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BANKING

Hong Kong Banking Survey 2012

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Contents

1 Industry overview and outlook

While economic conditions in Hong Kong were generally favourable in 2011, it was evident that banks were operating in a challenging environment. GDP growth has slowed as we move into the first half of 2012. This, combined with the increasingly uncertain investment market, has led to slowing activity in the banking sector.

We see significant headwinds for banks in Hong Kong in 2012. There are three key challenges:

- Banks need to increase revenues in a market where customers and clients are not investing or transacting due to economic uncertainties.
- Costs need to be controlled and managed carefully but this needs to be done in such a way that controls are not impacted and investment dollars are spent to position banks for future growth
- The credit environment, which has remained generally benign recently, has boosted banks' results. This is unlikely to continue, however there are no specific signs of stress at present.

Revenue Pressures

Revenues have not grown at the rate that many had projected and the increasingly competitive marketplace in Hong Kong has meant that the business which does exists for banks is subject to significant price pressures. While this has benefits for corporates and consumers it does provide challenges for banks.

A number of banks have invested in Hong Kong in recent years, principally due to its role as a key Asian financial market and gateway to Mainland China. If revenue pressure remains we then expect a number of banks to reassess their size and offering in Hong Kong, particularly in light of restrictions on capital in home countries. Banks who will likely remain are those with a strong franchise amongst retail and corporate customers and those who are considered to have market leading product capability.

When looking at the licensed banks the increase in revenue came principally from net interest income due to growth in lending volumes. However, net interest margins continued to be under pressure as interest rates remained at historical low levels.

Banks started to move away from HIBOR-based mortgages, the volume of which expanded significantly during 2010 and increased the margins on HIBOR-based mortgages that they did write. The impact of increased mortgage pricing is yet to be seen by most banks as further limits put in place by the HKMA on loan-to-value ratios, for both residential and investment property mortgages, have continued to limit customers' appetite to borrow.

Non-operating income also saw very limited growth during the year, as fund raising activities were very quiet and total stock market turnover remained flat in 2011 compared to 2010.

Increased Focus on Cost Control

To offset increasing revenue pressures and to remain competitive in a challenging environment, we have seen an emphasis on cost control by many banks. Cost saves, reviews of operating models and cost optimisation are common topics of discussion when we meet with C-level executives in Banks. Different banks are adopting different strategies but we note some common themes including:

(1) outsourcing various back-office support functions and processes to centres of excellence;

(2) very tight management of discretionary spending with approval often required from senior group management;

(3) setting of new target operating models, which often includes reducing or redeploying headcount to align with the current revenue streams of the Bank; and

(4) investment in technology and processes (e.g. payment transformation) that will improve banks' efficiency and competitiveness.

While there is pressure to improve efficiency and save costs, there is a need for banks to pay attention to their control environment to ensure that strong controls are still in place to manage and mitigate risks. Inherent operational risk for banks is increasing, in part due to the complexities in the regulatory environment and pressure to increase revenues. Control functions such as Compliance, Risk and Finance are crucial in maintaining a strong control environment. They are expected by stakeholders to not only monitor key risk indicators within their banks, but to also drive improvement in the overall effectiveness of internal controls.

When deciding where to cut costs it is important that senior management do not cut too deeply into control functions or they risk exposing their bank to potential losses. This is particularly relevant in today's environment where there is extensive regulatory scrutiny of significant events or losses and backward looking investigations into the causes. Chief executives have to strike a very fine balance between improving efficiency and profitability today and avoiding losses in the future.

Aside from maintaining a strong control environment, we also see a need for banks to continue to invest to improve their capability and competiveness. An example of this would be improving management information and customer analytics capabilities. Strong capability here will enable banks to better target their customers, maximize their sales, and increase front-line productivity which should, in the medium to longer term, result in improved revenues. Again chief executives and senior management have to strike the balance between cost control and investment. In particular senior management need to ensure that investment is targeted at the projects which will bring the most value to the Bank and where the business case supporting this is robust.

Credit Environment

Overall credit quality remained strong in 2011, with no indications there has been a systemic increase in impaired loans in the system. Mortgage and credit card delinquencies stayed at very low levels throughout the year, indicating that customers' ability to repay their loans remain robust. Many fear, however, that this benign credit environment won't be sustained in the medium term, especially with key macro-economic indicators pointing to slower growth across the globe, inflationary pressures in many economies including those in developing markets, and generally lower consumer confidence.

Banks will therefore need to ensure their credit risk functions can both monitor their portfolios to identify customers or sectors which may be stressed, or have the potential to become non-performing and also to react to deteriorating loans quickly and robustly.

2 Financial highlights and key ratios

2011 started with the continuation of the generally favourable economic conditions for Hong Kong banks observed in 2010. Overall lending grew by approximately 14 percent during 2011 although net interest margins generally fell. The volume growth in 2011 plus the full year effect of the volume growth in 2010 (29 percent growth in customer advances compared to 2009) led to a significant increase in absolute net interest income of approximately HKD23bn across the whole sector which contributed almost entirely to the growth in profits before tax.

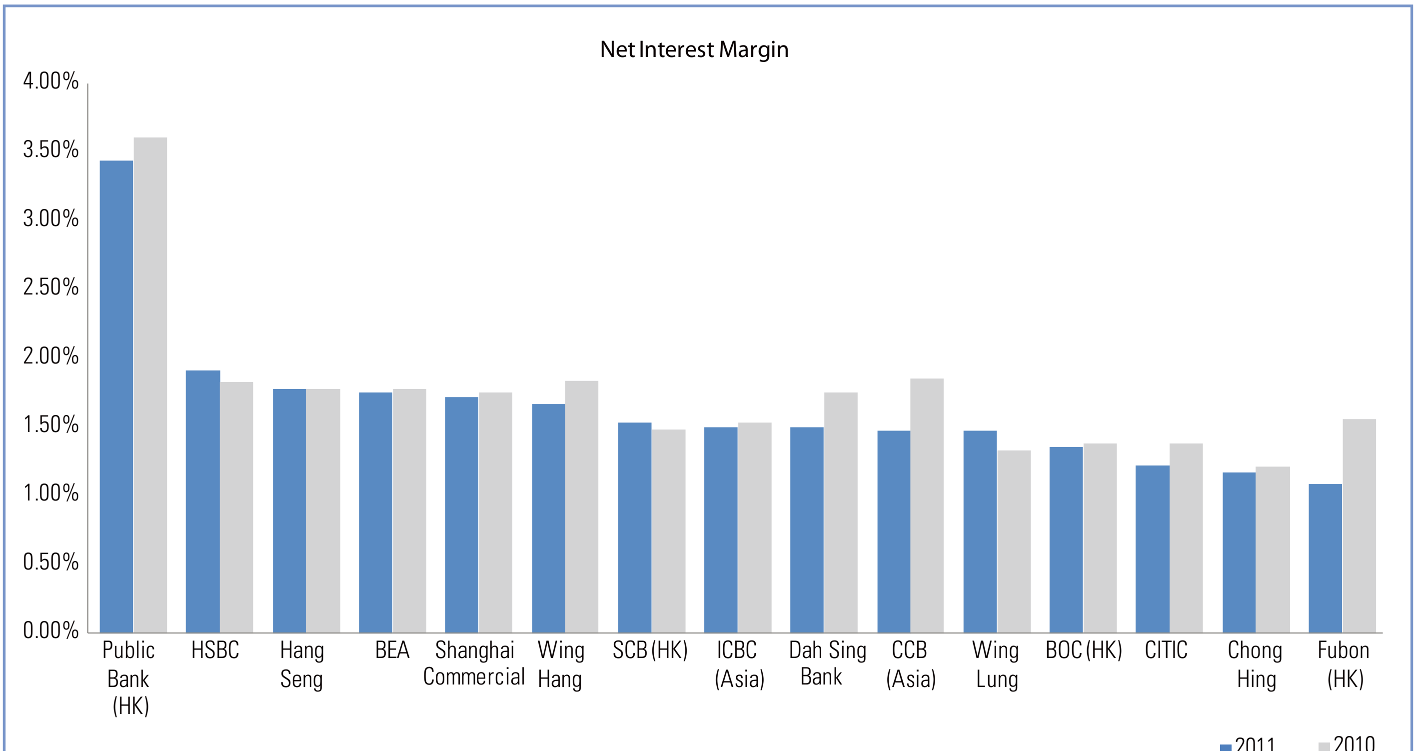
Non interest income and operating expenses both rose modestly and credit costs were slightly down on 2010 but are likely to have reached a floor with significant further decreases in loan impairment charges unlikely.

While at face value the results are strong with aggregate profit before tax for the sector up by HKD24bn, there are areas for banks to address to maintain profitable growth. Two key areas from our analysis below are for banks to mitigate net interest margin compression from higher deposit costs and to improve the proportion of income which is not interest income albeit in a controlled manner.

We present below an analysis of some key performance metrics for 16 of the larger locally incorporated AIs.

Net interest margin
Key findings

- Net interest margins (NIM) generally fell across the sector
- Rising deposit costs impacted a number of banks but particularly Fubon, Dah Sing and CCB (Asia)
- Increase in deposit costs not matched by increased asset yields
- Only two banks, Standard Chartered and Wing Lung, were able to increase NIM in Hong Kong



Source: Extracted from Individual Bank's financial and public statements

The key narrative on NIM for 2011 was one of rising deposit costs as banks had to increase rates to attract, or in many cases retain, deposits, particularly in the fourth quarter of 2011. The increase in rates was due to keen competition in the market, particularly for fixed term deposits.

Liquidity is becoming increasingly important and so having a strong customer deposit base from which to fund lending is vital for a bank to be successful. In particular retail banks who do not have a strong base of 'sticky' current and saving accounts and instead rely predominantly on fixed term deposits to fund themselves will be susceptible to increasing deposit costs if the intense demand for liquidity of Q4 2011 is repeated.

As rising deposit costs were not a result of increasing market interest rates but purely driven by bank's demand these costs were not generally mirrored by rising asset yields. Margins on HIBOR linked mortgages generally rose during the year but with falling demand for mortgages this did not make an appreciable improvement to yields. While anecdotally we are aware that some repricing of assets was achieved the lending market, particularly for quality names, remained competitive which kept margins and yields relatively flat.

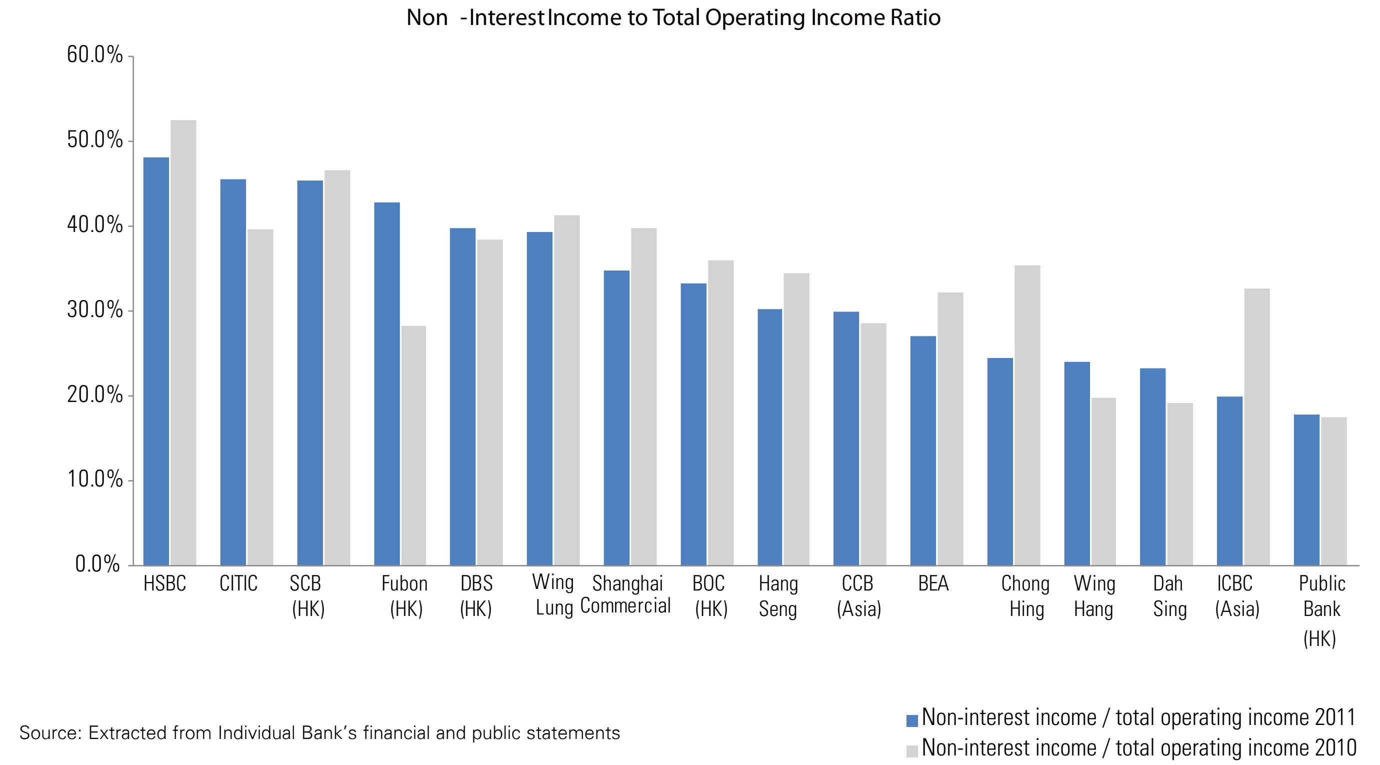
Our research shows that only three banks, HSBC, Standard Chartered and Wing Lung reported increased NIM and for HSBC this was principally due to the performance of its significant operations outside Hong Kong. Within Hong Kong HSBC's NIM dropped slightly by 3bps.

The increasing NIM for both Standard Chartered and Wing Lung appears to be as a result of more unsecured retail lending and more lending for use outside Hong Kong in their portfolios together with a significant increase in this lending during the year. While this may provide a guide for other banks to increase their NIM or mitigate rising deposit costs, banks need to be comfortable they have appropriate risk management mechanisms to support such lending.

Non interest income

Key points

- There was a modest increase of 4 percent across all licensed banks
- Mixed performance in the year with generally poorer trading results but better fees and commission income
- A number of banks have room to improve the proportion of total income which comes from non interest income



Source: Extracted from Individual Bank's financial and public statements

The two main components of non interest income remain fee and commission income and trading income. Overall we observed that fee and commission income was higher than 2011 while trading income fell slightly with a modest overall growth in non interest income of about 4 percent. As interest income rose by more than this there was an overall fall in the proportion of total income contributed by non interest income, although some banks did show an improvement.

Non interest income related to credit card services grew across the sector reflecting strong retail spending in Hong Kong, particularly visitors from mainland China. Fees related to trade finance and general lending activities did well which is consistent with the overall loan growth in the Hong Kong banking sector.

