



Hong Kong Banking Survey 2017

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Introduction



Paul McSheaffrey

Partner, Head of Banking,
Hong Kong
KPMG China

The 2016 results from our 29th annual Hong Kong Banking Survey reveal that banks in the city had a fairly steady year, with the perceived economic slowdown in China having a minimal impact on the sector. There has generally been muted loan growth and margins have been relatively flat, but costs and credit problems appear under control, which has left the overall profitability of the sector relatively unchanged.

Risk and regulation undoubtedly continues to be a major focus for banks in Hong Kong, and is often at the forefront of our discussions with clients. An important event on the horizon is the Financial Action Task Force's (FATF) next mutual evaluation of Hong Kong in mid-2018. As a result, we expect Hong Kong's regulators to ramp up their supervision of anti-money laundering and know-your-customer matters in the next 12 to 18 months. At the same time, we are seeing a greater focus on conduct and the fair treatment of customers across all aspects of banking.

However, it is important to note that the pace of new regulation is slowing, and the main focus for banks going forward will be on ensuring that existing regulations are implemented effectively.

While regulatory issues and the uncertain market environment continue to create challenges for some banks in Hong Kong, there are still a number of opportunities to improve profitability and grow. Globally, we have seen rising interest rates in the US, which could lead to higher margins across the sector in 2017.

Closer to home, Hong Kong's role as an international finance centre has been a key topic of discussion for several years. We believe there is a bright future for Hong Kong in this respect. There are a number of new developments and initiatives that will help Hong Kong retain its position as an international financial centre, as well as a 'super-connector', both globally and regionally. For example, Hong Kong's prominent role in China's 13th Five Year Plan and the Belt and Road initiative present a number of major opportunities for the city's financial services industry.

Furthermore, Hong Kong's connections with China stock markets and its continued development as a wealth management hub present new avenues for growth. However, despite these opportunities, more still needs to be done from an infrastructure and policy perspective in order to help facilitate growth.

Lastly, the surge in digital innovation and advancements in artificial intelligence, cognitive computing and robotics are creating new growth opportunities for the banking sector. These developments are also changing how banks interact with their customers, and redefining the role of the banker. The banks that are quicker to embrace this change and focus on digital innovation across their entire organisation will be the ones that will have a competitive advantage over time.

I hope you enjoy our perspective on the sector in 2017.



Overview of results



Paul McSheaffrey

Partner, Head of Banking,
Hong Kong, KPMG China

Growth in 2016 continued to be challenging for the Hong Kong banking sector, with weaker growth in Hong Kong and global markets. In 2016 as a whole, the Hong Kong economy grew by 1.9 percent, somewhat slower than the 2.4 percent growth in 2015. This reflects the performance of the sector which overall was flat.

There has been growth in loan portfolios, but flat interest margins resulted in subdued revenue growth. Impaired loans have increased slightly, although they remain within comfortable limits, and cost-to-income ratios continue to be flat. This has led to banks' profitability generally remaining flat compared to 2015.

All of this leaves the sector in an interesting place. While recent historical performance has not been eye-catching, Hong Kong's prominent role in China's 13th Five-Year Plan, the Belt and Road initiative and the surge in digital innovation present a number of major opportunities for some of the leading banks to perform strongly in the future.

In this survey, we present an analysis¹ of some key metrics for the top 10 locally incorporated licensed² banks in Hong Kong.

¹ The analysis is based on financial institutions registered with the Hong Kong Monetary Authority.

² The top 10 locally incorporated licensed banks mentioned in this article are the 10 banks with the highest total assets among all locally incorporated banks as at 31 December 2016.

Net interest margin

Banks in Hong Kong continued to operate under a low interest rate environment during 2016. Following the US rate hike in mid-December 2016, the HKMA Base Rate was adjusted upward from 0.75 percent to 1 percent. However, this had no immediate noticeable impact on benchmark rates or on margins for the banks in 2016. Interest rates in retail banking continued to stay at low levels. The Best Lending Rates remained unchanged at around 5 percent during 2016, similar to 2015.

The average net interest margin (NIM)³ across the surveyed banks dropped by a marginal 1 basis point compared to 31 December 2015. For the top 10 locally licensed banks, average NIM for 2016 stood at 1.43 percent compared to 1.48 percent for 2015. Hang Seng and The Hongkong and Shanghai Banking Corporation Limited (HSBC) continued to post the highest NIM among the top 10 locally licensed banks as at 31 December 2016.

Hang Seng's NIM improved to 1.85 percent (up 2 basis points compared with 2015) despite narrowing spreads on customer lending, due to better spreads on customer deposits and better returns from the investment portfolio⁴. HSBC's NIM stood at 1.75 percent (down 3 basis points compared with 2015), mainly due to lower margins from mainland China activities, partly offset by an increase in margins from operations in Hong Kong. The NIM in mainland China decreased from compressed customer lending spreads and lower reinvestment yields in its investment book, coupled with lower contribution from net free funds. The NIM in Hong Kong increased due to improved customer deposit spreads⁵.

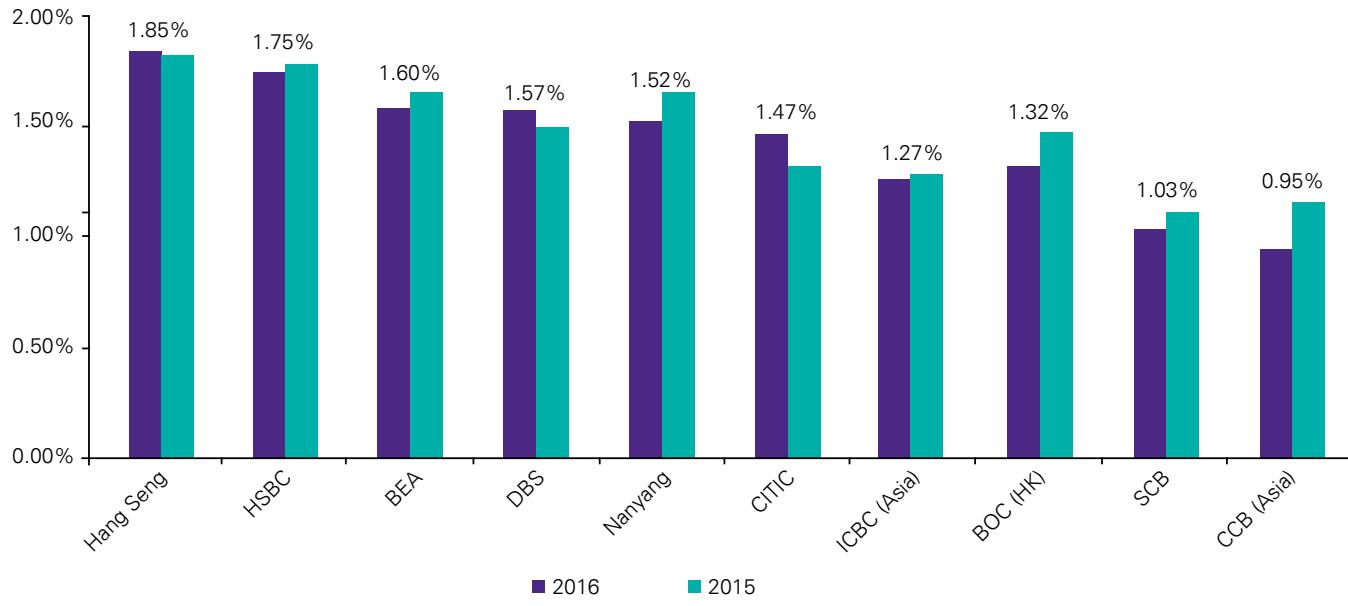
Among the top 10 locally incorporated banks, China CITIC Bank recorded the largest increase in NIM (14 basis points), while China Construction Bank (Asia) Corporation Limited (CCB (Asia)), Bank of China (Hong Kong) Limited (BOC (HK)) and Nanyang Bank experienced the largest drops in NIM of 19, 16 and 13 basis points, respectively.

³ NIM is either quoted from public announcements of financial statements, or calculated based on annualised net interest income and interest-bearing assets or total assets, depending on the availability of information.

⁴ Hang Seng Bank Limited 2016 Results - Highlights, p.7, https://www.hangseng.com/cms/fin/file/statement/ar_2016_en.pdf

⁵ The Hongkong and Shanghai Banking Corporation Limited Annual Report and Accounts 2016, p.12 & 13, <http://www.hsbc.com/~/media/hsbc-com/investorrelations/assets/hsbc-results/2016/annual-results/the-hong-kong-and-shanghai-banking-corporation-limited/170321-annual-report-and-accounts-2016-en.pdf>

Net interest margin



Source: Extracted from individual banks' financial and public statements

China CITIC Bank's NIM increased from 1.33 percent in 2015 to 1.47 percent in 2016 due to an increase in business with wider margins, such as syndicated lending, structured finance and cross-border financing⁶.

The drop experienced by CCB (Asia) appears to be due to a large increase in interest bearing assets with short-term maturity (i.e. 1 month or less), which tends to carry lower interest rates. At BOC (HK), NIM was down 16 basis points year-on-year due to the decrease in the average interest spread of RMB assets, caused by the drop in RMB market interest rates and an increase in RMB assets arising from BOC (HK)'s clearing bank business⁷. Nanyang Bank experienced a drop in its NIM by 13 basis points for 2016.

While margins remained flat in 2016, there is hope that rising US Dollar interest rates will start to flow through to HK Dollar interest rates and provide banks with an opportunity to benefit from a steeper yield curve.

Costs

Managing the cost of operations continues to be a key focus area for banks seeking to improve profit margins, with digital banking innovation an avenue for future reductions. Our analysis shows that overall costs stayed generally flat. There was a slight decrease of 1.84 percent in the total operating cost of the surveyed banks, and there was little change in the overall average cost-to-income ratio⁸ of the surveyed banks compared to 2015. The average cost-to-income ratio of the surveyed banks for the year ended 2016 stood at 48 percent, compared to 47.6 percent for 2015.

The top 10 surveyed banks showed a slight decrease in total operating cost by 2.62 percent, off-set by a 3.29 percent decrease in the total operating income. The average cost-to-income ratio of these top 10 banks for the year ended 2016 was similar to 2015, at 43 percent compared to 42 percent.

China CITIC Bank recorded the largest increase in operating costs of 9.8 percent in 2016, mainly due to its continuing investment in technology. China CITIC's cost-to-income ratio stood at 43.9 percent, a level similar to that of the previous year⁹. Bank of East Asia recorded the largest decrease in operating costs of 6.3 percent during 2016. The bank announced a three-year cost reduction campaign at the start of 2016, focusing on business realignment, improving operations and streamlining its branch network¹⁰.

⁶ China CITIC Bank International Limited - Annual Report, p.13 https://www.cncbinternational.com/_document/about-us/interim-and-annual-reports/en/2016/annual_report.pdf

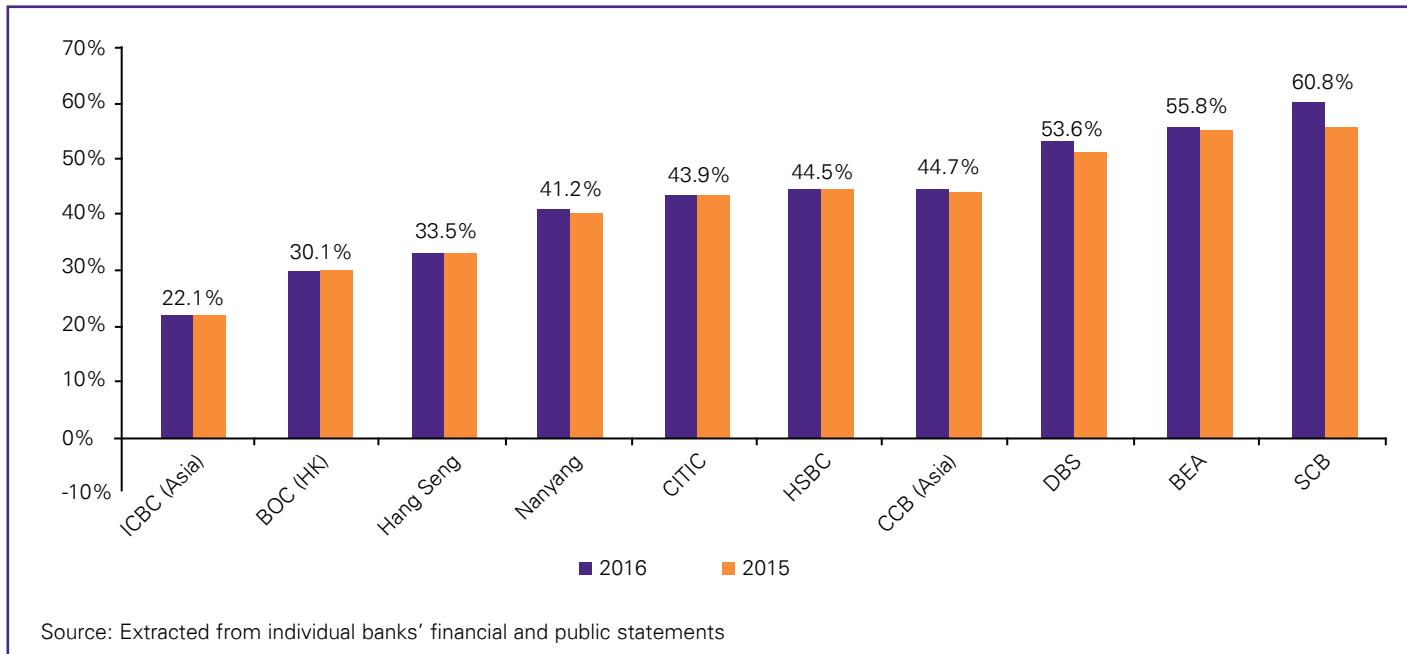
⁷ BOC Hong Kong (Holdings) Limited 2016 Annual Results Announcement, p.16, http://www.bochk.com/dam/bochk/an/2017/20170331a_en.pdf

⁸ Cost-to-income ratio is calculated as total operating expense divided by total operating income.

⁹ China CITIC Bank International Limited - Annual Report 2016 p.13 https://www.cncbinternational.com/_document/about-us/interim-and-annual-reports/en/2016/annual_report.pdf

¹⁰ BEA Annual Report 2016 p. 8 https://www.hkbea.com/pdf/en/about-bea/investor-communication/annual-and-interim-reports/2016/E_2016%20Annual%20Report.pdf

Cost-to-income ratios



HSBC recorded a 2.8 percent decrease in operating costs, off-set by a 2.7 percent decrease in its operating income. The decrease in operating costs is due to lower staff costs and a one-off expense in relation to the 150th anniversary bank notes issued in 2015, which was partly offset by higher costs related to its compliance and transformation programme¹¹.

Among the top 10 locally incorporated banks, Standard Chartered Bank (SCB) continued to have the highest cost-to-income ratio, and ICBC (Asia) continued to be the most effective at managing costs.

SCB showed the most significant increase in its cost-to-income ratio of 5.2 percent, mainly attributed to an 11.5 percent drop in operating income, versus a 3.2 percent drop in operating expenses. SCB also recorded the highest cost-to-income ratio of 60.8 percent, compared to 55.6 percent in 2015. ICBC (Asia) had the lowest cost-to-income ratio of 22.1 percent in 2016, the same level as in 2015.

Increasing costs due to the banks' ongoing investment in more regulatory and compliance initiatives and infrastructure continues to be a trend, although the amounts have stabilised. As technology is increasingly applied to help banks with compliance and customer engagement, we may start to see costs reduce in the future.

¹¹ HSBC Annual Report pg 12, <http://www.hsbc.com/~/media/hsbc-com/investorrelationsassets/hsbc-results/2016/annual-results/the-hong-kong-and-shanghai-banking-corporation-limited/170321-annual-report-and-accounts-2016-en.pdf>

Loans and advances

As at the end of 2016, the total loans and advances of the surveyed banks increased by 3.4 percent compared to 31 December 2015. This is an improvement compared to the previous year, where we noted a 2.5 percent decline in total loans and advances as at the end of 2015, compared to 2014.

Total loans and advances reached HK\$7,357 billion as at 31 December 2016, up from last year's total of HK\$7,115 billion. Commercial loans, mortgage lending and loans for use outside Hong Kong continue to represent 87 percent of total loans, consistent with 2015.

The proportion of various types of lending show an overall increase in lending to the commercial sectors by about 2 percentage points (up from 35 percent to 37 percent of the total loans and advances from 2015 to 2016), a decrease in lending towards loans for use outside Hong Kong by 2 percentage points (down from 33 percent to 31 percent of total loans and advances from 2015 to 2016), and a decrease in lending towards trade finance by about 1 percentage point (down from 7 percent to 6 percent of the total loans and advances from 2015 to 2016). Lending for credit cards and personal loans in 2016 remained at the same level as 2015, at 2 percent and 5 percent of the total loans and advances, respectively.

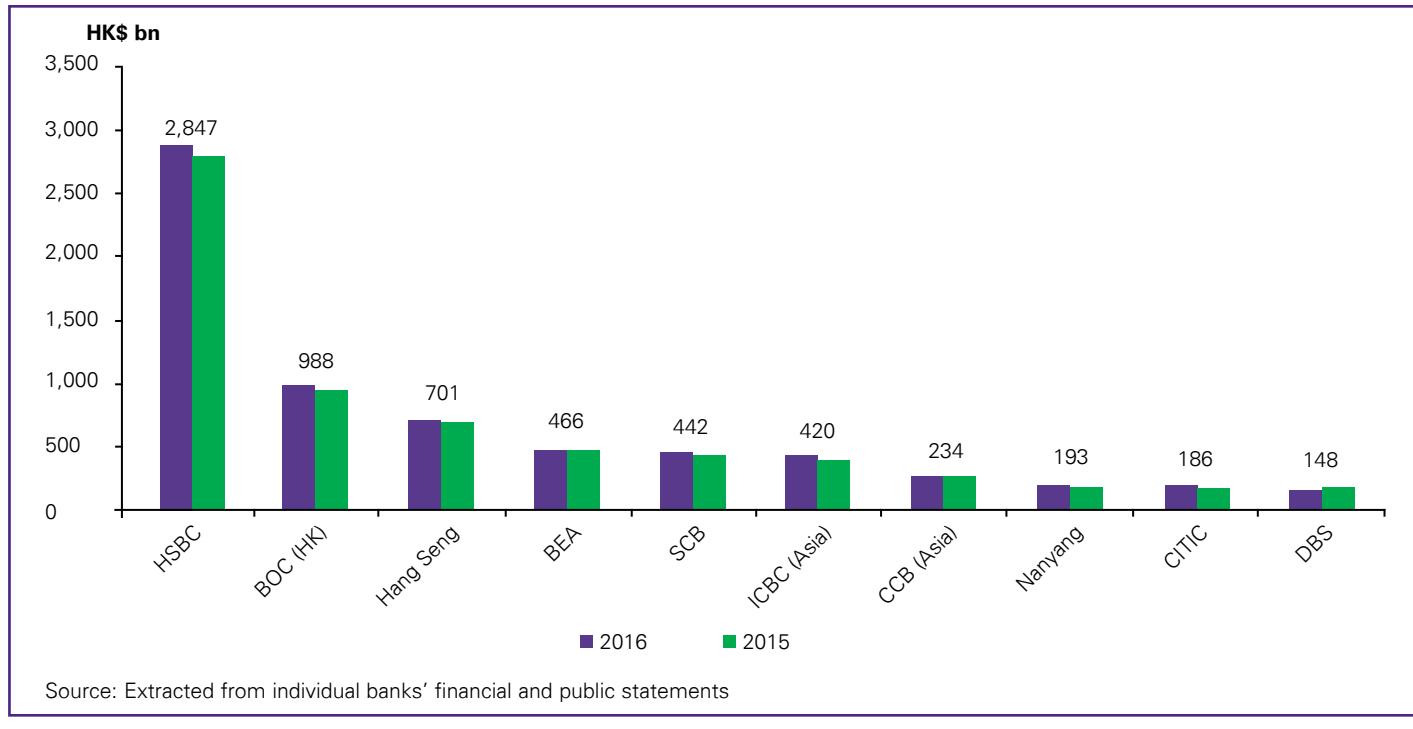
¹² HSBC consolidated results include Hang Seng and its other Asia operations.

¹³ HSBC Annual Report 2016 p. 14, <http://www.hsbc.com/~/media/hsbc-com/investorrelations/assets/hsbc-results/2016/annual-results/the-hong-kong-and-shanghai-banking-corporation-limited/170321-annual-report-and-accounts-2016-en.pdf>

HSBC¹² and BOC (HK) continue to be the dominant players in the lending market, constituting 52 percent of the total loans outstanding as at 31 December 2016.

HSBC's gross loans and advances increased by 2.6 percent to HK\$2,847 billion, largely from increases in corporate and commercial lending, lending to non-bank financial institutions and residential mortgages¹³.

Loans



BOC (HK)'s gross loans and advances increased by 6 percent to HK\$988 billion as at the end of 2016 compared to 2015. This was a result of growth in both the local market and in the ASEAN region¹⁴.

The top 10 locally incorporated banks recorded an increase in their loan portfolios of 3.5 percent, or HK\$224 billion, compared to 31 December 2015. Nanyang and ICBC (Asia) experienced notable loan growth of 13.6 percent and 10 percent, respectively, albeit Nanyang was from a relatively lower base.

Nanyang's gross loans and advances as at the end of 2016 stood at HK\$193 billion, compared to HK\$170 billion at the end of 2015. There was growth in its overall loan portfolio, except in trade finance. ICBC (Asia)'s gross loans and advances as at the end of 2016 stood at HK\$420 billion, compared to HK\$382 billion at the end of 2015. There was growth in loans and advances across both commercial and individual loan segments, including cross-border financing¹⁵.

DBS experienced the largest decline in its loan portfolio, with a drop of 8.54 percent. The bank's gross loans and advances balance declined from HK\$161 billion at the end of 2015 to HK\$148 billion as at the end of 2016, with money being deployed in the interbank market instead.

Credit quality

Hong Kong has been impacted by the less favourable global economic environment, in particular slowing growth rates in mainland China. This has been evident, for example, in the continuing downward pressure on the prices of commodities, oil and other related sectors. However, this has not resulted in a significant increase in impaired loans in Hong Kong.

Our analysis of the surveyed banks indicate a slight increase in the impairment of loans and advances in 2016, although the overall credit quality of the Hong Kong banks' exposure remains sound. The average impaired loans as a percentage of the gross advances of the surveyed banks increased from 0.52 percent in 2015 to 0.64 percent as at the end of 2016¹⁶. While there has been an increase, it remains, in our view, a comfortable level of non-performing loans for the sector.

For the top 10 banks, the average impaired loan ratio stood at 0.82 percent for 2016 (up 12 basis points compared to 2015). HSBC's gross loans and advances and impaired advances constituted nearly 40 percent of the total gross advances and total impaired advances. The credit quality of HSBC remained strong, with the impaired loans ratio standing at 0.68 percent at the end of 2016, compared to 0.66 percent at the end of December 2015.

