Hong Kong Banking Survey 2016

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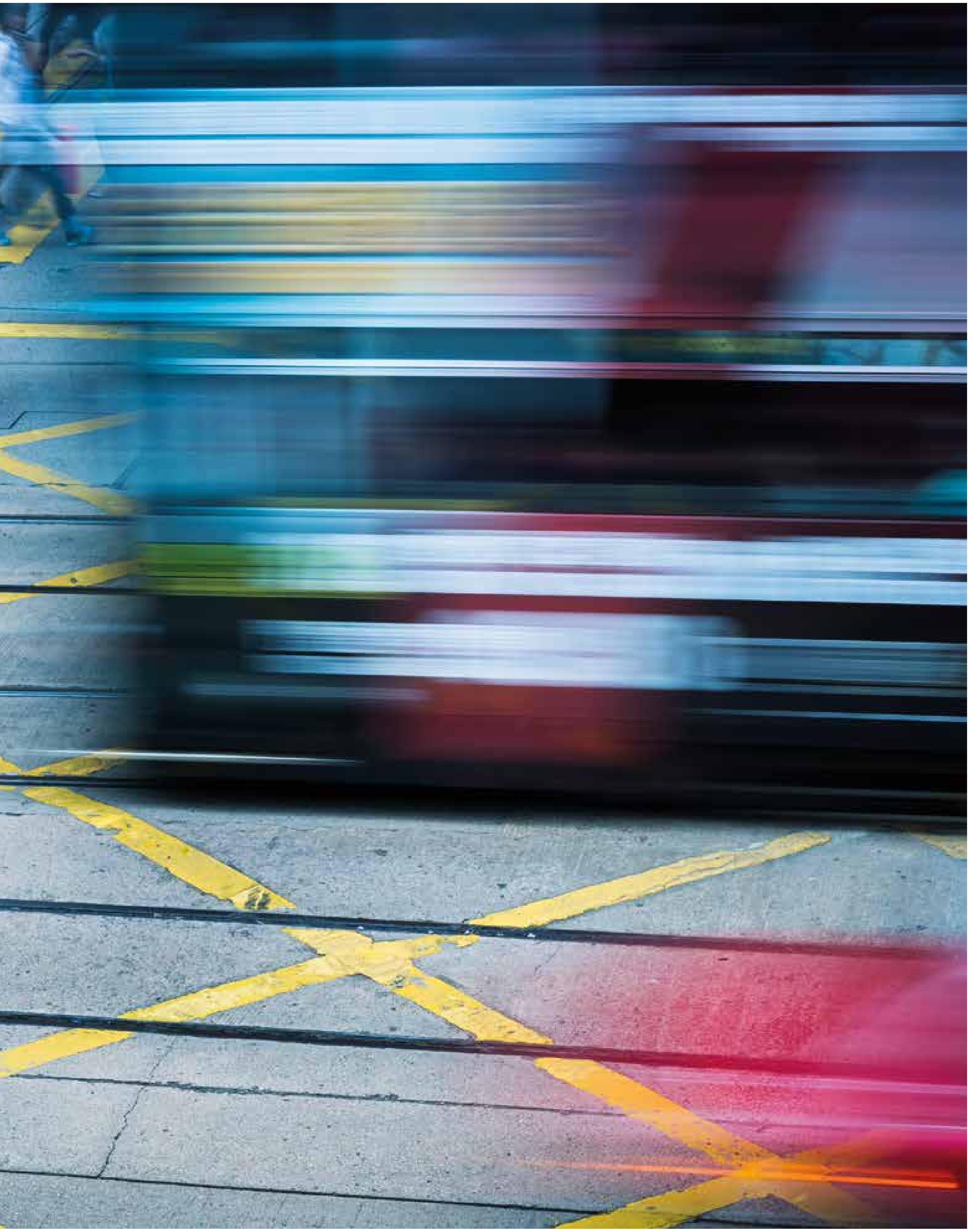
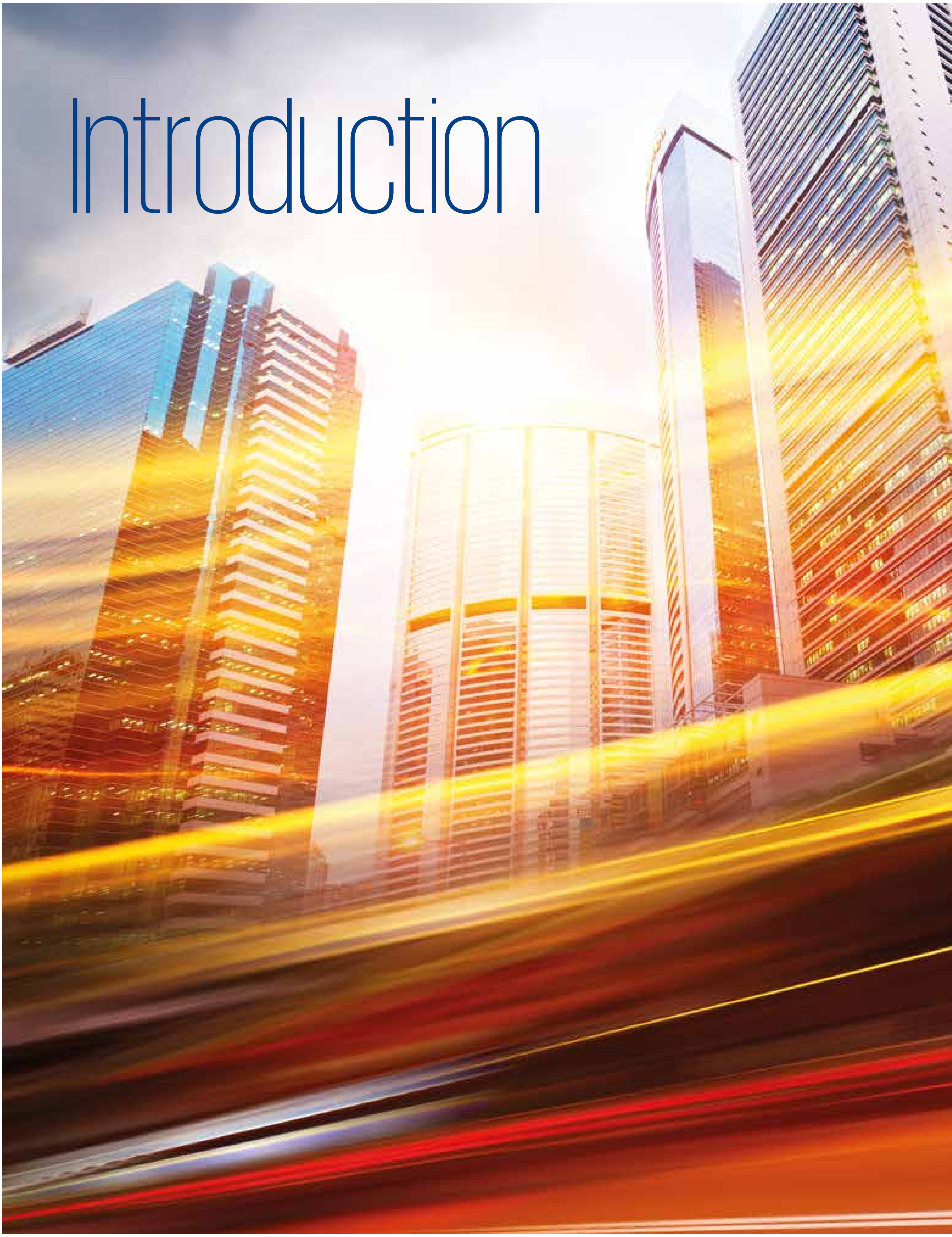
Contents



Introduction



The results of our annual Hong Kong Banking Survey reveal that banks in Hong Kong are facing continued pressure on revenue, while credit costs are returning to more normal levels from a low base. With revenue growth under pressure and the spectre of a 'lower for longer' interest rate environment becoming more of a reality, costs remain the main lever for profitability. However, as we examine the Hong Kong banking outlook for 2016 against this backdrop, there are opportunities. The question is whether these opportunities outweigh the threats.

A potential challenge for banks is undoubtedly the significant level of uncertainty around the global economy. Furthermore, banks in Hong Kong will be keeping a watchful eye on China's growth, while Brexit concerns and the upcoming US elections in November could have global ramifications.

But in the face of fierce competition and downward pressure on revenue, banks are looking at alternate ways to improve their profitability. Some might focus on enhancing their customer experience offering, as well as their mobile and other payment service channels to improve top-line growth. Others might look at managing costs optimally by harnessing data to improve regulatory reporting, or by implementing a cost management structure as part of a broader Enterprise Performance Management framework.

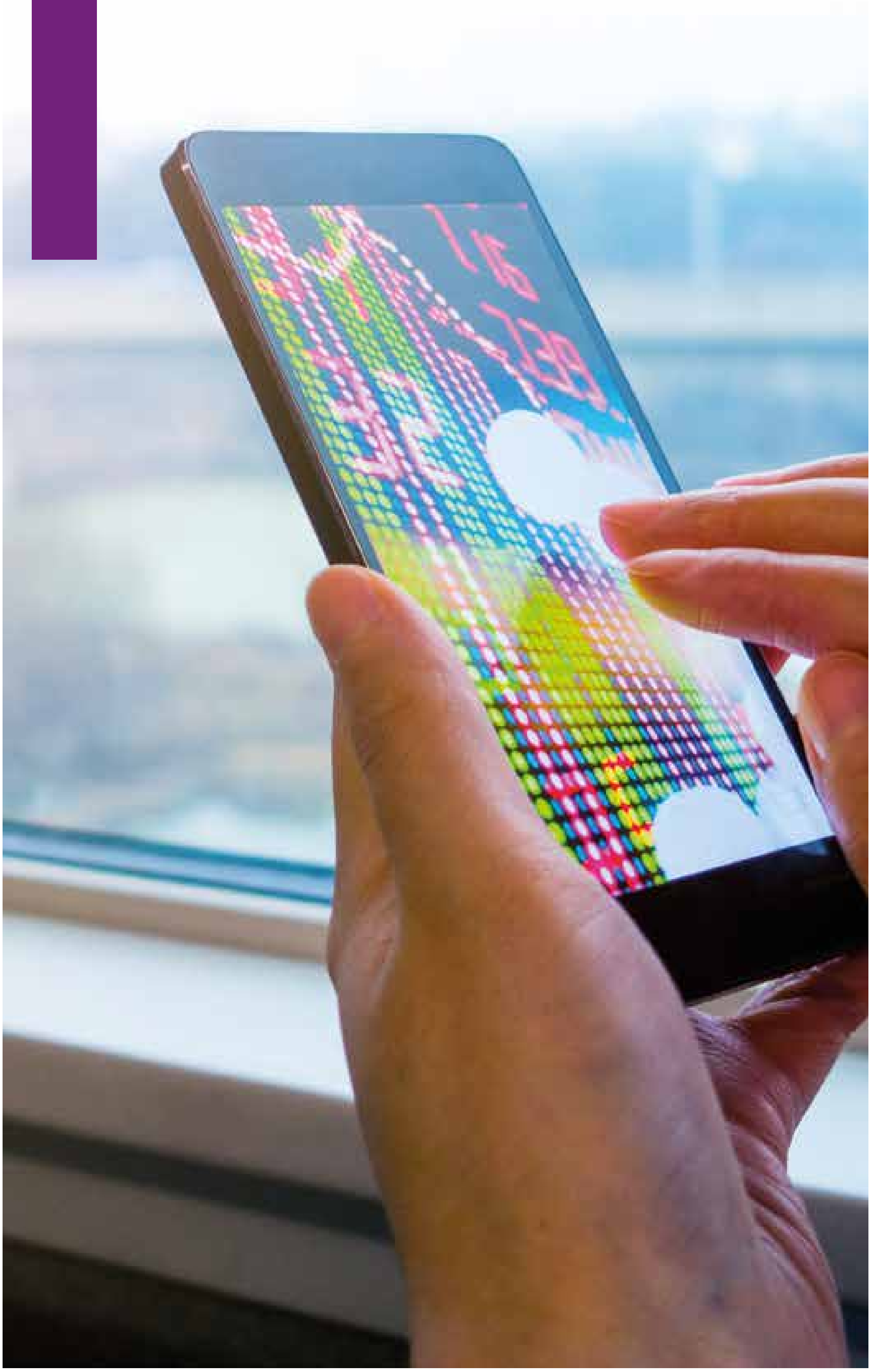
Some banks are also looking at FinTech solutions to improve their profitability, thanks in part to a concerted effort from Hong Kong's government to promote and encourage entrepreneurship in the industry. In our discussions with the Financial Services and the Treasury Bureau (featured in this survey), we find that attitudes are changing in Hong Kong, and financial institutions are increasingly viewing FinTech as complementary rather than direct competition to their business.

Meanwhile, banks in Hong Kong continue to deal with regulatory issues. In the near future, we expect to see the introduction of a number of new regulations and initiatives around AML, Basel III, cybersecurity, stored value facilities, CRS and FATCA. Furthermore, with NPLs in China potentially affecting financial institutions in Hong Kong, banks should seek to review and bolster their risk management framework.

While some threats remain, there are a number of opportunities for banks in Hong Kong to improve their profitability. Banks that are nimble, willing to innovate, focused on customer experience, and use data analytics and technology to improve performance will likely be the ones that are successful.

Paul McSheaffrey
Partner, Head of Banking, Hong Kong
KPMG China

Overview



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2015 was a difficult year for Hong Kong's banking sector, with challenges in many areas including loan growth, rising costs, increasing impaired loans and compressed margins. Despite having regained some momentum during the first half of 2015, the surveyed banks'[1] total assets grew by only 2 percent year on year, which is significantly lower when compared to the growth of 8 percent in each of the prior two years. Banks' profitability[2] grew by 11 percent compared to 2014. However, this included a significant gain of HK$11 billion recognised on Hang Seng Bank, Limited's (Hang Seng) partial disposal of its holding in Industrial Bank Co., Ltd (Industrial Bank) during the first half of 2015. Excluding this disposal, overall profit dropped by 1 percent.

In this survey, we present an analysis of some key metrics for the top 10 locally incorporated licensed banks in Hong Kong[3].

Banks featured in this overview

HSBC	Hongkong And Shanghai Banking Corporation Limited (The)
BOC (HK)	Bank of China (Hong Kong) Limited
Hang Seng	Hang Seng Bank, Limited
SCB	Standard Chartered Bank (Hong Kong) Limited
BEA	Bank of East Asia, Limited (The)
ICBC (Asia)	Industrial And Commercial Bank of China (Asia) Limited
CCB (Asia)	China Construction Bank (Asia) Corporation Limited
DBS	DBS Bank (Hong Kong) Limited
Nanyang	Nanyang Commercial Bank, Limited
CITIC	China CITIC Bank International Limited

[1] The analysis is based on financial institutions registered with the Hong Kong Monetary Authority.
[2] Profitability represents profit after tax.
[3] The top 10 locally incorporated licensed banks mentioned in this article are the 10 banks with the highest total assets among all locally incorporated banks as of 31 December 2015.

Net interest margin

Net interest margin (NIM)[4] across the surveyed banks continued to deteriorate in 2015 as the low interest rate environment persisted globally. The overall NIM of the surveyed banks dropped to 1.59 percent, down by 10 basis points compared to 31 December 2014, with 71 percent of the surveyed banks experiencing a drop in NIM. The spectre of a "lower for longer" rates environment is becoming more of a reality, and presents a challenge to banks' profitability when this key source of revenue – particularly from spreads on deposits – is under threat.

For the top 10 locally licensed banks, NIM also dropped to 1.48 percent, representing a 15 basis point decrease from 2014. Among the top 10 locally incorporated banks, China CITIC Bank International Limited (CITIC) and Bank of China (Hong Kong) Limited (BOC (HK)) experienced drops in NIM of 53 and 25 basis points, respectively, compared to 2014. The drop experienced by CITIC was due to narrowed interest yields on interbank lending[5]. At BOC (HK), the lower NIM was caused by lower interest rate spreads on RMB assets, higher deposit costs and lower average margins on short-term investments[6].

Hang Seng and The Hongkong and Shanghai Banking Corporation Limited (HSBC) exhibited the highest NIMs among the top 10 locally licensed banks as of 31 December 2015. Hang Seng recorded a NIM of 1.83 percent as of 31 December 2015, down 7 basis points from 2014, which was primarily due to a lower average interest spread on commercial loans and RMB assets, partly offset by improved spreads on customer deposits[7]. HSBC's NIM, on a consolidated basis, stood at 1.78 percent, down 13 basis points from 31 December 2014, which was driven by narrowed interest spreads from loans and deposits, and lower yields from investments. For HSBC's Hong Kong operations, the margin also fell by 9 basis points to 1.21 percent for 31 December 2015, due to decreased interest spreads on commercial lending, which was partly offset by improved spreads on trade-related lending and deposit balances[8].

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

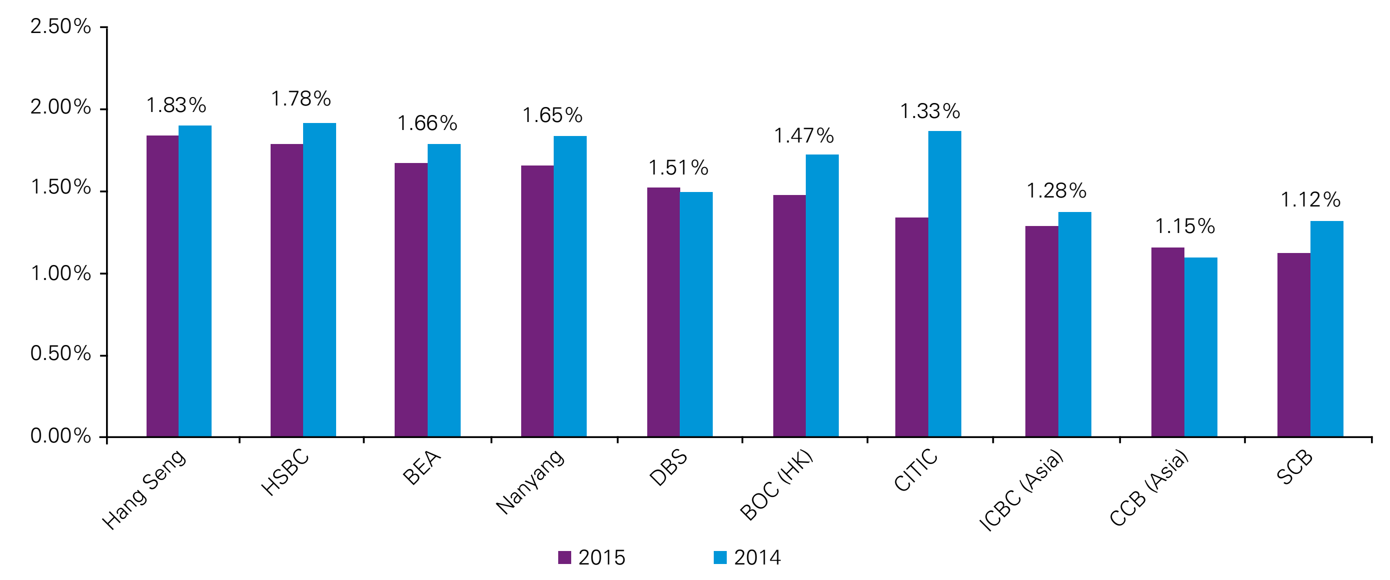
5 China CITIC Bank International 2015 Results Highlights, p.1, https://www.cncbinternational.com/_document/about-us/investor-relations-announcements/en/2015/res.pdf

6 BOC Hong Kong (Holdings) Limited 2015 Annual Results Announcement, p.16, http://www.bochk.com/dam/bochk/an/2016/20160330a_en.pdf

7 Hang Seng Bank Limited 2015 Results - Highlights, p.23, https://www.hangseng.com/cms/fin/file/result/press_a_2015_en.pdf

8 The Hongkong and Shanghai Banking Corporation Limited Annual Report and Accounts 2015, p.17, http://www.hsbc.com/~/media/hsbc-com/investorrelationsassets/hsbc-results/2015/annual-results/the-hong-kong-and-shanghai-banking-corporation-limited/annual-report-and-accounts-2015.pdf

Net interest margin



Source: Extracted from individual banks' financial and public statements

Costs

Given the revenue pressure, particularly with respect to NIM, the ability to manage costs and innovate is key to banks' success. We are seeing some signs of banks in Hong Kong innovating with new branch models that are digital and automated. This brings both cost benefits and also improved customer experience. We feel banks that are nimble and keen to innovate in this area will reap rewards.

Despite the banking sector's continued efforts to reduce costs, the average cost-to-income ratio[9] of the surveyed banks showed an increase of 1.6 percentage points, standing at 48.7 percent in 2015 compared to 47.1 percent in 2014[10]. This trend is reflective of the banks' continual investment in more regulatory and compliance initiatives, and of growing wage and infrastructure costs. Overall, all surveyed banks, except for The Bank of East Asia, Limited (BEA), experienced increases in their operating expenses, while less than 40 percent of the surveyed banks showed improvements to their cost-to-income ratios. The improvements in cost-to-income ratios at these banks, including Industrial and Commercial Bank (Asia) Limited (ICBC (Asia)) and China Construction Bank (Asia) Corporation Limited (CCB (Asia)), were achieved by a larger growth in operating income, compared to an 11.1 percent increase in operating expenses over the same period.

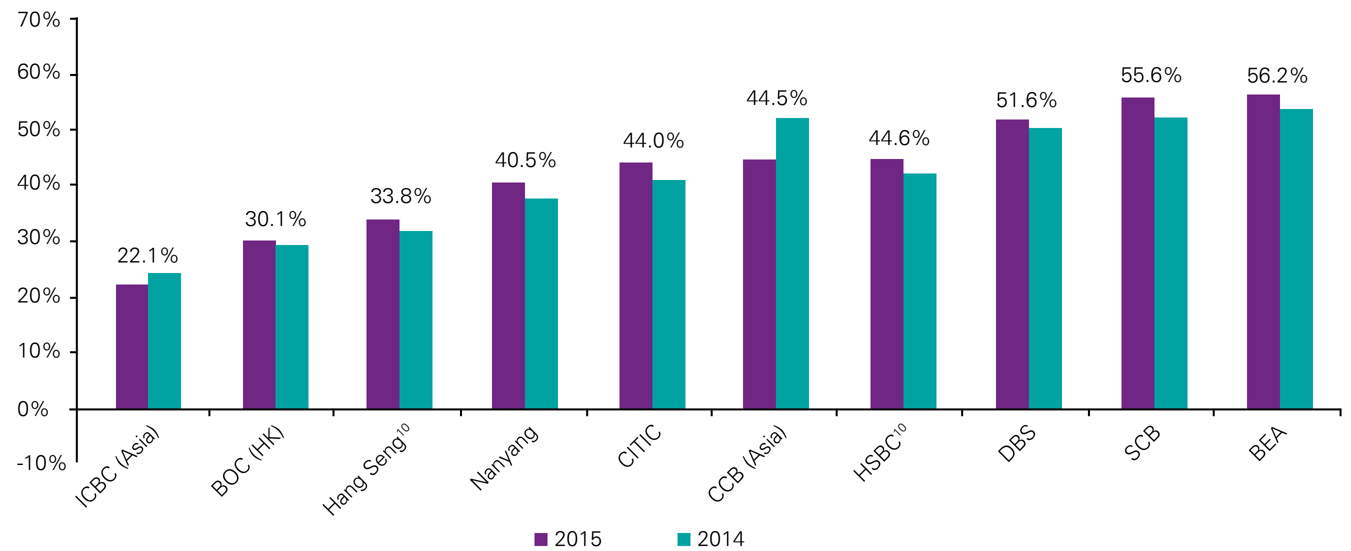
The top 10 locally incorporated banks also recorded increases in their cost-to-income ratios, which stands at an average of 42.3 percent, an increase of 0.9 percentage points compared to 2014. Of these top 10 banks, CCB (Asia) showed the most improved cost-to-income ratio of 44.5 percent in 2015, an improvement of 7.6 percentage points. This was achieved by a 23.2 percent increase in operating income due to higher net interest income and lower trading losses, while operating expenses marginally increased by 5.2 percent. On the contrary, Standard Chartered Bank (Hong Kong) Limited (SCB) showed the most significant increase in its cost-to-income ratio by 3.5 percent, bringing its overall ratio to 55.6 percent in 2015. This is attributed to a 5.6 percent drop in operating income versus a 0.6 percent increase in operating expenses.