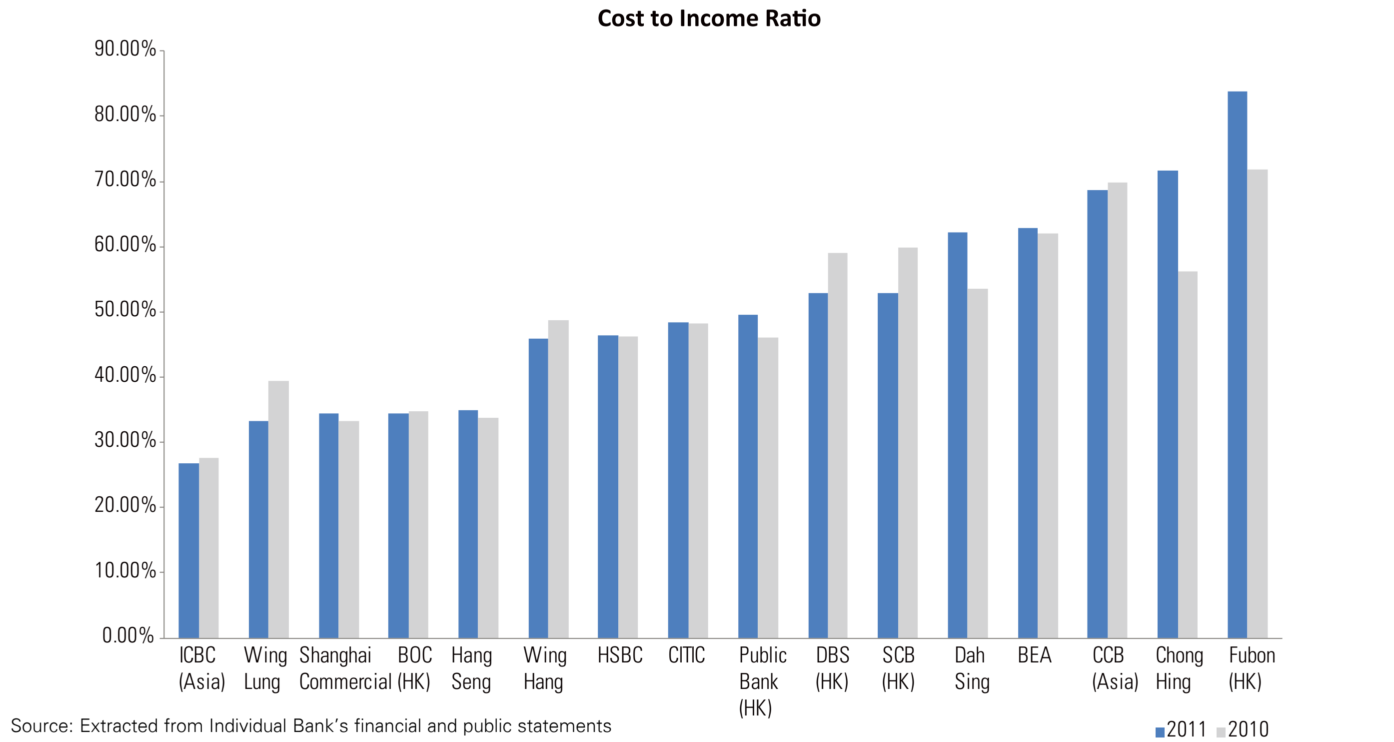
The provision of wealth management products to affluent customers remains an area that banks continue to focus on. During 2011 sales of more complex structured products were lower reflecting lower appetite for these from customers and reluctance from banks to sell such products given both the regulatory burden of selling and the risks and costs of dealing with any complaints that could materialise, whether valid or not. However Hong Kong customers still looked to invest given low rates available for most of the year on HKD deposit accounts. We observed increased sales of insurance related products and simpler products with yield enhancement opportunities such as currency linked deposits.

Given the pressure on net interest margins discussed above and given that HK$ or USD interest rates are likely to remain low for the medium term growing non interest income is vital for banks to maintain and grow profitability. Taking 30-40 percent as a benchmark for the proportion of total income coming from non interest income sources the majority of the banks we researched are either at the lower end of the range or are below. While there are clearly opportunities for banks to improve their cross-selling of products into existing customers, care has to be taken to ensure this is done in a controlled and responsible manner to avoid a repeat of the mis-selling complaints of recent years.

Cost to income ratios

Key points

- As income comes under pressure then cost control is a key tool for banks to maintain and improve profitability
- Generally no major variances from prior year although certain smaller banks who have experienced more acute revenue pressures have significantly increased ratios
- Five banks have cost to income ratios below 35 percent. This may not be sustainable in the medium to long term



Source: Extracted from Individual Bank's financial and public statements

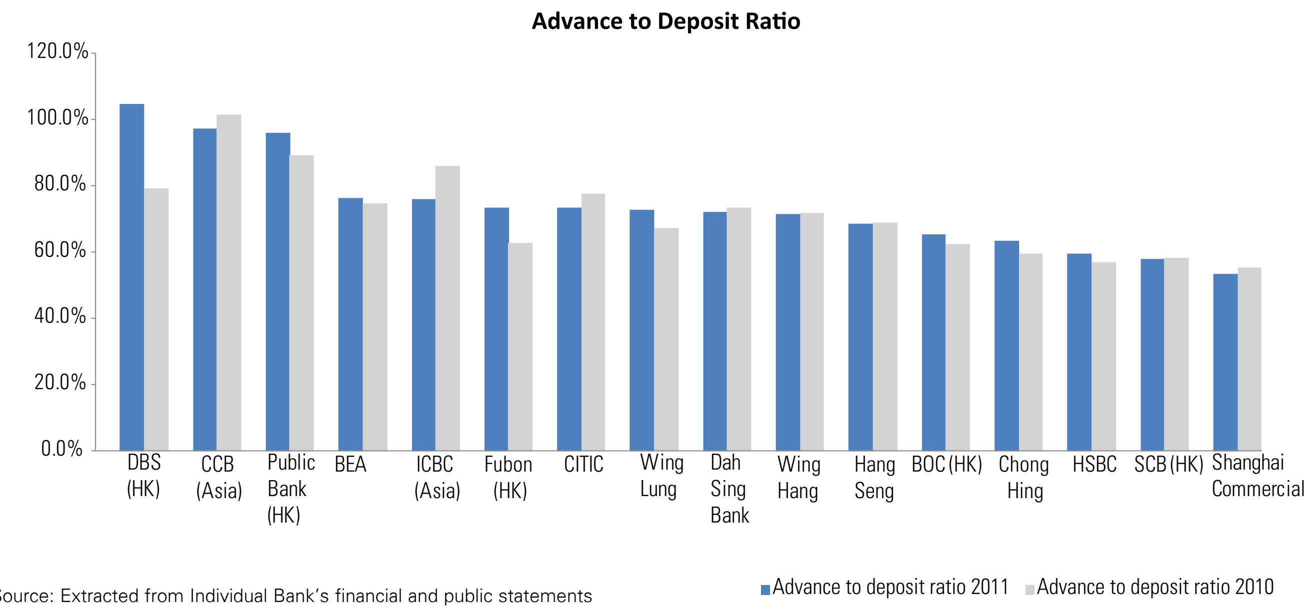
During 2011 we saw an increasing trend for banks to focus more on cost control and improving efficiency. As we have noted above net interest margins are generally falling, although absolute net interest income has risen in line with lending growth, and performance on non interest income is mixed. As a result banks are now looking to reduce costs in order to maintain profitability, although this was not fully reflected in 2011 results.

Most of the banks had stable cost income ratios compared to 2010. Where there were significant variances it appeared to be due to isolated incidents such as fair value movements on financial instruments or the impact of the Lehman mini-bond settlement which we could not always strip out of the reported figures. Variances were more extreme for the smaller banks where one off charges or reductions in revenue tend to impact the ratio more.

While there is no universally accepted level of cost to income ratio our analysis identified five banks with ratios below 35 percent, with ICBC (Asia) particularly low at 26.8 percent. These banks are all part of larger groups and so it is unclear as to how much they are able to leverage off group platforms at a low marginal cost to themselves. However, given the competition in the sector in Hong Kong and the need to invest in a bank's brand and capability to be competitive as well as various regulatory reforms which may increase costs these low levels of cost income ratios do not appear to be sustainable in the medium to long term.

Advances to deposits ratio
Key points

- Lending growth remained strong in Hong Kong during 2011 with growth of approximately 14 percent across the sector
- This put pressure on banks to ensure they have sufficient deposits to support this growth which has resulted in increased deposit costs
- Advances to deposit ratio is a measure of a bank's financial strength and it is no surprise to see the healthiest ratios belong to the banks with the bigger branch networks



Source: Extracted from Individual Bank's financial and public statements

Overall the advance to deposit ratios of banks we have analysed remains healthy with all but three of the banks we present having ratios below 80 percent. Growth in customer advances was approximately 14 percent with growth in customer accounts of approximately 11 percent indicating a slight deterioration across the whole sector but overall HK banks, particularly the licensed banks, continue to fund lending through deposits rather than wholesale markets.

While the licensed banks have generally maintained their advances to deposit ratios as advances grow this, as we note above when we discussed net interest margins, has come at a cost with pressure on margins observed during 2011.

A strong advance to deposit ratio is dependent upon having a strong deposit gathering capability. Despite increased use of internet and mobile banking the principal means of gathering deposits in Hong Kong remains a branch network to access individuals and SME business customers who provide the bulk of customer accounts. Therefore it is no surprise to see the larger banks such as Bank of China, HSBC and Standard Chartered with the strongest ratios.

3 The Challenge of Liquidity

The Basel Committee on Banking Supervision's objective is to ensure that capital and liquidity are reformed and strengthened in tandem. Although the timetables for liquidity and capital reform milestones run in parallel, much of the focus to date has been on capital reforms. We believe some banks have succumbed to the temptation to put development and implementation of liquidity monitoring tools on the back burner.

This is a potential challenge for banks not only in Hong Kong but also globally over the coming months, as the lengthier introduction for liquidity reforms is due to a longer "observation period", precisely because most banks will find the anticipated adjustments more onerous.

While the liquidity ratios proposed under Basel III are designed to make banks and banking systems more resilient to global shocks, many market commentators are concerned that the new rules will place a strain on banks, with knock-on effects on the economy. The new rules are seen as putting on the brakes, just as Asia is expected to help drive the global economy out of recession.

The Basel Committee acknowledges these concerns, but has concluded that there is sufficient flexibility on the timing of implementation to allow jurisdictions to manage any economic impacts. The Committee has stressed that it will monitor for "unintended consequences" and discuss revisions where necessary, but implicitly its objective is clear; to permanently alter the operating model and the risk profile of large banks to one based on much more stable sources of funding.

Under Basel III, the newest Basel Committee standard, two liquidity ratios will be introduced. The first is a minimum Net Stable Funding Ratio (NSFR) of 100%, to ensure that stable funding is available to cover funding requirements over a one year period of extended stress.

The NSFR is concerned with measuring the amount of longer-term funding employed by an institution, relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

The second ratio is a minimum Liquidity Coverage Ratio (LCR) of 100 percent, which aims to ensure that the bank holds sufficient high quality liquid assets (HQLAs) to cover net cash outflows for 30 days under a 'severe stress' scenario.

The HQLAs are categorized into Level 1 high quality liquid assets such as cash, central bank reserves, and domestic sovereign bonds; and Level 2 high quality liquid assets which may include corporate bonds and covered bonds. Haircuts would be applied to Level 2 assets, which in total cannot make up more than 40 percent of the overall asset stock after haircuts have been applied.

The LCR also has a component which requires calculation of net cash outflows based on scenarios set by national supervisors.

The NSFR as currently proposed effectively challenges the maturity intermediation role of the banking industry. The ratio could penalize retail banks by requiring them to take on long-term funding from the wholesale sector, or make them even less willing to lend. These are the exact "unintended consequences" the regulators feel nervous about, hence their attempts to renegotiate the details of the formula with the Basel Committee. An outcome of their discussions is expected to be announced by the fourth quarter of 2012.

The proposed LCR standard has also come under focus from various stakeholders, not least Asian banks and their regulators who are concerned the assumptions used for the ratio are too removed from their experience.

For example, the LCR demands that banks hold sufficient HQLAs to meet a 'severe cash outflow' for at least 30 days. This 30 day assumption may be appropriate for Western banks whose wholesale funding markets have dried up. In Asia however, liquidity problems are more often caused by bank runs, as depositors have lower confidence in banks that traditionally have not had deposit insurance. The Asian deposit run-off rates reflect this fact by setting their levels substantially higher than the Basel prescribed ratios.

The 30-day timeframe demanded by the current LCR proposals is also contradictory to the volatility experienced by Asian markets in times of crisis. Many Asian regulators would prefer a shorter period - as short as seven days - to reflect the extreme volatility they have seen in the past. If the LCR ratio is adopted as proposed, national supervisors may be forced to introduce additional local measures to protect their national banks.

In Asia, another key concern is the paucity of assets qualifying as a HQLA, namely cash or government bonds. Most Asian jurisdictions do not issue substantial volumes of government bonds while the recent European "sovereign debt" experience has cast doubt over their status as safe assets.

Recognizing concerns about the composition of Level 1 assets, the Basel Committee decided to allow some flexibility for jurisdictions with insufficient government debt. In response, the Hong Kong Monetary Authority (HKMA) released its second consultation paper to categorize the financial institutions in its market into two groups, proposing that both the LCR and the NSFR would only apply to those institutions categorized as 'core'. Institutions deemed to undertake significant maturity transformation in their operations and with thus potentially more liquidity risk will fall into this group. Financial institutions considered large enough or systemically important enough in the local banking sector may also be assigned to the 'core' group. If these proposals are adopted, the largest locally incorporated banks in Hong Kong as well as branches of several foreign banks would likely find themselves in the same basket.

In addition to the tiered approach, the HKMA is proposing to allow some holding of US dollar liquid assets against Hong Kong dollar liquidity needs. Such flexibility would be achievable due to the pegged currency status of the Hong Kong dollar, but could not be justified in other jurisdictions.

In addition to local concerns, the key worry among banks is that there is not enough stable funding available to meet the liquidity needs of all banks at the same time. Global competition for deposits is intensifying, with several global commercial banks making moves into the deposit-taking space. Rate watchers in Asia have also noted banks raising rates on deposit products with characteristics favorable to calculation of the ratios, tempting customers away from their current bank and in the process making traditionally 'sticky' retail deposits a less stable source of funding.

The Basel liquidity proposals have potentially significant and broad implications for the Hong Kong economy. It is well known that securities issued by many of Hong Kong's prime corporations are rated well, but not at AAA level. It should be noted that the Basel Committee's definition of Level 2 liquid securities is based on those assets' credit ratings, and current ratings of many firms would disqualify them from being suitable liquidity.

The difficult truth is that the Basel Committee is unlikely to accept regional or local deviations beyond those already suggested. The Basel Committee is pressing ahead with its full range of reforms, and local regulators maintain a united front on the need to implement a consistent set of global banking regulations, allowing only slight slips within the globally accepted timetables. The whole point of Basel reforms, the regulators argue, is their consistent application across all member jurisdictions.

4 Internationalisation of the RMB

With the development of China's economy into the world's second largest over the past decade, the RMB has also undergone a process of internationalisation, mainly over the past few years. There are still a great deal of hurdles to overcome before it can be regarded as an international currency, the most noted concerning the lack of RMB convertibility. However China is demonstrating that convertibility does not necessarily need to precede internationalisation.

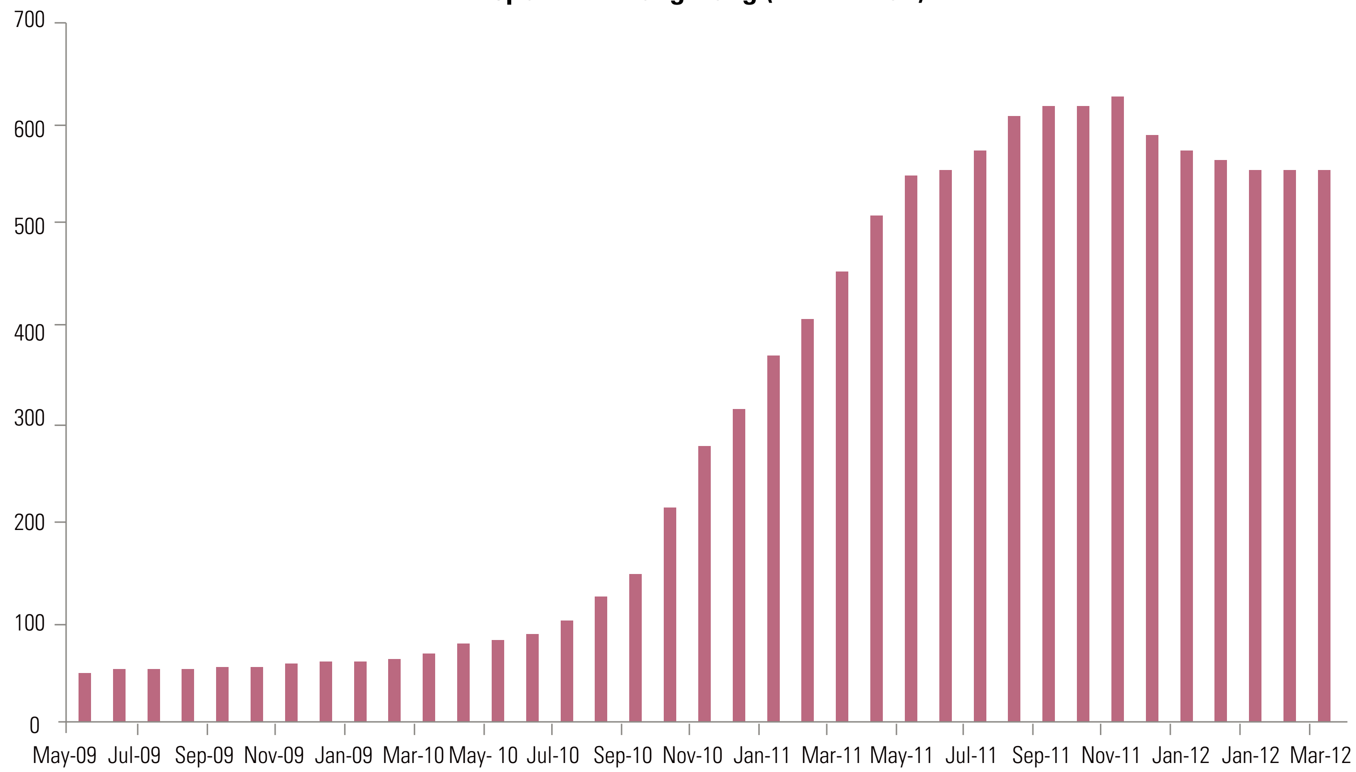
Internationalisation of the RMB is largely occurring on five fronts: trade settlement, overseas RMB deposits, investments into RMB products, RMB lending and offshore RMB capital raising. Hong Kong, for good reason, is at the forefront of this process. CNH[1], which is the term used to describe the pool of offshore RMB in Hong Kong but is increasingly being used in reference to all offshore RMB, has already seen rapid growth in a short amount of time. CNH deposits in particular have grown nearly tenfold since 2009 to RMB 589 billion by 2011 year-end, as illustrated in Chart 1 (page 39) , although deposits have started to stabilise and even edge downward. Hong Kong is also the key hub for trade settlement in Asia as well as for issuance of RMB-denominated bonds (commonly referred to as dim sum bonds)—although HSBC recently issued an RMB bond in London.[2]