¹⁴ BOC (HK) Holdings Limited Annual Report p. 27, http://www.bochk.com/dam/bochk/desktop/top/aboutus/ir/docs/finreport/bochkholdings/2016ar/e101_Fullset.pdf

¹⁵ ICBC (Asia) Annual Report 2016 p.4 and p.30, http://v.icbc.com.cn/userfiles/Resources/ICBC/haivai/Asia/download/EN/2017/2017_04_19_ICBC_AR_170419_E.pdf

¹⁶ Impaired loan ratio is calculated as impaired advances divided by gross advances to customers.

DBS shows the most significant deterioration of its impaired loans ratio, reported at 2.48 percent as at the end of 2016, an increase of 0.67 percent compared to 1.81 percent in 2015. Its absolute balance of impaired loans remained broadly consistent with 2015, but the overall loan balance decreased, impacting the ratio. The impaired loans mainly related to oil and gas support services¹⁷.

BEA recorded the second highest deterioration of its impaired loan ratio, primarily due to its exposure in China¹⁸.

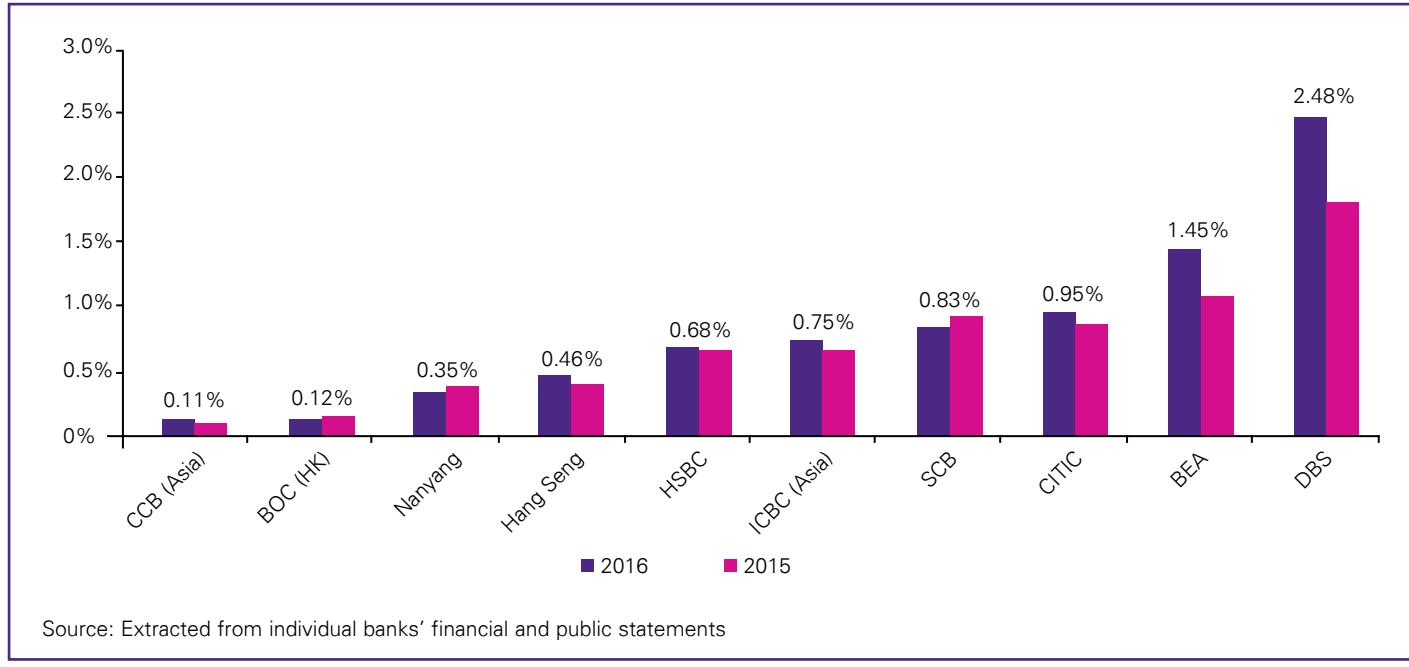
BOC (HK), Nanyang and SCB showed improvements in their impaired loan ratios as these banks reported a drop in the impaired loan ratio compared to 2015. For BOC HK, the impairment ratio stood at 0.12 percent (an improvement of 3 basis points compared to 2015). Nanyang reported a growth in gross advances to customers of 14 percent, and an increase in impaired advances of 5 percent in 2016, resulting in an overall impaired loan ratio of 0.35 percent (an improvement of 3 basis points over 2015). SCB also reported a growth in gross advances to customers of 6 percent, combined with a fall in impaired advances by 3 percent (an improvement of 8 basis points compared to 2015).

These banks also reported a lower level of bad debt write-offs compared to 2015, indicating an improved credit environment during 2016. This represents a qualitative improvement in the loans impairment ratio during 2016.

¹⁷ DBS Bank (Hong Kong) Limited Financial Results 2016 p.8 https://www.dbs.com/iwov-resources/pdf/investor/financial-performance/2016/4Q16_performance_summary.pdf

¹⁸ BEA Annual Report 2016 p 8, https://www.hkbea.com/pdf/en/about-bea/investor-communication/annual-and-interim-reports/2016/E_2016%20Annual%20Report.pdf

Impaired loan ratio



Non-bank Mainland Exposure

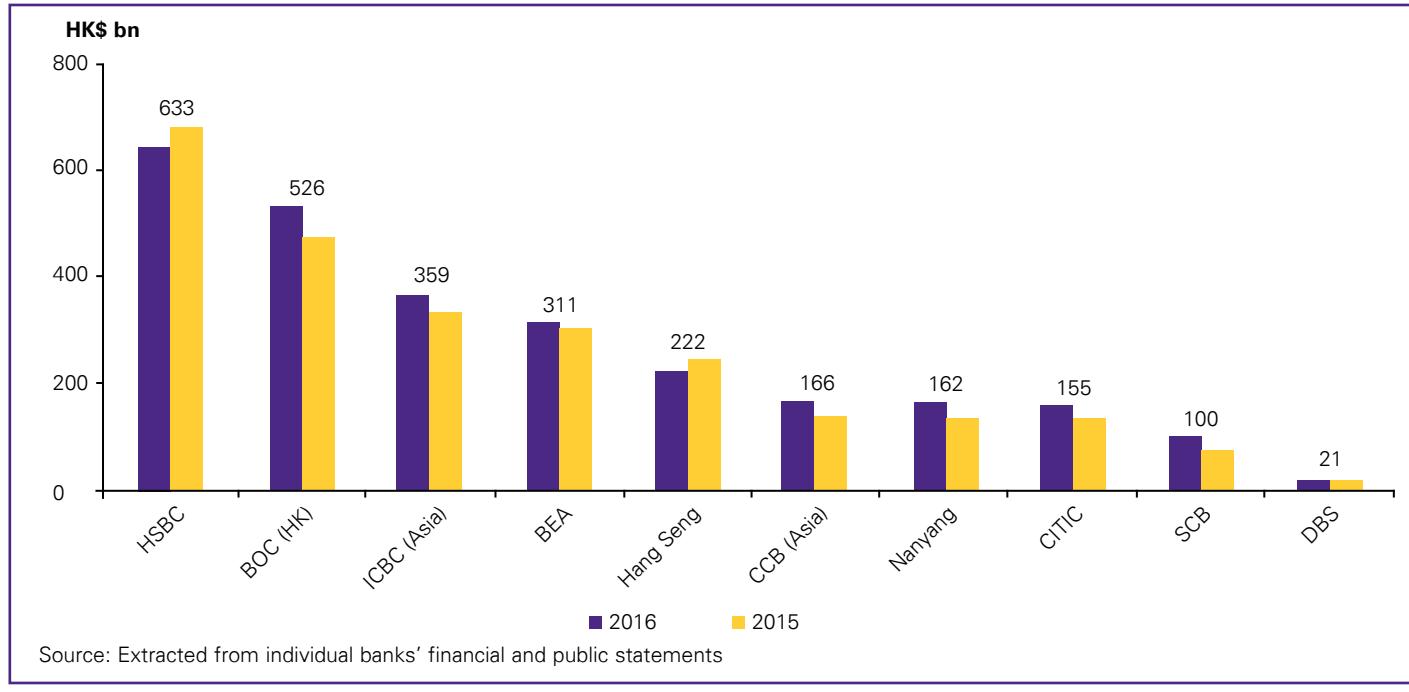
The surveyed banks' exposure to non-bank mainland China-related business increased by 7 percent as at the end of 2016 compared to 2015. This is an increase compared to the previous year, where we noted only 1 percent growth in non-bank mainland China exposure at the end of 2015 compared to 2014.

In aggregate, non-banking mainland China exposure for the top 10 locally incorporated banks grew by 5.76 percent in 2016. This growth was primarily attributed to the subsidiaries of Chinese banks and by SCB.

Of the banks surveyed, BOC (HK), CCB (Asia), Nanyang, CITIC and SCB saw double-digit growth in their non-bank mainland China exposure during 2016, with increases of HK\$57 billion (or 12.3 percent), HK\$25 billion (or 17.8 percent), HK\$26 billion (or 19.8 percent), HK\$21 billion (or 15.7 percent) and HK\$24 billion (or 31.8 percent), respectively.

All of the top 10 banks surveyed except for Hang Seng and HSBC reported an increase in their non-bank mainland China exposure. Hang Seng and HSBC reported a decline of HK\$21 billion (or 8.5 percent) and HK\$35 billion (or 5.3 percent), respectively, from 31 December 2015.

Non-bank mainland China exposure





Andrew Weir

Senior Partner, Hong Kong
KPMG China

The road ahead for Hong Kong

Andrew Weir, Regional Senior Partner of KPMG Hong Kong, and member of the Financial Services Development Council (FSDC), shares his views on Hong Kong's position as an international finance centre, and the key areas of development for the city's financial services industry.

Hong Kong remains a major international finance centre, boasting a vibrant capital market, an extensive network of banks, a favourable tax environment and an experienced pool of human capital. The city continues to be a leading centre for banking, fund management and offshore renminbi (RMB), as well as a key conduit for China inbound and outbound investments. However, to retain its position as a leading international financial centre, Hong Kong needs to continue to develop. There are a number of new developments which can help to further cement Hong Kong's position as the primary international financial centre in Asia.

These developments are expected to affect the banking, equity and bond markets. With Hong Kong's prominent role in China's 13th Five Year Plan and Belt and Road initiatives and the emerging Greater Bay area, the city is well placed to continue to remain a 'super-connector', both globally and regionally, to the fast growing ASEAN economies.



Equity markets: next steps

The Hong Kong-Shanghai and Hong Kong-Shenzhen stock connect schemes, as well as the possible launch of a Third Board, are very important developments, and there is a recognition that there needs to be more offerings in Hong Kong. There has been a lot of support for the launch of a third board where young, high growth companies can access the capital markets in a straightforward and easy manner. We expect to see a consultation paper on the launch of the third board, as well as a review of the GEM, in the coming months.

In particular, we expect Hong Kong to benefit from the stock connect with Shenzhen, which opens up the market for high tech opportunities to Hong Kong's investors, and also promotes the broader coming together of Southern China and Hong Kong. The ability to attract high growth companies – particularly in the tech sector – is significant, and in the absence of an appropriate offering in Hong Kong, these companies might look elsewhere.

FinTech: seizing the opportunity

The FinTech opportunity is multi-layered, from the development of new products by existing major institutions, through to start-ups and major new credit groups from the mainland. Hong Kong has taken positive steps to develop its FinTech industry, with the government-appointed FinTech Steering Committee publishing its report in early 2016, and the 2016/17 Budget committing to the further development of FinTech in Hong Kong.

The FSDC launched a research report on FinTech in May, which suggests that Hong Kong should focus on five areas to strengthen its position as a FinTech hub in the region: cybersecurity, payments and securities settlement, digital identification and know-your-client utilities, WealthTech and InsurTech, and RegTech. The paper also recommended that the Hong Kong government should set up a FinTech office to better facilitate the city's efforts to become a hub for developments such as blockchain and InsurTech.

Hong Kong has a large pool of intellectual capital. Companies here are already developing their own FinTech solutions, while also providing professional support and platforms for the fast-emerging operators in China. Hong Kong has a major opportunity to be a global leader in FinTech, particularly in the business-to-business (B2B) space and as a centre of alliances with banks.





Bonds: going deeper and broader

With changing demographics and significant infrastructure opportunities in Hong Kong and regionally, the facilitation of the development of a deeper and broader bond market is vital. While the government has a strong fiscal position and the corporate bond market is developing, there are certain measures that can be introduced to enable the market to take off. One example would be the issue of long-dated government debt.

The demand for long-dated debt, particularly from the insurance sector across Asia, is there. However, there is a lack of supply of long-term bonds, and those that are issued appear to be held for the long term, resulting in low levels of secondary trading.

RMB products: more to come

Another important area is the ongoing development of the RMB financial service business in Hong Kong, which includes offshore RMB and RMB-denominated products. Although we have seen a slight lull in RMB activity in recent months, this is probably a temporary phenomenon. However, it also raises an alert that Hong Kong needs to ensure that it is always at the forefront of cutting edge developments, especially as competition for RMB capital and provisional RMB products continues to intensify.

13th Five Year Plan/Belt and Road: key role for Hong Kong

Hong Kong's key role in China's 13th Five Year Plan should not be underestimated. When one looks at the details of the Plan, there are major opportunities for Hong Kong in the banking and broader financial services industry. The first major opportunity lies in the development of the Greater Bay Area and the opening up of Southern China with closer integration of Hong Kong, Macau and Guangdong.

The second opportunity is Hong Kong's role as a global offshore RMB finance and service hub, which gives it a prominent role in the Belt and Road initiative. As part of that, the deepening of the bond market, the development of project finance, and the general facilitation of Belt and Road investments provides Hong Kong with significant opportunities. With the Belt and Road initiative a major driver for the region, this is likely to lead to more demand for green bonds and green-related financing, innovative project financing and supply chain financing.

Asset management: creating an insurance hub

Hong Kong's role as a wealth management centre cannot be seen as guaranteed. The consideration of the value proposition and the need for incentives is key when you consider what is happening in alternative locations such as Singapore. A key imperative is to ensure that Hong Kong develops as an insurance hub, with the development of a new Insurance Authority and policies to support regional headquarters. This in turn, should encourage the asset managers to come to Hong Kong.

Policy: tax as a policy tool

Regarding policy, tax measures are increasingly being considered as a way of addressing gaps and maintaining Hong Kong's competitiveness. For example, the Inland Revenue Ordinance was amended last year to reduce profits tax for qualifying corporate treasury centres. The government is also aiming to offer tax concessions to aircraft leasing businesses to encourage them to locate in Hong Kong. This focus on securing areas of specialisation for Hong Kong has to be the right strategy going forward.

Regulation: accountability and focus

The regulators in Hong Kong continue to develop and focus their approach on governance and conduct, with an emphasis on accountability for executives and outcomes for customers. International regulations will also continue to impact Hong Kong, with the upcoming introduction of the Markets in Financial Instruments Directive II (MiFID II) in the European Union – which affects firms engaged in the dealing and processing of financial instruments – a notable example. In the regulatory sphere, as highlighted in the FSDC's FinTech report, there are opportunities for Hong Kong to further develop the application of technology to regulatory compliance. This would better enable the banking industry to deploy RegTech solutions to help streamline and automate their regulatory reporting, and monitor and analyse their transactions in real time.

We at KPMG are very positive on the future of banking and financial services in Hong Kong, and support bold measures and policies to maintain its position as a leading international finance centre.



The dawn of the AI banker



Edge Zarrella

Partner, Head of Clients & Innovation
KPMG China

With financial institutions facing an increasingly complex environment and fast-evolving consumer behaviour, the emergence of artificial intelligence (AI), cognitive computing and robotics will potentially change how banks in Hong Kong interact with their customers, as well as the role of the banker itself.

AI, cognitive computing and robotics are undoubtedly major disruptors which will affect the banking sector both globally and in Hong Kong, with many in the industry pointing to these technologies as the flag bearers of the Fourth Industrial Revolution. The creation of Google's Deep Mind system which in 2016, and then again in 2017, beat the world's leading player of the complex Chinese board game Go, offers a fitting example of just how far cognitive technology has progressed and become part of our daily lives. The ability of technologies to take on more of the cognitive load – to think, learn and adapt – is creating opportunities to automate many jobs that have historically been considered safe. Discussions from KPMG's Changing Face of Commerce events describe even elite jobs – including surgery and radiology – being threatened by AI, which can often perform complex tasks in a shorter timeframe and with greater accuracy. However, there are new opportunities from all of this disruptive technology.

A new standard for customer experience

With robotics and AI able to perform many tasks cheaper and more efficiently than manual labour, businesses are beginning to take greater strides to integrate these technologies into their operations. For banks, front-office trading has become more efficient through the use of algorithms. However, when focusing on the middle and back-office functions, some banks have sought to cut costs through labour arbitrage – offshoring the work to lower cost countries. While this has been successful in the past, banks should explore the opportunity of adopting



“ The banks that use AI and cognitive computing effectively will not only be able to analyse data to better predict consumer behaviour, but they will be able to do it subtly and tailor their services to offer a unique customer experience to each individual. ”

robotics and cognitive solutions rather than offshoring to further increase operational efficiency and profitability, and help position their workforce for the future.

However, with robotics and cognitive solutions in place, banks need to consider how this affects the way in which they interact with their customers. This is particularly important as one of the world's largest demographic groups – millennials – are heralding a shift in consumer expectations, and setting a new standard for digital and customer experience. These expectations are also being adopted by all other demographic groups.

As a result, banks are starting to use AI technology to gather social, economic and other relevant data to help create customised products and services. Banks can also utilise unstructured data to gain valuable insights into their customers' behaviours and preferences. Unstructured data refers to information that either does not have a pre-defined data model or is not organised in a pre-defined manner. Unstructured information is typically text-heavy, but may contain data such as dates, numbers and facts, including web searches, public records, contracts and documents containing legal information, such as birth and wedding certificates.

While an in-depth analysis of customer data can provide banks with valuable information, the danger then lies in customers feeling like they are 'just a number'. However, the banks that use AI and cognitive computing effectively will not only be able to analyse data to better predict consumer behaviour, but they will be able to do it subtly and tailor their services to offer a unique customer experience to each individual.

Integrating AI technology throughout the organisation

“ There are still opportunities ahead for the banks in Hong Kong that may be lagging behind on AI and cognitive computing. The costs of these new technologies are dramatically decreasing, offering banks an opportunity to roll out solutions and catch up with their competition overnight. ”

Despite the operational and financial benefits that AI and cognitive computing bring, these technologies are still underutilised by banks in Hong Kong. In some instances, firms that claim that they are automated have not really transformed their operations or processes. The primary challenge to introducing AI and cognitive computing technologies often lies in the difficulty in convincing executives, the board or other key stakeholders to enact large-scale change.

Furthermore, few firms have a culture of innovation that enables the business to take dramatic steps to remain competitive and overcome ingrained resistance to change. To stay ahead of the curve, banks should aim to foster a culture of innovation, invest in new data and technologies, and bring chief innovation officers and data scientists on board.

Most banks in Hong Kong are yet to challenge themselves on AI. On the other hand, our observation is that their peers in the mainland are embracing these solutions at a greater pace. However, there are still opportunities ahead for the banks in Hong Kong that may be lagging behind on AI and cognitive computing. The costs of these new technologies are dramatically decreasing, offering banks an opportunity to roll out solutions and catch up with their competition overnight.

The speed at which robotics and AI technology is evolving is remarkable, and its impact on the financial services sector is profound. Banks, led by strong senior management, need to start taking steps now to integrate robotics and AI throughout their organisations to adapt to the evolving nature of how banks market their services and interact with their customers. The banks that get it right will be the ones that take this one step further to utilise AI and insights gained from data to ultimately accompany their clients throughout the entire customer journey and offer them a holistic and consistent experience. Banks don't just need to work harder to manage cost pressures and stay ahead of their competition, they need to work smarter.

Regulatory Landscape: finding the right balance



Simon Topping

Partner, Regulatory Advisory
KPMG China

The Hong Kong Monetary Authority (HKMA) continues to assess a number of consultation papers recently issued by the Basel Committee on Banking Supervision, and are working towards implementing Basel III measures, in line with their global counterparts. At present, the HKMA is focussing on key market risk and interest rate risk changes, as well as expected loss provisioning based around IFRS 9.

Balancing financial stability with economic growth

However, with heightened regulatory scrutiny worldwide, the perception of regulation is changing, and a number of governments are beginning to assess the value of international regulatory standards. At the same time, there is a level of uncertainty around whether the US might move towards a climate of deregulation in coming years, which could set a trend for the rest of the world. This move towards deregulation could be done through re-examining US domestic legislation such as the Volcker rule, which limits the investment banking and trading activities of commercial banks, and certain aspects of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which aims to minimise various risks in the US financial system.

These changes in perception could lead some regulators to weigh up the benefits of international agreements – the promotion of growth, trade and access to markets – against gradual retrenchment from standard setting bodies to allow more flexibility to set standards that are more suitable for their own markets. This change in regulatory focus is already starting to take shape. For the last

“ The change in regulatory focus is already starting to take shape. For the last seven to eight years, the emphasis has been strongly rooted in strengthening financial stability, primarily through raising capital and liquidity requirements and recovery and resolution planning. While this focus is both laudable and necessary, it is our view that it should not be done at the cost of depressing economic growth and innovation. ”

seven to eight years, the emphasis has been strongly rooted in strengthening financial stability, primarily through raising capital and liquidity requirements and recovery and resolution planning. While this focus is both laudable and necessary, it is our view that it should not be done at the cost of depressing economic growth and innovation. This view is starting to take hold worldwide, and the G20 and a wider range of commentators have urged regulators to balance policies aimed at promoting financial stability with those that promote growth, trade and innovation.

In Hong Kong too, the HKMA is also looking at implementing policies that are tailored to the city's markets and financial system. For example, the HKMA is seeking to ensure better access to financial services, promote lending to SMEs and foster financial inclusion. The regulator recently urged banks to examine how they provide financing to small and medium-sized enterprises (SMEs), and has also set up a website offering guidance on how to more easily open or maintain bank accounts. This is expected to be a growing feature during the rest of 2017 and beyond.

Furthermore, with most of the key building blocks for financial stability in place, regulators like the HKMA are taking a broad view of their responsibilities to make sure financial institutions treat customers well, behave appropriately in markets and consider social and economic issues in addition to profitability. For example, the HKMA's recent guidance on Independent Non-Executive Directors (INEDs) in the banking industry aims to broaden the responsibilities, duties and involvement of INEDs, and ultimately improve the governance of financial institutions in Hong Kong.

Greater regulatory certainty

While Hong Kong is expected to continue following international standards in terms of financial stability and appropriate conduct and customer protection requirements, our expectation is that the regulators will not go as far as they have done in the US and UK. As a result, this would leave Hong Kong's financial industry in a strong competitive position as a place that has strong prudential and conduct controls, but where compliance costs can still be controlled.

The regulatory environment in Hong Kong is more settled than it has been in recent years, and banks can now better predict the stance that regulators are going to take in certain areas. While most banks are still largely adjusting to new regulatory requirements, there is a greater level of certainty around the regulatory environment in Hong Kong, which should give banks the ability to effectively conduct business at lower costs.

