

Press Release

FOR IMMEDIATE RELEASE

Banks across the Asia Pacific continued to grow in 2014 but at a slower pace; Bank of China (Hong Kong) has the strongest balance sheet in the Asia Pacific and Hong Kong

- **Bank of China (Hong Kong) has the strongest balance sheet in the Asia Pacific and Hong Kong**
- **Asia Pacific banks focus on maintaining momentum**
- **Banks face profit threat from increased non-bank competition**

Singapore, October 13th 2015—Bank of China (Hong Kong) topped the Asian Banker 500 (AB 500) Strongest Bank by Balance Sheet Ranking 2015. It was also named the Strongest Bank in Hong Kong for 2015. The announcement was made at a recognition ceremony held in conjunction with SWIFT's SIBOS convention at Sands Expo and Convention Centre, Marina Bay Sands, Singapore, from October 12th to 15th, 2015.

AB 500 is an evaluation of the 500 largest banks in the Asia Pacific region for the financial year 2014. The AB 500 Strongest Banks by Balance Sheet Ranking is the most comprehensive annual evaluation that captures the quality and sustainability of the balance sheets of banks in the region. It tracks the relative financial strengths of banks in response to their respective market conditions, based on a common scorecard.

Bank of China (Hong Kong) has the strongest balance sheet in the Asia Pacific and Hong Kong

Bank of China (Hong Kong) reported strong financial results, partially profiting from the continued development of its offshore renminbi (Rmb) business.

When measured on an asset-weighted basis, banks in Hong Kong achieved an average strength score of 3.74 out of 5.00. Hong Kong had the largest number of banks in the top 10 strongest banks list, with four banks in total, while China and Singapore tied in second place with two banks each, followed by Macau, Malaysia and the Philippines. The strength score of China Construction Bank and Public Bank tied. Singapore-based OCBC Bank ranked second, up from 13th in AB 500 2014. Standard Chartered Bank (Hong Kong) dropped from second place in AB 500 2014 to 47th. Metropolitan Bank & Trust Company moved up from 19th to ninth position.

Asia Pacific banks focus on maintaining momentum

2014 has proved a challenging year as banks across the region faced falling profit margins and weakening asset quality amid strong competition.

In general, weakening asset quality was a major challenge for the Asia Pacific banking sector. Banks had to drive top-line growth to sustain profitability. Due to the macroeconomic slowdown, the asset quality of banks in China and India dipped in FY2014, with average gross NPL ratio increasing from 3.8% to 4.3% for India and from 0.9% to 1.2% for China. In India, loan loss reserve to gross NPL ratio went down to 46% from 51% the year before. The average provision coverage ratio of Chinese banks fell from 287% to 238% in 2014, largely due to a jump in NPL balance. Weakening asset quality has caused profitability to come under pressure, as banks set aside more provisions for potential bad debt. The average ROE of banks in both China and India declined slightly.

2015 has been a challenging year so far. The decline in Asia Pacific banks' asset quality has continued to impact profitability. Competition from non-banks and relatively low interest rates also affected bank profit margins, which underscored the need for commercial banks to improve the structure of their revenue.

China has cut interest rates five times since November 2014, putting pressure on banks' interest income. Meanwhile, the amount of bad loans has risen, further squeezing bank incomes. China's stock market slump since July 2015 and the devaluation of the Rmb are expected to drag performance down. The growth in banks' fee income is also expected to slow. There is little doubt that the financial performance of China banking sector will become more challenging as 2015 comes to an end.

Banks face profit threat from increased non-bank competition

The financial performance of Asia Pacific banks is affected by the rising competition from non-banks, putting pressure on banks to respond quickly to changing market conditions in order to remain competitive.

In China, due to guidelines issued by the authorities to encourage innovation in internet finance and protect investor rights, Chinese banks have faced competition from internet finance companies and private online banks.

Technology firms such as Alibaba Group Holding and Tencent Holdings have large customer bases and vast amounts of customer and transaction data. Their services include deposits, lending and online transfers, and they have also obtained licenses in 2014 to open China's first private banks. WeBank, China's first internet-based bank was launched by Tencent, targeting small and medium enterprises.

