KPMG

Getting Set for the Future of Banking

Hong Kong Banking Report 2024

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Contents

Introduction

Welcome to the latest edition of the Hong Kong Banking Report, which includes the financial results of banks in 2023 as well as analysis of the top ten banks in the city. The report also includes expert insights into some of the major trends and key topics affecting banks, from the advance of new technology to evolving climate risk.

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Banking performance

The Hong Kong economy returned to growth in 2023 after all pandemic measures were removed, enabling the city to truly get back to business. At the same time, Hong Kong was impacted by factors including the slower than anticipated economic recovery in the Chinese Mainland, higher interest rates globally and geopolitical tensions.

Despite the uncertain external environment, the banking sector saw moderate growth in its overall balance sheet during the year. As we forecast in last year's Banking Report, the higher interest rate environment continued to benefit banks' profitability, with licenced banks seeing a significant overall rise in operating profit in 2023. As interest rates are expected to remain relatively high and decrease gradually in the next year or so, banks will continue to benefit from higher profits.

However, the higher interest rate environment means that some banking customers may struggle to service their outstanding loans. The muted global economic outlook and the ongoing issues in the Chinese Mainland real estate market will also weigh on banks and some of their customers. Banks should therefore be vigilant in the year ahead about managing credit risk in their loan portfolios.

For banks with more exposure to capital markets, we anticipate that a shift to a lower interest rate environment will provide supporting tailwinds. Capital market activities, equity risk premiums, businesses leveraged to cost of funding as well as the inevitable cash risk premium 'opportunity cost' are additional factors that will impact each bank differently as the interest rate cycle shifts.

Key trends and topics

The theme for this year's Banking Report focuses on the future for the sector. There have been significant advances in technology recently, notably the emergence of GenAI. There has been a lot of noise in the market about GenAI, and we look at how banks can best make use of this development while protecting their customers from potential risks. Another key note on GenAI is that while it is the trending topic in 2024, it will likely take some time before its full potential is realised. The reality of a bank's data readiness coupled with still fairly murky business cases that have a clear ROI, as well as the need to fully understand the potential risks engrained in GenAI use – particularly where there is direct client impact – means that true adoption and productivity gains from GenAI will likely be a story of 2025 and beyond.

Risk transformation is a major theme at present as banks come under more regulatory scrutiny while needing to constantly adapt to technology advances and the evolving business environment. Also tied in with broader digital transformation is cost optimisation, and we consider how banks can operate more efficiently and find new areas of growth as well as cut down on costs. Meanwhile, the impact of climate change is affecting banks and many of their customers, and we review the latest developments in ESG and climate risk.

In this year's report we also take a look at some of the hot topics for the sector, including the latest financial crime trends, credit risk development and operational resilience, as well as developments in regulatory reporting and central bank digital currencies.

We hope you enjoy the insights and information in this report. Please feel free to get in touch with us if you would like to discuss the financial results or the broader outlook for the Hong Kong banking industry.

Overview of financial results

Banks in Hong Kong saw moderate balance sheet growth in 2023 with notable increases in net interest margins and operating profit amid higher interest rates

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The global economy showed resilience in 2023, highlighted by improved levels of growth despite a higher interest rate environment and heightened geopolitical tensions. Notwithstanding the challenges in the Mainland Chinese economy, the Hong Kong economy expanded by 3.2% in 2023[1] compared to a 3.5% contraction in 2022, driven by the gradual recovery of inbound tourism and improved private consumption expenditure.

Against this backdrop, Hong Kong's banking sector recorded moderate growth in its overall balance sheet in 2023. The total assets of all licensed banks expanded by 2.7% to HK$23 trillion. There was a decrease of 3.1% in loans and advances while customer deposits increased by 3.5%. In line with our prediction in our 2023 Hong Kong Banking Report, the higher interest rate environment continued to benefit banks in improving profitability with a notable increase in net interest margins (NIM). The NIM for all licensed banks increased by 30 basis points in 2023 to 1.84%. Operating profit before impairment charges for all licensed banks increased by 34.7% to HK$295 billion in 2023.

The US Federal Reserve raised the Federal Funds Rate by a total of 100 basis points in 2023 and has maintained the rate at 5.5% since July 2023. Following the increase in Federal Funds Rate, the HKMA raised the base rate from 4.75% to 5.75%. This led to an increase in the Hong Kong Interbank Offered Rate (HIBOR) in 2023 from 4.35% in December 2022 to 5.27%[2] (for one-month HIBOR) in July 2023. The composite interest rate, which is a measure of the average cost of funds of banks, increased by 83 basis points from 2.11% in December 2022 to 2.94% in December 2023[3].

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1 2023 Economic Background and 2024 Prospects, Hong Kong SAR Government, February 2024, p.2, 19
https://www.hkeconomy.gov.hk/en/pdf/er_23q4.pdf

2 The Hong Kong Association of Banks - HKD Interest Settlement Rates Highlights

3 Composite Interest Rate: End of December 2023
https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/01/20240118-3/

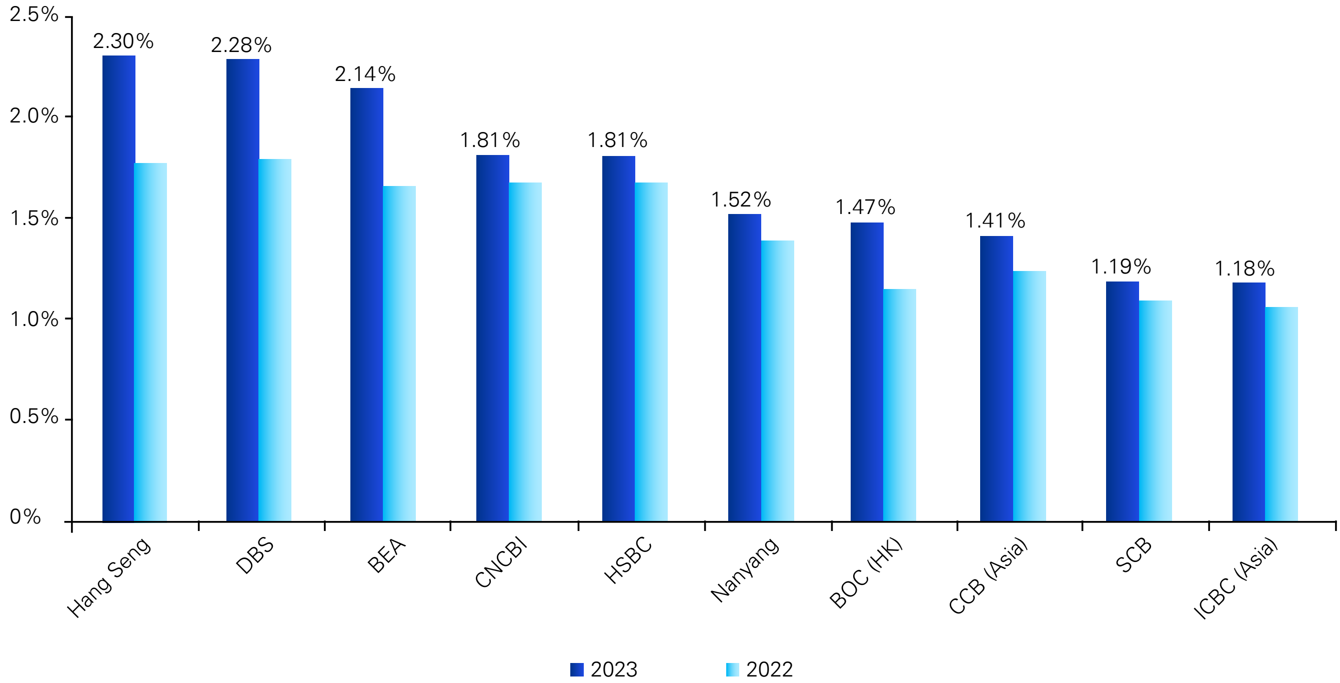
The Hong Kong (SAR) Government forecasts that the Hong Kong economy will grow by 2.5 to 3.5% in 2024, after a 3.2% growth in 2023. The consumer price inflation is forecast to be 1.7% in 2024, similar to 2023. Looking ahead, while interest rate levels have somewhat stabilised, most expect interest rates to remain elevated and anticipate a gradual decrease, which will depend on decreasing US inflation. While this will continue to improve profitability, banks need to be vigilant in managing the credit risk in their loan portfolios as their customers may face difficulties from rising funding costs, potentially weakening their debt-servicing ability, and uncertainty in economic recovery both in Hong Kong and the Chinese Mainland.

The performance of the Hong Kong banking sector in 2024 will continue to be affected by uncertainties associated with US monetary policy, the global growth outlook and geopolitical tensions. It will also be closely linked with the health of the Chinese Mainland economy, which remains challenged by subdued consumer and business confidence and a weak real estate sector.

In this article, we present an analysis[4] of key metrics for the top 10 locally incorporated licensed banks[5] in Hong Kong. While some banks have a dual entity structure in Hong Kong (eg a branch and an incorporated authorised institution), we have not combined their results. The analysis is performed on a reporting entity basis.

Net interest margin

Net interest margin



Source: Extracted from individual banks' financial and public statements

[4] The analysis is based on financial institutions registered with the Hong Kong Monetary Authority.
[5] The top 10 locally incorporated licensed banks mentioned in this article are the 10 banks with highest total assets among all locally incorporated licensed banks as at 31 December 2023.

The average NIM[6] across all surveyed licensed banks increased by 30 basis points compared with 2022, which was driven by the higher interest rate environment with a relatively steeper yield curve on financial assets. The total net interest income of all surveyed licensed banks increased by 20.8% from HK$260 billion in 2022 to HK$314 billion in 2023. The average NIM for the top 10 licensed banks in 2023 increased to 1.65% from 1.41% in 2022. All the top 10 licensed banks recorded an increase in NIM.

Among the top 10 licensed banks, Hang Seng Bank, Limited (Hang Seng), DBS Bank (Hong Kong) Limited (DBS) and The Bank of East Asia, Limited (BEA) recorded the 3 largest NIM in 2023. Hang Seng also recorded the largest increase, of 53 basis points, from 1.77% in 2022 to 2.30% in 2023. The increase was largely driven by the 27 basis point increase in interest spread, attributable mainly to the bank's proactive management of its assets and liabilities amid the rising interest rate environment[7].

DBS's NIM improved to 2.28% in 2023 from 1.79% in 2022. The net interest income increased by HK$2,464 million, or 29.8%, due to the higher interest rate.

The NIM of BEA increased by 49 basis points from 1.65% in 2022 to 2.14% in 2023. Net interest income increased by 24.9% from HK$13,508 million to HK$16,874 million. The increase was mainly attributed to higher interest rates and the 13.8% increase in investment securities, partly offset by the 3.1% decrease in customer loans[8].

In our view, the higher interest environment will continue to benefit banks and improve NIM. However, subdued customer sentiment and elevated funding costs may also weigh on the profitability of banks as deposit spreads narrow and demand for loans remains low. Going forward, while interest rates are expected to stabilise or gradually decrease, the timing and pace are still subject to a host of uncertainties, so banks should plan their strategies accordingly.

[6] 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.

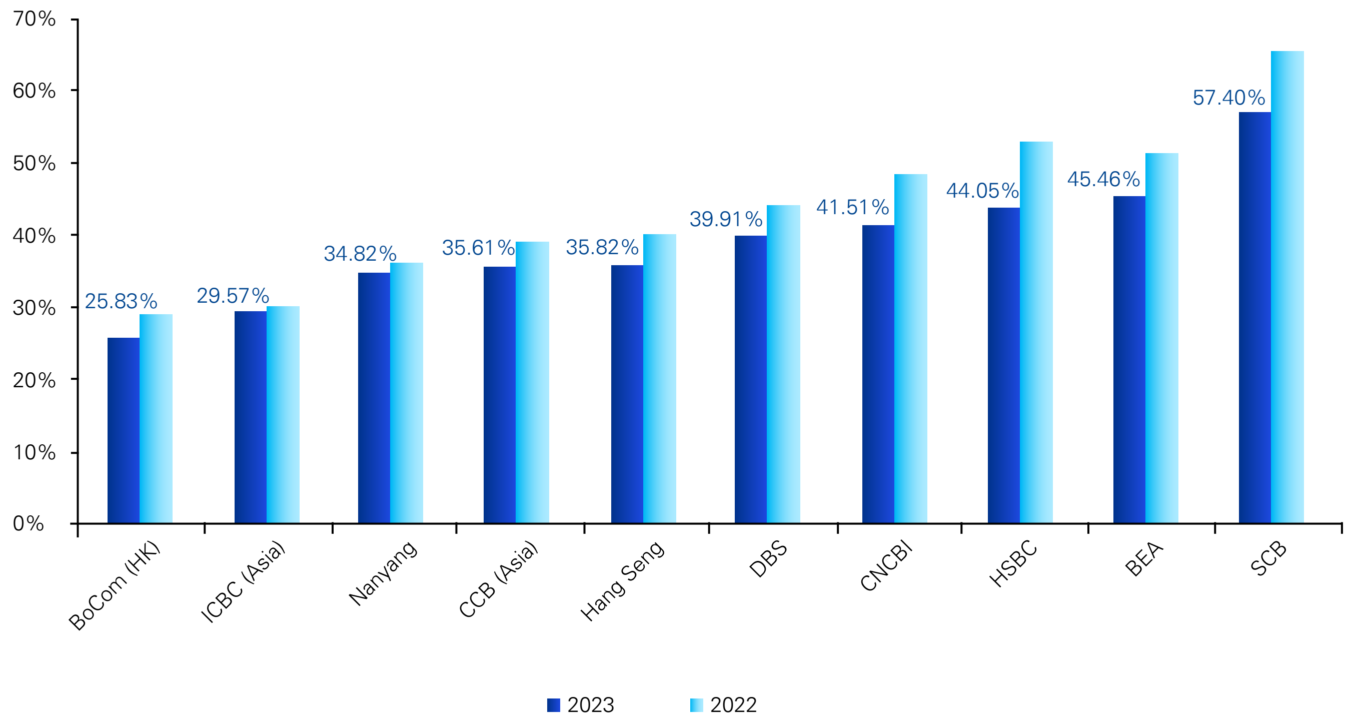
[7] Hang Seng Annual Report 2023, p.31

[8] https://vpr.hkma.gov.hk/statics/assets/doc/100057/ar_23/ar_23_eng.pdf
BEA Annual Report 2023, p.190 https://vpr.hkma.gov.hk/statics/assets/doc/100013/ar_23/ar_23.pdf

Although interest rates have stabilised since July 2023, the higher interest rate environment continued to result in funds flowing out of current and savings account (CASA) balances as customers sought to maximise yield. CASA contributed 43% of total deposits as at the end of 2023 compared to 48% as at the end of 2022. This trend will likely continue as long as interest rates remain elevated.

Costs

Cost-to-income ratios



Source: Extracted from individual banks' financial and public statements

Cost control remained a critical priority for banks in Hong Kong to enhance profitability and this was reflected in the cost-to-income ratio for the surveyed banks, which on average decreased by 6.5 percentage points in 2023 to 42.6%. This was driven by a 19.6% increase in operating income and partly offset by a 3.8% increase in operating expenses, reflecting banks' continued investments in technological innovation and digitalisation to improve efficiency. While talent retention and acquisition remained challenging for the banking industry in general, the total staff costs of the surveyed banks stayed broadly consistent with a slight increase of 3.2% in 2023.

The top 10 surveyed banks recorded a 20.6% increase in total operating income, combined with a 3.4% increase in total operating expenses. The weighted-average cost-to-income ratio of the top 10 banks improved notably from 46.94% in 2022 to 41.34% in 2023.

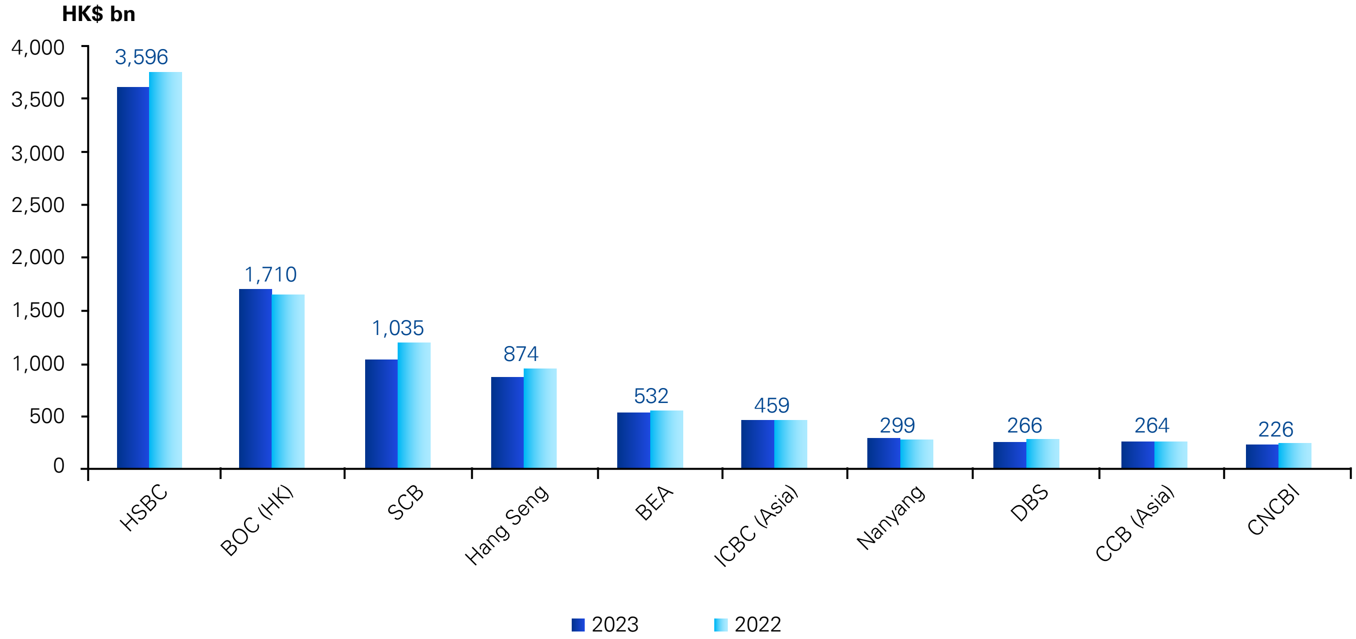
All the top 10 surveyed banks recorded a decrease in the cost-to-income ratio. Bank of China (Hong Kong) Limited (BoC (HK)) and Standard Chartered Bank (Hong Kong) Limited (SCB) recorded the lowest and highest cost-to-income ratios, respectively.