The stage is set for more business to be done in Hong Kong, and for banks to play a larger role in contributing to growth, trade and innovation in the region. Looking ahead, Hong Kong's regulators are expected to continue to promote a robust and competitive business environment, as well as push for a move towards greater financial inclusion and SME growth. Coupled with the region's strong economic growth relative to other global markets, the growth potential for banks in Hong Kong remains strong, and banks need to make the most of this opportunity to effectively leverage that growth and thrive.

“ While most banks are still largely adjusting to new regulatory requirements, there is a greater level of certainty around the regulatory environment in Hong Kong, which should give banks the ability to effectively conduct business at lower costs. ”

Best Execution: further guidance on the horizon



Jia Ning Song

Partner, Financial Services Advisory
KPMG China

While Hong Kong's financial industry awaits additional guidance from the Securities and Futures Commission (SFC) on best execution, licensed corporations in the city should actively seek to implement a comprehensive framework to deliver consistent best execution for their clients.

In November 2016, the SFC announced the commencement of a thematic review on understanding market practices in delivering best execution – the duty of licensed corporations acting on behalf of investors to ensure that they execute orders in the most advantageous way for their customers.

Hong Kong's Code of Conduct has featured a principles-based regulatory requirement for best execution for a number of years. However, since the rules were first implemented, the city's financial market has become more complex, comprising global financial institutions, regional players, Chinese banks and small brokers, and remains a hub for asset managers, private banks and other buy-side participants. Furthermore, the proliferation of electronic trading and the advancement of products like fixed income and over-the-counter derivatives is adding to this market complexity. As a result, financial institutions in Hong Kong have adopted their own approaches and expectations around what they consider to be the requirement for best execution. To address this, the outcome of the thematic review by the SFC should provide additional guidance on best execution for all market participants in Hong Kong.



David Bryden

Principal Consultant
KPMG in the UK

Creating a robust best execution framework

“ Irrespective of the setup, size or scale of the organisation, the duty of ensuring best execution ultimately falls upon all licensed corporations. Financial institutions therefore need to determine their most suitable best execution framework to ensure that they offer the best possible outcome to their clients, along with transparency around these arrangements, including appropriate client disclosures. ”

Given the heterogeneous nature of the market participants and Hong Kong's position as a regional execution nexus, the key challenge from a regulatory standpoint is to figure out what the appropriate additional guidance should be to ensure that best execution is fair and balanced for all market participants. The requirement of best execution also extends to other asset classes beyond equities, including bonds, foreign exchange and derivatives. Global financial institutions that predominantly deal with wholesale clients, hedge funds and sovereign wealth funds, may view best execution requirements very differently to smaller local firms that are more involved in HKEx-listed cash equity trading, on behalf of retail clients. However, irrespective of the setup, size or scale of the organisation, the duty of ensuring best execution ultimately falls upon all licensed corporations. Financial institutions therefore need to determine their most suitable best execution framework to ensure that they offer the best possible outcome to their clients, along with transparency around these arrangements, including appropriate client disclosures.

When reviewing their best execution framework, financial institutions should examine their existing arrangements and ensure that their client documentation, internal policies, and key monitoring and governance controls are relative to the complexity of their business and the sophistication of their end clients. Firms that may rely on third parties and/or international affiliates should also assess their existing review processes to be able to demonstrate that they are obtaining consistent and effective best execution outcomes from all execution agents.

Best execution as a competitive advantage

At its core, best execution is critical and fundamental to maintaining an orderly financial market, as it provides investors with greater transparency and confidence. While best execution requirements are aimed at protecting investors, licensed corporations should also view them as an opportunity to establish a competitive advantage by demonstrating that they can consistently execute trades to achieve the optimal outcome for their customers. The enhancement of best execution requirements in Hong Kong will benefit both end clients and the Hong Kong capital market. This will likely require some up-front spending by licensed corporations, but this investment should not be viewed as a regulatory cost, but rather as an investment in their business practices and ultimately their end clients.

However, developing a comprehensive best execution framework and establishing a competitive advantage cannot be achieved without buy-in and active leadership from senior management. The importance of senior management input has been further emphasised by the introduction of the new Manager-In-Charge (MIC) regime in Hong Kong in April this year. The initiative seeks to raise awareness among senior managers about their regulatory obligations and increase the accountability of senior management of all licensed corporations in Hong Kong.



“ While best execution requirements are aimed at protecting investors, licensed corporations should also view them as an opportunity to establish a competitive advantage by demonstrating that they can consistently execute trades to achieve the optimal outcome for their customers. **”**



As a result, it is crucial that MICs at firms have a sound understanding of the firm's best execution arrangements and procedures, including the review processes for third parties and affiliates in different jurisdictions. Furthermore, complexities of booking models, jurisdictional regulatory mismatches, data and systems capabilities – particularly outside of cash equities – will likely need to be enhanced. Senior management need to ensure that front-office, surveillance and compliance staff are sufficiently empowered and financed to be able to be held accountable for the day-to-day delivery of best execution. This should be complemented with the provision of comprehensive and regular training for employees to educate them on the firm's best execution framework, as well as their specific responsibilities to ensure the consistent delivery of best execution.

The road ahead

It is important for market participants to understand that best execution is not a new phenomenon in Hong Kong, and has been a requirement in the Code of Conduct for a number of years. However, the concept is being stressed more than ever in response to a number of issues that have arisen globally in recent years, as well as the renewed focus on better conduct practices following the global financial crisis. The upcoming introduction of the Markets in Financial Instruments Directive II (MiFID II) in the European Union is also serving as a catalyst to enhance best execution practices in Hong Kong. While global firms will have to adopt measures for MiFID II, this also presents an opportunity for Hong Kong to align itself with global regulators on this issue where relevant. For example, providing a best execution definition including key components, and issuing guidance on the expectations of the front office and support functions would further cement the city's position as a leading international finance centre.

Over the next few months, we expect to see the SFC provide a summary of its thematic review and continue its discussions with the market on best execution. While firms await further guidance from the SFC, they should start actively working to develop a robust best execution framework that stresses, above all, governance and holistic ownership across a licensed corporation. They should also seek to move best execution higher up the boardroom agenda, carefully review their procedures for assessing third parties and affiliates, and regularly educate employees on their roles and responsibilities to ensure consistent best execution delivery.

AML: at the top of the agenda



Kyran McCarthy

Partner, Asia-Pacific Head of
AML & Sanctions Services
KPMG China



Anti-money laundering (AML) continues to feature high on the regulatory agenda, evidenced by the clampdown of Hong Kong's regulators – the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC) and the Office of the Commissioner of Insurance – on financial institutions that fail to maintain stringent AML compliance programmes.

While the financial penalties the regulators in Hong Kong have imposed on offending banks might not be as high as the fines levied by their counterparts in the US and Europe, the reputational damage and impact on consumer confidence can sometimes be irreparable. As a result, many banks in Hong Kong are actively updating and re-evaluating their enterprise-wide risk assessments to enhance their risk awareness, bolster their AML capabilities and improve effectiveness.

Gearing up for FATF's next mutual evaluation

Perhaps the most important event on the horizon is the Financial Action Task Force's (FATF) next mutual evaluation of Hong Kong, scheduled for June/July 2018. In the lead up to this review, Hong Kong's regulators have publicly stated their intention to further ramp up on-site supervision and enforcement activity around AML and counter-financing of terrorism (CFT). In an effort to address gaps in Hong Kong's AML/CFT regime before the FATF mutual evaluation, the Financial Services and the Treasury Bureau (FSTB) conducted consultations on a number of new measures, including introducing customer due diligence (CDD) requirements for designated non-financial business professions (DNFBPs). The FSTB has said it aims to introduce amendment bills based on the consultation conclusions into the Legislative Council by July this year.

“ The HKMA is expected to look more closely at the approach taken by banks regarding onboarding and account opening processes with regards to SMEs and start-ups. As a result, we expect to see banks continue to refine their risk-based approach to customer onboarding and CDD, while ensuring that they promote financial inclusion and treat legitimate businesses and customers fairly. ”

“ Facing increasing regulatory scrutiny, many financial institutions in Hong Kong are starting to embrace innovative IT solutions to better manage the efficiency and costs of their client onboarding systems and ongoing updates of client information. Some banks are beginning to show a growing interest in utilising third parties to manage these processes in the form of offshore managed services. ”

At the same time, while Hong Kong is preparing new requirements for DNFBPs, the HKMA is also actively reviewing its guidance notes, and possibly revisiting certain aspects of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO). We expect to see the HKMA issue more guidance notes on issues like the effectiveness of onboarding and screening systems, transaction monitoring and institutional risk assessments.

In addition, the HKMA has also deemed small and medium-sized enterprises (SMEs) a key focus going forward, with more assessments and guidance notes expected in the second half of this year. In particular, the regulator is expected to look more closely at the approach taken by banks regarding onboarding and account opening processes with regards to SMEs and start-ups. As a result, we expect to see banks continue to refine their risk-based approach to customer onboarding and CDD, while ensuring that they promote financial inclusion and treat legitimate businesses and customers fairly.

Harnessing technology

Facing increasing regulatory scrutiny, many financial institutions in Hong Kong are starting to embrace innovative IT solutions to better manage the efficiency and costs of their client onboarding systems and ongoing updates of client information. However, this can often be an onerous and complex exercise for banks. To tackle this issue, some banks are beginning to show a growing interest in utilising third parties to manage these processes in the form of offshore managed services.

The use of other forms of technology such as know-your-customer (KYC) utilities is another major topic of discussion that the HKMA is spearheading in Hong Kong. The purpose of KYC utilities is to create a single source for banks in Hong Kong to access KYC data and relevant documents for customer onboarding CDD, which could improve the efficiency and speed of account-opening processes.

With FATF's next mutual evaluation of Hong Kong around the corner, banks in the city can undoubtedly expect an increase in AML supervision and enforcement from the regulators. At the same time, they can expect to receive greater clarity from the HKMA on a number of areas, including SMEs and financial inclusion, developing effective onboarding and screening systems, and maintaining transaction monitoring systems that are fit for purpose. While the enhancement of Hong Kong's AML/CFT regime is a welcome development, financial institutions need to actively revisit their enterprise-wide risk assessments and deploy innovative technology solutions to enhance their customer onboarding and CDD processes, and reinforce their overall AML capabilities. At the end of the day, the comprehensive risk-based controls and AML/CFT measures that financial institutions put in place should go hand in hand with increased support and guidance from the regulators to give banks the confidence to take risk-based actions and maintain Hong Kong's status as a leading international financial centre.

Conduct: a front-foot approach to managing conduct risk



Jyoti Vazirani

Partner, Head of Financial Risk Management
KPMG China

“ The new MIC initiative aims to raise awareness among senior managers about their regulatory obligations and increase the accountability of senior management of all licensed corporations. ”



Although many new regulations have been enacted since the financial crisis, financial institutions continue to uncover instances of misconduct, which often result in significant financial penalties and reputational damage for the banks concerned. Recent examples in Hong Kong include fines for a large wealth manager for overcharging clients, as well as an FX trading platform for the unfair handling of client orders.

In response, regulators around the world have introduced a range of rules, guidance, reviews and enforcement measures focused on conduct. In Hong Kong too, conduct remains high on the regulatory agenda, with regulators regularly highlighting the importance of changing banks' culture to ensure the fair treatment of clients and that they act fairly in markets. As a result, banks need to consider enacting stronger measures to mitigate conduct risk – the risk that misconduct by a financial services firm may cause its clients to suffer financial detriment or may harm market integrity.

New guidance in Hong Kong

Both the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) have recently issued guidance to enhance conduct among financial institutions in Hong Kong.

In March 2017, the HKMA provided guidance on developing and promoting a sound corporate culture at Authorised Institutions. While the HKMA rightly said a single approach to corporate culture cannot work for all institutions, it highlighted three pillars that promote sound bank culture: governance, incentive systems, and assessment and feedback mechanisms. These three pillars are often root causes in cases of misconduct, and banks need to tackle them if they are to demonstrably improve their corporate culture and conduct.

The KPMG Conduct Culture Model



The KPMG Conduct Culture Model provides a practical framework for building a conduct framework. Aspects considered include: a conduct risk appetite definition, conduct risk governance forums, interaction between the three lines of defence, and how conduct should affect hiring, bonus and promotion decisions.

Conduct metrics are a frequent stumbling block when building conduct frameworks, particularly the relative merits of event-driven versus forward-looking metrics, and quantitative versus qualitative metrics. We think there is value in all of the above, and advocate a wide range of metrics, including: revenue targets, incentive scheme features, the level of information sharing between the business and control functions, compliance breaches and complaints data.

The HKMA also issued guidance on the Empowerment of Independent Non-executive Directors (INEDs) in the Banking Industry in Hong Kong, which covers the role of INEDs, board practices relating to INEDs and suitable qualifications of INEDs. The Guidance, which will be implemented by 14 December 2017, will broaden the responsibilities, duties and involvement of INEDs, and will likely increase demand for suitably skilled and experienced INEDs.

Meanwhile, the SFC released a circular in December 2016 – which took effect in April this year – introducing a new Managers-In-Charge (MIC) initiative to raise awareness among senior managers about their regulatory obligations and increase the accountability of senior management of all licensed corporations. The SFC also hopes senior management will set a tone from the top that consistently places client interests and the integrity of the market at the centre of business decisions.



Developing an effective conduct risk framework

Many financial institutions in Hong Kong are still working out how to develop a conduct culture that strikes the right balance between clients' interests, market integrity and profitability. This balance has to be struck in the context of challenges such as complex operating models, inconsistent behaviours and messages from leadership, weak relationships between employee accountability for risk management and performance management, and the fear of retaliation among employees for escalating issues. For some banks in Hong Kong, integrating a local conduct framework into a global or regional framework is also a challenge.

“ Technology such as cognitive computing and predictive analytics are increasingly being used to improve how conduct is measured and detected. ”

An effective conduct risk framework starts with senior management setting the tone from the top for conduct within the organisation, and by ensuring accountability is clearly understood and cascaded throughout the firm. The framework then includes setting benchmarks for acceptable and unacceptable conduct across all stages of the client and trade lifecycles. Performance against these benchmarks should be measured periodically, leading to action plans to improve performance.

Dashboards of key conduct metrics can be developed to compare performance over time and across different divisions. The results of the periodic conduct assessments and execution against conduct action plans should influence remuneration – for example, the ability to tie bonus levels to conduct performance is a powerful tool to incentivise good conduct.

To further enhance their conduct risk frameworks, banks in Hong Kong could use emerging technologies to help measure and manage conduct risk. Technology such as cognitive computing and predictive analytics are increasingly being used to improve how conduct is measured and detected, for example, by monitoring transactions to identify possible misconduct as it occurs.

Sustainably mitigating conduct risk requires true cultural change, which can take time to embed throughout an organisation. With Hong Kong's regulators increasingly focusing on conduct risk, banks need to act now and be on the front foot to avoid both financial liability and reputational damage. Expectations around conduct from Hong Kong's regulators are not new, so banks should already be considering how best to manage conduct risk. With senior management leadership, banks need to enact sustainable and measurable frameworks across the organisation, not just to meet regulatory expectations, but above all to ensure that they engage transparently and fairly with clients and maintain market integrity.

Cybersecurity: Hong Kong's three-pronged approach to bolster cyber resilience



Henry Shek

Partner, Head of IT Advisory
Risk Consulting
KPMG China

As the threat of cyber-attacks worldwide continues to grow, the Hong Kong Monetary Authority (HKMA) has been actively ramping up its efforts to strengthen cyber resilience in the city's banking sector. The regulator recently launched an Enhanced Competency Framework for banking professionals, which includes standards for more effective training and professional development around cybersecurity.

At the end of 2016 the HKMA also launched the Cybersecurity Fortification Initiative (CFI), which aims to bolster cybersecurity measures among banks in Hong Kong through the development of a Cyber Resilience Assessment Framework (C-RAF), a Professional Development Programme (PDP) and a Cyber Intelligence Sharing Platform (CISP). The PDP seeks to train and boost the number of qualified cybersecurity professionals in the banking sector, while the CISP offers a platform for banks to collaborate and share intelligence on cyber-attacks.

A phased implementation

The main pillar of the CFI's three-pronged approach is the C-RAF, which creates a common risk-based structure to enable banks to assess their risk exposure through an inherent risk assessment, a maturity assessment and intelligence-led cyber-attack simulation testing (iCAST). After receiving industry feedback during the second half of 2016, the HKMA announced a phased implementation of the C-RAF in December. The first phase covers about 30 authorised institutions (AIs) – a mix of global, local and major retail banks – that are required to complete the inherent risk assessment and maturity assessment by the end of September 2017, and the iCAST by the end of June 2018.

“For global banks, managing and reporting cyber controls and processes to regulators across multiple jurisdictions can be a cumbersome and complex task. With both cyber threats and regulations differing across jurisdictions, banks need to ensure that there is sufficient coordination and oversight at the board level across the entire organisation. ”

In preparation for the full implementation of the CFI, banks in Hong Kong have already started to beef up their teams across the three lines of defence: management oversight, risk and compliance controls and independent assurance. In addition, boards and senior management are increasingly engaging with heads of compliance, risk and audit to put in place appropriate tools, frameworks and strategies.

Despite these positive strides, many banks in Hong Kong still face a number of challenges. One major barrier is the lack of skilled cyber resources in the market, which can slow down the implementation process and increase costs for banks. Furthermore, for global banks, managing and reporting cyber controls and processes to regulators across multiple jurisdictions can be a cumbersome and complex task. With both cyber threats and regulations differing across jurisdictions, banks need to ensure that there is sufficient coordination and oversight at the board level across the entire organisation.

Lastly, some banks could be starting to experience ‘cyber fatigue’ as a result of continuously dealing with a range of evolving cybersecurity issues, which could also result in fragmented cyber programmes and higher costs. While it is important not to disregard the importance of cybersecurity, it is essential to have a holistic conversation at the board and senior management levels to connect related cyber programmes and procedures in one clean sweep, which should help minimise non-essential additional expenditure on cybersecurity.

No time to waste

Although the current focus of the HKMA’s CFI is only on 30 banks, the initiative’s second phase will require the remaining AIs to complete the inherent risk assessment and maturity risk assessment by the end of 2018. While the AIs covered in the second phase have a longer timeframe for implementation, they need to start preparing for the C-RAF and take steps to strengthen their cyber resilience as soon as possible. Although this might seem like a massive task, many banks have already made significant headway in reviewing their current talent management programmes and considering how to integrate the C-RAF and CISPR into their existing structure.

In essence, the CFI provides banks in Hong Kong with an improved framework to evaluate risk exposure and ensure better prevention and detection of cybersecurity incidents. Many financial institutions in Hong Kong in turn are increasing their spending and efforts to strengthen their cyber capabilities. Banks should not view these efforts as a compliance and regulatory exercise, but rather as an opportunity to focus on building a comprehensive digital strategy as part of the FinTech journey. Banks should also thoroughly assess their readiness to respond to cyber incidents, and ensure that they have an appropriate response strategy, as well as a partner that they can call upon to respond effectively in a very short timeframe.

Despite the positive strides to bolster their cyber capabilities, it is also vital that banks remain focussed on their core business of banking, which is evolving rapidly with the emergence of digital banking, digital transformation and artificial intelligence.

The banks that are able to balance the new cybersecurity measures with the enablement of digital transformation and the adoption of new technologies – blockchain or biometrics, for example – will be best positioned to enhance their overall business models, improve profitability, and instil greater confidence among customers and other stakeholders.

Non-Financial Regulatory Reporting: a new focus for banks



Catherine Young

Director, Management Consulting
KPMG China



Hong Kong's standing as a leading international finance hub has long been supported by a robust regulatory regime. Over the last few years we have seen greater focus on regulatory reporting for banks from the Hong Kong Monetary Authority, the Securities and Futures Commission (SFC) and also the Hong Kong Exchange. The banks themselves often face challenges with infrastructure and controls, which creates a risk of misreporting and could lead to financial penalties, reputational damage and personal liability.

Non-Financial Regulatory Reporting (NFRR), which covers reports typically produced by functions outside the finance area of an organisation, and generally includes transactional, compliance and front office reporting, has been an area of particular focus. In recent years, regulators have intensified their requirements around NFRR for banks, demanding greater transparency and backing this up with monitoring programmes. For example, the SFC has fined a number of banks for misreporting their large open position report (LOPR) – a daily position report, typically produced by operations, that has to be submitted to the Hong Kong Exchange showing open positions on futures and options.

Furthermore, in February this year the HKEx issued a circular introducing an Annual Attestation and Inspection Programme to enhance its surveillance and monitoring work of Exchange participants. The Programme focuses on the flagging of short selling orders, reporting of manual trades and compliance with China Connect Rules, all of which affects NFRR for banks.

“ The tools used to compile the data are often not specifically built for regulatory reporting, and therefore manual processes are often needed to augment and ‘slice and dice’ the data to fit the specific reporting requirements. This creates additional complexity, exposes banks to underlying data quality issues and increases the chance of reporting inaccuracies. ”

“ Data quality is a crucial element to ensuring robust NFRR. However, these data quality concerns often originate from upstream systems, and it is generally difficult to drive a solution from the back end. In addition to automating report production, banks should seek to implement exception management and other management information reporting to support the NFRR processes, identify data quality issues that need fixing, and provide cross-checks on data quality. ”

What are the challenges?

With the regulatory focus on NFRR expected to increase, some banks in Hong Kong are re-examining their infrastructure and controls frameworks in this area. However, they face a number of challenges around enhancing their NFRR processes.

Firstly, a number of banks use legacy systems to provide data for their reporting, pulling information from multiple data sources to compile their NFRR returns. The tools used to compile the data are often not specifically built for regulatory reporting, and therefore manual processes are often needed to augment and ‘slice and dice’ the data to fit the specific reporting requirements. This creates additional complexity, exposes banks to underlying data quality issues and increases the chance of reporting inaccuracies.

Secondly, managing the interpretation of constantly changing regulatory requirements – especially across multiple jurisdictions – can be a challenge. This challenge can be exacerbated in the case of NFRR due to the decentralised nature of report production in many organisations. Furthermore, banks need to ensure that overall governance around NFRR is enhanced across all departments, and that responsibilities and procedures are clearly defined and documented.

Investing in infrastructure and controls

To successfully tackle these challenges, banks should invest in developing the right infrastructure, control and governance frameworks to maintain an efficient, controlled reporting process. An important starting point is to create a central register of all regulatory obligations together with a simple English interpretation. This can then be mapped against report production processes and controls to ensure they are in line with the regulatory interpretation.

The register can also be used to maintain a consistent interpretation across departments, including compliance, IT, operations, front office and risk areas, and is important in ensuring that reporting is in line with the latest developments.

Implementing robust change management processes to ensure that both externally and internally-driven changes flow seamlessly through to production is critical. This includes the translation of changes to well documented and thorough business requirements and operational policies and procedures with clear ownership and governance.

Importantly, data quality is a crucial element to ensuring robust NFRR. However, these data quality concerns often originate from upstream systems, and it is generally difficult to drive a solution from the back end. In addition to automating report production, banks should seek to implement exception management and other management information reporting to support the NFRR processes, identify data quality issues that need fixing, and provide cross-checks on data quality. In some cases where strategic automation is not commercially viable, robotics can offer cost effective efficiencies to routine manual processes.

