



OCBC Wing Hang Bank Limited

華僑永亨銀行有限公司

Banking Disclosure Statement

For the year ended

31st December, 2020

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

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OCBC Wing Hang Bank Limited

Introduction

Purpose

The information contained in this document is for OCBC Wing Hang Bank Limited ("the Bank") and its subsidiaries (together "the Group"). It should be read in conjunction with the Group's 2020 Annual Report. The Group's Annual Report and the Banking Disclosure Statement, taken together, comply with the Banking (Disclosure) Rules ("BDR") made under section 60A of the Banking Ordinance.

These banking disclosures are governed by the Group's disclosure policy, which has been approved by the Board of Directors ("the Board"). The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the Banking Disclosure Statement is not required to be externally audited, the document has been subject to independent review in accordance with the Group's policies on disclosure and its financial reporting and governance processes.

Basis of preparation

Except where indicated otherwise, the financial information contained in this Banking Disclosure Statement has been prepared on a consolidated basis. The basis of consolidation for regulatory purposes is different from that for accounting purposes. The details of scope of consolidation under accounting scope and regulatory scope are mentioned in note (a) of "Unaudited Supplementary Financial Information".

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

Certain financial information in this document is extracted from the statutory accounts for the year ended 31st December, 2020. The Group's 2020 Annual Report, which includes the statutory accounts, can be viewed on our website: www.ocbcwhhk.com.

The Banking Disclosure Statement

The HKMA has implemented the final standards on the Revised Pillar 3 Disclosure Requirements issued by the Basel Committee on Banking Supervision in January 2015, and also incorporated the BCBS Pillar 3 disclosures requirements – consolidated and enhanced framework finalised in the latest BDR. These disclosures are supplemented by specific additional requirements of the HKMA set out in the BDR. The banking disclosure statement includes the information required under the BDR.

According to the BDR, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates.

The Banking Disclosure Statement includes the majority of the information required under the BDR. The remainder of the disclosure requirement is covered in the Group's 2020 Annual Report which can be found in our website: www.ocbcwhhk.com.

Disclosure requirements covered in the Group's 2020 Annual Report:

- The disclosure of remuneration, including Table REMA, REM1, REM2 and REM3, on "Corporate Governance Report";
- The general disclosure of major business activities and product lines on note 32 and note 5(c) of "Notes to the Consolidated Financial Statements";
- The disclosure of off balance sheet and currency risk on note 29(a) and note 34(c)(iii) of "Notes to the Consolidated Financial Statements" respectively.

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Table OVA: Overview of risk management as at 31st December, 2020

RISK MANAGEMENT

To achieve effective risk management which is critical to sustain the Group's long-term business, the following high-level pillars have been identified to manage risk in a sound and cohesive approach at the enterprise level.

- Risk Culture – The Board and top management determine the tone for a strong risk culture, they are supported by a robust internal control environment throughout the Group. All business units, product teams, independent functional risk management units and other support units are actively involved in the risk management process.
- Risk Appetite – The Group's risk appetite is set by the Board via Risk Appetite Statement ("RAS") which forms the cornerstone of the Group's risk management framework. It defines the level and nature of risks that the Group is prepared to take, by specifying the strategic business goals and risk-adjusted return expectations. They are aligned with risk-taking decisions via risk limits of portfolios. RAS is supported by a framework of policies, procedures and controls.
- Risk Management Framework – The overarching risk management framework is supported by 3 key pillars: infrastructure, policies and methodologies. Together with tools, processes and controls across the various risk types, robust governance structures have been established to achieve comprehensive, consistent and effective risk management.
- Holistic Risk Management – Interactions between risk factors across a wide spectrum of the Group's activities are common. Risks are managed on an integrated basis and across business lines encompassing all types of risks. The Group makes use of quantitative stress testing to quantify the impact of potential adverse events on credit and market risk portfolios that may adversely affect portfolio quality and earnings. Quantitative tool is supplemented by sensitivity analysis and qualitative analysis to enable adequate coverage and comprehensive assessment. During business strategy formulation, risk limits setting and capital adequacy assessment, the results are presented to senior management for decision making.
- Independent Review – Internal Audit plays an assurance role in the risk management of the Group. It reviews and comments on risk management systems, policies and procedures as well as conducting regular review of business and operation units. Its surveillance will ensure control and governance processes are effective and regulatory requirements, internal rules and standards are complied with.

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Table OVA: Overview of risk management as at 31st December, 2020

RISK GOVERNANCE AND ORGANISATION

The Risk Management Committee ("RMC") is the principal Board committee that oversees the Group's risk management with the following key responsibilities:

- review, advise and recommend for the Board's approval the overall risk tolerance, risk appetite and management strategy of the Group.
- oversee the Group's implementation of risk management strategy.
- oversee the risk exposures, effectiveness of risk management framework in identifying, measuring, monitoring, controlling and reporting risk.

Risk Management Division ("RMD") is an independent risk and control oversight function that supports the Group's business development within a prudent, consistent and effective risk management framework and governance structure. RMD also establishes relevant risk management framework, policies and procedures, risk measurements and methodologies. Various risk reports, including key stress test results and action plans, are submitted regularly to senior management, RMC and the Board.

Governance of all new products and services is managed by RMD through the New Product Approval Process ("NPAP"). This process provides a platform to ensure that all risks associated with new product or market initiatives are comprehensively identified, assessed, managed and mitigated before product launch.

RISK MEASUREMENT AND REPORTING SYSTEMS

Risk management processes and management information systems are in place to identify, measure, monitor and control credit risk, liquidity risk, market risk, interest rate risk and operational risk. Risk management policies, procedures and limits are approved by the Board or its designated committee and are monitored and reviewed regularly by relevant risk management committees, such as the Credit Committee and the Asset and Liability Management Committee ("ALCO").

RMD also reviews and monitors the Group's risk profiles and portfolio concentrations and highlights any significant vulnerabilities and risk issues to the respective risk management committees. Our risk management and reporting systems are designed to ensure that risks are comprehensively identified and evaluated to support business decisions, and risks are well controlled at both corporate and departmental levels.

The systems consist of governing policies with control measures to ascertain compliance by all operating units. These measures are directed, controlled and held to account by operational management committees chaired by senior executives. Regular reviews are performed by the committees to ensure proper functioning of internal controls and to identify improvement opportunities. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk data (e.g. operational risk events and self-assessments) are also analysed and reported regularly to the committees. For credit risk and market risk, strategies, monitoring and management processes are mentioned in the respective sections of this disclosure statement.

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Template KM1: Key prudential ratios as at 31st December, 2020

		(a)	(b)	(c)	(d)	(e)
		31st December, 2020	30th September, 2020	30th June, 2020	31st March, 2020	31st December, 2019
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	36,477	35,421	34,347	32,718	32,269
2	Tier 1	39,477	38,421	37,347	35,718	35,269
3	Total capital	42,558	41,580	40,513	39,806	39,184
	RWA (amount)					
4	Total RWA	218,812	215,565	220,070	210,021	209,152
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	16.7%	16.4%	15.6%	15.6%	15.4%
6	Tier 1 ratio (%)	18.0%	17.8%	17.0%	17.0%	16.9%
7	Total capital ratio (%)	19.4%	19.3%	18.4%	19.0%	18.7%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.545%	0.568%	0.572%	0.614%	1.225%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	3.045%	3.068%	3.072%	3.114%	3.725%
12	CET1 available after meeting the AI's minimum capital requirements (%)	12.170%	11.932%	11.107%	11.079%	10.929%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	322,644	316,735	331,273	322,239	306,598
14	LR (%)	12.24%	12.13%	11.27%	11.08%	11.50%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institutions only:					
17a	LMR (%)	38.8%	35.5%	38.7%	38.6%	38.7%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	136.3%	133.4%	131.7%	127.6%	126.2%

Note: There were no material changes to the key prudential ratios during the quarterly reporting period. The changes were due to normal business activities.

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Template OV1: Overview of RWA as at 31st December, 2020

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 31st December, 2020 and 30th September, 2020 respectively:

Items		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31st December, 2020	30th September, 2020	31st December, 2020
1	Credit risk for non-securitisation exposures	189,340	186,762	15,147
2	Of which STC approach	189,340	186,762	15,147
2a	Of which BSC approach	0	0	0
3	Of which foundation IRB approach	0	0	0
4	Of which supervisory slotting criteria approach	0	0	0
5	Of which advanced IRB approach	0	0	0
6	Counterparty default risk and default fund contributions	3,980	3,888	319
7	Of which SA-CCR	0	0	0
7a	Of which CEM	3,859	3,648	309
8	Of which IMM(CCR) approach	0	0	0
9	Of which others	121	240	10
10	CVA risk	1,120	1,125	90
11	Equity positions in banking book under the simple risk-weight method and internal models method	0	0	0
12	Collective investment scheme ("CIS") exposures - LTA	0	0	0
13	CIS exposures - MBA	0	0	0
14	CIS exposures - FBA	0	0	0
14a	CIS exposures - combination of approaches	0	0	0
15	Settlement risk	0	0	0
16	Securitisation exposures in banking book	0	0	0
17	Of which SEC-IRBA	0	0	0
18	Of which SEC-ERBA (including IAA)	0	0	0
19	Of which SEC-SA	0	0	0
19a	Of which SEC-FBA	0	0	0
20	Market risk	13,496	13,291	1,080
21	Of which STM approach	13,496	13,291	1,080
22	Of which IMM approach	0	0	0
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	0	0	0
24	Operational risk *	11,494	11,458	919
24a	Sovereign concentration risk	0	0	0
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,405	1,124	112
26	Capital floor adjustment	0	0	0
26a	Deduction to RWA	2,023	2,083	162
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	0	0	0
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	2,023	2,083	162
27	Total	218,812	215,565	17,505

Note: There were no material changes to the risk-weighted amounts during the quarterly reporting period. The changes were due to normal business activities.

*: The Group used Basic Indicator Approach to calculate its exposure to operational risk at 31st December, 2020 and 30th September, 2020.