Trade settlement

RMB trade settlement has seen rapid growth and has been at the forefront of government efforts to spread overseas usage of the RMB. These efforts have certainly yielded results with the amount of settlement conducted globally reaching RMB 2.58 trillion by the end of 2011, a more than fourfold increase from the previous year. In terms of total worldwide settlement in RMB, Hong Kong is the key hub: the total amount of RMB trade settled through Hong Kong was RMB 1.9 trillion at 2011 year-end, making up more than 73 percent of total RMB trade settlements in 2011 (2010: 80 percent).There has been no shortage of predictions stating that this growth will continue with various global banks anticipating that between 15 to 30 percent of China's total trade will be settled in RMB within five years. There are still factors that may restrict the potential growth of RMB trade settlement. Currently the situation for RMB is more akin to the regionalisation of the currency in Asia as opposed to full internationalisation.

1 For ease of reference we will use the term CNH to refer to all offshore RMB in this article.
2 HSBC raises $300m in renminbi bond issue, 18 April 2012, Financial Times

RMB deposits in Hong Kong (RMB billion)



Source: HKMA

Few companies in Western markets have actively begun settling in RMB. It is difficult to predict how development of RMB as a settlement currency will occur in these markets, or what the inflection point it, but no doubt progress will deepen as both corporates and government becomes more comfortable with this process.

Offshore Deposits

Previously a key driver for the rapid growth in offshore deposits in Hong Kong was the attractive absolute yield that these deposits earned through a combination of anticipated appreciation and the arbitrage opportunity that existed as a result of the higher value of offshore versus onshore RMB. This made the currency attractive to trading companies that could take advantage of the CNH's position over the USD when conducting business. Throughout 2011 though, the absolute yield of CNH has gradually reduced which in turn has dampened demand for CNH deposits. This was partly affected by the rising value of the USD due to financial concerns in the Eurozone but also by the removal of the Mainland Designated Enterprises (MDE) requirement in early 2012, which essentially allowed all import export enterprises to settle in RMB.[3] This dramatically increased take-up of the currency and subsequently the number of participating banks, increasing competition and reducing the arbitrage opportunity. This has reduced the opportunity for absolute yield making offshore RMB a less appealing option for both individual and corporate deposits.

Investments into RMB products – RQFII

The RQFII (Renminbi Qualified Foreign institutional investors) pilot scheme was started in late 2011 and was introduced by the People's Bank of China (PBoC) together with the State Administration of Foreign Exchange (SAFE) and the China Securities Regulatory Committee (CSRC). The programme enables Chinese brokerages and fund managers with Hong Kong subsidiaries to repatriate offshore RMB into domestic A-share equity investments. As of January 2012, 21 Chinese fund management houses have been approved for an RQFII license.

The quota for the RQFII scheme was expanded from RMB 20 billion to RMB 50 billion in 2012, but even at this level some of the approved fund managers are complaining that they have already hit their ceiling and are unable to take in further funds. This clearly highlights the fact that there is a great deal of interest in equity investments using CNH[4]. However, there are a number of restrictions that some investors are not comfortable with, specifically the requirement to ensure 80 percent of the quota is invested into fixed income securities or funds. Market participants seeking an RQFII license must have a Hong Kong subsidiary that has attained a license from the Securities and Futures Commission as well as approval from the CSRC in China. Companies applying for a license are required to meet various requirements concerning risk management, corporate governance and internal controls. Once a fund management company has met these requirements it must appoint a qualified QFII custodian and a mainland China securities broker to monitor trade execution.

RQFII products are offering competitive returns compared to other CNH investment options. By way of illustration, they can get a return of 3.05 percent on a 5-year government bond compared with the average 2.25 percent yielded by a Dim Sum bond[5]. However, RQFII investments are subject to withholding tax of 25 percent on investments in the interbank market and 10 percent on investments in the stock exchanges, whereas Dim Sum bonds are not subject to any withholding tax.

3 People's Bank of China announces expansion of trade settlement, 8 March 2012, The Asian Banker
4 Chinese manager E Fund seeks larger RQFII quota, 20 July 2012, Investments & Pensions Asia
5 Dim sum bonds vs. RMB-QFII, January 2012, Manulife Asset Management

The process allowing investors to repatriate their existing offshore RMB-pools and invest into onshore Chinese assets will bring the offshore RMB business further in-line with the Chinese government's 12th five year plan and will be important to their reported aim of achieving full convertibility of the RMB by 2015.

RMB Lending

The RMB lending business of banks in Hong Kong has also begun to gain significant traction. The outstanding amount of CNH loans granted by banks in Hong Kong surged from RMB 2 billion at the start of 2011 to RMB 42 billion by March 2012. This has not gone unnoticed by banks in Hong Kong and the number of authorised institutions permitted to engage in RMB business (which covers RMB deposit taking, currency exchange, remittances and cross-border trade settlement) has jumped from 111 at the beginning of 2011 to 187 by the end of 2011[6].

RMB Capital Raising - Dim sum bonds

Dim sum bonds are issued to raise RMB by both enterprises and more recently by Chinese government institutions, with the latter being the most prominent source. However, there is a slightly complex process to bringing RMB proceeds back onshore; for example, a company must provide a detailed explanation of how proceeds will be used, followed by obtaining approvals from various government agencies. Only after this process is completed will the central bank approve a dim sum bond issuer to bring offshore RMB into China. According to interviews with market participants this process has not been as difficult as it might otherwise sound. However the lack of certainty around repatriation of funds back into China, where they can generate a return or be used for an intended purpose does reduce the attractiveness of dim sum bonds.

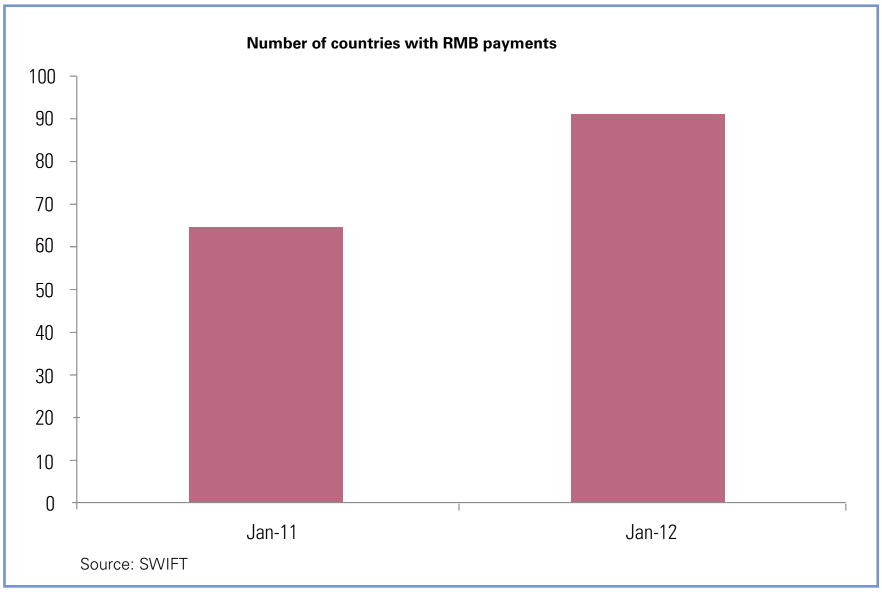
Underwriting of dim sum bonds has become a significant source of new revenue for many banks. In 2011, the total sum of dim sum bond issuances reached RMB 108 billion, triple the 2010 figure. The first half of 2012 has seen a further surge of issuance with RMB67.2 billion a 52 percent increase compared to the same period in 2011[7]. It should also be noted that while the majority of these bonds are "straight bonds," which are bonds settled in RMB, there are also many "synthetic bonds," which are ultimately settled in USD.

There are also discernable trends in terms of what corporates are issuing dim sum bonds. This market is largely driven by larger MNCs with extensive mainland operations that are seeking capital expenditure funds to grow their mainland business. For example, Caterpillar alone has issued more than four billion CNH in dim sum bonds.[8]

CNH outside of Hong Kong

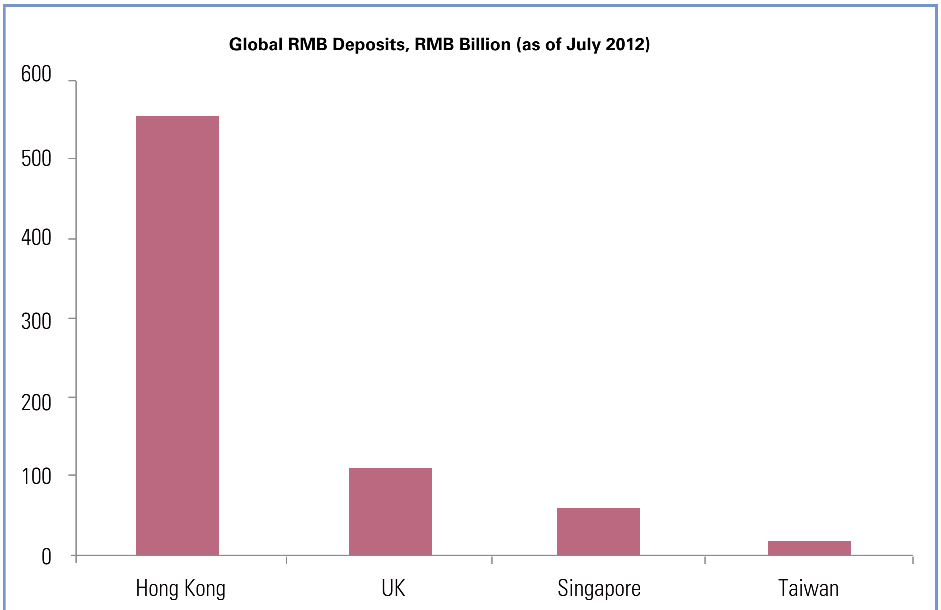
A number of countries outside of Hong Kong are gaining a foothold as smaller hubs for offshore RMB activity. While places like Singapore and London may be unlikely to rival Hong Kong, there is certainly the opportunity for them to become leaders in their specific regions. In an attempt to support and encourage the settlement of RMB-denominated trade, the People's Bank of China initiated a currency swap with the central banks of a number of countries. From 2008 to February 2012, currency swaps totaling RMB 1.4 trillion were completed with 16 countries, including the UAE, New Zealand, and Argentina. Despite not being among this list, at present the most dominant nation trading in RMB is the UK, with over RMB 109 billion of deposits as of June 2012.

6 Hong Kong Monetary Authority, http://www.info.gov.hk
7 Dim sum bond issuance surges, 23rd July 2012, Nikkei weekly
8 Caterpillar Raises 1.26 Billion Yuan With Third Dim Sum Bond, 13 March 2012, Bloomberg



By focusing on developing and improving its ability to process RMB business, the UK is attempting to become the international centre of RMB trade and, with 47 percent of the global offshore market (excluding Hong Kong) moving through Europe in the 1st quarter of 2012, the UK is well aligned to provide RMB investments options. However there is a lack of product offered in London; for example, only two thirds of banks offer retail RMB accounts and no banks offer a credit card or traveler's check facility in RMB[9]. Although less than half (45 percent) of banks offer corporate clients deposit facilities in RMB, the UK RMB business can look towards its well placed interbank business, although this is still small compared to Hong Kong whose daily average volume of interbank RMB trade is more than double that of the UK.

9 CNH: Hong Kong's dominant role to remain, 22 June 2012, DBS Group Research



Source: KPMG research

The likelihood of another centre taking over from Hong Kong as the international trading centre for offshore RMB is highly unlikely. Hong Kong's strength has only been increased with the inclusion of the RQFII pilot, increasing the products and services available to investors. In addition Hong Kong has a natural customer base seeking RMB financial products and services. Further deterrents to the adoption of offshore RMB outside of Hong Kong stem from its performance when compared to other currencies. For example, the euro has consistently outperformed the RMB over the past 5 years. When considering the relatively limited liquidity of offshore RMB, it is not immediately apparent what will continue to attract pure financial investors given the other options available to them.

We expect to see a range of RMB-denominated products gradually take shape as well as service offerings related to foreign exchange, transaction processing and trade finance along with various import and export services such as documentary credits, collections and financing. As one banker noted, there is an expectation that with increasing capability of banks to offer RMB services, particularly those related to RMB hedging products and corporate treasury, that MNCs are likely to increase their settlement activity as they bring their systems into line and transition offshore RMB into their corporate treasury. However this is not a straightforward process and maytake up to two years. Banks that leverage these market needs and utilize their mainland and Hong Kong positions will be the key beneficiaries of RMB internationalisation.