As regulators continue to focus on the accuracy of NFRR, some banks are starting to realise the benefits of being more proactive when preparing for a potential review. Above all, getting the right NFRR process in place can only be achieved with significant buy-in from senior management. Banks’ COOs and other senior executives need to take an active role in understanding where the risks are, and pulling together a strategic vision and holistic framework to improve the firms’ overall NFRR capabilities.

Tax: Hong Kong gears up for new transfer pricing landscape



Charles Kinsley

Principal, Tax
KPMG China



John Kondos

Partner, Tax
KPMG China

Hong Kong's banking industry is set for a shakeup with the city expected to implement transfer pricing rules as part of Hong Kong's commitment to address the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) initiative in the middle of this year.

One of the international tax community's key focus in recent years is to tackle BEPS, which is generally classified as tax planning strategies of multinational enterprises (MNEs) that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where they have little or no economic activity. This usually requires the transfer of goods, services and intangible property.

The OECD estimated that revenue losses due to BEPS range from USD 100 billion to USD 240 billion a year, or 4 percent to 10 percent of global corporate income tax revenue. It is against this backdrop that the OECD in October 2015 released a final package of 15 action plans to tackle BEPS.

As an associate of the OECD's BEPS initiative, Hong Kong launched a two-month public consultation in October 2016 for the implementation of the BEPS framework with a particular emphasis on transfer pricing. The city is expected to implement the framework in the middle of 2017.

While it remains to be seen just what the final form of the Hong Kong BEPS framework could be, the implications for banks are likely to be huge.

Once transfer pricing rules are imposed in Hong Kong, banks will, for example, have to think of ways to deal with remote booking - a common practice among banks where traders hired by one legal entity are taking positions or managing risk in different legal entities in different jurisdictions.

It is common for many global investment banks to book their Asian trading in their London subsidiaries, which offers several benefits relating to capital efficiency, staffing and operations.

Some banks have also ringfenced or carved out certain infrastructure such as their IT systems or service centers to form regional back office hubs. From the authorities' perspective, this might be a source of concern since there is a chance that they may not be allocating out charges based on actual usage.

The minimum requirement for OECD members is to implement Actions 5 (Counter Harmful Tax Practices), 6 (Prevent Treaty Abuse), 13 (Re-Examine Transfer Pricing Documentation) and 14 (Improve Effectiveness of Dispute Resolution).

Summary of the key BEPS Actions



Action 5: Counter Harmful Tax Practices

Seeks to revamp the work on combating harmful tax practices with a priority on improving transparency.



Action 6: Prevent Treaty Abuse

Requires jurisdictions to include in their tax treaties an express statement of their common intention to eliminate double taxation without creating opportunities for non-taxation or reduced taxation by way of tax evasion or avoidance strategies.



Actions 8-10: Assure that Transfer Pricing Outcomes are in line with Value Creation

A set of revised standards on the arm's length principle and an approach to ensure the appropriate pricing of hard to value intangibles. Action 8 looks at transfer pricing issues relating to controlled transactions involving intangibles. Under Action 9, contractual allocations of risk are only respected when they are supported by actual decision making and thus exercising control over these risks. Action 10 focuses on high risk areas such as scope for addressing profit allocations, scope for targeting the use of transfer pricing methods, and the use of certain types of payments between members of the same group.



Action 13: Re-examine Transfer Pricing Documentation

A three-tiered standardised approach to transfer pricing documentation. First, MNEs are required to produce a 'master file', which contains high-level information regarding their global business operations and transfer pricing policies. Second, detailed transactional transfer pricing documentation will need to be provided in a 'local file' specific to each country. Third, large MNEs will need to file a Country-by-Country Report that will provide annually and for each tax jurisdiction in which they do business the amount of revenue, profit before income tax, and other indicators of economic activities.



Action 14: Improve Effectiveness of Dispute Resolution

Jurisdictions need to commit to a minimum standard with respect to the resolution of treaty-related disputes. This commitment includes the establishment of an effective monitoring mechanism.

Why HK needs a dedicated regulatory framework

Having a regulatory framework in place will provide a clear legal basis for the Hong Kong tax authorities, in this case the Inland Revenue Department (IRD), to address transfer pricing issues. This is important to Hong Kong as the IRD has been relying on the general provisions in the Inland Revenue Ordinance and its Departmental Interpretation and Practice Notes to deal with transfer pricing issues.

The internationally agreed standard for setting transfer price is the arm's length principle, which mandates intra-group transfer prices to be comparable to those that would be charged between independent persons' dealings at arm's length under similar circumstances.

But there are obvious limitations in relying on administrative rules to deal with non-arm's length pricing under certain situations. Codifying the relevant rules in statutes would offer greater clarity and certainty.

That does not mean the Hong Kong banking industry should only prepare for these four Actions. Instead they will also have to be ready for additional codes included in the consultation.

The additional items in the consultation includes revised guidelines on transfer pricing, which aim to align the taxation of profits with economic activities. While they are not part of the minimum requirements set out by the OECD, the Hong Kong government's stance is implementing the revised transfer pricing guidelines and establishing a dedicated regulatory framework is integral to addressing other minimum standards set out by Actions 13 and 14.

“ Banks will have to do much more to prepare for the proposed legislation instead of just meeting tougher documentation requirements. The implementation of BEPS recommendations calls for a strategic review of the interplay between their tax and transfer pricing policies. ”

Preparing for the future

One of the core ideas the initiatives revolve around is to tackle BEPS by increasing the transparency of tax information.

Hong Kong has never had formal transfer pricing rules before, so there will be new reporting requirements to comply with, which could bring a lot of previously unavailable data or details about banking operations into the open.

Banks will, however, have to do much more to prepare for the proposed legislation instead of just meeting tougher documentation requirements. The implementation of BEPS recommendations calls for a strategic review of the interplay between their tax and transfer pricing policies, which would have an impact on the way banks operate.

Making offshore claims under Hong Kong's territorial tax system, for example, is one such industry practice that banks may have to consider more carefully as it could potentially come into increasing conflict with transfer pricing regulations.

While there is a legitimate basis to make offshore claims in Hong Kong under certain circumstances, banks will need to carefully consider how this may coincide with their transfer pricing policies, and how best to mitigate any potential exposures arising from these arrangements.

Those making offshore claims will need to start asking themselves:

- 1) Are there any economy activities or substance in Hong Kong?
- 2) Could this lead to red flags when filing a country by country report?
- 3) Is the profit concerned subject to tax in another jurisdiction?
- 4) Does it create a permanent establishment exposure in a jurisdiction outside of Hong Kong?

It is also important to realise that Hong Kong is taking an increasingly tough stance in transfer pricing enforcement. The asset management sector, for example, has received particular attention when it comes to transfer pricing queries and audits on funds.

There is a chance that banks in Hong Kong could soon be subjected to more stringent reviews by the IRD and when the audits do begin, it is important for banks to be ready. This is an area that needs to be properly managed and having a robust and sophisticated transfer pricing policy has become a more pressing business challenge than ever before.

Banks will need to start paying more attention as to how their intangible sales are being calculated, whether their tax teams are up to speed with the proposed legislation, and do they have the right structure in place to deal with the changes.

It is imperative for banks to get their transfer pricing policies right in order to mitigate and manage any potential exposures as there will be a lot of scrutiny and dialogue when it comes to BEPS and transfer pricing rules in Hong Kong.



Culture: incentivising the workforce through positive engagement



Susie Quirk

Partner, Head of People and Change
Advisory Service
KPMG China



In recent times, Hong Kong's regulators have been closely examining how financial institutions manage their risk culture, prompting many banks to actively review their existing frameworks and strengthen their risk management governance and controls.

While some banks have been driven to enhance their risk culture as a result of regulatory fines, many have done so in response to internal system or process breaches, or due to a strategic change in direction – for example, moving towards a more digital business model. Furthermore, the Hong Kong Monetary Authority's recent circular on Bank Culture Reform highlights that addressing, managing and monitoring culture – specifically banking culture – will be a priority. The initiative stresses the need for banks to promote a robust culture within their organisations, with a focus on monitoring how culture is managed, measured and reported, in order to help drive change across banks.

The power of green flags

A key challenge for banks is how to effectively balance revenue generation with meeting risk and compliance requirements. In order to achieve this balance, banks should consider establishing a framework that incorporates both quantitative and qualitative data to analyse the culture of managing risk. An effective framework often comprises a number of organisational levers around leadership, individual accountability and customer management, as well as joint ownership between service functions, including IT, compliance and the front office.

Importantly, the attitude of banks in Hong Kong towards managing their risk culture is changing, with leading organisations looking to become more proactive rather than reactive. There are a number of ways in which this can

“ The dashboards many banks have in place to monitor risk and compliance often use metrics that are lag indicators. Our view is that banks need to incorporate predictive indicators into the dashboard to ensure that the metrics also include forward-looking analysis with metrics such as workforce risk, compensation and retention ratios. ”

“ The ability for an employee to do their job in a competent and confident way is often driven by positive engagement. Therefore, we believe that green flags – directly linking an individual’s efforts to identify a potential breach and implement a safeguard with acknowledgement and a reward – will increasingly be used by banks to ensure that individual accountability is linked to a positive outcome. ”

be achieved. Firstly, the dashboards many banks have in place to monitor risk and compliance often use metrics that are lag indicators. Our view is that banks need to incorporate predictive indicators into the dashboard to ensure that the metrics also include forward-looking analysis with metrics such as workforce risk, compensation and retention ratios.

Another innovative measure to support proactive behaviour is to introduce the concept of ‘green flags’ into the risk culture framework. Most banks currently have controls in place around ‘red flags’, which occur when an individual does something wrong, and often leads to some sort of consequence that could impact the individual’s compensation. However, the ability for an employee to do their job in a competent and confident way is often driven by positive engagement. Therefore, we believe that green flags – directly linking an individual’s efforts to identify a potential breach and implement a safeguard with acknowledgement and a reward – will increasingly be used by banks to ensure that individual accountability is linked to a positive outcome.

Adopting a multi-disciplinary approach

With an appropriate framework for risk culture in place, the next challenge for banks is to figure out how best to measure its effectiveness. By incorporating green flags into the framework, banks can measure the number of occurrences of green flags in the system, and compare this to the number of breaches reported by the organisation.

However, financial institutions that measure their risk culture often only approach the task from one perspective – just governance or controls, for example. Banks should ensure that they use a multi-disciplinary approach to manage their risk culture, which includes not just managing risk across the three lines of defence, but also analysing organisation and individual behavioural indicators such as “speaking up” and escalation. Another area where we see a correlation between the culture of managing risk and a positive outcome is in Enterprise IT management, ensuring that systems are flexible enough to cope with today’s regulatory requirements. This is particularly important for the banks that are looking at moving towards a more digital business model.

Hong Kong’s regulators are expected to continue scrutinising how banks in the city manage their risk and compliance culture throughout the rest of 2017 and beyond. Banks in Hong Kong – with role modelling and leadership from senior management – need to act now to ensure that the different departments within the organisation come together to create a robust and holistic risk management culture. The leadership component is perhaps the most important organisational lever in a well-rounded risk culture framework, and senior management must lead from the front in promoting a workplace where employees at all levels are encouraged to speak up and engage in constructive debate.



Financial highlights





Performance rankings:

- Licensed banks
- Restricted licence banks
- Deposit-taking companies
- Foreign bank branches



Performance rankings

Licensed banks

| Ranking | Total assets | HK\$ millions | Ranking | Net profit after tax | HK\$ millions | Ranking | Cost/income ratio |
|---------|---|---------------|---------|---|---------------|---------|---|
| 1. | Hongkong And Shanghai Banking Corporation Limited (The) | 7,548,952 | 1. | Hongkong And Shanghai Banking Corporation Limited (The) | 84,795 | 1. | Industrial And Commercial Bank of China (Asia) Limited |
| 2. | Bank of China (Hong Kong) Limited ^{N3} | 2,217,348 | 2. | Bank of China (Hong Kong) Limited ^{N3} | 55,214 | 2. | Bank of China (Hong Kong) Limited ^{N3} |
| 3. | Hang Seng Bank, Limited | 1,377,242 | 3. | Hang Seng Bank, Limited | 16,204 | 3. | Wing Lung Bank Limited |
| 4. | Standard Chartered Bank (Hong Kong) Limited | 1,006,022 | 4. | Standard Chartered Bank (Hong Kong) Limited | 7,929 | 4. | Hang Seng Bank, Limited |
| 5. | Industrial And Commercial Bank of China (Asia) Limited | 798,675 | 5. | Industrial And Commercial Bank of China (Asia) Limited | 7,395 | 5. | Chiyu Banking Corporation Limited |
| 6. | Bank of East Asia, Limited (The) | 765,706 | 6. | Bank of East Asia, Limited (The) | 3,525 | 6. | Shanghai Commercial Bank Limited |
| 7. | China Construction Bank (Asia) Corporation Limited | 511,767 | 7. | Wing Lung Bank Limited | 3,505 | 7. | Nanyang Commercial Bank, Limited |
| 8. | DBS Bank (Hong Kong) Limited | 348,964 | 8. | China Construction Bank (Asia) Corporation Limited | 3,043 | 8. | Chong Hing Bank Limited |
| 9. | Nanyang Commercial Bank, Limited | 348,933 | 9. | Nanyang Commercial Bank, Limited | 2,747 | 9. | China CITIC Bank International Limited |
| 10. | China CITIC Bank International Limited | 306,417 | 10. | China CITIC Bank International Limited | 2,548 | 10. | Hongkong And Shanghai Banking Corporation Limited (The) |

Restricted licence banks

| Ranking | Total assets | HK\$ millions | Ranking | Net profit after tax | HK\$ millions | Ranking | Cost/income ratio |
|---------|---|---------------|---------|---|---------------|---------|---|
| 1. | Morgan Stanley Asia International Limited | 36,243 | 1. | Citicorp International Limited | 971 | 1. | Scotiabank (Hong Kong) Limited |
| 2. | Scotiabank (Hong Kong) Limited | 21,629 | 2. | Scotiabank (Hong Kong) Limited | 296 | 2. | Banc of America Securities Asia Limited |
| 3. | Bank of Shanghai (Hong Kong) Limited | 21,058 | 3. | KDB Asia Limited | 282 | 3. | Siam Commercial Bank Public Company Limited (The) |
| 4. | Siam Commercial Bank Public Company Limited (The) | 17,004 | 4. | Bank of Shanghai (Hong Kong) Limited | 126 | 4. | KDB Asia Limited |
| 5. | Bank of China International Limited | 11,447 | 5. | Siam Commercial Bank Public Company Limited (The) | 86 | 5. | Kookmin Bank Hong Kong Limited |
| 6. | J.P. Morgan Securities (Asia Pacific) Limited | 10,607 | 6. | Bank of China International Limited | 48 | 6. | Bank of Shanghai (Hong Kong) Limited |
| 7. | KDB Asia Limited | 10,067 | 7. | Societe Generale Asia Limited | 37 | 7. | Allied Banking Corporation (Hong Kong) Limited |
| 8. | Citicorp International Limited | 7,787 | 8. | ORIX Asia Limited | 33 | 8. | Societe Generale Asia Limited |
| 9. | Kookmin Bank Hong Kong Limited | 5,925 | 9. | Kookmin Bank Hong Kong Limited | 32 | 9. | Citicorp International Limited |
| 10. | ORIX Asia Limited | 5,447 | 10. | Allied Banking Corporation (Hong Kong) Limited | 27 | 10. | ORIX Asia Limited |

Deposit-taking companies

| Ranking | Total assets | HK\$ millions | Ranking | Net profit after tax | HK\$ millions | Ranking | Cost/income ratio |
|---------|-------------------------------------|---------------|---------|--|---------------|---------|--|
| 1. | Public Finance Limited | 6,700 | 1. | Public Finance Limited | 211 | 1. | HKCB Finance Limited |
| 2. | HKCB Finance Limited | 6,307 | 2. | HKCB Finance Limited | 86 | 2. | BCOM Finance (Hong Kong) Limited |
| 3. | Shinhan Asia Limited | 3,054 | 3. | Shinhan Asia Limited | 79 | 3. | Shinhan Asia Limited |
| 4. | Kexim Asia Limited | 2,704 | 4. | Kexim Asia Limited | 18 | 4. | Kexim Asia Limited |
| 5. | Woori Global Markets Asia Limited | 1,749 | 5. | Woori Global Markets Asia Limited | 13 | 5. | Public Finance Limited |
| 6. | KEB Hana Global Finance Limited | 1,324 | 6. | KEB Hana Global Finance Limited | 12 | 6. | KEB Hana Global Finance Limited |
| 7. | Vietnam Finance Company Limited | 895 | 7. | Commonwealth Finance Corporation Limited | 7 | 7. | Commonwealth Finance Corporation Limited |
| 8. | Gunma Finance (Hong Kong) Limited | 574 | 8. | BCOM Finance (Hong Kong) Limited | 5 | 8. | Vietnam Finance Company Limited |
| 9. | BPI International Finance Limited | 426 | 9. | BPI International Finance Limited | 3 | 9. | Woori Global Markets Asia Limited |
| 10. | Habib Finance International Limited | 363 | 10. | Habib Finance International Limited | 2 | 10. | Corporate Finance (D.T.C.) Limited |

Foreign bank branches

| Ranking | Total assets | HK\$ millions | Ranking | Net profit after tax | HK\$ millions | Ranking | Cost/income ratio |
|---------|--|---------------|---------|--|---------------|---------|------------------------------------|
| 1. | China Construction Bank Corporation | 576,913 | 1. | Bank of Communications Co., Ltd. | 4,784 | 1. | China Development Bank Corporation |
| 2. | Bank of Communications Co., Ltd. | 507,600 | 2. | Agricultural Bank of China Limited | 2,557 | 2. | Axis Bank Limited |
| 3. | Agricultural Bank of China Limited | 482,444 | 3. | DBS Bank Ltd. | 1,774 | 3. | Allahabad Bank |
| 4. | Mizuho Bank, Ltd. | 413,892 | 4. | Sumitomo Mitsui Banking Corporation | 1,628 | 4. | Punjab National Bank |
| 5. | Bank of Tokyo-Mitsubishi UFJ, Ltd. (The) | 409,107 | 5. | Mizuho Bank, Ltd. | 1,576 | 5. | Canara Bank |
| 6. | Citibank, N.A. | 378,612 | 6. | Citibank, N.A. | 1,528 | 6. | Agricultural Bank of China Limited |
| 7. | China Development Bank Corporation | 345,661 | 7. | Bank of Tokyo-Mitsubishi UFJ, Ltd. (The) | 1,498 | 7. | Union Bank of India |
| 8. | Sumitomo Mitsui Banking Corporation | 306,539 | 8. | China Construction Bank Corporation | 1,396 | 8. | UCO Bank |
| 9. | BNP Paribas | 280,616 | 9. | China Merchants Bank Co., Ltd. | 1,374 | 9. | KEB Hana Bank |
| 10. | Bank of China Limited | 270,663 | 10. | UBS AG | 1,276 | 10. | Bank of India |

N3 For the purpose of analysis, operating results of the discontinued operation were reclassified to the operating results of continued operation.

Source: Extracted from individual banks' financial and public statements

Licensed banks

| Ranking | Return on equity | Ranking | Growth in assets | Ranking | Growth in net profit after tax |
|---------|---|---------|------------------|---|--------------------------------|
| 1. | Bank of China (Hong Kong) Limited ^{N3} | 27.3% | 1. | OCBC Wing Hang Bank Limited | 16% |
| 2. | Hongkong And Shanghai Banking Corporation Limited (The) | 12.9% | 2. | Nanyang Commercial Bank, Limited | 14% |
| 3. | Standard Chartered Bank (Hong Kong) Limited | 12.1% | 3. | DBS Bank (Hong Kong) Limited | 13% |
| 4. | Hang Seng Bank, Limited | 11.5% | 4. | Citibank (Hong Kong) Limited | 10% |
| 5. | Wing Lung Bank Limited | 11.2% | 5. | Industrial And Commercial Bank of China (Asia) Limited | 9% |
| 6. | Chiyu Banking Corporation Limited | 9.8% | 6. | Hongkong And Shanghai Banking Corporation Limited (The) | 9% |
| 7. | Industrial And Commercial Bank of China (Asia) Limited | 9.6% | 7. | China CITIC Bank International Limited | 8% |
| 8. | Dah Sing Bank Limited | 9.2% | 8. | Chong Hing Bank Limited | 8% |
| 9. | Chong Hing Bank Limited | 9.2% | 9. | Shanghai Commercial Bank Limited | 6% |
| 10. | China CITIC Bank International Limited | 9.1% | 10. | Fubon Bank (Hong Kong) Limited | 5% |

Restricted licence banks

| Ranking | Return on equity | Ranking | Growth in assets | Ranking | Growth in net profit after tax |
|---------|--|---------|------------------|--|--------------------------------|
| 1. | Citicorp International Limited | 14.6% | 1. | Goldman Sachs Asia Bank Limited | 786.9% |
| 2. | KDB Asia Limited | 14.4% | 2. | Bank of Shanghai (Hong Kong) Limited | 36.2% |
| 3. | Societe Generale Asia Limited | 8.9% | 3. | ORIX Asia Limited | 36.0% |
| 4. | Allied Banking Corporation (Hong Kong) Limited | 6.4% | 4. | Kookmin Bank Hong Kong Limited | 31.2% |
| 5. | Scotiabank (Hong Kong) Limited | 5.8% | 5. | KDB Asia Limited | 9.2% |
| 6. | Bank of Shanghai (Hong Kong) Limited | 4.0% | 6. | Bank of China International Limited | 4.9% |
| 7. | Bank of China International Limited | 3.2% | 7. | J.P. Morgan Securities (Asia Pacific) Limited | 3.6% |
| 8. | Kookmin Bank Hong Kong Limited | 3.1% | 8. | Allied Banking Corporation (Hong Kong) Limited | 2.3% |
| 9. | Habib Bank Zurich (Hong Kong) Limited | 2.6% | 9. | Banc of America Securities Asia Limited | 1.1% |
| 10. | ORIX Asia Limited | 1.6% | 10. | Habib Bank Zurich (Hong Kong) Limited | -0.7% |

Deposit-taking companies

| Ranking | Return on equity | Ranking | Growth in assets | Ranking | Growth in net profit after tax |
|---------|--|---------|------------------|------------------------------------|--------------------------------|
| 1. | HKCB Finance Limited | 14.9% | 1. | Shinhan Asia Limited | 24.8% |
| 2. | Public Finance Limited | 13.4% | 2. | Woori Global Markets Asia Limited | 7.5% |
| 3. | Commonwealth Finance Corporation Limited | 6.7% | 3. | Public Finance Limited | 2.5% |
| 4. | Shinhan Asia Limited | 5.7% | 4. | BCOM Finance (Hong Kong) Limited | 2.1% |
| 5. | Kexim Asia Limited | 4.4% | 5. | Corporate Finance (D.T.C.) Limited | 2.1% |
| 6. | KEB Hana Global Finance Limited | 2.8% | 6. | Fubon Credit (Hong Kong) Limited | 0.0% |
| 7. | BCOM Finance (Hong Kong) Limited | 2.1% | 7. | Kexim Asia Limited | -0.6% |
| 8. | Vietnam Finance Company Limited | 2.1% | 8. | HKCB Finance Limited | -0.6% |
| 9. | BPI International Finance Limited | 1.7% | 9. | Vietnam Finance Company Limited | -1.1% |
| 10. | Woori Global Markets Asia Limited | 1.6% | 10. | BPI International Finance Limited | -2.7% |

Foreign bank branches

| | Ranking | Growth in assets | Ranking | Growth in net profit after tax | | |
|--|---------|---|---------|--------------------------------|--|--------|
| | 1. | Bank of Singapore Limited | 250.5% | 1. | Citibank, N.A. | 578.9% |
| | 2. | Industrial Bank Co., Ltd. | 129.7% | 2. | Mitsubishi UFJ Trust And Banking Corporation | 341.7% |
| | 3. | Bank of Montreal | 111.5% | 3. | Intesa Sanpaolo Spa | 250.8% |
| | 4. | Industrial And Commercial Bank of China Limited | 83.4% | 4. | Industrial Bank Co., Ltd. | 250.5% |
| | 5. | Bank of China Limited | 78.2% | 5. | China Development Bank Corporation | 189.1% |
| | 6. | Pictet & Cie (Europe) S.A. | 67.9% | 6. | Allahabad Bank | 157.1% |
| | 7. | Canadian Imperial Bank of Commerce | 67.6% | 7. | East West Bank | 118.8% |
| | 8. | Wells Fargo Bank, National Association | 58.5% | 8. | Coöperatieve Rabobank U.A. | 117.6% |
| | 9. | China Everbright Bank Co., Ltd. | 56.1% | 9. | EFG Bank AG | 101.3% |
| | 10. | China Minsheng Banking Corp., Ltd. | 45.5% | 10. | Canadian Imperial Bank of Commerce | 90.0% |

N3 For the purpose of analysis, operating results of the discontinued operation were reclassified to the operating results of continued operation.