The Hongkong and Shanghai Banking Corporation Limited (HSBC) recorded the largest decrease in cost-to-income ratio among the top 10 banks from 53.06% in 2022 to 44.05% in 2023. The lower cost-to-income ratio was driven by a 18.7% increase in operating income due to the higher net income from financial instruments held for trading or managed on a fair value basis and higher net interest income, and partly offset by the 3.2% increase in operating expenses, which was mainly related to continuous investment in technology and people to support business growth[9].

SCB recorded the second largest decrease in cost-to-income ratio from 65.55% in 2022 to 57.40% in 2023, although it remained the only bank with a cost-to-income ratio exceeding 50%. The reduced cost-to-income ratio was attributed to the 15.6% growth in operating income due to higher net trading income and net interest income, partly offset by a slight increase of 1.2% in operating expenses[10].

Loans and advances

Loans



Source: Extracted from individual banks' financial and public statements

[9] HSBC Annual Report 2023, p.20, 21 https://vpr.hkma.gov.hk/statics/assets/doc/100002/ar_23/ar_23_eng.pdf
[10] SCB Annual Report 2023, p.12 https://vpr.hkma.gov.hk/statics/assets/doc/100269/ar_23/ar_23_eng.pdf

Total loans and advances of all surveyed banks decreased by 3.1% to HK$9,730 billion at the end of 2023 after a decrease of 0.6% in 2022, reflecting weaker loan demand in the elevated interest rate environment and banks' prudent credit underwriting amid uncertain economic recovery. Commercial loans, mortgage lending and loans for use outside Hong Kong continued to make up most of the loan portfolios, representing 89.4% of total loans in 2023 compared with 89.5% in 2022. Loans for use outside Hong Kong and commercial loans continue to be the two largest types of loans. The balance remained relatively flat for all loan products.

HSBC and BOC (HK) continue to lead the lending market, constituting 54.5% of total loans of all surveyed banks as at 31 December 2023.

Among the top 10 surveyed banks, gross loans and advances further decreased by 3.6% to HK$8,387 billion, after the decrease of 0.8% in 2022. Eight out of the top 10 surveyed banks recorded a reduction in their loan portfolio.

SCB recorded the largest decrease in loan balances from HK$1,201 billion to HK$1,035 billion in 2023[11]. The decrease was mainly driven by the contraction of property development lending, lending to financial companies, and trade finance.

BOC (HK) recorded the largest increase in loan portfolio by 3.2% to HK$1,710 billion, which was mainly driven by the growth in property development lending, manufacturing lending and residential mortgage loans[12].

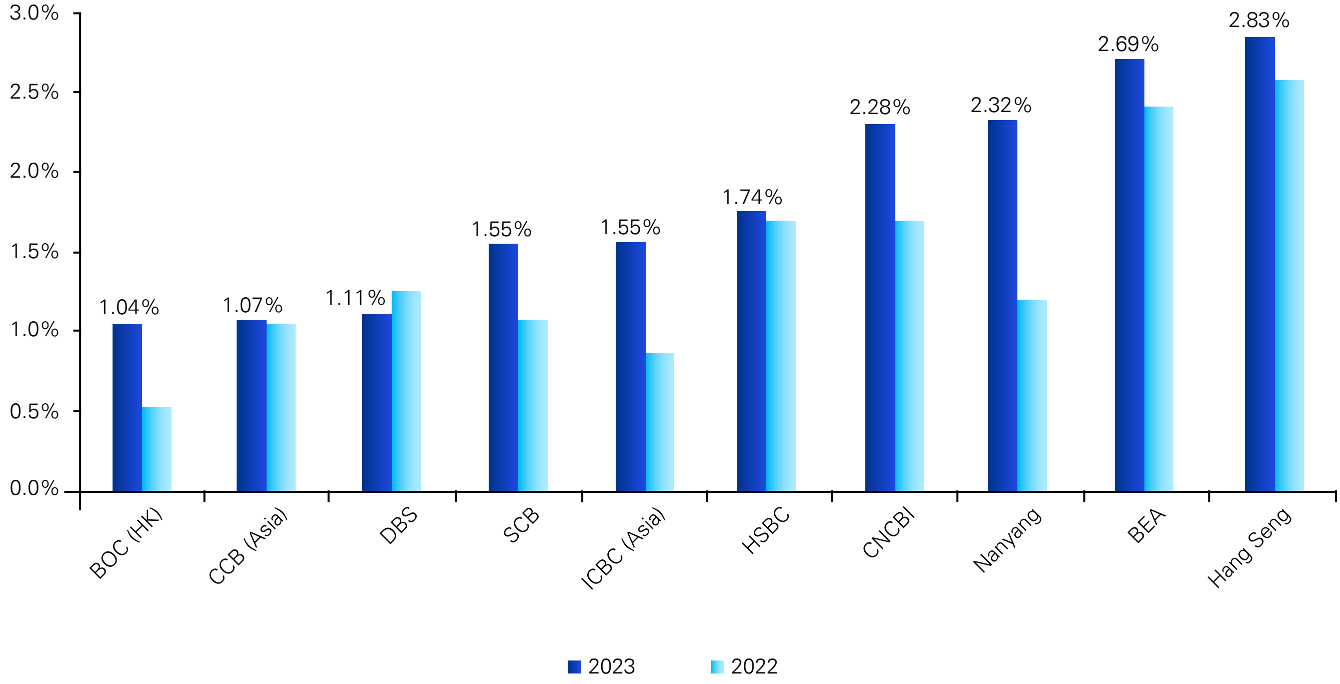
After three years of growth in its loan portfolio, DBS experienced loan contraction in 2023. The gross loans of DBS decreased by 4.9% from HK$280 billion in 2022 to HK$266 billion in 2023[13]. The decrease was mainly due to the decrease in property development lending, transport and transport equipment lending and trade finance.

HSBC's gross loans and advances, which cover its Asia Pacific operations, decreased by 3.7% to HK$3,596 billion[14]. The overall loan balances for HSBC's Hong Kong operations remained stable with increase in residential mortgages, partly offset by decrease in corporate and commercial lending.

[11] SCB Annual Report 2023, p.50 https://vpr.hkma.gov.hk/statics/assets/doc/100269/ar_23/ar_23_eng.pdf
[12] BOC (HK) Annual Report 2023, p.163 https://vpr.hkma.gov.hk/statics/assets/doc/100072/fd_fin/fd_fin_1223.pdf
[13] DBS Annual Report 2023, p.28 https://vpr.hkma.gov.hk/statics/assets/doc/100034/ar_23/ar_23_eng.pdf
[14] HSBC Annual Report and Accounts 2023, p.116 https://vpr.hkma.gov.hk/statics/assets/doc/100002/ar_23/ar_23_eng.pdf

Credit quality

Impaired loan ratio



Source: Extracted from individual banks' financial and public statements

As the Chinese government continues to grapple with the lingering effects of Covid on the Chinese Mainland economy, the credit quality of the Hong Kong banking sector declined. Adding to the situation, the uncertain recovery of the local economy led to more defaults of SMEs in Hong Kong. The impaired loan ratio[15] for all surveyed banks increased from 1.36% to 1.65% and the impaired loan ratio for the top 10 banks also increased from 1.33% to 1.62%.

For the top 10 surveyed banks, BOC (HK) and Hang Seng recorded the lowest and highest impaired loan ratio in 2023, respectively. BOC (HK) had the lowest impaired loan ratio of 1.04% in 2023, up from 0.53% in 2022. The impaired loan ratio of Hang Seng increased from 2.56% in 2022 to 2.83% in 2023, largely driven by the increase in impaired loans in relation to the property development and investment sector, predominately to the Chinese Mainland commercial real estate sector[16] .

The impaired loan ratio of Nanyang Commercial Bank, Limited (Nanyang) increased from 1.19% in 2022 to 2.32% in 2023, being the largest increase among the top 10 surveyed banks during 2023. The increase was mainly attributed to the increase in impaired loans in relation to the real estate sector in Hong Kong and the Chinese Mainland[17].

[15] Impaired loan ratio is calculated as impaired loans and advances divided by gross loans and advances to customers.
[16] Hang Seng Annual Report 2023, p.33 https://vpr.hkma.gov.hk/statics/assets/doc/100057/ar_23/ar_23_eng.pdf
[17] Nanyang 2023 Regulatory Disclosure Statement, p.38 https://vpr.hkma.gov.hk/statics/assets/doc/100060/fd_int/fd_int_1223_eng.pdf

DBS was the only bank that recorded an improving impaired loan ratio among the top 10 licensed banks, from 1.25% in 2022 to 1.11% in 2023. The reduction was mainly due to several write-offs of impaired loans in relation to manufacturing lending and the general commerce sector[18].

In 2023, the challenges facing the Chinese Mainland real estate sector continued to escalate so the Chinese authorities introduced supportive policies in an attempt to stabilise the property market. For instance, the "Three No-Lowers" requirement was unveiled in November 2023 to encourage financial institutions to extend loans to property developers and house buyers to meet their reasonable financing needs. However, with China Evergrande being ordered to liquidate in Hong Kong and several other real estate developers experiencing severe stress, the path to recovery for the Chinese Mainland real estate sector remains uncertain for the foreseeable future. We expect that banks' profitability could come under additional pressure as they manage exposures to this industry.

On the retail side, the Hong Kong (SAR) Government announced a relaxation of the demand-side management measures for residential properties in October 2023 and the cancellation of these measures in late February 2024. Following four increases in the HKMA Base Rate from 4.75% to 5.75% in 2023, several banks raised their Best Lending Rates in May and July 2023[19]. Amid declining housing prices, particularly in residential properties, the aggregate value of residential mortgage loans in negative equity increased to HK$131,297 million in December 2023[20] compared with HK$66,252 million in December 2022[21]. The cases were mainly related to bank staff housing loans or residential mortgage loan under the Mortgage Insurance Programme, which generally have a higher loan-to-value ratio. However, the overall mortgage delinquency ratio remained low at 0.08% in 2023[22] and the risks relating to banks' residential mortgage loans does not appear to be significant.

Going forward, the key focus for the credit quality outlook will be the exposures to the Chinese Mainland real estate sector and Hong Kong's SMEs. Any further measures taken by the Chinese Mainland authorities to contain and manage the issues arising from the real estate sector will be crucial in stabilising the market and limiting defaults among borrowers. Separately, the pace and strength of Hong Kong's economic recovery from the lingering impacts of Covid will be another key factor, as a robust rebound in Hong Kong's economy will contribute to improved credit conditions, especially for SMEs. Banks should continue to closely monitor the developments in these two crucial areas and track the performance and asset quality of their loan portfolios.

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[18] DBS Annual Report 2023, p.43 https://vpr.hkma.gov.hk/statics/assets/doc/100034/ar_23/ar_23_eng.pdf

[19] Half-yearly Monetary and Financial Stability Report, September 2023, p.5 https://www.hkma.gov.hk/media/eng/publication-and-research/quarterly-bulletin/qb202309/E_Half-yearly_202309.pdf

[20] Residential mortgage loans in negative equity: End of December 2023 https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/01/20240131-6/

[21] Residential mortgage loans in negative equity: End of December 2022 https://www.hkma.gov.hk/eng/news-and-media/press-releases/2023/01/20230131-8/

[22] Residential Mortgage Survey Results for December 2023 https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/01/20240131-5/

Hong Kong looks to the future

From fintech development to defending against climate change, Hong Kong is laying the groundwork for the future of banking

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As banks in Hong Kong plan for the future, the two overarching factors that they must consider are advances in technology and the risks posed by climate change. Banks must stay ahead of developments in both these areas if they are to survive and thrive in an uncertain and fast-changing landscape.

In terms of technology, the HKMA's Fintech 2025 strategy is an important driver of the city's efforts to future-proof the financial sector. Launched in 2021, its focus areas are: encouraging all banks go fintech, creating new data infrastructure, expanding the fintech workforce and preparing for Central Bank Digital Currencies (CBDCs) – and providing the funding and policies needed to develop the fintech ecosystem.

The Fintech 2025 strategy provides an overall framework to support banks in adopting the technology that will enable them to better serve their customers and improve their operational efficiency. Ultimately, the timely adoption of fintech across the financial services sector will reinforce Hong Kong's status as a major global financial centre.

Fintech solutions

Under "All banks go fintech," solutions such as wealthtech, insurtech and Greentech are being rolled out. The HKMA also expects banks to continue to adopt appropriate regtech solutions to better identify risks and improve efficiency in regulatory reporting.

Last year, as the Fintech 2025 initiative approached the halfway stage, KPMG worked with the HKMA and Quinlan & Associates to produce an updated Fintech Promotion Roadmap, which was launched in August 2023[23]. This report

[23] Fintech Promotion Roadmap: https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2023/20230825e1a1.pdf

summarised the HKMA's work to date on Fintech 2025, and shared the results of a survey of banks and fintech firms on adoption of fintech solutions.

The report highlighted areas where stumbling blocks remain. For example, it found that there was often a mismatch in expectations between the banks and fintech solutions providers. To address these issues, the HKMA has organised a series of webinars and training sessions so both sides can gain a better understanding of the solutions available and also the processes involved in implementing them.

Another challenge for fintech firms is the protracted onboarding process and extensive amount of documentation that is usually required by banks. However, some banks have successfully tackled this issue by separating the documentation requirements into different risk categories, and enabling fintech solutions providers with lower risk profiles to undergo a fast-track onboarding process.

Technology and talent

Fintech 2025 also promotes greater adoption of emerging technologies, particularly artificial intelligence (AI) and distributed ledger technology (DLT). Areas where challenges have emerged, highlighted in the Fintech Promotion Roadmap, include the integration of new AI-based solutions with banks' legacy systems, as well as a lack of technical expertise among staff. More training of in-house staff, and ongoing communication with fintech firms after their solutions have been deployed, should help to iron out some of these issues.

KPMG is continuing to support the HKMA to refine and roll out the Fintech 2025 initiative, and a follow-up report focusing on DLT, blockchain and tokenisation will be launched later this summer.

Two other areas of focus in Fintech 2025 strategy are creating next-generation data infrastructure and expanding the fintech-savvy workforce. There have been some successes in both of these aspects.

As economies become increasingly driven by data, it is crucial that Hong Kong has the infrastructure in place to collate and review the increasing volume of information that is available about business transactions. The Commercial Data Interchange (CDI), launched in October 2022, makes it easier for banks to access data about potential customers, and to speed up the process of reviewing and granting loan applications.

As of March 2024, more than 40 banks were participating in the CDI scheme, and around 19,000 loan applications and reviews had been carried out with an estimated HK$17 billion in credit approvals granted[24]. However, there is still scope for greater participation in this scheme, which can help banks to expand their client base, particularly to the underserved SME sector.

Talent schemes under the Fintech 2025 platform include the Fintech Career Accelerator Scheme, which has a variety of programmes for students and graduates, and the Industry Project Masters Network for post-graduates. These have helped to increase the pool of skilled fintech staff. But given that shortages in technology talent is a long-term and global issue, further support for training and recruitment will always be welcome to ensure that the industry has the right people available to implement the technology.

[24] HKMA Commercial Data Interchange: https://cdi.hkma.gov.hk/

CBDCs and beyond

Hong Kong has made considerable efforts on the topic of CBDCs by participating in global and local projects exploring different use cases including cross-border payments, as well as local plans to develop an eHKD (see our article on CBDCs elsewhere in this report).

Besides CBDCs, banks are also exploring how blockchain and other types of DLT can help them streamline their processes, facilitate integration, and reduce errors and save costs by minimising manual intervention. Banks first need to ensure that the DLT is compatible with their current banking infrastructure and that they have the resources and skills available to integrate the new solutions.

Banks must also demonstrate that they have taken action to counter the potential risks in areas including cybersecurity, data privacy and third-party management. The HKMA is supportive of banks in adopting DLT-based solutions so long as they are managing the potential risks, and is currently reviewing banks' proposed adoption of DLT on a case-by-case basis.

Support for innovation

To ensure that Hong Kong's fintech plans become a reality, the government and regulators are offering a range of funding and policy support. For example, funds are available for fintech firms via the Fintech Supervisory Sandbox to conduct pilot trials of new solutions and then work with banks to promote commercialisation and adoption. Projects approved so far are in in areas including risk management and Chinese character name screening for AML.

Among the most noteworthy developments on the regulatory side have been the various measures to support the development of virtual assets with the aim of making Hong Kong a global hub for the sector.

Hong Kong is among the leading jurisdictions globally in terms of policy support for this sector, with a licencing scheme for virtual assets trading platforms becoming effective in June 2023. In addition, the regulators have shared guidelines on topics including risk management considerations related to the use of DLT, a proposed licencing scheme for issuers of stablecoins, and requirements for intermediaries that conduct activities related to tokenised securities.

Hong Kong's proactive stance has captured the attention of the virtual assets industry globally. More generally, the willingness to explore such new developments is supportive of the city's growing reputation as an innovative and forward-looking jurisdiction.

On the topic of Hong Kong's image, the city's annual Fintech Week has evolved into a major event on the global fintech calendar. Organised by the Financial Securities and Treasury Bureau, Invest HK and the three financial regulators in the city, the event plays host to around 35,000 industry players from more than 100 economies. The event not only provides a platform for industry players to meet and share ideas, but also allows visitors to experience Hong Kong's dynamic financial services landscape at first hand.

ESG and climate change

While looking to the future often focuses mainly on the latest technology developments, planning ahead cannot be done without considering the impact of climate change. Banks have a crucial role to play in helping their customers to finance their transition to a low-carbon emissions environment, as well as offering green and sustainable products.