Performance rankings

Licensed banks

Ranking	Total assets	HKD mn	Ranking	Net profit after tax	HKD mn	Ranking	Cost/income ratio	
1.	Hongkong and Shanghai Banking Corporation (The)	5,607,480	1.	Hongkong and Shanghai Banking Corporation (The)	73,904	1.	Chiyu Banking Corporation	26.46%
2.	Bank of China (Hong Kong)	1,682,655	2.	Bank of China (Hong Kong)	20,701	2.	Industrial and Commercial Bank of China (Asia)	26.82%
3.	Hang Seng Bank	975,445	3.	Hang Seng Bank	16,680	3.	Wing Lung Bank	33.33%
4.	Standard Chartered Bank (Hong Kong)	853,854	4.	Standard Chartered Bank (Hong Kong)	8,344	4.	Shanghai Commercial Bank	34.35%
5.	Bank of East Asia (The)	611,402	5.	Bank of East Asia (The)	4,451	5.	Bank of China (Hong Kong)	34.37%
6.	Industrial and Commercial Bank of China (Asia)	404,958	6.	Industrial and Commercial Bank of China (Asia)	3,153	6.	Hang Seng Bank	34.95%
7.	DBS Bank (Hong Kong)	279,094	7.	DBS Bank (Hong Kong)	2,598	7.	MEVAS Bank	36.36%
8.	Nanyang Commercial Bank	239,631	8.	Nanyang Commercial Bank	2,449	8.	Nanyang Commercial Bank	40.77%
9.	Wing Hang Bank	187,249	9.	Wing Hang Bank	2,120	9.	Wing Hang Bank	45.84%
10.	CITIC Bank International (previously known as CITIC Ka Wah Bank)	171,426	10.	Wing Lung Bank	1,858	10.	Hongkong and Shanghai Banking Corporation (The)	46.41%

Restricted licence banks

Ranking	Total assets	HKD mn	Ranking	Net profit after tax	HKD mn	Ranking	Cost/income ratio	
1.	Scotiabank (Hong Kong)	21,952	1.	Citicorp International	1,568	1.	Scotiabank (Hong Kong)	10.14%
2.	Bank of China International	13,516	2.	China Construction Bank (Asia) Finance (previously known as AIG Finance (Hong Kong)	432	2.	Kookmin Bank Hong Kong	28.40%
3.	J.P. Morgan Securities (Asia Pacific)	11,678	3.	Scotiabank (Hong Kong)	160	3.	KDB Asia	36.31%
4.	KDB Asia	5,850	4.	KDB Asia	106	4.	Citicorp International	44.04%
5.	Citicorp International	4,732	5.	ORIX Asia	75	5.	China Construction Bank (Asia) Finance (previously known as AIG Finance (Hong Kong)	46.28%
6.	Kookmin Bank Hong Kong	3,808	6.	Bank of China International	67	6.	ORIX Asia	47.19%
7.	ORIX Asia	3,179	7.	Societe Generale Asia	41	7.	UBAF (Hong Kong)	51.52%
8.	Banc of America Securities Asia	2,038	8.	Kookmin Bank Hong Kong	41	8.	Bank of China International	60.40%
9.	China Construction Bank (Asia) Finance (previously known as AIG Finance (Hong Kong)	1,720	9.	UBAF (Hong Kong)	27	9.	Allied Banking Corporation (Hong Kong)	77.14%
10.	Allied Banking Corporation (Hong Kong)	1,384	10.	Allied Banking Corporation (Hong Kong)	14	10.	Societe Generale Asia	78.31%

Deposit-taking companies

Ranking	Total assets	HKD mn	Ranking	Net profit after tax	HKD mn	Ranking	Cost/income ratio	
1.	PrimeCredit	10,136	1.	PrimeCredit	521	1.	HKCB Finance	4.72%
2.	HKCB Finance	5,281	2.	Octopus Cards	295	2.	Wing Hang Finance Company	12.96%
3.	Public Finance	5,195	3.	Public Finance	292	3.	Inchroy Credit Corporation	16.95%
4.	Octopus Cards	2,909	4.	HKCB Finance	102	4.	PrimeCredit	28.65%
5.	Kexim Asia	2,448	5.	HBZ Finance	55	5.	BCOM Finance (Hong Kong)	33.33%
6.	HBZ Finance	2,338	6.	Inchroy Credit Corporation	46	6.	Public Finance	35.28%
7.	Shinhan Asia	1,684	7.	Wing Hang Finance Company	38	7.	Kexim Asia	36.73%
8.	Woori Global Markets Asia	1,318	8.	Kexim Asia	32	8.	Shinhan Asia	44.62%
9.	Inchroy Credit Corporation	1,211	9.	Shinhan Asia	30	9.	HBZ Finance	44.70%
10.	Sumitomo Mitsui Trust (Hong Kong) (previously known as Sumitomo Trust Finance (H.K.))	837	10.	Sumitomo Mitsui Trust (Hong Kong) (previously known as Sumitomo Trust Finance (H.K.))	18	10.	Fubon Credit (Hong Kong)	46.67%

Foreign bank branches

Ranking	Total assets	HKD mn	Ranking	Net profit after tax	HKD mn	Ranking	Cost/income ratio	
1.	JPMorgan Chase Bank	346,442	1.	Bank of Communications	1,517	1.	China Development Bank Corporation	3.10%
2.	Bank of Tokyo-Mitsubishi UFJ (The)	336,019	2.	DBS Bank	1,311	2.	Axis Bank	9.25%
3.	Citibank	291,919	3.	HSBC Private Bank (Suisse)	1,095	3.	ICICI Bank	9.27%
4.	Bank of Communications	290,770	4.	China Construction Bank Corporation	977	4.	Indian Overseas Bank	9.96%
5.	Credit Agricole Corporate and Investment Bank (previously known as Calyon)	263,285	5.	Sumitomo Mitsui Banking Corporation	894	5.	Siam Commercial Bank	11.20%
6.	Mizuho Corporate Bank	262,058	6.	Bank of Tokyo-Mitsubishi UFJ (The)	842	6.	Intesa Sanpaolo	12.51%
7.	Societe Generale	250,712	7.	Agricultural Bank of China	782	7.	Korea Exchange Bank	12.95%
8.	China Development Bank Corporation	208,404	8.	China Development Bank Corporation	781	8.	Hana Bank	13.71%
9.	Sumitomo Mitsui Banking Corporation	197,150	9.	Intesa Sanpaolo	688	9.	Bank of Baroda	13.74%
10.	China Construction Bank Corporation	188,332	10.	ING Bank	656	10.	Punjab National Bank	14.38%

Source: Extracted from Individual Bank's financial and public statements

Licensed banks

Ranking	Return on equity		Ranking	Growth in assets		Ranking	Growth in net profit after tax	
1.	Hang Seng Bank	22.42%	1.	Industrial and Commercial Bank of China (Asia)	51.70%	1.	Tai Yau Bank	537.00%
2.	Standard Chartered Bank (Hong Kong)	21.00%	2.	China Construction Bank (Asia) Corporation	31.29%	2.	Chiyu Banking Corporation	55.87%
3.	Hongkong and Shanghai Banking Corporation (The)	20.56%	3.	Nanyang Commercial Bank	24.69%	3.	Wing Lung Bank	37.73%
4.	Chiyu Banking Corporation	19.38%	4.	Wing Lung Bank	19.53%	4.	Standard Chartered Bank (Hong Kong)	33.93%
5.	Bank of China (Hong Kong)	18.19%	5.	Wing Hang Bank	17.55%	5.	CITIC Bank International (previously known as CITIC Ka Wah Bank)	33.49%
6.	Wing Lung Bank	13.64%	6.	CITIC Bank International (previously known as CITIC Ka Wah Bank)	15.67%	6.	Nanyang Commercial Bank	33.24%
7.	Wing Hang Bank	13.59%	7.	Bank of East Asia (The)	14.45%	7.	Wing Hang Bank	30.38%
8.	Industrial and Commercial Bank of China (Asia)	12.81%	8.	DBS Bank (Hong Kong)	12.80%	8.	Bank of China (Hong Kong)	28.52%
9.	Citibank (Hong Kong)	11.09%	9.	Standard Chartered Bank (Hong Kong)	12.56%	9.	Citibank (Hong Kong)	28.37%
10.	CITIC Bank International (previously known as CITIC Ka Wah Bank)	10.67%	10.	Dah Sing Bank	11.79%	10.	Chong Hing Bank	17.44%

Restricted licence banks

Ranking	Return on equity		Ranking	Growth in assets		Ranking	Growth in net profit after tax	
1.	Citicorp International	33.68%	1.	Bank of China International	92.51%	1.	China Construction Bank (Asia) Finance (previously known as AIG Finance (Hong Kong)	141.34%
2.	China Construction Bank (Asia) Finance (previously known as AIG Finance (Hong Kong)	28.46%	2.	Scotiabank (Hong Kong)	19.84%	2.	Societe Generale Asia	123.03%
3.	Societe Generale Asia	16.91%	3.	KDB Asia	6.83%	3.	Banc of America Securities Asia	100.00%
4.	Bank of China International	8.32%	4.	Kookmin Bank Hong Kong	3.85%	4.	Bank of China International	52.27%
5.	UBAF (Hong Kong)	6.80%	5.	Allied Banking Corporation (Hong Kong)	0.95%	5.	KDB Asia	24.71%
6.	KDB Asia	6.53%	6.	Societe Generale Asia	-0.64%	6.	Citicorp International	4.67%
7.	Scotiabank (Hong Kong)	5.46%	7.	Banc of America Securities Asia	-0.97%	7.	UBAF (Hong Kong)	3.85%
8.	Kookmin Bank Hong Kong	5.06%	8.	UBAF (Hong Kong)	-2.14%	8.	Scotiabank (Hong Kong)	3.23%
9.	Allied Banking Corporation (Hong Kong)	4.49%	9.	ORIX Asia	-4.62%	9.	ORIX Asia	-5.06%
10.	ORIX Asia	3.59%	10.	Citicorp International	-27.59%	10.	Allied Banking Corporation (Hong Kong)	-17.65%

Deposit-taking companies

Ranking	Return on equity		Ranking	Growth in assets		Ranking	Growth in net profit after tax	
1.	Octopus Cards	92.91%	1.	Habib Finance International	65.43%	1.	Vietnam Finance Company	200.00%
2.	PrimeCredit	61.40%	2.	Shinhan Asia	19.52%	2.	Shinhan Asia	130.77%
3.	HKCB Finance	19.07%	3.	Gunma Finance (Hong Kong)	16.94%	3.	Habib Finance International	100.00%
4.	Public Finance	17.88%	4.	Octopus Cards	12.88%	4.	KEXIM ASIA	52.38%
5.	Inchroy Credit Corporation	16.79%	5.	Vietnam Finance Company	8.29%	5.	BPI International Finance	50.00%
6.	Wing Hang Finance Company	14.87%	6.	Chau's Brothers Finance Company	8.11%	6.	Commonwealth Finance Corporation	33.33%
7.	HBZ Finance	11.84%	7.	HBZ Finance	4.80%	7.	PrimeCredit	19.22%
8.	Kexim Asia	10.58%	8.	KEB Asia Finance	4.34%	8.	Octopus Cards	9.26%
9.	Commonwealth Finance Corporation	8.89%	9.	Public Finance	3.84%	9.	HBZ Finance	3.77%
10.	Fubon Credit (Hong Kong)	7.64%	10.	KEXIM ASIA	3.64%	10.	BCOM Finance (Hong Kong)	0.00%

Foreign bank branches

Ranking	Growth in assets	HKD mn	Ranking	Growth in net profit after tax	
1.	China Development Bank Corporation	197.67%	1.	China Construction Bank Corporation	823.70%
2.	Bank of America	178.03%	2.	East West Bank	622.22%
3.	Bank of New York Mellon (The)	129.76%	3.	Citibank	598.57%
4.	Malayan Banking Berhad	107.68%	4.	Bank Of China Limited	550.00%
5.	Westpac Banking Corporation	105.28%	5.	Bank SinoPac	447.83%
6.	National Bank Of Abu Dhabi	87.72%	6.	Bangkok Bank Public Company	440.00%
7.	China Merchants Bank	84.05%	7.	National Bank Of Abu Dhabi	409.09%
8.	United Overseas Bank	78.35%	8.	Natixis	387.50%
9.	Australia and New Zealand Banking Group	76.17%	9.	Malayan Banking Berhad	332.08%
10.	Hana Bank	72.10%	10.	Canadian Imperial Bank of Commerce	292.86%

Licensed banks - financial highlights

			Income statement							
	HKD millions	Year ended	Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Impairment charges/ (recovery)	Exceptional and other items	Profit before tax	Net profit after tax
1	Bank of China (Hong Kong)	31-Dec-11	20,281	10,142	10,457	19,966	379	4,989	24,576	20,701
2	Bank of East Asia (The)	31-Dec-11	9,263	3,452	7,992	4,723	75	1,103	5,751	4,451
3	China Construction Bank (Asia) Corporation	31-Dec-11	1,684	723	1,654	753	66	29	716	610
4	Chiyu Banking Corporation	31-Dec-11	904	347	331	920	4	250	1,166	972
5	Chong Hing Bank	31-Dec-11	815	265	774	306	(107)	254	667	559
6	Citibank (Hong Kong)	31-Dec-11	3,093	2,366	3,266	2,193	181	-	2,012	1,688
7	CITIC Bank International (previously known as CITIC Ka Wah Bank)	31-Dec-11	1,862	1,557	1,652	1,767	(75)	(149)	1,693	1,411
8	Dah Sing Bank	31-Dec-11	1,917	583	1,554	946	81	322	1,187	1,053
9	DBS Bank (Hong Kong)	31-Dec-11	3,976	2,628	3,491	3,113	155	114	3,072	2,598
10	Fubon Bank (Hong Kong)	31-Dec-11	636	476	933	179	(80)	54	313	279
11	Hang Seng Bank	31-Dec-11	15,736	6,861	7,898	14,699	440	4,954	19,213	16,680
12	Hongkong and Shanghai Banking Corporation (The)	31-Dec-11	75,672	70,469	67,824	78,317	3,095	16,148	91,370	73,904
13	Industrial and Commercial Bank of China (Asia)	31-Dec-11	4,907	1,222	1,644	4,485	653	170	4,002	3,153
14	MEVAS Bank	31-Dec-11	5	6	4	7	-	28	35	29
15	Nanyang Commercial Bank	31-Dec-11	3,285	966	1,733	2,518	164	572	2,926	2,449
16	Public Bank (Hong Kong)	31-Dec-11	1,206	262	728	740	324	35	451	371
17	Shanghai Commercial Bank	31-Dec-11	1,982	1,057	1,044	1,995	(20)	176	2,191	1,802
18	Standard Bank of Asia	31-Dec-11	3	257	494	(234)	(1)	-	(233)	(232)
19	Standard Chartered Bank (Hong Kong)	31-Dec-11	11,723	9,771	11,368	10,126	589	426	9,963	8,344
20	Tai Sang Bank	31-Dec-11	3	7	17	(7)	-	37	30	31
21	Tai Yau Bank	31-Dec-11	14	3	10	6	-	-	6	6
22	Wing Hang Bank	31-Dec-11	2,871	914	1,735	2,050	30	500	2,520	2,120
23	Wing Lung Bank	31-Dec-11	2,089	1,355	1,148	2,296	89	51	2,258	1,858
TOTAL N1		**2011**	**148,191**	**108,828**	**119,853**	**137,165**	**5,602**	**25,109**	**156,672**	**128,158**
TOTAL ex-HSBC N2		**2011**	**88,255**	**45,220**	**59,927**	**73,547**	**2,947**	**13,915**	**84,515**	**70,934**
TOTAL ex-BOCHK&HSBC N2		**2011**	**67,974**	**35,078**	**49,470**	**53,581**	**2,568**	**8,926**	**59,939**	**50,233**

N1 This does not include Hang Seng Bank, as it is already included in the results of The Hongkong and Shanghai Banking Corporation respectively.
N2 This includes Hang Seng Bank

Source: Extracted from Individual Bank's financial and public statements

Size and strength measures						
Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Total Equity	Capital adequacy ratio	Liquidity ratio
1,682,655	755,840	2,830	1,150,134	121,376	16.9%	36.2%
611,402	358,725	980	467,354	52,044	13.7%	42.8%
134,871	91,304	525	93,112	17,161	21.0%	43.7%
44,112	25,304	60	36,032	5,303	19.4%	42.1%
77,446	41,338	213	64,816	6,863	15.4%	42.4%
130,061	52,639	178	100,113	16,060	27.2%	41.4%
171,426	93,718	543	127,040	13,105	18.3%	43.6%
145,890	82,254	385	113,389	14,065	14.8%	44.5%
279,094	195,919	1,857	184,970	25,750	14.5%	33.4%
60,256	32,402	163	43,788	5,052	15.9%	49.4%
975,445	482,241	1,667	699,857	78,755	14.3%	33.6%
5,607,480	2,142,172	11,301	3,565,001	371,343	14.6%	33.6%
404,958	201,376	1,548	262,622	29,081	15.9%	41.7%
588	390	-	83	474	77.0%	107.5%
239,631	133,163	793	174,469	26,136	17.1%	39.4%
36,488	27,473	196	28,400	5,056	19.4%	41.3%
126,978	55,480	284	103,097	18,081	18.0%	47.0%
1,251	-	-	555	526	35.7%	198.8%
853,854	390,897	1,134	672,940	40,501	13.6%	30.8%
1,388	74	-	810	553	84.1%	121.3%
2,189	0	-	1,674	511	126.4%	78.0%
187,249	112,917	192	157,754	16,904	15.8%	39.9%
163,851	85,312	318	116,569	14,495	13.9%	43.3%
10,963,118	**4,878,697**	**23,500**	**7,464,722**	**800,440**		
6,331,083	**3,218,766**	**13,866**	**4,599,578**	**507,852**		
4,648,428	**2,462,926**	**11,036**	**3,449,444**	**386,476**		