Source: Extracted from individual banks' financial and public statements

Licensed banks - Financial highlights

| | | Income statement | | | | | | | | |
|--|---|------------------|----------------|---------------------|---------------------|--------------------|--|------------------------------------|----------------|-------------------|
| | | HK\$ millions | Year ended | Net interest income | Non-interest income | Operating expenses | Operating profit before impairment charges | Loan impairment charges/(recovery) | Other items | Profit before tax |
| 1 | Bank of China (Hong Kong) Limited ^{N3} | | 31-Dec-16 | 25,690 | 17,937 | 13,120 | 30,507 | 1,009 | 30,425 | 59,945 |
| 2 | Bank of Communications (Hong Kong) Limited | | 31-Dec-16 | - | - | 1 | (1) | - | - | (1) |
| 3 | Bank of East Asia, Limited (The) | | 31-Dec-16 | 11,098 | 3,854 | 8,342 | 6,610 | 3,462 | 1,446 | 4,592 |
| 4 | China CITIC Bank International Limited | | 31-Dec-16 | 4,129 | 2,284 | 2,816 | 3,597 | 553 | 9 | 3,053 |
| 5 | China Construction Bank (Asia) Corporation Limited | | 31-Dec-16 | 4,475 | 2,165 | 2,965 | 3,675 | 139 | 82 | 3,594 |
| 6 | Chiyu Banking Corporation Limited | | 31-Dec-16 | 839 | 467 | 458 | 848 | 64 | (15) | 769 |
| 7 | Chong Hing Bank Limited | | 31-Dec-16 | 2,045 | 790 | 1,228 | 1,607 | (40) | 81 | 1,684 |
| 8 | Citibank (Hong Kong) Limited | | 31-Dec-16 | 3,040 | 3,193 | 3,913 | 2,320 | 290 | - | 2,030 |
| 9 | Dah Sing Bank Limited | | 31-Dec-16 | 3,638 | 1,070 | 2,403 | 2,305 | 564 | 635 | 2,376 |
| 10 | DBS Bank (Hong Kong) Limited | | 31-Dec-16 | 5,158 | 3,336 | 4,553 | 3,941 | 1,284 | 405 | 2,252 |
| 11 | Fubon Bank (Hong Kong) Limited | | 31-Dec-16 | 1,169 | 475 | 957 | 687 | 224 | 204 | 709 |
| 12 | Hang Seng Bank, Limited | | 31-Dec-16 | 22,254 | 8,345 | 10,252 | 20,347 | 1,313 | 56 | 19,090 |
| 13 | Hongkong And Shanghai Banking Corporation Limited (The) | | 31-Dec-16 | 96,908 | 71,135 | 74,803 | 93,240 | 5,445 | 14,912 | 102,707 |
| 14 | Industrial And Commercial Bank of China (Asia) Limited | | 31-Dec-16 | 9,143 | 3,509 | 2,791 | 9,861 | 879 | (48) | 9,068 |
| 15 | Nanyang Commercial Bank, Limited | | 31-Dec-16 | 4,535 | 1,919 | 2,657 | 3,797 | 470 | 49 | 3,344 |
| 16 | OCBC Wing Hang Bank Limited | | 31-Dec-16 | 3,696 | 1,418 | 2,673 | 2,441 | 99 | 43 | 2,385 |
| 17 | Public Bank (Hong Kong) Limited | | 31-Dec-16 | 1,333 | 199 | 803 | 729 | 249 | - | 480 |
| 18 | Shanghai Commercial Bank Limited | | 31-Dec-16 | 2,637 | 1,223 | 1,428 | 2,432 | 20 | 32 | 2,444 |
| 19 | Standard Chartered Bank (Hong Kong) Limited | | 31-Dec-16 | 10,125 | 13,634 | 14,453 | 9,306 | 1,310 | 1,772 | 8,944 |
| 20 | Tai Sang Bank Limited | | 31-Dec-16 | 8 | 16 | 20 | 4 | - | 3 | 7 |
| 21 | Tai Yau Bank Limited | | 31-Dec-16 | 14 | 4 | 12 | 6 | - | - | 6 |
| 22 | Wing Lung Bank Limited | | 31-Dec-16 | 3,450 | 2,522 | 1,977 | 3,995 | 250 | 447 | 4,188 |
| TOTAL^{N1} | | 2016 | 193,130 | 131,150 | 142,373 | 181,907 | 16,271 | 50,482 | 214,576 | |
| Total excluding HSBC^{N2} | | 2016 | 118,476 | 68,360 | 77,822 | 109,014 | 12,139 | 35,626 | 130,959 | |
| Total excluding BOCHK & HSBC^{N2} | | 2016 | 92,786 | 50,423 | 64,702 | 78,507 | 11,130 | 5,201 | 71,014 | |

* This is Liquidity Coverage Ratio.

This is Liquidity Maintenance Ratio.

N1 This does not include Hang Seng Bank, as it is already included in the results of The Hongkong and Shanghai Banking Corporation.

N2 This includes Hang Seng Bank.

N3 For the purpose of analysis, operating results of the discontinued operation were reclassified to the operating results of continued operation.

Source: Extracted from individual banks' financial and public statements

| Financial highlights | | | | | | | | |
|----------------------|----------------------------|-----------------------------|---|-------------------------------|------------------|------------------------|-----------------|--|
| | Size and strength measures | | | | | | | |
| Net profit after tax | Total assets | Gross advances to customers | Impairment allowances against customer advances | Total deposits from customers | Total equity | Capital adequacy ratio | Liquidity ratio | |
| 55,214 | 2,217,348 | 987,863 | 3,124 | 1,506,283 | 216,867 | 22.4% | 107.0%* | |
| (1) | 303 | - | - | - | 298 | 487.0% | N/A | |
| 3,525 | 765,706 | 466,182 | 3,797 | 535,789 | 86,636 | 17.4% | 137.2%* | |
| 2,548 | 306,417 | 185,955 | 952 | 235,575 | 31,954 | 17.8% | 60.8%# | |
| 3,043 | 511,767 | 234,475 | 1,059 | 322,223 | 48,499 | 16.8% | 123.6%* | |
| 652 | 54,109 | 31,360 | 222 | 45,438 | 6,877 | 19.6% | 141.0%* | |
| 1,420 | 137,772 | 70,689 | 291 | 102,881 | 15,914 | 16.3% | 40.6%# | |
| 1,703 | 163,100 | 66,490 | 302 | 137,693 | 20,281 | 30.4% | 37.5%# | |
| 2,075 | 205,847 | 117,958 | 880 | 154,123 | 23,355 | 18.3% | 41.9%# | |
| 1,882 | 348,964 | 147,755 | 2,017 | 274,151 | 35,135 | 18.3% | 128.5%* | |
| 635 | 95,648 | 43,808 | 259 | 63,564 | 11,373 | 17.0% | 48.5%# | |
| 16,204 | 1,377,242 | 700,851 | 1,859 | 989,539 | 140,686 | 20.8% | 253.6%* | |
| 84,795 | 7,548,952 | 2,846,806 | 12,692 | 4,900,004 | 679,136 | 19.0% | 184.9%* | |
| 7,395 | 798,675 | 420,324 | 3,801 | 421,580 | 83,886 | 17.0% | 128.8%* | |
| 2,747 | 348,933 | 193,446 | 1,326 | 257,528 | 38,685 | 16.2% | 141.8%* | |
| 2,047 | 261,534 | 162,952 | 792 | 193,153 | 33,060 | 19.0% | 41.5%# | |
| 397 | 41,699 | 28,853 | 126 | 33,879 | 5,366 | 17.7% | 47.9%# | |
| 1,913 | 169,369 | 64,804 | 284 | 136,884 | 24,380 | 18.7% | 49.3%# | |
| 7,929 | 1,006,022 | 442,022 | 2,000 | 778,242 | 65,712 | 18.2% | 134.0%* | |
| 7 | 1,706 | 161 | - | 1,017 | 661 | 88.6% | 83.7%# | |
| 6 | 2,656 | 1 | - | 2,121 | 533 | 106.9% | 62.5%# | |
| 3,505 | 267,658 | 144,252 | 449 | 184,251 | 32,617 | 16.1% | 39.8%# | |
| 183,437 | 15,254,185 | 6,656,156 | 34,373 | 10,286,379 | 1,461,225 | - | - | |
| 114,846 | 9,082,475 | 4,510,201 | 23,540 | 6,375,914 | 922,775 | - | - | |
| 59,632 | 6,865,127 | 3,522,338 | 20,416 | 4,869,631 | 705,908 | - | - | |

| | HK\$ millions | Key ratios | | | | | | |
|--|---|-------------|---------------------------------|--|--|-------------------|-------------------|-------------------|
| | | Year ended | Performance measures | | | | | |
| | | | Net customer loan/deposit ratio | Net interest income/average total assets | Non-interest income/total operating income | Cost/income ratio | ROA ^{N4} | ROE ^{N5} |
| 1 | Bank of China (Hong Kong) Limited ^{N3} | 31-Dec-16 | 65.4% | 1.1% | 41.1% | 30.1% | 2.5% | 27.3% |
| 2 | Bank of Communications (Hong Kong) Limited | 31-Dec-16 | N/A | 0.0% | N/A | N/A | -0.3% | -0.3% |
| 3 | Bank of East Asia, Limited (The) | 31-Dec-16 | 86.3% | 1.4% | 25.8% | 55.8% | 0.5% | 4.1% |
| 4 | China CITIC Bank International Limited | 31-Dec-16 | 78.5% | 1.4% | 35.6% | 43.9% | 0.9% | 9.1% |
| 5 | China Construction Bank (Asia) Corporation Limited | 31-Dec-16 | 72.4% | 0.9% | 32.6% | 44.7% | 0.6% | 6.5% |
| 6 | Chiyu Banking Corporation Limited | 31-Dec-16 | 68.5% | 1.6% | 35.8% | 35.1% | 1.2% | 9.8% |
| 7 | Chong Hing Bank Limited | 31-Dec-16 | 68.4% | 1.5% | 27.9% | 43.3% | 1.1% | 9.2% |
| 8 | Citibank (Hong Kong) Limited | 31-Dec-16 | 48.1% | 2.0% | 51.2% | 62.8% | 1.1% | 8.5% |
| 9 | Dah Sing Bank Limited | 31-Dec-16 | 76.0% | 1.8% | 22.7% | 51.0% | 1.0% | 9.2% |
| 10 | DBS Bank (Hong Kong) Limited | 31-Dec-16 | 53.2% | 1.6% | 39.3% | 53.6% | 0.6% | 5.5% |
| 11 | Fubon Bank (Hong Kong) Limited | 31-Dec-16 | 68.5% | 1.3% | 28.9% | 58.2% | 0.7% | 5.7% |
| 12 | Hang Seng Bank, Limited | 31-Dec-16 | 70.6% | 1.6% | 27.3% | 33.5% | 1.2% | 11.5% |
| 13 | Hongkong And Shanghai Banking Corporation Limited (The) | 31-Dec-16 | 57.8% | 1.3% | 42.3% | 44.5% | 1.2% | 12.9% |
| 14 | Industrial And Commercial Bank of China (Asia) Limited | 31-Dec-16 | 98.8% | 1.2% | 27.7% | 22.1% | 1.0% | 9.6% |
| 15 | Nanyang Commercial Bank, Limited | 31-Dec-16 | 74.6% | 1.4% | 29.7% | 41.2% | 0.8% | 7.2% |
| 16 | OCBC Wing Hang Bank Limited | 31-Dec-16 | 84.0% | 1.5% | 27.7% | 52.3% | 0.8% | 7.0% |
| 17 | Public Bank (Hong Kong) Limited | 31-Dec-16 | 84.8% | 3.3% | 13.0% | 52.4% | 1.0% | 7.5% |
| 18 | Shanghai Commercial Bank Limited | 31-Dec-16 | 47.1% | 1.6% | 31.7% | 37.0% | 1.2% | 8.1% |
| 19 | Standard Chartered Bank (Hong Kong) Limited | 31-Dec-16 | 56.5% | 1.0% | 57.4% | 60.8% | 0.8% | 12.1% |
| 20 | Tai Sang Bank Limited | 31-Dec-16 | 15.8% | 0.5% | 66.7% | 83.3% | 0.4% | 1.1% |
| 21 | Tai Yau Bank Limited | 31-Dec-16 | 0.0% | 0.5% | 22.2% | 66.7% | 0.2% | 1.1% |
| 22 | Wing Lung Bank Limited | 31-Dec-16 | 78.0% | 1.3% | 42.2% | 33.1% | 1.3% | 11.2% |
| TOTAL^{N1} | | 2016 | 64.4% | 1.3% | 40.4% | 43.9% | 1.2% | 13.1% |
| Total excluding HSBC^{N2} | | 2016 | 70.4% | 1.3% | 36.6% | 41.7% | 1.3% | 13.0% |
| Total excluding BOCHK & HSBC^{N2} | | 2016 | 71.9% | 1.4% | 35.2% | 45.2% | 0.9% | 8.7% |

* This is Liquidity Coverage Ratio.

This is Liquidity Maintenance Ratio.

N1 This does not include Hang Seng Bank, as it is already included in the results of The Hongkong and Shanghai Banking Corporation.

N2 This includes Hang Seng Bank.

N3 For the purpose of analysis, operating results of the discontinued operation were reclassified to the operating results of continued operation.

N4 ROA is calculated as net profit after tax divided by average total assets.

N5 ROE is calculated as net profit after tax divided by average total equity.

Source: Extracted from individual banks' financial and public statements

| | Loan asset quality | | | | | | | |
|---------------|------------------------------------|--------------------------------|--|----------------------------|--|---|---|---|
| | Past due but not impaired advances | | | Impaired advances | | | | |
| | Loans overdue ≤ 3 months | Loans overdue > 3 months | Gross advances which are past due but not impaired | Gross impaired advances | Gross impaired advances/gross advances to customers | Individually assessed impairment allowances made against impaired advances | Individually assessed allowances as a percentage of gross impaired advances | Collaterals for individually assessed impaired advances |
| 2,986 | 54 | 3,040 | 1,172 | 0.1% | 501 | 42.7% | 860 | |
| - | - | - | - | N/A | - | N/A | - | |
| 510 | - | 510 | 6,767 | 1.5% | 1,715 | 25.3% | 9,830 | |
| 3,240 | 112 | 3,352 | 1,767 | 1.0% | 627 | 35.5% | 579 | |
| 1,189 | - | 1,189 | 259 | 0.1% | 143 | 55.2% | 41 | |
| 59 | 16 | 75 | 177 | 0.6% | 83 | 46.9% | 288 | |
| 137 | 13 | 150 | 48 | 0.1% | 40 | 83.3% | 9 | |
| 998 | - | 998 | 71 | 0.1% | - | 0.0% | 23 | |
| 1,934 | 210 | 2,144 | 1,196 | 1.0% | 435 | 36.4% | 904 | |
| 1,737 | 375 | 2,112 | 3,661 | 2.5% | 1,214 | 33.2% | 1,915 | |
| 526 | 6 | 532 | 334 | 0.8% | 150 | 44.9% | 123 | |
| 4,311 | - | 4,311 | 3,235 | 0.5% | 923 | 28.5% | 1,701 | |
| 26,744 | 111 | 26,855 | 19,378 | 0.7% | 8,059 | 41.6% | 8,746 | |
| 2,628 | 75 | 2,703 | 3,143 | 0.7% | 1,829 | 58.2% | 773 | |
| 518 | 46 | 564 | 668 | 0.3% | 475 | 71.1% | 287 | |
| 2,680 | 293 | 2,973 | 1,439 | 0.9% | 220 | 15.3% | 839 | |
| 521 | - | 521 | 231 | 0.8% | 114 | 49.4% | 165 | |
| 2,026 | 39 | 2,065 | 669 | 1.0% | 26 | 3.9% | 1,553 | |
| 3,029 | 71 | 3,100 | 3,693 | 0.8% | 1,437 | 38.9% | 1,340 | |
| - | - | - | - | 0.0% | - | N/A | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| 693 | 15 | 708 | 147 | 0.1% | 100 | 68.0% | 80 | |
| 52,155 | 1,436 | 53,591 | 44,820 | 0.7% | 17,168 | 38.3% | 28,355 | |
| 29,722 | 1,325 | 31,047 | 28,677 | 0.6% | 10,032 | 35.0% | 21,310 | |
| 26,736 | 1,271 | 28,007 | 27,505 | 0.8% | 9,531 | 34.7% | 20,450 | |

Restricted licence banks - Financial highlights

| | | Year ended | Income statement | | | | | | |
|--------------|---|-------------|---------------------|---------------------|--------------------|--|------------------------------------|-------------|-------------------|
| | | | Net interest income | Non-interest income | Operating expenses | Operating profit before impairment charges | Loan impairment charges/(recovery) | Other items | Profit before tax |
| 1 | Allied Banking Corporation (Hong Kong) Limited | 31-Dec-16 | 48 | 16 | 32 | 32 | - | - | 32 |
| 2 | Banc of America Securities Asia Limited | 31-Dec-16 | 10 | (1) | 1 | 8 | - | - | 8 |
| 3 | Bank of China International Limited | 31-Dec-16 | 107 | 165 | 212 | 60 | 2 | - | 58 |
| 4 | Bank of Shanghai (Hong Kong) Limited | 31-Dec-16 | 303 | 8 | 142 | 169 | 15 | 1 | 155 |
| 5 | Citicorp International Limited | 31-Dec-16 | 19 | 2,850 | 1,706 | 1,163 | - | - | 1,163 |
| 6 | Goldman Sachs Asia Bank Limited | 31-Dec-16 | 1 | 72 | 72 | 1 | - | - | 1 |
| 7 | KDB Asia Limited | 31-Dec-16 | 152 | 135 | 76 | 211 | (118) | - | 329 |
| 8 | Habib Bank Zurich (Hong Kong) Limited | 31-Dec-16 | 42 | 49 | 69 | 22 | 7 | - | 15 |
| 9 | J.P. Morgan Securities (Asia Pacific) Limited | 31-Dec-16 | (69) | 6,991 | 6,775 | 147 | - | - | 147 |
| 10 | Kookmin Bank Hong Kong Limited | 31-Dec-16 | 57 | 28 | 38 | 47 | 10 | - | 37 |
| 11 | Societe Generale Asia Limited | 31-Dec-16 | 14 | 89 | 58 | 45 | - | - | 45 |
| 12 | Morgan Stanley Asia International Limited | 31-Dec-16 | (51) | 1,656 | 1,578 | 27 | - | - | 27 |
| 13 | Nippon Wealth Limited | 31-Dec-16 | 1 | 8 | 63 | (54) | - | - | (54) |
| 14 | ORIX Asia Limited | 31-Mar-16 | 163 | 3 | 100 | 66 | 26 | - | 40 |
| 15 | Scotiabank (Hong Kong) Limited | 31-Oct-16 | 356 | 16 | 30 | 342 | (12) | - | 354 |
| 16 | Siam Commercial Bank Public Company Limited (The) | 31-Dec-16 | 76 | 12 | 11 | 77 | (17) | - | 94 |
| TOTAL | | 2016 | 1,229 | 12,097 | 10,963 | 2,363 | (87) | 1 | 2,451 |

