macau	Less: inter- segment elimination	Total
Specified non-current assets	6,481	431	619	11	7,542
Contingent liabilities and commitments	21,881	33,485	2,503	(683)	57,186



## Notes to Unaudited Interim Financial Report

### 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 36.4% and 137.0% respectively for the six months ended 30th June, 2022 (30th June, 2021: 35.9% and 134.6% 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, Finance 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 framework 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 Funding Strategy Committee 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. 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 Asset 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.

The Group adopts a centralised approach to manage liquidity and funding for 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.

## **20. LIQUIDITY RISK MANAGEMENT** *(Continued)*

The Group adopts a range of liquidity metrics to manage its liquidity position, including liquidity maintenance ratios, core funding ratios, loan to deposit ratios, etc. Commensurate with the Group's business size, structure and complexity, the Group sets targets for the critical liquidity risk indicators such as funding and deposit concentration ratios for monitoring and controlling liquidity risk exposures. These liquidity indicators are subject to ALCO's review on a regular basis against the targets.

The maintenance of liquidity maintenance ratios serve 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.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. The Group also performs liquidity stress tests under based on institution specific, market wide and combined liquidity stress scenarios. The stressed results are provided to ALCO monthly for review. Stress tests are performed at the group consolidated and each bank subsidiary level. Stress assumptions are reviewed by the ALCO regularly to ensure the effectiveness.

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 concurred by the Board of Directors and Risk Management Committee. 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.

## Notes to Unaudited Interim Financial Report

### 21. 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.

## **21. FAIR VALUES OF FINANCIAL INSTRUMENTS** *(Continued)*

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

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.

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 Treasury Financial Control and Advisory Team within Finance Division. Treasury Financial Control and Advisory Team within Finance Division establishes procedures governing valuation, and is responsible for ensuring that these comply with all relevant accounting standards.

## Notes to Unaudited Interim Financial Report

### 21. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

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

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	Level 1	30th June, 2022		Total
		Level 2	Level 3	
<b>Assets</b>				
Amounts due from ultimate holding company, fellow subsidiaries and fellow associates				
– Certificates of deposit held	–	9,452	–	9,452
Trading assets				
– Treasury bills	1,440	–	–	1,440
– Other debt securities	956	–	–	956
– Positive fair values of derivative financial instruments held for trading	2	6,425	–	6,427
	<b>2,398</b>	<b>6,425</b>	<b>–</b>	<b>8,823</b>
Advances to customers and other accounts				
– Positive fair values of derivative financial instruments held for hedging	–	588	–	588
Financial assets measured at fair value through other comprehensive income				
– Treasury bills	18,782	3,101	–	21,883
– Certificates of deposit held	4,129	10,875	–	15,004
– Other debt securities	32,465	5,040	–	37,505
– Equity securities	–	–	2,244	2,244
	<b>55,376</b>	<b>19,016</b>	<b>2,244</b>	<b>76,636</b>
	<b>57,774</b>	<b>35,481</b>	<b>2,244</b>	<b>95,499</b>
<b>Liabilities</b>				
Trading liabilities				
– Negative fair values of derivative financial instruments held for trading	4	6,408	–	6,412
Other accounts and provisions				
– Negative fair values of derivative financial instruments held for hedging	1	58	–	59
	<b>5</b>	<b>6,466</b>	<b>–</b>	<b>6,471</b>

## 21. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

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

Recurring fair value measurements	31st December, 2021			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Amounts due from ultimate holding company, fellow subsidiaries and fellow associates				
– Certificates of deposit held	–	–	–	–
Trading assets				
– Treasury bills	1,239	–	–	1,239
– Other debt securities	671	–	–	671
– Positive fair values of derivative financial instruments held for trading	–	5,332	1	5,333
	1,910	5,332	1	7,243
Advances to customers and other accounts				
– Positive fair values of derivative financial instruments held for hedging	–	116	–	116
Financial assets measured at fair value through other comprehensive income				
– Treasury bills	19,094	1,775	–	20,869
– Certificates of deposit held	5,021	3,848	–	8,869
– Other debt securities	38,389	4,258	–	42,647
– Equity securities	–	–	2,505	2,505
	62,504	9,881	2,505	74,890
	64,414	15,329	2,506	82,249
<b>Liabilities</b>				
Trading liabilities				
– Negative fair values of derivative financial instruments held for trading	1	5,323	–	5,324
Other accounts and provisions				
– Negative fair values of derivative financial instruments held for hedging	–	303	–	303
	1	5,626	–	5,627