Besides protecting against the physical and transition risks banks must also deal with the evolving regulatory expectations – in Hong Kong and in other locations where they operate – as jurisdictions globally work towards meeting their commitments in the Paris Agreement. For Hong Kong, this means reaching carbon neutrality by 2050. Regulatory requirements are expected to continue to evolve and banks should prepare for greater scrutiny in the future

Hong Kong recently issued a taxonomy for sustainable finance, which will facilitate the greater adoption of ESG-related products, and also plans to develop a sustainability disclosure ecosystem. This structure also provides a strong foundation and impetus for Hong Kong to develop new and innovative green products, which will help the city to strengthen its standing as the leader in sustainability in the region.

Preparing today for the changes of tomorrow

The past few years have delivered a number of shocks to banks and their customers in Hong Kong and globally. The pandemic increased the pace of digital transformation, while inflation and central banks' responses put an end to the long period of lower interest rates.

Meanwhile, the climate threat is only becoming more acute: 2023 was the hottest year on record, and the UN's World Meteorological Organization released a report in June saying that the earth's temperate is rising more quickly than had previously been anticipated[25].

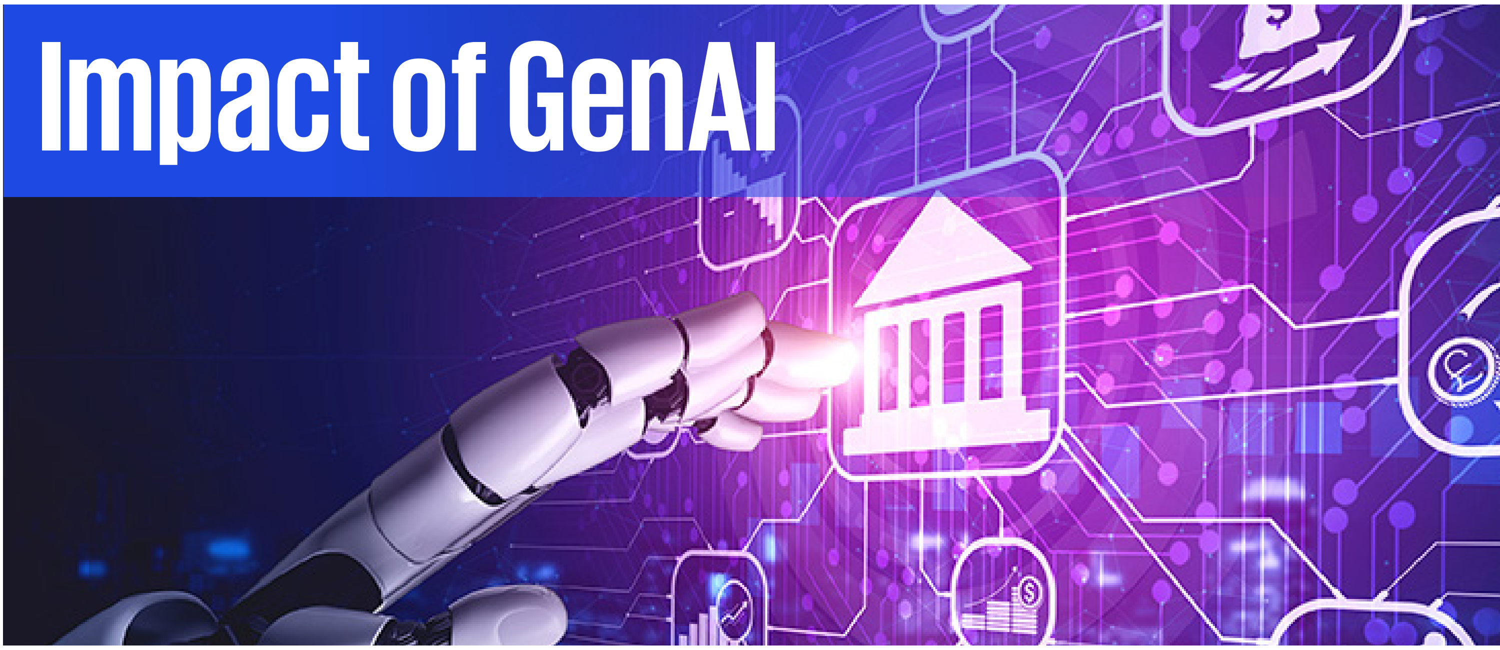
It is impossible to predict the future, but it seems highly probable that technology will continue to evolve at a rapid pace while the risks associated with climate change will intensify. Banks cannot prepare for every possible event in the future, but there is a great deal that they can do to keep up to date with the latest developments.

Hong Kong's banks have a crucial role to play helping their clients find the best ways to finance the crucial transition to a more sustainable way of operating and protect against the risks inherent in a warming planet. They also have a clear opportunity to strengthen their regional leading position in developing innovative green and sustainable financial products.

At the same time, banks should continue to adapt to technology changes and adopt the most appropriate solutions that will enable them to refine and reform their services and operations. Facilitating the development of technology and sustainability will ensure that banks and customers will be ready for whatever the future may bring.

[25] WMO Global Annual to Decadal Climate Update (2024-2028): https://wmo.int/publication-series/wmo-global-annual-decadal-climate-update-2024-2028

Impact of GenAI



Amid rapid evolution of technology banks should be planning how to deploy the latest innovations

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The emergence of Generative AI (GenAI) in the past two years has been a landmark development that is impacting businesses globally. GenAI's ability to perform human-like tasks – such as writing summaries, analysing data and even employing a degree of creativity – has evolved faster than had been expected and is likely to continue to develop. Many banks in Hong Kong are now exploring ways to leverage GenAI while also balancing the risks involved.

The first question that banks must consider is where and how to start using GenAI. A common use case is in employee service, where chatbots using GenAI can now interact with humans in a more sophisticated way than previous generations of technology.

GenAI can also be used to automate existing processes and controls, which is expected to not just improve efficiency for banks but also help to significantly reduce costs. Banks can leverage GenAI to analyse large volumes of data to deliver insights and make predictions in a much faster way than humans. In addition, GenAI can be used to strengthen internal controls, especially in areas like transaction monitoring, fraud prevention and surveillance.

Banks are naturally conservative about adopting very new and fast-changing technology due to regulatory considerations. While GenAI in theory could be used across a bank's entire operations, banks in Hong Kong are generally not using the technology in areas where it could touch their customers' data. If customer data privacy were to be compromised due to the use of GenAI, there would be a severe impact on the banks' reputation and with a regulatory impact as well.

While banks in Hong Kong are cautious about the possible risks, they are in general enthusiastic about the technology, and are keen to explore the use cases with appropriate safeguards in place.

GenAI is already being adopted by businesses across sectors around the world. According to analysis by Gartner in 2023, 80% of enterprises will have used GenAI solutions by 2026, and a significant minority were using it already[26]. The rapid adoption by businesses and individuals means that the social acceptance of GenAI is quite widespread.

At the same time, there are challenges in adopting GenAI in areas including privacy and governance, as well as concern about biases and other ethical issues.

A key concern is a lack of clarity about the information that has gone into the knowledge base, which may include potential infringement of intellectual property or private information.

Another issue for banks is how they can explain or justify decisions that have been made based on information from GenAI. Making decisions, such as product recommendations or approving loan applications, without fully understanding the rationale, could create a sizeable risk. In addition, over-reliance on GenAI could potentially leave the bank's operations vulnerable to any impact on the integrity of the model.

Banks need to ensure that their risk management frameworks and compliance frameworks are fit for purpose, and that they can address the new risks arising from this type of technology. To this end, there has already been some guidance from regulators. The HKMA has issued circulars in relation to AI, and has listed research into GenAI as one of its work priorities for 2024.

In turn, banks will need to take steps to ensure the responsible use of GenAI and to prepare for the introduction of governance models. As well as implementing GenAI in a safe way, banks should also take into account the regulator's expectations around the use of this type of technology.

For banks that are planning to use GenAI, it is worth starting with a feasibility study across the business exploring different real-life use cases. Such an exercise should also include the impact on the workforce, as some of the more routine job functions in banks could be done by GenAI in the future. In a different talent-related issue, banks should plan ahead ensure that they are hiring the skilled staff needed to roll out and utilise GenAI within their organisation, given the shortage of technology talent generally.

This is a time of great change for banks as they grapple with the rapid evolution of technologies like GenAI. While there are certainly challenges involved, it is expected that GenAI technology will ultimately have a positive impact by removing some of the more mundane tasks while also streamlining and enhancing banks' operations.

[26] Gartner press release: https://www.gartner.com/en/newsroom/press-releases/2023-10-11-gartner-says-more-than-80-percent-of-enterprises-will-have-used-generative-ai-apis-or-deployed-generative-ai-enabled-applications-by-2026

Evolving climate and ESG risk

Banks should enhance their climate and ESG capabilities as regulatory expectations evolve

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The unprecedented rainfall seen in Hong Kong last September highlighted the urgency of climate change. The financial services sector plays a crucial role in mitigating climate-related risks and helping Hong Kong achieve its goal of carbon neutrality by 2050. This involves offering green and sustainable products and guiding customers through the carbon-reduction transition.

Climate risk is a major ESG-related concern for banks in Hong Kong. Over the past year, banks have been preparing for the HKMA's Climate Risk Stress Test, due in June 2024. This follows a pilot stress test in 2021 and aims to provide the regulator with a comprehensive understanding of banks' climate resilience, focusing on both physical risk and transition risk.

As part of the exercise, banks examined a short-term scenario to 2027, incorporating both climate-related shocks and an economic downturn. They also explored longer-term scenarios up to 2050, considering the impacts of a slow transition to a low-emission economy with more extreme climate events. The HKMA is currently analysing the test results and will provide feedback to the banks in due course.

While banks have met the stress test deadline, there is no room for complacency. The HKMA expects banks to continue integrating climate risk considerations across their operations, including decarbonisation, net-zero transition and prevention of greenwashing.

Some banks are already embedding climate risk components into their daily operations, such as KYC requirements. Many banks are also incorporating ESG elements into their mandatory training programs and including climate risk in KPIs for staff.

Although the longer-term risks seem less immediate, banks should consider taking proactive measures to enhance their future climate resilience, such as managing exposures to non-sustainable large customers in their portfolios.

In other ESG areas, there have been significant developments in Hong Kong providing clearer guidance for banks and businesses. Notably, the HKMA's recent taxonomy for sustainable finance references taxonomies from the EU and Mainland China. A lack of consistency in green and sustainable definitions has been a significant issue in sustainable finance, so this global convergence of standards is a welcome development.

This taxonomy will facilitate the greater adoption of sustainable finance in Hong Kong. With clearer definitions of green products and assets, banks can more easily determine the sustainability of products like green loans.

From an investment product perspective, the HKMA issued a circular in November 2023 on sales and distribution, providing further guidance on preventing greenwashing through clear policies in selection criteria, due diligence and monitoring of service providers.

The HKEX also finalised its consultation on requirements for Hong Kong-listed companies regarding product labelling, development and disclosures. This will help banks understand the sustainability of the companies they engage with.

Looking ahead, Hong Kong's government and regulators issued a vision statement in March this year on developing a sustainability disclosure ecosystem. Hong Kong aims to be one of the first jurisdictions to align its local sustainability disclosure requirements with ISSB Standards. These standards will be applicable across sectors, including listed companies, banks, fund managers and insurance companies, and will be implemented in phases.

More broadly, the government and financial regulators are keen to support banks in using emerging technological solutions to enhance efficiency and reduce costs while advancing their sustainability efforts.

Banks face challenges in meeting evolving regulatory and government expectations, including a shortage of talent with relevant ESG expertise and the difficulty of long-term climate-related planning. However, opportunities are also emerging for banks to innovate and create new ESG-related products and solutions.

Hong Kong is already a regional leader in ESG. Through their ongoing activities, the government and regulators are demonstrating their commitment to reinforcing the city's status as a sustainability hub, sending a clear signal to international investors and enhancing the competitiveness of businesses across Hong Kong.

Cost Optimisation

Creating value and maximising profitability should be key elements of banks' cost reduction programmes

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An increasing focus on costs is a global theme for the banking sector according to a recent report from KPMG, which found that banks have clearly defined ambitious cost saving targets, with some aiming for 10% cost efficiencies over the next 12 months and up to 20% to 30% over the next three years[27].

Banks have benefitted from a higher interest rate environment recently, but with anticipated reductions in rates and continued increase in costs, the challenge for managing costs and creating headroom for continued investment has become an imperative.

To achieve their ambition, leading organisations are focused on consolidating common capabilities, the elimination of non-value add activities, digitising key functions, reducing labour costs, and critically linking process metrics to customer outcomes.

Leading organisations are looking beyond more traditional cost reduction approaches to optimise their cost base. This requires the careful balance of creating value and reducing cost by making better strategic decisions on business models, products and services, and maximising profitability through front-to-back operating models.

Traditionally, Cost Income Ratio and Return on Equity metrics have been used to measure a bank's financial performance. Removing the income variable and applying a customer lens to understand both Cost to Serve (CTS) and FTE per customer, means that the focus can evolve to address productivity and efficiency as well as profitability. Since Covid, the requirement to serve customers digitally has increased the CTS, yet, our research indicates, customer experience (measured by net promoter score) has declined.

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[27] Gartner press release: https://www.gartner.com/en/newsroom/press-releases/2023-10-11-gartner-says-more-than-80-percent-of-enterprises-will-have-used-generative-ai-apis-or-deployed-generative-ai-enabled-applications-by-2026

Executing a cost optimisation programme begins with a strong understanding of where the cost base sits and the value that it is delivering. In our research, 86% of banks indicated that they have a strong understanding of this. More progressive organisations are adopting horizontal and vertical cost structures, aligned to value streams, to ensure that there is a connection between the needs of the business and the spend, and investments in the business are prioritised to deliver the best outcome.

Measuring the real costs that exist across the entire value chains and the options available for cost reduction will move the value equation in the right direction. Just focusing on cutting costs runs the risk of leaving functional elements underinvested and finding that costs begin to creep back into the business over time.

In this regard, banks have indicated that their biggest challenge in effecting change is the deep cultural challenge to achieving sustainable cost reductions. To overcome this, having a clearly defined strategy and mechanisms to drive commitment and actions with tangible metrics is required. This will ensure the impact expected is delivered, embedding a cost culture mindset across the whole organisation, from leadership buy-in to day-to-day operations.

The adoption of emerging technologies, such as GenAI, will be critical to unlock costs that have been difficult to access in the past. Banks expect AI to make servicing customers' needs more efficient and effective. Despite their value, the size of financial investment required to implement new technologies is a concern and holding a number of organisations back. However, a lack of focus on innovation and investing in new capabilities could be a mistake from a cost reduction point value.

Beyond the front line, the next wave of cost transformation will extend to functions including risk, compliance, finance and marketing. Within the risk function, for example, new risks continue to emerge and evolve including cyber, ESG and geopolitical risks, requiring very different resources compared to more traditional risks. To maintain efficiency and effectiveness, the use of GenAI has become a top priority for these teams to help manage these risks. Use of outsourcing and offshore capabilities are being adopted for mature and standardised elements of the risk framework.

Increasingly, we observe more focus on controlling and optimising third party spend as a faster way to savings than what has sometimes been achievable with internal functions. Outsourcing has become another important lever in the effort to reduce costs, by becoming more central to operating models, following examples from other industries.

Cost and value management is a strategic capability that is required to help drive shareholder value. It is a core discipline that provides transparency of costs and investments benefits across the value chain. It needs to be fully embedded in the culture of the organisation, to support the daily operations and create value through better investment and transformation decisions, over the longer term.

Risk management transformation

Adapt or perish: the imperative of risk management transformation for banks

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Risk management practices are undergoing a significant transformation as banks in Hong Kong adapt to the fast-paced evolving regulatory landscape, technological advancements, geopolitics and changing business demands. Furthermore, traditional risks, such as credit risk, are heating up again while new risk types are on the horizon, such as "deep fakes" and social media risk.

There are seven key drivers that are pushing banks to transform:

1. **Cost management pressures:** Firms continue to tighten expectations for efficiency in non-revenue-producing functions. For risk managers this means reducing costs while maintaining or improving quality[28].

2. **Risk and compliance gaps:** Despite expensive and time-consuming assessment activity, risk and compliance teams have had mixed success in identifying new risk hotspots and potential control weaknesses before they crystallise.

3. **Regulatory expectations:** Globally, regulators are expecting more linkage between strategic investments and enhanced risk management capabilities.

4. **Increasing scope:** New focus areas, including virtual assets and ESG risk, are expanding the mandate of risk management teams.

5. **Emerging risks and threats:** New risks and threats such as cybersecurity threats continue to proliferate in scope and potential to do harm.

6. **Complex operating models:** Financial services organisations are leveraging new ecosystems of suppliers and partners to deliver products and services to clients and customers, leading to greater reliance on third parties.

7. **Financial services digital transformation:** The industry has evolved to be "digital first" to meet client and customer demands.

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[28] Read more on this topic in our global publication, Cost transformation in risk: https://kpmg.com/xx/en/home/insights/2024/04/cost-transformation-in-risk.html

Key questions for banks as they prepare for risk management transformation:

- Which risk functions should stay in-house and which could be outsourced?
- What is my average cost per risk FTE?
- Can some of the current risk oversight functions be consolidated?
- Do we have the right talent with the right skill sets for the future?
- Is the current risk infrastructure ready to scale if needed?
- Are data, processes and controls environments ready for a digital upgrade?
- Are my risk and finance inputs / outputs consistent across business lines?
- How many risk processes and risk models do we operate today?
- Are our people currently focused on the right risk management priorities?

Banks understand that they must adapt and transform to ensure that they are prepared to deal with the constantly evolving risk landscape. One of the key trends is an increased focus on developing robust and agile risk management frameworks. To support these frameworks, banks are beginning to explore investing in advanced analytics, artificial intelligence (AI) and machine learning to enhance their ability to identify, assess and mitigate risks more effectively.