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Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories as at 31st December, 2020

The following table shows the differences between the carrying values as reported in the Group's financial statements following the scope of accounting consolidation and the carrying values under the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitisation framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with banks, central banks and other financial institutions	9,460	9,460	9,379	81	0	0	0
Placements with banks, central banks and other financial institutions	528	528	528	0	0	0	0
Amounts due from ultimate holding company, fellow subsidiaries and fellow associates	6,830	6,830	6,804	30	0	0	0
Trading assets	9,704	9,704	237	8,568	0	8,908	1
Advances to customers and other accounts	198,047	197,388	197,833	7	0	0	526
Amounts due from subsidiaries	0	10	10	0	0	0	0
Financial assets measured at fair value through other comprehensive income	79,899	79,899	80,103	5,286	0	0	5
Investments in subsidiaries	0	22	22	0	0	0	0
Investments in associated companies	624	332	332	0	0	0	0
Tangible fixed assets							
- Investment properties	312	312	312	0	0	0	0
- Other properties, plants and equipment	5,427	5,427	5,427	0	0	0	0
Assets held for sale	1	1	1	0	0	0	0
Goodwill	1,306	1,306	0	0	0	0	1,306
Current tax recoverable	14	13	13	0	0	0	0
Deferred tax assets	19	19	0	0	0	0	19
Total assets	312,171	311,251	301,001	13,972	0	8,908	1,857

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Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories as at 31st December, 2020

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitisation framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposits and balances of banks, central banks and other financial institutions	10,264	10,264	0	6,518	0	0	3,746
Amounts due to ultimate holding company and fellow subsidiaries	9,740	9,740	0	56	0	0	9,684
Deposits from customers	217,414	217,414	0	141	0	0	217,273
Certificates of deposit and fixed rate note issued	17,644	17,644	0	0	0	0	17,644
Trading liabilities	5,895	5,895	0	5,802	0	5,349	93
Lease liabilities	220	220	0	0	0	0	220
Current tax payable	132	128	0	0	0	0	128
Deferred tax liabilities	298	298	0	0	0	0	298
Other accounts and provisions	4,354	3,735	38	685	0	0	3,012
Amounts due to subsidiaries	0	583	0	0	0	0	583
Total liabilities	265,961	265,921	38	13,202	0	5,349	252,681

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Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements as at 31st December, 2020

The following table shows the main sources of differences between the carrying values in financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation:

		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitisation framework	counterparty credit risk framework	market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	309,394	301,001	0	13,972	8,908
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	13,240	38	0	13,202	5,349
3	Total net amount under regulatory scope of consolidation	296,154	300,963	0	770	3,559
4	Off-balance sheet amounts	54,890	10,613	0	10,678	0
5	Difference due to SFT		0	0	124	0
6	Difference due to derivatives netting benefits		0	0	(973)	0
7	Difference due to credit risk mitigation		(1,869)	0	(840)	0
8	Others		23	0	0	0
N	Exposure amounts considered for regulatory purposes	351,044	309,730	0	9,759	3,559

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Template LIA: Explanations of differences between accounting and regulatory exposure amounts as at 31st December, 2020

The following table describes the sources of differences from financial statements amounts to regulatory exposure amounts, as displayed in templates LI1 and LI2:

Differences between the amounts in columns (a) and (b) in template LI1

- (a) The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes in LI1. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the 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.

Differences between the amounts in columns (b) and sum of (c) and (g) in template LI1

- (b) Assets/liabilities arising from derivative contracts held in the regulatory trading book are subject to both market risk and counterparty credit risk because derivative contracts are marked to market and there is a risk that the counterparty may not be able to fulfil the contractual obligations. As a result, the amounts shown in column (b) do not equal the sum of columns (c) to (g);

The main drivers for the differences between accounting values and amounts considered for regulatory purposes shown in template LI2

- (c) The carrying values reported in the financial statements are after deduction of expected credit loss while the exposure amounts for regulatory purposes are before deducting expected credit loss (except for exposures under Standardised Approach of credit risk from which expected credit loss made against the credit impaired exposures are deducted);
- (d) The exposure amounts for regulatory purposes are after the adjustment for the capital effect of recognised credit risk mitigation on the principal amounts;
- (e) Counterparty credit risk exposures for regulatory purposes consist of both the current exposures and the potential exposures which are derived by applying the credit conversion factor (CCF) to the notional principal of the transactions or contracts.

Systems and controls applied to prudent valuation

The Group has implemented systems and controls to ensure that valuation estimates are prudent and reliable for the purpose of implementing the guidance on prudent valuation.

Valuation framework is developed by the Group to focus on valuation as a discipline in its own right covering its governance as well as key aspects including control processes, valuation and adjustment methodologies. It supports the integrity of the Group's financial statements and disclosures with respect to accounting and regulatory requirements on fair value measurement and serves to ensure that valuation governance structures and processes are consistent for both risk management and financial reporting purposes.

Independent Price Verification ("IPV") is implemented as a regular review of the valuation of fair valued trading and banking assets and liabilities against independently sourced instrument prices or parameters to ensure that the Group's positions are correctly valued and to apply appropriate adjustments if there are discrepancies. The Group's IPV process is to be performed on a monthly basis to assess whether these prices are reflective of fair value. Where material differences are discovered, valuation adjustments may be applied to bring the position more in line with its fair value.

Valuation adjustments are required when inherent limitations and assumptions underlying the Group's valuation systems and procedures result in valuations that require such adjustments in order to be aligned with fair value. Key processes that drive the need for valuation adjustments include New Product Approval process, IPV and Model Validation and Review. These processes can all potentially identify pricing and valuation deficiencies and/or uncertainties within the Group's valuation structure resulting in the need for valuation adjustments to bring valuation to fair value. Valuation adjustments are taken to profit and loss if required or allowed by HKFRS 9. They are also adjusted to Common Equity Tier 1 Capital according to regulatory reporting requirements.

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Template PV1: Prudent valuation adjustments as at 31st December, 2020

The following table shows a detailed breakdown of the constituent elements of valuation adjustment that have not been taken into account in the calculation of the amount of the Group's retained earnings or other disclosed reserves as at 31st December, 2020. Valuation adjustments relating to Mid-market value, Model risk and Unearned credit spreads, have been taken in financial reporting and not shown in this table.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	0	0	0	0	0	0	0	0
2	<i>Mid-market value</i>	0	0	0	0	0	0	0	0
3	<i>Close-out costs</i>	0	0	0	0	0	0	0	0
4	<i>Concentration</i>	0	0	0	0	0	0	0	0
5	Early termination	0	0	0	0	0	0	0	0
6	Model risk	0	0	0	0	0	0	0	0
7	Operational risks	0	0	0	0	0	0	0	0
8	Investing and funding costs						4	4	0
9	Unearned credit spreads						0	0	0
10	Future administrative costs	0	0	0	0	0	0	0	0
11	Other adjustments	0	0	0	0	0	0	0	0
12	Total adjustments	0	0	0	0	0	4	4	0

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Template CC1: Composition of Regulatory Capital as at 31st December, 2020

		(a)	(b)
		Amount	Source based on Reference Numbers of the Consolidated Statement of Financial Position under the Regulatory Scope of Consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	7,308	(5)
2	Retained earnings	25,862	(6)
3	Disclosed reserves	9,140	(9)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0	
6	CET1 capital before regulatory deductions	42,310	
CET1 capital: regulatory deductions			
7	Valuation adjustments	4	
8	Goodwill (net of associated deferred tax liabilities)	1,306	(1)
9	Other intangible assets (net of associated deferred tax liabilities)	0	
10	Deferred tax assets (net of associated deferred tax liabilities)	0	
11	Cash flow hedge reserve	(3)	
12	Excess of total EL amount over total eligible provisions under the IRB approach	Not applicable	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitisation transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	(2) + (4)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported statement of financial position)	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	4	

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Template CC1: Composition of Regulatory Capital as at 31st December, 2020

		(a)	(b)
		Amount	Source based on Reference Numbers of the Consolidated Statement of Financial Position under the Regulatory Scope of Consolidation
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	4,522	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	3,678	(8) + (10)
26b	Regulatory reserve for general banking risks	844	(7)
26c	Securitisation exposures specified in a notice given by the MA	0	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Total regulatory deductions to CET1 capital	5,833	
29	CET1 capital	36,477	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	3,000	
31	of which: classified as equity under applicable accounting standards	3,000	
32	of which: classified as liabilities under applicable accounting standards	0	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	0	

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Template CC1: Composition of Regulatory Capital as at 31st December, 2020

		(a)	(b)
		Amount	Source based on Reference Numbers of the Consolidated Statement of Financial Position under the Regulatory Scope of Consolidation
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	0	
36	AT1 capital before regulatory deductions	3,000	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	3,000	
45	Tier 1 capital (T1 = CET1 + AT1)	39,477	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	0	(3)
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	0	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	0	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,428	
51	Tier 2 capital before regulatory deductions	1,428	

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Template CC1: Composition of Regulatory Capital as at 31st December, 2020

		(a)	(b)
		Amount	Source based on Reference Numbers of the Consolidated Statement of Financial Position under the Regulatory Scope of Consolidation
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	0	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	2	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	0	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
56	National specific regulatory adjustments applied to Tier 2 capital	(1,655)	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(1,655)	((8) + (10)) X 45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	0	
57	Total regulatory adjustments to Tier 2 capital	(1,653)	
58	Tier 2 capital (T2)	3,081	
59	Total regulatory capital (TC = T1 + T2)	42,558	
60	Total RWA	218,812	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	16.670%	
62	Tier 1 capital ratio	18.041%	
63	Total capital ratio	19.450%	
64	Institution-specific buffer requirement capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.045%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.545%	
67	of which: higher loss absorbency requirement	0.000%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	12.170%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	

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Template CC1: Composition of Regulatory Capital as at 31st December, 2020

		(a)	(b)
		Amount	Source based on Reference Numbers of the Consolidated Statement of Financial Position under the Regulatory Scope of Consolidation
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	3,653	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	562	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,428	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA	1,428	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	Not applicable	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	Not applicable	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	
82	Current cap on AT1 capital instruments subject to phase-out arrangements	0	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	0	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	0	

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Template CC1: Composition of Regulatory Capital as at 31st December, 2020

Notes to the template:

	Description	Hong Kong basis	Basel III basis
9	Other intangible assets (net of associated deferred tax liabilities)	0	0
	<u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	0	0
	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realised are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		

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Template CC1: Composition of Regulatory Capital as at 31st December, 2020

	Description	Hong Kong basis	Basel III basis
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	4	4
	<u>Explanation</u> For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<u>Explanation</u> For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

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Template CC1: Composition of Regulatory Capital as at 31st December, 2020

	Description	Hong Kong basis	Basel III basis
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	2	2
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
Remarks:			
The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

OCBC Wing Hang Bank Limited

Template CC2: Reconciliation of Regulatory Capital to Consolidated Statement of Financial Position as at 31st December, 2020

