



Hong Kong Banking Sector: 2015 Year-end Review and Priorities for 2016

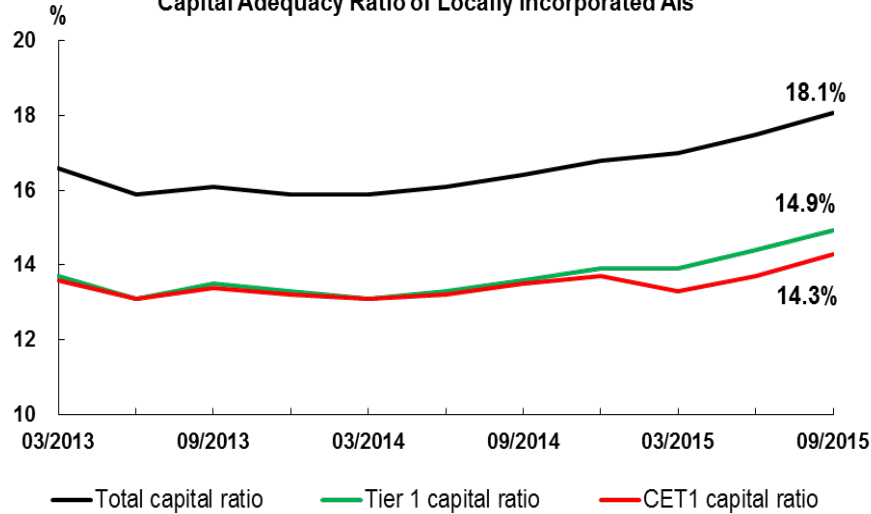
Hong Kong Monetary Authority
29 January 2016



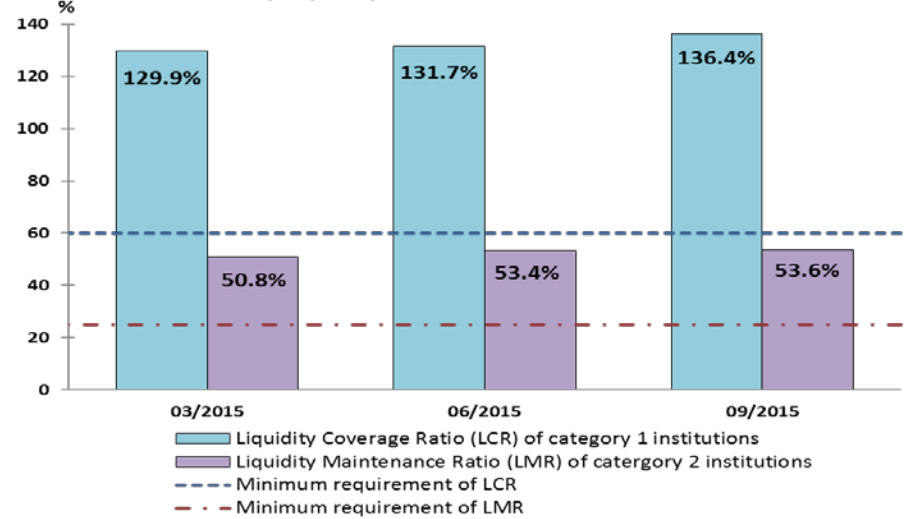
Banking sector in 2015

Hong Kong's banking sector remains resilient

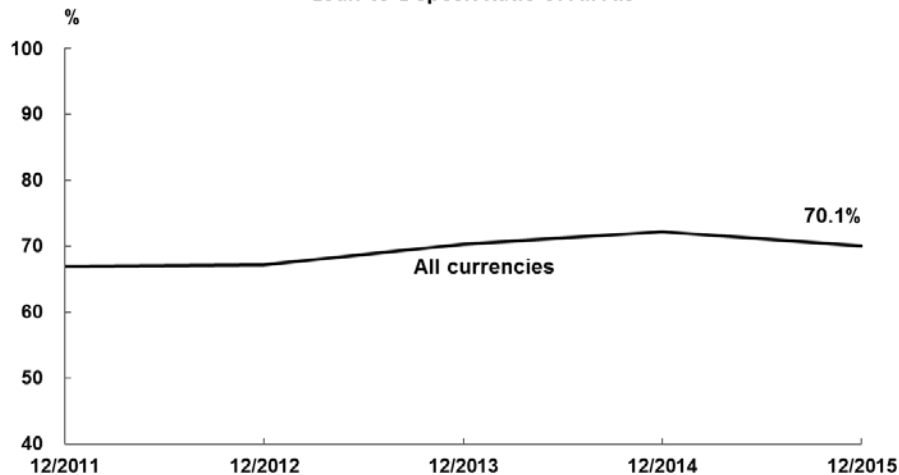
Capital Adequacy Ratio of Locally Incorporated AIs