Licensed banks - key ratios

	HKD millions	Year ended	Net customer loan/deposit ratio	Net interest margin	Non-interest income/total operating income	Cost/Income ratio	ROA	ROE
			Performance measures					
1	Bank of China (Hong Kong)	31-Dec-11	65.5%	1.36%	33.3%	34.4%	1.3%	18.2%
2	Bank of East Asia (The)	31-Dec-11	76.5%	1.75%	27.1%	62.9%	0.8%	8.8%
3	China Construction Bank (Asia) Corporation	31-Dec-11	97.5%	1.47%	30.0%	68.7%	0.5%	3.6%
4	Chiyu Banking Corporation	31-Dec-11	70.1%	2.14%	27.7%	26.5%	2.3%	19.4%
5	Chong Hing Bank	31-Dec-11	63.4%	1.17%	24.5%	71.7%	0.7%	8.3%
6	Citibank (Hong Kong)	31-Dec-11	52.4%	2.62%	43.3%	59.8%	1.3%	11.1%
7	CITIC Bank International (previously known as CITIC Ka Wah Bank)	31-Dec-11	73.3%	1.22%	45.5%	48.3%	0.9%	10.7%
8	Dah Sing Bank	31-Dec-11	72.2%	1.50%	23.3%	62.2%	0.8%	8.2%
9	DBS Bank (Hong Kong)	31-Dec-11	104.9%	N/A	39.8%	52.9%	1.0%	10.6%
10	Fubon Bank (Hong Kong)	31-Dec-11	73.6%	1.09%	42.8%	83.9%	0.5%	5.5%
11	Hang Seng Bank	31-Dec-11	68.7%	1.78%	30.4%	35.0%	1.8%	22.4%
12	Hongkong and Shanghai Banking Corporation (The)	31-Dec-11	59.8%	1.91%	48.2%	46.4%	1.4%	20.6%
13	Industrial and Commercial Bank of China (Asia)	31-Dec-11	76.1%	1.50%	19.9%	26.8%	0.9%	12.8%
14	MEVAS Bank	31-Dec-11	469.9%	1.08%	54.5%	36.4%	4.5%	6.1%
15	Nanyang Commercial Bank	31-Dec-11	75.9%	1.56%	22.7%	40.8%	1.1%	10.1%
16	Public Bank (Hong Kong)	31-Dec-11	96.0%	3.44%	17.8%	49.6%	1.0%	7.5%
17	Shanghai Commercial Bank	31-Dec-11	53.5%	1.72%	34.8%	34.4%	1.5%	10.2%
18	Standard Bank of Asia	31-Dec-11	0.0%	0.14%	98.8%	190.0%	(9.7%)	(36.1%)
19	Standard Chartered Bank (Hong Kong)	31-Dec-11	57.9%	1.53%	45.5%	52.9%	1.0%	21.0%
20	Tai Sang Bank	31-Dec-11	9.1%	0.42%	70.0%	170.0%	2.0%	5.9%
21	Tai Yau Bank	31-Dec-11	0.0%	0.72%	19.0%	62.1%	0.3%	1.3%
22	Wing Hang Bank	31-Dec-11	71.5%	1.67%	24.1%	45.8%	1.2%	13.6%
23	Wing Lung Bank	31-Dec-11	72.9%	1.47%	39.3%	33.3%	1.2%	13.6%
TOTAL N1		**2011**	**65.0%**		**42.3%**	**46.6%**	**1.2%**	**16.7%**
TOTAL ex-HSBC N2		**2011**	**69.7%**		**33.9%**	**44.9%**	**1.2%**	**14.8%**
TOTAL ex-BOCHK&HSBC N2		**2011**	**71.1%**		**34.0%**	**48.0%**	**1.2%**	**13.7%**

N1 This does not include Hang Seng Bank, as it is already included in the results of The Hongkong and Shanghai Banking Corporation respectively.
N2 This includes Hang Seng Bank
N3 This includes Hang Seng Bank, but excludes the results of Bank of China (Hong Kong) and The Hong Kong and Shanghai Banking Corporation.

Source: Extracted from Individual Bank's financial and public statements

Loan asset quality							
Past due but not impaired			**Impaired advances**				
Loans overdue ≤ 3 months	Loans overdue > 3 months	Gross advances which are past due but not impaired	Gross impaired advances	Gross impaired advances/ gross advances to customers	Individually assessed impairment allowances made against impaired advances	Individually assessed allowances as a percentage of gross impaired advances	Collaterals for individually assessed impaired advances
2,577	64	2,641	284	0.0%	175	61.6%	83
161	-	161	1,475	0.4%	205	13.9%	3,267
422	-	422	222	0.2%	90	40.5%	30
122	5	127	1	0.0%	-	0.0%	-
145	34	179	78	0.2%	41	52.6%	107
864	-	864	96	0.2%	-	-	6
959	-	959	701	0.7%	196	28.0%	535
1,135	48	1,183	386	0.5%	190	49.2%	214
2,483	296	2,779	1,767	0.9%	1,142	64.6%	634
1	1	2	106	0.3%	93	87.7%	11
3,225	-	3,225	1,584	0.3%	896	56.6%	423
26,112	186	26,298	13,851	0.6%	6,894	49.8%	4,655
1,839	23	1,862	1,249	0.6%	769	61.6%	507
-	-	-	-	0.0%	-	N/A	-
353	3	356	133	0.1%	88	66.2%	76
410	-	410	289	1.1%	166	57.4%	206
1,062	4	1,066	920	1.7%	69	7.5%	1,234
-	-	-	-	N/A	-	N/A	-
3,705	76	3,781	971	0.2%	580	59.7%	249
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
635	187	822	336	0.3%	54	16.1%	289
802	14	816	300	0.4%	133	44.3%	165
43,787	**941**	**44,728**	**23,165**	**0.5%**	**10,885**	**47.0%**	**12,268**
20,900	**755**	**21,655**	**10,898**	**0.3%**	**4,887**	**44.8%**	**8,036**
18,323	**691**	**19,014**	**10,614**	**0.4%**	**4,712**	**44.4%**	**7,953**

Restricted licence banks - financial highlights

			Income statement							
	HKD millions	Year ended	Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Impairment charges/ (recovery)	Exceptional and other items	Profit before tax	Net profit after tax
1	Allied Banking Corporation (Hong Kong)	31-Dec-11	27	8	27	8	-	6	14	14
2	Banc of America Securities Asia	31-Dec-11	4	(1)	3	-	-	-	-	-
3	Bank of China International	31-Dec-11	47	155	122	80	-	-	80	67
4	China Construction Bank (Asia) Finance (previously known as AIG Finance (Hong Kong)	31-Dec-11	232	77	143	166	(333)	-	499	432
5	Citicorp International	31-Dec-11	4	3,350	1,477	1,877	-	-	1,877	1,568
6	J.P. Morgan Securities (Asia Pacific)	31-Dec-11	23	5,032	5,849	(794)	-	-	(794)	(668)
7	KDB Asia	31-Dec-11	104	53	57	100	(2)	20	122	106
8	Kookmin Bank Hong Kong	31-Dec-11	67	14	23	58	13	-	45	41
9	ORIX Asia	31-Mar-11	133	45	84	94	5	(2)	87	75
10	Scotiabank (Hong Kong)	31-Oct-11	190	27	22	195	5	-	190	160
11	Societe Generale Asia	31-Dec-11	9	180	148	41	-	-	41	41
12	UBAF (Hong Kong)	31-Dec-11	7	59	34	32	-	-	32	27
TOTAL		**2011**	**847**	**8,999**	**7,989**	**1,857**	**(312)**	**24**	**2,193**	**1,863**

Source: Extracted from Individual Bank's financial and public statements

Size and strength measures						
Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Total equity	Capital adequacy ratio	Liquidity ratio
1,384	783	9	1,010	317	34.3%	102.8%
2,038	-	-	-	2,035	319.9%	N/A
13,516	731	-	11,804	1,131	33.0%	99.7%
1,720	-	-	-	1,717	38.0%	9909.1%
4,732	-	-	-	3,912	55.1%	1864.0%
11,678	-	-	-	5,020	35.5%	715.9%
5,850	3,546	22	1,345	1,653	37.7%	68.7%
3,808	417	6	137	829	37.9%	76.4%
3,179	2,509	66	324	2,117	76.6%	905.2%
21,952	17,438	22	-	3,017	15.3%	37.0%
938	-	-	-	262	34.2%	60.2%
639	428	4	10	411	135.0%	0.0%
71,434	**25,852**	**129**	**14,630**	**22,421**		

Restricted licence banks - key ratios

	HKD millions	Year ended	Performance measures					
			Net customer loan/deposit ratio	Net interest income/ average total assets	Non-interest income/total operating income	Cost/income ratio	ROA	ROE
1	Allied Banking Corporation (Hong Kong)	31-Dec-11	76.6%	2.0%	22.9%	77.1%	1.0%	4.5%
2	Banc of America Securities Asia	31-Dec-11	N/A	0.2%	(33.3%)	100.0%	0.0%	0.0%
3	Bank of China International	31-Dec-11	6.2%	0.5%	76.7%	60.4%	0.7%	8.3%
4	China Construction Bank (Asia) Finance (previously known as AIG Finance (Hong Kong)	31-Dec-11	N/A	6.4%	24.9%	46.3%	11.9%	28.5%
5	Citicorp International	31-Dec-11	N/A	0.1%	99.9%	44.0%	27.8%	33.7%
6	J.P. Morgan Securities (Asia Pacific)	31-Dec-11	N/A	0.2%	99.5%	115.7%	(4.8%)	(12.5%)
7	KDB Asia	31-Dec-11	262.0%	1.8%	33.8%	36.3%	1.9%	6.5%
8	Kookmin Bank Hong Kong	31-Dec-11	300.0%	1.8%	17.3%	28.4%	1.1%	5.1%
9	ORIX Asia	31-Mar-11	754.0%	4.1%	25.3%	47.2%	2.3%	3.6%
10	Scotiabank (Hong Kong)	31-Oct-11	N/A	0.9%	12.4%	10.1%	0.8%	5.5%
11	Societe Generale Asia	31-Dec-11	N/A	1.0%	95.2%	78.3%	4.4%	16.9%
12	UBAF (Hong Kong)	31-Dec-11	4,240.0%	1.1%	89.4%	51.5%	4.2%	6.8%
TOTAL		**2011**	**175.8%**	**1.2%**	**91.4%**	**81.1%**	**2.6%**	**8.2%**

Source: Extracted from Individual Bank's financial and public statements

Loan asset quality							
Past due but not impaired advances			Impaired advances				
Loans overdue ≤ 3 months	Loans overdue > 3 months	Gross advances which are past due but not impaired	Gross impaired advances	Gross Impaired loans/gross advances to customers	Individually assessed impairment allowances made against impaired loans	Individually assessed allowances as a percentage of gross impaired advances	Collaterals for individually assessed impaired loans
-	-	-	3	0.4%	-	0.0%	2
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	0.0%	-
-	-	-	-	N/A	-	N/A	-
-	-	-	-	N/A	0.0%	-	-
-	-	-	-	N/A	-	N/A	-
-	-	-	79	2.2%	16	20.3%	-
-	-	-	13	3.1%	12	92.3%	-
7	-	7	59	2.4%	58	98.3%	2
-	-	-	-	-	-	0.0%	-
-	-	-	-	N/A	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
7	**0**	**7**	**154**	**0.6%**	**86**	**55.8%**	**4**

Deposit-taking companies - financial highlights

			Income statement							
	HKD millions	Year ended	Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Impairment charges/ (recovery)	Exceptional and other items	Profit before tax	Net profit after tax
1	BCOM Finance (Hong Kong)	31-Dec-11	-	6	2	4	-	-	4	3
2	BPI International Finance	31-Dec-11	5	17	15	7	-	-	7	6
3	Chau's Brothers Finance Company	31-Dec-11	5	-	5	-	(1)	-	1	1
4	Chong Hing Finance	31-Dec-11	-	-	-	-	-	-	-	-
5	Commonwealth Finance Corporation	31-Dec-11	17	4	11	10	-	-	10	8
6	Corporate Finance (D.T.C.)	31-Dec-11	4	-	3	1	-	-	1	1
7	Fubon Credit (Hong Kong)	31-Dec-11	14	1	7	8	(20)	(7)	21	17
8	Gunma Finance (Hong Kong)	31-Dec-11	8	-	8	-	-	-	-	-
9	Habib Finance International	31-Dec-11	6	-	6	-	-	-	-	-
10	HBZ Finance	31-Dec-11	60	72	59	73	7	-	66	55
11	Henderson International Finance	31-Dec-11	1	-	1	-	-	-	-	-
12	HKCB Finance	31-Dec-11	118	9	6	121	(1)	-	122	102
13	Hung Kai Finance Company	30-Jun-11	2	13	11	4	-	-	4	3
14	Inchroy Credit Corporation	31-Dec-11	53	6	10	49	(6)	-	55	46
15	KEB Asia Finance	31-Dec-11	19	8	30	(3)	(4)	-	1	1
16	Kexim Asia	31-Dec-11	53	(4)	18	31	(8)	-	39	32
17	Octopus Cards	31-Dec-11	44	660	370	334	-	-	334	295
18	Orient First Capital	31-Dec-11	7	5	12	-	1	-	(1)	(1)
19	PrimeCredit	31-Dec-11	1,077	61	326	812	186	-	626	521
20	Public Finance	31-Dec-11	867	142	356	653	300	1	354	292
21	Shinhan Asia	31-Dec-11	44	21	29	36	-	-	36	30
22	Sumitomo Mitsui Trust (Hong Kong) (previously known as Sumitomo Trust Finance (H.K.))	31-Dec-11	2	62	44	20	-	-	20	18
23	Vietnam Finance Company	31-Dec-11	5	1	5	1	-	-	1	1
24	Wing Hang Finance Company	31-Dec-11	49	5	7	47	1	-	46	38
25	Woori Global Markets Asia	31-Dec-11	29	13	31	11	41	-	(30)	(30)
TOTAL		**2011**	**2,489**	**1,102**	**1,372**	**2,219**	**496**	**(6)**	**1,717**	**1,439**

Source: Extracted from Individual Bank's financial and public statements

Size and strength measures						
Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Total equity	Capital adequacy ratio	Liquidity ratio
220	-	-	1	218	INA	INA
606	53	-	391	153	60.9%	203.8%
80	76	1	1	67	76.4%	120.8%
45	-	-	-	45	INA	INA
316	291	4	155	92	36.7%	0.0%
325	108	-	235	90	INA	INA
170	119	26	-	156	53.9%	184.3%
283	92	-	30	188	167.7%	N/A
268	231	2	8	71	94.2%	129.4%
2,338	1,634	25	1,406	492	34.0%	80.5%
119	1	-	68	51	INA	INA
5,281	5,180	-	-	586	20.9%	135.7%
159	22	1	51	105	INA	INA
1,211	830	5	3	197	20.8%	896.0%
505	412	4	-	384	INA	INA
2,448	1,316	13	-	320	21.1%	272.6%
2,909	-	-	2,244	320	17.6%	81.3%
195	72	1	56	67	61.0%	242.7%
10,136	9,813	112	515	904	18.0%	63.1%
5,195	4,581	100	3,456	1,632	28.1%	71.6%
1,684	1,038	2	14	1,139	74.4%	180.4%
837	-	-	-	463	91.5%	31184.0%
653	17	-	1	79	INA	INA
559	451	3	3	200	32.9%	240.4%
1,318	1,188	41	13	395	38.2%	256.0%
37,860	**27,525**	**340**	**8,651**	**8,414**	**49.9%**	**1907.9%**

Deposit-taking companies - key ratios

	HKD millions	Year ended	Performance measures: Non-interest income/total operating income	Net interest income/ average total assets	Cost/Income ratio	ROA	ROE
1	BCOM Finance (Hong Kong)	31-Dec-11	100.0%	0.0%	33.3%	1.4%	1.4%
2	BPI International Finance	31-Dec-11	77.3%	0.8%	68.2%	1.0%	4.0%
3	Chau's Brothers Finance Company	31-Dec-11	0.0%	6.5%	100.0%	1.3%	1.5%
4	Chong Hing Finance	31-Dec-11	N/A	0.0%	221.5%	0.0%	0.0%
5	Commonwealth Finance Corporation	31-Dec-11	19.0%	5.5%	52.4%	2.6%	8.9%
6	Corporate Finance (D.T.C.)	31-Dec-11	0.0%	1.2%	75.0%	0.3%	1.1%
7	Fubon Credit (Hong Kong)	31-Dec-11	6.7%	3.0%	46.7%	3.6%	7.6%
8	Gunma Finance (Hong Kong)	31-Dec-11	0.0%	3.0%	100.0%	0.0%	0.0%
9	Habib Finance International	31-Dec-11	0.0%	2.8%	100.0%	0.0%	0.0%
10	HBZ Finance	31-Dec-11	54.5%	2.6%	44.7%	2.4%	11.8%
11	Henderson International Finance	31-Dec-11	0.0%	0.8%	100.0%	0.0%	0.0%
12	HKCB Finance	31-Dec-11	7.1%	2.3%	4.7%	2.0%	19.1%
13	Hung Kai Finance Company	30-Jun-11	86.7%	1.2%	73.3%	1.8%	2.9%
14	Inchroy Credit Corporation	31-Dec-11	10.2%	3.3%	16.9%	2.9%	16.8%
15	KEB Asia Finance	31-Dec-11	29.6%	3.8%	111.1%	0.2%	0.3%
16	Kexim Asia	31-Dec-11	-8.2%	2.2%	36.7%	1.3%	10.6%
17	Octopus Cards	31-Dec-11	93.8%	1.6%	52.6%	10.8%	92.9%
18	Orient First Capital	31-Dec-11	41.7%	3.1%	100.0%	-0.4%	-1.5%
19	PrimeCredit	31-Dec-11	5.4%	10.8%	28.6%	5.2%	61.4%
20	Public Finance	31-Dec-11	14.1%	17.0%	35.3%	5.7%	17.9%
21	Shinhan Asia	31-Dec-11	32.3%	2.8%	44.6%	1.9%	2.7%
22	Sumitomo Mitsui Trust (Hong Kong) (previously known as Sumitomo Trust Finance (H.K.))	31-Dec-11	96.9%	0.2%	68.8%	1.9%	3.9%
23	Vietnam Finance Company	31-Dec-11	16.7%	0.8%	83.3%	0.2%	1.4%
24	Wing Hang Finance Company	31-Dec-11	9.3%	4.7%	13.0%	3.7%	14.9%
25	Woori Global Markets Asia	31-Dec-11	31.0%	2.2%	73.8%	-2.3%	-7.3%
TOTAL		**2011**	**30.7%**	**6.5%**	**38.2%**	**3.8%**	**17.1%**