Among the top 10 locally incorporated banks, ICBC (Asia) continues to be the most efficient, recording the lowest cost-to-income ratio of 22.1 percent, a decrease of 2 percentage points from 2014. BEA recorded the highest cost-to-income ratio of 56.2 percent, despite a 1.2 percentage point decrease in operating expense in 2014.

[9] Cost-to-income ratio is calculated as total operating expense divided by total operating income.

[10] Computation of average cost-to-income ratios of the surveyed banks and of the top 10 locally incorporated banks exclude the significant gain of HK$11 billion recognised by both Hang Seng and HSBC on Hang Seng's partial disposal of its holding in Industrial Bank in 2015.

Cost-to-income ratios



Source: Extracted from individual banks' financial and public statements

Credit quality

Increasing credit losses remain a threat to profitability. In particular, uncertainty and concerns in certain industries both regionally and globally – for example in the commodities sector – will have an impact. The credit quality of the loan books in Hong Kong will continue to be exposed to China's economy, both directly for loans to Chinese counterparties but also indirectly given the geographic and economic proximity of Hong Kong to China.

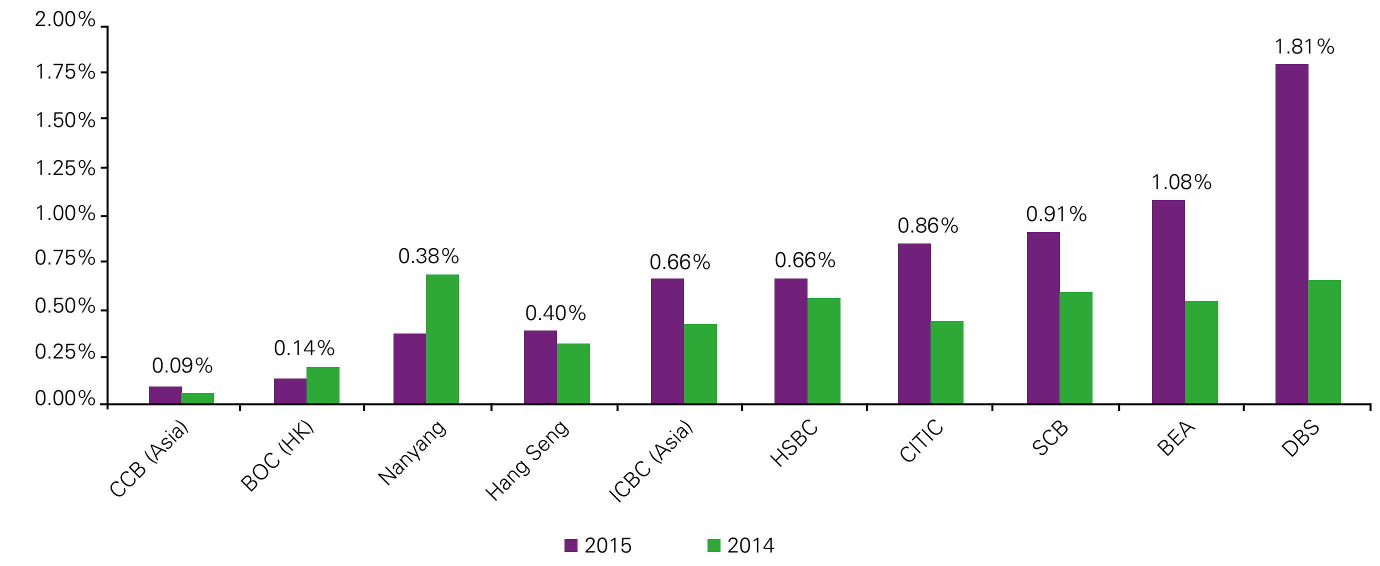
While the impaired loan ratio[11] among the surveyed banks is still considered relatively low, we have seen an increase in the impaired loan ratio, as predicted last year. Among the surveyed banks, the impaired loan ratio stood at 0.55 percent in 2015, an increase of 23 basis points from 2014.

For the top 10 locally incorporated banks, the average impaired loan ratio grew by a comparable 25 basis points, standing at 0.70 percent in 2015. Among these banks, DBS Bank (Hong Kong) Limited (DBS) showed the most significant deterioration in its impaired loans ratio, increasing by 1.14 percentage points to 1.81 percent in 2015. This was attributed to a 136 percent growth in its gross impaired advances versus a 13 percent decrease in gross advances to customers with significant growth in impaired loans in its corporate exposure. There were other notable deteriorations in impaired loan ratios at BEA and CITIC of 54 basis points and 42 basis points, respectively. These changes were driven mainly from the banks' mainland, and corporate and trade finance exposures, respectively.

Of the top 10 banks, only BOC (HK) and Nanyang Commercial Bank (Nanyang) showed improvements to their impaired loan ratios, with both banks exhibiting declines in their impaired loans. For BOC (HK), despite recording a decline in its gross advance to customers of 9 percent in 2015, this was offset by a 36 percent decline in impaired advances, bringing its impaired loan ratio to 0.14 percent, down 6 basis points from 2014. Nanyang, which reported a growth in gross advances to customers of 3 percent, experienced a decline in impaired advances of 44 percent in 2015, resulting in an overall impaired loan ratio of 0.38 percent, 31 basis points lower than 2014. The decline in impaired loans reported by both banks appears to be attributable to drops in impaired advances in commercial lending and trade finance lending, arising in part from larger write-offs observed at both banks in 2015, which were more than double the amount in 2014.

[11] Impaired loan ratio is calculated as impaired advances divided by gross advances to customers.

Impaired loan ratio



Source: Extracted from individual banks' financial and public statements

Loans and advances

Overall, the surveyed banks experienced a drop in total loans and advances of 2.5 percent compared to 31 December 2014. Our analysis shows that total loans and advances reached HK$7,106 billion as of 31 December 2015, down from HK$7,285 billion in 2014. Loans for use outside Hong Kong, commercial loans and mortgage lending continue to represent 86 percent of total loan outstanding, consistent with analysis from 31 December 2014. HSBC[12] and BOC (HK) continue to be the dominant players in the lending market, contributing to 52 percent of the total loans outstanding as of 31 December 2015.

The results from our survey indicate an overall decline in lending to the commercial sectors, with drops in commercial lending, loans for use outside Hong Kong and trade finance lending of 1.9 percent, 3.8 percent and 25.1 percent, respectively, since 31 December 2014. The significant decline in trade finance lending is attributed to the overall global economic downturn, with the most significant deterioration coming from the mainland, and a general negative outlook on exports in the short term[13]. On the other hand, personal lending increased with growths in mortgage lending, credit card lending and personal lending of 8.1 percent, 2.5 percent and 8.9 percent, respectively, from 31 December 2014.

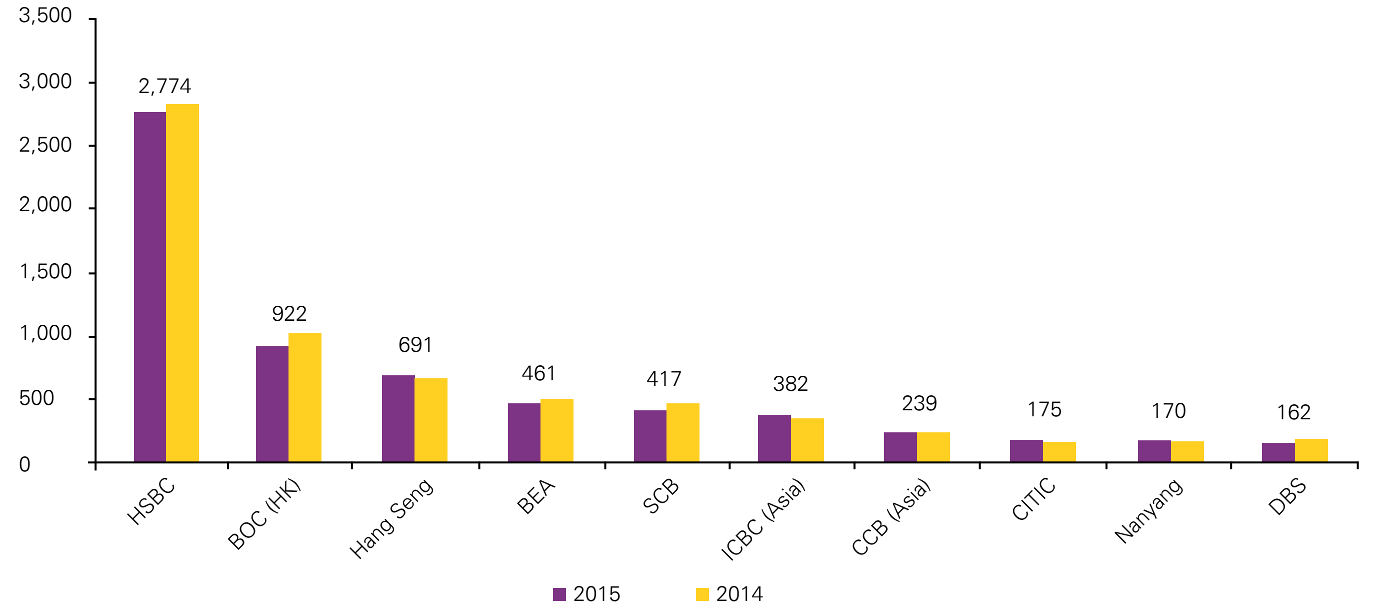
The top 10 locally incorporated banks saw a comparable decline in their loan portfolios of 2.7 percent, or HK$178 billion, compared to 31 December 2014. However, ICBC (Asia), CITIC and Hang Seng experienced notable loans growth of 9.9 percent, 9.4 percent and 4.6 percent, respectively. Overall, these banks experienced growth across all loan portfolios, except for a decline in trade finance lending of 15 percent and 34.9 percent at ICBC (Asia) and CITIC, respectively.

DBS experienced the largest decline of its loan portfolio with a drop of 13.1 percent, which was driven by an overall decline in all loan portfolios except for marginal growth in credit card and personal lending. BOC (HK) also experienced a drop of 9.5 percent to its loan portfolio, driven by lower commercial lending, personal lending, loans for use outside Hong Kong and trade finance lending.

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

[13] HKTDC Export Index 4Q15: Exporter morale drops, but remains neutral for 2016, http://hong-kong-economy-research.hktdc.com/business-news/article/HKTDC-Export-Index/HKTDC-Export-Index-4Q15-Exporter-Morale-Drops-But-Remains-Neutral-for-2016/etihk/en/1/1X48TMBV/1X0A4KMQ.htm

Loans



Source: Extracted from individual banks' financial and public statements

Non-bank Mainland Exposure

Exposure to non-bank mainland China-related business continued to increase in 2015, but at a slower rate than other exposures and the previous year. This was also markedly different in profile with the growth coming from the Hong Kong subsidiaries of Chinese banks. Overall total non-bank mainland exposure of the surveyed banks has risen by 1.1 percent compared to 31 December 2014. This compares to the 2.1 percent growth in total assets for the same period.

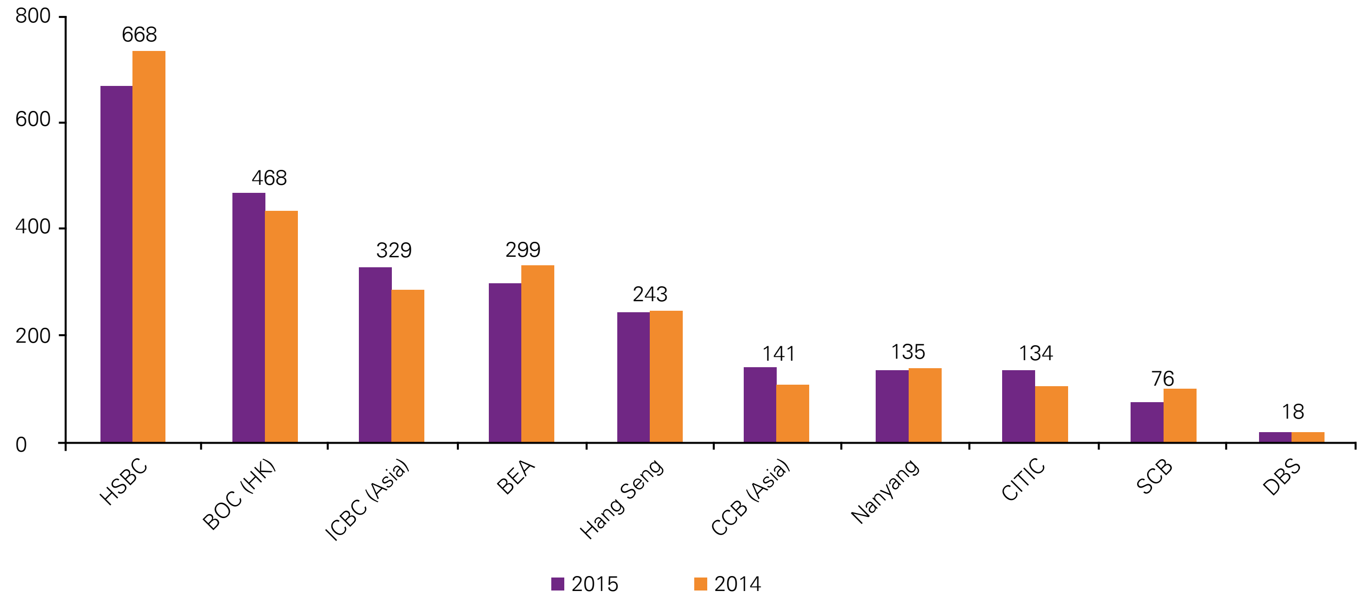
In aggregate, non-mainland China exposure for the top 10 locally incorporated banks grew by 0.5 percent in 2015, with the subsidiaries of Chinese banks as the primary contributors. Of the banks surveyed, ICBC (Asia), CCB (Asia) and CITIC reported double-digit growth in non-bank mainland China exposure of HK$42 billion (or 14.8 percent), HK$34 billion (or 31.7 percent) and HK$27 billion (or 25.7 percent), respectively. BOC (HK) also reported total exposure growth of HK$36 billion (or 8.3 percent), despite an overall decline in its total loan and advances as of 31 December 2015.

All other local and international banks surveyed reported declines in their non-bank mainland exposure, with SCB, BEA and HSBC reporting the most significant declines of HK$25 billion (or 25.1 percent), HK$33 billion (or 9.9 percent) and HK$64 billion (or 8.8 percent), respectively, from 31 December 2014. The decreases experienced by BEA and SCB were attributed to the banks' more conservative lending approach in the mainland, economic slowdown in the region[14] and the alignment of the banks' risk appetites[15]. Nanyang, Hang Seng and DBS also reported marginal declines of HK$3 billion (or 1.8 percent), HK$3 billion (or 1.1 percent) and HK$0.5 billion (or 2.7 percent), respectively, from 2014.

[14] The Bank of East Asia, Limited 2015 Final Results - Highlights (for the year ended 31st December, 2015), p.2, http://www.hkbea.com/pdf/en/about-bea/new-release/2016/20160215e.pdf

[15] Standard Chartered plc Financial Information Announcement, p.33, https://www.sc.com/global/av/hk-e_160324-scplc-financial-information-announcement.pdf

Non-bank mainland China exposure



Source: Extracted from individual banks' financial and public statements

FinTech: here to complement, not only to compete

Despite global economic uncertainty, the FinTech industry in Hong Kong continues to grow at breakneck speed, with interest and investment pouring into the sector. We are seeing more collaboration between the FinTech and financial services sectors in Hong Kong, as banks and financial institutions seek to forge partnerships with FinTech companies, accelerators and incubators to drive innovation within their own organisations.

With this in mind, Paul McSheaffrey (Partner, Head of Banking, Hong Kong, KPMG China), sat down with Paul Wong (Principal Assistant Secretary for Financial Services and the Treasury, Financial Services and the Treasury Bureau) and Kent Yau (Head, Research Office, Financial Services and the Treasury Bureau) to discuss the government and regulators' approach to developing Hong Kong as a leading FinTech centre, opportunities and challenges faced by banks and FinTech startups, and the road ahead.

*From Left to Right: **Paul Wong**, Principal Assistant Secretary for Financial Services and the Treasury, Financial Services and the Treasury Bureau; **Kent Yau**, Head, Research Office, Financial Services and the Treasury Bureau, **Paul McSheaffrey**, Partner, Head of Banking, Hong Kong, KPMG China*

McSheaffrey: While Singapore's development as a FinTech centre is probably led more by regulators, we view Hong Kong as more market-led. What are your views on these approaches? Also, what feedback have you received from your ongoing discussions with various FinTech stakeholders in Hong Kong?

"We are aiming to encourage more dedicated services and programmes to launch in Hong Kong to connect newcomers to the FinTech sector with existing financial institutions."

Paul Wong, Principal Assistant Secretary for Financial Services and the Treasury, Financial Services and the Treasury Bureau

Wong: In terms of Hong Kong's approach, Financial Secretary John Tsang announced in his latest Hong Kong Budget speech that we want to adhere to the principle of "technology neutrality" when developing FinTech in Hong Kong, and we want to strike a balance between innovation and consumer protection. Our regulators are watching this space very closely, and the three regulators – for the banking, securities and insurance industries – have each set up dedicated FinTech offices to deal with regulatory enquiries. One of the comments we received during our discussions with stakeholders was that many of their products and services have that disruptive or innovative potential, and they might not be familiar with the regulatory landscape. As a result, the regulators have come forward to set up these dedicated liaison offices, and are taking a more forward-looking approach when dealing with stakeholders in the FinTech sector.

One important point to note is that several FinTech startups and clusters have been active for quite some time. For example, the number of co-working spaces in Hong Kong has increased more than tenfold from three in 2010 to more than 40 in 2015. Within these co-working spaces, about six percent of the startups operating there are engaged in FinTech. These private initiatives, accelerator programmes, co-working spaces and incubators all provide a useful service to the startups.

We are aiming to encourage more dedicated services and programmes to launch in Hong Kong to connect newcomers to the FinTech sector with existing financial institutions. There are two main reasons for this. Firstly, this will give startups an opportunity to connect with potential investors and collaborators, especially as some of them might be developing products that can complement the existing financial services industry. For example, we have seen a lot of firms developing artificial intelligence and technology for asset management, which can be used by financial institutions. By connecting these two communities, we hope to open up another source of potential investment for startups.

The second reason is to promote mentorship and experience sharing. It takes time to become accustomed to the rules of the game in the financial services industry, and by providing channels for startups to connect with seasoned professionals in the field, we hope this will expedite their learning process.

Furthermore, we recognise that FinTech startups might have specific needs or requirements for their business models, and we will begin developing certain dedicated incubation or accelerator programmes for them. Cyberport, for example, is already reconfiguring some of its existing space to provide the first phase of dedicated space for FinTech. This will be expanded to phase two in the latter half of this year, with about 3,000 square metres of total space. Over the next five years, a dedicated FinTech incubation programme in Cyberport can provide 150 spaces for FinTech startups.

McSheaffrey: In the discussions you've had with FinTech stakeholders, have you found that the financial institutions are welcoming of startups, or do they still need to be convinced?

Wong: I don't think they need to be convinced anymore. We have sensed the change in attitude since we started our research and preparation for the Steering Group on FinTech, which published its report to the Government in February 2016. It so happens that the launch of the Steering Group coincided with the growing interest in FinTech among the wider public. Today, every bank and financial institution is talking about FinTech and assessing what kind of FinTech applications, products and services could fit into their models. Because Hong Kong has such a vibrant financial services industry, banks have to be competitive and respond to all the changes in the international markets. Therefore, it's quite natural for them to explore the potential of FinTech for their own institutions.

McSheaffrey: There are a number of developing global FinTech centres like Singapore, London, New York and Silicon Valley. What makes Hong Kong stand out from the other centres as an attractive place for FinTech?

Yau: Hong Kong's link with the mainland, as well as its position as a centre for regional business for both local and international players, are definitely the most attractive factors.

With regards to the link to the mainland, Hong Kong's Secretary for Financial Services and the Treasury recently signed an agreement with the Shanghai Municipal People's Government to deepen our financial cooperation. One of the priority areas we are trying to work more closely together is in FinTech. Regulators on both sides can openly exchange experience and views on regulatory issues, and the Government will also facilitate local and foreign FinTech companies based in Hong Kong to explore the mainland market, and vice versa.

In addition to the strong link to the mainland, Hong Kong is also well placed as a regional hub for many companies with regional ambitions. Startups in Hong Kong have to think about the local market as well as expanding regionally, while international startups that want to expand into Asia can make use of Hong Kong as a regional centre for their businesses. Hong Kong can help customise or localise their products and services for the Asian market.

"We hope that banks and financial institutions appreciate that using technology can make their processes more efficient, especially when competition these days is very tough."

Kent Yau, Head, Research Office, Financial Services and the Treasury Bureau

McSheaffrey: What is the right balance between encouraging market development and consumer protection in the FinTech industry? Also, where do you view the Government's role in ensuring that there is more financial literacy among the general public around new FinTech products and services?

Wong: There is no set in stone answer, as it depends on the regulatory environment, public perception and how developed the FinTech sector is in a particular economy. We see how many FinTech applications have the potential to reduce transaction costs in the financial services industry, and we don't see any inherent conflict in the current regulatory environment with these applications. On the other hand, there are certainly challenges, for example in peer-to-peer (P2P) lending because that has a public investor-facing dimension. The challenge for the government and regulators is to see whether there is a need to modernise or modify some rules according to the new products and services in the market. It is not surprising that regulators around the world are facing the same issues. However, we all agree that we need to tread carefully, as the rise and pace of development in FinTech is unprecedented.

In terms of financial literacy and ensuring a suitable level of understanding among consumers, we can take P2P lending or crowdfunding as an example. Because of the risks involved in these areas, we will encourage the market to look into the possibility of developing these platforms under the existing rules for 'professional investors'. This means that you have to possess a proven level of financial literacy or reach a certain level of net worth before you are allowed to buy or invest in these products. We want to use this as a starting point, and monitor how the professional investors react to the new products.

Yau: The government is emphasising the concept of technology neutrality to assure people that regardless of the service channel consumers use, they still receive the same level of protection. Although there might be some differences in the interpretation of how this principle would work in reality, one of the key points to remember is that at the end of the day, financial services is financial services. We don't want consumers to get the impression that by engaging in mobile or electronic financial services channels, there will be few regulations to protect them. We want the consumer to be sure that when they use financial services products across all channels, they can enjoy a uniform level of protection.

> *"Because Hong Kong has such a vibrant financial services industry, banks have to be competitive and respond to all the changes in the international markets. Therefore, it's quite natural for them to explore the potential of FinTech for their own institutions."*

McSheaffrey: What do you think is the biggest challenge that Hong Kong faces in becoming the leading FinTech centre in Asia?

Yau: Talent is one key area of focus. Hong Kong has a rich supply of finance talent, but in addition to finance people, we need people with technical competencies to drive the FinTech industry forward and turn ideas into products and services. We need to equip technical students or existing IT practitioners with the right skills and knowledge to understand both FinTech and the financial services industry.

We hope to develop our existing talent pool in this area and also encourage young students to become receptive to entrepreneurship. To do this, we are pitching this to young and aspiring talent in universities. Some of it is being done by our innovation organisations – for example, the Cyberport University Partnership Programme – which promotes FinTech as an exciting area for students to explore. Also, the Hong Kong Applied Science and Technology Research Institute is running a similar, smaller-scale programme for young entrepreneurs in FinTech and other innovation sectors.

Secondly, the Hong Kong government is trying to provide more initial capital to startups, and has introduced funding schemes to boost investment in technology and innovation. Two major schemes – the Innovation and Technology Fund which was set up in 1999, and the Innovation and Technology Venture Fund to be launched – combined have more than HK$5 billion available to FinTech startups.

McSheaffrey: If you imagine the FinTech sector in Hong Kong two or three years from now, what does "success" look like?

Wong: One thing that I hope to see in two or three years is some successful local startups that can captivate the minds of the public and act as a magnet to attract more young people to work in FinTech.

Yau: Another goal is for all FinTech stakeholders to understand that the application of FinTech in financial services can provide a very new experience to consumers. At the same time, we hope that banks and financial institutions appreciate that using technology can make their processes more efficient, especially when competition these days is very tough. This is probably harder to quantify, but whether we can foster a culture to better appreciate these two points would be a good indicator of success for the development of FinTech in Hong Kong.

Wong: An interesting point to note is that when FinTech first began to gain in popularity, we were told that the potential of disruptive technology would eventually make banks extinct. But now that people have a better understanding of the market players and the dynamics of the industry, there is a more balanced picture. There are numerous FinTech players out there with products, services and business models that can complement and increase the efficiency of the existing financial institutions, and at the end of the day bring greater benefits to the customers.