During the period ended 30th June, 2022, there were no material transfers between Level 1 and Level 2 (year ended 31st December, 2021: nil). During the period ended 30th June, 2022, there were no transfer between Level 1 and 2 into Level 3 (transfer of financial assets measured at fair value through other comprehensive income from Level 2 to Level 3 during year ended 31st December, 2021: HK\$2 million). 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.

## Notes to Unaudited Interim Financial Report

### 21. 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:

	<b>Six months ended 30th June, 2022</b>		
	Financial assets measured at fair value through other comprehensive income – Equity securities	Net fair values of derivative financial instrument held for trading	Total
<b>Assets/(liabilities)</b>			
At 1st January	<b>2,505</b>	<b>1</b>	<b>2,506</b>
Purchases	–	–	–
Sales	–	–	–
Settlements	–	–	–
Transfers	–	–	–
Changes in fair value recognised in the consolidated income statement	–	<b>(1)</b>	<b>(1)</b>
Changes in fair value recognised in the consolidated statement of other comprehensive income	<b>(261)</b>	–	<b>(261)</b>
At 30th June	<b>2,244</b>	–	<b>2,244</b>
Total gains or losses for the period included in investment revaluation reserve of the other comprehensive income for assets held at the reporting date	<b>(261)</b>	–	<b>(261)</b>
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	–	<b>(1)</b>	<b>(1)</b>
– Net gains from financial instruments designated at fair value through profit or loss	–	–	–

## 21. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

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

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

	Year ended 31st December, 2021		Total
	Financial assets measured at fair value through other comprehensive income – Equity securities	Net fair values of derivative financial instrument held for trading	
<b>Assets/(liabilities)</b>			
At 1st January	2,672	3	2,675
Purchases	–	–	–
Sales	–	–	–
Settlements	–	–	–
Transfers	2	–	2
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	(169)	–	(169)
<b>At 31st December</b>	<b>2,505</b>	<b>1</b>	<b>2,506</b>
Total gains or losses for the year included in investment revaluation reserve of the other comprehensive income for assets held at the reporting date	(169)	–	(169)
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	–	–	–



## Notes to Unaudited Interim Financial Report

### 21. 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*

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range</b>
Unlisted equity securities measured at fair value through other comprehensive income	Discounted cash flow model	Discount rates	6.80%-16.68% (2021: 5.98%-16.68%)
		P/E ratios	17.31x-49.76x (2021: 21.15x-56.68x)
	Market-comparable approach	Marketability discount	15.00%-20.00% (2021: 15.00%-20.00%)
		Embedded value approach	Risk discount rate
		Expected investment return	3.00% (2021: 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.

## 21. 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.

	<b>30th June, 2022</b>			
	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	–	–	<b>224</b>	<b>(224)</b>
	–	–	<b>224</b>	<b>(224)</b>

## Notes to Unaudited Interim Financial Report

### 21. 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** *(Continued)*

	31st December, 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	–	–	251	(251)
	–	–	251	(251)

## 21. 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, 2022 and 31st December, 2021 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, 2022				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Financial liabilities</b>					
Certificates of deposit issued at amortised cost	16,400	16,402	–	16,402	–
Fixed rate note issued at amortised cost	2,935	2,947	–	2,947	–
	31st December, 2021				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Financial liabilities</b>					
Certificates of deposit issued at amortised cost	14,567	14,584	–	14,584	–
Fixed rate note issued at amortised cost	2,157	2,156	–	2,156	–

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.

---

## **Notes to Unaudited Interim Financial Report**

### **22. DISCLOSURE REQUIREMENTS UNDER THE BANKING (DISCLOSURE) RULES**

The detailed disclosures required by the Banking (Disclosure) Rules will be disclosed before 30th September, 2022 under “Regulatory Disclosure” on the website of the Bank ([www.ocbcwhhk.com](http://www.ocbcwhhk.com)).



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