Source: Extracted from Individual Bank's financial and public statements

Loan asset quality							
Past due but not impaired			**Impaired advances**				
Loans overdue ≤ 3 months	Loans overdue > 3 months	Past due but not impaired	Gross impaired advances	Gross Impaired advances/gross advances to customers	Individually assessed impairment allowances made against impaired advances	Individually assessed allowances as a percentage of gross impaired advances	Collateral for individually assessed impaired loans
-	-	-	-	N/A	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
-	3	-	3	3.9%	1	33.3%	3
-	-	-	-	N/A	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
19	-	19	-	0.0%	-	0.0%	41
-	-	-	26	21.8%	24	92.3%	3
-	-	-	-	0.0%	-	N/A	-
2	-	2	2	0.9%	2	100.0%	4
233	6	239	7	0.4%	7	100.0%	-
-	-	-	-	0.0%	-	N/A	-
50	-	50	-	0.0%	-	N/A	-
5	-	5	1	4.5%	1	100.0%	6
18	2	20	6	0.7%	3	50.0%	3
-	-	-	19	4.6%	4	21.1%	-
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	N/A	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
253	3	256	9	0.1%	2	22.2%	-
270	99	270	132	2.9%	88	66.7%	-
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	N/A	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
46	1	47	11	2.4%	3	27.3%	9
-	36	-	106	8.9%	37	34.9%	-
896	**150**	**908**	**322**	**1.2%**	**172**	**53.4%**	**69**

Foreign bank branches - financial highlights

	HKD millions	Year ended	Income statement							
			Net interest income	Non-interest income	Operating expenses	Operating profit before impairment charges	Impairment charges/ (recovery)	Exceptional and other items	Profit before tax	Net profit after tax
1	ABN AMRO Bank N.V.	31-Dec-11	147	354	530	(29)	3	(1)	(33)	(30)
2	Agricultural Bank of China	31-Dec-11	742	366	163	945	8	-	937	782
3	Australia and New Zealand Banking Group	30-Sep-11	790	1,402	1,855	337	84	(1)	252	217
4	Axis Bank	31-Mar-11	138	262	37	363	34	-	329	298
5	Banco Bilbao Vizcaya Argentaria	31-Dec-11	525	335	452	408	379	-	29	24
6	Banco Santander, S.A.	31-Dec-11	602	70	278	394	-	-	394	316
7	Bangkok Bank Public Company	31-Dec-11	169	60	136	93	66	-	27	27
8	Bank of America	31-Dec-11	418	1,085	1,222	281	193	-	88	74
9	Bank of Baroda	31-Mar-11	100	31	18	113	60	-	53	40
10	Bank of China Limited	31-Dec-11	37	37	32	42	-	-	42	26
11	Bank of Communications	31-Dec-11	2,172	947	1,223	1,896	63	72	1,905	1,517
12	Bank of India	31-Mar-11	108	50	31	127	24	-	103	92
13	Bank of New York Mellon (The)	31-Dec-11	260	413	439	234	-	-	234	197
14	Bank of Nova Scotia (The)	31-Oct-11	283	483	212	554	-	-	554	463
15	Bank of Taiwan	31-Dec-11	120	53	33	140	9	(50)	81	81
16	Bank of Tokyo-Mitsubishi UFJ (The)	31-Mar-11	1,029	975	695	1,309	309	(11)	989	842
17	Bank Sarasin & Cie Ag	31-Dec-11	73	234	248	59	-	-	59	48
18	Bank SinoPac	31-Dec-11	170	132	134	168	88	-	80	80
19	Barclays Bank	31-Dec-11	85	1,959	2,174	(130)	-	-	(130)	(100)
20	BNP Paribas	31-Dec-11	822	1,117	1,717	222	13	(1)	208	192
21	BNP Paribas Wealth Management	31-Dec-11	149	527	671	5	-	-	5	4
22	Canadian Imperial Bank of Commerce	31-Oct-11	32	207	184	55	-	-	55	55
23	Cathay United Bank	31-Dec-11	65	64	44	85	25	-	60	60
24	Chang Hwa Commercial Bank	31-Dec-11	55	41	22	74	10	-	64	55
25	China Construction Bank Corporation	31-Dec-11	868	325	361	832	51	375	1,156	977
26	China Development Bank Corporation	31-Dec-11	1,646	2,253	121	3,778	2,399	-	1,379	781
27	China Merchants Bank	31-Dec-11	312	365	127	550	47	-	503	413
28	Chinatrust Commercial Bank	31-Dec-11	303	362	334	331	68	-	263	207
29	Citibank	31-Dec-11	2,330	3,232	4,903	659	70	-	589	489
30	Commerzbank	31-Dec-11	87	281	277	91	(6)	-	97	94
31	Commonwealth Bank of Australia	30-Jun-11	157	(67)	127	(37)	-	-	(37)	(31)
32	Cooperatieve Centrale Raiffeisen-Boerenleenbank	31-Dec-11	705	523	608	620	144	(3)	473	459
33	Coutts & Co Ag (also known as Coutts & Co Sa, Coutts & Co Ltd)	31-Dec-11	141	269	438	(28)	-	-	(28)	(22)
34	Credit Agricole Corporate and Investment Bank (previously known as Calyon)	31-Dec-11	77	979	950	106	(18)	-	124	116
35	Credit Suisse	31-Dec-11	148	848	1,040	(44)	1	-	(45)	(36)
36	DBS Bank	31-Dec-11	911	1,106	314	1,703	140	-	1,563	1,311
37	Deutsche Bank	31-Dec-11	216	6,232	8,808	(2,360)	2	-	(2,362)	(2,129)
38	DZ Bank	31-Dec-11	160	233	142	251	279	-	(28)	(32)
39	E.Sun Commercial Bank	31-Dec-11	88	40	41	87	(1)	-	88	77
40	East West Bank	31-Dec-11	68	41	50	59	-	-	59	65
41	EFG Bank	31-Dec-11	139	514	437	216	-	-	216	181
42	Erste Group Bank	31-Dec-11	167	163	50	280	44	-	236	218
43	First Commercial Bank	31-Dec-11	86	44	30	100	32	-	68	68
44	Hana Bank	31-Dec-11	94	30	17	107	16	-	91	66
45	HSBC Private Bank (Suisse)	31-Dec-11	1,333	1,885	1,626	1,592	(6)	(280)	1,318	1,095

Source: Extracted from Individual Bank's financial and public statements

	Size and strength measures				
	Total assets	Gross advances to customers	Impairment allowances against customer advances booked at branch level	Total deposits from customers	Liquidity ratio
	28,080	12,168	105	23,569	58.9%
	150,509	96,721	330	38,594	35.5%
	130,505	68,832	325	53,325	38.1%
	17,733	12,779	93	4,566	90.1%
	53,950	33,268	374	2,106	42.8%
	26,284	10,209	-	7,336	33.8%
	37,754	14,983	590	8,308	37.8%
	69,283	28,218	1,003	14,812	45.6%
	8,405	7,108	92	3,151	60.9%
	80,595	-	-	-	1004913.3%
	290,770	148,992	390	204,457	38.6%
	15,170	2,886	81	7,768	91.1%
	108,447	1,915	-	5,350	59.0%
	70,797	8,406	110	2,546	68.7%
	12,073	5,157	93	4,038	41.3%
	336,019	129,154	1,338	71,468	52.1%
	10,103	6,332	-	3,669	66.2%
	16,605	8,110	91	13,717	33.9%
	24,389	1,359	-	6,738	148.8%
	184,151	74,432	188	47,319	37.7%
	44,362	12,005	6	37,203	94.3%
	6,213	3,267	-	4,512	49.4%
	10,604	6,894	70	8,630	43.9%
	5,603	2,579	50	4,551	44.2%
	188,332	89,367	1,140	85,445	48.3%
	208,404	108,296	2,982	15,102	124.7%
	76,083	23,917	439	62,077	62.7%
	37,209	16,163	165	29,671	44.1%
	291,919	80,241	-	182,447	43.2%
	19,928	4,461	47	769	41.4%
	25,500	9,231	-	6,853	94.3%
	64,675	27,537	241	3,232	58.0%
	35,863	8,228	-	17,649	77.6%
	263,285	29,244	1	31,607	41.3%
	53,766	20,835	1	35,572	76.8%
	150,664	87,554	871	44,557	35.2%
	75,689	29,791	73	25,101	67.6%
	22,407	6,655	604	322	63.7%
	6,026	2,857	40	4,716	41.8%
	7,228	3,416	51	3,330	76.7%
	31,125	9,899	-	22,013	76.8%
	16,356	1,389	304	-	40.8%
	9,529	3,841	76	8,351	39.5%
	9,288	7,443	77	2,588	69.5%
	160,340	41,470	90	152,336	46.9%

	HKD millions	Year ended	Net interest income/ (expense)	Non-interest income/ (expense)	Operating expenses	Operating profit/ (loss) before impairment charges	Impairment charges/ (recovery) on advances to customers	Exceptional and other items	Profit/ (loss) before tax	Net profit/ (loss) after tax
			Income statement							
46	Hua Nan Commercial Bank	31-Dec-11	154	54	38	170	32	-	138	115
47	ICICI Bank	31-Mar-11	174	473	60	587	108	-	479	400
48	Indian Overseas Bank	31-Mar-11	182	89	27	244	83	-	161	134
49	Industrial and Commercial Bank of China	31-Dec-11	80	107	38	149	(20)	-	169	142
50	ING Bank	31-Dec-11	647	392	315	724	68	-	656	656
51	Intesa Sanpaolo	31-Dec-11	800	143	118	825	8	-	817	688
52	JPMorgan Chase Bank	31-Dec-11	1,459	4,629	5,372	716	(1)	(1)	716	565
53	KBC Bank	31-Dec-11	83	57	77	63	69	-	(6)	(5)
54	Korea Exchange Bank	31-Dec-11	128	96	29	195	(35)	(4)	226	193
55	Lloyds Tsb Bank Plc	31-Dec-11	438	29	96	371	104	-	267	220
56	Malayan Banking Berhad	31-Dec-11	142	100	36	206	52	-	154	123
57	Mega International Commercial Bank	31-Dec-11	127	81	67	141	18	-	123	104
58	Mitsubishi UFJ Trust and Banking Corporation	31-Mar-11	109	(1)	38	70	(3)	-	73	73
59	Mizuho Corporate Bank	31-Mar-11	593	450	471	572	5	(4)	563	490
60	National Australia Bank	30-Sep-11	759	(466)	290	3	(4)	-	7	(15)
61	National Bank Of Abu Dhabi	31-Dec-11	92	7	32	67	-	-	67	56
62	Natixis	31-Dec-11	281	197	353	125	(47)	-	172	161
63	Newedge Group	31-Dec-11	13	297	287	23	-	-	23	19
64	Oversea-Chinese Banking Corporation	31-Dec-11	642	226	201	667	115	-	552	470
65	Punjab National Bank	31-Mar-11	130	30	23	137	5	-	132	132
66	Royal Bank of Canada	31-Oct-11	179	172	550	(199)	-	-	(199)	(218)
67	Royal Bank of Scotland N.V. (previously known as ABN AMRO Bank N.V.)	31-Dec-11	240	1,067	2,651	(1,344)	(2)	-	(1,342)	(1,342)
68	Royal Bank of Scotland PLC	31-Dec-11	(60)	788	1,628	(900)	22	-	(922)	(894)
69	Siam Commercial Bank	31-Dec-11	114	11	14	111	(1)	-	112	112
70	Societe Generale	31-Dec-11	584	866	1,297	153	595	-	(442)	(419)
71	Societe Generale Bank and Trust	31-Dec-11	52	109	220	(59)	-	-	(59)	(58)
72	State Bank of India	31-Mar-11	212	165	61	316	18	-	298	251
73	State Street Bank and Trust Company	31-Dec-11	323	1,524	1,465	382	-	-	382	322
74	Sumitomo Mitsui Banking Corporation	31-Mar-11	693	629	336	986	13	-	973	894
75	Taipei Fubon Commercial Bank	31-Dec-11	122	204	119	207	19	-	188	158
76	Taishin International Bank	31-Dec-11	95	89	81	103	15	-	88	73
78	Taiwan Business Bank	31-Dec-11	46	21	26	41	6	-	35	35
79	Taiwan Cooperative Bank, Ltd.	31-Dec-11	32	12	22	22	11	-	11	7
80	UBS	31-Dec-11	557	8,663	8,901	319	-	-	319	171
81	UCO Bank	31-Mar-11	68	31	26	73	41	-	32	27
82	UniCredit Bank AG (previously known as Bayerische Hypo-und Vereinsbank)	31-Dec-11	277	(9)	418	(150)	(24)	-	(126)	(126)
83	United Overseas Bank	31-Dec-11	270	786	329	727	26	-	701	584
84	Wells Fargo Bank, National Association	31-Dec-11	83	405	502	(14)	(5)	-	(9)	(21)
85	WestLB	31-Dec-11	93	97	143	47	85	-	(38)	(38)
86	Westpac Banking Corporation	30-Sep-11	29	41	46	24	-	-	24	22
87	Woori Bank	31-Dec-11	100	23	23	100	(17)	-	117	98
	Total	**2011**	**30,269**	**53,546**	**60,177**	**23,638**	**5,989**	**91**	**17,740**	**14,086**

Source: Extracted from Individual Bank's financial and public statements

Size and strength measures

Total assets	Gross advances to customers	Impairment allowances against gross customer advances	Total deposits from customers	Liquidity ratio
14,762	4,956	63	12,585	47.0%
44,547	21,198	318	2,241	336.3%
9,450	7,248	186	3,740	56.8%
38,647	8,327	128	-	48.9%
54,239	30,531	231	5,375	47.4%
57,597	20,315	214	2,406	54.8%
346,442	25,708	-	36,611	54.3%
9,880	2,909	123	888	96.0%
14,205	9,356	82	2,885	58.0%
32,198	17,699	187	2,808	71.0%
36,217	15,349	402	14,286	42.9%
21,048	5,507	72	19,821	51.3%
13,665	2,379	-	396	80.2%
262,058	83,783	50	38,005	49.8%
90,982	10,993	10	18,608	169.5%
14,090	10,525	-	5,491	52.6%
39,678	16,031	-	4,260	35.1%
27,025	3,516	-	1,953	53.5%
86,902	47,780	382	26,923	34.5%
21,987	2,351	55	3,410	122.0%
40,810	-	-	206	220.1%
27,489	13,484	110	9,419	41.9%
32,292	2,951	23	1,317	65.7%
15,140	6,454	63	964	994.9%
250,712	24,992	610	3,109	51.9%
16,732	3,314	-	6,241	58.3%
40,680	18,931	156	7,802	92.7%
57,260	3	-	23,223	93.3%
197,150	68,245	199	34,868	55.8%
15,690	6,759	60	10,211	51.0%
9,390	4,170	47	6,860	42.4%
5,023	2,923	70	2,398	38.7%
7,208	3,502	36	2,633	46.1%
131,379	42,507	-	98,033	78.5%
8,482	6,792	57	3,607	57.4%
106,012	3,238	9	432	133.5%
68,171	39,918	61	34,982	44.6%
23,726	4,915	3	4,656	99.6%
19,887	5,013	161	49	528.5%
19,672	8,554	-	2,538	50.0%
7,204	4,959	72	1,122	51.7%
5,827,748	**1,925,694**	**16,771**	**1,768,833**	