	(a)	(b)	(c)
	Consolidated Statement of Financial Position as in published financial statement	Consolidated Statement of Financial Position under regulatory scope of consolidation	Reference
	<u>31st December, 2020</u>	<u>31st December, 2020</u>	
ASSETS			
Cash and balances with banks, central banks and other financial institutions	9,460	9,460	
Placements with banks, central banks and other financial institutions	528	528	
Amounts due from ultimate holding company, fellow subsidiaries and fellow associates	6,830	6,830	
Trading assets	9,704	9,704	
of which : - insignificant capital investments in financial sector entities exceeding 10% threshold		0	
Advances to customers and other accounts	198,047	197,388	
Amounts due from subsidiaries		10	
Financial assets measured at fair value through other comprehensive income	79,899	79,899	
of which : - insignificant capital investments in financial sector entities exceeding 10% threshold		4	
- significant capital investments in financial sector entities exceeding 10% threshold		2	
Investments in subsidiaries		22	
of which : - significant capital investments in financial sector entities exceeding 10% threshold		0	
Investments in associated companies	624	332	
of which : - significant capital investments in financial sector entities exceeding 10% threshold		0	
Tangible fixed assets			
- Investment properties	312	312	
- Other properties, plants and equipment	5,427	5,427	
Assets held for sale	1	1	
Goodwill	1,306	1,306	(1)
Current tax recoverable	14	13	
Deferred tax assets	19	19	
Total assets	<u>312,171</u>	<u>311,251</u>	

OCBC Wing Hang Bank Limited

Template CC2: Reconciliation of Regulatory Capital to Consolidated Statement of Financial Position as at 31st December, 2020

	(a)	(b)	(c)
	Consolidated Statement of Financial Position as in published financial statement	Consolidated Statement of Financial Position under regulatory scope of consolidation	Reference
	<u>31st December, 2020</u>	<u>31st December, 2020</u>	
EQUITY AND LIABILITIES			
Deposits and balances of banks, central banks and other financial institutions	10,264	10,264	
Amounts due to ultimate holding company and fellow subsidiaries	9,740	9,740	
Deposits from customers	217,414	217,414	
Certificates of deposit and fixed rate note issued	17,644	17,644	
of which : - gains or losses due to changes in the own credit risk on fair value liabilities	0	0	(2)
Trading liabilities	5,895	5,895	
Lease liabilities	220	220	
Current tax payable	132	128	
Deferred tax liabilities	298	298	
Other accounts and provisions	4,354	3,735	
Amounts due to subsidiaries	0	583	
Subordinated liabilities			
of which : - subordinated debt not eligible for inclusion in regulatory capital		0	(3)
- subordinated debt eligible for inclusion in regulatory capital		0	
- gains or losses due to changes in the own credit risk on fair value liabilities		0	(4)
Total liabilities	<u>265,961</u>	<u>265,921</u>	
Share capital	7,308	7,308	(5)
Reserves	35,902	35,022	
of which : - Retained earnings		25,862	(6)
of which: - regulatory reserve for general banking risks		844	(7)
- cumulative fair value gains arising from revaluation of investment properties		102	(8)
- Disclosed reserves		9,140	(9)
of which: - cumulative fair value gains arising from revaluation of land and buildings		3,576	(10)
Perpetual capital securities issued	<u>3,000</u>	<u>3,000</u>	
Shareholders' funds	<u>46,210</u>	<u>45,330</u>	
Total equity	<u>46,210</u>	<u>45,330</u>	
Total equity and liabilities	<u>312,171</u>	<u>311,251</u>	

OCBC Wing Hang Bank Limited

Table CCA: Main features of Regulatory Capital Instruments as at 31st December, 2020

		(a)	(b)	(c)
		Quantitative / qualitative information	Quantitative / qualitative information	Quantitative / qualitative information
		Ordinary shares	HKD1,500 million Additional Tier 1 Capital Securities (issued on 12th December, 2018)	HKD1,500 million Additional Tier 1 Capital Securities (issued on 27th September, 2019)
1	Issuer	OCBC Wing Hang Bank Limited	OCBC Wing Hang Bank Limited	OCBC Wing Hang Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A
3	Governing law(s) of the instrument	Hong Kong	The Capital Securities are governed by and shall be construed in accordance with Hong Kong law.	The Capital Securities are governed by and shall be construed in accordance with Hong Kong law.
	<i>Regulatory treatment</i>			
4	Transitional Basel III rules ¹	Common Equity Tier 1	N/A	N/A
5	Post-transitional Basel III rules ²	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo*/group/solo and group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Additional Tier 1 capital instruments	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (in HK\$ million, as at 31st December, 2020)	7,308	1,500	1,500
9	Par value of instrument	N/A	HK\$ 1,500 million	HK\$ 1,500 million
10	Accounting classification	Shareholders' equity	Equity instruments	Equity instruments
11	Original date of issuance	11th April, 1960	12th December, 2018	27th September, 2019
12	Perpetual or dated	N/A	Perpetual	Perpetual
13	Original maturity date	N/A	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	First optional call date: 12th December, 2023 Contingent call dates: Redemption for tax or regulatory reasons. Redemption amount: Redeem at outstanding principal amount together with accrued dividends	First optional call date: 27th September, 2024 Additional optional redemption for tax reasons, tax deductions reasons and regulatory reasons. Redemption amount in whole at 100% of outstanding principal amount together with accrued distributions subject to adjustment following the occurrence of a Non-Viability Event.
16	Subsequent call dates, if applicable	N/A	Any distribution payment date thereafter	Any distribution payment date thereafter

OCBC Wing Hang Bank Limited
Table CCA: Main features of Regulatory Capital Instruments as at 31st December, 2020

		(a)	(b)	(c)
		Quantitative / qualitative information	Quantitative / qualitative information	Quantitative / qualitative information
		Ordinary shares	HKD1,500 million Additional Tier 1 Capital Securities (issued on 12th December, 2018)	HKD1,500 million Additional Tier 1 Capital Securities (issued on 27th September, 2019)
	<i>Coupons / dividends</i>			
17	Fixed or floating dividend/coupon	N/A	Fixed	Fixed
18	Coupon rate and any related index	N/A	Year 1-5: 5.3% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year Hong Kong Dollar Swap Offer Rate plus a fixed initial spread	Year 1-5: 4.25% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year Hong Kong Dollar Swap Offer Rate plus a fixed initial spread.
19	Existence of a dividend stopper	N/A	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step-up or other incentive to redeem	N/A	No	No
22	Non-cumulative or cumulative	N/A	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A

OCBC Wing Hang Bank Limited
Table CCA: Main features of Regulatory Capital Instruments as at 31st December, 2020

		(a)	(b)	(c)
		Quantitative / qualitative information	Quantitative / qualitative information	Quantitative / qualitative information
		Ordinary shares	HKD1,500 million Additional Tier 1 Capital Securities (issued on 12th December, 2018)	HKD1,500 million Additional Tier 1 Capital Securities (issued on 27th September, 2019)
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down feature	N/A	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	Upon the occurrence of a Non-Viability Event	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	N/A	May be partially or fully written down	May be partially or fully written down
33	If write-down, permanent or temporary	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A	Subordinated to depositors and general creditors, creditors in respect of Tier 2 Capital Instruments and all other Subordinated Indebtedness of the Issuer; pari passu with Parity Obligations; senior to holders of Junior Obligations (including the Issuer's ordinary shares).	Subordinated to depositors, general creditors, other unsubordinated creditors, holders of Loss Absorbing Non-Preferred Instruments of the Issuer, creditors in respect of Tier 2 Capital Instruments of the Issuer, and all other Subordinated Indebtedness of the Issuer; pari passu with Parity Obligations; and senior to holders of Junior Obligations (including the Issuer's ordinary shares).
36	Non-compliant transitioned features	N/A	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Footnote:

1 Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

2 Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR

* Include solo-consolidated basis

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Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB") as at 31st December, 2020

The following table presents the geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures as at 31st December, 2020:

		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong SAR	1.000%	90,804		
2	Mainland China	0.000%	50,493		
3	Australia	0.000%	267		
4	Bangladesh	0.000%	88		
5	Belgium	0.000%	15		
6	Brazil	0.000%	15		
7	Brunei	0.000%	0		
8	Cambodia	0.000%	11		
9	Canada	0.000%	79		
10	Chile	0.000%	0		
11	Czech Republic	0.000%	3		
12	Denmark	0.000%	0		
13	Finland	0.000%	4		
14	France	0.000%	7		
15	Germany	0.000%	39		
16	Ghana	0.000%	17		
17	Guinea-Bissau	0.000%	2		
18	Honduras	0.000%	2		
19	India	0.000%	8		
20	Indonesia	0.000%	116		
21	Ireland	0.000%	86		
22	Italy	0.000%	2		
23	Japan	0.000%	739		
24	Jordan	0.000%	2		
25	Kenya	0.000%	4		
26	Macau	0.000%	16,460		
27	Malaysia	0.000%	90		
28	Mexico	0.000%	1		

OCBC Wing Hang Bank Limited

Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB") as at 31st December, 2020

The following table presents the geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures as at 31st December, 2020:

		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
29	Myanmar	0.000%	11		
30	Netherlands	0.000%	26		
31	New Zealand	0.000%	92		
32	Norway	1.000%	6		
33	Philippines	0.000%	2		
34	Poland	0.000%	10		
35	Russia	0.000%	0		
36	Singapore	0.000%	215		
37	South Africa	0.000%	35		
38	South Korea	0.000%	39		
39	Spain	0.000%	8		
40	Sweden	0.000%	1		
41	Switzerland	0.000%	5		
42	Taiwan	0.000%	601		
43	Thailand	0.000%	2		
44	Trinidad and Tobago	0.000%	0		
45	Turkey	0.000%	21		
46	United Arab Emirates	0.000%	43		
47	United Kingdom	0.000%	5,680		
48	United States	0.000%	538		
49	Vietnam	0.000%	12		
50	Yemen	0.000%	1		
51	Sum		166,702		
52	Total		166,702	0.545%	908

OCBC Wing Hang Bank Limited

Template LR1: Summary comparison of Accounting Assets against Leverage Ratio ("LR") exposure measure as at 31st December, 2020

		(a)
		Value under the LR framework
1	Total consolidated assets as per published financial statements	312,171
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(270)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	0
4	Adjustments for derivative contracts	2,637
5	Adjustment for SFTs (i.e. repos and similar secured lending)	527
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	14,215
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(153)
7	Other adjustments	(6,483)
8	Leverage ratio exposure measure	322,644

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Template LR2: Leverage Ratio ("LR") as at 31st December, 2020

		(a)	(b)
		31st December, 2020	30th September, 2020
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	296,410	293,996
2	Less: Asset amounts deducted in determining Tier 1 capital	(5,833)	(5,950)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	290,577	288,046
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	6,093	5,194
5	Add-on amounts for PFE associated with all derivative contracts	3,894	4,392
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(673)	0
8	Less: Exempted CCP leg of client-cleared trade exposures	0	0
9	Adjusted effective notional amount of written credit derivative contracts	0	0
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	0	0
11	Total exposures arising from derivative contracts	9,314	9,586

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Template LR2: Leverage Ratio ("LR") as at 31st December, 2020

		(a)	(b)
		31st December, 2020	30th September, 2020
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	7,186	7,451
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	0	0
14	CCR exposure for SFT assets	526	485
15	Agent transaction exposures	0	0
16	Total exposures arising from SFTs	7,712	7,936

OCBC Wing Hang Bank Limited

Template LR2: Leverage Ratio ("LR") as at 31st December, 2020

		(a)	(b)
		31st December, 2020	30th September, 2020
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	54,890	50,715
18	Less: Adjustments for conversion to credit equivalent amounts	(39,696)	(39,350)
19	Off-balance sheet items	15,194	11,365
Capital and total exposures			
20	Tier 1 capital	39,477	38,421
20a	Total exposures before adjustments for specific and collective provisions	322,797	316,933
20b	Adjustments for specific and collective provisions	(153)	(198)
21	Total exposures after adjustments for specific and collective provisions	322,644	316,735
Leverage ratio			
22	Leverage ratio	12.24%	12.13%

Note: There were no material changes to the leverage ratios during the quarterly reporting period. The changes were due to normal business activities.