Stored Value Facilities: bracing for a new regime

Jyoti Vazirani
Partner, Head of Financial Risk Management
KPMG China

The Stored Value Facility (SVF) market in Hong Kong is fast expanding, especially as investment in FinTech, smartphone devices and other related technologies continues to spur innovation, making payments easier and more efficient than ever before. There is ample room for growth too, with recent studies revealing that a significant number of transactions conducted in Hong Kong are still settled using cash.

New SVF regulations

With people increasingly turning to SVFs – a form of prepaid electronic cash or card that can be used within the SVF issuer's system – to settle payments and to make peer to peer transactions, the HKMA has sought to enhance consumer protection and minimise risk around SVF deposits and payments. In November 2015, the regulator enacted the Payment Systems and Stored Value Facilities Ordinance, which requires all multi-purpose SVF issuers to obtain a licence to operate in Hong Kong. The Ordinance also calls on SVF issuers to improve corporate governance, implement Anti-Money Laundering (AML) and know-your-customer (KYC) controls, strengthen SVF float and deposit protection, and enhance technology risk management, payment security and business continuity standards.

The new legislation lays out a one year transitional period for SVF issuers to obtain a licence from the HKMA. From November 13 this year, any issuers without a licence will have to exit the Hong Kong market. As of April this year, the HKMA had received more than 20 SVF licence applications, of which 70 percent are already in operation. Half of the applications are from businesses domiciled in Hong Kong, while 30 percent are from China and 20 percent from the US and Europe. The HKMA also said that two-thirds of the applicants are prepaid card issuers, while the other third are involved in internet or mobile payment services.

With the enactment of the Ordinance, Hong Kong now has one of the most robust and up-to-date SVF regulations in the world, and is one of the few jurisdictions to have standalone legislation that specifically oversees SVF issuers. In several other major jurisdictions, SVFs fall under the scope of broader AML, payment services, depository requirements, electronic funds transfer and other related regulations. Meanwhile, the Monetary Authority of Singapore (MAS), which regulates SVFs in Singapore, also recently updated its Payment Systems (Oversight) Act – Chapter 222A in November 2015 to expand existing AML and counter-financing of terrorism (CFT) regulations to include SVF issuers.

"With the enactment of the Ordinance, Hong Kong now has one of the most robust and up-to-date SVF regulations in the world, and is one of the few jurisdictions to have standalone legislation that specifically oversees SVF issuers."

Reaping the benefits

The new Ordinance puts Hong Kong at the forefront of SVF regulation worldwide, and will affect SVF issuers, banks, customers and other stakeholders to varying degrees. Merchants and vendors will benefit from more consumer flow via this method, while SVF customers will likely find it easier to conduct transactions, and with greater confidence knowing that robust regulations are in place. However, application procedures may become more complex as new AML policies will likely require customers to provide additional information.

Banks and financial institutions in Hong Kong are not subject to additional requirements under the new Ordinance. Depending on how the SVF market develops over the next couple of years, banks could come under threat from SVF issuers, especially since SVF products are easily available to consumers. However, the new legislation also presents several opportunities for banks in Hong Kong. As a medium to long-term strategy, banks could consider investing in a developed SVF issuer to gain a competitive advantage in the market by broadening their customer base and enhancing their consumer offering.

Meanwhile, SVF issuers need to ensure that their chief executive and other senior management executives meet certain "fit and proper" requirements, and put in place suitable data privacy risk and cyber security risk management policies. SVF issuers also need to implement adequate controls to manage and protect the SVF float and deposit, and ensure that sufficient funds are readily available for redemption. Furthermore, they will also have to create appropriate AML and CFT systems and procedures in accordance with the new legislation. SVF issuers will likely incur substantial costs from implementing these policies and procedures, which will raise the barrier to entry to the SVF market. Banks that already have existing infrastructure in place should consider whether to continue offering SVF services.

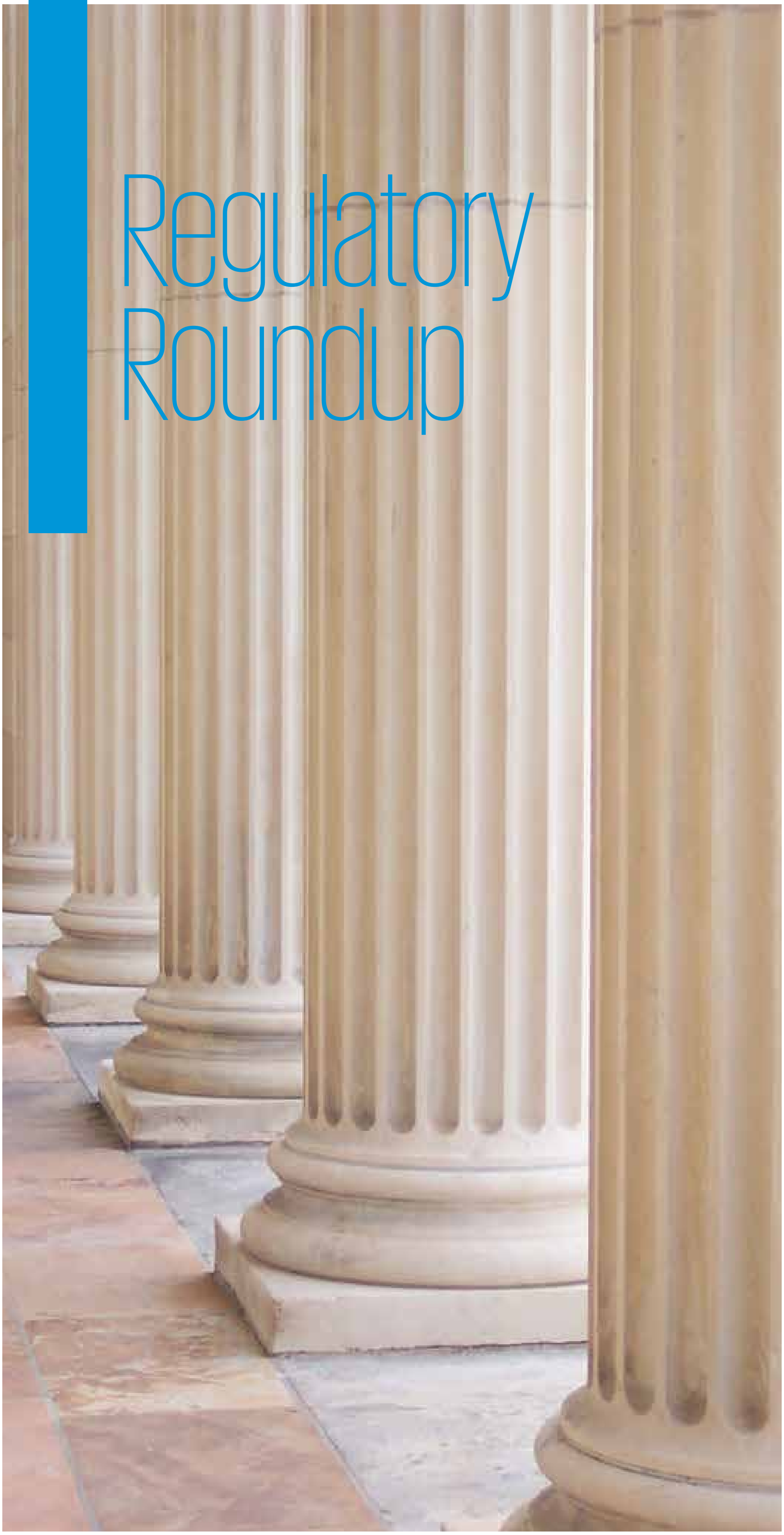
> *"As a medium to long-term strategy, banks could consider investing in a developed SVF issuer to gain a competitive advantage in the market by broadening their customer base and enhancing their consumer offering."*

A level playing field

Although the barrier to entry will be higher, the Ordinance will level the playing field among licensed SVF issuers in Hong Kong, and enhance transparency for customers, banks and other stakeholders. And with cash transactions still prevalent in Hong Kong, there is a large untapped market for SVF licence applicants to explore. Furthermore, soaring interest and investment in FinTech, smartphone devices and other digital technology is positioning Hong Kong as a leading hub for SVF products and services.

However, in the short-term, some SVF issuers might exit the market during the one year transition period, and consumers should exercise caution when selecting SVF products and services during this time. It may be a while before banks and financial institutions in Hong Kong will be able to gauge the effects of the new Ordinance on their business operations. Nonetheless, they should use this period as an opportunity to assess their short and long-term strategies, consider whether to bolster investment and activity around SVFs, and prepare to tackle a new brand of competition in Hong Kong.

Regulatory Roundup



Enforcement: emphasising global regulatory collaboration

Jianing Song, Director, Financial Services, KPMG China

As the number of regulations being introduced in Hong Kong continues to grow, so does the risk of enforcement, and this risk has become especially acute in the last several years given the pace of regulatory changes globally.

For the Securities and Futures Commission (SFC), electronic trading has become a key focus. The SFC has strengthened its regulations over the past few years having issued new guidelines regarding electronic trading governance, algorithmic trading and most recently alternative liquidity pools. The SFC recently levied several fines against licenced corporations for lapses in controls related to dark pool trades. Licensed corporations should expect regular assessments from the SFC going forward and should also be able to demonstrate the effectiveness of controls to ensure compliance with regulations.

Looking forward, as Hong Kong's regulators continue to emphasise engagement with global regulators,we see global regulatory themes focusing on regulation of quality markets, facilitating market development in a fair and effective manner, including Fixed Income, Currencies and Commodities (FICC) markets which historically have been more opaque, and investor protection will continue to be focus areas. Best execution, market abuse, FICC market conduct and transaction transparency are expected to be some of the next key topics in regional regulatory compliance.

Enforcement action against individuals from UK regulators is expected to increase once the new Senior Managers and Certification regime comes into force globally in 2019. This law highlights the scrutiny licenced corporations face not just from local regulators but also from their equivalents at the regional and global level as well. The SFC has also been collaborating with other regulatory bodies in the region for some time and will continue to import some of the practices employed elsewhere to Hong Kong.

At the same time we have seen the Hong Kong Monetary Authority (HKMA) step up its enforcement activities with cases of possible breach of statutory requirements, for example in relation to anti-money laundering requirements, increasingly being referred to the enforcement department for formal investigation and action.

Cyber Security: strengthening cyber resilience

Henry Shek, Partner, IT Advisory, KPMG China

The increasing number and sophistication of cyber-attacks in Hong Kong is pushing the issue of cyber security higher up the agenda for banks. In fact, statistics from the Hong Kong Computer Emergency Response Team Coordination Centre show a 43 percent rise in cyber security incidents in Hong Kong in 2015 compared to 2014, and an alarming 190 percent jump since 2013. However, the Hong Kong Monetary Authority (HKMA) is ramping up its efforts to tackle cybercrime. The regulator recently launched several significant measures to strengthen cyber resilience in the banking sector, putting Hong Kong on par with international standards.

One such measure is the Cybersecurity Fortification Initiative (CFI), which the HKMA announced in May. The new initiative, which is targeted to launch by the end of the year, aims to raise the level of cyber security among banks in Hong Kong through the development of a Cyber Resilience Assessment Framework, a Professional Development Programme and a Cyber Intelligence Sharing Platform.

The Cyber Resilience Assessment Framework creates a common risk-based structure to enable banks to assess their risk exposure through an inherent risk assessment, a maturity assessment and intelligence-led cyber-attack simulation testing (iCAST). Banks can use the inherent risk assessment to evaluate their cyber risk exposure in five areas, including products, service and delivery channels, technology, organisational characteristics and cyber incident track records.

The maturity assessment allows banks to determine their maturity level against seven key domains, including governance, identification, protection, detection, response and recovery, situational awareness and third-party risk management. Banks can then perform a gap analysis and compare their current maturity level to the required level, and identify areas for improvement.

iCAST will be applied on top of the traditional penetration testing, and will include scenarios designed to replicate real-life cyber-attacks based on specific and up-to-date threat intelligence.

The Professional Development Programme, which is targeted to launch by the end of 2016, seeks to train and boost the number of qualified cyber security professionals in the banking and information technology industries in Hong Kong. Lastly, the Cyber Intelligence Sharing Platform offers a secure avenue for banks to collaborate and share intelligence on cyber-attacks to bolster cyber security.

The three-pronged approach under the CFI is a welcome development for Hong Kong's banking sector. The initiative will provide banks in Hong Kong with an improved framework to evaluate risk exposure to help ensure better prevention and detection of cyber security incidents. This is particularly important as banks are a prime target for cyber-attacks due to their pivotal involvement in payment and settlement systems and the sheer volume of sensitive customer information they possess. Furthermore, the creation of a platform for banks to come together and share intelligence on cyber incidents can bolster cyber resilience in the industry and instil greater confidence among customers and other stakeholders.

Although further details on the implementation of the CFI are expected to be released later in the year, banks should start preparing for the new initiatives as soon as possible. Boards and senior management at banks should review their current talent management programmes, and consider how to integrate the Cyber Resilience Assessment Framework and Cyber Intelligence Sharing Platform into their existing structure. They should also think about how best to incorporate threat intelligence into their current processes on intrusion detection, incident response, crisis management and simulation based testing.

Moreover, senior management at banks can no longer afford to treat cyber security as a back office matter. They should actively engage with departments across the business to promote cyber security awareness and enact robust governance processes to strengthen cyber resilience throughout the organisation.

> *"The Cybersecurity Fortification Initiative will provide banks in Hong Kong with an improved framework to evaluate risk exposure to help ensure better prevention and detection of cyber security incidents."*

Basel III: new capital requirements in the pipeline

Simon Topping, Partner, Regulatory Advisory, KPMG China

Hong Kong is on course to implement new Basel III regulations according to the timeline set out by the Basel Committee on Banking Supervision. In its assessment in March 2015, the Basel Committee concluded that the risk-based capital framework and the implementation of the Liquidity Coverage Ratio requirements in Hong Kong were compliant with the Basel III standards. The Hong Kong Monetary Authority (HKMA) has carried the momentum forward this year by developing new capital standards rules and consulting the industry on a number of policy proposals. Some significant changes in the pipeline for banks include new capital requirements for market risk, credit risk and operational risk.

In January, the Basel Committee published the final standards on minimum capital requirements for market risk. The HKMA will use this year to consult the banking industry on how to implement this in Hong Kong by 2019, in line with the Basel Committee's timetable. The new rules are likely to spur banks in Hong Kong to change the systems they use and the data they produce. Banks may also start reconsidering which activities that generate market risk that they wish to continue with.

On the operational risk front, the Basel Committee issued a second consultation in March on a new standardised approach to calculate operational risk capital. Once final standards are released by the Basel Committee, the HKMA will consult the industry on the issue. Banks in Hong Kong currently use either the basic indicator approach or the standardised approach to measure operational risk capital. The third method – the Advanced Measurement Approach (AMA) – has never been implemented in Hong Kong. All banks will have to eventually migrate to the new standardised approach, but they will be able to lower their operational risk capital charge if they have suitable internal loss data. But do the banks in Hong Kong have this data readily available? Under the AMA method, they would. However, under the basic indicator and standardised approaches currently used by Hong Kong's banks, it is unclear whether their data is suitable to obtain a discount on the operational risk charge under the new standardised approach. Banks may therefore require higher capital than peers elsewhere.

Also in the consultation phase are new standards for credit risk capital requirements. This is a key issue for banks, as a large portion of the risk-based capital held by Hong Kong banks is for credit risk. As it stands, many of the banks in Hong Kong use the standardised method to quantify regulatory capital for credit risk. The proposed changes would introduce a new standardised approach, which could increase the capital charge for banks.

A small number of the larger banks use the internal ratings-based (IRB) approach to calculate capital for credit risk. The proposed changes would disallow using the IRB method for certain portfolio types, such as specialised lending and financial institutions exposures. Once the new standards are implemented, banks currently using the IRB approach for those portfolios will have to switch to the new standardised method. There is also a proposal to bring in a capital floor which would limit the savings banks could achieve by using the IRB approach, relative to the standardised approach.

The HKMA is likely to finalise the new credit, market and operational risk standards within the next 12 months, with implementation to follow in the next couple of years. Banks should take advantage of this window to consider the impact of these rules on their existing systems, capital and data. Amending the various systems that collect and analyse data could take several years, and the sooner banks address this issue, the better prepared they will be for the inevitable changes to come. Finally, banks should assess how the new rules could affect their business model, risk appetite and returns generated, and evaluate the relative attractiveness of conducting different types of business in Hong Kong.

AML: bolster AML compliance amid growing regulatory scrutiny

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

Anti-money laundering (AML) has long been a key focus for financial institutions worldwide. In Hong Kong too, regulators, stakeholders and the general public are demanding more stringent AML compliance procedures from banks. With heightened regulatory scrutiny around AML, financial institutions in Hong Kong could find themselves on the receiving end of larger fines, greater reputational damage and possible criminal liability.

In August 2014, the Hong Kong Monetary Authority (HKMA) announced its first enforcement action against a bank for breaching the Banking Ordinance and Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO). Furthermore, the Financial Action Task Force (FATF), which conducts reviews of each of its member countries, is scheduled to conduct its next mutual evaluation of Hong Kong in June/July 2018, with the results to be published in February 2019. The FATF has recently shifted its focus from the design of AML legislation in Hong Kong to the effectiveness of these regulations. We expect to see the HKMA issue more guidance notes – on trade finance and tax evasion, for example – and an increased focus and possibly more enforcement activity in the lead-up to the FATF's next mutual evaluation.

In the more immediate future, there are several developments that Hong Kong's financial institutions should monitor. Firstly, and perhaps most importantly, we expect updates to the AMLO and corresponding guidance notes.

Secondly, the HKMA is developing a 'Competency Framework' to enhance the capabilities of AML professionals working for banks in Hong Kong. Demand is skyrocketing for AML professionals as both the regulators and the banks seek to bulk up their AML and compliance teams. However, there is a shortage of resources in Hong Kong, which has prompted the HKMA to create the Competency Framework to train and equip more professionals with suitable AML skills. While the HKMA's core focus in developing the Competency Framework is currently on AML, it is expected to eventually encompass all areas of compliance.

> *"Many banks are refreshing their KYC documentation as a result of enhanced standards in Hong Kong, which can be a massive exercise and quite tricky without suitable automated on-boarding systems in place."*

Thirdly, financial institutions in Hong Kong should embrace technology solutions to improve effectiveness and reduce costs, especially amid heightened levels of regulatory scrutiny. In particular, banks are adopting technology solutions to boost their transaction-monitoring and on-boarding systems. Many banks are refreshing their KYC documentation as a result of enhanced standards in Hong Kong, which can be a massive exercise and quite tricky without suitable automated on-boarding systems in place. Furthermore, banks are looking to improve their technology around managing suspicious activities, and are also considering outsourcing certain functions to third parties.

As the HKMA ramps up its enforcement activity, and with a potential revision to the AMLO on the horizon, banks in Hong Kong will also need to re-evaluate their enterprise-wide risk assessments to enhance their risk awareness, bolster their AML capabilities and improve effectiveness. While banks already consider related risks to varying degrees, the HKMA is demanding that risk assessments become more robust and comprehensive to encompass issues like tax evasion risk.

When putting a robust AML compliance programme in place, buy-in from a bank's senior management to support and spearhead the process remains paramount. Boards need to allocate sufficient resources to enable banks in Hong Kong to effectively develop a comprehensive and sustainable compliance programme. Furthermore, with the HKMA's Competency Framework in the pipeline, banks in Hong Kong will soon be able to recruit from a larger and more skilled talent pool to improve effectiveness and optimise money laundering prevention and detection systems.

CRS and FATCA: the new reporting requirements


Charles Kinsley, Principal, Tax, KPMG China
Jeffrey Hau, Director, Advisory, Risk Consulting, KPMG China

As governments around the globe grapple with reducing their deficits, the focus of many has inevitably started to shift towards combatting tax evasion. In November 2014, Hong Kong and the US signed an intergovernmental agreement facilitating compliance with the US Foreign Account Tax Compliance Act (FATCA), a reporting regime passed by the US. Congress in 2010 that obliges foreign financial institutions to disclose information on US persons with offshore accounts and investments.

In July 2014, the OECD also published its Common Reporting Standards (CRS), a set of guidelines on the exchange of tax information between different jurisdictions. More than 100 jurisdictions, including many non-OECD members, have since pledged to implement CRS. Hong Kong is a late adopter of these measures, meaning that it will not implement CRS until 2017 and the first exchange of information will not take place until 2018.

The information banks are required to disclose under CRS is similar to what is required under FATCA, although the work involved in gathering this information will be far greater. Whereas FATCA applies exclusively to US persons, CRS extends to any person who is a tax resident in a reportable jurisdiction (i.e. those who have signed up to CRS). There are also no de minimis thresholds under CRS, meaning that banks must examine the financial accounts of individuals resident in each reportable jurisdiction.

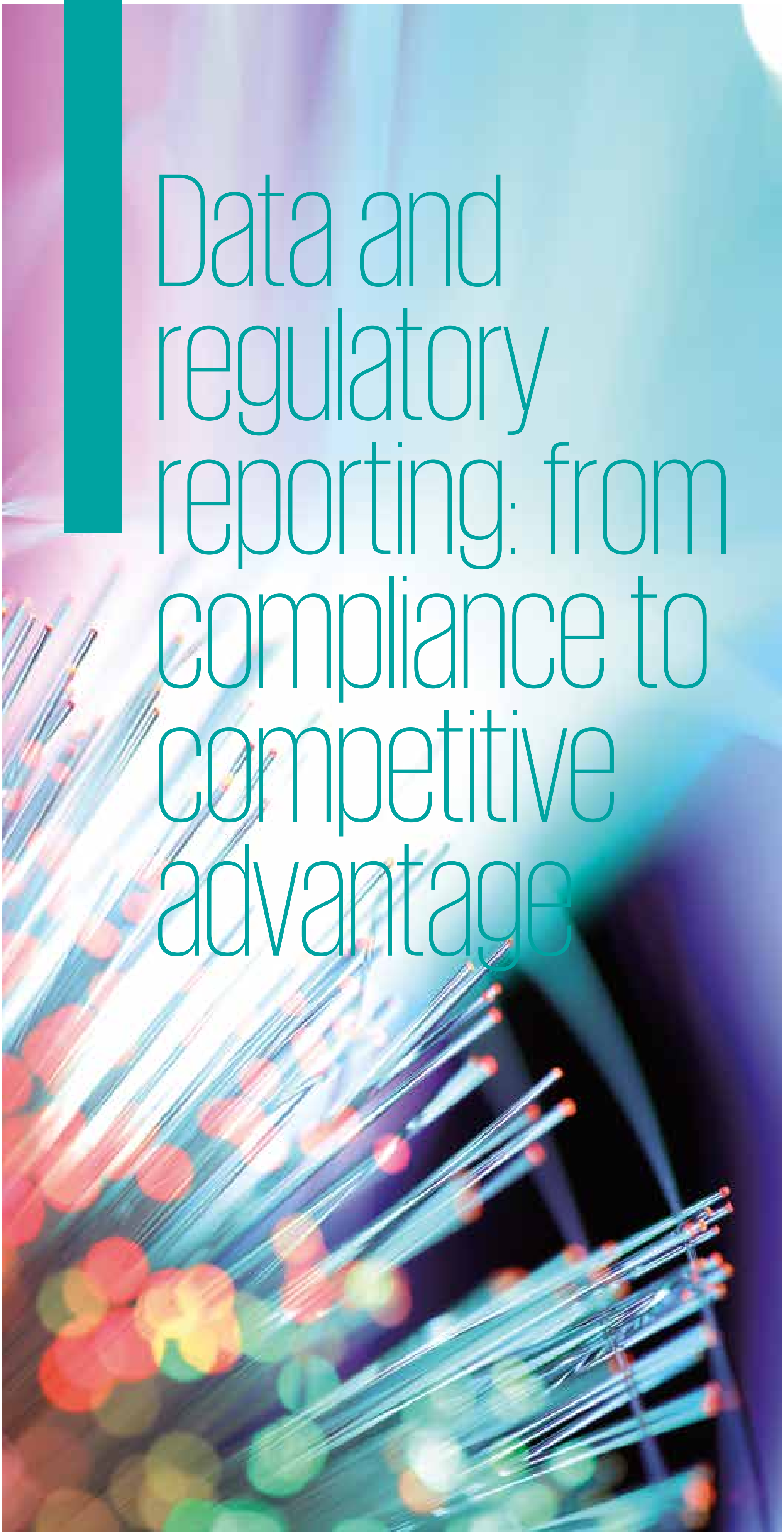
While many banks have found the data collection and remediation efforts required under FATCA challenging, we believe they will need to dedicate far greater resources for similar requirements under CRS. This is especially true for the larger financial institutions with millions of customers and a greater anticipated proportion of reportable customers. In many instances, financial institutions should be looking to some form of automation to assist in the process.