Bank of China (Hong Kong) topped AB 500 Strongest Banks ranking

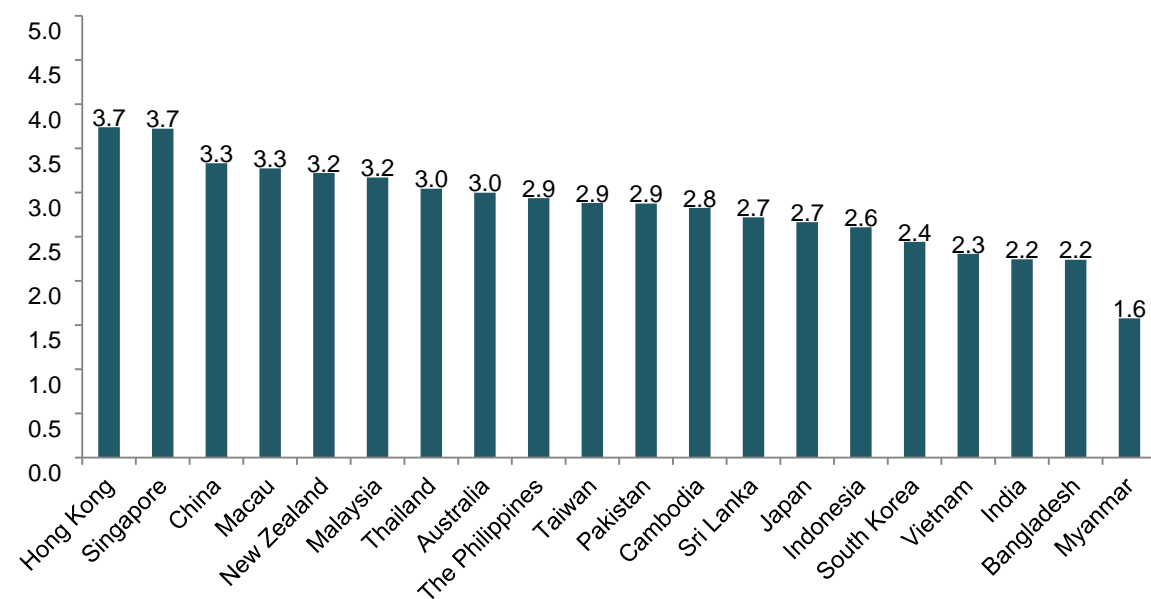
Figure 1. AB 500 Strongest Banks by Balance Sheet in the Asia Pacific region 2015

Country	Rank	Bank	Scale	Balance Sheet Growth	Risk Profile	Profitability	Asset Quality	Liquidity	Total Score
Weightage			17.5%	5.0%	22.5%	30.0%	20.0%	5.0%	100.0%
Max Score			5.0	5.0	5.0	5.0	5.0	5.0	5.0
Hong Kong	1	Bank of China (Hong Kong)	5.0	3.0	4.2	3.3	5.0	4.0	4.15
Singapore	2	OCBC Bank	5.0	4.5	3.2	4.0	4.8	3.5	4.14
Macau	3	Industrial & Commercial Bank of China (Macau)	5.0	4.8	3.2	3.8	5.0	3.5	4.13
Hong Kong	4	Industrial & Commercial Bank of China (Asia)	4.5	4.0	3.4	3.4	5.0	4.0	3.96
Hong Kong	5	HSBC	5.0	1.8	4.3	3.5	3.8	4.0	3.93
Hong Kong	6	Hang Seng Bank	5.0	3.0	3.7	3.1	4.5	3.5	3.88
Singapore	7	United Overseas Bank	5.0	3.3	3.4	3.1	4.5	3.5	3.81
China	8	Industrial & Commercial Bank of China	4.5	2.8	4.0	3.1	4.5	2.0	3.76
The Philippines	9	Metropolitan Bank & Trust Company	1.5	4.3	4.5	3.9	4.5	4.0	3.75
China	10	China Construction Bank Corporation	4.5	2.3	3.7	3.3	4.5	1.5	3.69
Malaysia	10	Public Bank	4.5	3.0	3.1	3.3	4.8	2.5	3.69
Taiwan	21	CTBC Bank	3.5	5.0	3.2	4.1	2.8	2.5	3.50
Thailand	23	Siam Commercial Bank	4.0	1.0	2.8	3.6	4.3	3.0	3.48
New Zealand	26	ANZ Bank New Zealand	5.0	2.3	1.6	3.5	4.8	2.5	3.46
Japan	28	Mitsubishi UFJ Financial Group	5.0	2.0	3.7	2.4	3.5	4.0	3.43
Australia	40	Westpac Banking Corporation	5.0	2.5	1.6	2.9	5.0	2.0	3.31
Indonesia	61	Bank Central Asia	0.0	3.0	3.7	3.5	5.0	3.5	3.20
Sri Lanka	67	Bank of Ceylon	2.0	2.0	3.2	3.6	4.0	2.5	3.18
Pakistan	80	Allied Bank	0.0	3.3	5.0	4.0	3.0	1.0	3.14
India	116	YES BANK	0.0	5.0	2.9	4.0	4.3	1.0	3.00
Vietnam	135	Saigon Commercial Bank	1.0	5.0	2.2	3.1	5.0	1.5	2.94
Cambodia	165	ACLEDA Bank	3.0	5.0	0.3	2.6	5.0	4.0	2.83
South Korea	177	Shinhan Financial Group	4.0	2.8	1.6	1.8	4.8	2.5	2.79
Bangladesh	232	Southeast Bank	0.0	2.5	2.2	2.6	2.0	0.0	2.54

Source: Asian Banker Research

Hong Kong and Singapore achieved the highest country average strength score

Figure 2. Weighted-average strength score by country (Maximum: 5.0)



Source: Asian Banker Research

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About The Asian Banker

The Asian Banker is the region's most authoritative provider of strategic business intelligence to the financial services community. The Singapore-based company has offices in Singapore, Malaysia, Hong Kong and Shanghai as well as representatives in London, New York and San Francisco. It has a business model that revolves around three core business lines: research services, publications and forums. The company's website is www.theasianbanker.com

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