OCBC Wing Hang Bank Limited

Table LIQA: 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 ensure that there are sufficient funds to meet obligations under both normal and stressed conditions and to undertake new transactions. The Group has established liquidity management framework and policies for ensuring adequate liquidity is maintained at all times.

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

The ALCO is delegated by the Board to oversee the Group's liquidity risk management and is supported by FMD and RMD. 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, risk management, financial management and other business areas that could affect liquidity risk, is responsible for overseeing liquidity risk management, in particular implementation of appropriate liquidity strategy, policies and procedures, identifying, measuring and monitoring liquidity risk, and control over the liquidity risk management process. The Board approves the risk appetite statement covering liquidity risk, the liquidity risk strategy and policies, maintaining continued awareness of the overall liquidity risk profile, and ensuring liquidity risk is adequately managed and controlled by senior management within the established liquidity risk appetite and management framework.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. The Group performs liquidity stress tests based on institution specific, market-wide and combined liquidity stress scenarios. The results of the stress tests are used to adjust liquidity risk management strategies, policies and positions and to develop effective contingency funding plan. The stressed results are reported to Treasury Division. A summary of liquidity risk measures is submitted to ALCO monthly and the key highlights of liquidity risk measures is reported to RMC quarterly for review.

Indicators such as liquidity and deposit concentration ratios are used to establish the level of optimal funding mix and asset composition. Funding strategies are established to provide effective diversification and stability in funding sources across tenors, products and geographies. The Group continues to develop a diversified funding base with access to funding sources across retail, small business, corporate and wholesale channels to avoid concentration in any one source. Supplementing the diversification of deposit base, the Group continues to maintain access to wholesale channels through the issuance of certificates of deposit and fixed rate note and money borrowing for the purpose of maintaining a presence in the wholesale market and optimising liabilities maturities.

The table below shows the Group's major sources of funding as at 31st December, 2020.

<u>Distribution of selected funding sources from bank, non-bank deposits and certificates of deposit issued and fixed rate note issued</u>	2020	%
Deposits and balances of banks, central banks and other financial institutions	10,264	4%
Deposits from customers:		
Demand deposits and current accounts	94,413	39%
Savings deposits	34,687	14%
Time, call and notice deposits	88,314	36%
Certificates of deposit and fixed rate note issued	17,644	7%
Total	245,322	100%

OCBC Wing Hang Bank Limited

Table LIQA: Liquidity risk management

In addition, the Group maintains liquid assets in excess of regulatory requirements to mitigate potential liquidity risk and meet liquidity needs during a crisis. These liquid assets mainly comprise marketable debt securities. The details of distribution of credit ratings of the Group's debt securities as at 31st December, 2020 are disclosed in note 34(a) of "Notes to the Consolidated Financial Statements" of the Group's 2020 Annual Report.

The Group strives to mainly fund its lending activities via customer deposits. In the event where market conditions lead to expensive customer funding, flexibility is maintained to fund lending growth with duration matched wholesale funding. Optimising the currency mismatch in fund deployment against sources remains challenging. The Group actively makes use of the foreign exchange swap market in the conversion of funds across currencies to manage surplus funds.

In 2020, the Group, classified as a category 2A institution by the Hong Kong Monetary Authority, continued our regulatory reporting of our group-wide Liquidity Maintenance Ratio ("LMR") and Core Funding Ratio ("CFR"). As at 31st December, 2020, the ratios are reported as follows:

	2020
Liquidity Maintenance Ratio	35%
Core Funding Ratio	141%

Due to the close proximity of the three operating regions of 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, the overseas subsidiaries take responsibility for managing their funding arrangements in relation to the use and application of funds.

The table below shows the net intra-group funding of the overseas subsidiaries as of 31st December, 2020.

	2020		
	HK (Including HK Subsidiaries)	Macau	China
Net intra-group funding profile	(164)	125	13

The Group has formulated a contingency funding plan setting out strategies for dealing with a liquidity crisis and the procedures for making up cash-flow deficits in emergency situations. An annual drill test is conducted and the contingency funding plan is updated and reviewed at least annually by ALCO to ensure that it remains robust over time. Any revision will be further approved by the Board. Apart from the liquidity 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.

The majority of the Group's liquidity risk arises from the maturity mismatch gap between the Group's assets and liabilities. The maturity profiles of the assets and liabilities of the Group as at 31st December, 2020 are disclosed in note 27 of "Notes to the Consolidated Financial Statements" of the Group's 2020 Annual Report. The cash flows payable by the Group for financial liabilities including interest payable that will be settled by remaining contractual maturities as of 31st December, 2020 are disclosed in note 34(b) of "Notes to the Consolidated Financial Statements" of the Group's 2020 Annual Report.

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Table CRA: General information about credit risk as at 31st December, 2020

CREDIT RISK MANAGEMENT

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet its contractual obligations. As our primary business is commercial banking, we are exposed to credit risk from our lending activities. Trading activities, such as the trading of foreign exchange, derivatives, debt securities and the settlement of transactions also expose the Group to counterparty and issuer credit risk. For derivative transactions, the total credit exposure is quantified by the transactions' current positive mark-to market value plus an appropriate add-on factor for potential future exposure.

CREDIT RISK MANAGEMENT OVERSIGHT AND ORGANISATION

The Credit Committee ("the Committee") is the principal senior management body that supports and is accountable to the Risk Management Committee ("RMC") in managing the Group's credit risk. The Committee oversees the execution of the Group's credit risk management, framework and policies, to ensure that credit risk taking is aligned with the Group's risk appetite and business strategy. It is also responsible to approve all extensions of loans and credit in excess of the levels delegated to the Credit Approving Officers.

Credit Risk Management ("CRM") units ensure the proper execution of the credit risk management framework, policies and procedures. These units also independently manage credit risk to ensure adequacy of risk-returns within our risk appetite, customer targets, limits and risk standards. Dedicated risk functions are responsible for portfolio risk monitoring, risk measurement methodology, risk reporting and remedial management. Regular risk reports are provided to the Committee, Chief Executive, RMC and the Board, where appropriate, in a timely, objective and transparent manner for review. These reports include detailed credit exposures, credit migration, expected losses and risk concentrations by business portfolio and geography. Regular stress tests and portfolio reviews are conducted to assess the potential impact of emerging risk on our credit exposures, including interactions among credit, market and liquidity events where appropriate. The results of the stress tests and portfolio reviews are factored as necessary into the adjustment and refinement of risk-taking strategies and credit limits to remain within our risk appetite.

Internal Audit provides independent assessment on the compliance and effectiveness of the Bank's credit risk management, control and governance processes, as well as general internal controls across the business, risk control and other support units. Such independent assessment includes the adequacy of expected credit loss (stage 3), and the correctness and timeliness of loan classification. Internal Audit provides the assessment separately to the Board, through the Audit Committee, in accordance with its own charter.

OCBC Wing Hang Bank Limited

Table CRA: General information about credit risk as at 31st December, 2020

CREDIT RISK MANAGEMENT APPROACH

Our credit risk management framework encapsulates the complete cycle of credit risk management. It covers the identification, assessment, measurement, monitoring as well as the control and mitigation of credit risk. It also articulates the importance of proactive credit risk management. We seek to undertake credit risk that meet our target markets, lending parameters and risk-return expectations for sustainable performance. We commit to building long-term relationships with our customers. In addition to effective risk management practices, the sound judgement of our experienced credit approving officers is also key to our successful risk management.

We have a responsible financing framework that sets out our overall approach towards the management of Environmental, Social and Governance ("ESG") risks in our lending activities. This framework aims to fully integrate ESG considerations into our credit and risk evaluation process in a structured and systematic manner. It is supported by our responsible financing policy and relevant sectorial policies that outline the criteria and guidelines for the ESG assessment of clients and transactions. Transactions with high ESG or reputational risk are escalated to the Reputational Risk Review Group of our parent bank for clearance. Periodic ESG related reporting is made to our parent bank on the progress of our responsible financing implementation.

LENDING TO CONSUMERS AND SMALL BUSINESSES

Credit risk for consumers is mainly managed on a portfolio basis for credit programmes such as mortgages and auto loans. Credit extended under these programmes should fall within the portfolio and transaction limits, stipulated lending criteria and acceptable collateral as well as advance ratios. The performance of the portfolios is closely monitored on a monthly basis. Application models are also used in the credit decision process to enable objective, consistent and fast decisions. For small business under programme lending, a clearly defined target market is established. The target market must identify segments with common needs that can be met through standardised/program products. Target market industries/segments, specific industry exclusions, acceptable properties for financing as well as eligible collateral types must be identified in the lending programs. For non-programme consumer and small business lending, the credit exposure is assessed and managed on a case-by-case basis.

LENDING TO CORPORATE AND INSTITUTIONAL CUSTOMERS

Credit extended to corporate and institutional customers is individually assessed, risk-rated and approved by experienced credit approving officers. The officers will identify and assess the credit risk of these customers, including customer group's interdependencies, management quality, ESG practices as well as business, financial and competitive profiles against industry and economic threats. Collaterals and other credit support are also used to mitigate credit risk. To ensure objectivity in credit extensions, co-grantor approvals and shared risk ownership are required from both business and credit risk units.