For risk executives, there are a number of levers that can be engaged to support transformation:

- **Functional and organisational rationalisation:** Development of a clear action plan to reduce redundancies, align risk skillsets for the future, and implement an agile refreshed risk management framework.
- **Outsourcing:** Consider using third parties to help on select risk management and regulatory activities that are not core.
- **Risk strategy:** A well-defined vision for a long-term target operating model with a clear strategy that is aligned to the business objectives on growth and costs.
- **Refreshed risk culture:** Senior management should lead by example in embedding risk culture throughout the organisation, including refreshing KPIs to reflect risk appetite and proactively upskilling staff.
- **Risk simplification:** Alignment and rationalisation of risk models, risk processes, assessments, methodologies to streamline the burden of risk execution and oversight while still maintaining quality.
- **Risk measurement:** Optimised set of common risk definitions and taxonomy, and use best-in-class risk models and predictive analytics to gain insights into risks including correlated risks and concentrations (i.e. more dynamic stress testing and scenario analysis).
- **Data and tech:** Organisations should have a clear strategy relating to data and tech for risk. They should also be using systems that are scalable, support automation at scale, and are state-of-the-art providing real-time dynamic risk assessments, including the use of AI and machine learning.
- **Cost take out strategy:** Organisations can start analysing how many staff are involved in current risk programmes, what is the average cost to the bank per full-time equivalent, and how much time is being spent in assessing risk versus managing risk. In addition, banks should review manual risk processes and the number of risk platforms they are using. These actions will help to establish current readiness status and highlight the areas where the bank will need to focus.

Many efforts to transform risk functions have failed to yield maximum and sustainable result. Banks should be looking at areas including roadmaps, regulatory requirements, project management, data and risk models optimisation, outsourcing reviews, digital migration, and people and change. We hope that the practical and thought-provoking concepts in this article will help to create and protect value for banks as they plan their risk transformation journey.

Regulatory reporting

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Granular data reporting gives both banks and regulators deeper insights and protection against risk

Regulators in Hong Kong are expected to start requiring banks to carry out granular data reporting (GDR) as part of their regulatory supervision within the next few years. GDR gives regulators greater insight into the financial health of individual banks and also the overall economy, enabling them to better identify potential risks.

In practice, this has three key benefits: Firstly, it helps to protect against another major financial crisis (or at least reduce the impact). Secondly, it provides greater visibility of the sectors within an industry, their performance and any associated risks. Thirdly, and most importantly, GDR gives the regulators more time to act and react to situations.

From the banking sector's perspective, the introduction of GDR will have a range of impacts and benefits:

- Transformation and digitisation: moving away from manual processes to more digital environments, which in turn will reduce human intervention and errors
- Reconciliation: Removal of ambiguity and inconsistencies
- Data Lineage: Ability to track and trace every transaction within the organisation
- Forecasting: Ability to predict and identify potential areas of risks and threats well in advance

GDR can reveal potential risks emerging in different areas. For example, regulators are now looking at a reconciliation between GDR and the reports that have been submitted by the banks. This exercise has been able to reveal issues such as inconsistency in the interpretation of regulatory rules.

Regulators would like to receive more insights into such ambiguous situations, to enable them to tweak the rules to strengthen controls and to ensure that there is less scope for misinterpretation.

Using GDR gives them the detailed and high-quality data that they need to better understand how banks are operating, carry out market surveillance, and to change and adapt regulations as appropriate.

Financial institutions should start considering how well prepared they are for the introduction of GDR in the next few years. Many banks have strong legacy systems and have been adding new fintech solutions on top as technology evolves, while trying to keep up with evolving customer expectations, risks and threats, and adapting to regulatory requirements.

While all of these might seem challenging and daunting at the first glance, resolution to these challenges is achievable. Financial institutions should be considering now how to create a robust, scalable and adaptable technology-based GDR solution. This will not only provide greater transparency and efficiency within the bank, but will help them remain compliant with the evolving expectations on regulatory reporting.

Operational resilience

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Preparing for OR-2 requirements will help banks to serve their customers through disruption

If a bank in Hong Kong were to suffer severe disruption to its operations for any length of time, there could be a catastrophic impact on businesses in the city as well as on the reputation of the bank itself.

Operational resilience enables banks to continue to serve their customers during potential disruptions resulting from incidents including cyberattacks, technology failures, health epidemics or climate events.

To ensure banks in Hong Kong are prepared against the evolving threats to stability, the HKMA introduced the Operational Resilience 2 (OR-2) module of its Supervisory Policy Manual in May 2022. To meet OR-2 requirements, banks will need to demonstrate that they are operationally resilient by May 2026.

The first of the OR-2 milestones was in May 2023, which was the deadline for banks to share their OR-2 frameworks with the HKMA, which include banks' plans to deal with severe but plausible scenarios, crisis management and incident preparation.

Banks are now implementing their OR-2 frameworks, which includes considering how to deal with severe disruption, ongoing maintenance to protect against different types of threats, and considering how to manage third-party risk. As banks embed operational resilience principals across their day-to-day operations, they should also ensure that staff across the business understand the concept and how it impacts their roles.

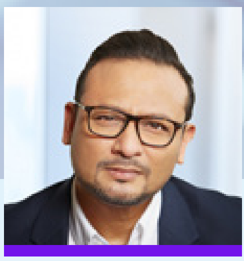
The requirements of OR-2 also include engagement of management at the highest level. Boards should actively participate in setting and reviewing the OR-2 parameters, such as the list of the bank's critical operations. The board has ultimate responsibility and should proactively address any issues that arise.

With less than two years until the final deadline, banks should now be implementing their frameworks. Key actions that should be progressing at present include:

- preparing crisis management procedures to deal with acute situations
- continuity planning to ensure a full understanding of evolving risks
- identifying areas of reliance on third parties, and planning the response if a third party were to suffer disruption
- allocating responsibility for reporting on operational resilience within departments

Being well prepared for the 2026 OR-2 deadline will not just fulfil banks' regulatory obligations. Embedding operational resilience throughout their organisation will ensure that banks are ready to deal with evolving threats to stability as cyberattacks intensify and the global climate becomes more unpredictable, and ultimately helps to reinforce the stability of Hong Kong's financial ecosystem.

Financial crime compliance transformation



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New technology solutions can help banks detect and tackle fraud and money laundering threats

Banks in Hong Kong face growing pressure to strengthen their financial crime prevention and detection capabilities, particularly in anti-fraud and anti-money laundering (AML). A number of key factors are driving the need for transformation:

1. **Evolving threats:** Financial crime tactics are becoming more sophisticated, with cybercriminals, money launderers and terrorist financiers constantly developing new methods.

2. **Regulatory scrutiny:** Regulators are imposing harsher penalties for compliance failures. Banks must enhance their financial crime compliance programmes to avoid fines and reputational damage.

3. **Data explosion:** The growth of digital banking and payments is generating exponential increases in transaction data. Banks require more advanced analytics to identify suspicious activity amid the data deluge.

4. **Efficiency gaps:** Legacy systems and siloed teams often result in inefficient financial crime compliance operations. Transformation is needed to streamline processes and improve productivity.

To address these challenges, banks are investing in areas like advanced analytics, automation and cross-functional collaboration. But as the proliferation of technology gives criminals new avenues, banks must also budget for updating their technology platforms on an ongoing basis.

Another recent development is virtual assets. Banks will need to assess the risks associated with this new asset class, such as when onboarding and maintaining relationships with virtual asset trading platform operators and clients with the majority of their wealth / funds accumulated from virtual assets trading.

Regtech can help banks to assess financial crime compliance risk, and regulators are keen to drive the facilitation of technology. Beside giving the regulator more insights, regtech can also improve cost efficiency and enable banks to deploy compliance officers to more meaningful roles.

How financial crime compliance is handled within banks is no longer just a concern of specialists. The c-suite needs to be aware of potential threats and be prepared to take action, while financial crime compliance teams increasingly include talent with a broader skillset including technology expertise.

But while transformation is crucial to deal with evolving threats, banks do not need to transform everything and should retain the core parts of their financial crime compliance functions. Firstly, regulatory requirements mean that banks must maintain robust AML, know-your-customer (KYC) and other financial crime controls. They cannot outsource or eliminate these core compliance responsibilities.

Experienced financial crime compliance teams also have deep institutional knowledge about their bank's customers and risk landscape, which is critical for effective detection of suspicious activity. They also have strategic oversight that can help the bank make better decisions about products, markets and risk appetite. Maintaining this in-house expertise means that the bank can respond rapidly to any issues that arise, ensures operational resilience, and ultimately helps to avoid reputational damage.

By striking the right balance between transforming and retaining core financial crime compliance capabilities, banks can enhance their defences while preserving critical institutional knowledge. This hybrid approach will enable banks to stay ahead of financial criminals and protect their customers from the constantly evolving threats.

CBDCs

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Hong Kong prepares for central bank digital currencies with global initiatives and eHKD pilot

Hong Kong has been stepping up activity in central bank digital currencies (CBDC) and is involved in a number of local and global initiatives exploring potential use cases. Future-proofing Hong Kong for CBDCs is one of the five focus areas under the government's "Fintech 2025" strategy.

Since 2022, the HKMA has been participating in Project mBridge. Organised by the Bank of International Settlements, this project also includes the central banks of the Chinese Mainland, Thailand and the United Arab Emirates. An initial use case of the project is to solve some of the issues with cross-border payments: for example, it is exploring the use of CBDCs for international money transfers, similar to the way the SWIFT system operates.

Within Hong Kong, Project Ensemble, announced in March this year, is a wholesale CBDC project to develop the city's tokenisation market. With tokenised assets, especially on the public blockchain, a medium of exchange is required, such as a CBDC, stablecoin, or a tokenised version of a CBDC. Project Ensemble will investigate the infrastructure needed to enable interbank settlement of tokenised money through CBDCs.

Through Project Ensemble, the Hong Kong government intends to connect its own efforts to create a CBDC with private innovation and tokenisation, which are usually carried out by asset managers, banks and tech companies.

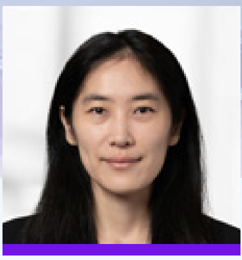
Both the mBridge and Ensemble projects are looking at the wholesale and government-to-government aspect of CBDCs. On the retail side, the HKMA is also now continuing its second phase of its e-HKD programme. Phase 2 will further explore the use cases from phase 1, where 16 companies performed deep dives into areas of eHKD use including full-fledged payments, programmable payments, offline payment, tokenised deposits, settlement of web3 transactions, and settlement of tokenised assets.

Overall, we see an increased interest in CBDC from the private sector and the government. However, there are challenges that will need to be solved in order to make CBDCs, and distributed ledger technology (DLT) more generally, viable for wider economic use.

So, besides the current initiatives in Hong Kong to encourage the development of CBDCs, efforts will need to be made to address the current concerns surrounding the technology. Banks in Hong Kong should be proactive in working with the regulators and lawmakers to set common standards around interoperability, programmability, and data and privacy, to ensure a smooth path for the ongoing development of CBDCs.

Ultimately, banks are facilitators for the financial and monetary ecosystem. To avoid the risk of becoming obsolete, it is important for banks to future-proof themselves for alternative payment infrastructures. This is not something that can be built up overnight, and banks need to start developing their people and systems today in order to be ready for the future.

Credit risk health check



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Banks should be proactive about detecting credit deterioration amid evolving credit risk

Banks in Hong Kong are facing emerging credit risk challenges that could impact credit portfolio quality in the near future, as well as the need to be ready for Basel III implementation.

Detecting credit risk

Historically, Hong Kong is an open market-driven economy and with the Hong Kong dollar pegged to the US dollar this has made the city susceptible to global economic uncertainty. Hong Kong's increasingly deep connections to the Chinese Mainland in more recent times have made the city more sensitive to the onshore environment. Elevated interest rates and lower trade volumes, alongside falling property and equity values and lower consumer demand in the Mainland have impacted credit profiles.

In this environment, it is critical that banks have an effective credit deterioration indicator (CDI) process. Banks normally approach CDI through escalations by relationship managers and portfolio reviews. This relies on relationship managers to understand the process, show diligence and accept responsibility in execution. Portfolio reviews depend on the availability and useability of data, but also on the quality of data analysis, which should be proactive and risk-sensitive.

In addition to traditional credit analysis, banks should also be using financial, transactional and behavioural analytics to identify fraudulent misrepresentation of financial accounts and frauds in underlying transactions. Banks should take swift action in response to any warning signs originating from these areas, and risks should be triangulated, measured and aggregated against agreed reporting criteria.

Basel implementation

Banks in Hong Kong are also making the final preparations for the implementation of Basel III, which will become effective on 1 January 2025.

A key requirement of Basel III will change the way banks calculate their capital ratio, which may mean higher capital requirements. Banks will need to ensure that their data, systems and reporting infrastructure can support the necessary risk measurements. In practice, this means strengthening processes. For example, banks should carry out additional inquiries if there is any uncertainty about a new customer's identity documents.

The HKMA issued a survey in April to check banks' readiness for Basel III, from three perspectives:

1) System readiness - are all systems ready for implementation
2) Operational readiness - have policies and procedures been updated
3) Quality assurance - internal or external auditors need to check the quality

Basel III has been in the pipeline for several years so there has been plenty of time to get ready. In terms of system and operational readiness, most banks in Hong Kong are well prepared. However, some banks are less well prepared for the quality assurance element.

With the deadline for implementation rapidly approaching, these banks should act quickly to decide whether the quality assurance assessment will be done internally or externally, and the process – including engaging third parties if required – should be launched without delay.

KPMG China's annual Credit Risk Report will be launched in July 2024 where many of these topics will be explored in more detail.

Financial results

- Performance rankings
- Licensed banks
- Restricted licence banks
- Deposit-taking companies
- Foreign bank branches
- Virtual banks

Performance rankings

Licensed banks

Ranking	Total assets	HK$ million	Ranking	Net profit after tax	HK$ million	Ranking	Cost/income ratio	
1.	Hongkong and Shanghai Banking Corporation Limited (The)	10,500,393	1.	Hongkong and Shanghai Banking Corporation Limited (The)	97,527	1.	Bank of Communications (Hong Kong) Limited	21.2%
2.	Bank of China (Hong Kong) Limited	3,685,578	2.	Bank of China (Hong Kong) Limited	34,991	2.	Bank of China (Hong Kong) Limited	25.8%
3.	Standard Chartered Bank (Hong Kong) Limited	2,534,695	3.	Hang Seng Bank, Limited	17,838	3.	Industrial and Commercial Bank of China (Asia) Limited	29.6%
4.	Hang Seng Bank, Limited	1,692,094	4.	Standard Chartered Bank (Hong Kong) Limited	10,758	4.	Chong Hing Bank Limited	32.2%
5.	Industrial and Commercial Bank of China (Asia) Limited	915,960	5.	DBS Bank (Hong Kong) Limited	7,281	5.	Tai Yau Bank, Limited	32.6%
6.	Bank of East Asia, Limited (The)	860,361	6.	Industrial and Commercial Bank of China (Asia) Limited	6,446	6.	CMB Wing Lung Bank Limited	32.8%
7.	Nanyang Commercial Bank, Limited	555,149	7.	Bank of East Asia, Limited (The)	4,136	7.	Shanghai Commercial Bank Limited	33.0%
8.	China Construction Bank (Asia) Corporation Limited	493,858	8.	China Construction Bank (Asia) Corporation Limited	4,004	8.	Nanyang Commercial Bank, Limited	34.8%
9.	China CITIC Bank International Limited	470,387	9.	Nanyang Commercial Bank, Limited	3,442	9.	China Construction Bank (Asia) Corporation Limited	35.6%
10.	DBS Bank (Hong Kong) Limited	467,621	10.	OCBC Wing Hang Bank Limited	3,038	10.	Hang Seng Bank, Limited	35.8%

Restricted licence banks

Ranking	Total assets	HK$ million	Ranking	Net profit after tax	HK$ million	Ranking	Cost/income ratio	
1.	Bank of Shanghai (Hong Kong) Limited	32,791	1.	Citicorp International Limited	1,277	1.	PT. Bank Mandiri (Persero) TBK	8.1%
2.	KDB Asia Limited	24,294	2.	J.P. Morgan Securities (Asia Pacific) Limited	962	2.	Kasikornbank Public Company Limited	9.2%
3.	Kasikornbank Public Company Limited	24,217	3.	KDB Asia Limited	375	3.	KDB Asia Limited	16.3%
4.	J.P. Morgan Securities (Asia Pacific) Limited	19,434	4.	Kasikornbank Public Company Limited	294	4.	Siam Commercial Bank Public Company Limited (The)	34.1%
5.	Korea Development Bank (The)	13,933	5.	PT. Bank Mandiri (Persero) TBK	114	5.	Korea Development Bank (The)	34.2%
6.	PT. Bank Mandiri (Persero) TBK	13,480	6.	ORIX Asia Limited	58	6.	Bank of Shanghai (Hong Kong) Limited	34.8%
7.	Bank of China International Limited	6,216	7.	Korea Development Bank (The)	53	7.	Goldman Sachs Asia Bank Limited	52.6%
8.	Siam Commercial Bank Public Company Limited (The)	6,142	8.	Habib Bank Zurich (Hong Kong) Limited	49	8.	Habib Bank Zurich (Hong Kong) Limited	61.8%
9.	ORIX Asia Limited	3,900	9.	Goldman Sachs Asia Bank Limited	38	9.	Allied Banking Corporation (Hong Kong) Limited	62.7%
10.	Habib Bank Zurich (Hong Kong) Limited	3,137	10.	Siam Commercial Bank Public Company Limited (The)	26	10.	Citicorp International Limited	63.8%