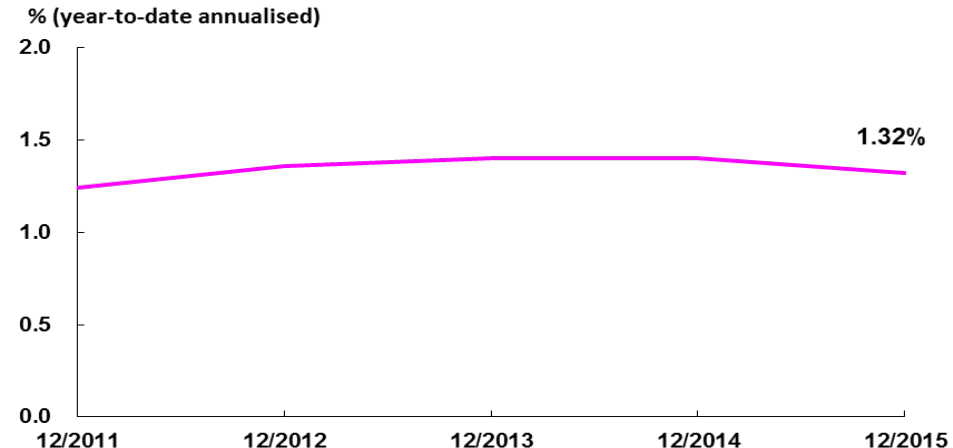
Quarterly Liquidity Ratio of CAT-1 and CAT-2 AIs