STANDARDISED APPROACH FOR CREDIT PORTFOLIOS

Credit portfolios in our bank are measured under the Standardised approach for calculation of credit risk regulatory capital. Regulatory prescribed risk weights based on asset class and external ratings from approved credit rating agencies recognised by HKMA, where available, are used to determine regulatory capital. Approved external credit rating agencies are Standard and Poor's Rating Services, Moody's Investors Service, Inc. and Fitch Ratings.

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Template CR1: Credit quality of exposures as at 31st December, 2020

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 31st December, 2020:

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	870	194,428	565	134	431	0	194,733
2	Debt securities	30	78,292	21	0	21	0	78,301
3	Off-balance sheet exposures	0	18,864	132	0	132	0	18,732
4	Total	900	291,584	718	134	584	0	291,766

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Template CR2: Changes in defaulted loans and debt securities as at 31st December, 2020

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at 31st December, 2020 and 30th June, 2020 respectively:

		(a)
		Amount
1	Defaulted loans and debt securities at end of 30th June, 2020	975
2	Loans and debt securities that have defaulted since the last reporting period	217
3	Returned to non-defaulted status	(135)
4	Amounts written off	(59)
5	Other changes*	(98)
6	Defaulted loans and debt securities at end of 31st December, 2020	900

*Other changes include loan repayment.

OCBC Wing Hang Bank Limited

Table CRB: Additional disclosure related to credit quality of exposures as at 31st December, 2020

REMEDIAL MANAGEMENT

We have established a process to constantly assess our portfolios to detect potential problem credits at an early stage. As we value long-term customer relationships, we understand that some customers may be facing temporary financial distress. We are prepared to work closely with them at the onset of their difficulties. We recognise the opportunity to promote customer loyalty and retention in such instances, even as we enforce strict discipline and place a priority on remedial management to minimise credit loss.

Our credit exposures are classified according to the borrowers' ability to repay their financial obligations on time and in full from their normal sources of income. Credit exposures are categorised as "Pass" or "Special Mention", while non-performing loans ("NPLs") are categorised as "Substandard", "Doubtful", or "Loss" in accordance with regulatory requirements. Upgrading of NPL to performing status can only be done when there is an established trend of credit improvement. The upgrade needs to be supported by an assessment of the borrower's repayment capability, cash flows, and financial position. Credit exposures are classified as restructured assets when we have granted concessions in restructured repayment terms to borrowers who are facing difficulties in meeting the original repayment schedules. A restructured credit exposure is classified into the appropriate non-performing grades based on the assessment of the borrower's financial condition and ability to repay under the restructured terms. Such a credit exposure must comply fully with the restructured terms before it can be restored to performing loan status in accordance with regulatory requirements.

Independent and dedicated remedial management units are set up to manage the restructuring, workout and recovery of non-performing assets.

EXPECTED CREDIT LOSS FOR LOANS

For non-credit impaired financial exposure, the Expected Credit Loss ("ECL") is assessed and measured based on 12-month ECL if the credit risk of a credit exposure has not increased significantly since initial recognition. However, where there is significant increase in credit risk, the ECL is based on lifetime ECL.

For credit impaired financial exposure, expected credit loss (stage 3) is assessed and measured based on lifetime ECL. Expected credit loss (stage 3) is based on a reasonable and well documented estimate of the net present value of the future cash flows that the Bank determines to be recoverable from the borrower, guarantor and collateral. The expected credit loss for loans are assessed on a monthly basis.

Our approach for determining impairment of loans and the expected credit loss is explained in note 2(k) of "Notes to the Consolidated Financial Statements" of the Group's 2020 Annual Report.

The details of the analysis related to credit quality are disclosed in note 13(b), 14(b) and 27 of "Notes to the Consolidated Financial Statements" and notes (b) to (d) of "Unaudited Supplementary Financial Information" for exposure by geographical area, industry sector, remaining maturity, aging and rescheduled exposure of the Group's 2020 Annual Report.

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Table CRC: Qualitative disclosures related to credit risk mitigation as at 31st December, 2020

CREDIT RISK CONTROL

CREDIT RISK MITIGATION

Credit risk assessments are based on the credit worthiness of the borrower, source of repayment and debt servicing ability. To mitigate credit risk, we accept collateral and credit protection such as cash, real estate, marketable securities, inventories and standby letters of credit. We have policies that set out the criteria for collateral to be recognised as eligible credit risk mitigants including legal certainty, priority, correlation, marketability, liquidity and counterparty risk of the protection provider.

The value of collateral is prudently assessed on a regular basis, and valuations are performed by independent qualified appraisers. Appropriate haircuts are applied to the market value of the collateral, reflecting the underlying nature, quality, liquidity and volatility of the collateral. We also accept guarantees from individuals, corporates and institutions as a form of support. To manage counterparty credit risk, eligible financial collaterals may be taken to partially or fully cover mark-to-market exposures on outstanding positions, with a haircut to cover potential adverse market volatility.

Collateral arrangements, typically covered under market standard documentation such as International Swaps and Derivatives Association ("ISDA") agreement, include a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed the agreed threshold. The credit risk associated with contractual obligations is reduced by the netting agreements to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. Agreements may also contain rating triggers where additional collateral posting is required in the event of a rating downgrade.

The Group's policy provides that netting is only to be applied where it has the legal right to do so.

Under the Banking (Capital) Rules, recognised netting is defined as any netting done pursuant to a valid bilateral netting arrangement. Consistent with the Banking (Capital) Rules, only bilateral netting arrangements are included for capital adequacy credit risk mitigation calculation. While the use of multi-lateral netting arrangements is allowed for internal credit risk management, it is not a valid credit risk mitigation under the Banking (Capital) Rules.

It is the Group's policy that all corporate and institutional facilities are reviewed (and hence revalued) at least on an annual basis. Where facilities have been overdue for more than 90 days and are tangibly secured, the collateral must be revalued not less than every 3 months.

For residential mortgage loans that are more than 90 days past due, the mortgaged property must be revalued not less than every 3 months.

The main types of recognised collateral taken by the Group are those stated in Section 80 of the Banking (Capital) Rules, including (but not limited to) cash on deposit, equities listed in a main index and/or a recognised exchange and various recognised debt securities.

As stated in Sections 98 and 99 of the Banking (Capital) Rules, certain guarantees and credit derivative contracts are recognised for credit risk mitigation purposes. The main types of guarantees are from sovereigns, corporates and banks. For corporate guarantees, a corporate has an ECAI issuer rating which have been allocated a lower risk-weight than that allocated to the exposure in respect of which the guarantee has been given.

MANAGING CREDIT RISK CONCENTRATIONS

Credit risk concentrations may arise from lending to a single borrower, a group of connected borrowers, or diverse groups of borrowers affected by similar economic or market conditions. Where appropriate, limits are set and monitored to control concentrations by borrower, group of connected borrowers, product, industry and country. These limits are aligned with our risk appetite, business strategy, capacity and expertise. Impact on earnings and capital is also considered in limit setting. We have significant exposure to the real estate market in Hong Kong. Regular stress tests are conducted to identify potential vulnerabilities in the real estate portfolio.

There were immaterial credit and market risk concentrations within the credit risk mitigation (recognised collateral and guarantees) used by the Group.

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Template CR3: Overview of recognised credit risk mitigation as at 31st December, 2020

The following table presents the extent of credit risk exposures covered by different types of recognised CRM as at 31st December, 2020:

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
1	Loans	188,549	6,184	2,104	4,080	0
2	Debt securities	78,003	298	0	298	0
3	Total	266,552	6,482	2,104	4,378	0
4	Of which defaulted	126	640	585	55	0

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Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach as at 31st December, 2020

The Group adopts the Standardised approach, which mainly features the risk-weighting of credit risk exposures according to credit ratings provided by External Credit Assessment Institutions ("ECAIs") recognised by the HKMA, in assessing the capital adequacy of credit risk exposures. The Group uses the following external credit assessment institutions ("ECAIs") to calculate its capital adequacy requirements prescribed in the Banking (Capital) Rules:

- Fitch Ratings
- Moody's Investors Service, Inc.
- Standard & Poor's Rating Services

Credit ratings from the above external credit assessment institutions are used in the Group for risk-weighting credit risk exposures under the following exposure classes:

- Sovereign
- Public sector entity
- Bank
- Securities firm; and
- Corporate

In accordance with the requirements prescribed in Part 4 of the Banking (Capital) Rules in respect of the application of ECAI ratings, for an exposure falling under any of the exposure classes listed in above that consists of a debt obligation issued or undertaken by the obligor or an interest in a collective investment scheme which has one or more than one ECAI issue specific rating, the Group would apply the issue specific rating(s) directly in risk-weighting the exposure; while for an exposure falling under one of five exposure classes listed above which does not have an ECAI issue specific rating and the obligor of which has an ECAI issuer rating but does not have a long-term ECAI issue specific rating assigned to a debt obligation issued or undertaken by the obligor, the Group would use the ECAI issuer rating in risk-weighting the exposure under any of the following circumstances:

- The use of the ECAI issuer rating would result in the allocation of a risk weight to the exposure that would be equal to, or higher than, the risk weight allocated to the exposure on the basis that the obligor has neither an ECAI issuer rating nor an ECAI issue specific rating assigned to a debt obligation issued or undertaken by the obligor; the ECAI issuer rating is only applicable to unsecured exposures to the obligor as an issuer that are not subordinated to other exposures to that obligor; and the exposure to the obligor ranks equally with, or is subordinated to, the unsecured exposures referred to above.

- The use of the ECAI issuer rating would result in the allocation of a risk weight to the exposure that would be lower than the risk weight allocated to the exposure on the basis that the obligor has neither an ECAI issuer rating nor an ECAI issue specific rating assigned to a debt obligation issued or undertaken by the obligor; the ECAI issuer rating is only applicable to unsecured exposures to the obligor as an issuer that are not subordinated to other exposures to that obligor; and the exposure to the obligor is not subordinated to other exposures to the obligor as an issuer.