Source: Extracted from individual banks' financial and public statements

Financial highlights

| Net profit after tax | Size and strength measures | | | | | | |
|----------------------|----------------------------|-----------------------------|---|-------------------------------|---------------|------------------------|-----------------|
| | Total assets | Gross advances to customers | Impairment allowances against customer advances | Total deposits from customers | Total equity | Capital adequacy ratio | Liquidity ratio |
| 27 | 1,721 | 1,103 | 2 | 1,233 | 435 | 31.4% | 46.3% |
| 7 | 2,066 | - | - | 13 | 2,051 | 487.0% | N/A |
| 48 | 11,447 | 4,502 | 2 | 9,669 | 1,535 | 31.5% | 51.6% |
| 126 | 21,058 | 12,817 | 41 | 10,199 | 4,210 | 30.9% | 54.0% |
| 971 | 7,787 | - | - | - | 7,131 | 104.0% | 463.1% |
| 1 | 949 | - | - | 784 | 878 | 308.0% | 160.0% |
| 282 | 10,067 | 5,881 | 96 | 19 | 2,092 | 30.3% | 155.1% |
| 14 | 2,251 | 1,011 | 34 | 1,390 | 545 | 35.1% | 129.1% |
| 10 | 10,607 | - | - | - | 5,281 | 37.6% | 279.5% |
| 32 | 5,925 | 2,713 | 27 | 417 | 1,051 | 29% | 52% |
| 37 | 716 | - | - | - | 435 | 75.9% | 51.3% |
| 19 | 36,243 | 9,753 | - | 25,380 | 1,614 | 24.0% | 58.0% |
| (54) | 286 | - | - | 137 | 141 | 175.9% | 155.7% |
| 33 | 5,447 | 5,070 | 40 | 199 | 2,002 | 37.6% | 217.0% |
| 296 | 21,629 | 18,746 | 36 | - | 5,216 | 28.3% | 39.9% |
| 86 | 17,004 | 2,695 | 27 | 674 | - | 17.7% | 287.1% |
| 1,935 | 155,203 | 64,291 | 305 | 50,114 | 34,617 | - | - |

| | HK\$ millions | Year ended | Key ratios | | | | | |
|--------------|---|-------------|---------------------------------|--|--|-------------------|-------------|-------------|
| | | | Performance measures | | | | | |
| | | | Net customer loan/deposit ratio | Net interest income/average total assets | Non-interest income/total operating income | Cost/income ratio | ROA | ROE |
| 1 | Allied Banking Corporation (Hong Kong) Limited | 31-Dec-16 | 89.3% | 2.8% | 25.0% | 50.0% | 1.6% | 6.4% |
| 2 | Banc of America Securities Asia Limited | 31-Dec-16 | 0.0% | 0.5% | -11.1% | 11.1% | 0.3% | 0.3% |
| 3 | Bank of China International Limited | 31-Dec-16 | 46.5% | 1.0% | 60.7% | 77.9% | 0.4% | 3.2% |
| 4 | Bank of Shanghai (Hong Kong) Limited | 31-Dec-16 | 125.3% | 1.7% | 2.6% | 45.7% | 0.7% | 4.0% |
| 5 | Citicorp International Limited | 31-Dec-16 | N/A | 0.2% | 99.3% | 59.5% | 12.2% | 14.6% |
| 6 | Goldman Sachs Asia Bank Limited | 31-Dec-16 | 0.0% | 0.2% | 98.6% | 98.6% | 0.2% | 0.2% |
| 7 | KDB Asia Limited | 31-Dec-16 | 30447.4% | 1.6% | 47.0% | 26.5% | 2.9% | 14.4% |
| 8 | Habib Bank Zurich (Hong Kong) Limited | 31-Dec-16 | 70.3% | 1.9% | 53.8% | 75.8% | 0.6% | 2.6% |
| 9 | J.P. Morgan Securities (Asia Pacific) Limited | 31-Dec-16 | N/A | -0.7% | 101.0% | 97.9% | 0.1% | 0.2% |
| 10 | Kookmin Bank Hong Kong Limited | 31-Dec-16 | 644.1% | 1.1% | 32.9% | 44.7% | 0.6% | 3.1% |
| 11 | Societe Generale Asia Limited | 31-Dec-16 | N/A | 1.8% | 86.4% | 56.3% | 4.9% | 8.9% |
| 12 | Morgan Stanley Asia International Limited | 31-Dec-16 | 38.4% | -0.1% | 103.2% | 98.3% | 0.0% | 1.2% |
| 13 | Nippon Wealth Limited | 31-Dec-16 | 0.0% | 0.3% | 88.9% | 700.0% | -16.8% | -32.4% |
| 14 | ORIX Asia Limited | 31-Mar-16 | 2527.6% | 3.4% | 1.8% | 60.2% | 0.7% | 1.6% |
| 15 | Scotiabank (Hong Kong) Limited | 31-Oct-16 | N/A | 1.4% | 4.3% | 8.1% | 1.2% | 5.8% |
| 16 | Siam Commercial Bank Public Company Limited (The) | 31-Dec-16 | 395.8% | 0.4% | 13.6% | 12.5% | 0.4% | N/A |
| TOTAL | | 2016 | 127.7% | 0.8% | 90.8% | 82.3% | 1.2% | 5.9% |

Source: Extracted from individual banks' financial and public statements

| Loan asset quality | | | | | | | | |
|------------------------------------|--------------------------|--|-------------------------|---|--|---|---|--|
| Past due but not impaired advances | | | Impaired advances | | | | | |
| Loans overdue ≤ 3 months | Loans overdue > 3 months | Gross advances which are past due but not impaired | Gross impaired advances | Gross impaired advances/gross advances to customers | Individually assessed impairment allowances made against impaired advances | Individually assessed allowances as a percentage of gross impaired advances | Collaterals for individually assessed impaired advances | |
| 5 | 1 | 6 | - | 0.0% | - | N/A | N/A | |
| - | - | - | - | N/A | - | N/A | - | |
| - | 44 | 44 | 2 | 0.0% | 2 | 100.0% | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| - | - | - | - | N/A | - | N/A | - | |
| - | - | - | - | N/A | - | N/A | - | |
| N/A | N/A | N/A | 178 | 3.0% | 84 | 47.2% | - | |
| 83 | 11 | 94 | 32 | 3.2% | 12 | 37.5% | 19 | |
| - | - | - | - | N/A | - | N/A | - | |
| - | - | - | N/A | N/A | - | N/A | N/A | |
| - | - | - | - | N/A | - | N/A | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| - | - | - | - | N/A | - | N/A | - | |
| 62 | - | 62 | 35 | 0.7% | 33 | 94.3% | 2 | |
| - | - | - | - | 0.0% | - | N/A | - | |
| - | - | - | - | 0.0% | 27 | N/A | - | |
| 150 | 56 | 206 | 247 | 0.4% | 158 | 64.0% | 21 | |

Deposit-taking companies - Financial highlights

| | | Income statement | | | | | | | | |
|--------------|--|------------------|-------------|---------------------|---------------------|--------------------|--|-------------------------------------|-------------|-------------------|
| | | HK\$ millions | Year ended | Net interest income | Non-interest income | Operating expenses | Operating profit before impairment charges | Loan impairment charges/ (recovery) | Other items | Profit before tax |
| 1 | BCOM Finance (Hong Kong) Limited | | 31-Dec-16 | 1 | 6 | 1 | 6 | - | - | 6 |
| 2 | BPI International Finance Limited | | 31-Dec-16 | 3 | 33 | 32 | 4 | - | - | 4 |
| 3 | Chau's Brothers Finance Company Limited | | 31-Dec-16 | 5 | 1 | 5 | 1 | - | - | 1 |
| 4 | Chong Hing Finance Limited | | 31-Dec-16 | - | - | - | - | - | N/A | - |
| 5 | Commonwealth Finance Corporation Limited | | 31-Dec-16 | 14 | 4 | 10 | 8 | - | - | 8 |
| 6 | Corporate Finance (D.T.C.) Limited | | 31-Dec-16 | 5 | - | 4 | 1 | - | - | 1 |
| 7 | Fubon Credit (Hong Kong) Limited | | 31-Dec-16 | - | 1 | 1 | - | (1) | - | 1 |
| 8 | Gunma Finance (Hong Kong) Limited | | 31-Dec-16 | 9 | - | 8 | 1 | - | - | 1 |
| 9 | Habib Finance International Limited | | 31-Dec-16 | 7 | 3 | 8 | 2 | - | - | 2 |
| 10 | Henderson International Finance Limited | | 31-Dec-16 | 1 | - | 1 | - | - | - | - |
| 11 | HKCB Finance Limited | | 31-Dec-16 | 104 | 5 | 7 | 102 | (1) | - | 103 |
| 12 | KEB Hana Global Finance Limited | | 31-Dec-16 | 29 | 23 | 26 | 26 | 11 | - | 15 |
| 13 | Kexim Asia Limited | | 31-Dec-16 | 33 | 2 | 14 | 21 | (1) | - | 22 |
| 14 | Public Finance Limited | | 31-Dec-16 | 779 | 113 | 393 | 499 | 246 | - | 253 |
| 15 | Shinhan Asia Limited | | 31-Dec-16 | 49 | 69 | 30 | 88 | - | - | 87 |
| 16 | Vietnam Finance Company Limited | | 31-Dec-16 | 8 | 2 | 7 | 3 | - | - | 3 |
| 17 | Woori Global Markets Asia Limited | | 31-Dec-16 | 25 | 10 | 25 | 10 | - | - | 10 |
| TOTAL | | | 2016 | 1,072 | 272 | 572 | 772 | 254 | - | 517 |

Source: Extracted from individual banks' financial and public statements

| Financial highlights | | | | | | | | |
|----------------------|----------------------------|-----------------------------|---|-------------------------------|--------------|------------------------|-----------------|--|
| | Size and strength measures | | | | | | | |
| Net profit after tax | Total assets | Gross advances to customers | Impairment allowances against customer advances | Total deposits from customers | Total equity | Capital adequacy ratio | Liquidity ratio | |
| 5 | 242 | - | - | 1 | 241 | N/A | N/A | |
| 3 | 426 | 18 | - | 237 | 183 | 99.0% | 643.9% | |
| 1 | 73 | 61 | - | 3 | 69 | 86.9% | 138.6% | |
| - | 45 | - | - | - | 45 | N/A | N/A | |
| 7 | 286 | 216 | 4 | 147 | 106 | 64.7% | 188.2% | |
| 1 | 341 | 145 | - | 244 | 96 | N/A | N/A | |
| 1 | 96 | 12 | - | - | 90 | N/A | N/A | |
| 1 | 574 | 260 | - | 15 | 308 | N/A | N/A | |
| 2 | 363 | 327 | - | 16 | 153 | 104.6% | 224.8% | |
| - | 122 | - | - | 68 | 53 | N/A | N/A | |
| 86 | 6,307 | 6,224 | - | - | 520 | 17.6% | 160.0% | |
| 12 | 1,324 | 1,252 | 33 | - | 433 | 53.4% | 343.8% | |
| 18 | 2,704 | 1,356 | 16 | - | 422 | 23.8% | 333.2% | |
| 211 | 6,700 | 5,363 | 92 | 4,975 | 1,563 | 23.9% | 72.9% | |
| 79 | 3,054 | 1,267 | 2 | - | 1,402 | 48.2% | 161.1% | |
| 2 | 895 | 5 | - | - | 96 | N/A | N/A | |
| 13 | 1,749 | 940 | 1 | - | 798 | 61.7% | 207.2% | |
| 442 | 25,301 | 17,446 | 148 | 5,706 | 6,578 | - | - | |

| | HK\$ millions | Year ended | Key ratios | | | | | |
|--------------|--|-------------|---------------------------------|--|--|-------------------|-------------|-------------|
| | | | Performance measures | | | | | |
| | | | Net customer loan/deposit ratio | Net interest income/average total assets | Non-interest income/total operating income | Cost/income ratio | ROA | ROE |
| 1 | BCOM Finance (Hong Kong) Limited | 31-Dec-16 | 0.0% | 0.4% | 85.7% | 14.3% | 2.1% | 2.1% |
| 2 | BPI International Finance Limited | 31-Dec-16 | 7.6% | 0.7% | 91.7% | 88.9% | 0.7% | 1.7% |
| 3 | Chau's Brothers Finance Company Limited | 31-Dec-16 | 2033.3% | 6.3% | 16.7% | 83.3% | 1.3% | 1.4% |
| 4 | Chong Hing Finance Limited | 31-Dec-16 | N/A | 0.0% | N/A | N/A | 0.0% | 0.0% |
| 5 | Commonwealth Finance Corporation Limited | 31-Dec-16 | 144.2% | 4.6% | 22.2% | 55.6% | 2.3% | 6.7% |
| 6 | Corporate Finance (D.T.C.) Limited | 31-Dec-16 | 59.4% | 1.5% | 0.0% | 80.0% | 0.3% | 1.0% |
| 7 | Fubon Credit (Hong Kong) Limited | 31-Dec-16 | N/A | 0.0% | 100.0% | 100.0% | 1.0% | 1.1% |
| 8 | Gunma Finance (Hong Kong) Limited | 31-Dec-16 | 1733.3% | 1.5% | 0.0% | 88.9% | 0.2% | 0.3% |
| 9 | Habib Finance International Limited | 31-Dec-16 | 2043.8% | 1.8% | 30.0% | 80.0% | 0.5% | 1.3% |
| 10 | Henderson International Finance Limited | 31-Dec-16 | 0.0% | 0.8% | 0.0% | 100.0% | 0.0% | 0.0% |
| 11 | HKCB Finance Limited | 31-Dec-16 | N/A | 1.6% | 4.6% | 6.4% | 1.4% | 14.9% |
| 12 | KEB Hana Global Finance Limited | 31-Dec-16 | N/A | 2.0% | 44.2% | 50.0% | 0.8% | 2.8% |
| 13 | Kexim Asia Limited | 31-Dec-16 | N/A | 1.2% | 5.7% | 40.0% | 0.7% | 4.4% |
| 14 | Public Finance Limited | 31-Dec-16 | 105.9% | 11.8% | 12.7% | 44.1% | 3.2% | 13.4% |
| 15 | Shinhan Asia Limited | 31-Dec-16 | N/A | 1.8% | 58.5% | 25.4% | 2.9% | 5.7% |
| 16 | Vietnam Finance Company Limited | 31-Dec-16 | N/A | 0.9% | 20.0% | 70.0% | 0.2% | 2.1% |
| 17 | Woori Global Markets Asia Limited | 31-Dec-16 | N/A | 1.5% | 28.6% | 71.4% | 0.8% | 1.6% |
| TOTAL | | 2016 | 303.2% | 3.9% | 20.2% | 42.6% | 1.6% | 6.2% |

Source: Extracted from individual companies' financial and public statements

| Loan asset quality | | | | | | | | |
|------------------------------------|--------------------------|--|-------------------------|---|--|---|---|--|
| Past due but not impaired advances | | | Impaired advances | | | | | |
| Loans overdue ≤ 3 months | Loans overdue > 3 months | Gross advances which are past due but not impaired | Gross impaired advances | Gross impaired advances/gross advances to customers | Individually assessed impairment allowances made against impaired advances | Individually assessed allowances as a percentage of gross impaired advances | Collaterals for individually assessed impaired advances | |
| - | - | - | - | N/A | - | N/A | - | |
| - | - | - | - | 0.0% | N/A | N/A | N/A | |
| N/A | N/A | N/A | N/A | N/A | - | N/A | N/A | |
| - | - | - | - | N/A | - | N/A | - | |
| N/A | N/A | N/A | N/A | N/A | 2 | N/A | N/A | |
| 47 | - | 47 | - | 0.0% | - | N/A | 160 | |
| - | - | - | - | 0.0% | - | N/A | - | |
| - | - | - | N/A | N/A | - | N/A | N/A | |
| - | - | - | - | 0.0% | - | N/A | 5 | |
| - | - | - | - | N/A | - | N/A | - | |
| 102 | - | 102 | - | 0.0% | - | N/A | N/A | |
| - | - | - | 35 | 2.8% | 32 | 91.4% | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| 288 | - | 288 | 124 | 2.3% | 84 | 67.7% | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| - | - | - | N/A | N/A | - | N/A | N/A | |
| - | - | - | - | 0.0% | - | N/A | N/A | |
| 437 | - | 437 | 159 | 0.9% | 118 | 74.2% | 165 | |

Foreign bank branches - Financial highlights

| | HK\$ millions | Year ended | Income statement | | | | | |
|----|---|------------|---------------------|---------------------|--------------------|--|-------------------------------------|-------------|
| | | | Net interest income | Non-interest income | Operating expenses | Operating profit before impairment charges | Loan impairment charges/ (recovery) | Other items |
| 1 | ABN AMRO Bank N.V. | 31-Dec-16 | 447 | 439 | 813 | 73 | (2) | - |
| 2 | Agricultural Bank of China Limited | 31-Dec-16 | 2,690 | 758 | 353 | 3,095 | 26 | - |
| 3 | Allahabad Bank | 31-Mar-16 | 127 | 31 | 14 | 144 | 77 | - |
| 4 | Australia And New Zealand Banking Group Limited | 30-Sep-16 | 976 | 1,447 | 2,193 | 230 | 127 | (4) |
| 5 | Axis Bank Limited | 31-Mar-16 | 321 | 244 | 48 | 517 | (2) | - |
| 6 | Banco Bilbao Vizcaya Argentaria S.A. | 31-Dec-16 | 221 | 279 | 274 | 226 | 206 | - |
| 7 | Banco Santander, S.A. | 31-Dec-16 | 151 | 198 | 491 | (142) | 10 | - |
| 8 | Bangkok Bank Public Company Limited | 31-Dec-16 | 296 | 52 | 132 | 216 | 176 | - |
| 9 | Bank J. Safra Sarasin AG | 31-Dec-16 | 99 | 194 | 306 | (13) | - | - |
| 10 | Bank Julius Baer & Co. Ltd. | 31-Dec-16 | 342 | 795 | 1,295 | (158) | - | - |
| 11 | Bank of America, National Association | 31-Dec-16 | 852 | 1,290 | 1,705 | 437 | 175 | - |
| 12 | Bank of Baroda | 31-Mar-16 | 119 | 37 | 28 | 128 | 187 | - |
| 13 | Bank of China Limited | 31-Dec-16 | 71 | 336 | 88 | 319 | - | - |
| 14 | Bank of Communications Co., Ltd. | 31-Dec-16 | 4,453 | 3,240 | 2,146 | 5,547 | 316 | (163) |
| 15 | Bank of India | 31-Mar-16 | 366 | 42 | 46 | 362 | 155 | (5) |
| 16 | Bank of Montreal | 31-Oct-16 | 24 | 160 | 319 | (135) | 1 | - |
| 17 | Bank of New York Mellon (The) | 31-Dec-16 | 116 | 734 | 538 | 312 | - | - |
| 18 | Bank of Nova Scotia (The) | 31-Oct-16 | 196 | 286 | 256 | 226 | - | - |
| 19 | Bank of Singapore Limited | 31-Dec-16 | 20 | 300 | 320 | - | - | - |
| 20 | Bank of Taiwan | 31-Dec-16 | 275 | 26 | 41 | 260 | (29) | 1 |
| 21 | Bank of Tokyo-Mitsubishi UFJ, Ltd. (The) | 31-Mar-16 | 1,367 | 1,444 | 1,089 | 1,722 | 12 | - |
| 22 | Bank Sinopac | 31-Dec-16 | 240 | 88 | 158 | 170 | 4 | (22) |
| 23 | Barclays Bank Plc | 31-Dec-16 | (24) | 1,551 | 2,194 | (667) | - | (33) |
| 24 | BNP Paribas | 31-Dec-16 | 967 | 1,568 | 2,591 | (56) | 62 | - |
| 25 | Canadian Imperial Bank of Commerce | 31-Oct-16 | 70 | 362 | 222 | 210 | - | - |
| 26 | Canara Bank | 31-Mar-16 | 126 | 14 | 14 | 126 | 114 | - |
| 27 | Cathay Bank | 31-Dec-16 | 51 | 11 | 40 | 22 | 41 | - |
| 28 | Cathay United Bank Company, Limited | 31-Dec-16 | 146 | 179 | 135 | 190 | 21 | - |
| 29 | Chang Hwa Commercial Bank, Ltd. | 31-Dec-16 | 164 | 54 | 30 | 188 | (20) | - |
| 30 | China Construction Bank Corporation | 31-Dec-16 | 1,856 | 1,023 | 473 | 2,406 | 728 | - |
| 31 | China Development Bank Corporation | 31-Dec-16 | 4,384 | (535) | 215 | 3,634 | 2,709 | - |
| 32 | China Everbright Bank Co., Ltd. | 31-Dec-16 | 309 | 308 | 201 | 416 | 40 | (1) |
| 33 | China Merchants Bank Co., Ltd. | 31-Dec-16 | 1,361 | 645 | 285 | 1,721 | 136 | - |
| 34 | China Minsheng Banking Corp., Ltd. | 31-Dec-16 | 581 | 948 | 309 | 1,220 | (268) | - |
| 35 | Citibank, N.A. | 31-Dec-16 | 2,698 | 2,264 | 2,939 | 2,024 | 31 | - |
| 36 | Commerzbank AG | 31-Dec-16 | 89 | 328 | 321 | 96 | 17 | - |
| 37 | Commonwealth Bank of Australia | 30-Jun-16 | 347 | 27 | 222 | 152 | - | - |
| 38 | Coöperatieve Rabobank U.A. | 31-Dec-16 | 583 | 418 | 586 | 415 | 216 | - |

Source: Extracted from individual banks' financial and public statements.

| Financial highlights | | Size and strength measures | | | | |
|----------------------|----------------------|----------------------------|-----------------------------|---|-------------------------------|-----------------|
| Profit before tax | Net profit after tax | Total assets | Gross advances to customers | Impairment allowances against customer advances | Total deposits from customers | Liquidity ratio |
| 75 | 63 | 69,329 | 22,999 | 96 | 26,105 | 55.0% |
| 3,069 | 2,557 | 482,444 | 266,336 | 374 | 116,620 | 45.5% |
| 67 | 54 | 16,710 | 9,757 | 285 | 1,754 | 181.7% |
| 99 | 81 | 139,866 | 46,925 | 331 | 64,462 | 36.4% |
| 519 | 446 | 16,576 | 13,730 | 145 | 1,510 | 75.1% |
| 20 | 20 | 23,992 | 18,778 | 206 | 1,847 | 54.3% |
| (152) | (160) | 38,826 | 17,575 | 10 | 2,460 | 41.8% |
| 40 | 36 | 59,260 | 13,877 | 1,349 | 11,303 | 41.6% |
| (13) | (10) | 12,150 | 6,961 | - | 5,511 | 45.7% |
| (158) | (149) | 49,648 | 22,873 | - | 34,434 | 38.6% |
| 262 | 224 | 94,601 | 39,112 | 1,231 | 34,197 | 53.0% |
| (59) | (65) | 13,685 | 8,258 | 358 | 2,049 | 39.0% |
| 319 | 266 | 270,663 | 777 | - | - | 34218.0% |
| 5,464 | 4,784 | 507,600 | 231,322 | 1,346 | 351,570 | 132.4% |
| 212 | 165 | 45,189 | 16,177 | 515 | 5,103 | 117.7% |
| (136) | (137) | 17,811 | 1,684 | 11 | 3,191 | 58.7% |
| 312 | 263 | 63,736 | 1,361 | - | 17,461 | 70.4% |
| 226 | 185 | 50,803 | 12,727 | - | 8,008 | 46.7% |
| - | 3 | 16,156 | 5,979 | - | 11,870 | 41.3% |
| 290 | 290 | 19,798 | 5,088 | 96 | 8,793 | 54.1% |
| 1,710 | 1,498 | 409,107 | 207,973 | 2,137 | 146,007 | 48.4% |
| 188 | 188 | 24,714 | 6,770 | 181 | 19,423 | 37.4% |
| (700) | (588) | 11,637 | 829 | - | 1,319 | 95.4% |
| (118) | (113) | 280,616 | 103,086 | 351 | 170,517 | 33.9% |
| 210 | 190 | 29,353 | 2,710 | - | 7,142 | 69.1% |
| 12 | 3 | 11,451 | 10,151 | 292 | 1,360 | 91.9% |
| (19) | (19) | 3,113 | 1,665 | 25 | 2,340 | 51.2% |
| 169 | 169 | 15,262 | 5,809 | 69 | 8,793 | 49.7% |
| 208 | 179 | 13,113 | 4,877 | 67 | 7,988 | 44.5% |
| 1,678 | 1,396 | 576,913 | 232,399 | 1,224 | 136,923 | 134.8% |
| 925 | 399 | 345,661 | 248,601 | 16,762 | 48,350 | 88.0% |
| 375 | 315 | 86,571 | 44,356 | 170 | 34,154 | 64.6% |
| 1,585 | 1,374 | 147,619 | 49,565 | 877 | 106,219 | 51.1% |
| 1,488 | 1,241 | 158,530 | 62,819 | 406 | 69,053 | 69.0% |
| 1,993 | 1,528 | 378,612 | 103,663 | 202 | 255,393 | 35.6% |
| 79 | 79 | 8,543 | 3,157 | 49 | 3,445 | 50.9% |
| 152 | 127 | 41,300 | 29,459 | - | 7,729 | 61.1% |
| 199 | 148 | 107,490 | 41,170 | 900 | 12,765 | 58.6% |