Deposit-taking companies

Ranking	Total assets	HK$ million	Ranking	Net profit after tax	HK$ million	Ranking	Cost/income ratio	
1.	Public Finance Limited	6,056	1.	Woori Global Markets Asia Limited	86	1.	Chong Hing Finance Limited	10.5%
2.	Kexim Asia Limited	6,032	2.	Public Finance Limited	80	2.	BCOM Finance (Hong Kong) Limited	22.2%
3.	Woori Global Markets Asia Limited	3,861	3.	KEB Hana Global Finance Limited	38	3.	Woori Global Markets Asia Limited	23.3%
4.	KEB Hana Global Finance Limited	1,521	4.	Kexim Asia Limited	25	4.	KEB Hana Global Finance Limited	35.6%
5.	Vietnam Finance Company Limited	567	5.	BCOM Finance (Hong Kong) Limited	6	5.	Kexim Asia Limited	46.7%
6.	BPI International Finance Limited	386	6.	BPI International Finance Limited	4	6.	Public Finance Limited	63.8%
7.	Corporate Finance (D.T.C.) Limited	317	7.	Vietnam Finance Company Limited	2	7.	Corporate Finance (D.T.C.) Limited	66.7%
8.	BCOM Finance (Hong Kong) Limited	283	8.	Chong Hing Finance Limited	2	8.	Vietnam Finance Company Limited	80.0%
9.	Fubon Credit (Hong Kong) Limited	101	9.	Corporate Finance (D.T.C.) Limited	2	9.	BPI International Finance Limited	91.2%
10.	Chau's Brothers Finance Company Limited	70	10.	Chau's Brothers Finance Company Limited	-	10.	Chau's Brothers Finance Company Limited	102.6%

Foreign bank branches

Ranking	Total assets	HK$ million	Ranking	Net profit after tax	HK$ million	Ranking	Cost/income ratio	
1.	Agricultural Bank of China Limited	590,232	1.	Citibank, N.A.	9,113	1.	First Commercial Bank, Ltd.	7.6%
2.	Citibank, N.A.	572,382	2.	UBS AG	3,932	2.	Hua Nan Commercial Bank, Ltd.	8.3%
3.	Mizuho Bank, Ltd.	427,638	3.	Agricultural Bank of China Limited	3,713	3.	China Development Bank	8.4%
4.	Bank of Communications Co., Ltd.	386,291	4.	JPMorgan Chase Bank, National Association	2,848	4.	Mega International Commercial Bank Co., Ltd.	9.2%
5.	BNP Paribas	365,277	5.	Bank of Communications Co., Ltd.	2,309	5.	Agricultural Bank of China Limited	9.3%
6.	MUFG Bank, Ltd.	335,095	6.	MUFG Bank, Ltd.	2,185	6.	China Merchants Bank Co., Ltd.	11.6%
7.	DBS Bank Ltd.	296,051	7.	China Merchants Bank Co., Ltd.	2,110	7.	Woori Bank	12.7%
8.	UBS AG	279,645	8.	DBS Bank Ltd.	2,018	8.	Taipei Fubon Commercial Bank Co., Ltd.	13.2%
9.	China Development Bank	263,433	9.	China Development Bank	1,825	9.	Bank of Taiwan	13.3%
10.	Sumitomo Mitsui Banking Corporation	256,594	10.	Bank of America, National Association	1,719	10.	Chang Hwa Commercial Bank, Ltd.	13.3%

Source: Extracted from individual banks' financial and public statements

Licensed banks

Ranking	Return on equity	
1.	DBS Bank (Hong Kong) Limited	16.1%
2.	Bank of China (Hong Kong) Limited	11.4%
3.	Hongkong and Shanghai Banking Corporation Limited (The)	11.2%
4.	Hang Seng Bank, Limited	10.9%
5.	Morgan Stanley Bank Asia Limited	10.4%
6.	OCBC Wing Hang Bank Limited	6.6%
7.	Standard Chartered Bank (Hong Kong) Limited	5.8%
8.	Dah Sing Bank, Limited	5.7%
9.	Citibank (Hong Kong) Limited	5.4%
10.	China Construction Bank (Asia) Corporation Limited	5.3%

Ranking	Growth in assets	
1.	Chong Hing Bank Limited	9.0%
2.	Fubon Bank (Hong Kong) Limited	8.8%
3.	CMB Wing Lung Bank Limited	7.4%
4.	China Construction Bank (Asia) Corporation Limited	7.3%
5.	Bank of China (Hong Kong) Limited	5.6%
6.	OCBC Wing Hang Bank Limited	4.6%
7.	China CITIC Bank International Limited	4.1%
8.	Dah Sing Bank, Limited	3.4%
9.	Hongkong and Shanghai Banking Corporation Limited (The)	3.0%
10.	Shanghai Commercial Bank Limited	2.9%

Ranking	Growth in net profit after tax	
1.	Tai Yau Bank, Limited	5658.7%
2.	Tai Sang Bank Limited	136.0%
3.	Standard Chartered Bank (Hong Kong) Limited	70.8%
4.	Morgan Stanley Bank Asia Limited	62.9%
5.	Hang Seng Bank, Limited	58.3%
6.	Chong Hing Bank Limited	46.2%
7.	Fubon Bank (Hong Kong) Limited	44.4%
8.	OCBC Wing Hang Bank Limited	41.0%
9.	DBS Bank (Hong Kong) Limited	31.1%
10.	China Construction Bank (Asia) Corporation Limited	29.6%

Restricted licence banks

Ranking	Return on equity	
1.	Korea Development Bank (The)	3533.3%
2.	Citicorp International Limited	53.9%
3.	KDB Asia Limited	9.1%
4.	PT. Bank Mandiri (Persero) TBK	9.0%
5.	Habib Bank Zurich (Hong Kong) Limited	8.1%
6.	J.P. Morgan Securities (Asia Pacific) Limited	6.7%
7.	Kasikornbank Public Company Limited	6.6%
8.	Goldman Sachs Asia Bank Limited	3.9%
9.	Allied Banking Corporation (Hong Kong) Limited	3.5%
10.	ORIX Asia Limited	2.5%

Ranking	Growth in assets	
1.	Korea Development Bank (The)	67.4%
2.	PT. Bank Mandiri (Persero) TBK	24.0%
3.	Bank of Shanghai (Hong Kong) Limited	13.0%
4.	Goldman Sachs Asia Bank Limited	12.2%
5.	KDB Asia Limited	7.7%
6.	Kasikornbank Public Company Limited	7.0%
7.	Habib Bank Zurich (Hong Kong) Limited	6.2%
8.	Allied Banking Corporation (Hong Kong) Limited	5.3%
9.	J.P. Morgan Securities (Asia Pacific) Limited	1.1%
10.	Bank of China International Limited	-3.0%

Ranking	Growth in net profit after tax	
1.	Korea Development Bank (The)	330.4%
2.	Goldman Sachs Asia Bank Limited	111.1%
3.	Siam Commercial Bank Public Company Limited (The)	73.3%
4.	Habib Bank Zurich (Hong Kong) Limited	25.6%
5.	KDB Asia Limited	15.0%
6.	Kasikornbank Public Company Limited	13.1%
7.	Allied Banking Corporation (Hong Kong) Limited	-0.5%
8.	Bank of Shanghai (Hong Kong) Limited	-21.1%
9.	ORIX Asia Limited	-26.6%
10.	Citicorp International Limited	-27.4%

Virtual banks

Ranking	Total assets	HK$ million
1.	Mox Bank Limited	14,367
2.	ZA Bank Limited	13,930
3.	Fusion Bank Limited	5,678
4.	Livi Bank Limited	4,895
5.	WeLab Bank Limited	3,764
6.	Ping An OneConnect Bank (Hong Kong) Limited	3,305
7.	Airstar Bank Limited	2,326
8.	Ant Bank (Hong Kong) Limited	1,594

Ranking	Profit before tax	HK$ million
1.	Ant Bank (Hong Kong) Limited	(180)
2.	Ping An OneConnect Bank (Hong Kong) Limited	(181)
3.	Airstar Bank Limited	(208)
4.	WeLab Bank Limited	(316)
5.	ZA Bank Limited	(399)
6.	Fusion Bank Limited	(406)
7.	Livi Bank Limited	(560)
8.	Mox Bank Limited	(852)

Ranking	Total deposits from customers	HK$ million
1.	ZA Bank Limited	11,695
2.	Mox Bank Limited	11,133
3.	Fusion Bank Limited	4,555
4.	WeLab Bank Limited	3,127
5.	Ping An OneConnect Bank (Hong Kong) Limited	2,495
6.	Livi Bank Limited	2,191
7.	Airstar Bank Limited	1,677
8.	Ant Bank (Hong Kong) Limited	634

Foreign bank branches

Ranking	Growth in assets	
1.	Commonwealth Bank of Australia	279.3%
2.	Nonghyup Bank	220.5%
3.	Banque Pictet & Cie SA	99.4%
4.	First Abu Dhabi Bank PJSC	95.9%
5.	Bank of Dongguan Co., Ltd.	69.8%
6.	Hua Xia Bank Co., Limited	43.9%
7.	Mashreq Bank - Public Shareholding Company	40.1%
8.	China Bohai Bank Co., Ltd.	39.6%
9.	Bank of Montreal	37.1%
10.	Coöperatieve Rabobank U.A.	36.7%

Ranking	Growth in net profit after tax	
1.	National Australia Bank Limited	3775.0%
2.	KBC Bank N.V.	2500.0%
3.	Shanghai Commercial & Savings Bank, Ltd. (The)	1248.1%
4.	JPMorgan Chase Bank, National Association	1143.7%
5.	Ping An Bank Co., Ltd.	354.0%
6.	CA Indosuez (Switzerland) SA	320.0%
7.	Bank of Communications Co., Ltd.	263.6%
8.	Bank of Nova Scotia (The)	244.8%
9.	Bank J. Safra Sarasin AG	217.1%
10.	Qatar National Bank (Q.P.S.C.)	207.1%

Source: Extracted from individual banks' financial and public statements

Licensed banks – Financial highlights

	HK$ million	Year ended	Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Change in expected credit loss against customer advances	Other items
			Income statement					
1	Bank of China (Hong Kong) Limited	31-Dec-23	46,696	19,482	17,091	49,087	6,429	1,327
2	Bank of Communications (Hong Kong) Limited	31-Dec-23	8,941	(207)	1,854	6,880	3,886	170
3	Bank of East Asia, Limited (The)	31-Dec-23	16,874	3,872	9,432	11,314	5,164	840
4	China CITIC Bank International Limited	31-Dec-23	7,605	2,395	4,151	5,849	3,072	(212)
5	China Construction Bank (Asia) Corporation Limited	31-Dec-23	6,547	2,380	3,179	5,748	892	56
6	Chiyu Banking Corporation Limited	31-Dec-23	1,577	713	1,380	910	641	28
7	Chong Hing Bank Limited	31-Dec-23	4,979	1,024	1,930	4,073	2,500	5
8	Citibank (Hong Kong) Limited	31-Dec-23	3,522	3,675	5,559	1,638	221	6
9	CMB Wing Lung Bank Limited	31-Dec-23	6,736	2,589	3,055	6,270	4,295	167
10	Dah Sing Bank, Limited	31-Dec-23	4,815	1,101	3,179	2,737	799	(193)
11	DBS Bank (Hong Kong) Limited	31-Dec-23	10,736	4,532	6,093	9,175	582	(18)
12	Fubon Bank (Hong Kong) Limited	31-Dec-23	2,116	354	1,175	1,295	370	(3)
13	Hang Seng Bank, Limited	31-Dec-23	32,295	8,527	14,624	26,198	6,304	(211)
14	Hongkong and Shanghai Banking Corporation Limited (The)	31-Dec-23	130,780	118,899	109,993	139,686	13,163	5,080
15	Industrial and Commercial Bank of China (Asia) Limited	31-Dec-23	10,832	2,649	3,986	9,495	2,165	(106)
16	Morgan Stanley Bank Asia Limited	31-Dec-23	1,102	3,282	2,839	1,545	-	-
17	Nanyang Commercial Bank, Limited	31-Dec-23	8,002	2,512	3,661	6,853	3,241	(81)
18	OCBC Wing Hang Bank Limited	31-Dec-23	6,576	2,154	4,654	4,076	386	(28)
19	Public Bank (Hong Kong) Limited	31-Dec-23	1,053	215	851	417	322	-
20	Shanghai Commercial Bank Limited	31-Dec-23	4,397	1,211	1,850	3,758	1,670	22
21	Standard Chartered Bank (Hong Kong) Limited	31-Dec-23	29,838	27,497	32,909	24,426	4,380	6,140
22	Tai Sang Bank Limited	31-Dec-23	16	25	36	5	-	3
23	Tai Yau Bank, Limited	31-Dec-23	46	-	15	31	-	-
	TOTAL[N1]	**2023**	**313,786**	**200,354**	**218,872**	**295,268**	**54,178**	**13,203**
	Total excluding HSBC[N2]	**2023**	**215,301**	**89,982**	**123,503**	**181,780**	**47,319**	**7,912**
	Total excluding BOCHK & HSBC[N2]	**2023**	**168,605**	**70,500**	**106,412**	**132,693**	**40,890**	**6,585**

* 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 include Hang Seng Bank.
N3 ROA is calculated as net profit after tax divided by average total assets.
N4 ROE is calculated as net profit after tax divided by average total equity.

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	Expected credit loss allowance against customer advances	Total deposits from customers	Total equity	Capital adequacy ratio	Liquidity ratio
41,331	34,991	3,685,578	1,709,592	14,732	2,505,752	304,438	21.2%	207.1%*
2,824	2,406	424,954	198,219	6,227	333,327	54,004	21.5%	181.4%*
5,310	4,136	860,361	532,484	5,127	628,598	108,326	22.0%	201.5%*
2,989	2,587	470,387	226,286	1,193	340,731	53,516	20.1%	241.0%*
4,800	4,004	493,858	264,297	4,314	381,074	77,463	21.7%	134.7%*
241	177	184,652	90,666	761	146,718	18,269	17.8%	179.2%*
1,568	1,442	306,044	162,166	2,315	239,281	40,273	19.6%	62.6%#
1,411	1,362	325,537	120,901	328	252,241	25,230	26.9%	62.8%#
1,808	1,634	426,640	212,897	2,045	326,193	58,114	19.1%	135.0%*
2,131	1,850	261,565	145,110	1,116	207,303	33,588	21.2%	67.3%#
8,611	7,281	467,621	265,880	3,289	390,599	46,728	20.1%	163.2%*
928	784	140,982	65,303	346	109,124	15,966	17.9%	96.3%#
20,105	17,838	1,692,094	874,039	13,633	1,153,062	168,184	21.4%	260.6%*
121,443	97,527	10,500,393	3,595,929	38,853	6,261,051	872,586	19.7%	168.9%*
7,436	6,446	915,960	458,683	9,614	602,143	149,760	24.1%	198.0%*
1,545	1,313	58,768	30,288	-	43,439	13,283	68.0%	70.0%#
3,693	3,442	555,149	298,648	4,900	394,390	67,991	18.6%	165.0%*
3,718	3,038	355,249	203,960	1,089	263,002	46,350	21.6%	51.6%#
95	71	37,256	23,766	339	29,546	6,572	25.6%	60.9%#
2,066	1,569	229,945	89,625	387	179,009	36,111	26.6%	62.8%#
13,906	10,758	2,534,695	1,035,180	13,757	1,808,547	186,638	21.1%	206.0%*
2	2	1,033	222	-	241	716	85.3%	97.2%#
31	29	1,931	1	-	1,096	826	210.5%	126.3%#
227,887	**186,849**	**23,238,558**	**9,730,103**	**110,732**	**15,443,405**	**2,216,748**	-	-
126,549	**107,160**	**14,430,259**	**7,008,213**	**85,512**	**10,335,416**	**1,512,346**	-	-
85,218	**72,169**	**10,744,681**	**5,298,621**	**70,780**	**7,829,664**	**1,207,908**	-	-

	HK$ million	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[N3]	ROE[N4]
1	Bank of China (Hong Kong) Limited	31-Dec-23	67.6%	1.3%	29.4%	25.8%	1.0%	11.4%
2	Bank of Communications (Hong Kong) Limited	31-Dec-23	57.6%	2.0%	-2.4%	21.2%	0.5%	4.6%
3	Bank of East Asia, Limited (The)	31-Dec-23	83.9%	1.9%	18.7%	45.5%	0.5%	3.9%
4	China CITIC Bank International Limited	31-Dec-23	66.1%	1.6%	24.0%	41.5%	0.6%	4.8%
5	China Construction Bank (Asia) Corporation Limited	31-Dec-23	68.2%	1.4%	26.7%	35.6%	0.8%	5.3%
6	Chiyu Banking Corporation Limited	31-Dec-23	61.3%	0.9%	31.1%	60.3%	0.1%	1.0%
7	Chong Hing Bank Limited	31-Dec-23	66.8%	1.7%	17.1%	32.2%	0.5%	3.8%
8	Citibank (Hong Kong) Limited	31-Dec-23	47.8%	1.1%	51.1%	77.2%	0.4%	5.4%
9	CMB Wing Lung Bank Limited	31-Dec-23	64.6%	1.6%	27.8%	32.8%	0.4%	2.9%
10	Dah Sing Bank, Limited	31-Dec-23	69.5%	1.9%	18.6%	53.7%	0.7%	5.7%
11	DBS Bank (Hong Kong) Limited	31-Dec-23	67.2%	2.3%	29.7%	39.9%	1.5%	16.1%
12	Fubon Bank (Hong Kong) Limited	31-Dec-23	59.5%	1.6%	14.3%	47.6%	0.6%	5.0%
13	Hang Seng Bank, Limited	31-Dec-23	74.6%	1.8%	20.9%	35.8%	1.0%	10.9%
14	Hongkong and Shanghai Banking Corporation Limited (The)	31-Dec-23	56.8%	1.3%	47.6%	44.1%	0.9%	11.2%
15	Industrial and Commercial Bank of China (Asia) Limited	31-Dec-23	74.6%	1.2%	19.7%	29.6%	0.7%	4.4%
16	Morgan Stanley Bank Asia Limited	31-Dec-23	69.7%	1.9%	74.9%	64.8%	2.2%	10.4%
17	Nanyang Commercial Bank, Limited	31-Dec-23	74.5%	1.5%	23.9%	34.8%	0.6%	5.3%
18	OCBC Wing Hang Bank Limited	31-Dec-23	77.1%	1.9%	24.7%	53.3%	0.9%	6.6%
19	Public Bank (Hong Kong) Limited	31-Dec-23	79.3%	2.8%	17.0%	67.1%	0.2%	1.1%
20	Shanghai Commercial Bank Limited	31-Dec-23	49.9%	1.9%	21.6%	33.0%	0.7%	4.5%
21	Standard Chartered Bank (Hong Kong) Limited	31-Dec-23	56.5%	1.2%	48.0%	57.4%	0.4%	5.8%
22	Tai Sang Bank Limited	31-Dec-23	92.1%	1.5%	61.0%	87.8%	0.2%	0.3%
23	Tai Yau Bank, Limited	31-Dec-23	0.1%	2.4%	0.0%	32.6%	1.5%	3.6%
	TOTAL[N1]	**2023**	**62.3%**	**1.4%**	**39.0%**	**42.6%**	**0.8%**	**8.5%**
	Total excluding HSBC[N2]	**2023**	**67.0%**	**1.5%**	**29.5%**	**40.5%**	**0.7%**	**7.2%**
	Total excluding BOCHK & HSBC[N2]	**2023**	**66.8%**	**1.6%**	**29.5%**	**44.5%**	**0.7%**	**6.1%**