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Template CR4: Credit risk exposures and effects of recognised credit risk mitigation – for STC approach as at 31st December, 2020

The following table illustrates the effect of any recognised CRM (including recognised collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as at 31st December, 2020:

Version for Als using STC approach ("STC version")

	Exposure classes	(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	43,770	0	43,997	0	1,135	2.6%
2	PSE exposures	1,377	0	3,637	3	728	20.0%
2a	Of which: domestic PSEs	1,160	0	3,372	3	675	20.0%
2b	Of which: foreign PSEs	217	0	265	0	53	20.0%
3	Multilateral development bank exposures	0	0	0	0	0	0.0%
4	Bank exposures	33,728	3,255	35,403	3,262	16,848	43.6%
5	Securities firm exposures	2,765	351	1,847	0	923	50.0%
6	Corporate exposures	120,328	46,738	117,420	7,945	117,797	94.0%
7	CIS exposures	0	0	0	0	0	0.0%
8	Cash items	1,262	0	1,262	0	68	5.4%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0.0%
10	Regulatory retail exposures	17,928	2,720	17,060	34	12,821	75.0%
11	Residential mortgage loans	63,493	91	62,489	0	24,201	38.7%
12	Other exposures which are not past due exposures	14,081	1,735	14,081	15	14,096	100.0%
13	Past due exposures	713	0	713	0	723	101.4%
14	Significant exposures to commercial entities	0	0	0	0	0	0.0%
15	Total	299,445	54,890	297,909	11,259	189,340	61.2%

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Template CR5: Credit risk exposures by asset classes and by risk weights – for STC approach as at 31st December, 2020

The following table presents a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as at 31st December, 2020

Version for AIs using STC approach ("STC version")

	Exposure class	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	38,475	0	5,419	0	103	0	0	0	0	0	43,997
2	PSE exposures	0	0	3,640	0	0	0	0	0	0	0	3,640
2a	Of which: domestic PSEs	0	0	3,375	0	0	0	0	0	0	0	3,375
2b	Of which: foreign PSEs	0	0	265	0	0	0	0	0	0	0	265
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	13,443	0	22,122	0	3,100	0	0	0	38,665
5	Securities firm exposures	0	0	0	0	1,847	0	0	0	0	0	1,847
6	Corporate exposures	0	0	295	0	14,669	0	110,401	0	0	0	125,365
7	CIS exposures	0	0	0	0	0	0	0	0	0	0	0
8	Cash items	1,194	0	0	0	0	0	68	0	0	0	1,262
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	0	0	0	0	0	0	0	0	0	0	0
10	Regulatory retail exposures	0	0	0	0	0	17,094	0	0	0	0	17,094
11	Residential mortgage loans	0	0	0	57,186	0	4,468	835	0	0	0	62,489
12	Other exposures which are not past due exposures	0	0	0	0	0	0	14,096	0	0	0	14,096
13	Past due exposures	33	0	23	0	0	0	533	124	0	0	713
14	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
15	Total	39,702	0	22,820	57,186	38,741	21,562	129,033	124	0	0	309,168

OCBC Wing Hang Bank Limited

Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs) as at 31st December, 2020

Counterparty Credit Risk Management

CREDIT RISK FROM INVESTMENT AND TRADING ACTIVITIES

Counterparty credit risk arising from our trading, derivatives and debt securities activities is actively managed to protect against potential losses in replacing a contract if a counterparty fails to meet its obligations. Where possible, trading in OTC derivatives is cleared through Central Clearing Counterparties ("CCP"). In most cases, bilateral transactions will be governed under International Swaps and Derivatives Association ("ISDA") agreements as well as Credit Support Annexes ("CSAs") or an equivalent to allow for close-out netting if the counterparty defaults.

Credit limits are established for each counterparty based on our assessment of the counterparty's creditworthiness, the suitability and appropriateness of the product offered and alignment with approved trading programmes and investment strategies. Credit exposures are independently managed through daily limit monitoring, excess escalation and approval, and timely risk reporting. We have established policy and process to manage wrong-way risk which can occur when the credit exposure to a counterparty is adversely correlated with the credit quality of the counterparty.

CREDIT RISK FROM SECURITISATION

There is no exposure to asset backed securities and collateralised debt obligations.

COUNTERPARTY CREDIT RISK FROM OVER-THE-COUNTER DERIVATIVE TRANSACTIONS AND REPO-STYLE TRANSACTIONS

In respect of the Group's counterparty credit risk which arises from over-the-counter ("OTC") derivative transactions, repo-style transactions and credit derivative contracts (other than recognised credit derivative contracts), all credit limits are established in advance of transacting the business, and credit and settlement risk must be correctly captured, monitored and reported in accordance with the Group risk methodologies. Credit exposures are measured in book or market value terms depending on the product involved. These methods of calculating credit exposure apply to all counterparties or reference entities in transaction.

The policy for secured collateral on derivatives is guided by the Group's Credit Policy, ensuring the due diligence necessary to fully understand the effectiveness of netting and collateralisation by jurisdiction, counterparty, product and agreement type is fully assessed and that the due diligence standards are high and consistently applied.

Under the terms of the OWH Group's derivative contracts with counterparties, there is no linkage between the Bank's credit ratings and collateral requirements.

Wrong-way risk is an aggravated form of concentration risk and arises when there is a strong correlation between the probability of default of counterparty and the mark-to-market value of the underlying transaction. The Group uses a range of procedures to monitor and control wrong-way risk, including requiring front offices to obtain prior approval before undertaking wrong-way risk transactions outside pre-agreed guidelines.

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Template CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches as at 31st December, 2020

The following table presents a comprehensive breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at 31st December, 2020:

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	0	0		1.4	0	0
1a	CEM	4,664	2,981		0	6,701	3,859
2	IMM (CCR) approach			0	0	0	0
3	Simple Approach (for SFTs)					0	0
4	Comprehensive Approach (for SFTs)					651	60
5	VaR (for SFTs)					0	0
6	Total						3,919

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Template CCR2: CVA capital charge as at 31st December, 2020

The following table presents information on portfolios subject to the CVA capital charge and the CVA calculations based on standardised CVA method and advanced CVA method as at 31st December, 2020:

		(a)	(b)
		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	0	0
1	(i) VaR (after application of multiplication factor if applicable)		0
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		0
3	Netting sets for which CVA capital charge is calculated by the standardised CVA method	6,862	1,120
4	Total	6,862	1,120

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Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach as at 31st December, 2020

The following table presents a breakdown of default risk exposures as at 31st December, 2020, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the STC approach, by asset classes and risk-weights, irrespective of the approach used to determine the amount of default risk exposures:

Version for AIs using the STC approach ("STC version")

	Exposure class	(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	378	0	0	0	0	0	0	0	0	0	378
2	PSE exposures	0	0	0	0	0	0	0	0	0	0	0
2a	Of which: domestic PSEs	0	0	0	0	0	0	0	0	0	0	0
2b	Of which: foreign PSEs	0	0	0	0	0	0	0	0	0	0	0
3	Multilateral development bank exposures	0	0	0	0	0	0	0	0	0	0	0
4	Bank exposures	0	0	1,007	0	4,474	0	674	0	0	0	6,155
5	Securities firm exposures	0	0	0	0	0	0	0	0	0	0	0
6	Corporate exposures	0	0	0	0	25	0	782	0	0	0	807
7	CIS exposures	0	0	0	0	0	0	0	0	0	0	0
8	Regulatory retail exposures	0	0	0	0	0	3	0	0	0	0	3
9	Residential mortgage loans	0	0	0	0	0	0	0	0	0	0	0
10	Other exposures which are not past due exposures	0	0	0	0	0	0	9	0	0	0	9
11	Significant exposures to commercial entities	0	0	0	0	0	0	0	0	0	0	0
12	Total	378	0	1,007	0	4,499	3	1,465	0	0	0	7,352

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Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) as at 31st December, 2020

The following table presents a breakdown of all types of collateral posted or recognised collateral received to support or reduce the exposures to counterparty default risk exposures as at 31st December, 2020 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash on deposit with the Bank	0	943	78	1,052	6,659	0
Debt securities	0	0	0	0	0	7,310
Equity securities	0	0	0	0	0	0
Others	0	0	0	0	0	0
Total	0	943	78	1,052	6,659	7,310

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Template CCR6: Credit-related derivatives contracts as at 31st December, 2020

The following table presents the amount of credit-related derivative contracts as at 31st December, 2020 broken down into credit protection bought and credit protection sold:

	(a)	(b)
	Protection bought	Protection sold
Notional amounts		
Single-name credit default swaps	1,602	1,602
Index credit default swaps	0	0
Total return swaps	0	0
Credit-related options	0	0
Other credit-related derivative contracts	0	0
Total notional amounts	1,602	1,602
Fair values		
Positive fair value (asset)	0	1
Negative fair value (liability)	0	0

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Template CCR8: Exposure to CCPs as at 31st December, 2020

The following table presents a breakdown of the exposures to CCPs.

		(a)	(b)
		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		61
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	2,349	57
3	(i) OTC derivative transactions	2,340	53
4	(ii) Exchange-traded derivative contracts	9	4
5	(iii) Securities financing transactions	0	0
6	(iv) Netting sets subject to valid cross-product netting agreements	0	0
7	Segregated initial margin	0	
8	Unsegregated initial margin	58	4
9	Funded default fund contributions	0	0
10	Unfunded default fund contributions	0	0
11	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		0
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	0	0
13	(i) OTC derivative transactions	0	0
14	(ii) Exchange-traded derivative contracts	0	0
15	(iii) Securities financing transactions	0	0
16	(iv) Netting sets subject to valid cross-product netting agreements	0	0
17	Segregated initial margin	0	
18	Unsegregated initial margin	0	0
19	Funded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

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Table MRA: Qualitative disclosures related to market risk as at 31st December, 2020

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatility or correlations of such factors.

The Group is exposed to market risk from its trading, client servicing and balance sheet management activities.

GOVERNANCE

The board level Risk Management Committee ("RMC") reviews and approves the Group's framework and limits for the management of market risk and trading authorities. The Asset and Liability Management Committee ("ALCO") is the senior management group that supports the RMC in managing market risk. The ALCO oversees the market risk management objectives and policies governing prudent market risk taking, which are backed by risk methodologies, measurement systems and internal controls. The ALCO is chaired by the Chief Executive and supported by the Market Risk & Asset Liability Management ("MRM") and Treasury Financial Control & Advisory ("TFCA") Units. MRM is the independent risk-control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

The Group's objective is to manage and control market risk exposures while maintaining a risk profile consistent with risk appetite and business strategies, taking into account macroeconomic and market conditions.

MARKET RISK IDENTIFICATION

Risk identification is addressed via our internal New Product Approval Process ("NPAP") at product inception. Market risk is also identified by our risk managers from their ongoing interactions with the business units.