| | | Income statement | | | | | | |
|----|--|------------------|------------|---------------------|---------------------|--------------------|--|-------------------------------------|
| | | HK\$ millions | Year ended | Net interest income | Non-interest income | Operating expenses | Operating profit before impairment charges | Loan impairment charges/ (recovery) |
| 39 | Coutts & Co AG | | 31-Dec-16 | 22 | 50 | 128 | (56) | - |
| 40 | Credit Agricole Corporate And Investment Bank | | 31-Dec-16 | 555 | 1,003 | 1,052 | 506 | 349 |
| 41 | Credit Suisse AG | | 31-Dec-16 | 1,004 | 1,040 | 1,703 | 341 | 249 |
| 42 | CTBC Bank Co., Ltd. | | 31-Dec-16 | 708 | 595 | 619 | 684 | 189 |
| 43 | DBS Bank Ltd. | | 31-Dec-16 | 2,268 | 752 | 668 | 2,352 | 225 |
| 44 | Deutsche Bank Aktiengesellschaft | | 31-Dec-16 | 225 | 5,360 | 5,890 | (305) | 3 |
| 45 | DZ Bank Ag Deutsche Zentral-Genossenschaftsbank, Frankfurt Am Main | | 31-Dec-16 | 109 | 24 | 127 | 6 | (8) |
| 46 | E.Sun Commercial Bank, Ltd. | | 31-Dec-16 | 286 | 127 | 140 | 273 | 50 |
| 47 | East West Bank | | 31-Dec-16 | 136 | 52 | 97 | 91 | 12 |
| 48 | EFG Bank AG | | 31-Dec-16 | 110 | 594 | 516 | 188 | - |
| 49 | Erste Group Bank AG | | 31-Dec-16 | 120 | 29 | 61 | 88 | 3 |
| 50 | First Commercial Bank, Ltd. | | 31-Dec-16 | 206 | 47 | 43 | 210 | 52 |
| 51 | HSBC Private Bank (Suisse) Sa | | 31-Dec-16 | - | - | 1 | (1) | - |
| 52 | Hua Nan Commercial Bank, Ltd. | | 31-Dec-16 | 238 | 41 | 41 | 238 | (10) |
| 53 | ICBC Standard Bank Plc | | 31-Dec-16 | 3 | 73 | 74 | 2 | - |
| 54 | ICICI Bank Limited | | 31-Mar-16 | 457 | 232 | 90 | 599 | (14) |
| 55 | Indian Overseas Bank | | 31-Mar-16 | 173 | 83 | 36 | 220 | 673 |
| 56 | Industrial And Commercial Bank of China Limited | | 31-Dec-16 | 649 | (135) | 80 | 434 | (35) |
| 57 | Industrial Bank Co., Ltd. | | 31-Dec-16 | 1,082 | 393 | 404 | 1,071 | 147 |
| 58 | Industrial Bank of Korea | | 31-Dec-16 | 82 | 84 | 31 | 135 | 24 |
| 59 | ING Bank N.V. | | 31-Dec-16 | 468 | 220 | 345 | 343 | (3) |
| 60 | Intesa Sanpaolo Spa | | 31-Dec-16 | 426 | 31 | 138 | 319 | 79 |
| 61 | JPMorgan Chase Bank, National Association | | 31-Dec-16 | 454 | 6,576 | 6,991 | 39 | (1) |
| 62 | KBC Bank N.V. | | 31-Dec-16 | 57 | 45 | 84 | 18 | 35 |
| 63 | KEB Hana Bank | | 31-Dec-16 | 249 | 162 | 46 | 365 | 151 |
| 64 | LGT Bank AG | | 31-Dec-16 | 89 | 815 | 901 | 3 | 1 |
| 65 | Macquarie Bank Limited | | 31-Mar-16 | (23) | 957 | 1,120 | (186) | - |
| 66 | Malayan Banking Berhad | | 31-Dec-16 | 431 | 138 | 204 | 365 | 307 |
| 67 | Mega International Commercial Bank Co., Ltd. | | 31-Dec-16 | 304 | 72 | 70 | 306 | (22) |
| 68 | Mitsubishi UFJ Trust And Banking Corporation | | 31-Mar-16 | 158 | 2 | 54 | 106 | - |
| 69 | Mizuho Bank, Ltd. | | 31-Mar-16 | 1,384 | 941 | 698 | 1,627 | (191) |
| 70 | National Australia Bank Limited | | 30-Sep-16 | 117 | 458 | 440 | 135 | 84 |

Source: Extracted from individual banks' financial and public statements.

| Financial highlights | | Size and strength measures | | | | |
|----------------------|----------------------|----------------------------|-----------------------------|---|-------------------------------|-----------------|
| Profit before tax | Net profit after tax | Total assets | Gross advances to customers | Impairment allowances against customer advances | Total deposits from customers | Liquidity ratio |
| (56) | (56) | 757 | 85 | - | 95 | 152.4% |
| 157 | 131 | 167,843 | 28,261 | 395 | 43,364 | 56.0% |
| 92 | 75 | 119,871 | 60,348 | 316 | 76,344 | 43.8% |
| 494 | 406 | 60,252 | 21,192 | 346 | 52,003 | 48.3% |
| 2,127 | 1,774 | 238,350 | 147,187 | 1,267 | 46,249 | 32.7% |
| (308) | (157) | 116,202 | 22,701 | 54 | 33,985 | 68.0% |
| 14 | 14 | 13,856 | 5,593 | 117 | 300 | 86.4% |
| 223 | 169 | 20,466 | 9,054 | 119 | 18,118 | 41.1% |
| 79 | 70 | 8,093 | 5,710 | 58 | 5,342 | 36.7% |
| 188 | 157 | 30,200 | 11,517 | - | 26,158 | 65.4% |
| 85 | 70 | 11,158 | 439 | 22 | - | 43.3% |
| 158 | 133 | 17,057 | 6,190 | 124 | 13,861 | 41.4% |
| (1) | (1) | 16 | - | - | - | 66668787.0% |
| 248 | 203 | 23,537 | 5,763 | 61 | 20,616 | 38.7% |
| 2 | 2 | 1,195 | - | 20 | 1,142 | 77.4% |
| 613 | 515 | 42,224 | 12,775 | 186 | 4,330 | 0.0% |
| (453) | (459) | 16,029 | 12,757 | 1,127 | 3,513 | 101.5% |
| 469 | 393 | 236,716 | 43,715 | 168 | - | 53.2% |
| 924 | 778 | 140,609 | 47,697 | 189 | 77,600 | 63.4% |
| 111 | 101 | 10,255 | 1,300 | 48 | 2,813 | 117.1% |
| 346 | 288 | 64,977 | 28,827 | 11 | 4,416 | 43.6% |
| 241 | 207 | 51,550 | 14,112 | 398 | 1,909 | 45.8% |
| 64 | 49 | 151,476 | 14,889 | - | 37,634 | 60.7% |
| (17) | (16) | 8,006 | 3,574 | 98 | 2,057 | 64.9% |
| 554 | 500 | 32,550 | 19,013 | 32 | 5,493 | 35.4% |
| 2 | 2 | 24,214 | 6,991 | 6 | 15,742 | 64.1% |
| (186) | (353) | 20,288 | - | - | - | 333.1% |
| 58 | 7 | 37,633 | 17,924 | 523 | 15,770 | 48.4% |
| 328 | 294 | 28,633 | 3,997 | 54 | 27,214 | 49.7% |
| 106 | 106 | 25,188 | 4,359 | - | 118 | N.A. |
| 1,817 | 1,576 | 413,892 | 149,625 | 149 | 129,885 | 63.1% |
| 51 | 34 | 61,095 | 16,046 | 50 | 38,935 | 119.8% |

| | | Year ended | Income statement | | | | | |
|--------------|---|-------------|---------------------|---------------------|--------------------|--|-------------------------------------|-------------|
| | | | Net interest income | Non-interest income | Operating expenses | Operating profit before impairment charges | Loan impairment charges/ (recovery) | Other items |
| | HK\$ millions | | | | | | | |
| 71 | National Bank of Abu Dhabi | 31-Dec-16 | - | 119 | 125 | (6) | - | - |
| 72 | Natixis | 31-Dec-16 | 202 | 1,439 | 1,020 | 621 | 21 | - |
| 73 | O-Bank Co., Ltd | 31-Dec-16 | 144 | 71 | 111 | 104 | - | - |
| 74 | Oversea-Chinese Banking Corporation Limited | 31-Dec-16 | 773 | 600 | 251 | 1,122 | 24 | 122 |
| 75 | Pictet & Cie (Europe) S.A. | 31-Dec-16 | 25 | 187 | 312 | (100) | - | - |
| 76 | Punjab National Bank | 31-Mar-16 | 313 | (38) | 26 | 249 | 168 | - |
| 77 | Royal Bank of Canada | 31-Oct-16 | (28) | 543 | 566 | (51) | - | - |
| 78 | Royal Bank of Scotland Public Limited Company (The) | 31-Dec-16 | (9) | 31 | 253 | (231) | - | - |
| 79 | Shanghai Commercial & Savings Bank, Ltd. (The) | 31-Dec-16 | 80 | 37 | 32 | 85 | - | - |
| 80 | Shanghai Pudong Development Bank Co., Ltd. | 31-Dec-16 | 747 | 297 | 237 | 807 | 71 | - |
| 81 | Shinhan Bank | 31-Dec-16 | 103 | 31 | 19 | 115 | 22 | - |
| 82 | Societe Generale | 31-Dec-16 | 233 | 2,098 | 1,818 | 513 | 32 | - |
| 83 | State Bank of India | 31-Mar-16 | 387 | 175 | 141 | 421 | 174 | - |
| 84 | State Street Bank And Trust Company | 31-Dec-16 | 148 | 1,079 | 1,056 | 171 | - | - |
| 85 | Sumitomo Mitsui Banking Corporation | 31-Mar-16 | 1,754 | 703 | 581 | 1,876 | - | - |
| 86 | Sumitomo Mitsui Trust Bank, Limited | 31-Mar-16 | 128 | 86 | 59 | 155 | - | - |
| 87 | Taipei Fubon Commercial Bank Co., Ltd. | 31-Dec-16 | 351 | 264 | 146 | 469 | 191 | - |
| 88 | Taishin International Bank Co., Ltd | 31-Dec-16 | 142 | 89 | 98 | 133 | 203 | 86 |
| 89 | Taiwan Business Bank | 31-Dec-16 | 86 | 11 | 32 | 65 | (10) | - |
| 90 | Taiwan Cooperative Bank, Ltd. | 31-Dec-16 | 137 | 30 | 25 | 142 | 59 | - |
| 91 | Taiwan Shin Kong Commercial Bank Co., Ltd. | 31-Dec-16 | 32 | 12 | 29 | 15 | 81 | 3 |
| 92 | UBS AG | 31-Dec-16 | 1,938 | 9,878 | 10,223 | 1,593 | 3 | - |
| 93 | UCO Bank | 31-Mar-16 | 169 | 80 | 27 | 222 | 121 | - |
| 94 | Unicredit Bank AG | 31-Dec-16 | 39 | 305 | 293 | 51 | (7) | - |
| 95 | Union Bank of India | 31-Mar-16 | 222 | 42 | 28 | 236 | 178 | - |
| 96 | United Overseas Bank Ltd. | 31-Dec-16 | 1,151 | 986 | 620 | 1,517 | 209 | 8 |
| 97 | Wells Fargo Bank, National Association | 31-Dec-16 | 95 | 1,078 | 1,034 | 139 | (2) | - |
| 98 | Westpac Banking Corporation | 30-Sep-16 | 31 | 153 | 179 | 5 | (5) | 3 |
| 99 | Woori Bank | 31-Dec-16 | 81 | 33 | 26 | 88 | 37 | - |
| TOTAL | | 2016 | 49,498 | 62,865 | 65,689 | 46,675 | 9,185 | 346 |

Source: Extracted from individual companies' financial and public statements

| Financial highlights | | Size and strength measures | | | | |
|----------------------|----------------------|----------------------------|-----------------------------|---|-------------------------------|-----------------|
| Profit before tax | Net profit after tax | Total assets | Gross advances to customers | Impairment allowances against customer advances | Total deposits from customers | Liquidity ratio |
| (6) | 3 | 35,562 | 8,419 | - | 14,999 | 38.1% |
| 600 | 511 | 45,152 | 17,800 | 120 | 7,830 | 42.8% |
| 104 | 84 | 8,446 | 4,841 | 60 | 5,121 | 60.6% |
| 1,220 | 1,120 | 106,542 | 49,310 | 454 | 35,319 | 69.5% |
| (100) | (100) | 7,418 | 3,431 | - | 3,719 | 45.4% |
| 81 | 36 | 59,964 | 26,337 | 448 | 2,596 | 51.0% |
| (51) | (51) | 27,721 | 505 | - | 4,271 | 246.0% |
| (231) | (231) | 1,047 | - | - | 18 | 120.8% |
| 85 | 73 | 6,802 | 1,738 | 31 | 6,079 | 41.4% |
| 736 | 618 | 136,244 | 62,858 | 291 | 55,910 | 68.9% |
| 93 | 75 | 12,308 | 8,564 | 30 | 1,565 | 179.5% |
| 481 | 385 | 182,928 | 41,390 | 96 | 16,713 | 66.0% |
| 247 | 205 | 83,388 | 29,281 | 293 | 12,680 | 374.2% |
| 171 | 144 | 150,287 | 8 | - | 18,039 | 64.2% |
| 1,876 | 1,628 | 306,539 | 123,169 | 124 | 68,472 | 37.3% |
| 155 | 118 | 57,732 | 20,446 | - | 8,702 | 85.5% |
| 278 | 201 | 39,033 | 14,153 | 196 | 27,931 | 46.4% |
| (156) | (156) | 14,875 | 5,998 | 124 | 10,714 | 62.0% |
| 75 | 58 | 4,823 | 1,961 | 27 | 3,607 | 46.4% |
| 83 | 59 | 6,968 | 3,868 | 111 | 4,873 | 41.1% |
| (69) | (69) | 3,551 | 1,630 | 13 | 2,637 | 51.9% |
| 1,590 | 1,276 | 170,015 | 115,641 | 21 | 125,529 | 59.6% |
| 101 | 78 | 18,570 | 15,863 | 238 | 6,070 | 37.0% |
| 58 | 58 | 52,673 | 2,806 | 20 | 1,257 | 284.3% |
| 58 | 58 | 28,510 | 24,030 | 595 | 2,219 | 37.2% |
| 1,316 | 1,097 | 125,121 | 76,424 | 247 | 38,420 | 43.1% |
| 141 | 136 | 34,695 | 8,282 | - | 1,070 | 100.1% |
| 7 | 4 | 33,900 | 16,914 | 41 | 18,750 | 64.2% |
| 51 | 40 | 15,785 | 8,205 | 33 | 3,675 | 43.5% |
| 38,114 | 31,500 | 8,629,235 | 3,336,868 | 39,188 | 2,960,959 | - |

Foreign bank branches - Financial highlights

(Continued)

| HK\$ millions | Year ended | Key ratios | | | | | ROA | |
|---|------------|---------------------------------|--|--|--------------------|-------|-----|--|
| | | Performance measures | | | | | | |
| | | Net customer loan/deposit ratio | Net interest income/average total assets | Non-interest income/total operating income | Cost/ income ratio | | | |
| 1 ABN AMRO Bank N.V. | 31-Dec-16 | 87.7% | 0.7% | 49.5% | 91.8% | 0.1% | | |
| 2 Agricultural Bank of China Limited | 31-Dec-16 | 228.1% | 0.5% | 22.0% | 10.2% | 0.5% | | |
| 3 Allahabad Bank | 31-Mar-16 | 540.0% | 0.8% | 19.6% | 8.9% | 0.3% | | |
| 4 Australia And New Zealand Banking Group Limited | 30-Sep-16 | 72.3% | 0.6% | 59.7% | 90.5% | 0.1% | | |
| 5 Axis Bank Limited | 31-Mar-16 | 899.7% | 2.0% | 43.2% | 8.5% | 2.7% | | |
| 6 Banco Bilbao Vizcaya Argentaria S.A. | 31-Dec-16 | 1005.5% | 0.7% | 55.8% | 54.8% | 0.1% | | |
| 7 Banco Santander, S.A. | 31-Dec-16 | 714.0% | 0.3% | 56.7% | 140.7% | -0.3% | | |
| 8 Bangkok Bank Public Company Limited | 31-Dec-16 | 110.8% | 0.5% | 14.9% | 37.9% | 0.1% | | |
| 9 Bank J. Safra Sarasin AG | 31-Dec-16 | 126.3% | 0.8% | 66.2% | 104.4% | -0.1% | | |
| 10 Bank Julius Baer & Co. Ltd. | 31-Dec-16 | 66.4% | 0.7% | 69.9% | 113.9% | -0.3% | | |
| 11 Bank of America, National Association | 31-Dec-16 | 110.8% | 0.9% | 60.2% | 79.6% | 0.2% | | |
| 12 Bank of Baroda | 31-Mar-16 | 385.6% | 0.8% | 23.7% | 17.9% | -0.4% | | |
| 13 Bank of China Limited | 31-Dec-16 | N/A | 0.0% | 82.6% | 21.6% | 0.1% | | |
| 14 Bank of Communications Co., Ltd. | 31-Dec-16 | 65.4% | 0.8% | 42.1% | 27.9% | 0.9% | | |
| 15 Bank of India | 31-Mar-16 | 306.9% | 0.8% | 10.3% | 11.3% | 0.4% | | |
| 16 Bank of Montreal | 31-Oct-16 | 52.4% | 0.2% | 87.0% | 173.4% | -1.0% | | |
| 17 Bank of New York Mellon (The) | 31-Dec-16 | 7.8% | 0.2% | 86.4% | 63.3% | 0.4% | | |
| 18 Bank of Nova Scotia (The) | 31-Oct-16 | 158.9% | 0.3% | 59.3% | 53.1% | 0.3% | | |
| 19 Bank of Singapore Limited | 31-Dec-16 | 50.4% | 0.2% | 93.8% | 100.0% | 0.0% | | |
| 20 Bank of Taiwan | 31-Dec-16 | 56.8% | 1.5% | 8.6% | 13.6% | 1.5% | | |
| 21 Bank of Tokyo-Mitsubishi UFJ, Ltd. (The) | 31-Mar-16 | 141.0% | 0.3% | 51.4% | 38.7% | 0.3% | | |
| 22 Bank Sinopac | 31-Dec-16 | 33.9% | 1.0% | 26.8% | 48.2% | 0.8% | | |
| 23 Barclays Bank Plc | 31-Dec-16 | 62.9% | -0.1% | 101.6% | 143.7% | -2.8% | | |
| 24 BNP Paribas | 31-Dec-16 | 60.2% | 0.4% | 61.9% | 102.2% | 0.0% | | |
| 25 Canadian Imperial Bank of Commerce | 31-Oct-16 | 37.9% | 0.3% | 83.8% | 51.4% | 0.8% | | |
| 26 Canara Bank | 31-Mar-16 | 724.9% | 1.2% | 10.0% | 10.0% | 0.0% | | |
| 27 Cathay Bank | 31-Dec-16 | 72.2% | 1.6% | 17.7% | 64.5% | -0.6% | | |
| 28 Cathay United Bank Company, Limited | 31-Dec-16 | 65.3% | 1.1% | 55.1% | 41.5% | 1.3% | | |
| 29 Chang Hwa Commercial Bank, Ltd. | 31-Dec-16 | 60.2% | 1.3% | 24.8% | 13.8% | 1.4% | | |
| 30 China Construction Bank Corporation | 31-Dec-16 | 168.8% | 0.4% | 35.5% | 16.4% | 0.3% | | |
| 31 China Development Bank Corporation | 31-Dec-16 | 479.5% | 1.2% | -13.9% | 5.6% | 0.1% | | |
| 32 China Everbright Bank Co., Ltd. | 31-Dec-16 | 129.4% | 0.4% | 49.9% | 32.6% | 0.4% | | |
| 33 China Merchants Bank Co., Ltd. | 31-Dec-16 | 45.8% | 1.1% | 32.2% | 14.2% | 1.1% | | |
| 34 China Minsheng Banking Corp., Ltd. | 31-Dec-16 | 90.4% | 0.4% | 62.0% | 20.2% | 0.9% | | |
| 35 Citibank, N.A. | 31-Dec-16 | 40.5% | 0.7% | 45.6% | 59.2% | 0.4% | | |
| 36 Commerzbank AG | 31-Dec-16 | 90.2% | 0.8% | 78.7% | 77.0% | 0.7% | | |
| 37 Commonwealth Bank of Australia | 30-Jun-16 | 381.1% | 0.9% | 7.2% | 59.4% | 0.3% | | |
| 38 Coöperatieve Rabobank U.A. | 31-Dec-16 | 315.5% | 0.5% | 41.8% | 58.5% | 0.1% | | |

Source: Extracted from individual banks' financial and public statements.