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N3 ROA is calculated as net profit after tax divided by average total assets.
N4 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								
Impaired advances (stage 3)					Advances (stage 2)			
Gross impaired advances	Gross impaired advances/ Advances to customers	Stage 3 expected credit loss allowance made against impaired advances	Stage 3 expected credit loss allowance as a percentage of gross impaired advances	Collateral for impaired advances	Gross advances in Stage 2	Expected credit loss allowance made against Stage 2 advances	Stage 2 expected credit loss allowances as a percentage of gross stage 2 advances	Risk-weighted assets ("RWA")
17,797	1.0%	9,555	53.7%	9,331	21,046	1,056	5.0%	1,298,956
6,320	3.2%	5,640	89.2%	275	18,543	217	1.2%	299,334
14,334	2.7%	3,536	24.7%	7,041	24,048	691	2.9%	482,857
5,167	2.3%	225	4.4%	3,374	7,333	644	8.8%	304,311
2,825	1.1%	2,707	95.8%	286	15,437	657	4.3%	362,197
2,099	2.3%	427	20.3%	2,173	4,888	134	2.7%	106,947
4,668	2.9%	1,547	33.1%	985	9,087	239	2.6%	215,906
49	0.0%	33	67.3%	17	641	120	18.7%	94,738
3,143	1.5%	1,569	49.9%	537	26,886	267	1.0%	290,951
2,780	1.9%	485	17.4%	1,707	11,665	264	2.3%	177,146
2,938	1.1%	1,240	42.2%	1,357	16,127	848	5.3%	250,971
361	0.6%	105	29.1%	199	3,706	72	1.9%	84,427
24,749	2.8%	9,158	37.0%	12,744	135,766	3,766	2.8%	674,269
62,679	1.7%	27,433	43.8%	26,391	352,477	8,575	2.4%	3,212,387
7,126	1.6%	4,451	62.5%	8,623	15,854	1,453	9.2%	622,031
-	0.0%	-	N/A	N/A	-	-	N/A	19,230
6,920	2.3%	3,082	44.5%	1,805	11,046	451	4.1%	376,888
1,936	0.9%	203	10.5%	1,874	33,904	483	1.4%	196,763
920	3.9%	214	23.3%	850	330	39	11.8%	24,962
2,546	2.8%	116	4.6%	1,195	7,659	145	1.9%	151,572
16,016	1.5%	10,165	63.5%	8,094	27,855	1,774	6.4%	848,627
-	0.0%	-	N/A	-	-	-	N/A	633
-	0.0%	-	N/A	-	-	-	N/A	392
160,624	**1.7%**	**72,733**	**45.3%**	**76,114**	**608,532**	**18,129**	**3.0%**	**9,422,226**
122,694	**1.8%**	**54,458**	**44.4%**	**62,467**	**391,821**	**13,320**	**3.4%**	**6,884,108**
104,897	**2.0%**	**44,903**	**42.8%**	**53,136**	**370,775**	**12,264**	**3.3%**	**5,585,152**

Restricted licence banks – Financial highlights

	HK$ million	Year ended	Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Change in expected credit loss against customer advances	Other items
						Income statement		
1	Allied Banking Corporation (Hong Kong) Limited	31-Dec-23	57	10	42	25	-	-
2	Banc of America Securities Asia Limited	31-Dec-23	(747)	-	99	(846)	-	-
3	Bank of China International Limited	31-Dec-23	127	89	213	3	-	-
4	Bank of Shanghai (Hong Kong) Limited	31-Dec-23	519	81	209	391	377	678
5	Citicorp International Limited	31-Dec-23	60	4,171	2,701	1,530	-	-
6	Goldman Sachs Asia Bank Limited	31-Dec-23	44	51	50	45	-	-
7	Habib Bank Zurich (Hong Kong) Limited	31-Dec-23	102	55	97	60	2	-
8	J.P. Morgan Securities (Asia Pacific) Limited	31-Dec-23	761	7,020	6,708	1,073	-	-
9	Kasikornbank Public Company Limited	31-Dec-23	291	46	31	306	(3)	1
10	KDB Asia Limited	31-Dec-23	234	299	87	446	9	3
11	Korea Development Bank (The)	31-Dec-23	82	29	38	73	15	-
12	ORIX Asia Limited	31-Mar-23	146	74	161	59	(9)	-
13	PT. Bank Mandiri (Persero) TBK	31-Dec-23	251	58	25	284	147	-
14	Siam Commercial Bank Public Company Limited (The)	31-Dec-23	39	2	14	27	(1)	-
	TOTAL	**2023**	**1,966**	**11,985**	**10,475**	**3,476**	**537**	**682**

\# Note that all are Liquidity Maintenance Ratio

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	Expected credit loss allowance against customer advances	Total deposits from customers	Total equity	Capital adequacy ratio	Liquidity ratio#
25	21	1,700	1,118	-	1,050	614	38.4%	94.9%
(846)	(706)	696	-	-	-	593	68.3%	1182.4%
3	5	6,216	2,238	1	4,298	1,798	69.0%	182.9%
(664)	(728)	32,791	21,704	507	16,266	5,688	20.5%	121.3%
1,530	1,277	2,913	-	-	-	1,916	21.4%	6351.3%
45	38	1,246	-	-	8	981	272.9%	160.0%
58	49	3,137	1,808	14	1,643	623	29.5%	104.7%
1,073	962	19,434	-	-	-	14,753	59.0%	373.3%
308	294	24,217	672	7	-	4,528	19.4%	5847.0%
434	375	24,294	13,773	162	9	4,312	20.5%	186.5%
58	53	13,933	8,439	18	-	27	13.7%	131.7%
68	58	3,900	3,505	28	476	2,345	62.5%	97.1%
137	114	13,480	8,800	472	1,072	1,272	9.8%	98.9%
28	26	6,142	425	1	316	-	18.0%	79.8%
2,257	**1,838**	**154,099**	**62,482**	**1,210**	**25,138**	**39,450**	**-**	**-**

HK$ million		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-23	106.5%	3.4%	14.9%	62.7%	1.3%	3.5%
2	Banc of America Securities Asia Limited	31-Dec-23	N/A	-5.5%	0.0%	-13.3%	-5.2%	-27.9%
3	Bank of China International Limited	31-Dec-23	52.0%	2.0%	41.2%	98.6%	0.1%	0.3%
4	Bank of Shanghai (Hong Kong) Limited	31-Dec-23	130.3%	1.7%	13.5%	34.8%	-2.4%	-14.8%
5	Citicorp International Limited	31-Dec-23	N/A	1.6%	98.6%	63.8%	35.0%	53.9%
6	Goldman Sachs Asia Bank Limited	31-Dec-23	0.0%	3.7%	53.7%	52.6%	3.2%	3.9%
7	Habib Bank Zurich (Hong Kong) Limited	31-Dec-23	109.2%	3.3%	35.0%	61.8%	1.6%	8.1%
8	J.P. Morgan Securities (Asia Pacific) Limited	31-Dec-23	N/A	3.9%	90.2%	86.2%	5.0%	6.7%
9	Kasikornbank Public Company Limited	31-Dec-23	N/A	1.2%	13.6%	9.2%	1.3%	6.6%
10	KDB Asia Limited	31-Dec-23	151233.3%	1.0%	56.1%	16.3%	1.6%	9.1%
11	Korea Development Bank (The)	31-Dec-23	N/A	0.7%	26.1%	34.2%	0.5%	3533.3%
12	ORIX Asia Limited	31-Mar-23	730.5%	3.7%	33.6%	73.2%	1.5%	2.5%
13	PT. Bank Mandiri (Persero) TBK	31-Dec-23	776.9%	1.9%	18.8%	8.1%	0.8%	9.0%
14	Siam Commercial Bank Public Company Limited (The)	31-Dec-23	134.2%	0.5%	4.9%	34.1%	0.3%	N/A
	TOTAL	**2023**	**243.7%**	**1.3%**	**85.9%**	**75.1%**	**1.2%**	**4.6%**

\# Note that all are Liquidity Maintenance Ratio

Source: Extracted from individual banks' financial and public statements

	Loan asset quality							
	Impaired advances / Stage 3 advances					Advances (stage 2)		
	Gross impaired advances	Gross impaired advances/ Advances to customers	Stage 3 expected credit loss allowance made against impaired advances	Stage 3 expected credit loss allowance as a percentage of gross impaired advances	Collateral for impaired advances	Gross advances in Stage 2	Expected credit loss allowance made against Stage 2 advances	Stage 2 expected credit loss allowances as a percentage of gross stage 2 advances
	-	0.0%	-	N/A	-	1	-	0.0%
	-	N/A	-	N/A	-	-	-	N/A
	1	0.0%	1	100.0%	-	-	-	N/A
	425	2.0%	240	56.5%	N/A	146	6	4.1%
	-	N/A	-	N/A	-	-	-	N/A
	-	N/A	-	N/A	-	-	-	N/A
	46	2.5%	(11)	-23.9%	38	26	1	3.8%
	-	N/A	-	N/A	-	-	-	N/A
	-	0.0%	-	N/A	-	-	-	N/A
	126	0.9%	126	100.0%	-	-	-	N/A
	-	0.0%	-	N/A	-	-	-	N/A
	39	1.1%	21	53.8%	8	301	4	1.3%
	234	2.7%	147	62.8%	-	-	-	N/A
	-	0.0%	-	N/A	-	-	-	N/A
	871	**1.4%**	**524**	**60.2%**	**46**	**474**	**11**	**2.3%**

Deposit-taking companies – Financial highlights

	HK$ million	Year ended	Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Change in expected credit loss against customer advances	Other items
			Income statement					
1	BCOM Finance (Hong Kong) Limited	31-Dec-23	1	8	2	7	-	-
2	BPI International Finance Limited	31-Dec-23	9	48	52	5	-	-
3	Chau's Brothers Finance Company Limited	31-Dec-23	5	-	5	-	-	-
4	Chong Hing Finance Limited	31-Dec-23	2	-	-	2	-	-
5	Corporate Finance (D.T.C.) Limited	31-Dec-23	9	-	6	3	-	-
6	Fubon Credit (Hong Kong) Limited	31-Dec-23	2	-	24	(22)	1	-
7	KEB Hana Global Finance Limited	31-Dec-23	44	29	26	47	2	-
8	Kexim Asia Limited	31-Dec-23	58	2	28	32	1	1
9	Public Finance Limited	31-Dec-23	515	128	410	233	137	-
10	Vietnam Finance Company Limited	31-Dec-23	10	-	8	2	-	-
11	Woori Global Markets Asia Limited	31-Dec-23	101	49	35	115	8	1
	Total	**2023**	**756**	**264**	**596**	**424**	**149**	**-**

\# Note that all are Liquidity Maintenance Ratio

Source: Extracted from individual companies' financial and public statements

Financial highlights									
		Size and strength measures							
Profit before tax	Net profit after tax	Total assets	Risk-weighted assets ("RWA")	Gross advances to customers	Expected credit loss allowance against customer advances	Total deposits from customers	Total equity	Capital adequacy ratio	Liquidity ratio#
7	6	283	N/A	-	-	1	281	N/A	N/A
5	4	386	242	22	-	207	167	67.9%	1063.5%
-	-	70	N/A	55	1	-	68	108.3%	160.6%
2	2	49	N/A	-	-	-	48	N/A	N/A
3	2	317	N/A	141	-	209	106	N/A	N/A
(23)	(23)	101	N/A	53	-	-	61	N/A	N/A
45	38	1,521	829	1,428	3	-	621	75.0%	210.6%
30	25	6,032	5,563	2,411	7	-	1,329	23.8%	641.1%
96	80	6,056	4,907	5,081	129	4,406	1,488	30.0%	73.0%
2	2	567	N/A	5	-	-	144	N/A	N/A
106	86	3,861	4,125	2,290	33	-	1,131	27.7%	166.5%
273	**222**	**19,243**	**15,666**	**11,486**	**173**	**4,823**	**5,444**	**-**	**-**

	HK$ million	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-23	0.0%	0.4%	88.9%	22.2%	2.1%	2.2%
2	BPI International Finance Limited	31-Dec-23	10.6%	2.3%	84.2%	91.2%	1.0%	2.5%
3	Chau's Brothers Finance Company Limited	31-Dec-23	N/A	7.1%	0.0%	102.6%	0.0%	-0.2%
4	Chong Hing Finance Limited	31-Dec-23	N/A	4.2%	0.0%	10.5%	4.2%	4.2%
5	Corporate Finance (D.T.C.) Limited	31-Dec-23	67.5%	2.8%	0.0%	66.7%	0.6%	1.9%
6	Fubon Credit (Hong Kong) Limited	31-Dec-23	N/A	2.0%	0.0%	1200.0%	-23.2%	-31.7%
7	KEB Hana Global Finance Limited	31-Dec-23	N/A	3.1%	39.7%	35.6%	2.7%	6.3%
8	Kexim Asia Limited	31-Dec-23	N/A	1.0%	3.3%	46.7%	0.4%	1.9%
9	Public Finance Limited	31-Dec-23	112.4%	8.3%	19.9%	63.8%	1.3%	5.1%
10	Vietnam Finance Company Limited	31-Dec-23	N/A	1.8%	0.0%	80.0%	0.4%	1.4%
11	Woori Global Markets Asia Limited	31-Dec-23	N/A	2.7%	32.7%	23.3%	2.3%	7.9%
	Total	**2023**	**234.6%**	**4.0%**	**25.9%**	**58.4%**	**1.2%**	**4.1%**

Note that all are Liquidity Maintenance Ratio

Source: Extracted from individual companies' financial and public statements

Loan asset quality							
Impaired advances (stage 3)					Advances (stage 2)		
Gross impaired advances	Gross impaired advances/ Advances to customers	Stage 3 expected credit loss allowance made against impaired advances	Stage 3 expected credit loss allowance as a percentage of gross impaired advances	Collateral for impaired advances	Gross advances in Stage 2	Expected credit loss allowance made against Stage 2 advances	Stage 2 expected credit loss allowances as a percentage of gross stage 2 advances
-	N/A	-	N/A	N/A	-	-	N/A
-	0.0%	-	N/A	-	-	-	N/A
1	1.8%	1	100.0%	N/A	-	-	N/A
-	N/A	-	N/A	-	-	-	N/A
-	0.0%	-	N/A	-	-	-	N/A
-	0.0%	-	N/A	-	-	-	N/A
-	0.0%	-	N/A	-	112	-	0.0%
-	0.0%	-	N/A	-	-	-	N/A
83	1.6%	40	48.2%	23	49	24	49.0%
-	0.0%	-	N/A	-	-	-	N/A
54	2.4%	19	35.2%	42	-	-	N/A
138	**1.2%**	**60**	**43.5%**	**65**	**161**	**24**	**14.9%**

Foreign bank branches – Financial highlights

HK$ million		Year ended	Income statement				
			Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Change in expected credit loss against customer advances
1	Agricultural Bank of China Limited	31-Dec-23	3,889	1,326	485	4,730	366
2	Australia and New Zealand Banking Group Limited	30-Sep-23	1,124	688	963	849	(76)
3	Banco Bilbao Vizcaya Argentaria S.A.	31-Dec-23	415	129	324	220	(28)
4	Banco Santander, S.A.	31-Dec-23	(133)	1,131	855	143	12
5	Bangkok Bank Public Company Limited	31-Dec-23	618	91	175	534	139
6	Bank J. Safra Sarasin AG	31-Dec-23	221	438	458	201	(1)
7	Bank Julius Baer & Co. Ltd.	31-Dec-23	644	1,852	1,917	579	(2)
8	Bank of America, National Association	31-Dec-23	1,750	1,469	1,591	1,628	(418)
9	Bank of China Limited	31-Dec-23	137	186	140	183	-
10	Bank of Communications Co., Ltd.	31-Dec-23	5,359	(823)	1,667	2,869	42
11	Bank of Dongguan Co., Ltd.	31-Dec-23	276	(129)	123	24	-
12	Bank of India	31-Mar-23	55	74	37	92	4
13	Bank of Montreal	31-Oct-23	44	275	223	96	-
14	Bank of New York Mellon (The)	31-Dec-23	472	602	555	519	-
15	Bank of Nova Scotia (The)	31-Oct-23	231	39	152	118	-
16	Bank of Singapore Limited	31-Dec-23	189	1,119	756	552	-
17	Bank of Taiwan	31-Dec-23	264	7	36	235	(13)
18	Bank Sinopac	31-Dec-23	580	219	206	593	22
19	Banque Pictet & Cie SA	31-Dec-23	227	352	616	(37)	-
20	Barclays Bank PLC	31-Dec-23	296	2,762	2,187	871	(6)
21	BDO Unibank, Inc.	31-Dec-23	120	14	40	94	37
22	BNP Paribas	31-Dec-23	2,710	4,075	6,034	751	362
23	CA Indosuez (Switzerland) SA	31-Dec-23	72	308	367	13	-
24	Canadian Imperial Bank of Commerce	31-Oct-23	71	237	203	105	(2)
25	Cathay Bank	31-Dec-23	53	16	45	24	33
26	Cathay United Bank Company, Limited	31-Dec-23	220	(301)	223	(304)	1
27	Chang Hwa Commercial Bank, Ltd.	31-Dec-23	295	21	42	274	(4)
28	China Bohai Bank Co., Ltd.	31-Dec-23	156	(1)	152	3	(15)
29	China Construction Bank Corporation	31-Dec-23	1,634	684	741	1,577	187
30	China Development Bank	31-Dec-23	2,824	(254)	217	2,353	469
31	China Everbright Bank Co., Ltd.	31-Dec-23	1,303	383	422	1,264	1,215
32	China Guangfa Bank Co., Ltd.	31-Mar-23	(117)	122	115	(110)	145
33	China Merchants Bank Co., Ltd.	31-Dec-23	3,311	224	411	3,124	574
34	China Minsheng Banking Corp., Ltd.	31-Dec-23	789	1,812	474	2,127	1,135
35	China Zheshang Bank Co., Ltd.	31-Dec-23	365	795	180	980	323
36	CIMB Bank Berhad	31-Dec-23	(53)	166	95	18	258