MARKET RISK MEASUREMENTS

Value-At-Risk

Value-at-risk ("VaR"), as a key market risk measure for the Group's trading activities, is a component of aggregate market risk appetite. VaR is measured and monitored by its individual market risk components, namely interest rate risk, foreign exchange risk and credit spread risk as well as at the consolidated level. Our VaR model is based on a historical simulation at a 99% confidence level, and over a one-day holding period. As VaR is a statistical measure based on historical market fluctuations, past changes in market risk factors may not accurately predict forward looking market conditions all the time. Under the defined confidence threshold, losses on a single trading day may exceed VaR, on average, once every 100 days.

Sensitivity Analysis

As the Group's main market risk is interest rate fluctuations, Present Value of a Basis Point ("PV01"), which measures the change in value of interest rate sensitive exposures resulting from a one basis point increase across the entire yield curve, is an important measure monitored on a daily basis. Other than VaR and PV01, other risk measurements used include notional positions, Profit & Loss ("P&L") for One Basis Point Move in Credit Spreads ("CS01") and derivative greeks for specific exposure types.

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Table MRA: Qualitative disclosures related to market risk as at 31st December, 2020

Stress Testing and Scenario Analysis

We perform stress testing and scenario analysis to quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Group's trading activities and risk profile as well as prevailing and forecasted economic conditions. These analyses determine if potential losses from such extreme market conditions are within the Group's risk tolerance.

RISK MONITORING AND CONTROL

Limits

Only authorised trading activities for approved products may be undertaken by the various trading units. All trading risk positions are monitored on a daily basis against approved and allocated limits by independent support units. Trading activities are conducted within approved mandates and dynamically hedged to remain within limits. Hedge effectiveness is implicit in ensuring compliance with market risk limits and enforced through independent limits monitoring. Limits are approved to reflect available and anticipated trading opportunities, with clearly defined exception escalation procedures. Exceptions, including any temporary breaches, are promptly reported and escalated to senior management for resolution. Multiple risk limits (VaR and risk sensitivities), P&L Management Action Triggers and other measures are also used to manage market risk exposures holistically.

Model Validation

Model validation is also an integral part of our risk control process. Financial models are used to price financial instruments and to calculate VaR. We adopt the models provided and validated by the OCBC Group and leverage on their expertise to ensure that the models used are fit for our intended purposes through validation and assessment. Market rates used for risk measurement and valuation are sourced independently, thereby enhancing the integrity of the trading P&L and risk measures generated by the financial models used in managing market risk exposures.

Back-testing

To ensure the continued integrity of the VaR model, we regularly back-test the VaR estimates against actual daily trading P&Ls and theoretical P&Ls to confirm that the VaR model does not underestimate market risk exposures.

For reporting of market risk, key risk indicator reports are prepared and delivered to business units and senior management on a daily basis. A summary of market risk measures is submitted to ALCO monthly and the key highlights of market risk measures are submitted to RMC monthly for review. For regulatory reporting, the Group calculates the market risk capital requirements using the STM approach which are disclosed in following Table MR1.

OCBC Wing Hang Bank Limited

Template MR1: Market risk under Standardised (market risk) approach (STM approach) as at 31st December, 2020

The table below provides the components of the market risk capital requirements calculated using the STM approach exposures as at 31st December, 2020:

		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	6,121
2	Equity exposures (general and specific risk)	0
3	Foreign exchange (including gold) exposures	7,375
4	Commodity exposures	0
	Option exposures	
5	Simplified approach	0
6	Delta-plus approach	0
7	Other approach	0
8	Securitisation exposures	0
9	Total	13,496

OCBC Wing Hang Bank Limited

International Claims

Analysis of the Bank's international claims by location and by type of counterparty is as follows:

2020					
Non-bank private sector					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Offshore centres, of which					
- Hong Kong	2,410	8,587	19,379	123,421	153,797
- Macau	0	2,794	626	21,356	24,776
- Singapore	6,761	0	282	712	7,755
Developing Asia-Pacific, of which					
- Mainland China	36,701	11,645	15,021	33,699	97,066
	45,872	23,026	35,308	179,188	283,394
2019					
Non-bank private sector					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Offshore centres, of which					
- Hong Kong	2,607	8,206	17,420	125,324	153,557
- Macau	0	2,497	98	22,160	24,755
- Singapore	1,066	0	218	656	1,940
Developing Asia-Pacific, of which					
- Mainland China	33,263	9,305	14,417	32,797	89,782
	36,936	20,008	32,153	180,937	270,034

The above analysis is disclosed on a net basis after taking into account the effect of any recognised risk transfer.

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Mainland Activities

The analysis on non-bank Mainland China exposures includes exposures of the Bank and certain of its subsidiaries on the basis agreed with the HKMA.

2020

	On-balance sheet exposures	Off-balance sheet exposures	Total exposures
(i) Central government, central government-owned entities and their subsidiaries and Joint Ventures (“JVs”)	18,146	1,453	19,599
(ii) Local government, local government-owned entities and their subsidiaries and JVs	4,405	1,780	6,185
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	31,000	4,838	35,838
(iv) Other entities of central government not reported in item (i) above	937	0	937
(v) Other entities of local government not reported in item (ii) above	551	28	579
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in the Mainland China	2,105	1,027	3,132
(vii) Other counterparties where the exposures are considered by the Group to be non-bank Mainland China exposures	2,803	1	2,804
Total	59,947	9,127	69,074
Total assets after provisions	285,713		
On-balance sheet exposures as a percentage of total assets	20.98%		

2019

	On-balance sheet exposures	Off-balance sheet exposures	Total exposures
(i) Central government, central government-owned entities and their subsidiaries and JVs	16,877	1,799	18,676
(ii) Local government, local government-owned entities and their subsidiaries and JVs	4,535	1,353	5,888
(iii) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	29,004	4,040	33,044
(iv) Other entities of central government not reported in item (i) above	555	0	555
(v) Other entities of local government not reported in item (ii) above	1,764	0	1,764
(vi) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in the Mainland China	2,334	423	2,757
(vii) Other counterparties where the exposures are considered by the Group to be non-bank Mainland China exposures	3,062	4	3,066
Total	58,131	7,619	65,750
Total assets after provisions	271,148		
On-balance sheet exposures as a percentage of total assets	21.44%		

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Capital Buffer

Countercyclical Capital Buffer Ratio

	31st December, 2020	31st December, 2019
Countercyclical capital buffer ratio	0.545%	1.225%

The relevant disclosures pursuant to section 16FG of the Banking (Disclosure) Rules can be found in Template CCyB1 in this Banking Disclosure Statement.

Capital Conservation Buffer Ratio

Under section 3M of the Capital Rules, the capital conservation buffer ratio for calculating the Bank's buffer level is 2.5% for 2020 and 2.5% for 2019.

OCBC Wing Hang Bank Limited

Table IRRBBA: Interest rate risk in banking book as at 31st December, 2020 – risk management objectives and policies

(a) Risk management purpose

Interest rate risk in the banking book is defined as the risk to both the earnings and the economic value of OCBC Wing Hang Bank Limited (the “Bank”) arising from adverse movements in interest rates. Changes in market interest rates impact the economic value of assets, liabilities and relevant off-balance positions (Economic Value of Equity (“EVE”)) as well as the earnings from banking activities (Net Interest Income (“NII”)). The primary goal of the management of Interest Rate Risk in the Banking Book (“IRRBB”) is to ensure that interest rate risk exposures are maintained within the Bank’s risk tolerances.

(b) Risk Management strategies

The Bank’s interest rate exposures in the banking book mainly arise from lending, deposit-taking and treasury activities, including investment of surplus fund in debt securities for the purposes of liquidity risk management and optimisation of the Bank’s financial position. Interest rate risk arising from interest-bearing assets, liabilities, commitments and derivatives has several aspects: basis risk arising from different interest rate benchmarks, gap risk arising from the term structure of banking book instruments and option risk arising from the option derivative positions or from optionalities embedded in lending and deposit-taking activities. It also relates to positions from non-interest-bearing assets and liabilities including current accounts as well as from interest-bearing loans and liabilities. The Bank uses interest rate swaps and other derivatives to mitigate IRRBB.

Within the context of Asset Liability Management Framework approved by the board-level Risk Management Committee (“RMC”), Asset and Liability Management Committee (“ALCO”) establishes specific policies and procedures for managing IRRBB, which defines the organizational structure, responsibilities, limit structure and the methodological standards for analyzing and measuring IRRBB, reviews and monitors IRRBB exposures against risk limits. ALCO also establishes and sets strategic guidelines for Treasury and designated supporting units in managing IRRBB on the balance sheet on a daily basis. ALCO regularly reviews the market activities and conditions and ensures that effective decision on managing IRRBB are taken and implemented in a timely manner.

The Bank uses a range of techniques to measure IRRBB from the earnings and economic perspectives. Different approaches, including the methodology set out in the Banking Return (MA(BS)12A), are used to simulate the impact of various interest rate scenarios, including the scenario described in the template IRRBB1, on the Bank’s NII and EVE. Other measures include interest rate sensitivity measures such as present value of a basis point (“PV01”) as well as repricing gap profile analysis. Through PV01 measure, the sensitivity of the net present value of the banking book to upward movements of interest rate curves by 1 basis point is computed. Through EVE measures, changes in the net present value of assets, liabilities and off-balance sheet items are computed, subject to specific interest rate shocks and stress scenarios. Through earning-based measures on NII, changes on future profitability within a 12-month period, that could eventually affect the Bank’s future levels of earnings and equity capital, are assessed.

Limits and/or triggers are set based on the Bank's level of earnings and capital. The various simulation results are prepared and monitored by an independent unit, Risk Management Division ("RMD"), on a weekly, monthly or quarterly basis and reported to the ALCO on a monthly or a quarterly basis. The key results are also reported to the Board level RMC on a quarterly basis. Any breach in limits or triggers is immediately reported by the monitoring unit to Treasury, Head of Risk Management and/or the members of ALCO about the breach and the underlying reason(s). The Bank's Treasury actively monitors changes in market conditions, which may require balance sheet rebalancing. Stress testing is used to evaluate the potential impact of adverse scenarios on the IRRBB, including the debt securities portfolio. Derivative financial instruments including interest rate swaps, cross currency swaps and interest rate futures are used as part of balance sheet management to hedge the interest rate risk, including the basis risk, in the banking book. The results of stress testing are used to adjust IRRBB management strategies, policies and positions. The Bank's risk function conducts the calibration and review of the interest rate risk models, methodological standards and measurement assumptions after taking the consideration of the prevailing market condition. The internal models are validated by an independent analytical team at the parent group of the Bank to ensure the appropriateness for the designated purposes in measuring the interest rate risk of chosen products. Their feedback, if any, is taken into consideration for any major model improvements going forward. To ensure the effectiveness of IRRBB controls, the Bank's internal audit function conducts periodic reviews of the risk management and control process for IRRBB to ensure its integrity, accuracy and reasonableness.