Foreign bank branches - key ratios

	HKD millions	Year ended	Performance Measures: Net customer loan/deposit ratio	Non-interest income/total operating income	Net interest income/average total assets	Cost/income ratio	ROA
1	ABN AMRO Bank N.V.	31-Dec-11	51.2%	70.7%	0.5%	105.8%	-0.1%
2	Agricultural Bank of China	31-Dec-11	249.8%	33.0%	0.6%	14.7%	0.6%
3	Australia and New Zealand Banking Group	30-Sep-11	128.5%	64.0%	0.8%	84.6%	0.2%
4	Axis Bank	31-Mar-11	277.8%	65.5%	1.0%	9.3%	2.1%
5	Banco Bilbao Vizcaya Argentaria	31-Dec-11	1561.9%	39.0%	0.9%	52.6%	0.0%
6	Banco Santander, S.A.	31-Dec-11	139.2%	10.4%	1.4%	41.4%	0.8%
7	Bangkok Bank Public Company	31-Dec-11	173.2%	26.2%	0.4%	59.4%	0.1%
8	Bank of America	31-Dec-11	183.7%	72.2%	0.9%	81.3%	0.2%
9	Bank of Baroda	31-Mar-11	222.7%	23.7%	1.4%	13.7%	0.5%
10	Bank of China Limited	31-Dec-11	N/A	50.0%	0.1%	43.2%	0.0%
11	Bank of Communications	31-Dec-11	72.7%	30.4%	0.9%	39.2%	0.6%
12	Bank of India	31-Mar-11	36.1%	31.6%	0.8%	19.6%	0.7%
13	Bank of New York Mellon (The)	31-Dec-11	35.8%	61.4%	0.3%	65.2%	0.3%
14	Bank of Nova Scotia (The)	31-Oct-11	325.8%	63.1%	0.5%	27.7%	0.7%
15	Bank of Taiwan	31-Dec-11	125.4%	30.6%	1.2%	19.1%	0.8%
16	Bank of Tokyo-Mitsubishi UFJ (The)	31-Mar-11	178.8%	48.7%	0.3%	34.7%	0.3%
17	Bank Sarasin & Cie Ag	31-Dec-11	172.6%	76.2%	0.8%	80.8%	0.5%
18	Bank SinoPac	31-Dec-11	58.5%	43.7%	1.0%	44.4%	0.5%
19	Barclays Bank	31-Dec-11	20.2%	95.8%	0.4%	106.4%	-0.5%
20	BNP Paribas	31-Dec-11	156.9%	57.6%	0.4%	88.6%	0.1%
21	BNP Paribas Wealth Management	31-Dec-11	32.3%	78.0%	0.3%	99.3%	0.0%
22	Canadian Imperial Bank of Commerce	31-Oct-11	72.4%	86.6%	0.5%	77.0%	0.9%
23	Cathay United Bank	31-Dec-11	79.1%	49.6%	0.7%	34.1%	0.7%
24	Chang Hwa Commercial Bank	31-Dec-11	55.6%	42.7%	1.0%	22.9%	1.0%
25	China Construction Bank Corporation	31-Dec-11	103.3%	27.2%	0.6%	30.3%	0.6%
26	China Development Bank Corporation	31-Dec-11	697.4%	57.8%	1.2%	3.1%	0.6%
27	China Merchants Bank	31-Dec-11	37.8%	53.9%	0.5%	18.8%	0.7%
28	Chinatrust Commercial Bank	31-Dec-11	53.9%	54.4%	0.8%	50.2%	0.6%
29	Citibank	31-Dec-11	44.0%	58.1%	0.8%	88.2%	0.2%
30	Commerzbank	31-Dec-11	574.0%	76.4%	0.5%	75.3%	0.5%
31	Commonwealth Bank of Australia	30-Jun-11	134.7%	-74.4%	0.6%	141.1%	-0.1%
32	Cooperatieve Centrale Raiffeisen-Boerenleenbank	31-Dec-11	844.6%	42.6%	1.1%	49.5%	0.7%
33	Coutts & Co Ag (also known as Coutts & Co Sa, Coutts & Co Ltd)	31-Dec-11	46.6%	65.6%	0.4%	106.8%	-0.1%
34	Credit Agricole Corporate and Investment Bank (previously known as Calyon)	31-Dec-11	92.5%	92.7%	0.0%	90.0%	0.0%
35	Credit Suisse	31-Dec-11	58.6%	85.1%	0.3%	104.4%	-0.1%
36	DBS Bank	31-Dec-11	194.5%	54.8%	0.7%	15.6%	1.0%
37	Deutsche Bank	31-Dec-11	118.4%	96.7%	0.3%	136.6%	-3.1%
38	DZ Bank	31-Dec-11	1879.2%	59.3%	0.7%	36.1%	-0.1%
39	E.Sun Commercial Bank	31-Dec-11	59.7%	31.3%	1.6%	32.0%	1.4%
40	East West Bank	31-Dec-11	101.1%	37.6%	0.9%	45.9%	0.8%
41	EFG Bank	31-Dec-11	45.0%	78.7%	0.4%	66.9%	0.5%
42	Erste Group Bank	31-Dec-11	N/A	49.4%	0.9%	15.2%	1.2%
43	First Commercial Bank	31-Dec-11	45.1%	33.8%	1.0%	23.1%	0.8%
44	Hana Bank	31-Dec-11	284.6%	24.2%	1.3%	13.7%	0.9%
45	HSBC Private Bank (Suisse)	31-Dec-11	27.2%	58.6%	0.8%	50.5%	0.7%

Source: Extracted from Individual Bank's financial and public statements

Loan asset quality								
Gross impaired advances	Gross impaired advances/gross advances to customers	Individually assessed impairment allowances made against impaired advances	Individually assessed allowances as a percentage of gross impaired advances	Collateral for individually assessed impaired loans	Loans overdue 3 to 6 months	Loans overdue 6 to 12 months	Loans overdue over 12 months	Loans overdue over 3 months as a % of total advances
102	1.0%	102	100.0%	-	-	-	102	1.0%
140	0.1%	121	86.4%	3	-	-	140	0.1%
197	0.3%	27	13.7%	-	2	6	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
748	2.2%	374	50.0%	-	-	748	-	2.2%
-	0.0%	-	N/A	-	-	-	-	0.0%
52	0.3%	52	100.0%	-	-	-	52	0.3%
689	2.4%	689	100.0%	-	-	-	688	2.4%
64	0.9%	42	65.6%	6	-	39	25	0.9%
-	N/A	-	N/A	-	-	-	-	N/A
225	0.2%	172	76.4%	51	1	5	182	0.1%
30	1.0%	21	70.0%	19	1	20	3	0.8%
-	0.0%	-	N/A	-	-	-	-	0.0%
114	1.4%	110	96.5%	-	-	-	114	1.4%
138	2.7%	42	30.4%	-	-	6	9	0.3%
2	0.0%	1	50.0%	-	-	-	2	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
2	0.0%	2	100.0%	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
681	0.9%	188	27.6%	160	-	66	289	0.5%
2	0.0%	2	100.0%	-	-	-	2	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
-	0.0%	24	N/A	-	-	-	24	0.9%
1,305	1.5%	354	27.1%	1,257	-	18	39	0.1%
466	0.4%	163	35.0%	71	-	-	-	0.0%
33	0.1%	21	63.6%	-	-	-	33	0.1%
38	0.2%	37	97.4%	-	-	-	-	0.0%
2,230	2.8%	-	0.0%	-	-	-	2,145	2.7%
61	1.4%	35	57.4%	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
262	1.0%	203	77.5%	-	-	206	55	0.9%
-	0.0%	-	N/A	-	-	-	-	0.0%
2	0.0%	1	50.0%	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
18	0.0%	7	38.9%	10	-	-	18	0.0%
70	0.2%	62	88.6%	-	-	-	70	0.2%
2,933	44.1%	604	20.6%	212	-	402	62	7.0%
8	0.3%	8	100.0%	-	-	-	8	0.3%
13	0.4%	-	0.0%	23	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
-	0.0%	226	N/A	-	-	-	-	0.0%
49	1.3%	37	75.5%	6	-	19	5	0.6%
212	2.8%	20	9.4%	-	-	-	9	0.1%
152	0.4%	70	46.1%	-	-	-	152	0.4%

	HKD millions	Performance Measures					
		Year ended	Net customer loan/ deposit ratio	Non-interest income/total operating income	Net interest income/average total assets	Cost/income ratio	ROA
46	Hua Nan Commercial Bank	31-Dec-11	38.9%	26.0%	1.1%	18.3%	0.8%
47	ICICI Bank	31-Mar-11	931.7%	73.1%	0.4%	9.3%	1.1%
48	Indian Overseas Bank	31-Mar-11	188.8%	32.8%	1.9%	10.0%	1.5%
49	Industrial and Commercial Bank of China	31-Dec-11	N/A	57.2%	0.2%	20.3%	0.4%
50	ING Bank	31-Dec-11	563.7%	37.7%	1.1%	30.3%	1.1%
51	Intesa Sanpaolo	31-Dec-11	835.5%	15.2%	1.1%	12.5%	0.9%
52	JPMorgan Chase Bank	31-Dec-11	70.2%	76.0%	0.5%	88.2%	0.2%
53	KBC Bank	31-Dec-11	313.7%	40.7%	0.7%	55.0%	0.0%
54	Korea Exchange Bank	31-Dec-11	321.5%	42.9%	0.8%	12.9%	1.2%
55	Lloyds Tsb Bank Plc	31-Dec-11	623.6%	6.2%	1.3%	20.6%	0.7%
56	Malayan Banking Berhad	31-Dec-11	104.6%	41.3%	0.5%	14.9%	0.5%
57	Mega International Commercial Bank	31-Dec-11	11.1%	38.9%	0.6%	32.2%	0.5%
58	Mitsubishi UFJ Trust and Banking Corporation	31-Mar-11	600.8%	-0.9%	0.9%	35.2%	0.5%
59	Mizuho Corporate Bank	31-Mar-11	220.3%	43.1%	0.3%	45.2%	0.2%
60	National Australia Bank	30-Sep-11	59.0%	-159.0%	1.0%	99.0%	0.0%
61	National Bank Of Abu Dhabi	31-Dec-11	191.7%	7.1%	0.9%	32.3%	0.5%
62	Natixis	31-Dec-11	376.3%	41.2%	0.7%	73.8%	0.4%
63	Newedge Group	31-Dec-11	180.0%	95.8%	0.0%	92.6%	0.1%
64	Oversea-Chinese Banking Corporation	31-Dec-11	176.1%	26.0%	0.9%	23.2%	0.7%
65	Punjab National Bank	31-Mar-11	67.3%	18.8%	1.2%	14.4%	1.2%
66	Royal Bank of Canada	31-Oct-11	0.0%	49.0%	0.5%	156.7%	-0.7%
67	Royal Bank of Scotland N.V. (previously known as ABN AMRO Bank N.V.)	31-Dec-11	142.0%	81.6%	0.7%	202.8%	-3.7%
68	Royal Bank of Scotland PLC	31-Dec-11	222.3%	108.2%	-0.2%	223.6%	-2.6%
69	Siam Commercial Bank	31-Dec-11	663.0%	8.8%	0.9%	11.2%	0.9%
70	Societe Generale	31-Dec-11	784.2%	59.7%	0.2%	89.4%	-0.1%
71	Societe Generale Bank and Trust	31-Dec-11	53.1%	67.7%	0.2%	136.6%	-0.3%
72	State Bank of India	31-Mar-11	240.6%	43.8%	0.6%	16.2%	0.7%
73	State Street Bank and Trust Company	31-Dec-11	0.0%	82.5%	0.6%	79.3%	0.6%
74	Sumitomo Mitsui Banking Corporation	31-Mar-11	195.2%	47.6%	0.4%	25.4%	0.5%
75	Taipei Fubon Commercial Bank	31-Dec-11	65.6%	62.6%	0.8%	36.5%	1.0%
76	Taishin International Bank	31-Dec-11	60.1%	48.4%	0.9%	44.0%	0.7%
78	Taiwan Business Bank	31-Dec-11	119.0%	31.3%	0.9%	38.8%	0.7%
79	Taiwan Cooperative Bank, Ltd.	31-Dec-11	131.6%	27.3%	0.4%	50.0%	0.1%
80	UBS	31-Dec-11	43.4%	94.0%	0.4%	96.5%	0.1%
81	UCO Bank	31-Mar-11	186.7%	31.3%	0.9%	26.3%	0.4%
82	UniCredit Bank AG (previously known as Bayerische Hypo-und Vereinsbank)	31-Dec-11	747.5%	-3.4%	0.3%	156.0%	-0.1%
83	United Overseas Bank	31-Dec-11	113.9%	74.4%	0.5%	31.2%	1.1%
84	Wells Fargo Bank, National Association	31-Dec-11	105.5%	83.0%	0.4%	102.9%	-0.1%
85	WestLB	31-Dec-11	9902.0%	51.1%	0.4%	75.3%	-0.2%
86	Westpac Banking Corporation	30-Sep-11	337.0%	58.6%	0.2%	65.7%	0.2%
87	Woori Bank	31-Dec-11	435.6%	18.7%	1.4%	18.7%	1.6%
	Total	**2011**	**107.9%**	**63.9%**	**0.6%**	**71.8%**	**0.1%**

Source: Extracted from Individual Bank's financial and public statements

Loan asset quality								
Gross impaired advances	Gross impaired advances/gross advances to customers	Individually assessed impairment allowances made against impaired advances	Individually assessed allowances as a percentage of gross impaired advances	Collateral for individually assessed impaired loans	Loans overdue 3 to 6 months	Loans overdue 6 to 12 months	Loans overdue over 12 months	Loans overdue over 3 months as a % of total advances
7	0.1%	7	100.0%	-	4	-	3	0.1%
114	0.5%	60	52.6%	67	-	-	60	0.3%
271	3.7%	-	0.0%	-	190	-	-	2.6%
116	1.4%	116	100.0%	-	-	-	116	1.4%
198	0.6%	198	100.0%	-	-	-	198	0.6%
202	1.0%	183	90.6%	16	-	8	194	1.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
189	6.5%	118	62.4%	-	-	-	189	6.5%
79	0.8%	73	92.4%	-	-	-	79	0.8%
505	2.9%	182	36.0%	357	23	43	386	2.6%
159	1.0%	135	84.9%	-	-	-	120	0.8%
28	0.5%	17	60.7%	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
199	0.2%	50	25.1%	101	-	-	30	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
70	0.4%	-	0.0%	70	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
35	0.1%	13	37.1%	22	19	-	22	0.1%
4	0.2%	-	0.0%	-	4	-	-	0.2%
-	N/A	-	N/A	-	-	-	-	NA
132	1.0%	87	65.9%	-	4	-	129	1.0%
23	0.8%	23	100.0%	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
2,383	9.5%	610	25.6%	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
100	0.5%	100	100.0%	-	-	-	100	0.5%
-	0.0%	-	N/A	-	-	-	-	0.0%
192	0.3%	185	96.4%	-	-	28	164	0.3%
-	0.0%	-	N/A	-	-	-	-	0.0%
12	0.3%	3	25.0%	4	-	-	-	0.0%
44	1.5%	42	95.5%	-	-	1	41	1.4%
-	0.0%	-	N/A	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
51	0.8%	25	49.0%	-	43	-	-	0.6%
-	0.0%	-	N/A	-	-	-	-	0.0%
78	0.2%	61	78.2%	11	2	32	40	0.2%
-	0.0%	-	N/A	-	-	-	-	0.0%
190	3.8%	161	84.7%	-	-	-	-	0.0%
-	0.0%	-	N/A	-	-	-	-	0.0%
5	0.1%	2	40.0%	-	-	-	-	0.0%
16,424	**0.9%**	**6,268**	**38.2%**	**2,466**	**293**	**1,647**	**6,099**	**0.4%**