While many OECD countries plan to sign a multilateral agreement, which will allow for the automatic exchange of information between any of the parties to the agreement, Hong Kong plans to negotiate information exchange agreements with each of its treaty partners separately. Hong Kong has around 40 tax treaties in place, comprising both double taxation agreements and tax information exchange agreements. The government will select which countries to start negotiating with first. It is expected to prioritise those countries that are early adopters of CRS and meet certain data protection standards.

It is envisaged that Hong Kong banks will need to file CRS reports on financial account balances and payments such as interest, dividends and distributions for residents of reportable jurisdictions to the Hong Kong Inland Revenue Department by May 2018. Since the number of countries signing up to CRS is expanding, banks would benefit from asking all their non-resident customers for information, subject to local data privacy rules, not just those they think might be resident in reportable jurisdictions. While this may appear slightly onerous, the experience to date in Hong Kong suggests those banks that are willing, or capable, of taking the necessary steps to make sure they stay ahead of the curve in relation to regulatory reporting, tend to perform better in the long run than those that are unable to do so.

“While many banks have found the data collection and remediation efforts required under FATCA challenging, we believe they will need to dedicate far greater resources for similar requirements under CRS.”

Data and regulatory reporting: from compliance to competitive advantage



Atul Subbiah
Partner, Financial Services
KPMG China

Faced with mounting regulatory reporting demands, global banks and financial institutions with operations in Hong Kong should harness the power of data and build comprehensive data management strategies to enhance efficiency, decision making and risk management, and gain a competitive edge in the market.

Turn the pages of virtually any major financial services regulatory document, and the word 'data' features regularly. Banks, capital markets and other financial institutions are tasked with collecting, calculating and submitting vast quantities of data points a month to regulators, with serious consequences for any errors or misleading conclusions.

Not only must reports be accurate, comprehensive and in the correct format, but regulators are increasingly demanding evidence of the source, or 'traceability', of the data to verify its credibility. Satisfying these various requirements can be an onerous task, especially for organisations with complex structures and disparate systems where data is typically stored in a range of formats and must be pulled together manually.

Furthermore, with a host of different types of reports covering data associated with risk, finance, customer transactions, capital, treasury, profit and loss accounts and human resources, there is inevitably a significant overlap between different sets of regulatory requirements, and potential duplication involved in preparing submissions.

Over the past few years, financial institutions have invested time, energy and money into developing processes for data aggregation and producing regulatory reports. While some have managed to consolidate and rationalise their technology infrastructure, others have built piecemeal systems in reaction to each new directive. And with many reports still prepared manually on spreadsheets, there is extreme pressure to meet deadlines, especially when multiple regulations have similar submission dates. Moreover, the dynamic nature of the regulatory world means that new initiatives or amendments to existing requirements can put additional strain on existing systems.

Embracing a new data culture

Given the high degree of commonality between different regulations, financial institutions in Hong Kong should act now to establish standardised ways of managing data for every type of requirement. By investing in middle and back-office systems and building an enterprise-wide data platform, organisations can "do it once and do it right" with a single data warehouse rather than creating separate processes to satisfy each regulatory body. An integrated view of data across products should lead to more consistent and accurate reporting, with clear sources that can be traced instantly.

The argument for embracing data goes beyond compliance reporting. Rather than being seen as a burden, the need to meet regulatory demands can instead be viewed as an opportunity to harness the power of data to improve the quality of decisions and enhance the business. By valuing data as a genuine resource, companies can embed governance standards and build a "data culture", with the support of technology.

> *Rather than being seen as a burden, the need to meet regulatory demands can instead be viewed as an opportunity to harness the power of data to improve the quality of decisions and enhance the business.*

Regulation can be a catalyst for improved data management, analysis and reporting, which can offer some remarkable insights. Organisations with a strong data culture and a systematic approach to reporting and analysis will gain a closer understanding of customer behaviour, identify market trends earlier, and can more easily compare the performance of business units, teams and individuals. For instance, a better understanding of financial risk exposure, sources of income and trading desk customer bases can help capital markets firms in Hong Kong comply with the Volcker Rule, which applies to US banks, but also has extraterritorial implications for virtually all active non-US banks. It also allows these firms to compare desks with one another to evaluate both the relative profitability as well as the risks they're carrying — something they had previously struggled to achieve.

Furthermore, the recently published Basel Committee of Banking Supervision (BCBS) 239 principles require banks to efficiently aggregate and report risk data to give senior management an in-depth picture of the risks the bank is facing. The quality data that has been reconciled with finance and produced to meet BCBS 239 can also be used to improve cross-selling, thanks to accurate models that predict customer demand. Costs should also come down through lower operational losses – as a result of making better decisions on loans and other risks – and reduced capital requirements.

Advanced data insights offer more complete and up-to-the-minute knowledge, which enables capital markets firms to optimise portfolio composition and carry out trades faster. In addition, all financial services companies should benefit from faster analysis and more efficient modelling, which improve targeting and pricing, credit and liquidity models and capital planning.

Do it once and do it right

An increasing number of banks are recognising the benefits of integrated systems. These systems provide a platform for different compliance needs and also support important commercial decisions by taking on a holistic data strategy that encompasses treasury, finance, capital management and risk. Below are two examples of how banks are benefitting from globally integrated systems, with these strategies now being rolled out in Hong Kong.

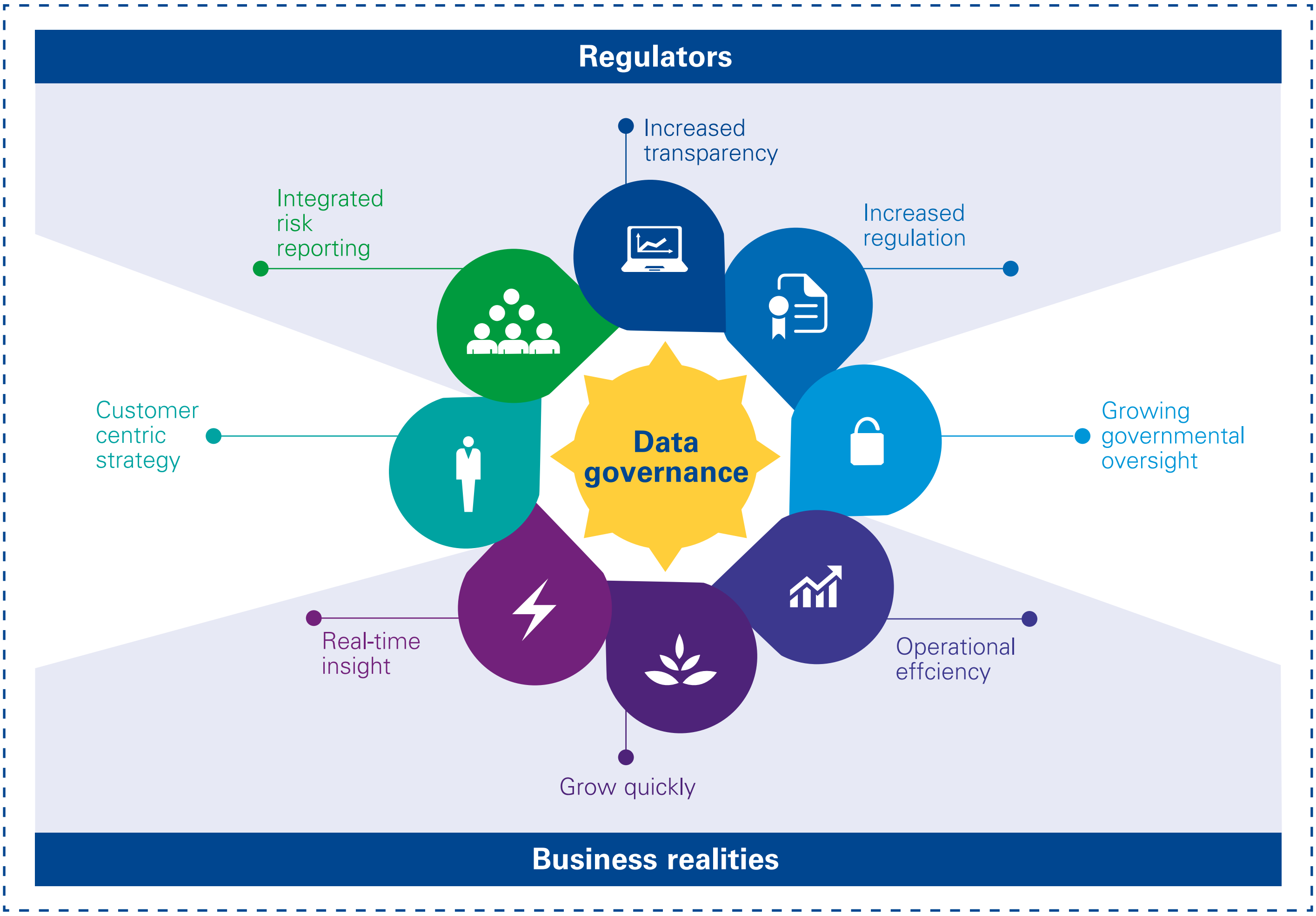
One multinational bank has created a new treasury platform that could meet and adapt to existing and emerging regulatory provisions – such as Basel III and Dodd-Frank – as well as provide automated risk reporting, improved controls, optimised cost of capital, stress testing and enhanced data analytics.

In another instance, a major bank wanted to improve its liquidity infrastructure and reporting. This required coordination and input from the five business divisions as well as group treasury. The liquidity data had to be fit for both internal management information and external reporting, yet simple enough to audit. The new infrastructure produced much higher quality data and was able to support weekly, monthly and quarterly liquidity returns to the regulatory authority.

Global regulatory impact of data

For global banks, especially those with regional operations in Asia, Europe and the Middle East, risk data aggregation has become a laborious task of collecting risk data and positional/transactional data across various jurisdictions to comply with global and local regulations.

This is especially relevant in Asia where regulators are moving toward an increasingly stringent risk-based capital framework. While some financial institutions look at BCBS 239 as a technology challenge, the ones that have a competitive advantage view the issue as enabling a risk infrastructure that is quasi-real-time with a scenario-based risk analytical engine. This infrastructure would feed into the front-line and business decision-making framework, where traders factor in funding costs, capital and liquidity implications while taking into account counterparty and credit risk decisions. This becomes even more imperative when considering trade booking strategies for global banks in an era where capital is scarce.



Source: KPMG

Chief Data Officers driving data cultures

Financial institutions can enhance their data aggregation systems by acquiring or entering into joint ventures with specialist technology firms. Firms can also recruit Chief Data Officers (CDOs) and data specialists as custodians to lay the foundations for sophisticated data management strategies and coordinate information across the organisation. In fact, a number of banks and financial institutions in Hong Kong are already expanding their data specialist teams, with this trend set to continue through 2016 and into 2017. With overall responsibility for data governance and quality, these specialists can help raise analytics capabilities within finance, risk and business units, and link different functions such as sales, marketing, risk management, customer service and HR. Moreover, CDOs are not purely internally focused, and should also be part of a bank's efforts to better understand customer needs by overseeing the way that customer data is collected and used.

Once companies have a common, standardised approach to data, they can explore further opportunities for automation through robotics, which can speed up processing times, increase accuracy and cut costs.

Seeking out the silver lining

Despite mounting regulatory reporting demands, banks and other financial institutions in Hong Kong should use the reporting process as an opportunity to create a business-wide data culture, with the support of technology. With a strong data culture and robust data management procedures in place, organisations can benefit from timely and more accurate analysis, gain a better understanding of market trends and customer behaviour, and profit from lower operational costs and reduced capital requirements. Furthermore, under the stewardship of CDOs and other data specialists, banks can benefit from improved data management and reporting that not only meets regulators' demands, but also provides greater business decision-making clarity, giving them a real competitive edge.

How financial institutions can potentially benefit from different regulatory demands

Regulatory landscape

Regulatory oversight and scrutiny requiring high quality and integrated data

- BCBS 239 — data governance, risk data aggregation and risk reporting
- Basel III — counterparty, liquidity risk, enhanced capital ratios
- CCAR — capital adequacy, stress testing
- CFPB — protection of consumers from unfair, deceptive or abusive acts and practices in marketing, lending, disclosures, etc.

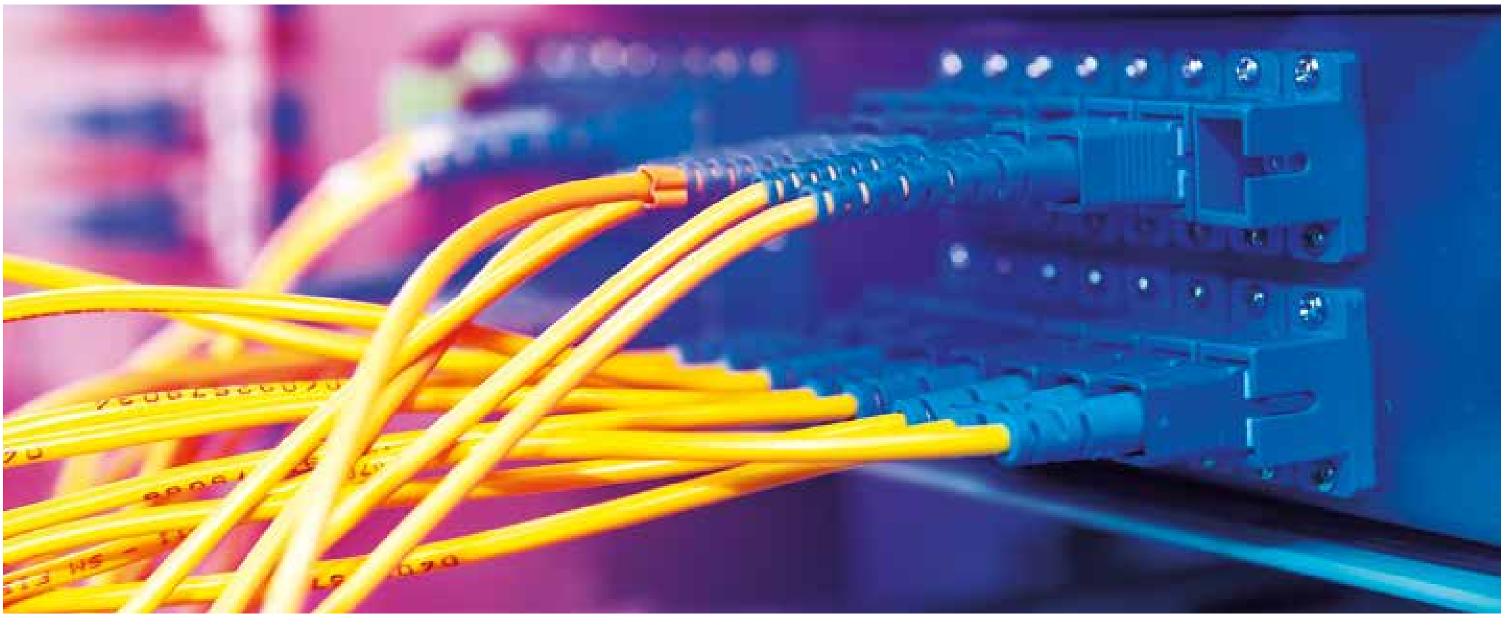
Regulatory expectations

Accurate and reliable data

- end-to-end understanding of data flow (data lineage)
- proactive and sustainable resolutions for data issues
- consistent and accurate reporting across all regulations
- active and complete monitoring across all customers and transactions.

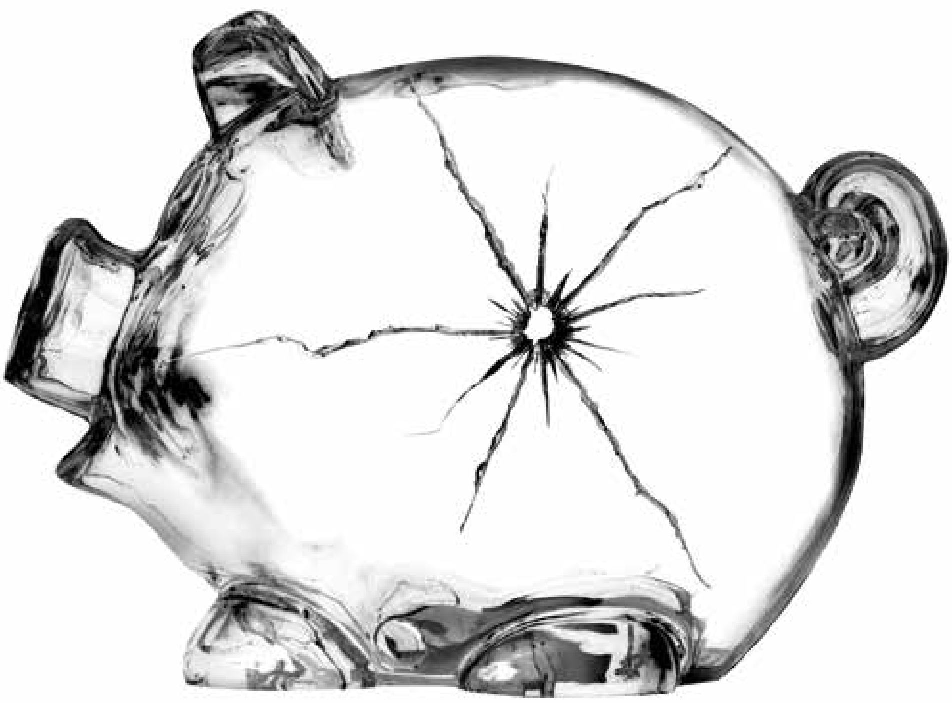
Benefits of meeting regulatory requirements

- Improved cross-selling, and lower operational losses and capital requirements. Need to increase capital reserves to withstand economic downturn
- Ability to compare trading desks and evaluate profitability and exposure levels. Confidence in available data to make key business decisions
- Good data quality results in reduced costs and no implementation delays



Non-performing loans: the importance of proper risk management

Wilson Pang
Partner, Head of China,
Portfolio Solutions Group
KPMG China



The number of non-performing loans (NPLs) in China has been steadily increasing in the last few years. In the first quarter of 2016, the China Banking Regulatory Commission (CBRC) reported that total NPLs among 16 major banks rose to RMB 1.39 trillion (USD 214.06 billion), equivalent to around 1.75 per cent of all outstanding loans.

In spite of this fact, Hong Kong banks remain in a good position to service the growing number of companies both from the mainland and from overseas seeking to do business in China. In order to be successful, banks will need to strike a careful balance between growing their balance sheets and expanding credit to viable borrowers on the one hand, and adopting prudent risk management strategies to minimise losses on the other hand.

Best practice among banks for mitigating risk

- Integrate core risk management functions into central office operations
- Build up and train local branch risk and collateral management teams
- Properly assess the valuer employed by the firm and the valuation methodology
- Develop a broader understanding of the policy and macro environment in China
- Work with borrowers as closely as possible to minimise the possibility of default

Credit assessment process

In 2008 when the Chinese government launched its RMB 4 trillion economic stimulus package, a number of Hong Kong banks responded by boosting their lending and setting up new branches in China. To streamline the process for approving new loans, several banks devolved the credit approval process to the branch level in China.

Many Hong Kong banks have since taken steps to address some of these weaknesses, but more can still be done. More banks should seek to reintegrate risk management procedures into their central office functions. By combining risk management procedures at the central office with local branch knowledge regarding the legal, economic and industrial environment, banks will be better positioned to make informed decisions about prospective borrowers during the credit approval stage.

Collateral management

Banks should also place less reliance on collateral when assessing a borrower's ability to service its debt since the value of many forms of collateral, such as industrial property, can deteriorate rapidly during a downturn. Instead, banks should take a more thorough approach, which involves assessing the cash flows and performance of the borrower to date and educating themselves on the macro and legal environment. Banks should also make sure to regularly revaluate the performance of the collateral at set intervals. This is especially important for borrowers whose collateral is affected by economic or sector fluctuations.

Regardless of how they manage the credit approval process, Hong Kong banks will also need to revisit the procedures involved with collateral management. This includes ensuring the right method is employed for selecting the firm charged with carrying out the valuation, properly evaluating the methodology used by the valuation firm and making best use of the valuation report as a monitoring tool for credit assessment and risk management. Banks should also make sure to carry out a physical inspection of the collateral before granting approval for new loans.

“Banks should place less reliance on collateral when assessing a borrower’s ability to service its debt since the value of many forms of collateral, such as industrial property, can deteriorate rapidly during a downturn. Instead, banks should take a more thorough approach, which involves assessing the cash flows and performance of the borrower to date and educating themselves on the macro and legal environment.”

Post-lending management

Banks should also make sure to regularly monitor the business performance of those companies they lend to. This is particularly important in the case of special mention loans, where the payment of interest or principal is outstanding but it has not yet been classified as non-performing. Banks should monitor their performance carefully to determine whether the borrower’s situation could deteriorate further or whether it is a result of seasonal fluctuations that affect many industries.

In the early stages of a distressed scenario, banks can play an important role in helping the borrower to restructure. There have been instances recently where several banks have come together to form steering committees to stabilise the operation of the borrower and to maximise the possibility of recovery for all lenders. This is particularly important when the borrower is indebted to multiple institutions and given the increasing complexity of a lot of Chinese companies, more of this should be encouraged.

Alternative exit strategies

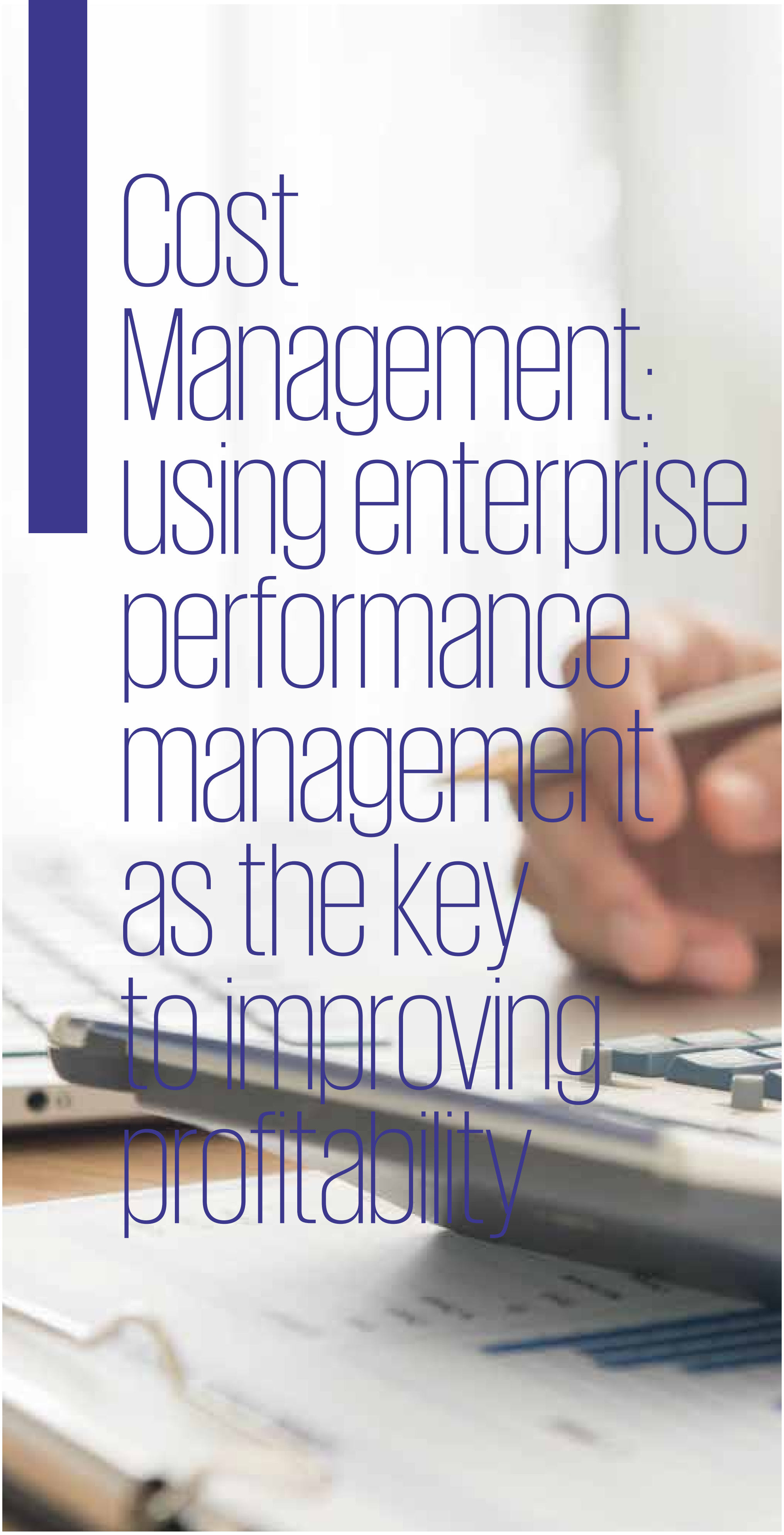
Banks should only consider placing the borrower into default once all other options have been exhausted. For Hong Kong banks, there are opportunities to sell NPL portfolios to several third party investors. Whereas in China banks are obliged to sell their NPL portfolios to the big four asset management companies (AMCs) and 23 provincial AMCs, Hong Kong banks face fewer restrictions and are able to sell their bad loans to foreign distressed investors as well.