(c) Risk measurement frequency

The EVE and NII measures in accordance with the Bank's internal stressed scenarios and the regulatory scenarios are calculated and monitored on a monthly and quarterly basis respectively. PV01 measure is performed and monitored on a weekly basis and benchmarked against the approved limits monthly. The Bank assesses the interest rate risk exposures based on both EVE and NII results from the internal scenarios as well as the standard regulatory scenarios.

(d) Interest rate shock and stress scenarios

The Bank measures its vulnerability to loss under stressed interest rate market conditions. The measurement of IRRBB for EVE and NII is based on diversified interest rate shocks and stress scenarios. The internal interest rate risk measurement system considers the following regulatory and internal scenarios:

Scenarios for EVE and NII simulation:

- The six prescribed standard interest rate shock scenarios defined by the HKMA in its Supervisory Policy Manual ("SPM") IR-1 Interest Rate Risk in the Banking Book.
- Internally selected interest rate shock scenarios for the present value measure:
 - Parallel shift in interest rate curves (+/- 100 basis points) for all currencies.
 - The six prescribed standard regulatory interest rate shock scenarios without consideration of interest rate floor of -2%.

Scenarios for PV01 measurement:

- Parallel shift interest rate curves (+1 basis point) for all currencies.

Scenarios for debt securities portfolio in the banking book:

- Historical and hypothetical interest rate stress scenarios.

A stress testing framework is implemented as part of the Bank's risk management process. This feeds into the decision-making process at the appropriate management level. In particular, IRRBB stress testing on NII is also considered in the Bank's internal capital assessment.

(e) Key modelling and parametric assumptions used in the Bank's internal measurement system

1. In addition to the measurement of IRRBB for EVE and NII based on the assumptions prescribed for disclosure in template IRRBB1, IRRBB is also assessed based on the Bank's internal behavioral models and/or additional internal scenarios. For the measurement of PV01 and EVE, the Bank estimates behavior profiling of its non-maturity deposits ("NMDs") of individual and non-individual customers separately. NMD cohorts are segregated into stable and non-stable portions. The stable volume of deposits is observed based on four to five years of historical data. This allows the Bank to take into consideration how customers' latest behaviour affect interest rate risk exposures. Pass Through Rate ("PTR") concept is adopted, which measures the proportion of a market interest rate change that the Bank will pass onto the customers in order to maintain the same level of stable NMD balances. Equivalently, PTR is assumed to represent the proportion of stable deposits that reprice due to the market rate change (i.e. non-core/rate sensitive portion of stable NMDs). The average repricing maturity estimated for NMDs is around 9 months whereas there are some variations among different customer types of NMDs. The longest repricing maturity assigned to NMDs is 2.5 years.
2. The full or partial prepayments on both fixed and floating rate loans of retail and non-retail customers are reflected in the cash flows from scheduled payments on the loans for which the penalties charged to the borrowers are not sufficient to offset the economic cost of prepayments. Conditional Prepayment rate ("CPR") is applied on each cohort segregated by loan product types, customer segment and currency.
3. In the Bank's internal measurement system, the Bank does not apply option modelling to measure the prepayment risk of non-retail fixed rate loans which is different from the approach implemented for the preparation of template IRRBB1.
4. NII sensitivity analysis is based on shocked NII from the assumption of a constant balance sheet which the maturing or repricing cash flows are to be replaced by new cash flows with identical features with regard to the amount, repricing period and spread components (the "like-for-like approach") whereas the NII as adopted in template IRRBB1 is simulated based on the gap positions, which are calibrated from the remaining repricing/contractual tenors of the instruments.

(f) Hedging strategies and accounting treatment

Interest rate risk hedging strategies are implemented mainly through derivatives, including interest rate swaps, tenor basis swaps, cross currency swaps and interest rate futures. In order to avoid asymmetric profit and loss recognition, the Bank may apply hedge accounting if applicable. All the hedge relationships of underlying hedged item(s)/risk and hedging transactions are documented and monitored.

The effectiveness of hedging transactions is measured prospectively either by the differential of sensitivity to the risk parameter of the hedged item(s)/risk and the hedging transactions, or

by matching the cash flows of the hedge and the risk positions. The hedging relationships are periodically checked whether hedge effectiveness is still in place.

(g) Key modelling and parametric assumptions used when calculating Δ EVE and Δ NII in template IRRBB1

The below is a high-level explanation of key modelling and parametric assumptions used in calculating EVE and NII in template IRRBB1:

EVE simulation:

1. The EVE is calculated based on the assumption where existing interest rate sensitive positions amortize and are not replaced by new business. A run-off balance sheet is assumed.
2. Both non-maturity deposits and most of managed rate linked loans, which have no fixed repricing dates, of which interest rate can be adjusted at any time at the discretion of the Bank, are slotted into the shortest time band of the Bank's EVE as well as NII simulation.
3. In respect of fixed rate positions, repricing cash flows are allocated based on contractual maturity whereas in respect of floating rate positions are treated as a series of coupon payment until the next repricing and a par notional cash flow at the next reset date, with no additional slotting of notional repricing cash flows to later time buckets.
4. The commercial margins and other spread components are included to maturity in cash flow projection.
5. Cash flows including commercial margins and other spread components are discounted with a single risk free discount curve per currency without incorporation of issuer specific credit spreads.
6. The full or partial prepayments on retail fixed rate loans is reflected in the cash flows from scheduled payments on the loans for which the penalties charged to the borrowers are not sufficient to offset the economic cost of prepayments. CPR is calibrated using a one-factor approach, age effect, which aims to study the relationship between the loan prepayment rate and the age of the loans using historical data, on each cohort where they behave in the similar way, segregated by loan product type, customer segment and currency. This assumption is also applicable to our NII simulation.
7. Term deposits for retail customers including individuals and small business customers are locked in a fixed rate for a fixed term and may be subject to the risk of early withdrawal prior to maturity date. With term deposit redemption ratio ("TDRR") applied to each cohort of term deposits segregated by currency, the notional repricing cash flows of the early redeemed term deposits is slotted into the overnight. The approach to estimate the TDRR is to analyze the movement of term deposits from month-end balance sheets using the three years historical data. This assumption is also applicable to our NII simulation.
8. The Bank formulates methodologies such as option modelling for (i) prepayment risk of non-retail fixed rate loans without sufficient breakage clause, (ii) early redemption risk of non-retail fixed rate term deposits denominated in non-CNY in China where early withdrawal is allowed by rules without significant penalties to be charged by the Bank, (iii) explicit embedded options on staff loans (cap and floor) and (iv) estimating the intrinsic value of embedded floor on staff deposits and the CNY denominated term deposits in China, where early withdrawal is allowed by rules without significant penalties to be charged by the Bank, as a proxy to model the underlying option value.

9. Interest rate risk exposures are monitored with different aggregation methods across currencies. For EVE simulation, the EVE exposures are aggregated under a given interest rate shock scenario considering the adverse change in exposure only of each single significant currency. The overall EVE risk measure corresponds to the worst across the six prescribed standard interest rate shock scenarios. No assumption on interest rate correlations between different currencies is made.

NII simulation:

10. The NII is calculated based on instantaneous interest rate shocks over a horizon of 1 year and the assumption of a constant balance sheet. Non-maturity deposits are fully repriced 1 day. Most of managed rated assets are slotted into the appropriate time bands according to the earliest date on which the Bank can adjust their interest rates.
 11. NII is calculated according to its repricing profile covering all types of non-maturity deposits.
 12. For NII simulation, the interest rate risk exposures are netted over different currencies based on the assumption of perfect correlation between different currencies (positive and negative changes can offset each other).
- (h) Maturity of non-maturity deposits
1. Average repricing maturity assigned to non-maturity deposits (“NMDs”): 1 day
 2. Longest repricing maturity assigned to NMDs: 1 day

OCBC Wing Hang Bank Limited

Template IRRBB1: Quantitative information on interest rate risk in banking book

The values in Template IRRBB1 below are computed in accordance with the HKMA Return MA(BS)12A (the “Return”). The six interest rate scenarios and currency shifts are defined in the HKMA’s SPM IR-1. At the Group level, the following impacts are assessed for each of the prescribed interest rate shock scenarios: (i) change in the economic value of equity (Δ EVE), using a run-off balance sheet and an instantaneous shock; and (ii) the change in net interest income (Δ NII) over a forward-looking rolling 12-month period, using a constant balance sheet assumption and an instantaneous shock. A general description of significant modelling parametric assumptions and aggregation rules used when calculating Δ EVE and Δ NII in the below template is provided in section (g) of the table IRRBBA.

(in HKD millions)		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
		Δ EVE		Δ NII	
	Period	T	T-1	T	T-1
1	Parallel up	2,659	1,702	281	208
2	Parallel down	0	1	-246	-159
3	Steepener	403	39		
4	Flattener	623	594		
5	Short rate up	1,285	1,133		
6	Short rate down	436	32		
7	Maximum	2,659	1,702	281	208
	Period	T		T-1	
8	Tier 1 capital	39,477		35,269	

- Positive values indicate losses to the Bank whereas negative values indicate profit to the Bank

As of 31 December 2020 and 31 December 2019, the EVE worst scenario both derived from the curve parallel up shift scenario (mainly +200 basis points for US dollars and Hong Kong dollars and +250 basis points for China Renminbi) and remained well below the regulatory threshold corresponding to 15% of Tier 1 capital of the Bank (4.8% as of 31 December 2019 and 6.7% as at 31 December 2020). The more adverse of the two parallel interest rate scenarios with regard to NII over the next 12 months was the curve parallel up shift (mainly +200 basis points for US dollars and Hong Kong dollars and +250 basis points for China Renminbi) scenario, resulting in potential adverse changes of HKD 208m and HKD 281m as of 31 December 2019 and 31 December 2020 respectively. Non-maturity deposits and most of managed rate linked loans were assumed to be repriced daily in the calculation of EVE and NII. The Δ EVE under the parallel up scenario increased by HK\$957 million in 2020 mainly due to increased positions in China on-shore medium term fixed rate debt securities, financed by short-term China Renminbi funding and increased HKD cash flows of commercial margin of loans caused by the change in the pricing of the underlying loans from managed rate link to inter-bank floating rate link. The Δ NII under the parallel up scenario increased by HK\$73 million mainly due to the widening re-pricing gap in China Renminbi exposures which is vulnerable under the scenario.