* Some branches hold impairment allowances of head office
\# Note that all are Liquidity Maintenance Ratio
Source: Extracted from individual companies' financial and public statements

Financial highlights

			Size and strength measures				
Other items	Profit before tax	Net profit after tax	Total assets	Gross advances to customers	Expected credit loss allowance against customer advances*	Total deposits from customers	Liquidity ratio#
(100)	4,464	3,713	590,232	231,820	2,495	187,084	92.2%
-	925	734	172,155	47,484	416	58,992	47.9%
-	248	207	62,623	44,580	7	5,297	60.6%
-	131	86	99,801	24,824	51	25,666	41.8%
-	395	331	73,837	12,115	2,388	13,191	47.5%
-	202	171	16,594	7,971	-	12,861	45.7%
-	581	485	61,003	30,654	1	51,481	51.5%
-	2,046	1,719	100,430	39,410	1,029	38,791	62.8%
19	164	138	155,178	-	-	-	7310.6%
48	2,779	2,309	386,291	101,956	2,195	101,644	179.4%
15	9	9	20,136	4,793	40	700	258.7%
16	72	72	14,542	2,388	169	1,952	126.1%
-	96	96	64,164	3,182	-	2,142	1017.2%
-	519	433	37,647	-	-	631	805.6%
-	118	100	40,001	21,005	-	11,249	48.5%
-	552	459	25,389	7,447	-	13,031	68.2%
3	245	245	13,780	719	12	7,518	138.9%
(18)	589	484	38,079	11,659	139	29,571	75.1%
-	(37)	(37)	64,885	12,426	-	10,448	656.4%
-	877	710	14,616	56	1	5,091	109.3%
-	57	28	6,172	2,695	10	3,877	111.5%
1	388	210	365,277	121,289	1,667	266,994	50.3%
-	13	11	11,740	3,423	-	6,426	49.8%
-	107	91	36,014	4,954	2	12,281	183.1%
-	(9)	(9)	4,290	2,671	58	1,668	46.5%
-	(305)	(301)	39,147	11,672	123	17,307	133.0%
-	278	234	12,478	3,723	42	10,336	92.2%
-	18	18	13,639	6,722	23	3,221	154.4%
-	1,390	1,118	233,712	96,564	707	96,114	53.3%
-	1,884	1,825	263,433	141,721	4,821	51,829	75.3%
-	49	51	202,820	75,063	1,717	90,920	71.9%
36	(291)	(291)	37,764	7,940	261	11,720	85.6%
-	2,550	2,110	142,349	26,231	597	112,265	86.0%
51	941	628	180,289	100,160	1,558	121,309	70.4%
-	657	513	56,239	25,726	160	23,038	96.8%
-	(240)	(239)	12,617	1,500	1	5,348	140.1%

	HK$ million	Year ended	Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Change in expected credit loss against customer advances
			Income statement				
37	Citibank, N.A.	31-Dec-23	13,673	3,342	6,145	10,870	8
38	Commonwealth Bank of Australia	30-Jun-23	13	16	101	(72)	-
39	Coöperatieve Rabobank U.A.	31-Dec-23	851	269	754	366	(27)
40	Credit Agricole Corporate and Investment Bank	31-Dec-23	68	2,681	1,460	1,289	11
41	Crédit Industriel et Commercial	31-Dec-23	82	53	72	63	(1)
42	Credit Suisse AG	31-Dec-23	1,238	1,168	2,696	(290)	(14)
43	CTBC Bank Co., Ltd.	31-Dec-23	1,750	656	584	1,822	(19)
44	DBS Bank Ltd.	31-Dec-23	1,964	1,505	828	2,641	229
45	Deutsche Bank Aktiengesellschaft	31-Dec-23	1,505	3,266	4,254	517	132
46	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt Am Main	31-Dec-23	192	86	147	131	9
47	E.Sun Commercial Bank, Ltd.	31-Dec-23	1,148	162	175	1,135	(2)
48	East West Bank	31-Dec-23	359	72	139	292	(12)
49	EFG Bank AG	31-Dec-23	(12)	438	545	(119)	-
50	Erste Group Bank AG	31-Dec-23	133	29	66	96	4
51	Far Eastern International Bank	31-Dec-23	107	6	42	71	(9)
52	First Abu Dhabi Bank PJSC	31-Dec-23	(47)	194	106	41	(1)
53	First Commercial Bank, Ltd.	31-Dec-23	585	31	47	569	3
54	HDFC Bank Limited	31-Mar-23	46	4	21	29	(16)
55	Hua Nan Commercial Bank, Ltd.	31-Dec-23	606	17	52	571	(4)
56	Hua Xia Bank Co., Limited	31-Dec-23	634	193	247	580	313
57	ICICI Bank Limited	31-Mar-23	130	267	114	283	(20)
58	Indian Overseas Bank	31-Mar-23	56	120	29	147	139
59	Industrial and Commercial Bank of China Limited	31-Dec-23	883	146	428	601	165
60	Industrial Bank Co., Ltd.	31-Dec-23	1,236	1,230	636	1,830	131
61	Industrial Bank of Korea	31-Dec-23	143	65	35	173	1
62	ING Bank N.V.	31-Dec-23	457	398	451	404	553
63	Intesa Sanpaolo S.p.A.	31-Dec-23	691	58	143	606	342
64	JPMorgan Chase Bank, National Association	31-Dec-23	1,625	10,870	9,551	2,944	(554)
65	KBC Bank N.V.	31-Dec-23	99	25	64	60	31
66	KEB Hana Bank	31-Dec-23	214	134	52	296	(95)
67	Kookmin Bank	31-Dec-23	303	134	59	378	13
68	Land Bank of Taiwan Co., Ltd.	31-Dec-23	104	3	25	82	(3)
69	LGT Bank AG	31-Dec-23	495	1,999	2,428	66	(1)
70	Malayan Banking Berhad	31-Dec-23	(45)	86	186	(145)	2,444
71	Mashreq Bank - Public Shareholding Company	31-Dec-23	183	44	83	144	10
72	Mega International Commercial Bank Co., Ltd.	31-Dec-23	748	43	73	718	(2)

* Some branches hold impairment allowances of head office
# Note that all are Liquidity Maintenance Ratio
Source: Extracted from individual companies' financial and public statements

Financial highlights							
			Size and strength measures				
Other items	Profit before tax	Net profit after tax	Total assets	Gross advances to customers	Expected credit loss allowance against customer advances*	Total deposits from customers	Liquidity ratio#
-	10,862	9,113	572,382	99,880	242	406,026	45.5%
131	(203)	(208)	16,746	6,916	55	424	208.2%
-	393	323	114,400	31,255	317	20,888	65.0%
(1)	1,279	1,071	217,276	56,763	162	58,741	60.2%
-	64	52	25,495	9,062	9	4,728	49.2%
-	(276)	(329)	83,606	17,047	18	61,997	275.5%
-	1,841	1,530	103,437	23,894	160	87,667	103.6%
-	2,412	2,018	296,051	135,953	698	72,541	42.8%
-	385	289	163,909	27,074	340	74,223	62.5%
-	122	122	23,506	7,814	68	466	222.1%
-	1,137	949	58,553	15,413	310	47,397	59.5%
-	304	254	16,383	7,297	73	12,135	48.6%
-	(119)	(119)	18,504	8,031	-	15,492	76.9%
(7)	99	83	41,192	-	-	-	97.2%
-	80	81	4,114	923	21	3,328	63.1%
-	42	40	52,655	3,247	2	13,109	79.9%
-	566	472	21,083	6,757	84	15,206	58.2%
-	45	37	3,244	2,542	25	1,660	163.8%
(9)	584	489	21,647	5,384	57	17,005	88.2%
-	267	172	92,319	50,530	389	38,944	64.1%
-	303	260	8,350	3,252	41	2,983	42.2%
1	7	7	5,433	3,561	66	1,995	46.3%
-	436	310	217,491	71,383	(213)	-	80.2%
-	1,699	1,419	236,806	103,711	1,146	113,082	69.6%
-	172	140	18,262	5,336	19	4,043	79.6%
-	(149)	(131)	75,939	36,936	1,225	15,014	64.1%
(1)	265	263	57,754	13,227	1,116	8,835	44.0%
8	3,490	2,848	225,761	17,495	691	96,275	66.9%
-	29	26	6,962	1,554	82	2,021	47.5%
-	391	327	21,862	15,279	49	8,816	63.3%
-	365	260	39,351	21,964	67	1,646	69.2%
-	85	59	7,765	3,036	37	2,476	85.7%
-	67	50	58,625	13,311	-	46,878	58.6%
-	(2,589)	(2,544)	47,317	28,735	229	31,106	96.4%
-	134	114	16,034	15,668	5	3	60.9%
(2)	722	603	35,110	6,881	73	31,036	63.3%

							Income statement
	HK$ million	Year ended	Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Change in expected credit loss against customer advances
73	Mitsubishi UFJ Trust and Banking Corporation	31-Mar-23	291	(229)	57	5	-
74	Mizuho Bank, Ltd.	31-Mar-23	1,327	1,072	792	1,607	48
75	MUFG Bank, Ltd.	31-Mar-23	1,670	1,625	1,090	2,205	(213)
76	National Australia Bank Limited	30-Sep-23	224	29	72	181	(6)
77	Natixis	31-Dec-23	362	2,171	1,706	827	3
78	Nonghyup Bank	31-Dec-23	40	9	35	14	4
79	O-Bank Co., Ltd.	31-Dec-23	405	124	154	375	49
80	Oversea-Chinese Banking Corporation Limited	31-Dec-23	770	460	503	727	102
81	Ping An Bank Co., Ltd.	31-Dec-23	249	318	357	210	(231)
82	Qatar National Bank (Q.P.S.C.)	31-Dec-23	79	24	81	22	12
83	Royal Bank of Canada	31-Oct-23	(2)	541	597	(58)	34
84	Shanghai Commercial & Savings Bank, Ltd. (The)	31-Dec-23	289	38	51	276	(140)
85	Shanghai Pudong Development Bank Co., Ltd.	31-Dec-23	212	910	553	569	1,721
86	Shinhan Bank	31-Dec-23	100	190	70	220	-
87	Societe Generale	31-Dec-23	258	2,347	1,971	634	(20)
88	State Bank of India	31-Mar-23	379	242	154	467	50
89	State Street Bank and Trust Company	31-Dec-23	656	1,498	1,966	188	-
90	Sumitomo Mitsui Banking Corporation	31-Mar-23	1,470	626	665	1,431	1,647
91	Sumitomo Mitsui Trust Bank, Limited	31-Mar-23	(926)	1,187	101	160	-
92	Taipei Fubon Commercial Bank Co., Ltd.	31-Dec-23	1,283	199	196	1,286	17
93	Taishin International Bank Co., Ltd	31-Dec-23	159	135	171	123	(13)
94	Taiwan Business Bank, Ltd.	31-Dec-23	153	9	39	123	12
95	Taiwan Cooperative Bank, Ltd.	31-Dec-23	148	3	39	112	(60)
96	Taiwan Shin Kong Commercial Bank Co., Ltd.	31-Dec-23	157	25	56	126	(2)
97	UBS AG	31-Dec-23	2,503	14,462	12,187	4,778	(23)
98	UCO Bank	31-Mar-23	82	49	19	112	(14)
99	UniCredit Bank AG	31-Dec-23	113	105	163	55	-
100	Union Bancaire Privée, UBP SA	31-Dec-23	304	277	507	74	-
101	United Overseas Bank Ltd.	31-Dec-23	2,060	1,798	978	2,880	1,064
102	Wells Fargo Bank, National Association	31-Dec-23	24	980	931	73	-
103	Woori Bank	31-Dec-23	321	56	48	329	59
104	Yuanta Commercial Bank Co., Ltd.	31-Dec-23	15	(139)	33	(157)	4
	Total	**2023**	**77,803**	**81,059**	**82,407**	**76,455**	**12,621**

* Some branches hold impairment allowances of head office
# Note that all are Liquidity Maintenance Ratio

Source: Extracted from individual companies' financial and public statements

Financial highlights							
			Size and strength measures				
Other items	Profit before tax	Net profit after tax	Total assets	Gross advances to customers	Expected credit loss allowance against customer advances*	Total deposits from customers	Liquidity ratio#
-	5	5	23,156	-	-	1,060	138.2%
-	1,559	1,322	427,638	156,057	661	122,090	64.7%
-	2,418	2,185	335,095	159,900	1,635	103,432	45.0%
-	187	155	26,921	1,188	-	15,880	216.5%
-	824	722	73,321	50,808	59	12,791	63.6%
-	10	10	6,720	5,572	14	-	92.6%
-	326	270	17,736	11,719	145	15,150	50.5%
-	625	430	129,482	60,518	341	41,231	70.3%
-	441	409	62,513	36,278	501	40,827	89.2%
-	10	15	55,567	1,853	24	35,510	68.4%
(17)	(75)	(75)	61,003	1,381	-	6,231	114.0%
-	416	364	9,941	1,729	31	8,773	58.4%
-	(1,152)	(928)	175,288	73,685	2,141	94,988	62.8%
-	220	180	27,460	15,420	50	5,607	146.0%
-	654	532	98,078	32,787	73	21,740	52.9%
-	417	352	119,525	37,644	342	4,139	124.6%
-	188	168	65,059	4	-	15,215	123.2%
-	(216)	(476)	256,594	126,074	2,950	81,956	52.3%
-	160	160	56,458	12,624	-	18,580	110.6%
(2)	1,271	1,058	70,522	15,397	194	51,993	73.3%
2	134	103	29,556	7,452	20	27,886	72.7%
(3)	114	104	5,428	1,651	(35)	3,915	53.2%
-	172	160	7,088	1,623	29	5,312	52.6%
1	127	106	11,075	3,445	38	9,775	86.5%
-	4,801	3,932	279,645	88,797	474	231,503	88.8%
-	126	107	11,400	2,873	73	1,322	134.7%
-	55	55	228	-	-	1	4130.1%
-	74	62	26,050	5,407	-	13,885	109.6%
-	1,816	1,408	245,422	163,441	1,849	79,946	46.3%
-	73	54	1,958	721	-	-	1013.8%
-	270	259	38,267	16,218	82	1,982	93.1%
-	(161)	(160)	3,530	394	4	3,276	116.3%
172	**63,662**	**51,959**	**9,452,411**	**3,206,314**	**40,048**	**3,806,175**	**-**

Foreign bank branches – Financial highlights

(Continued)

	HK$ million	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
1	Agricultural Bank of China Limited	31-Dec-23	122.6%	0.7%	25.4%	9.3%
2	Australia and New Zealand Banking Group Limited	30-Sep-23	79.8%	0.6%	38.0%	53.1%
3	Banco Bilbao Vizcaya Argentaria S.A.	31-Dec-23	841.5%	0.6%	23.7%	59.6%
4	Banco Santander, S.A.	31-Dec-23	96.5%	-0.1%	113.3%	85.7%
5	Bangkok Bank Public Company Limited	31-Dec-23	73.7%	0.9%	12.8%	24.7%
6	Bank J. Safra Sarasin AG	31-Dec-23	62.0%	1.4%	66.5%	69.5%
7	Bank Julius Baer & Co. Ltd.	31-Dec-23	59.5%	1.1%	74.2%	76.8%
8	Bank of America, National Association	31-Dec-23	98.9%	1.7%	45.6%	49.4%
9	Bank of China Limited	31-Dec-23	N/A	0.1%	57.6%	43.3%
10	Bank of Communications Co., Ltd.	31-Dec-23	98.1%	1.4%	-18.1%	36.8%
11	Bank of Dongguan Co., Ltd.	31-Dec-23	679.0%	1.7%	-87.8%	83.7%
12	Bank of India	31-Mar-23	113.7%	0.4%	57.4%	28.7%
13	Bank of Montreal	31-Oct-23	N/A	0.1%	86.2%	69.9%
14	Bank of New York Mellon (The)	31-Dec-23	0.0%	1.1%	56.1%	51.7%
15	Bank of Nova Scotia (The)	31-Oct-23	186.7%	0.5%	14.4%	56.3%
16	Bank of Singapore Limited	31-Dec-23	57.1%	0.7%	85.6%	57.8%
17	Bank of Taiwan	31-Dec-23	9.4%	2.0%	2.6%	13.3%
18	Bank Sinopac	31-Dec-23	39.0%	1.6%	27.4%	25.8%
19	Banque Pictet & Cie SA	31-Dec-23	118.9%	0.5%	60.8%	106.4%
20	Barclays Bank PLC	31-Dec-23	1.1%	1.1%	90.3%	71.5%
21	BDO Unibank, Inc.	31-Dec-23	69.3%	1.9%	10.4%	29.9%
22	BNP Paribas	31-Dec-23	44.8%	0.8%	60.1%	88.9%
23	CA Indosuez (Switzerland) SA	31-Dec-23	53.3%	0.7%	81.1%	96.6%
24	Canadian Imperial Bank of Commerce	31-Oct-23	40.3%	0.1%	76.9%	65.9%
25	Cathay Bank	31-Dec-23	156.7%	1.3%	23.2%	65.2%
26	Cathay United Bank Company, Limited	31-Dec-23	66.7%	0.6%	371.6%	-275.3%
27	Chang Hwa Commercial Bank, Ltd.	31-Dec-23	35.6%	2.4%	6.6%	13.3%
28	China Bohai Bank Co., Ltd.	31-Dec-23	208.0%	1.3%	-0.6%	98.1%
29	China Construction Bank Corporation	31-Dec-23	99.7%	0.7%	29.5%	32.0%
30	China Development Bank	31-Dec-23	264.1%	1.1%	-9.9%	8.4%
31	China Everbright Bank Co., Ltd.	31-Dec-23	80.7%	0.6%	22.7%	25.0%
32	China Guangfa Bank Co., Ltd.	31-Mar-23	65.5%	-0.3%	2440.0%	2300.0%
33	China Merchants Bank Co., Ltd.	31-Dec-23	22.8%	2.3%	6.3%	11.6%
34	China Minsheng Banking Corp., Ltd.	31-Dec-23	81.3%	0.4%	69.7%	18.2%
35	China Zheshang Bank Co., Ltd.	31-Dec-23	111.0%	0.7%	68.5%	15.5%
36	CIMB Bank Berhad	31-Dec-23	28.0%	-0.4%	146.9%	84.1%