Aside from direct portfolio sales, banks should also consider securitisation and other more innovative financial products. In February, the government granted approval for six large banks to issue up to RMB 50 billion of securities backed by NPLs. KPMG China has been appointed as adviser by two of the banks, which involves conducting sell side due diligence, coordinating with intermediaries, and giving professional opinions on accounting and tax treatment.

Banks remain competitive

If Hong Kong banks are to remain competitive and continue to service a growing client base seeking to do business in China, this will require a shift in culture towards one that seeks to elevate risk management to a more strategic role. Only by making sure that loan applications are properly vetted and by working closely with ailing borrowers to minimise the possibility of default will Hong Kong banks be able to continue to grow their balance sheets successfully in China.

Whereas previously some Hong Kong banks may have focused their attention exclusively on credit expansion when seeking to increase their footprint in China, these banks increasingly need to develop a more comprehensive risk management strategy that covers all aspects of the lending cycle from pre-loan assessments to post-lending management. Several Hong Kong banks have already taken this approach and the early signs have been encouraging.



Cost Management: using enterprise performance management as the key to improving profitability

Isabel Zisselsberger
Partner, Head of Financial Management, KPMG China

> *"Banks in Hong Kong should make sure that they have a robust Enterprise Performance Management (EPM) framework to enable senior management to assess key metrics and indicators to better manage execution of their business strategy."*

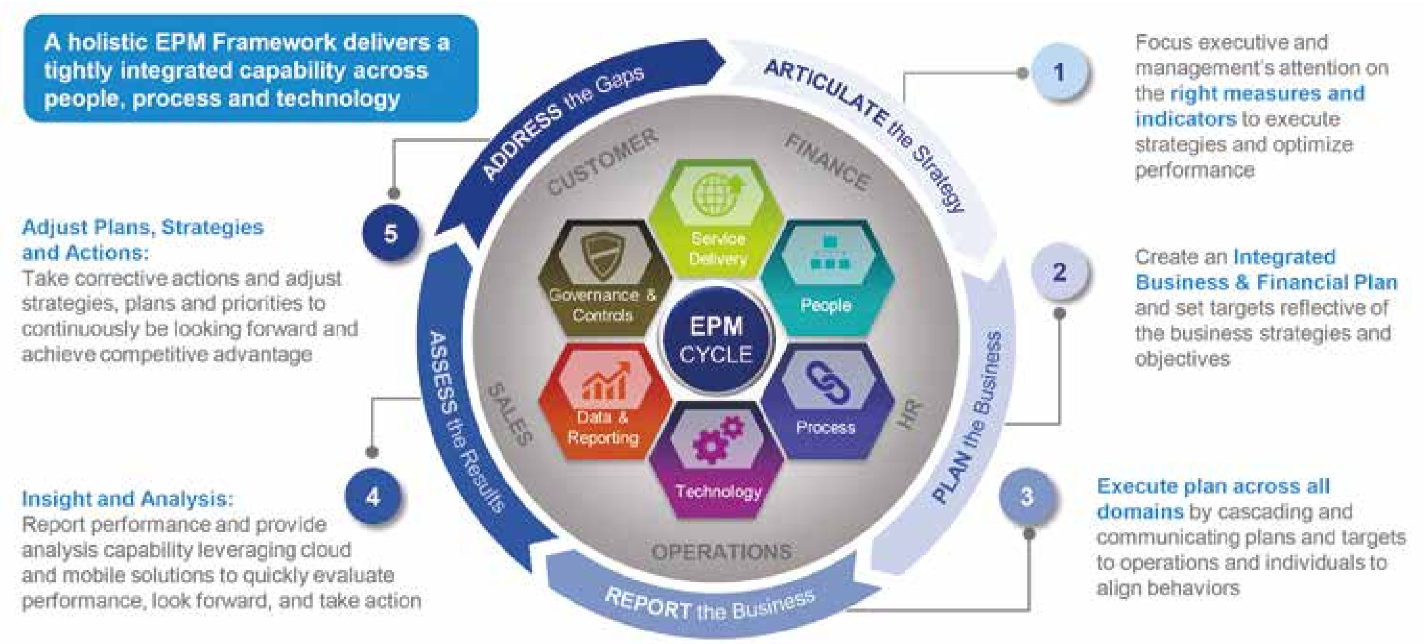
A complex global economic environment, mounting regulatory demands, and calls from shareholders and supervisors for more cost transparency are creating additional cost pressure for banks in Hong Kong. In addition, competition in the banking sector is heating up as startups and FinTech providers are spurring disruption and innovation in the financial services sector, and striving to deliver the same products and services as banks at a cheaper price. This not only puts revenue growth under the microscope, but it also stresses the need for banks in Hong Kong to focus on sustainable cost management to drive profitable growth.

Furthermore, this year's KPMG Banking Survey finds that the average cost-to-income ratio of the surveyed banks in Hong Kong increased by 1.6 percent to 48.7 percent in 2015, compared to 47.1 percent in 2014[16]. Moreover, only one out of all the surveyed banks reduced its operating expenses in 2015 – a clear indication that banks should continue to take the opportunity to review their cost management structure to improve efficiency.

Cost management is not a new phenomenon. Numerous institutions worldwide have implemented major cost management programmes, and regularly report on developments in this area to their shareholders. In Hong Kong too, a number of banks have elements of these programmes in place. However, several face challenges in the form of problems with cost data, limited ability to calculate and assess profitability, unclear communication lines, outdated and inflexible legacy systems, a lack of accountability and minimal understanding around drivers of cost. Banks also tend to focus heavily on short-term cost-saving measures – for example through hiring freezes and suspending travel – which does little to curb costs in the long run.

To tackle these challenges, banks in Hong Kong should make sure that they have a robust Enterprise Performance Management (EPM) framework to enable senior management to assess key metrics and indicators to better manage execution of their business strategy. By building an integrated business and financial plan – with targets reflecting the business strategies and objectives – and communicating these plans and targets clearly throughout the organisation, banks can seek to optimise their performance.

[16] Computation of average cost-to-income ratios of the surveyed banks and of the top 10 locally incorporated banks exclude the significant gain of HK$11 billion recognised by both Hang Seng and HSBC on Hang Seng's partial disposal of its holding in Industrial Bank in 2015.



Source: KPMG

EPM delivers benefits across the organisation. It can improve the speed, relevance and access to the type of performance reporting and analysis that creates real business insights when and where it is needed most: in the business. And it can help create better alignment between the bank's diverse front and back-office functions to drive better end-to-end decision-making based on a single set of balanced key performance indicators (KPIs). In some cases, this is achieved by driving valuable forward-looking analysis and planning through the EPM's integrated business and financial planning features.

Using these advanced EPM functionalities enables banks to better anticipate and even predict business outcomes, leveraging sophisticated 'what if' scenario-based analysis capabilities based on key business drivers, events and relationships.

Perhaps most importantly, a strong EPM capability can enable management to make better business decisions. It can help improve speed and access to information. Leveraging new technologies, EPM can deliver improved visualisation and analytics capabilities, thereby empowering the organisation with competitive insights. It can also make sure everyone is looking at consistent data from the same source, improving decision making confidence. In the words of senior executive at a bank in Hong Kong: "imagine a framework where we can stop the dollar from being spent rather than analysing why and how we spent it after the event".

When deploying an EPM framework, banks need to consider which levers to pull to improve profitability. This could involve moving to more efficient channels, implementing technology and data analytics, optimising processes, and focussing on the most valuable products and customers. The framework and measures will identify the cost drivers that need to be addressed, after which banks can implement suitable solutions to address the particular cost items. These solutions can help make a process more efficient, and could involve offshoring or outsourcing and the use of new technology.

With cost pressure showing no sign of abating, the sooner banks in Hong Kong set up a flexible and robust EPM framework, the better prepared they will be to manage their costs in an effective and sustainable manner. By maintaining a good handle on costs – as well as taking a longer-term approach to cost management – banks can then expand the usage of the EPM framework into other areas, and will ultimately benefit from optimised processes and improved profitability.

Customer Experience: a customer-led approach, enabled by digitisation

Belle Morton
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> *"Instead of associating their banking customer experience with other financial institutions, people are comparing it against every other customer experience they have ever had, regardless of the product or service."*

Hong Kong has long been one of the most vibrant and trusted financial centres in the world. However, when it comes to customer experience, banks in the city significantly lag behind their peers in other developed economies who have evolved their customer experience offering across all service channels.

A major challenge facing financial institutions is that customers' preferences are rapidly changing, and they now expect more from their banks than ever before. At the same time, instead of associating their banking customer experience with other financial institutions, people are comparing it against every other customer experience they have ever had, regardless of the product or service. Some banks in Hong Kong could be hampering their customer experience offering by only comparing themselves to their direct competition, and should take this opportunity to analyse leading practices in other market segments to improve their overall customer experience.

Furthermore, working with partners in other industries could also pose a significant challenge for banks. A good example is the bancassurance model, where insurance companies and banks rely on each other to fulfil end-to-end customer experience. It is important that banks, insurers and other partners recognise that the customer will treat the entire process as one single experience, and aligning the customer experience agendas between parties can strengthen the relationship with existing customers and attract new clients.

To tackle these challenges, banks should consider undergoing an organisational transformation to standardise and enhance their customer experience across the organisation. This customer-driven redesign is not just for the front office. Rather, it requires alignment throughout the organisation to include back office functions like operations, product development and strategic planning.

While improving customer experience can help generate revenue growth, there are also opportunities to reduce costs by eliminating inefficiencies, enhancing business operations and minimising risk. Banks can also use technology and digital solutions to improve overall customer experience. However, these should serve as enablers rather than direct solutions to enhancing customer experience. Instead, banks should focus on organisational transformation to evolve into a customer-led entity.

Despite being behind the curve in customer experience, many banks in Hong Kong are beginning to take steps to enhance their offering in this space. For example, several banks are recruiting Chief Customer Officers and additional marketing personnel, and are collaborating with external advisors to implement a robust organisational transformation programme. This trend is set to continue, and banks in Hong Kong should use this opportunity to drive transformative change within their organisation to improve their customer experience across all service channels. Banks that adopt a customer-led approach – with digital solutions as an enabler – will be best positioned to strengthen their customer relationship, attract new clients, reduce inefficiencies and improve profitability.

Financial highlights

Performance rankings:

- Licensed banks
- Restricted licence banks
- Deposit-taking companies
- Foreign bank branches
- Macau financial institutions

Performance rankings

Licensed banks

Ranking	Total assets	HK$ millions	Ranking	Net profit after tax	HK$ millions	Ranking	Cost/income ratio	
1.	Hongkong And Shanghai Banking Corporation Limited (The)	6,953,683	1.	Hongkong And Shanghai Banking Corporation Limited (The)	99,983	1.	Industrial And Commercial Bank of China (Asia) Limited	22.1%
2.	Bank of China (Hong Kong) Limited	2,269,056	2.	Hang Seng Bank, Limited	27,494	2.	Bank of China (Hong Kong) Limited	30.1%
3.	Hang Seng Bank, Limited	1,334,429	3.	Bank of China (Hong Kong) Limited	26,575	3.	Wing Lung Bank Limited	33.3%
4.	Standard Chartered Bank (Hong Kong) Limited	958,965	4.	Standard Chartered Bank (Hong Kong) Limited	8,490	4.	Hang Seng Bank, Limited	33.8%
5.	Bank of East Asia, Limited (The)	781,364	5.	Industrial And Commercial Bank of China (Asia) Limited	6,784	5.	Chiyu Banking Corporation Limited	35.0%
6.	Industrial And Commercial Bank of China (Asia) Limited	733,551	6.	Bank of East Asia, Limited (The)	5,638	6.	Shanghai Commercial Bank Ltd.	35.2%
7.	China Construction Bank (Asia) Corporation Limited	507,509	7.	Wing Lung Bank Limited	3,272	7.	Nanyang Commercial Bank, Limited	40.5%
8.	DBS Bank (Hong Kong) Limited	307,812	8.	DBS Bank (Hong Kong) Limited	3,130	8.	Hongkong And Shanghai Banking Corporation Limited (The)	42.0%
9.	Nanyang Commercial Bank, Limited	305,197	9.	Nanyang Commercial Bank, Limited	2,897	9.	China CITIC Bank International Limited	44.0%
10.	China CITIC Bank International Limited	282,535	10.	China Construction Bank (Asia) Corporation Limited	2,501	10.	China Construction Bank (Asia) Corporation Limited	44.5%

Restricted licence banks

Ranking	Total assets	HK$ millions	Ranking	Net profit after tax	HK$ millions	Ranking	Cost/income ratio	
1.	Morgan Stanley Asia International Limited	45,542	1.	Citicorp International Limited	1,274	1.	Scotiabank (Hong Kong) Limited	8.0%
2.	Scotiabank (Hong Kong) Limited	29,295	2.	Scotiabank (Hong Kong) Limited	318	2.	Siam Commercial Bank Public Company Ltd (The)	12.6%
3.	Siam Commercial Bank Public Company Ltd (The)	24,102	3.	Morgan Stanley Asia International Limited	277	3.	Banc of America Securities Asia Limited	25.0%
4.	Bank of Shanghai (Hong Kong) Limited	15,462	4.	J. P. Morgan Securities (Asia Pacific) Limited	250	4.	KDB Asia Limited	33.3%
5.	Bank of China International Limited	10,908	5.	Siam Commercial Bank Public Company Ltd (The)	99	5.	Kookmin Bank Hong Kong Limited	47.9%
6.	J. P. Morgan Securities (Asia Pacific) Limited	10,234	6.	Bank of China International Limited	88	6.	Allied Banking Corporation (Hong Kong) Limited	49.2%
7.	KDB Asia Limited	9,222	7.	Bank of Shanghai (Hong Kong) Limited	78	7.	Bank of Shanghai (Hong Kong) Limited	50.2%
8.	Citicorp International Limited	8,139	8.	ORIX Asia Limited	43	8.	Citicorp International Limited	51.7%
9.	Kookmin Bank Hong Kong Limited	4,516	9.	Societe Generale Asia Limited	39	9.	ORIX Asia Limited	63.3%
10.	ORIX Asia Limited	4,006	10.	Kookmin Bank Hong Kong Limited	34	10.	Habib Bank Zurich (Hong Kong) Limited	71.1%

Deposit-taking companies

Ranking	Total assets	HK$ millions	Ranking	Net profit after tax	HK$ millions	Ranking	Cost/income ratio	
1.	Public Finance Limited	6,538	1.	Octopus Cards Limited	385	1.	HKCB Finance Limited	6.2%
2.	HKCB Finance Limited	6,345	2.	Public Finance Limited	247	2.	BCOM Finance (Hong Kong) Limited	14.3%
3.	Octopus Cards Limited	5,030	3.	HKCB Finance Limited	89	3.	Shinhan Asia Limited	25.4%
4.	Kexim Asia Limited	2,720	4.	Shinhan Asia Limited	87	4.	Kexim Asia Limited	39.5%
5.	Shinhan Asia Limited	2,447	5.	Kexim Asia Limited	22	5.	Public Finance Limited	42.9%
6.	Woori Global Markets Asia Limited	1,627	6.	Woori Global Markets Asia Limited	12	6.	KEB Hana Global Finance Limited	51.9%
7.	KEB Hana Global Finance Limited	1,543	7.	BPI International Finance Limited	6	7.	Octopus Cards Limited	55.8%
8.	Vietnam Finance Company Limited	905	8.	BCOM Finance (Hong Kong) Limited	5	8.	Commonwealth Finance Corporation Limited	61.1%
9.	Gunma Finance (Hong Kong) Limited	642	9.	Commonwealth Finance Corporation Limited	5	9.	Vietnam Finance Company Limited	62.5%
10.	BPI International Finance Limited	438	10.	Fubon Credit (Hong Kong) Limited	4	10.	Woori Global Markets Asia Limited	72.2%

Foreign bank branches

Ranking	Total assets	HK$ millions	Ranking	Net profit after tax	HK$ millions	Ranking	Cost/income ratio	
1.	Bank of Communications Co., Ltd.	546,256	1.	UBS AG	4,474	1.	China Development Bank Corporation	3.8%
2.	Agricultural Bank of China Limited	513,645	2.	Bank of Communications Co., Ltd.	3,633	2.	Axis Bank Limited	5.1%
3.	Bank of Tokyo-Mitsubishi UFJ, Ltd. (The)	466,922	3.	DBS Bank Ltd.	2,781	3.	Punjab National Bank	5.4%
4.	Mizuho Bank, Ltd.	444,851	4.	Agricultural Bank of China Limited	2,633	4.	Canara Bank	8.6%
5.	China Construction Bank Corporation	415,698	5.	Bank of Tokyo-Mitsubishi UFJ, Ltd. (The)	1,979	5.	Agricultural Bank of China Limited	9.3%
6.	China Development Bank Corporation	388,005	6.	Mizuho Bank, Ltd.	1,870	6.	Allahabad Bank	9.3%
7.	Citibank, N.A.	355,513	7.	Sumitomo Mitsui Banking Corporation	1,844	7.	Indian Overseas Bank	10.4%
8.	Sumitomo Mitsui Banking Corporation	327,765	8.	China Minsheng Banking Corp., Ltd.	1,511	8.	Bank of India	12.3%
9.	BNP Paribas	258,633	9.	United Overseas Bank Ltd.	1,332	9.	Industrial And Commercial Bank of China Limited	12.6%
10.	DBS Bank Ltd.	229,323	10.	China Merchants Bank Co., Ltd.	1,185	10.	China Merchants Bank Co., Ltd.	12.9%

Source: Extracted from individual banks' financial and public statements

Licensed banks

Ranking	Return on equity		Ranking	Growth in assets		Ranking	Growth in net profit after tax	
1.	Hang Seng Bank, Limited	19.6%	1.	Chong Hing Bank Limited	18.3%	1.	Hang Seng Bank, Limited	81.7%
2.	Hongkong And Shanghai Banking Corporation Limited (The)	16.1%	2.	China CITIC Bank International Limited	13.4%	2.	China Construction Bank (Asia) Corporation Limited	46.3%
3.	Bank of China (Hong Kong) Limited	15.0%	3.	Fubon Bank (Hong Kong) Limited	8.5%	3.	OCBC Wing Hang Bank, Limited	19.2%
4.	Standard Chartered Bank (Hong Kong) Limited	12.9%	4.	Bank of China (Hong Kong) Limited	8.0%	4.	Tai Sang Bank Ltd.	19.0%
5.	Wing Lung Bank Limited	11.9%	5.	Industrial And Commercial Bank of China (Asia) Limited	7.8%	5.	Public Bank (Hong Kong) Limited	11.3%
6.	Industrial And Commercial Bank of China (Asia) Limited	11.1%	6.	Citibank (Hong Kong) Limited	6.7%	6.	Dah Sing Bank Limited	9.8%
7.	Dah Sing Bank Limited	10.1%	7.	Dah Sing Bank Limited	5.7%	7.	Fubon Bank (Hong Kong) Limited	8.5%
8.	DBS Bank (Hong Kong) Limited	9.4%	8.	Hang Seng Bank, Limited	5.6%	8.	Hongkong And Shanghai Banking Corporation Limited (The)	8.5%
9.	China CITIC Bank International Limited	9.4%	9.	Shanghai Commercial Bank Ltd.	4.7%	9.	Bank of China (Hong Kong) Limited	8.3%
10.	Chong Hing Bank Limited	9.2%	10.	Wing Lung Bank Limited	3.8%	10.	Industrial And Commercial Bank of China (Asia) Limited	6.5%

Restricted licence banks

Ranking	Return on equity		Ranking	Growth in assets		Ranking	Growth in net profit after tax	
1.	Morgan Stanley Asia International Limited	32.7%	1.	Morgan Stanley Asia International Limited	44991.1%	1.	Morgan Stanley Asia International Limited	173225.0%
2.	Citicorp International Limited	22.1%	2.	Bank of Shanghai (Hong Kong) Limited	69.6%	2.	J. P. Morgan Securities (Asia Pacific) Limited	397.6%
3.	Societe Generale Asia Limited	10.3%	3.	Nippon Wealth Limited	38.7%	3.	UBAF (Hong Kong) Limited	250.0%
4.	Allied Banking Corporation (Hong Kong) Limited	7.1%	4.	KDB Asia Limited	16.4%	4.	Societe Generale Asia Limited	95.0%
5.	Scotiabank (Hong Kong) Limited	6.7%	5.	ORIX Asia Limited	15.8%	5.	Citicorp International Limited	88.2%
6.	Bank of China International Limited	6.1%	6.	Citicorp International Limited	11.5%	6.	Nippon Wealth Limited	43.2%
7.	J. P. Morgan Securities (Asia Pacific) Limited	4.9%	7.	Scotiabank (Hong Kong) Limited	5.9%	7.	Allied Banking Corporation (Hong Kong) Limited	40.0%
8.	Bank of Shanghai (Hong Kong) Limited	3.8%	8.	Allied Banking Corporation (Hong Kong) Limited	1.8%	8.	Bank of Shanghai (Hong Kong) Limited	34.5%
9.	Kookmin Bank Hong Kong Limited	3.4%	9.	Kookmin Bank Hong Kong Limited	0.5%	9.	Siam Commercial Bank Public Company Ltd (The)	12.5%
10.	Habib Bank Zurich (Hong Kong) Limited	2.9%	10.	Banc of America Securities Asia Limited	0.0%	10.	Scotiabank (Hong Kong) Limited	5.0%

Deposit-taking companies

Ranking	Return on equity		Ranking	Growth in assets		Ranking	Growth in net profit after tax	
1.	Octopus Cards Limited	39.9%	1.	Habib Finance International Limited	18.6%	1.	Shinhan Asia Limited	234.6%
2.	Public Finance Limited	15.6%	2.	Octopus Cards Limited	17.0%	2.	Woori Global Markets Asia Limited	140.0%
3.	HKCB Finance Limited	15.1%	3.	KEB Hana Global Finance Limited	15.3%	3.	BCOM Finance (Hong Kong) Limited	25.0%
4.	Shinhan Asia Limited	6.6%	4.	Chau's Brothers Finance Company Limited	11.8%	4.	Octopus Cards Limited	5.8%
5.	Kexim Asia Limited	5.5%	5.	Shinhan Asia Limited	11.8%	5.	Public Finance Limited	5.6%
6.	Commonwealth Finance Corporation Limited	4.9%	6.	Public Finance Limited	8.4%	6.	HKCB Finance Limited	2.3%
7.	Fubon Credit (Hong Kong) Limited	4.6%	7.	Vietnam Finance Company Limited	3.2%	7.	Corporate Finance (D.T.C.) Limited	0.0%
8.	BPI International Finance Limited	3.4%	8.	BCOM Finance (Hong Kong) Limited	2.2%	8.	BPI International Finance Limited	0.0%
9.	Vietnam Finance Company Limited	2.2%	9.	HKCB Finance Limited	1.6%	9.	Vietnam Finance Company Limited	0.0%
10.	BCOM Finance (Hong Kong) Limited	2.2%	10.	Fubon Credit (Hong Kong) Limited	1.1%	10.	Chong Hing Finance Limited	0.0%