Loan-to-Deposit Ratio of All AIs



Net Interest Margin of Retail Banks

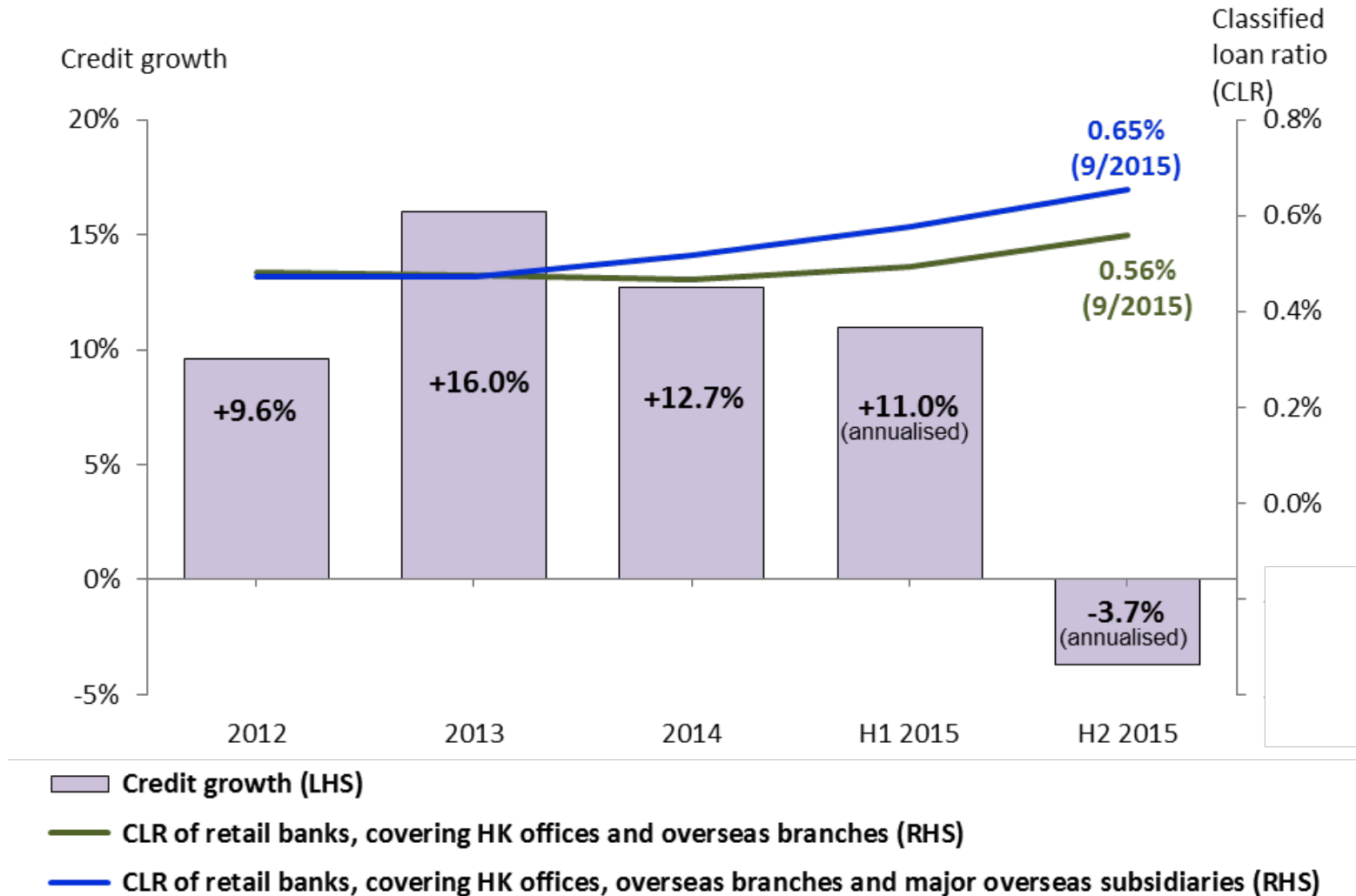




Banking sector in 2015

Supervisory attention on credit growth and asset quality

Credit Growth and Asset Quality

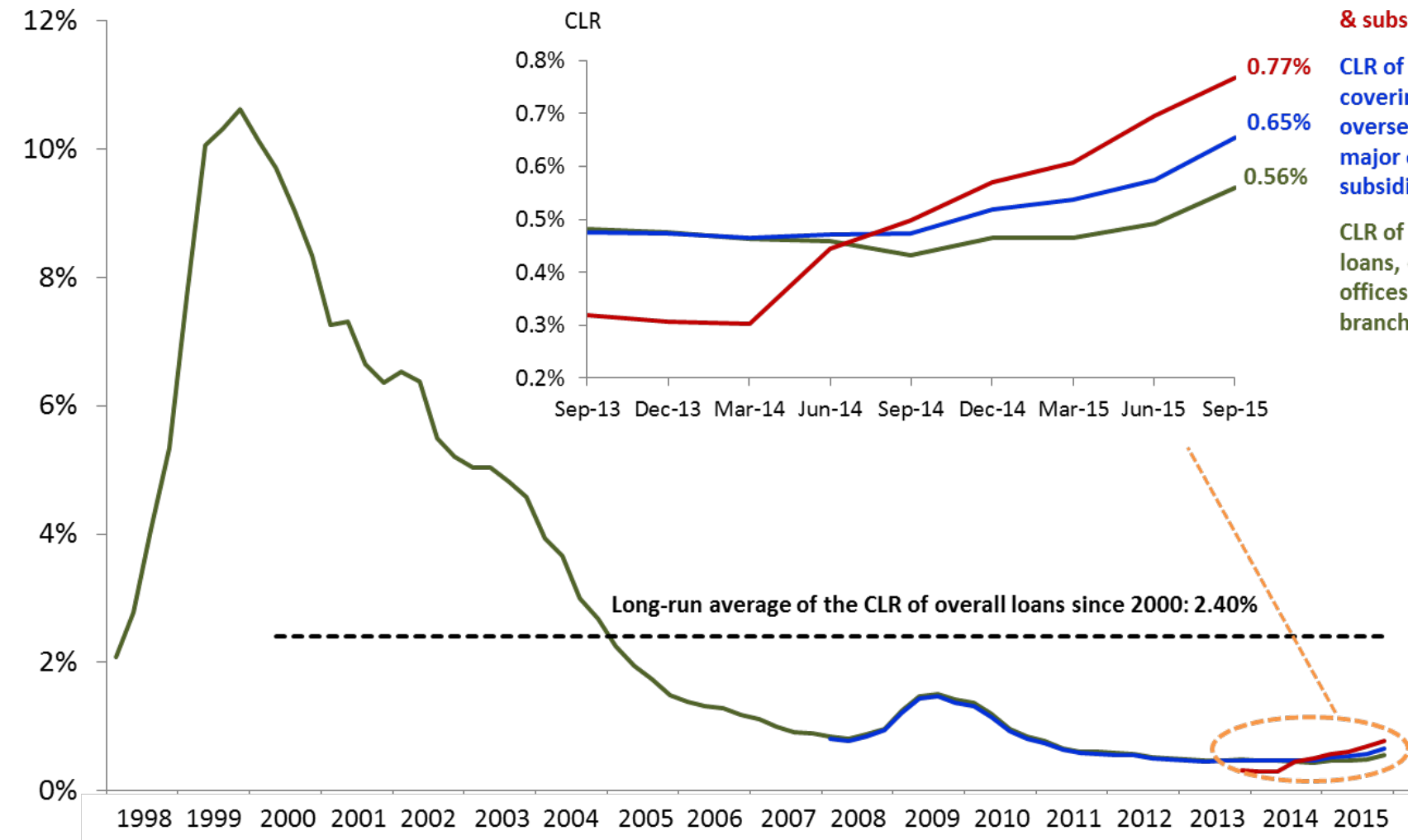




Asset quality: Mainland-related lending (MRL)

Retail banks

Classified loan ratio (CLR)



CLR of MRL, covering HK offices, Mainland branches & subsidiaries

CLR of overall loans, covering HK offices, overseas branches & major overseas subsidiaries

CLR of overall loans, covering HK offices & overseas branches

Long-run average of the CLR of overall loans since 2000: 2.40%



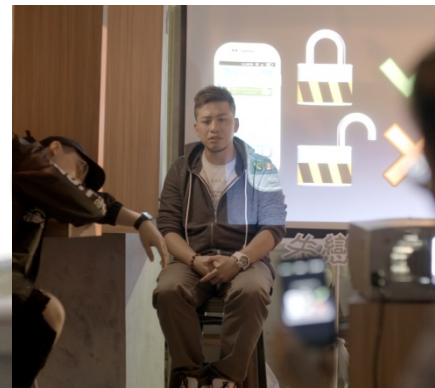
Review of supervisory work in 2015

- Prudential risk
 - Corporate credits
 - AML/CFT
- International standards
 - Resolution
 - Basel III
 - Regulatory Consistency Assessment Programme
- Deposit Protection
 - Gross payout



Review of supervisory work in 2015 (2)

- Bank Consumer Protection
 - Financial Inclusion
 - Bogus calls
 - Education and cyber security





Review of supervisory work in 2015 (3)

- Complaints handling
 - 1,608 complaints received (vs 1,234 in 2014)
- Enforcement
 - First AMLO case
 - Completion of last HIBOR investigation



Priorities in 2016

- Credit risk
 - Consumer credit risk
 - Corporate sector credit risk
- Liquidity risk
- Cyber security risk
 - Thematic reviews of AIs' cyber security risk management
- Supervision of AML/CFT control
 - Enhanced risk based supervisory approach
 - Transaction monitoring and screening
 - Policy development



Priorities in 2016 (2)

- Resolution
 - Financial Institutions (Resolution) Bill
 - Resolution Planning
- Basel standards
 - Capital standards on counterparty credit risk and equity investment in funds
 - Regulatory disclosure
 - Exposure limits



Priorities in 2016 (3)

- **Bank Consumer Protection**
 - Guidance and supervision of AIs' selling of investment, insurance and MPF products
 - Cross-sectoral supervisory cooperation
 - Financial Inclusion
- **Culture and Conduct**
 - Promote customer-centric culture and good conduct of banking industry
 - Director Empowerment



Priorities in 2016 (4)

- Enforcement
 - Enforcement work under various ordinances
 - Monitor emerging trends in complaints and provide alerts to the industry and the public
- Deposit Protection Scheme
 - Ensuring smooth transition to gross payout
 - Testing gross payout processes