| Loan asset quality | | | | | | | | |
|--------------------------|--------------------------|-----------------------------------|-------------------------|--|--|---|---|--|
| Past due advances | | | Impaired advances | | | | | |
| Loans overdue ≤ 3 months | Loans overdue > 3 months | Gross advances which are past due | Gross impaired advances | Gross impaired advances/ gross advances to customers | Individually assessed impairment allowances made against impaired advances | Individually assessed allowances as a percentage of gross impaired advances | Collaterals for individually assessed impaired advances | |
| 136 | 75 | 211 | 75 | 0.3% | 75 | 100.0% | - | |
| N/A | 116 | 116 | 116 | 0.0% | 112 | 96.6% | 1 | |
| N/A | 393 | 393 | 364 | 3.7% | 236 | 64.8% | 225 | |
| N/A | 135 | 135 | 213 | 0.5% | 132 | 62.0% | 57 | |
| N/A | - | - | - | 0.0% | - | N/A | - | |
| N/A | 992 | 992 | 1,291 | 6.9% | 206 | 16.0% | - | |
| N/A | - | - | - | 0.0% | - | N/A | - | |
| N/A | 24 | 24 | 50 | 0.4% | 18 | 36.0% | 9 | |
| - | - | - | - | 0.0% | - | N/A | - | |
| N/A | - | - | - | 0.0% | - | N/A | - | |
| N/A | 699 | 699 | 1,528 | 3.9% | 769 | 50.3% | - | |
| N/A | 539 | 539 | 539 | 6.5% | 275 | 51.0% | 226 | |
| - | - | - | - | 0.0% | - | N/A | - | |
| N/A | 488 | 488 | 639 | 0.3% | 340 | 53.2% | 532 | |
| N/A | 1,037 | 1,037 | 1,040 | 6.4% | 421 | 40.5% | 808 | |
| - | - | - | - | 0.0% | - | N/A | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| N/A | - | - | 25 | 0.5% | 25 | 100.0% | - | |
| - | - | - | 65 | 0.0% | 13 | 20.0% | 40 | |
| N/A | 26 | 26 | 44 | 0.6% | 32 | 72.7% | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| N/A | 245 | 245 | 743 | 0.7% | 244 | 32.8% | 736 | |
| - | - | - | - | 0.0% | - | N/A | - | |
| N/A | 452 | 452 | - | 0.0% | - | N/A | - | |
| N/A | 5 | 5 | 9 | 0.5% | 8 | 88.9% | 1 | |
| N/A | - | - | - | 0.0% | - | N/A | - | |
| N/A | 1 | 1 | 1 | 0.0% | 1 | 100.0% | - | |
| - | 95 | 95 | - | 0.0% | - | N/A | - | |
| N/A | 7,867 | 7,867 | 7,867 | 3.2% | 6,411 | 81.5% | 135 | |
| N/A | 9 | 9 | 9 | 0.0% | 9 | 100.0% | - | |
| N/A | - | - | - | 0.0% | - | N/A | - | |
| N/A | 299 | 299 | 299 | 0.5% | 106 | 35.5% | 299 | |
| N/A | 876 | 876 | 876 | 0.8% | - | 0.0% | - | |
| N/A | - | - | 155 | 4.9% | 41 | 26.5% | - | |
| - | - | - | - | 0.0% | - | N/A | - | |
| N/A | 1,453 | 1,453 | 2,693 | 6.5% | 857 | 31.8% | 481 | |

| | HK\$ millions | Year ended | Key ratios | | | | |
|----|--|------------|---------------------------------|--|--|-------------------|-------|
| | | | Performance measures | | | | |
| | | | Net customer loan/deposit ratio | Net interest income/average total assets | Non-interest income/total operating income | Cost/income ratio | ROA |
| 39 | Coutts & Co AG | 31-Dec-16 | 89.5% | 0.2% | 69.4% | 177.8% | -0.6% |
| 40 | Credit Agricole Corporate And Investment Bank | 31-Dec-16 | 64.3% | 0.3% | 64.4% | 67.5% | 0.1% |
| 41 | Credit Suisse AG | 31-Dec-16 | 78.6% | 0.9% | 50.9% | 83.3% | 0.1% |
| 42 | CTBC Bank Co., Ltd. | 31-Dec-16 | 40.1% | 1.2% | 45.7% | 47.5% | 0.7% |
| 43 | DBS Bank Ltd. | 31-Dec-16 | 315.5% | 1.0% | 24.9% | 22.1% | 0.8% |
| 44 | Deutsche Bank Aktiengesellschaft | 31-Dec-16 | 66.6% | 0.2% | 96.0% | 105.5% | -0.1% |
| 45 | DZ Bank Ag Deutsche Zentral-Genossenschaftsbank, Frankfurt Am Main | 31-Dec-16 | 1825.3% | 0.8% | 18.0% | 95.5% | 0.1% |
| 46 | E.Sun Commercial Bank, Ltd. | 31-Dec-16 | 49.3% | 1.5% | 30.8% | 33.9% | 0.9% |
| 47 | East West Bank | 31-Dec-16 | 105.8% | 1.7% | 27.7% | 51.6% | 0.9% |
| 48 | EFG Bank AG | 31-Dec-16 | 44.0% | 0.4% | 84.4% | 73.3% | 0.5% |
| 49 | Erste Group Bank AG | 31-Dec-16 | N/A | 1.1% | 19.5% | 40.9% | 0.6% |
| 50 | First Commercial Bank, Ltd. | 31-Dec-16 | 43.8% | 1.3% | 18.6% | 17.0% | 0.8% |
| 51 | HSBC Private Bank (Suisse) Sa | 31-Dec-16 | N/A | 0.0% | N/A | N/A | -6.1% |
| 52 | Hua Nan Commercial Bank, Ltd. | 31-Dec-16 | 27.7% | 1.1% | 14.7% | 14.7% | 0.9% |
| 53 | ICBC Standard Bank Plc | 31-Dec-16 | -1.8% | 0.2% | 96.1% | 97.4% | 0.1% |
| 54 | ICICI Bank Limited | 31-Mar-16 | 290.7% | 1.0% | 33.7% | 13.1% | 1.1% |
| 55 | Indian Overseas Bank | 31-Mar-16 | 331.1% | 1.1% | 32.4% | 14.1% | -2.9% |
| 56 | Industrial And Commercial Bank of China Limited | 31-Dec-16 | N/A | 0.4% | -26.3% | 15.6% | 0.2% |
| 57 | Industrial Bank Co., Ltd. | 31-Dec-16 | 61.7% | 1.1% | 26.6% | 27.4% | 0.8% |
| 58 | Industrial Bank of Korea | 31-Dec-16 | 44.5% | 0.8% | 50.6% | 18.7% | 1.0% |
| 59 | ING Bank N.V. | 31-Dec-16 | 652.5% | 0.8% | 32.0% | 50.1% | 0.5% |
| 60 | Intesa Sanpaolo SpA | 31-Dec-16 | 718.4% | 0.9% | 6.8% | 30.2% | 0.4% |
| 61 | JPMorgan Chase Bank, National Association | 31-Dec-16 | 39.6% | 0.3% | 93.5% | 99.4% | 0.0% |
| 62 | KBC Bank N.V. | 31-Dec-16 | 169.0% | 0.7% | 44.1% | 82.4% | -0.2% |
| 63 | KEB Hana Bank | 31-Dec-16 | 345.5% | 0.8% | 39.4% | 11.2% | 1.6% |
| 64 | LGT Bank AG | 31-Dec-16 | 44.4% | 0.4% | 90.2% | 99.7% | 0.0% |
| 65 | Macquarie Bank Limited | 31-Mar-16 | N/A | -0.1% | 102.5% | 119.9% | -1.4% |
| 66 | Malayan Banking Berhad | 31-Dec-16 | 110.3% | 0.9% | 24.3% | 35.9% | 0.0% |
| 67 | Mega International Commercial Bank Co., Ltd. | 31-Dec-16 | 14.5% | 1.1% | 19.1% | 18.6% | 1.0% |
| 68 | Mitsubishi UFJ Trust And Banking Corporation | 31-Mar-16 | 3694.1% | 0.5% | 1.3% | 33.8% | 0.4% |
| 69 | Mizuho Bank, Ltd. | 31-Mar-16 | 115.1% | 0.3% | 40.5% | 30.0% | 0.4% |
| 70 | National Australia Bank Limited | 30-Sep-16 | 41.1% | 0.2% | 79.7% | 76.5% | 0.0% |

Source: Extracted from individual banks' financial and public statements.

| | Loan asset quality | | | | | | | |
|-----|--------------------------|--------------------------|-----------------------------------|-------------------------|--|--|---|---|
| | Past due advances | | | Impaired advances | | | | |
| | Loans overdue ≤ 3 months | Loans overdue > 3 months | Gross advances which are past due | Gross impaired advances | Gross impaired advances/ gross advances to customers | Individually assessed impairment allowances made against impaired advances | Individually assessed allowances as a percentage of gross impaired advances | Collaterals for individually assessed impaired advances |
| N/A | N/A | - | - | - | 0.0% | - | N/A | - |
| N/A | 835 | 835 | 836 | 836 | 3.0% | 395 | 47.2% | N/A |
| N/A | 529 | 529 | 529 | 529 | 0.9% | 316 | 59.7% | 175 |
| 74 | 351 | 425 | 411 | 411 | 1.9% | 138 | 33.6% | 184 |
| - | - | - | - | - | 0.0% | - | N/A | - |
| N/A | 12 | 12 | 12 | 12 | 0.1% | 8 | 66.7% | - |
| N/A | 94 | 94 | 94 | 94 | 1.7% | 69 | 73.4% | - |
| N/A | - | - | - | - | 0.0% | - | N/A | - |
| N/A | 14 | 14 | 86 | 86 | 1.5% | 1 | 1.2% | 80 |
| - | - | - | - | - | 0.0% | - | N/A | - |
| N/A | N/A | - | - | - | 0.0% | - | N/A | - |
| N/A | 70 | 70 | 76 | 76 | 1.2% | 61 | 80.3% | - |
| - | - | - | - | - | N/A | - | N/A | - |
| N/A | - | - | N/A | N/A | - | - | N/A | - |
| - | - | - | - | - | N/A | - | N/A | - |
| N/A | 18 | 18 | 18 | 18 | 0.1% | 10 | 55.6% | 17 |
| N/A | 1,419 | 1,419 | 2,572 | 2,572 | 20.2% | 1,056 | 41.1% | 193 |
| N/A | N/A | - | 72 | 72 | 0.2% | 72 | 100.0% | - |
| - | - | - | 189 | 189 | 0.4% | - | 0.0% | - |
| N/A | N/A | - | 46 | 46 | 3.5% | N/A | N/A | N/A |
| N/A | - | - | - | - | 0.0% | - | N/A | - |
| N/A | 619 | 619 | 690 | 690 | 4.9% | 287 | 41.6% | - |
| - | - | - | - | - | 0.0% | - | N/A | - |
| N/A | 101 | 101 | 101 | 101 | 2.8% | 92 | 91.1% | - |
| 63 | - | 63 | 63 | 63 | 0.3% | 13 | 20.6% | - |
| - | - | - | - | - | 0.0% | - | N/A | - |
| - | - | - | - | - | N/A | - | N/A | - |
| - | 1,790 | 1,790 | 1,820 | 1,820 | 10.2% | 380 | 20.9% | N/A |
| N/A | 13 | 13 | - | - | 0.0% | - | N/A | - |
| N/A | - | - | - | - | 0.0% | - | N/A | - |
| N/A | 41 | 41 | 467 | 467 | 0.3% | 139 | 29.8% | 27 |
| N/A | N/A | - | 237 | 237 | 1.5% | 163 | 68.8% | N/A |

| HK\$ millions | Year ended | Key ratios | | | | | ROA | |
|---------------|---|---------------------------------|--|--|-------------------|--------------|-------------|--|
| | | Performance measures | | | | | | |
| | | Net customer loan/deposit ratio | Net interest income/average total assets | Non-interest income/total operating income | Cost/income ratio | | | |
| 71 | National Bank of Abu Dhabi | 31-Dec-16 | 56.1% | 0.0% | 100.0% | 105.0% | 0.0% | |
| 72 | Natixis | 31-Dec-16 | 225.8% | 0.5% | 87.7% | 62.2% | 1.2% | |
| 73 | O-Bank Co., Ltd | 31-Dec-16 | 93.4% | 1.6% | 33.0% | 51.6% | 0.9% | |
| 74 | Oversea-Chinese Banking Corporation Limited | 31-Dec-16 | 138.3% | 0.8% | 43.7% | 18.3% | 1.1% | |
| 75 | Pictet & Cie (Europe) S.A. | 31-Dec-16 | 92.3% | 0.4% | 88.2% | 147.2% | -1.7% | |
| 76 | Punjab National Bank | 31-Mar-16 | 997.3% | 0.5% | -13.8% | 9.5% | 0.1% | |
| 77 | Royal Bank of Canada | 31-Oct-16 | 11.8% | -0.1% | 105.4% | 109.9% | -0.2% | |
| 78 | Royal Bank of Scotland Public Limited Company (The) | 31-Dec-16 | 0.0% | -0.2% | 140.9% | 1150.0% | -4.1% | |
| 79 | Shanghai Commercial & Savings Bank, Ltd. (The) | 31-Dec-16 | 28.1% | 1.2% | 31.6% | 27.4% | 1.1% | |
| 80 | Shanghai Pudong Development Bank Co., Ltd. | 31-Dec-16 | 111.9% | 0.6% | 28.4% | 22.7% | 0.5% | |
| 81 | Shinhan Bank | 31-Dec-16 | 545.3% | 0.9% | 23.1% | 14.2% | 0.6% | |
| 82 | Societe Generale | 31-Dec-16 | 247.1% | 0.1% | 90.0% | 78.0% | 0.2% | |
| 83 | State Bank of India | 31-Mar-16 | 228.6% | 0.5% | 31.1% | 25.1% | 0.3% | |
| 84 | State Street Bank And Trust Company | 31-Dec-16 | 0.0% | 0.1% | 87.9% | 86.1% | 0.1% | |
| 85 | Sumitomo Mitsui Banking Corporation | 31-Mar-16 | 179.7% | 0.6% | 28.6% | 23.6% | 0.5% | |
| 86 | Sumitomo Mitsui Trust Bank, Limited | 31-Mar-16 | 235.0% | 0.3% | 40.2% | 27.6% | 0.2% | |
| 87 | Taipei Fubon Commercial Bank Co., Ltd. | 31-Dec-16 | 50.0% | 0.9% | 42.9% | 23.7% | 0.5% | |
| 88 | Taishin International Bank Co., Ltd | 31-Dec-16 | 54.8% | 0.9% | 38.5% | 42.4% | -1.0% | |
| 89 | Taiwan Business Bank | 31-Dec-16 | 53.6% | 1.4% | 11.3% | 33.0% | 1.0% | |
| 90 | Taiwan Cooperative Bank, Ltd. | 31-Dec-16 | 77.1% | 1.9% | 18.0% | 15.0% | 0.8% | |
| 91 | Taiwan Shin Kong Commercial Bank Co., Ltd. | 31-Dec-16 | 61.3% | 0.9% | 27.3% | 65.9% | -2.0% | |
| 92 | UBS AG | 31-Dec-16 | 92.1% | 1.2% | 83.6% | 86.5% | 0.8% | |
| 93 | UCO Bank | 31-Mar-16 | 257.4% | 0.8% | 32.1% | 10.8% | 0.4% | |
| 94 | Unicredit Bank AG | 31-Dec-16 | 221.6% | 0.1% | 88.7% | 85.2% | 0.1% | |
| 95 | Union Bank of India | 31-Mar-16 | 1056.1% | 0.8% | 15.9% | 10.6% | 0.2% | |
| 96 | United Overseas Bank Ltd. | 31-Dec-16 | 198.3% | 1.0% | 46.1% | 29.0% | 0.9% | |
| 97 | Wells Fargo Bank, National Association | 31-Dec-16 | 774.0% | 0.3% | 91.9% | 88.2% | 0.5% | |
| 98 | Westpac Banking Corporation | 30-Sep-16 | 90.0% | 0.1% | 83.2% | 97.3% | 0.0% | |
| 99 | Woori Bank | 31-Dec-16 | 222.4% | 0.5% | 28.9% | 22.8% | 0.3% | |
| TOTAL | | 2016 | 111.4% | 0.6% | 55.9% | 58.5% | 0.4% | |

Source: Extracted from individual companies' financial and public statements

| Loan asset quality | | | | | | | | |
|--------------------------|--------------------------|-----------------------------------|-------------------------|--|--|---|---|---|
| Past due advances | | | Impaired advances | | | | | |
| Loans overdue ≤ 3 months | Loans overdue > 3 months | Gross advances which are past due | Gross impaired advances | Gross impaired advances/ gross advances to customers | Individually assessed impairment allowances made against impaired advances | Individually assessed allowances as a percentage of gross impaired advances | Collaterals for individually assessed impaired advances | |
| - | - | - | - | 0.0% | - | - | N/A | - |
| N/A | 131 | 131 | 131 | 0.7% | 120 | 91.6% | 6 | |
| - | - | - | - | 0.0% | - | - | N/A | - |
| N/A | 344 | 344 | 356 | 0.7% | 17 | 4.8% | - | |
| - | - | - | - | 0.0% | - | - | N/A | - |
| N/A | 388 | 388 | 367 | 1.4% | 312 | 85.0% | 65 | |
| - | - | - | - | 0.0% | - | - | N/A | - |
| - | - | - | - | N/A | - | - | N/A | - |
| N/A | - | - | 16 | 0.9% | (4) | -25.0% | - | |
| - | - | - | 291 | 0.5% | - | 0.0% | - | |
| - | - | - | - | 0.0% | - | - | N/A | - |
| N/A | 159 | 159 | 257 | 0.6% | 96 | 37.4% | 97 | |
| N/A | 866 | 866 | 866 | 3.0% | 163 | 18.8% | 530 | |
| N/A | - | - | - | 0.0% | - | - | N/A | - |
| N/A | 122 | 122 | 122 | 0.1% | 122 | 100.0% | - | |
| - | - | - | - | 0.0% | - | - | N/A | - |
| N/A | 85 | 85 | 333 | 2.4% | 61 | 18.3% | - | |
| N/A | 69 | 69 | 69 | 1.2% | 64 | 92.8% | - | |
| N/A | - | - | 31 | 1.6% | 8 | 25.8% | N/A | |
| N/A | 71 | 71 | 71 | 1.8% | 71 | 100.0% | - | |
| N/A | 5 | 5 | - | 0.0% | - | - | N/A | - |
| N/A | 14 | 14 | 35 | 0.0% | 15 | 42.9% | 2 | |
| N/A | 268 | 268 | 212 | 1.3% | 223 | 105.2% | N/A | |
| N/A | N/A | - | N/A | N/A | N/A | N/A | - | |
| N/A | 2,409 | 2,409 | 1,154 | 4.8% | 427 | 37.0% | 1,949 | |
| N/A | 309 | 309 | 275 | 0.4% | 247 | 89.8% | 11 | |
| - | - | - | - | 0.0% | - | - | N/A | - |
| N/A | - | - | - | 0.0% | - | - | N/A | - |
| - | - | - | - | 0.0% | - | - | N/A | - |
| 273 | 26,972 | 27,245 | 31,546 | 0.9% | 15,473 | 49.0% | 6,886 | |



About KPMG





KPMG China operates in 16 cities across China, with around 10,000 partners and staff in Beijing, Beijing Zhongguancun, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Xiamen, Hong Kong SAR and Macau SAR. With a single management structure across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

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In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm's appointment by some of China's most prestigious companies.



Contact us

Internationally, KPMG member firms have established focused industry groups covering areas in which we have particular knowledge. Financial Services is one such area. In Hong Kong, we have a wide range of capabilities in our Financial Services group. Feel free to contact the following individuals with your particular banking and finance queries.



Andrew Weir

Senior Partner, Hong Kong
+852 2826 7243
andrew.weir@kpmg.com



Simon Gleave

Partner, Regional Head,
Financial Services
+86 (10) 8508 7007
simon.gleave@kpmg.com



Egidio Zarrella

Partner, Head of Clients &
Innovation
+852 2847 5197
egidio.zarrella@kpmg.com



Paul McSheaffrey

Partner, Head of Hong Kong
Banking
+852 2978 8236
paul.mcsheaffrey@kpmg.com



Bonn Liu

Partner, Head of Securities
and Investment Management
– ASPAC
+852 2826 7241
bonn.liu@kpmg.com



Edwina Li

Partner, Head of Financial
Services Assurance
+86 (21) 2212 3806
edwina.li@kpmg.com



Simon Topping

Partner, Regulatory Advisory
+852 2826 7283
simon.topping@kpmg.com



Isabel Zisselsberger

Partner, Head of Financial
Management
+852 2826 8033
isabel.zisselsberger@kpmg.com



Kyran McCarthy

Partner, Asia-Pacific Head of AML &
Sanctions Services
+852 2140 2286
kyran.mccarthy@kpmg.com



Jyoti Vazirani

Partner, Head of Financial Risk
Management
+852 2685 7331
jyoti.vazirani@kpmg.com



Henry Shek

Partner, Head of IT Advisory
Risk Consulting
+852 2143 8799
henry.shek@kpmg.com



Jia Ning Song

Partner, Financial Services
Advisory
+852 2978 8101
jianing.n.song@kpmg.com



Susie Quirk

Partner, Head of People and
Change Advisory Service
+852 2826 7127
susie.quirk@kpmg.com



Dickson Lee

Partner, Financial Services
+852 2143 8688
dickson.lee@kpmg.com



Charles Kinsley

Principal, Tax
+852 2826 8070
charles.kinsley@kpmg.com



John Kondos

Partner, Tax
+852 2685 7457
john.kondos@kpmg.com



Catherine Young

Director, Management
Consulting
+852 2847 5199
catherine.young@kpmg.com



David Bryden

Principal Consultant
KPMG in the UK
+44 20 7694 5432
David.Bryden@KPMG.co.uk



Acknowledgments

Publications: Nina Mehra, Kanishk Verghese and Rev Hui

Design: Chan Pui Lam

Mainland China

Beijing

8th Floor, KPMG Tower, Oriental Plaza
1 East Chang An Avenue
Beijing 100738, China
Tel : +86 (10) 8508 5000
Fax : +86 (10) 8518 5111

Beijing Zhongguancun

Room 603, Flat B, China Electronic Plaza
No.3 Danling Street
Beijing 100080, China
Tel : +86 (10) 5875 2555
Fax : +86 (10) 5875 2558

Chengdu

17th Floor, Office Tower 1, IFS
No. 1, Section 3 Hongxing Road
Chengdu, 610021, China
Tel : +86 (28) 8673 3888
Fax : +86 (28) 8673 3838

Chongqing

Unit 1507, 15th Floor, Metropolitan Tower
68 Zourong Road
Chongqing 400010, China
Tel : +86 (23) 6383 6318
Fax : +86 (23) 6383 6313

Foshan

8th Floor, One AIA Financial Center
1 East Denghu Road
Foshan 528200, China
Tel : +86 (757) 8163 0163
Fax : +86 (757) 8163 0168

Fuzhou

Unit 1203A, 12th Floor
Sino International Plaza, 137 Wusi Road
Fuzhou 350003, China
Tel : +86 (591) 8833 1000
Fax : +86 (591) 8833 1188

Guangzhou

21st Floor, CTF Finance Centre
6 Zhujiang East Road, Zhujiang New Town
Guangzhou 510623, China
Tel : +86 (20) 3813 8000
Fax : +86 (20) 3813 7000

Hangzhou

12th Floor, Building A
Ping An Finance Centre, 280 Minxin Road
Hangzhou, 310016, China
Tel : +86 (571) 2803 8000
Fax : +86 (571) 2803 8111

Nanjing

46th Floor, Zhujiang No.1 Plaza
1 Zhujiang Road
Nanjing 210008, China
Tel : +86 (25) 8691 2888
Fax : +86 (25) 8691 2828

Qingdao

4th Floor, Inter Royal Building
15 Donghai West Road
Qingdao 266071, China
Tel : +86 (532) 8907 1688
Fax : +86 (532) 8907 1689

Shanghai

50th Floor, Plaza 66
1266 Nanjing West Road
Shanghai 200040, China
Tel : +86 (21) 2212 2888
Fax : +86 (21) 6288 1889

Shenyang

19th Floor, Tower A, Fortune Plaza
61 Beizhan Road
Shenyang 110013, China
Tel : +86 (24) 3128 3888
Fax : +86 (24) 3128 3899

Shenzhen

9th Floor, China Resources Building
5001 Shennan East Road
Shenzhen 518001, China
Tel : +86 (755) 2547 1000
Fax : +86 (755) 8266 8930

Tianjin

Unit 06, 40th Floor, Office Tower
Tianjin World Financial Center
2 Dagu North Road
Tianjin 300020, China
Tel : +86 (22) 2329 6238
Fax : +86 (22) 2329 6233

Xiamen

12th Floor, International Plaza
8 Lujiang Road
Xiamen 361001, China
Tel : +86 (592) 2150 888
Fax : +86 (592) 2150 999

Hong Kong SAR and Macau SAR

Hong Kong

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
23rd Floor, Hysan Place
500 Hennessy Road
Causeway Bay, Hong Kong
Tel : +852 2522 6022
Fax : +852 2845 2588

Macau

24th Floor, B&C, Bank of China Building
Avenida Doutor Mario Soares
Macau
Tel : +853 2878 1092
Fax : +853 2878 1096

kpmg.com/cn

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