Foreign bank branches

Ranking	Growth in assets		Ranking	Growth in net profit after tax	
1.	Industrial Bank Co., Ltd.	170.5%	1.	Barclays Bank Plc	4600.0%
2.	Industrial And Commercial Bank of China Limited	110.8%	2.	Sumitomo Mitsui Trust Bank, Limited	1644.4%
3.	Unicredit Bank AG	81.2%	3.	Taiwan Business Bank	833.3%
4.	Bank of Montreal	69.0%	4.	National Australia Bank, Limited	800.0%
5.	Shanghai Pudong Development Bank Co., Ltd.	64.0%	5.	Industrial Bank Co., Ltd.	303.7%
6.	National Bank of Abu Dhabi	61.9%	6.	Wells Fargo Bank, National Association	262.5%
7.	State Street Bank And Trust Company	58.3%	7.	China Construction Bank Corporation	235.4%
8.	China Everbright Bank Co., Ltd.	52.8%	8.	Westpac Banking Corporation	223.8%
9.	Societe Generale	46.5%	9.	Royal Bank of Canada	209.6%
10.	KEB Hana Bank	45.1%	10.	LGT Bank AG	176.6%

Licensed banks - Financial highlights

	HK$ 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
1	Bank of China (Hong Kong) Limited	31-Dec-15	28,222	17,517	13,762	31,977	1,615	775	31,239
2	Bank of East Asia, Limited (The)	31-Dec-15	11,934	5,388	9,732	7,590	2,042	1,235	6,749
3	China CITIC Bank International Limited	31-Dec-15	3,420	2,411	2,564	3,267	668	2	2,601
4	China Construction Bank (Asia) Corporation Limited	31-Dec-15	5,350	970	2,810	3,510	452	71	3,131
5	Chiyu Banking Corporation Limited	31-Dec-15	847	420	443	824	200	17	641
6	Chong Hing Bank Limited	31-Dec-15	1,779	583	1,114	1,248	23	194	1,419
7	Citibank (Hong Kong) Limited	31-Dec-15	2,863	3,323	3,841	2,345	291	-	2,054
8	Dah Sing Bank Limited	31-Dec-15	3,337	1,184	2,250	2,271	511	634	2,424
9	DBS Bank (Hong Kong) Limited	31-Dec-15	4,700	4,019	4,503	4,216	394	158	3,664
10	Fubon Bank (Hong Kong) Limited	31-Dec-15	1,073	432	1,027	478	58	219	613
11	Hang Seng Bank, Limited	31-Dec-15	21,165	9,882	10,482	20,565	1,108	11,079	30,488
12	Hongkong And Shanghai Banking Corporation Limited (The)	31-Dec-15	94,377	89,035	76,991	106,421	4,972	15,830	117,279
13	Industrial And Commercial Bank of China (Asia) Limited	31-Dec-15	8,517	3,719	2,700	9,536	1,312	(106)	8,392
14	Nanyang Commercial Bank, Limited	31-Dec-15	4,720	1,784	2,632	3,872	633	140	3,379
15	Public Bank (Hong Kong) Limited	31-Dec-15	1,317	218	803	732	257	-	475
16	Shanghai Commercial Bank Ltd.	31-Dec-15	2,481	1,147	1,277	2,351	5	35	2,381
17	Standard Chartered Bank (Hong Kong) Limited	31-Dec-15	11,379	15,463	14,935	11,907	3,067	2,151	9,465
18	Tai Sang Bank Ltd.	31-Dec-15	7	14	19	2	-	23	25
19	Tai Yau Bank Ltd.	31-Dec-15	11	4	12	3	-	-	3
20	OCBC Wing Hang Bank, Limited	31-Dec-15	3,586	1,179	2,275	2,490	146	73	2,417
21	Wing Lung Bank Limited	31-Dec-15	3,870	2,088	1,983	3,975	29	19	3,965
	TOTAL[N1]	**2015**	**193,790**	**150,898**	**145,673**	**199,015**	**16,675**	**21,470**	**202,316**
	TOTAL ex-HSBC[N2]	**2015**	**120,578**	**71,745**	**79,164**	**113,159**	**12,811**	**16,719**	**115,525**
	TOTAL ex-BOCHK & HSBC[N2]	**2015**	**92,356**	**54,228**	**65,402**	**81,182**	**11,196**	**15,944**	**84,286**

* This is Liquidity Coverage Ratio.
\# This is Liquidity Maintenance Ratio.
N1 This does not include Hang Seng Bank, as it is already included in the results of The Hongkong and Shanghai Banking Corporation.
N2 This includes Hang Seng Bank

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

Financial highlights

	Size and strength measures						
Net profit after tax	Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Total equity	Capital adequacy ratio	Liquidity ratio
26,575	2,269,056	922,149	3,009	1,406,474	185,041	17.9%	106.5%*
5,638	781,364	461,039	2,381	540,743	85,641	17.2%	151.2%*
2,168	282,535	175,075	697	220,684	24,054	16.5%	61.8%#
2,501	507,509	239,239	1,085	305,625	45,833	16.6%	119.8%*
573	53,641	27,966	177	44,761	6,460	18.2%	139.4%*
1,193	127,838	63,600	274	99,392	15,108	17.7%	39.5%#
1,712	147,781	68,511	267	123,477	19,758	29.6%	33.5%#
2,115	196,678	116,103	715	151,092	21,907	16.7%	39.5%#
3,130	307,812	161,558	1,350	241,065	33,415	17.0%	130.8%*
522	90,993	42,825	75	58,385	10,806	16.6%	45.8%#
27,494	1,334,429	690,561	1,615	959,228	141,981	22.1%	195.0%*
99,983	6,953,683	2,773,819	11,529	4,640,076	635,886	18.6%	159.8%*
6,784	733,551	382,050	3,222	398,531	70,337	16.7%	94.0%*
2,897	305,197	170,309	1,385	218,262	37,099	18.4%	120.0%*
394	40,235	29,329	117	33,166	5,219	18.0%	44.4%#
1,902	159,613	64,376	275	129,205	22,641	19.9%	53.1%#
8,490	958,965	417,063	2,108	745,701	65,349	18.3%	154.0%*
25	1,659	166	-	976	653	91.1%	86.0%#
3	2,674	1	-	2,145	527	106.9%	66.5%#
2,028	224,968	154,335	400	180,399	25,676	17.2%	36.4%#
3,272	256,977	146,105	354	180,213	29,933	17.3%	41.7%#
171,905	**14,402,729**	**6,415,618**	**29,420**	**9,720,372**	**1,341,343**	**-**	**-**
99,416	**8,783,475**	**4,332,360**	**19,506**	**6,039,524**	**847,438**	**-**	**-**
72,841	**6,514,419**	**3,410,211**	**16,497**	**4,633,050**	**662,397**	**-**	**-**

HK$ millions		Year ended	Key ratios: Performance measures: Net customer loan/deposit ratio	Net interest income/ average total assets	Non-interest income/total operating income	Cost/income ratio	ROA[N3]	ROE[N4]
1	Bank of China (Hong Kong) Limited	31-Dec-15	65.4%	1.3%	38.3%	30.1%	1.2%	15.0%
2	Bank of East Asia, Limited (The)	31-Dec-15	84.8%	1.5%	31.1%	56.2%	0.7%	7.1%
3	China CITIC Bank International Limited	31-Dec-15	79.0%	1.3%	41.3%	44.0%	0.8%	9.4%
4	China Construction Bank (Asia) Corporation Limited	31-Dec-15	77.9%	1.1%	15.3%	44.5%	0.5%	5.6%
5	Chiyu Banking Corporation Limited	31-Dec-15	62.1%	1.6%	33.1%	35.0%	1.1%	9.0%
6	Chong Hing Bank Limited	31-Dec-15	63.7%	1.5%	24.7%	47.2%	1.0%	9.2%
7	Citibank (Hong Kong) Limited	31-Dec-15	55.3%	2.0%	53.7%	62.1%	1.2%	8.8%
8	Dah Sing Bank Limited	31-Dec-15	76.4%	1.7%	26.2%	49.8%	1.1%	10.1%
9	DBS Bank (Hong Kong) Limited	31-Dec-15	66.5%	1.5%	46.1%	51.6%	1.0%	9.4%
10	Fubon Bank (Hong Kong) Limited	31-Dec-15	73.2%	1.2%	28.7%	68.2%	0.6%	4.9%
11	Hang Seng Bank, Limited	31-Dec-15	71.8%	1.6%	31.8%	33.8%	2.1%	19.6%
12	Hongkong And Shanghai Banking Corporation Limited (The)	31-Dec-15	59.5%	1.4%	48.5%	42.0%	1.4%	16.1%
13	Industrial And Commercial Bank of China (Asia) Limited	31-Dec-15	95.1%	1.2%	30.4%	22.1%	1.0%	11.1%
14	Nanyang Commercial Bank, Limited	31-Dec-15	77.4%	1.5%	27.4%	40.5%	1.0%	8.0%
15	Public Bank (Hong Kong) Limited	31-Dec-15	88.1%	3.3%	14.2%	52.3%	1.0%	7.7%
16	Shanghai Commercial Bank Ltd.	31-Dec-15	49.6%	1.6%	31.6%	35.2%	1.2%	8.6%
17	Standard Chartered Bank (Hong Kong) Limited	31-Dec-15	55.6%	1.1%	57.6%	55.6%	0.8%	12.9%
18	Tai Sang Bank Ltd.	31-Dec-15	17.0%	0.4%	66.7%	90.5%	1.5%	3.9%
19	Tai Yau Bank Ltd.	31-Dec-15	0.0%	0.4%	26.7%	80.0%	0.1%	0.6%
20	OCBC Wing Hang Bank, Limited	31-Dec-15	85.3%	1.6%	24.7%	47.7%	0.9%	8.3%
21	Wing Lung Bank Limited	31-Dec-15	80.9%	1.5%	35.0%	33.3%	1.3%	11.9%
	TOTAL[N1]	**2015**	**65.7%**	**1.4%**	**34.9%**	**50.4%**	**1.0%**	**8.6%**
	TOTAL ex-HSBC[N2]	**2015**	**66.3%**	**1.5%**	**34.2%**	**49.0%**	**1.0%**	**9.1%**
	TOTAL ex-BOCHK & HSBC[N2]	**2015**	**66.3%**	**1.5%**	**34.0%**	**50.0%**	**1.0%**	**8.7%**

N1 This does not include Hang Seng Bank, as it is already included in the results of The Hongkong and Shanghai Banking Corporation.
N2 This includes Hang Seng Bank.
N3 ROA is calculated as net profit after tax divided by average total assets.
N4 ROE is calculated as net profit after tax divided by average total equity.

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

Loan asset quality							
Past due but not impaired advances			Impaired advances				
Loans overdue ≤ 3 months	Loans overdue > 3 months	Gross advances which are past due but not impaired	Gross impaired advances	Gross impaired advances/gross advances to customers	Individually assessed impairment allowances made against impaired advances	Individually assessed allowances as a percentage of gross impaired advances	Collaterals for individually assessed impaired advances
3,209	104	3,313	1,299	0.1%	610	47.0%	987
864	-	864	4,973	1.1%	1,021	20.5%	8,239
3,367	229	3,596	1,507	0.9%	297	19.7%	433
672	-	672	224	0.1%	114	50.9%	43
89	41	130	171	0.6%	65	38.0%	314
85	357	442	25	0.0%	24	96.0%	12
1,218	-	1,218	75	0.1%	-	0.0%	28
1,581	227	1,808	818	0.7%	328	40.1%	583
1,706	380	2,086	2,927	1.8%	524	17.9%	1,547
325	1	326	222	0.5%	34	15.3%	100
4,902	-	4,902	2,737	0.4%	807	29.5%	1,651
26,493	58	26,551	18,403	0.7%	7,040	38.3%	7,513
1,812	1	1,813	2,524	0.7%	1,486	58.9%	674
396	33	429	639	0.4%	434	67.9%	311
384	-	384	170	0.6%	102	60.0%	101
646	33	679	502	0.8%	19	3.8%	914
1,998	84	2,082	3,807	0.9%	1,300	34.1%	1,967
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
998	35	1,033	860	0.6%	177	20.6%	718
1,293	14	1,307	85	0.1%	17	20.0%	73
47,136	**1,597**	**48,733**	**39,231**	**0.5%**	**13,592**	**35.4%**	**24,557**
25,545	**1,539**	**27,084**	**23,565**	**0.5%**	**7,359**	**35.6%**	**18,695**
22,336	**1,435**	**23,771**	**22,266**	**0.5%**	**6,749**	**34.9%**	**17,708**

Restricted licence banks – Financial highlights

	HK$ 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
1	Allied Banking Corporation (Hong Kong) Limited	31-Dec-15	43	22	32	33	-	-	33
2	Banc of America Securities Asia Limited	31-Dec-15	4	-	1	3	-	-	3
3	Bank of China International Limited	31-Dec-15	106	293	294	105	-	-	105
4	Bank of Shanghai (Hong Kong) Limited	31-Dec-15	199	22	111	110	18	-	92
5	Citicorp International Limited	31-Dec-15	23	3,185	1,660	1,548	-	-	1,548
6	Goldman Sachs Asia Bank Limited	31-Dec-15	-	-	7	(7)	-	-	(7)
7	Habib Bank Zurich (Hong Kong) Limited	31-Dec-15	48	49	69	28	7	-	21
8	J. P. Morgan Securities (Asia Pacific) Limited	31-Dec-15	(188)	6,700	6,198	314	-	-	314
9	KDB Asia Limited	31-Dec-15	140	73	71	142	171	(6)	(23)
10	Kookmin Bank Hong Kong Limited	31-Dec-15	47	26	35	38	(1)	-	39
11	Morgan Stanley Asia International Limited	31-Dec-15	(14)	1,741	1,397	330	-	-	330
12	Nippon Wealth Limited	31-Dec-15	-	4	57	(53)	-	-	(53)
13	ORIX Asia Limited	31-Mar-15	150	-	95	55	2	-	53
14	RBC Capital Markets (Hong Kong) Limited	31-Oct-15	9	43	58	(6)	-	-	(6)
15	Scotiabank (Hong Kong) Limited	31-Oct-15	379	19	32	366	(15)	-	381
16	Siam Commercial Bank Public Company Ltd (The)	31-Dec-15	99	(4)	12	83	(25)	-	108
17	Societe Generale Asia Limited	31-Dec-15	16	163	131	48	-	-	48
18	UBAF (Hong Kong) Limited	31-Dec-15	1	21	30	(8)	-	-	(8)
	TOTAL	**2015**	**1,062**	**12,357**	**10,290**	**3,129**	**157**	**(6)**	**2,978**

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

Financial highlights							
	Size and strength measures						
Net profit after tax	Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Total equity	Capital adequacy ratio	Liquidity ratio
28	1,682	1,057	2	1,228	409	31.3%	51.4%
2	2,044	-	-	-	2,043	491.6%	N/A
88	10,908	5,024	-	9,178	1,487	29.5%	68.5%
78	15,462	7,981	26	7,854	2,110	20.1%	63.0%
1,274	8,139	-	-	-	6,172	88.0%	192.4%
(7)	107	-	-	-	102	274.0%	160.0%
16	2,267	1,145	29	1,434	543	36.0%	143.7%
250	10,234	-	-	-	5,238	38.6%	413.0%
(16)	9,222	4,780	213	20	1,818	27.2%	99.0%
34	4,516	1,683	17	419	1,019	36.4%	113.5%
277	45,542	7,998	-	39,240	1,594	24.0%	66.0%
(53)	355	-	-	147	192	215.8%	160.0%
43	4,006	3,638	14	92	2,123	55.1%	80.9%
(6)	1,758	-	-	1,178	306	108.0%	482.0%
318	29,295	26,710	48	-	4,921	21.8%	39.0%
99	24,102	4,409	44	1,231	-	17.1%	143.6%
39	800	-	-	-	398	64.6%	38.1%
(7)	687	181	3	10	493	146.5%	N/A
2,457	**171,126**	**64,606**	**396**	**62,031**	**30,968**	**-**	**-**

	HK$ millions	Year ended	Key ratios					
			Performance measures					
			Net customer loan/deposit ratio	Net interest income/ average total assets	Non-interest income/total operating income	Cost/income ratio	ROA	ROE
1	Allied Banking Corporation (Hong Kong) Limited	31-Dec-15	85.9%	2.6%	33.8%	49.2%	1.7%	7.1%
2	Banc of America Securities Asia Limited	31-Dec-15	N/A	0.2%	0.0%	25.0%	0.1%	0.1%
3	Bank of China International Limited	31-Dec-15	54.7%	0.8%	73.4%	73.7%	0.7%	6.1%
4	Bank of Shanghai (Hong Kong) Limited	31-Dec-15	101.3%	1.6%	10.0%	50.2%	0.6%	3.8%
5	Citicorp International Limited	31-Dec-15	N/A	0.3%	99.3%	51.7%	16.5%	22.1%
6	Goldman Sachs Asia Bank Limited	31-Dec-15	N/A	0.0%	N/A	N/A	-13.1%	-13.7%
7	Habib Bank Zurich (Hong Kong) Limited	31-Dec-15	77.8%	2.1%	50.5%	71.1%	0.7%	2.9%
8	J. P. Morgan Securities (Asia Pacific) Limited	31-Dec-15	N/A	-1.6%	102.9%	95.2%	2.1%	4.9%
9	KDB Asia Limited	31-Dec-15	22835.0%	1.6%	34.3%	33.3%	-0.2%	-0.9%
10	Kookmin Bank Hong Kong Limited	31-Dec-15	397.6%	1.0%	35.6%	47.9%	0.8%	3.4%
11	Morgan Stanley Asia International Limited	31-Dec-15	20.4%	-0.1%	100.8%	80.9%	1.2%	32.7%
12	Nippon Wealth Limited	31-Dec-15	0.0%	0.0%	100.0%	1425.0%	-17.3%	-24.3%
13	ORIX Asia Limited	31-Mar-15	3939.1%	4.0%	0.0%	63.3%	1.2%	2.0%
14	RBC Capital Markets (Hong Kong) Limited	31-Oct-15	0.0%	0.2%	82.7%	111.5%	-0.1%	-1.9%
15	Scotiabank (Hong Kong) Limited	31-Oct-15	N/A	1.3%	4.8%	8.0%	1.1%	6.7%
16	Siam Commercial Bank Public Company Ltd (The)	31-Dec-15	354.6%	0.4%	-4.2%	12.6%	0.4%	N/A
17	Societe Generale Asia Limited	31-Dec-15	N/A	1.9%	91.1%	73.2%	4.5%	10.3%
18	UBAF (Hong Kong) Limited	31-Dec-15	1780.0%	0.1%	95.5%	136.4%	-0.9%	-1.4%
	TOTAL	**2015**	**2470.5%**	**0.9%**	**53.6%**	**141.7%**	**0.0%**	**3.5%**

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

	Loan asset quality							
	Past due but not impaired advances			Impaired advances				
	Loans overdue ≤ 3 months	Loans overdue > 3 months	Gross advances which are past due but not impaired	Gross impaired advances	Gross impaired advances/gross advances to customers	Individually assessed impairment allowances made against impaired advances	Individually assessed allowances as a percentage of gross impaired advances	Collaterals for individually assessed impaired advances
	1	1	2	-	0.0%	-	N/A	-
	-	-	-	-	N/A	-	N/A	-
	N/A	-	42	-	0.0%	-	N/A	-
	-	-	-	1	0.0%	-	0.0%	-
	-	-	-	-	N/A	-	N/A	-
	-	-	-	-	N/A	-	N/A	-
	90	21	111	37	3.2%	10	27.0%	N/A
	-	-	-	-	N/A	-	N/A	-
	-	-	-	184	3.8%	184	100.0%	N/A
	-	-	-	N/A	N/A	N/A	N/A	N/A
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	N/A	-	N/A	-
	17	-	17	12	0.3%	8	66.7%	4
	-	-	-	-	N/A	-	N/A	-
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	0.0%	44	N/A	-
	-	-	-	-	N/A	-	N/A	-
	-	92	92	3	1.7%	3	100.0%	N/A
	108	**114**	**264**	**237**	**0.9%**	**249**	**58.7%**	**4**

Deposit-taking companies - Financial highlights

	HK$ 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
1	BCOM Finance (Hong Kong) Limited	31-Dec-15	1	6	1	6	-	-	6
2	BPI International Finance Limited	31-Dec-15	4	28	25	7	-	-	7
3	Chau's Brothers Finance Company Limited	31-Dec-15	5	1	5	1	-	-	1
4	Chong Hing Finance Limited	31-Dec-15	-	-	-	-	-	-	-
5	Commonwealth Finance Corporation Limited	31-Dec-15	14	4	11	7	1	-	6
6	Corporate Finance (D.T.C.) Limited	31-Dec-15	4	-	3	1	-	-	1
7	Fubon Credit (Hong Kong) Limited	31-Dec-15	1	-	1	-	(5)	-	5
8	Gunma Finance (Hong Kong) Limited	31-Dec-15	9	-	8	1	-	-	1
9	Habib Finance International Limited	31-Dec-15	7	2	8	1	-	-	1
10	Henderson International Finance Limited	31-Dec-15	1	-	1	-	-	-	-
11	HKCB Finance Limited	31-Dec-15	108	5	7	106	(1)	-	107
12	KEB Hana Global Finance Limited	31-Dec-15	30	22	27	25	19	-	6
13	Kexim Asia Limited	31-Dec-15	40	(2)	15	23	(2)	2	27
14	Octopus Cards Limited	31-Dec-15	60	927	551	436	-	-	435
15	Public Finance Limited	31-Dec-15	814	124	402	536	241	1	296
16	Shinhan Asia Limited	31-Dec-15	43	79	31	91	1	-	90
17	Vietnam Finance Company Limited	31-Dec-15	6	2	5	3	-	-	3
18	Woori Global Markets Asia Limited	31-Dec-15	26	10	26	10	(2)	-	12
	TOTAL	**2015**	**1,173**	**1,208**	**1,127**	**1,254**	**252**	**3**	**1,004**

Source: Extracted from individual banks' financial and public statements

Financial highlights							
	Size and strength measures						
Net profit after tax	Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Total equity	Capital adequacy ratio	Liquidity ratio
5	237	-	-	1	235	N/A	N/A
6	438	40	-	251	180	86.5%	682.8%
1	85	77	1	5	69	76.4%	87.1%
-	45	-	-	-	45	N/A	N/A
5	318	268	5	130	103	45.0%	135.1%
1	334	142	-	239	95	N/A	N/A
4	96	14	-	-	89	N/A	N/A
1	642	418	-	18	307	N/A	N/A
1	414	384	-	11	151	119.8%	486.9%
-	121	-	-	68	53	N/A	N/A
89	6,345	6,277	-	-	634	21.1%	148.2%
4	1,543	1,349	22	-	420	33.2%	239.8%
22	2,720	1,522	15	-	403	22.4%	281.7%
385	5,030	-	-	3,395	1,157	38.8%	73.3%
247	6,538	5,246	82	4,797	1,584	24.1%	72.4%
87	2,447	1,203	1	2	1,348	56.7%	207.3%
2	905	3	-	-	95	0.0%	0.0%
12	1,627	1,159	1	-	785	53.7%	160.1%
872	**29,885**	**18,102**	**127**	**8,917**	**7,753**	**-**	**-**

	HK$ millions	Year ended	Key ratios					
			Performance measures					
			Net customer loan/deposit ratio	Net interest income/ average total assets	Non-interest income/ total operating income	Cost/income ratio	ROA	ROE
1	BCOM Finance (Hong Kong) Limited	31-Dec-15	0.0%	0.4%	85.7%	14.3%	2.1%	2.2%
2	BPI International Finance Limited	31-Dec-15	15.9%	0.9%	87.5%	78.1%	1.4%	3.4%
3	Chau's Brothers Finance Company Limited	31-Dec-15	1520.0%	6.2%	16.7%	83.3%	1.2%	1.5%
4	Chong Hing Finance Limited	31-Dec-15	N/A	0.0%	N/A	N/A	0.0%	0.0%
5	Commonwealth Finance Corporation Limited	31-Dec-15	202.3%	4.3%	22.2%	61.1%	1.5%	4.9%
6	Corporate Finance (D.T.C.) Limited	31-Dec-15	59.4%	1.2%	0.0%	75.0%	0.3%	1.1%
7	Fubon Credit (Hong Kong) Limited	31-Dec-15	N/A	1.0%	0.0%	100.0%	4.2%	4.6%
8	Gunma Finance (Hong Kong) Limited	31-Dec-15	2322.2%	1.3%	0.0%	88.9%	0.1%	0.3%
9	Habib Finance International Limited	31-Dec-15	3490.9%	1.8%	22.2%	88.9%	0.3%	0.8%
10	Henderson International Finance Limited	31-Dec-15	0.0%	0.8%	0.0%	100.0%	0.0%	0.0%
11	HKCB Finance Limited	31-Dec-15	N/A	1.7%	4.4%	6.2%	1.4%	15.1%
12	KEB Hana Global Finance Limited	31-Dec-15	N/A	2.1%	42.3%	51.9%	0.3%	1.0%
13	Kexim Asia Limited	31-Dec-15	N/A	1.5%	-5.3%	39.5%	0.8%	5.5%
14	Octopus Cards Limited	31-Dec-15	0.0%	1.3%	93.9%	55.8%	8.3%	39.9%
15	Public Finance Limited	31-Dec-15	107.7%	13.0%	13.2%	42.9%	3.9%	15.6%
16	Shinhan Asia Limited	31-Dec-15	60100.0%	1.9%	64.8%	25.4%	3.8%	6.6%
17	Vietnam Finance Company Limited	31-Dec-15	N/A	0.7%	25.0%	62.5%	0.2%	2.2%
18	Woori Global Markets Asia Limited	31-Dec-15	N/A	1.5%	27.8%	72.2%	0.7%	1.5%
	TOTAL	**2015**	**6165.3%**	**2.3%**	**29.4%**	**61.5%**	**1.7%**	**5.9%**