Source: Extracted from individual companies' financial and public statements

	Loan asset quality				
	Impaired advances / Stage 3 advances				
ROA	Gross impaired advances	Gross impaired advances/ Advances to customers	Stage 3 expected credit loss allowance made against impaired advances	Stage 3 expected credit loss allowance made against impaired advances as percentage of gross impaired advances	Collateral for impaired advances
0.6%	888	0.4%	420	47.3%	-
0.4%	54	0.1%	54	100.0%	-
0.3%	-	0.0%	-	N/A	-
0.1%	-	0.0%	-	N/A	-
0.5%	95	0.8%	95	100.0%	-
1.0%	-	0.0%	-	N/A	-
0.8%	-	0.0%	-	N/A	-
1.6%	1,102	2.8%	575	52.2%	N/A
0.1%	-	N/A	-	N/A	-
0.6%	2,384	2.3%	2,005	84.1%	1,188
0.1%	-	0.0%	-	N/A	-
0.5%	32	1.3%	20	62.5%	16
0.2%	-	0.0%	-	N/A	-
1.0%	-	N/A	-	N/A	-
0.2%	-	0.0%	-	N/A	-
1.8%	-	0.0%	-	N/A	-
1.8%	-	0.0%	-	N/A	-
1.3%	-	0.0%	-	N/A	-
-0.1%	-	0.0%	-	N/A	-
2.7%	-	0.0%	-	N/A	-
0.4%	-	N/A	-	N/A	N/A
0.1%	2,748	2.3%	1,194	43.4%	740
0.1%	-	0.0%	-	N/A	-
0.2%	-	0.0%	-	N/A	-
-0.2%	-	0.0%	-	N/A	-
-0.8%	-	0.0%	-	N/A	-
1.9%	25	0.7%	1	4.0%	157
0.2%	-	0.0%	-	N/A	-
0.5%	-	0.0%	-	N/A	-
0.7%	4,116	2.9%	3,211	78.0%	3,334
0.0%	3,922	5.2%	1,374	35.0%	1,900
-0.8%	255	3.2%	177	69.4%	-
1.5%	397	1.5%	337	84.9%	-
0.3%	2,043	2.0%	1,084	53.1%	-
1.0%	-	0.0%	-	N/A	-
-2.0%	-	0.0%	-	N/A	-

	HK$ million	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
37	Citibank, N.A.	31-Dec-23	24.5%	2.4%	19.6%	36.1%
38	Commonwealth Bank of Australia	30-Jun-23	1618.2%	0.1%	55.2%	348.3%
39	Coöperatieve Rabobank U.A.	31-Dec-23	148.1%	0.9%	24.0%	67.3%
40	Credit Agricole Corporate and Investment Bank	31-Dec-23	96.4%	0.0%	97.5%	53.1%
41	Crédit Industriel et Commercial	31-Dec-23	191.5%	0.3%	39.3%	53.3%
42	Credit Suisse AG	31-Dec-23	27.5%	1.2%	48.5%	112.1%
43	CTBC Bank Co., Ltd.	31-Dec-23	27.1%	1.8%	27.3%	24.3%
44	DBS Bank Ltd.	31-Dec-23	186.5%	0.7%	43.4%	23.9%
45	Deutsche Bank Aktiengesellschaft	31-Dec-23	36.0%	0.9%	68.5%	89.2%
46	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt Am Main	31-Dec-23	1662.2%	0.8%	30.9%	52.9%
47	E.Sun Commercial Bank, Ltd.	31-Dec-23	31.9%	2.1%	12.4%	13.4%
48	East West Bank	31-Dec-23	59.5%	2.1%	16.7%	32.3%
49	EFG Bank AG	31-Dec-23	51.8%	-0.1%	102.8%	127.9%
50	Erste Group Bank AG	31-Dec-23	N/A	0.3%	17.9%	40.7%
51	Far Eastern International Bank	31-Dec-23	27.1%	2.7%	5.3%	37.2%
52	First Abu Dhabi Bank PJSC	31-Dec-23	24.8%	-0.1%	132.0%	72.1%
53	First Commercial Bank, Ltd.	31-Dec-23	43.9%	3.1%	5.0%	7.6%
54	HDFC Bank Limited	31-Mar-23	151.6%	1.0%	8.0%	42.0%
55	Hua Nan Commercial Bank, Ltd.	31-Dec-23	31.3%	2.8%	2.7%	8.3%
56	Hua Xia Bank Co., Limited	31-Dec-23	128.8%	0.8%	23.3%	29.9%
57	ICICI Bank Limited	31-Mar-23	107.6%	1.4%	67.3%	28.7%
58	Indian Overseas Bank	31-Mar-23	175.2%	0.9%	68.2%	16.5%
59	Industrial and Commercial Bank of China Limited	31-Dec-23	N/A	0.4%	14.2%	41.6%
60	Industrial Bank Co., Ltd.	31-Dec-23	90.7%	0.5%	49.9%	25.8%
61	Industrial Bank of Korea	31-Dec-23	131.5%	0.8%	31.3%	16.8%
62	ING Bank N.V.	31-Dec-23	237.9%	0.6%	46.5%	52.7%
63	Intesa Sanpaolo S.p.A.	31-Dec-23	137.1%	1.1%	7.7%	19.1%
64	JPMorgan Chase Bank, National Association	31-Dec-23	17.5%	0.6%	87.0%	76.4%
65	KBC Bank N.V.	31-Dec-23	72.8%	1.5%	20.2%	51.6%
66	KEB Hana Bank	31-Dec-23	172.8%	0.9%	38.5%	14.9%
67	Kookmin Bank	31-Dec-23	1330.3%	0.8%	30.7%	13.5%
68	Land Bank of Taiwan Co., Ltd.	31-Dec-23	121.1%	1.4%	2.8%	23.4%
69	LGT Bank AG	31-Dec-23	28.4%	0.8%	80.2%	97.4%
70	Malayan Banking Berhad	31-Dec-23	91.6%	-0.1%	209.8%	453.7%
71	Mashreq Bank - Public Shareholding Company	31-Dec-23	522100.0%	1.3%	19.4%	36.6%
72	Mega International Commercial Bank Co., Ltd.	31-Dec-23	21.9%	2.1%	5.4%	9.2%

Source: Extracted from individual companies' financial and public statements

	Loan asset quality				
	Impaired advances / Stage 3 advances				
ROA	Gross impaired advances	Gross impaired advances/ Advances to customers	Stage 3 expected credit loss allowance made against impaired advances	Stage 3 expected credit loss allowance made against impaired advances as percentage of gross impaired advances	Collateral for impaired advances
1.6%	250	0.3%	(39)	-15.6%	39
-2.0%	-	0.0%	-	N/A	N/A
0.3%	524	1.7%	308	58.8%	144
0.5%	280	0.5%	162	57.9%	117
0.2%	-	0.0%	-	N/A	-
-0.3%	8	0.0%	8	100.0%	-
1.6%	125	0.5%	87	69.6%	40
0.7%	1,204	0.9%	432	35.9%	762
0.2%	702	2.6%	278	39.6%	344
0.5%	98	1.3%	68	69.4%	-
1.7%	35	0.2%	7	20.0%	58
1.5%	-	0.0%	-	N/A	-
-0.7%	-	0.0%	-	N/A	-
0.2%	-	N/A	-	N/A	N/A
2.0%	-	0.0%	-	N/A	-
0.1%	-	0.0%	-	N/A	-
2.5%	-	0.0%	-	N/A	-
0.8%	-	0.0%	-	N/A	-
2.3%	-	0.0%	-	N/A	-
0.2%	496.00	1.0%	248.00	50.0%	-
2.7%	2	0.1%	-	0.0%	-
0.1%	83	2.3%	26	31.3%	44
0.1%	201	0.3%	94	46.8%	390
0.6%	1,016	1.0%	497	48.9%	568
0.8%	-	0.0%	-	N/A	N/A
-0.2%	2,043	5.5%	1,117	54.7%	1,783
0.4%	1,259	9.5%	1,100	87.4%	56
1.1%	153	0.9%	-	0.0%	-
0.4%	80	5.1%	79	98.8%	-
1.4%	54	0.4%	12	22.2%	-
0.7%	-	0.0%	-	N/A	-
0.8%	-	0.0%	-	N/A	-
0.1%	-	0.0%	-	N/A	-
-4.9%	187	0.7%	187	100.0%	1
0.8%	-	0.0%	-	N/A	-
1.7%	-	0.0%	-	N/A	-

			Key ratios			
			Performance measures			
	HK$ million	Year ended	Net customer loan/deposit ratio	Net interest income/ average total assets	Non-interest income/total operating income	Cost/ income ratio
73	Mitsubishi UFJ Trust and Banking Corporation	31-Mar-23	0.0%	1.1%	-369.4%	91.9%
74	Mizuho Bank, Ltd.	31-Mar-23	127.3%	0.3%	44.7%	33.0%
75	MUFG Bank, Ltd.	31-Mar-23	153.0%	0.5%	49.3%	33.1%
76	National Australia Bank Limited	30-Sep-23	7.5%	0.7%	11.5%	28.5%
77	Natixis	31-Dec-23	396.8%	0.5%	85.7%	67.4%
78	Nonghyup Bank	31-Dec-23	N/A	0.9%	18.4%	71.4%
79	O-Bank Co., Ltd.	31-Dec-23	76.4%	2.5%	23.4%	29.1%
80	Oversea-Chinese Banking Corporation Limited	31-Dec-23	146.0%	0.6%	37.4%	40.9%
81	Ping An Bank Co., Ltd.	31-Dec-23	87.6%	0.4%	56.1%	63.0%
82	Qatar National Bank (Q.P.S.C.)	31-Dec-23	5.2%	0.2%	23.3%	78.6%
83	Royal Bank of Canada	31-Oct-23	22.2%	0.0%	100.4%	110.8%
84	Shanghai Commercial & Savings Bank, Ltd. (The)	31-Dec-23	19.4%	3.0%	11.6%	15.6%
85	Shanghai Pudong Development Bank Co., Ltd.	31-Dec-23	75.3%	0.1%	81.1%	49.3%
86	Shinhan Bank	31-Dec-23	274.1%	0.3%	65.5%	24.1%
87	Societe Generale	31-Dec-23	150.5%	0.2%	90.1%	75.7%
88	State Bank of India	31-Mar-23	901.2%	0.3%	39.0%	24.8%
89	State Street Bank and Trust Company	31-Dec-23	0.0%	1.0%	69.5%	91.3%
90	Sumitomo Mitsui Banking Corporation	31-Mar-23	150.2%	0.5%	29.9%	31.7%
91	Sumitomo Mitsui Trust Bank, Limited	31-Mar-23	67.9%	-1.5%	454.8%	38.7%
92	Taipei Fubon Commercial Bank Co., Ltd.	31-Dec-23	29.2%	2.0%	13.4%	13.2%
93	Taishin International Bank Co., Ltd	31-Dec-23	26.7%	0.6%	45.9%	58.2%
94	Taiwan Business Bank, Ltd.	31-Dec-23	43.1%	2.9%	5.6%	24.1%
95	Taiwan Cooperative Bank, Ltd.	31-Dec-23	30.0%	2.3%	2.0%	25.8%
96	Taiwan Shin Kong Commercial Bank Co., Ltd.	31-Dec-23	34.9%	1.4%	13.7%	30.8%
97	UBS AG	31-Dec-23	38.2%	1.0%	85.2%	71.8%
98	UCO Bank	31-Mar-23	211.8%	0.8%	37.4%	14.5%
99	UniCredit Bank AG	31-Dec-23	0.0%	0.6%	48.2%	74.8%
100	Union Bancaire Privée, UBP SA	31-Dec-23	38.9%	1.2%	47.7%	87.3%
101	United Overseas Bank Ltd.	31-Dec-23	202.1%	0.9%	46.6%	25.3%
102	Wells Fargo Bank, National Association	31-Dec-23	N/A	0.8%	97.6%	92.7%
103	Woori Bank	31-Dec-23	814.1%	0.9%	14.9%	12.7%
104	Yuanta Commercial Bank Co., Ltd.	31-Dec-23	11.9%	0.4%	112.1%	-26.6%
	Total	**2023**	**83.2%**	**0.8%**	**51.0%**	**51.9%**

* Some branches hold impairment allowances of head office
\# Note that all are Liquidity Maintenance Ratio

Source: Extracted from individual companies' financial and public statements

	Loan asset quality				
	Impaired advances / Stage 3 advances				
ROA	Gross impaired advances	Gross impaired advances/ Advances to customers	Stage 3 expected credit loss allowance made against impaired advances	Stage 3 expected credit loss allowance made against impaired advances as percentage of gross impaired advances	Collateral for impaired advances
0.0%	-	N/A	-	N/A	-
0.3%	830	0.5%	642	77.3%	1
0.6%	-	0.0%	-	N/A	-
0.5%	-	0.0%	-	N/A	-
1.0%	102	0.2%	14	13.7%	45
0.2%	-	0.0%	-	N/A	-
1.7%	36	0.3%	18	50.0%	36
0.3%	-	0.0%	-	N/A	-
0.7%	-	0.0%	-	N/A	-
0.0%	-	0.0%	-	N/A	-
-0.1%	-	0.0%	-	N/A	-
3.7%	6	0.3%	3	50.0%	-
-0.5%	2,593	3.5%	1,464	56.5%	N/A
0.5%	-	0.0%	-	N/A	-
0.5%	210	0.6%	38	18.1%	109
0.3%	-	0.0%	-	N/A	-
0.3%	-	0.0%	-	N/A	-
-0.2%	4,207	3.3%	2,950	70.1%	41
0.3%	-	0.0%	-	N/A	-
1.6%	16	0.1%	16	100.0%	N/A
0.4%	2	0.0%	2	100.0%	-
2.0%	13	0.8%	(6)	-46.2%	-
2.4%	-	0.0%	-	N/A	-
1.0%	-	0.0%	-	N/A	-
1.5%	2,074	2.3%	474	22.9%	1,588
1.1%	1	0.0%	-	0.0%	-
0.3%	-	N/A	-	N/A	-
0.2%	-	0.0%	-	N/A	-
0.6%	3,050	1.9%	946	31.0%	1,320
1.8%	-	0.0%	-	N/A	-
0.7%	-	0.0%	-	N/A	-
-4.5%	-	0.0%	-	N/A	-
0.5%	**40,001**	**1.2%**	**21,779**	**54.4%**	**14,821**

Virtual banks – Financial highlights

	HK$ million	Year ended	Financial highlights							
			Income statement							
			Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Change in expected credit loss against customer advances	Other items	Profit before tax	Net profit after tax
1	Airstar Bank Limited	31-Dec-23	42	2	239	(195)	12	1	(208)	(208)
2	Ant Bank (Hong Kong) Limited	31-Dec-23	59	2	229	(168)	12	-	(180)	(180)
3	Fusion Bank Limited	31-Dec-23	42	(4)	413	(375)	31	-	(406)	(406)
4	Livi Bank Limited	31-Dec-23	107	18	594	(469)	90	1	(560)	(560)
5	Mox Bank Limited	31-Dec-23	435	41	739	(263)	499	90	(852)	(744)
6	Ping An OneConnect Bank (Hong Kong) Limited	31-Dec-23	81	2	249	(166)	15	-	(181)	(181)
7	WeLab Bank Limited	31-Dec-23	48	18	332	(266)	48	2	(316)	(316)
8	ZA Bank Limited	31-Dec-23	262	104	654	(288)	103	8	(399)	(399)
	Total	**2023**	**1,076**	**183**	**3,449**	**(2,190)**	**810**	**102**	**(3,102)**	**(2,994)**

Note that all are Liquidity Maintenance Ratio

Source: Extracted from individual banks' financial and public statements

							Key ratios					
Size and strength measures							Performance measures					
Total assets	Gross advances to customers	Expected credit loss allowance against customer advances	Total deposits from customers	Total equity	Capital adequacy ratio	Liquidity ratio#	Net customer loan/ deposit ratio	Net interest income/ average total assets	Non-interest income/ total operating income	Cost/ income ratio	ROA	ROE
2,326	700	31	1,677	558	42.4%	174.9%	39.9%	1.7%	4.5%	543.2%	-8.3%	-31.6%
1,594	328	13	634	847	102%	192.3%	49.7%	3.9%	3.3%	375.4%	-11.9%	-19.3%
5,678	676	16	4,555	1,001	45.5%	247.4%	14.5%	0.8%	-10.5%	1086.8%	-8.1%	-50.5%
4,895	1,625	51	2,191	2,011	106.9%	178.9%	71.8%	2.4%	14.4%	475.2%	-12.5%	-40.1%
14,367	6,598	292	11,133	1,858	19.7%	48.4%	56.6%	3.5%	8.6%	155.3%	-6.0%	-45.9%
3,305	2,117	13	2,495	668	67.6%	74.1%	84.3%	2.5%	2.4%	300.0%	-5.6%	-23.9%
3,764	1,987	45	3,127	459	22.8%	259.1%	62.1%	1.5%	27.3%	503.0%	-9.8%	-65.8%
13,930	5,430	112	11,695	1,950	23.2%	92.2%	45.5%	2.1%	28.4%	178.7%	-3.1%	-19.4%
49,859	**19,461**	**573**	**37,507**	**9,352**	**-**	**-**	**50.4%**	**2.2%**	**14.5%**	**273.9%**	**-6.0%**	**-32.0%**

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