Macau financial institutions - financial highlights

	MOP millions	Year ended	Income statement Net interest income	Non-interest income	Total income	Operating expenses	Operating profit before provisions	Impairment charges/ (recovery)	Exceptionnal & other items	Profit before tax
1	Banco de Construcao da China (Macau), S.A	31-Dec-11	86	32	118	76	42	7	0	35
2	Banco da China	31-Dec-11	2,601	1,315	3,916	1,261	2,655	558	0	2,097
3	Bank of Communications Co, Ltd.	31-Dec-11	161	51	212	58	154	54	0	100
4	Banco Chines de Macau	31-Dec-11	9	13	22	20	2	0	0	2
5	Banco Comercial de Macau	31-Dec-11	146	110	256	165	91	9	0	82
6	Banco Comercial Portugues	31-Dec-11	65	16	81	9	72	0	0	72
7	Banco de Guangfa da China, S.A.	31-Dec-11	135	28	163	76	87	-1	0	88
8	Banco da East Asia	31-Dec-11	78	10	88	62	26	0	0	26
9	Banco Espirito Santo do Oriente	31-Dec-11	38	23	61	28	33	-5	0	38
10	Banco Industrial E Comercial da China, Sucursal de Macau	31-Dec-11	1,176	335	1,511	502	1,009	97	0	912
11	Banco Luso Internacional	31-Dec-11	289	142	431	242	189	39	0	150
12	Banco Nacional Ultramarino, S.A.	31-Dec-11	401	460	861	453	408	39	0	369
13	Banco Tai Fung	31-Dec-11	506	371	877	364	513	66	0	447
14	Banco Weng Hang	31-Dec-11	323	179	502	225	277	-2	0	279
15	Caixa Economica Postal	31-Dec-11	22	7	29	14	15	0	0	15
16	Citibank	31-Dec-11	12	22	34	17	17	0	0	17
17	DBS Bank (HK) Ltd., Sucursal de Macau	31-Dec-11	61	28	89	34	55	9	0	46
18	Hang Seng Bank Ltd. Sucursal de Macau	31-Dec-11	72	26	98	28	70	1	0	69
19	The Hong Kong and Shanghai Banking Corp	31-Dec-11	211	241	452	184	268	21	0	247
20	Bank Sinopac Company Limited	31-Dec-11	31	11	42	17	25	9	0	16
21	Chong Hing Bank	31-Dec-11	6	1	7	6	1	0	0	1
22	Standard Chartered Bank	31-Dec-11	56	35	91	12	79	9	0	70
23	CITIC Bank International Limited (formerly called CITIC Ka Wah Bank Limited)	31-Dec-11	22	15	37	13	24	33	0	-9
24	Caixa Geral De Depositos	31-Dec-11	35	2	37	12	25	1	0	24
25	First Commercial Bank Limitada - Sucursal de Macau	31-Dec-11	9	12	21	11	10	4	0	6
26	Banco Wing Lung	31-Dec-11	23	4	27	27	0	16	0	-16
	TOTAL	**2011**	**6,574**	**3,489**	**10,063**	**3,916**	**6,147**	**964**	**0**	**5,183**

Source: Extracted from Individual Bank's financial and public statements

		Size and strength measures							
Tax	Net profit after tax	Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Total equity	Average interest-earning assets	Average interest-bearing liabilities	Gearing
4	31	5,350	3,945	41	3,502	901	4,811	4,342	5.94
247	1,850	286,080	130,475	1,768	136,919	2,874	224,751	245,913	99.54
12	88	15,937	12,531	150	2,824	568	14,501	14,090	28.06
0	2	384	179	3	134	243	243	144	1.58
10	72	12,807	7,971	96	11,300	1,005	11,033	11,254	12.74
9	63	19,062	1,749	24	2,427	36	11,677	11,693	529.50
11	77	9,858	7,156	90	7,746	140	6,559	7,901	70.41
3	23	6,610	3,733	35	4,284	23	5,649	6,053	287.39
5	33	2,596	1,010	12	1,014	386	2,491	2,227	6.73
120	792	88,979	58,444	667	68,371	6,878	63,679	70,061	12.94
23	127	21,619	12,215	152	18,387	1,457	12,601	18,223	14.84
44	325	34,322	14,005	406	19,973	2,663	22,820	26,653	12.89
36	411	48,935	29,651	384	39,361	5,166	35,970	41,172	9.47
34	245	21,645	13,695	126	19,182	1,735	18,887	18,936	12.48
0	15	1,385	163	6	551	395	1,092	827	3.51
2	15	1,925	937	10	1,555	39	1,295	2,248	49.36
5	41	4,278	3,348	77	2,098	41	3,432	3,548	104.34
8	61	7,826	5,065	53	1,654	184	4,814	6,317	42.53
30	217	15,427	8,079	107	14,875	193	13,881	14,902	79.93
2	14	1,838	1,411	20	1,220	194	1,439	1,363	9.47
0	1	432	69	1	294	103	325	422	4.19
8	62	4,879	2,034	54	2,119	62	3,828	4,169	78.69
-2	-7	1,581	947	41	707	43	1,078	1,065	36.77
0	24	10,011	19	0	9,424	273	13,866	13,783	36.67
1	5	1,929	541	10	271	42	1,134	1,266	45.93
0	-16	4,173	1,840	18	565	84	2,202	2,160	49.68
612	**4,571**	**629,868**	**321,212**	**4,351**	**370,757**	**25,728**	**484,049**	**530,727**	**24**

Macau financial institutions - key ratios

	MOP millions	Year ended	Performance measures: Net interest income/total operating income	Non-interest income/total operating income	Net interest income/average total assets	ROA	ROE
1	Banco de Construcao da China (Macau), S.A	31-Dec-11	72.9%	27.1%	1.6%	0.6%	3.4%
2	Banco da China	31-Dec-11	66.4%	33.6%	0.9%	0.6%	64.4%
3	Bank of Communications Co, Ltd.	31-Dec-11	75.9%	24.1%	1.0%	0.6%	15.5%
4	Banco Chines de Macau	31-Dec-11	40.9%	59.1%	2.3%	0.5%	0.8%
5	Banco Comercial de Macau	31-Dec-11	57.0%	43.0%	1.1%	0.6%	7.2%
6	Banco Comercial Portugues	31-Dec-11	80.2%	19.8%	0.3%	0.3%	175.0%
7	Banco de Guangfa da China, S.A.	31-Dec-11	82.8%	17.2%	1.4%	0.8%	55.0%
8	Banco da East Asia	31-Dec-11	88.6%	11.4%	1.2%	0.3%	100.0%
9	Banco Espirito Santo do Oriente	31-Dec-11	62.3%	37.7%	1.5%	1.3%	8.5%
10	Banco Industrial E Comercial da China, Sucursal de Macau	31-Dec-11	77.8%	22.2%	1.3%	0.9%	11.5%
11	Banco Luso Internacional	31-Dec-11	67.1%	32.9%	1.3%	0.6%	8.7%
12	Banco Nacional Ultramarino, S.A.	31-Dec-11	46.6%	53.4%	1.2%	0.9%	12.2%
13	Banco Tai Fung	31-Dec-11	57.7%	42.3%	1.0%	0.8%	8.0%
14	Banco Weng Hang	31-Dec-11	64.3%	35.7%	1.5%	1.1%	14.1%
15	Caixa Economica Postal	31-Dec-11	75.9%	24.1%	1.6%	1.1%	3.8%
16	Citibank	31-Dec-11	35.3%	64.7%	0.6%	0.8%	38.5%
17	DBS Bank (HK) Ltd., Sucursal de Macau	31-Dec-11	68.5%	31.5%	1.4%	1.0%	100.0%
18	Hang Seng Bank Ltd. Sucursal de Macau	31-Dec-11	73.5%	26.5%	0.9%	0.8%	33.2%
19	The Hong Kong and Shanghai Banking Corp	31-Dec-11	46.7%	53.3%	1.4%	1.4%	112.4%
20	Bank Sinopac Company Limited	31-Dec-11	73.8%	26.2%	1.7%	0.8%	7.2%
21	Chong Hing Bank	31-Dec-11	85.7%	14.3%	1.4%	0.2%	1.0%
22	Standard Chartered Bank	31-Dec-11	61.5%	38.5%	1.1%	1.3%	100.0%
23	CITIC Bank International Limited (formerly called CITIC Ka Wah Bank Limited)	31-Dec-11	59.5%	40.5%	1.4%	-0.4%	-16.3%
24	Caixa Geral De Depositos	31-Dec-11	94.6%	5.4%	0.3%	0.2%	8.8%
25	First Commercial Bank Limitada - Sucursal de Macau	31-Dec-11	42.9%	57.1%	0.5%	0.3%	11.9%
26	Banco Wing Lung	31-Dec-11	85.2%	14.8%	0.6%	-0.4%	-19.0%
	TOTAL	**2011**	**65.3%**	**34.7%**	**1.0%**	**0.7%**	**17.8%**

Source: Extracted from Individual Bank's financial and public statements

Efficiency		Asset quality		
Cost/income ratio	Operating expenses/ total assets	Impairment charge (recovery) / average gross advances to customers	Impairment allowances against customer advances / gross advances to customers	Net customer loan/ deposit ratio
64.4%	1.4%	0.2%	1.0%	111.5%
32.2%	0.4%	0.4%	1.4%	94.0%
27.4%	0.4%	0.4%	1.2%	438.4%
90.9%	5.2%	0.0%	1.7%	131.3%
64.5%	1.3%	0.1%	1.2%	69.7%
11.1%	0.0%	0.0%	1.4%	71.1%
46.6%	0.8%	0.0%	1.3%	91.2%
70.5%	0.9%	0.0%	0.9%	86.3%
45.9%	1.1%	-0.5%	1.2%	98.4%
33.2%	0.6%	0.2%	1.1%	84.5%
56.1%	1.1%	0.3%	1.2%	65.6%
52.6%	1.3%	0.3%	2.9%	68.1%
41.5%	0.7%	0.2%	1.3%	74.4%
44.8%	1.0%	0.0%	0.9%	70.7%
48.3%	1.0%	0.0%	3.7%	28.5%
50.0%	0.9%	0.0%	1.1%	59.6%
38.2%	0.8%	0.3%	2.3%	155.9%
28.6%	0.4%	0.0%	1.0%	303.0%
40.7%	1.2%	0.3%	1.3%	53.6%
40.5%	0.9%	0.6%	1.4%	114.0%
85.7%	1.4%	0.0%	1.4%	23.1%
13.2%	0.2%	0.4%	2.7%	93.4%
35.1%	0.8%	3.5%	4.3%	128.1%
32.4%	0.1%	5.3%	0.0%	0.2%
52.4%	0.6%	0.7%	1.8%	195.9%
100.0%	0.6%	0.9%	1.0%	322.5%
38.9%	**0.6%**	0.3%	1.4%	85.5%

5 Cloud computing in Banking

Cloud computing is the one of the most disruptive initiatives and fastest growing technology trends globally with Gartner rating it as the number one strategic technology in 2012. Cloud computing brings the promise of offering businesses the ability to 'pay as you go' for technology in effect transferring IT budgets from the balance sheet to the P&L.

Cloud computing is seen as a great enabler for innovation and meeting the increasing demands of consumers and corporates by delivering the latest technology quicker and cheaper. Forrester predict that by 2020 the global cloud market will be USD241 billion, compared to USD30.3 billion in 2011.

For financial institutions cloud technologies offer a variety of benefits and opportunities. From providing investment services to enable cloud providers to expand and meet growing demands through to utilizing cloud services in order to reduce technology expenses and increase the speed of deployment to new markets, cloud computing is likely to become a differentiator between the financial leaders and the followers.

Europe is currently leading the way on adopting the cloud with 83 percent of respondents in a recent Gartner survey expecting to adopt in 3 years or less. Asia is trailing with only an expected 55 percent of respondents looking to adopt cloud computing in the same period. Asian countries though are priming themselves for the expected increase in interest. Mainland China is amongst them with massive investments taking place in the billions of dollars in order to build infrastructure, from data centres to mobile communication networks, ready to facilitate cloud adoption.

Concerns over security and data privacy remain the highest on people's agendas for the cloud with ISACA reporting that nearly 50 percent of users see these as their biggest concern.

Working with cloud computing does have its challenges. New partnerships will need to be created and regulators will need to be assured that customer best interests are being managed. Cloud computing offers a flexible framework which means that financial institutions can adopt a model which provides them with the advantages they seek whilst balancing with their risk appetite. Whether using public or private cloud implementations, gaining the most out of the new technologies will require clear understanding of the pitfalls and adopting a whole new approach to IT.

Recent changes in the International Standard for Assurance Engagements, a body widely recognized by regulators globally, is providing a vehicle for gaining the assurance that cloud users require from their providers. By developing their existing framework to provide additional methods of independent assurance (e.g. SOC2 and SOC3 reporting), cloud providers can start to build the level of trust which will be needed to further catalyse adoption.

The cloud is not something to be avoided, but should be clearly understood and embraced. Cutting through the hype and realizing where the technology can help in delivering business strategy is the first step in transforming the way in which financial institutions consume technology services.

6 About KPMG

KPMG: Global leadership in Financial Services

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 152 countries and have 145,000 people working in memberfirms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture license in Mainland China. It is also the first big four accounting firm in Mainland China to convert from a joint venture to a special general partnership, as of August 1, 2012. The firm's Hong Kong operations have additionally been established for over 60 years. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the firm's appointment by some of China's most prestigious companies.

Today, KPMG China has around 9,000 professionals working in 13 offices; Beijing, Shanghai, Shenyang, Nanjing, Hangzhou, Fuzhou, Xiamen, Qingdao, Guangzhou, Shenzhen, Chengdu, Hong Kong SAR and Macau SAR. With a single management structure across all these offices, KPMG China can deploy experienced professionals efficiently and rapidly, wherever our client is located.

7 Contact us

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

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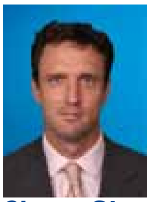

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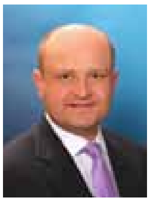

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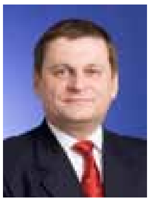

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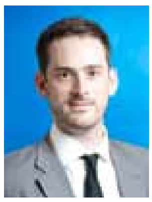

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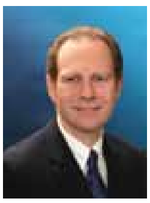

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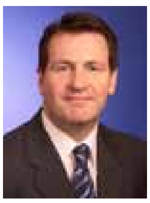

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8 Financial Services publications

KPMG is committed to participating in the agenda for the banking industry through high-quality thought leadership and client events. Our publications have a particular focus on how banks are handling issues concerning financial reporting and accounting standards, liquidity and solvency, internal controls, regulatory transformation, transactions, restructuring and tax.

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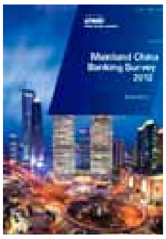
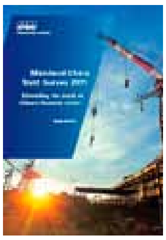


Mainland China banking report 2012

This year's survey includes a record 197 banks, representing 88 percent of all banking assets in China. The survey also includes financial information for 33 out of the 37 foreign banks that were locally incorporated prior to year-end 2011. Key focus areas include the internationalisation of the RMB (and how banks can benefit), bancassurance trends, new requirements for Basel II & III compliance and bank sector performance.

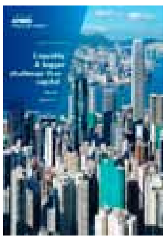


Mainland China Trust Survey 2012

Trust companies have a unique role as a driver of wealth management services as well as providing much needed debt, equity and hybrid financing in China. This publication contains summary financials for 56 of the 65 registered trust companies in China.

Focus on Transparency – Financial reporting of European banks in 2011

In the sixth edition of our annual survey of 15 European banks, Focus on Transparency examines if banks can survive the storm. With unpredictable economies and highly volatile financial markets the European banking system is facing some of its toughest tests. These banks should be seeking to rebuild shattered trust and confidence, rein in costs, increase lending and de-risk the balance sheet, all while delivering improved shareholder returns.



Liquidity - A bigger challenge than capital

A major issue during the crisis was banks being unable to roll over short-term financing. Investor confidence plummeted, leading to a liquidity squeeze within some financial institutions. In response the Basel Committee on Banking Supervision (Basel Committee) introduced two new liquidity ratios for banks. The Basel Committee aims to strengthen banks against adverse shocks; eliminate structural mismatches; and encourage more stable sources of funding.

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