Source: Extracted from individual banks' financial and public statements

	Loan asset quality							
	Past due but not impaired advances			Impaired advances				
	Loans overdue ≤ 3 months	Loans overdue > 3 months	Gross advances which are past due but not impaired	Gross impaired advances	Gross impaired advances/gross advances to customers	Individually assessed impairment allowances made against impaired advances	Individually assessed allowances as a percentage of gross impaired advances	Collaterals for individually assessed impaired advances
	-	-	-	-	N/A	-	N/A	-
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	N/A	-	N/A	-
	-	-	N/A	N/A	N/A	-	N/A	-
	30	-	30	-	0.0%	-	N/A	112
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	0.0%	-	N/A	N/A
	-	-	-	-	0.0%	-	N/A	5
	-	-	-	-	N/A	-	N/A	N/A
	139	-	139	-	0.0%	-	N/A	-
	-	-	-	34	2.5%	-	0.0%	-
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	N/A	-	N/A	-
	234	-	234	102	1.9%	73	71.6%	-
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	0.0%	-	N/A	N/A
	403	**-**	**403**	**136**	**0.3%**	**73**	**35.8%**	**117**

Foreign bank branches - Financial highlights

	HK$ 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
1	ABN AMRO Bank N.V.	31-Dec-15	451	505	795	161	92	-
2	Agricultural Bank of China Limited	31-Dec-15	4,450	(970)	322	3,158	6	(18)
3	Allahabad Bank	31-Mar-15	130	20	14	136	98	-
4	Australia And New Zealand Banking Group Limited	30-Sep-15	1,123	1,752	2,371	504	21	(1)
5	Axis Bank Limited	31-Mar-15	340	310	33	617	(2)	-
6	Banco Bilbao Vizcaya Argentaria S.A.	31-Dec-15	201	192	275	118	-	-
7	Banco Santander, S.A.	31-Dec-15	434	55	424	65	-	-
8	Bangkok Bank Public Company Limited	31-Dec-15	277	43	128	192	171	-
9	Bank J. Safra Sarasin AG	31-Dec-15	77	226	293	10	-	-
10	Bank Julius Baer & Co. Ltd.	31-Dec-15	288	910	1,197	1	-	-
11	Bank of America, National Association	31-Dec-15	1,168	1,122	1,640	650	257	-
12	Bank of Baroda	31-Mar-15	140	42	31	151	112	-
13	Bank of China Limited	31-Dec-15	171	152	85	238	-	-
14	Bank of Communications Co., Ltd.	31-Dec-15	6,232	1,309	2,471	5,070	215	25
15	Bank of India	31-Mar-15	379	37	51	365	90	(15)
16	Bank of Montreal	31-Oct-15	21	164	266	(81)	2	1
17	Bank of New York Mellon (The)	31-Dec-15	289	562	541	310	-	-
18	Bank of Nova Scotia (The)	31-Oct-15	465	361	266	560	(5)	-
19	Bank of Singapore Limited	31-Dec-15	15	321	302	34	-	-
20	Bank of Taiwan	31-Dec-15	284	23	42	265	1	-
21	Bank of Tokyo-Mitsubishi UFJ, Ltd. (The)	31-Mar-15	1,610	1,735	1,030	2,315	48	(3)
22	Bank Sinopac	31-Dec-15	257	108	171	194	(42)	(10)
23	Barclays Bank Plc	31-Dec-15	78	3,558	3,221	415	-	-
24	BNP Paribas	31-Dec-15	1,128	1,830	2,093	865	90	-
25	BNP Paribas Wealth Management	31-Dec-15	278	733	1,179	(168)	-	-
26	Canadian Imperial Bank of Commerce	31-Oct-15	63	264	195	132	-	-
27	Canara Bank	31-Mar-15	125	27	13	139	85	-
28	Cathay Bank	31-Dec-15	57	5	43	19	(1)	-
29	Cathay United Bank Company, Limited	31-Dec-15	161	155	102	214	(11)	1
30	Chang Hwa Commercial Bank, Ltd.	31-Dec-15	154	49	28	175	14	-
31	China Construction Bank Corporation	31-Dec-15	1,189	512	368	1,333	(13)	-
32	China Development Bank Corporation	31-Dec-15	4,737	1,000	220	5,517	4,453	-
33	China Everbright Bank Co., Ltd.	31-Dec-15	394	116	184	326	56	-
34	China Merchants Bank Co., Ltd.	31-Dec-15	1,096	818	246	1,668	9	-
35	China Minsheng Banking Corp., Ltd.	31-Dec-15	866	1,364	384	1,846	35	-
36	Citibank, N.A.	31-Dec-15	2,108	4,232	5,627	713	-	465
37	Commerzbank AG	31-Dec-15	163	420	344	239	45	-
38	Commonwealth Bank of Australia	30-Jun-15	353	36	190	199	-	-

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

Financial highlights		Size and strength measures				
Profit before tax	Net profit after tax	Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Liquidity ratio
69	57	55,701	23,485	97	23,676	42.7%
3,166	2,633	513,645	284,273	348	107,044	40.4%
38	21	15,118	9,949	208	2,980	279.7%
482	408	172,100	70,349	244	75,847	46.0%
619	618	16,074	14,178	417	3,167	210.2%
118	118	40,571	24,824	-	1,546	60.7%
65	29	66,438	20,004	-	687	35.7%
21	33	57,514	13,307	1,164	9,725	37.7%
10	8	11,603	5,691	-	5,378	45.9%
1	10	51,835	23,372	-	31,754	36.0%
393	320	97,192	42,885	1,071	37,495	N/A
39	23	15,688	10,630	190	1,768	49.8%
238	197	151,855	-	-	-	2873597.4%
4,880	3,633	546,256	222,865	1,116	380,247	128.1%
290	250	45,322	27,030	360	19,397	N/A
(82)	(83)	8,422	1,286	10	2,306	53.3%
310	252	57,457	1,441	-	9,073	54.8%
565	468	65,020	16,521	-	11,518	47.1%
34	28	4,610	2,058	-	3,201	43.5%
268	268	17,670	6,833	125	7,809	59.6%
2,264	1,979	466,922	208,167	2,121	82,915	47.9%
246	246	21,635	8,456	163	16,378	37.0%
415	334	30,618	6,367	-	11,476	88.1%
775	776	258,633	78,689	294	71,410	32.8%
(168)	(140)	90,973	30,886	3	77,553	58.4%
132	100	17,510	3,402	-	1,825	64.1%
54	48	10,101	8,290	178	2,100	70.7%
20	16	3,228	1,676	(17)	2,416	56.0%
224	224	10,944	4,722	48	8,453	45.7%
161	134	12,524	6,168	86	7,529	42.1%
1,346	1,127	415,698	199,582	503	108,703	127.7%
1,064	138	388,005	223,516	14,204	70,888	127.7%
270	216	55,461	29,162	131	17,064	88.4%
1,659	1,185	110,256	42,317	741	77,779	43.5%
1,811	1,511	108,942	60,207	795	63,284	66.8%
248	225	355,513	110,943	279	240,617	35.0%
194	194	13,498	3,309	90	2,120	55.0%
199	166	38,250	27,380	-	2,082	48.0%

	HK$ 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
39	Coöperatieve Rabobank U.A.	31-Dec-15	892	326	594	624	553	-
40	Coutts & Co AG	31-Dec-15	35	295	586	(256)	-	-
41	Credit Agricole Corporate And Investment Bank	31-Dec-15	732	568	975	325	44	-
42	Credit Suisse AG	31-Dec-15	789	1,409	1,553	645	66	-
43	CTBC Bank Co., Ltd.	31-Dec-15	548	666	603	611	35	-
44	DBS Bank Ltd.	31-Dec-15	2,789	1,154	688	3,255	(51)	-
45	Deutsche Bank Aktiengesellschaft	31-Dec-15	237	9,815	8,468	1,584	(3)	-
46	DZ Bank Ag Deutsche Zentral-Genossenschaftsbank, Frankfurt Am Main	31-Dec-15	91	89	68	112	79	-
47	E.Sun Commercial Bank, Ltd.	31-Dec-15	185	127	78	234	(3)	-
48	East West Bank	31-Dec-15	119	45	90	74	21	11
49	EFG Bank AG	31-Dec-15	79	566	552	93	-	-
50	Erste Group Bank AG	31-Dec-15	142	(6)	55	81	(2)	-
51	First Commercial Bank, Ltd.	31-Dec-15	186	63	43	206	(5)	-
52	HDFC Bank Limited	31-Mar-16	58	9	12	55	7	-
53	HSBC Private Bank (Suisse) S.A.	31-Dec-15	-	-	1	(1)	-	-
54	Hua Nan Commercial Bank, Ltd.	31-Dec-15	203	33	40	196	1	-
55	ICICI Bank Limited	31-Mar-15	310	294	82	522	37	-
56	Indian Overseas Bank	31-Mar-15	276	89	38	327	103	-
57	Industrial And Commercial Bank of China Limited	31-Dec-15	463	(145)	40	278	17	-
58	Industrial Bank Co., Ltd.	31-Dec-15	281	150	140	291	42	-
59	Industrial Bank of Korea	31-Dec-15	129	50	30	157	4	-
60	Industrial Bank of Taiwan Co., Ltd.	31-Dec-15	115	87	126	76	-	-
61	ING Bank N.V.	31-Dec-15	560	166	317	409	(7)	-
62	Intesa Sanpaolo Spa	31-Dec-15	461	(10)	127	324	274	3
63	JPMorgan Chase Bank, National Association	31-Dec-15	564	6,713	7,191	86	(23)	290
64	KBC Bank N.V.	31-Dec-15	79	77	76	80	15	-
65	KEB Hana Bank	31-Dec-15	274	140	57	357	(52)	6
66	LGT Bank AG	31-Dec-15	48	797	800	45	1	-
67	Macquarie Bank Limited	31-Mar-15	(44)	541	1,030	(533)	N/A	-
68	Malayan Banking Berhad	31-Dec-15	572	332	162	742	(44)	-
69	Mega International Commercial Bank Co., Ltd.	31-Dec-15	282	74	71	285	10	-
70	Mitsubishi UFJ Trust And Banking Corporation	31-Mar-15	136	(62)	50	24	-	-

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

Financial highlights		Size and strength measures				
Profit before tax	Net profit after tax	Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Liquidity ratio
71	68	107,536	42,439	809	8,679	54.5%
(256)	(256)	18,043	7,090	193	15,352	47.3%
281	236	164,062	41,160	46	33,078	55.7%
579	486	108,101	60,888	67	60,463	43.3%
576	492	62,681	23,759	382	48,952	34.8%
3,306	2,781	229,323	132,612	1,197	59,654	35.1%
1,587	1,075	107,549	27,631	61	40,550	61.3%
33	33	13,234	4,846	126	256	83.9%
237	193	18,069	6,930	70	13,349	38.6%
42	32	8,189	5,420	55	4,005	48.0%
93	78	31,144	13,715	-	26,867	64.2%
83	73	11,535	444	19	-	40.8%
211	211	15,810	7,288	71	11,639	38.9%
48	42	7,732	6,156	65	1,463	84.3%
(1)	(1)	17	-	-	-	50004838.3%
195	163	19,730	7,313	75	16,607	38.3%
485	451	50,791	16,032	226	3,980	124.2%
224	187	16,042	11,931	505	3,855	75.6%
261	218	129,070	19,607	233	132	70.1%
249	222	61,208	18,568	(43)	42,378	125.1%
153	125	9,840	1,972	-	1,591	0.0%
76	57	9,260	5,244	80	5,150	55.4%
416	405	52,014	28,591	27	4,087	43.5%
53	59	47,958	14,010	451	2,085	37.4%
399	343	153,217	11,411	-	38,845	81.1%
65	60	9,531	4,114	47	1,212	67.7%
403	333	28,476	15,648	62	5,148	42.8%
44	36	19,115	6,429	5	12,239	68.6%
(533)	(449)	28,939	N/A	N/A	-	N/A
786	676	53,115	25,129	252	25,427	47.8%
295	224	28,632	7,419	76	27,661	47.2%
24	24	32,841	5,939	-	131	100.9%

	HK$ 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
71	Mizuho Bank, Ltd.	31-Mar-15	1,698	981	632	2,047	(121)	-
72	National Australia Bank, Limited	30-Sep-15	143	476	444	175	53	-
73	National Bank of Abu Dhabi	31-Dec-15	(19)	147	98	30	-	-
74	Natixis	31-Dec-15	179	1,196	881	494	50	-
75	Oversea-Chinese Banking Corporation Ltd.	31-Dec-15	958	287	226	1,019	30	30
76	Punjab National Bank	31-Mar-15	314	93	22	385	110	-
77	Royal Bank of Canada	31-Oct-15	93	771	709	155	N/A	-
78	Royal Bank of Scotland Public Limited Company (The)	31-Dec-15	158	251	1,042	(633)	-	-
79	Shanghai Commercial & Savings Bank, Ltd. (The)	31-Dec-15	63	35	31	67	11	-
80	Shanghai Pudong Development Bank Co., Ltd.	31-Dec-15	606	153	189	570	101	-
81	Shinhan Bank	31-Dec-15	120	4	20	104	40	-
82	Societe Generale	31-Dec-15	487	1,625	1,561	551	28	-
83	Standard Bank Plc	31-Dec-15	5	59	62	2	-	-
84	State Bank of India	31-Mar-15	480	215	(60)	755	(86)	-
85	State Street Bank And Trust Company	31-Dec-15	116	1,243	1,137	222	-	-
86	Sumitomo Mitsui Banking Corporation	31-Mar-15	1,956	660	532	2,084	-	-
87	Sumitomo Mitsui Trust Bank, Limited	31-Mar-15	135	57	53	139	-	-
88	Taipei Fubon Commercial Bank Co., Ltd.	31-Dec-15	349	332	148	533	54	-
89	Taishin International Bank Co., Ltd	31-Dec-15	176	145	86	235	(23)	403
90	Taiwan Business Bank	31-Dec-15	82	13	28	67	11	-
91	Taiwan Cooperative Bank, Ltd.	31-Dec-15	128	16	24	120	(5)	-
92	Taiwan Shin Kong Commercial Bank Co., Ltd.	31-Dec-15	36	17	32	21	1	(3)
93	UBS AG	31-Dec-15	1,818	13,850	10,271	5,397	4	-
94	UCO Bank	31-Mar-15	141	90	51	180	20	-
95	Unicredit Bank AG	31-Dec-15	94	59	199	(46)	-	-
96	Union Bank of India	31-Mar-15	254	40	45	249	52	-
97	United Overseas Bank Ltd.	31-Dec-15	927	1,259	623	1,563	82	96
98	Wells Fargo Bank, National Association	31-Dec-15	126	968	920	174	-	-
99	Westpac Banking Corporation	30-Sep-15	116	159	166	109	24	-
100	Woori Bank	31-Dec-15	92	30	26	96	(17)	-
	TOTAL	**2015**	**55,174**	**73,781**	**72,126**	**56,837**	**7,364**	**1,281**

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

Financial highlights		Size and strength measures				
Profit before tax	Net profit after tax	Total assets	Gross advances to customers	Impairment allowances against customer advances	Total deposits from customers	Liquidity ratio
2,168	1,870	444,851	163,922	342	61,962	50.4%
122	99	89,955	24,974	120	36,701	204.1%
30	25	24,730	9,188	-	11,938	45.0%
444	393	38,690	25,193	98	6,943	47.7%
1,019	962	93,725	48,657	473	34,116	56.0%
275	224	56,067	35,774	303	12,383	108.1%
155	126	36,927	1,228	N/A	N/A	N/A
(633)	(632)	10,269	2,635	-	2,043	59.2%
56	44	6,244	1,358	34	5,870	39.6%
469	395	104,738	51,094	225	53,014	65.2%
64	50	11,615	7,958	132	1,708	166.3%
523	423	228,474	37,023	135	60,849	79.1%
2	2	1,689	-	34	1,637	0.0%
841	702	72,459	31,104	119	11,101	163.1%
222	186	144,913	234	N/A	21,575	70.0%
2,084	1,844	327,765	135,538	122	43,528	35.0%
139	139	43,232	21,090	-	2,036	73.9%
479	398	37,168	16,686	196	22,547	43.2%
(145)	(147)	16,218	6,417	69	12,426	59.3%
56	56	7,342	2,503	43	3,261	46.3%
125	106	7,414	4,744	50	5,500	42.5%
23	19	3,215	1,487	14	2,514	52.8%
5,393	4,474	149,015	104,644	10	112,329	51.4%
160	137	22,875	14,533	118	9,944	81.3%
(46)	(46)	55,224	2,169	27	853	123.8%
197	165	27,337	21,205	417	2,489	41.9%
1,577	1,332	112,547	77,214	96	32,815	41.5%
174	169	21,890	10,344	-	1,153	116.3%
85	68	34,738	19,344	46	12,796	66.3%
113	118	14,478	8,747	33	3,059	N/A
49,094	**40,148**	**8,317,410**	**3,340,962**	**33,382**	**2,703,135**	**-**

Foreign bank branches - Financial highlights

(Continued)

	HK$ millions	Year ended	Key ratios				
			Performance measures				
			Net customer loan/deposit ratio	Net interest income/ average total assets	Non-interest income/total operating income	Cost/ income ratio	ROA
1	ABN AMRO Bank N.V.	31-Dec-15	98.8%	0.8%	52.8%	83.2%	0.1%
2	Agricultural Bank of China Limited	31-Dec-15	265.2%	1.0%	-27.9%	9.3%	0.6%
3	Allahabad Bank	31-Mar-15	326.9%	1.0%	13.3%	9.3%	0.2%
4	Australia And New Zealand Banking Group Limited	30-Sep-15	92.4%	0.6%	60.9%	82.5%	0.2%
5	Axis Bank Limited	31-Mar-15	434.5%	2.1%	47.7%	5.1%	3.8%
6	Banco Bilbao Vizcaya Argentaria S.A.	31-Dec-15	1605.7%	0.5%	48.9%	70.0%	0.3%
7	Banco Santander, S.A.	31-Dec-15	2911.8%	0.7%	11.2%	86.7%	0.0%
8	Bangkok Bank Public Company Limited	31-Dec-15	124.9%	0.5%	13.4%	40.0%	0.1%
9	Bank J. Safra Sarasin AG	31-Dec-15	105.8%	0.8%	74.6%	96.7%	0.1%
10	Bank Julius Baer & Co. Ltd.	31-Dec-15	73.6%	0.5%	76.0%	99.9%	0.0%
11	Bank of America, National Association	31-Dec-15	111.5%	1.2%	49.0%	71.6%	0.3%
12	Bank of Baroda	31-Mar-15	590.5%	0.9%	23.1%	17.0%	0.1%
13	Bank of China Limited	31-Dec-15	N/A	0.1%	47.1%	26.3%	0.1%
14	Bank of Communications Co., Ltd.	31-Dec-15	58.3%	1.2%	17.4%	32.8%	0.7%
15	Bank of India	31-Mar-15	137.5%	0.9%	8.9%	12.3%	0.6%
16	Bank of Montreal	31-Oct-15	55.3%	0.3%	88.6%	143.8%	-1.2%
17	Bank of New York Mellon (The)	31-Dec-15	15.9%	0.4%	66.0%	63.6%	0.3%
18	Bank of Nova Scotia (The)	31-Oct-15	143.4%	0.6%	43.7%	32.2%	0.6%
19	Bank of Singapore Limited	31-Dec-15	64.3%	0.4%	95.5%	89.9%	0.7%
20	Bank of Taiwan	31-Dec-15	85.9%	1.7%	7.5%	13.7%	1.6%
21	Bank of Tokyo-Mitsubishi UFJ, Ltd. (The)	31-Mar-15	248.5%	0.3%	51.9%	30.8%	0.4%
22	Bank Sinopac	31-Dec-15	50.6%	1.1%	29.6%	46.8%	1.1%
23	Barclays Bank Plc	31-Dec-15	55.5%	0.2%	97.9%	88.6%	0.8%
24	BNP Paribas	31-Dec-15	109.8%	0.5%	61.9%	70.8%	0.3%
25	BNP Paribas Wealth Management	31-Dec-15	39.8%	0.3%	72.5%	116.6%	-0.2%
26	Canadian Imperial Bank of Commerce	31-Oct-15	186.4%	0.4%	80.7%	59.6%	0.6%
27	Canara Bank	31-Mar-15	386.3%	1.2%	17.8%	8.6%	0.5%
28	Cathay Bank	31-Dec-15	70.1%	1.8%	8.1%	69.4%	0.5%
29	Cathay United Bank Company, Limited	31-Dec-15	55.3%	1.4%	49.1%	32.3%	1.9%
30	Chang Hwa Commercial Bank, Ltd.	31-Dec-15	80.8%	1.3%	24.1%	13.8%	1.1%
31	China Construction Bank Corporation	31-Dec-15	183.1%	0.3%	30.1%	21.6%	0.3%
32	China Development Bank Corporation	31-Dec-15	295.3%	1.4%	17.4%	3.8%	0.0%
33	China Everbright Bank Co., Ltd.	31-Dec-15	170.1%	0.9%	22.7%	36.1%	0.5%
34	China Merchants Bank Co., Ltd.	31-Dec-15	53.5%	0.9%	42.7%	12.9%	1.0%
35	China Minsheng Banking Corp., Ltd.	31-Dec-15	93.9%	0.9%	61.2%	17.2%	1.5%
36	Citibank, N.A.	31-Dec-15	46.0%	0.6%	66.8%	88.8%	0.1%
37	Commerzbank AG	31-Dec-15	151.8%	0.8%	72.0%	59.0%	1.0%
38	Commonwealth Bank of Australia	30-Jun-15	1315.1%	0.8%	9.3%	48.8%	0.4%

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

Loan asset quality							
Past due advances			Impaired advances				
Loans overdue ≤ 3 months	Loans overdue > 3 months	Gross advances which are past due 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
-	75	75	75	0.3%	75	100.0%	-
-	112	112	116	0.0%	112	96.6%	1
-	219	219	219	2.2%	N/A	N/A	N/A
-	13	13	41	0.1%	36	87.8%	6
-	271	271	271	1.9%	271	100.0%	1,952
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
79	10	89	89	0.7%	5	5.6%	1
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
-	278	278	624	1.5%	543	87.0%	-
N/A	219	219	219	2.1%	131	59.8%	97
-	-	-	-	N/A	-	N/A	-
-	144	144	262	0.1%	166	63.4%	93
-	375	375	355	1.3%	232	65.4%	165
N/A	-	N/A	N/A	N/A	N/A	N/A	N/A
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
-	-	-	33	0.5%	28	84.8%	-
-	-	-	72	0.0%	19	26.4%	36
-	5	5	5	0.1%	5	100.0%	-
-	-	-	-	0.0%	-	N/A	-
-	212	212	340	0.4%	193	56.8%	450
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
-	140	140	N/A	N/A	N/A	N/A	N/A
-	-	-	24	1.4%	-	0.0%	12
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
-	7	7	7	0.0%	7	100.0%	6
3,040	3,785	6,825	8,246	3.7%	4,840	58.7%	143
-	-	-	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-
-	153	153	153	0.3%	115	75.2%	37
-	969	969	969	0.9%	-	0.0%	N/A
-	-	-	310	9.4%	84	27.1%	-
-	-	-	-	0.0%	-	N/A	-

	HK$ millions	Year ended	Key ratios Performance measures Net customer loan/deposit ratio	Net interest income/ average total assets	Non-interest income/total operating income	Cost/income ratio	ROA
39	Coöperatieve Rabobank U.A.	31-Dec-15	479.7%	0.7%	26.8%	48.8%	0.1%
40	Coutts & Co AG	31-Dec-15	44.9%	0.2%	89.4%	177.6%	-1.4%
41	Credit Agricole Corporate And Investment Bank	31-Dec-15	124.3%	0.4%	43.7%	75.0%	0.1%
42	Credit Suisse AG	31-Dec-15	100.6%	0.8%	64.1%	70.7%	0.5%
43	CTBC Bank Co., Ltd.	31-Dec-15	47.8%	0.9%	54.9%	49.7%	0.8%
44	DBS Bank Ltd.	31-Dec-15	220.3%	1.3%	29.3%	17.4%	1.2%
45	Deutsche Bank Aktiengesellschaft	31-Dec-15	68.0%	0.2%	97.6%	84.2%	1.0%
46	DZ Bank Ag Deutsche Zentral-Genossenschaftsbank, Frankfurt Am Main	31-Dec-15	1843.8%	0.7%	49.4%	37.8%	0.2%
47	E.Sun Commercial Bank, Ltd.	31-Dec-15	51.4%	1.1%	40.7%	25.0%	1.2%
48	East West Bank	31-Dec-15	134.0%	1.6%	27.4%	54.9%	0.4%
49	EFG Bank AG	31-Dec-15	51.0%	0.2%	87.8%	85.6%	0.2%
50	Erste Group Bank AG	31-Dec-15	N/A	1.2%	-4.4%	40.4%	0.6%
51	First Commercial Bank, Ltd.	31-Dec-15	62.0%	1.3%	25.3%	17.3%	1.4%
52	HDFC Bank Limited	31-Mar-16	416.3%	0.8%	13.4%	17.9%	0.6%
53	HSBC Private Bank (Suisse) S.A.	31-Dec-15	N/A	0.0%	N/A	N/A	-5.7%
54	Hua Nan Commercial Bank, Ltd.	31-Dec-15	43.6%	1.0%	14.0%	16.9%	0.8%
55	ICICI Bank Limited	31-Mar-15	397.1%	0.6%	48.7%	13.6%	0.9%
56	Indian Overseas Bank	31-Mar-15	296.4%	1.5%	24.4%	10.4%	1.0%
57	Industrial And Commercial Bank of China Limited	31-Dec-15	14677.3%	0.5%	-45.6%	12.6%	0.2%
58	Industrial Bank Co., Ltd.	31-Dec-15	N/A	N/A	N/A	N/A	N/A
59	Industrial Bank of Korea	31-Dec-15	N/A	N/A	N/A	N/A	N/A
60	Industrial Bank of Taiwan Co., Ltd.	31-Dec-15	N/A	N/A	N/A	N/A	N/A
61	ING Bank N.V.	31-Dec-15	698.9%	0.9%	22.9%	43.7%	0.6%
62	Intesa Sanpaolo Spa	31-Dec-15	650.3%	0.7%	-2.2%	28.2%	0.1%
63	JPMorgan Chase Bank, National Association	31-Dec-15	29.4%	0.4%	92.2%	98.8%	0.2%
64	KBC Bank N.V.	31-Dec-15	335.6%	0.6%	49.4%	48.7%	0.5%
65	KEB Hana Bank	31-Dec-15	302.8%	1.1%	33.8%	13.8%	1.4%
66	LGT Bank AG	31-Dec-15	52.5%	0.3%	94.3%	94.7%	0.2%
67	Macquarie Bank Limited	31-Mar-15	N/A	-0.2%	108.9%	207.2%	-1.6%
68	Malayan Banking Berhad	31-Dec-15	97.8%	1.1%	36.7%	17.9%	1.3%
69	Mega International Commercial Bank Co., Ltd.	31-Dec-15	26.5%	1.0%	20.8%	19.9%	0.8%
70	Mitsubishi UFJ Trust And Banking Corporation	31-Mar-15	4533.6%	0.5%	-83.8%	67.6%	0.1%

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

Loan asset quality							
Past due advances			Impaired advances				
Loans overdue ≤ 3 months	Loans overdue > 3 months	Gross advances which are past due 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
-	440	440	2,331	5.5%	770	33.0%	205
N/A	-	N/A	193	2.7%	193	100.0%	-
-	176	176	176	0.4%	46	26.1%	N/A
-	303	303	-	0.0%	-	N/A	-
127	434	561	465	2.0%	147	31.6%	N/A
-	-	-	-	0.0%	-	N/A	-
-	10	10	12	0.0%	7	58.3%	-
-	94	94	94	1.9%	88	93.6%	N/A
-	-	-	-	0.0%	-	N/A	-
4	36	40	75	1.4%	1	1.3%	69
-	-	-	-	0.0%	-	N/A	-
N/A	-	N/A	-	0.0%	-	N/A	-
-	-	-	6	0.1%	4	66.7%	-
-	-	-	-	0.0%	-	N/A	N/A
-	-	-	-	N/A	-	N/A	-
-	-	-	N/A	N/A	N/A	N/A	N/A
44	49	93	49	0.3%	37	75.5%	91
-	781	781	797	6.7%	N/A	N/A	N/A
-	103	103	103	0.5%	103	100.0%	-
N/A	-	N/A	N/A	N/A	N/A	N/A	N/A
N/A	-	N/A	-	N/A	N/A	N/A	N/A
-	-	-	-	N/A	-	N/A	-
-	16	16	16	0.1%	16	100.0%	-
-	633	633	718	5.1%	383	53.3%	12
-	-	-	-	0.0%	-	N/A	-
-	17	17	84	2.0%	45	53.6%	-
-	-	-	39	0.2%	3	7.7%	-
-	-	-	-	0.0%	-	N/A	N/A
N/A	-	N/A	N/A	N/A	N/A	N/A	N/A
-	-	-	-	0.0%	-	N/A	-
-	13	13	-	0.0%	-	N/A	-
-	-	-	-	0.0%	-	N/A	-

	HK$ millions	Year ended	Key ratios				
			Performance measures				
			Net customer loan/deposit ratio	Net interest income/ average total assets	Non-interest income/total operating income	Cost/income ratio	ROA
71	Mizuho Bank, Ltd.	31-Mar-15	264.0%	0.4%	36.6%	23.6%	0.5%
72	National Australia Bank, Limited	30-Sep-15	67.7%	0.1%	76.9%	71.7%	0.1%
73	National Bank of Abu Dhabi	31-Dec-15	77.0%	-0.1%	114.8%	76.6%	0.1%
74	Natixis	31-Dec-15	361.4%	0.4%	87.0%	64.1%	0.9%
75	Oversea-Chinese Banking Corporation Ltd.	31-Dec-15	141.2%	1.0%	23.1%	18.2%	1.0%
76	Punjab National Bank	31-Mar-15	286.4%	0.6%	22.9%	5.4%	0.4%
77	Royal Bank of Canada	31-Oct-15	N/A	0.3%	89.2%	82.1%	0.3%
78	Royal Bank of Scotland Public Limited Company (The)	31-Dec-15	129.0%	0.4%	61.4%	254.8%	-1.7%
79	Shanghai Commercial & Savings Bank, Ltd. (The)	31-Dec-15	22.6%	1.1%	35.7%	31.6%	0.7%
80	Shanghai Pudong Development Bank Co., Ltd.	31-Dec-15	96.0%	0.7%	20.2%	24.9%	0.5%
81	Shinhan Bank	31-Dec-15	458.2%	1.0%	3.2%	16.1%	0.4%
82	Societe Generale	31-Dec-15	60.6%	0.3%	76.9%	73.9%	0.2%
83	Standard Bank Plc	31-Dec-15	-2.1%	0.3%	92.2%	96.9%	0.1%
84	State Bank of India	31-Mar-15	279.1%	0.7%	30.9%	-8.6%	1.1%
85	State Street Bank And Trust Company	31-Dec-15	N/A	0.1%	91.5%	83.7%	0.2%
86	Sumitomo Mitsui Banking Corporation	31-Mar-15	311.1%	0.6%	25.2%	20.3%	0.6%
87	Sumitomo Mitsui Trust Bank, Limited	31-Mar-15	1035.9%	0.3%	29.7%	27.6%	0.3%
88	Taipei Fubon Commercial Bank Co., Ltd.	31-Dec-15	73.1%	1.0%	48.8%	21.7%	1.1%
89	Taishin International Bank Co., Ltd	31-Dec-15	51.1%	1.1%	45.2%	26.8%	-0.9%
90	Taiwan Business Bank	31-Dec-15	75.4%	0.9%	13.7%	29.5%	0.6%
91	Taiwan Cooperative Bank, Ltd.	31-Dec-15	85.3%	1.6%	11.1%	16.7%	1.3%
92	Taiwan Shin Kong Commercial Bank Co., Ltd.	31-Dec-15	58.6%	1.1%	32.1%	60.4%	0.6%
93	UBS AG	31-Dec-15	93.1%	1.1%	88.4%	65.6%	2.8%
94	UCO Bank	31-Mar-15	145.0%	0.7%	39.0%	22.1%	0.7%
95	Unicredit Bank AG	31-Dec-15	251.1%	0.2%	38.6%	130.1%	-0.1%
96	Union Bank of India	31-Mar-15	835.2%	1.0%	13.6%	15.3%	0.6%
97	United Overseas Bank Ltd.	31-Dec-15	235.0%	0.8%	57.6%	28.5%	1.2%
98	Wells Fargo Bank, National Association	31-Dec-15	897.1%	0.4%	88.5%	84.1%	0.5%
99	Westpac Banking Corporation	30-Sep-15	150.8%	0.4%	57.8%	60.4%	0.2%
100	Woori Bank	31-Dec-15	284.9%	0.7%	24.6%	21.3%	0.9%
	TOTAL	**2015**	**478.1%**	**0.7%**	**43.4%**	**51.6%**	**0.5%**

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

	Loan asset quality							
	Past due advances			Impaired advances				
	Loans overdue ≤ 3 months	Loans overdue > 3 months	Gross advances which are past due 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
	-	57	57	1,844	1.1%	318	17.2%	709
	-	-	-	-	0.0%	-	N/A	-
	N/A	-	N/A	-	0.0%	-	N/A	N/A
	-	131	131	136	0.5%	98	72.1%	4
	-	42	42	42	0.1%	42	100.0%	-
	-	308	308	308	0.9%	N/A	N/A	N/A
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	225	0.4%	N/A	N/A	N/A
	-	-	-	124	1.6%	97	78.2%	-
	234	-	234	560	1.5%	135	24.1%	405
	-	-	-	-	N/A	-	N/A	N/A
	N/A	-	N/A	-	0.0%	N/A	N/A	N/A
	-	-	-	-	0.0%	-	N/A	-
	-	121	N/A	123	0.1%	121	98.4%	-
	-	-	-	N/A	N/A	N/A	N/A	N/A
	1	-	1	98	0.6%	32	32.7%	-
	189	-	189	-	0.0%	-	N/A	-
	-	-	-	42	1.7%	18	42.9%	N/A
	-	-	-	-	0.0%	-	N/A	-
	-	-	-	-	0.0%	-	N/A	-
	-	184	184	184	0.2%	N/A	N/A	N/A
	-	154	154	216	1.5%	N/A	N/A	N/A
	N/A	-	N/A	N/A	N/A	N/A	N/A	N/A
	-	676	676	546	2.6%	244	44.7%	471
	-	91	91	240	0.3%	96	40.0%	9
	-	-	-	N/A	N/A	N/A	N/A	N/A
	-	-	-	N/A	N/A	N/A	N/A	N/A
	-	-	-	-	0.0%	-	N/A	-
	3,718	**11,856**	**15,453**	**22,276**	**0.8%**	**9,906**	**59.2%**	**4,974**

Macau financial institutions – key ratios

	MOP millions	Year ended	Net interest income	Non-interest income	Total income	Operating expenses	Operating profit before provisions	Impairment charges/ (recovery)	Exceptional & other items
			Income statement						
1	Banco BPI, S.A., Sucursal Offshore de Macau	31-Dec-15	31	-	31	3	28	-	-
2	Banco Chinês de Macau, S.A.	31-Dec-15	15	52	67	28	39	34	-
3	"Banco CITIC Internacional (China) Limitada Sucursal de Macau"	31-Dec-15	47	16	63	18	45	4	-
4	Banco Comercial de Macau, S.A.	31-Dec-15	253	222	475	244	231	7	-
5	Banco Comercial Hua Nan, S.A., Sucursal de Macau	31-Dec-15	30	-	30	12	18	-	--
6	Banco Comercial Português, S.A. Sucursal de Macau	31-Dec-15	201	45	246	17	229	-	-
7	Banco da China, Limitada Sucursal de Macau	31-Dec-15	6,468	2,284	8,752	2,597	6,155	616	-
8	Banco de Construção da China, S.A., Sucursal de Macau	31-Dec-15	241	138	379	172	207	119	-
9	Banco Industrial e Comercial da China (Macau), S.A.	31-Dec-15	2,675	648	3,323	939	2,384	81	-
10	Banco Luso Internacional, S.A.	31-Dec-15	1,011	1,158	2,169	1,195	974	219	-
11	Banco Nacional Ultramarino, S.A.	31-Dec-15	705	451	1,156	519	637	57	-
12	Banco OCBC Weng Hang, S.A.	31-Dec-15	556	258	814	374	440	7	-
13	Banco Tai Fung, S.A.`	31-Dec-15	1,672	325	1,997	660	1,337	132	-
14	Banco Wing Lung, Limitada, Sucursal de Macau	31-Dec-15	146	17	163	29	134	19	-
15	Bank of Communications Co., Ltd. - Sucursal de Macau	31-Dec-15	323	105	428	111	317	65	-
16	Bank Sinopac Company Limited, Sucursal de Macau	31-Dec-15	77	18	95	19	76	7	-
17	Caixa Económica Postal	31-Dec-15	29	89	118	21	20	-	-
18	Caixa Geral de Depósitos, S.A. - Sucursal offshore de Macau	31-Dec-15	18	2	20	8	12	-	-
19	China Guangfa Bank Co., Ltd - Sucursal de Macau	31-Dec-15	318	81	399	241	158	6	-
20	Chong Hing Bank Limited, Sucursal de Macau	31-Dec-15	47	6	53	10	43	13	-
21	Citibank, N.A., Sucursal de Macau	31-Dec-15	20	18	38	13	25	4	-
22	DBS Bank (Hong Kong) Ltd., Sucursal de Macau	31-Dec-15	59	28	87	51	36	-	-
23	First Commercial Bank Limitada - Sucursal de Macau	31-Dec-15	39	4	43	11	32	4	-
24	Hang Seng Bank Limited - Sucursal de Macau	31-Dec-15	208	38	246	62	184	30	-
25	Standard Chartered Bank - Sucursal de Macau	31-Dec-15	37	28	65	16	49	(32)	-
26	The Bank of East Asia, Limited, Sucursal de Macau	31-Dec-15	143	31	174	79	95	(41)	-
27	The Hong Kong and Shanghai Banking Corporation Limited, Sucursal de Macau	31-Dec-15	335	214	549	222	327	33	-
	TOTAL	**2015**	**15,704**	**6,276**	**21,980**	**7,671**	**14,232**	**1,384**	**-**

Source: Extracted from individual banks' financial and public statements

Financial highlights										
			Size and strength measures							
Profit before tax	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
28	-	28	6,023	-	-	5,520	195	12,192	11,842	30.89
5	-	5	1,007	459	38	584	399	550	530	2.52
41	5	36	1,989	1,687	23	402	86	1,675	1,677	23.13
224	27	197	18,331	12,247	143	16,368	1,618	16,932	16,042	11.33
18	2	16	5,603	1,179	12	146	68	5,228	5,302	82.40
229	27	202	10,839	5,253	64	8,841	201	14,531	14,469	53.93
5,539	333	5,206	577,112	308,524	4,041	371,769	6,266	491,436	516,358	92.10
88	-	88	38,719	24,040	284	14,628	802	27,920	25,091	48.28
2,303	293	2,010	191,043	124,085	1,215	151,530	15,848	170,995	165,061	12.05
755	92	663	94,236	71,311	823	73,420	6,317	69,935	78,278	14.92
580	70	510	65,919	26,664	338	50,585	6,266	49,843	47,539	10.52
433	56	377	32,571	22,147	228	28,375	3,239	31,354	30,356	10.06
1,205	146	1,059	121,841	64,423	811	92,767	11,801	89,563	90,526	10.32
115	14	101	17,301	6,175	80	1,416	315	16,609	16,355	54.92
252	30	222	41,541	27,798	398	15,028	851	35,308	34,822	48.81
69	10	59	3,375	2,845	42	1,366	381	3,682	3,382	8.86
20	-	20	1,310	208	7	738	550	1,180	755	2.38
12	-	12	6,576	3	-	6,542	12	7,093	7,086	548.00
152	21	131	28,261	18,154	132	14,205	217	25,937	28,006	130.24
30	4	26	2,685	2,453	25	242	176	1,877	1,846	15.26
21	3	18	3,385	1,470	13	1,580	92	1,660	3,017	36.79
36	4	32	3,554	2,309	43	2,239	31	2,544	2,975	114.65
28	3	25	4,301	2,028	20	563	113	4,545	4,485	38.06
154	19	135	15,860	11,502	130	2,990	656	11,430	13,654	24.18
81	10	71	2,740	1,132	25	1,050	71	2,496	3,058	38.59
136	16	120	8,366	6,478	69	5,085	121	9,737	10,428	69.14
294	35	259	22,435	14,679	181	15,369	340	18,088	20,239	65.99
12,848	**1,220**	**11,628**	**1,326,923**	**759,253**	**9,185**	**883,348**	**57,032**	**1,124,334**	**1,153,173**	**23**

	MOP millions	Year ended	Key ratios		
					Performance measures
			Net interest income/total operating income	Non-interest income/total operating income	Net interest income/ average total assets
1	Banco BPI, S.A., Sucursal Offshore de Macau	31-Dec-15	100.0%	0.0%	0.5%
2	Banco Chinês de Macau, S.A.	31-Dec-15	22.4%	77.6%	1.5%
3	"Banco CITIC Internacional (China) Limitada Sucursal de Macau"	31-Dec-15	74.6%	25.4%	2.4%
4	Banco Comercial de Macau, S.A.	31-Dec-15	53.3%	46.7%	1.4%
5	Banco Comercial Hua Nan, S.A., Sucursal de Macau	31-Dec-15	100.0%	0.0%	0.5%
6	Banco Comercial Português, S.A. Sucursal de Macau	31-Dec-15	81.7%	18.3%	1.9%
7	Banco da China, Limitada Sucursal de Macau	31-Dec-15	73.9%	26.1%	1.1%
8	Banco de Construção da China, S.A., Sucursal de Macau	31-Dec-15	63.6%	36.4%	0.6%
9	Banco Industrial e Comercial da China (Macau), S.A.	31-Dec-15	80.5%	19.5%	1.4%
10	Banco Luso Internacional, S.A.	31-Dec-15	46.6%	53.4%	1.1%
11	Banco Nacional Ultramarino, S.A.	31-Dec-15	61.0%	39.0%	1.1%
12	Banco OCBC Weng Hang, S.A.	31-Dec-15	68.3%	31.7%	1.7%
13	Banco Tai Fung, S.A.	31-Dec-15	83.7%	16.3%	1.4%
14	Banco Wing Lung, Limitada, Sucursal de Macau	31-Dec-15	89.6%	10.4%	0.8%
15	Bank of Communications Co., Ltd. - Sucursal de Macau	31-Dec-15	75.5%	24.5%	0.8%
16	Bank Sinopac Company Limited, Sucursal de Macau	31-Dec-15	81.1%	18.9%	2.3%
17	Caixa Económica Postal	31-Dec-15	24.6%	75.4%	2.2%
18	Caixa Geral de Depósitos, S.A. - Sucursal offshore de Macau	31-Dec-15	90.0%	10.0%	0.3%
19	China Guangfa Bank Co., Ltd - Sucursal de Macau	31-Dec-15	79.7%	20.3%	1.1%
20	Chong Hing Bank Limited, Sucursal de Macau	31-Dec-15	88.7%	11.3%	1.8%
21	Citibank, N.A., Sucursal de Macau	31-Dec-15	52.6%	47.4%	0.6%
22	DBS Bank (Hong Kong) Ltd., Sucursal de Macau	31-Dec-15	67.8%	32.2%	1.7%
23	First Commercial Bank Limitada - Sucursal de Macau	31-Dec-15	90.7%	9.3%	0.9%
24	Hang Seng Bank Limited - Sucursal de Macau	31-Dec-15	84.6%	15.4%	1.3%
25	Standard Chartered Bank - Sucursal de Macau	31-Dec-15	56.9%	43.1%	1.4%
26	The Bank of East Asia, Limited, Sucursal de Macau	31-Dec-15	82.2%	17.8%	1.7%
27	The Hong Kong and Shanghai Banking Corporation Limited, Sucursal de Macau	31-Dec-15	61.0%	39.0%	1.5%
	TOTAL	**2015**	**71.4%**	**28.6%**	**1.2%**

Source: Extracted from individual banks' financial and public statements

Key ratios				Asset quality		
		Efficiency				
ROA	ROE	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
0.5%	14.4%	9.7%	0.0%	N/A	N/A	0.0%
0.5%	1.3%	41.8%	2.8%	7.4%	8.3%	72.1%
1.8%	41.9%	28.6%	0.9%	0.2%	1.4%	413.9%
1.1%	12.2%	51.4%	1.3%	0.1%	1.2%	73.9%
0.3%	23.5%	40.0%	0.2%	0.0%	1.0%	799.3%
1.9%	100.5%	6.9%	0.2%	0.0%	1.2%	58.7%
0.9%	83.1%	29.7%	0.4%	0.2%	1.3%	81.9%
0.2%	11.0%	45.4%	0.4%	0.5%	1.2%	162.4%
1.1%	12.7%	28.3%	0.5%	0.1%	1.0%	81.1%
0.7%	10.5%	55.1%	1.3%	0.3%	1.2%	96.0%
0.8%	8.1%	44.9%	0.8%	0.2%	1.3%	52.0%
1.2%	11.6%	45.9%	1.1%	0.0%	1.0%	77.2%
0.9%	9.0%	33.0%	0.5%	0.2%	1.3%	68.6%
0.6%	32.1%	17.8%	0.2%	0.3%	1.3%	430.4%
0.5%	26.1%	25.9%	0.3%	0.2%	1.4%	182.3%
1.7%	15.5%	20.0%	0.6%	0.2%	1.5%	205.2%
1.5%	3.6%	17.8%	1.6%	0.0%	3.4%	27.2%
0.2%	100.0%	40.0%	0.1%	0.0%	0.0%	0.0%
0.5%	60.4%	60.4%	0.9%	0.0%	0.7%	126.9%
1.0%	14.8%	18.9%	0.4%	0.5%	1.0%	1003.3%
0.5%	19.6%	34.2%	0.4%	0.3%	0.9%	92.2%
0.9%	103.2%	58.6%	1.4%	0.0%	1.9%	101.2%
0.6%	22.1%	25.6%	0.3%	0.2%	1.0%	356.7%
0.9%	20.6%	25.2%	0.4%	0.3%	1.1%	380.3%
2.6%	100.0%	24.6%	0.6%	-2.8%	2.2%	105.4%
1.4%	99.2%	45.4%	0.9%	-0.6%	1.1%	126.0%
1.2%	76.2%	40.4%	1.0%	0.2%	1.2%	94.3%
0.9%	**20.4%**	**34.9%**	**0.6%**	**0.2%**	**1.2%**	**84.9%**

About KPMG

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 155 countries and have 174,000 people working in member firms 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 licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm's appointment by some of China's most prestigious companies.

Today, KPMG China has around 10,000 professionals working in 17 offices: Beijing, Beijing Zhongguancun, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Xiamen, Hong Kong SAR and Macau SAR. With a single management structure across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

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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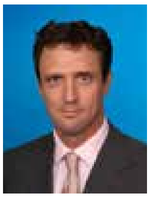

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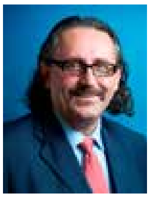

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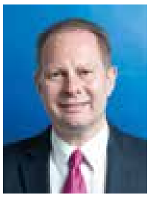

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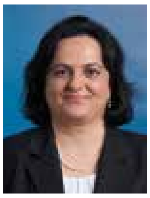

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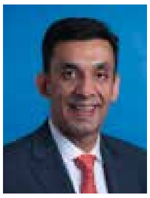

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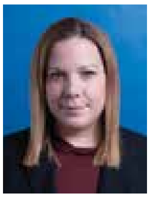

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