Citicorp International Limited

Financial Information Disclosure Statement

2022 Annual

CITICORP INTERNATIONAL LIMITED

We enclose herewith the Annual Disclosure Statements for the year ended December 31, 2022, which are prepared under the Banking (Disclosure) Rules made pursuant to Section 60A of the Banking Ordinance.

By Order of the Board

Susan Kwek Ai Kheng
Director and Alternate Chief Executive
April 28, 2023

CITICORP INTERNATIONAL LIMITED

The directors are pleased to announce the audited financial results (together with the unaudited supplementary information) of Citicorp International Limited (the "Company") for the year ended December 31, 2022.

2022 Full Year Results

• Operating income up 8% to HK$ 4,931 million (HK$ 4,552 million for 2021)

• Profit before taxation down 4% to HK$ 2,121 million (HK$ 2,201 million for 2021)

• Profit after taxation down 5% to HK$ 1,760 million (HK$ 1,843 million for 2021)

Statement of profit or loss and other comprehensive income

(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

	Note	*2022*	*2021*
Interest income	2	13,323	4,875
Interest expense	3	(2,484)	-
Net interest income		**10,839**	**4,875**
Fee and commission income	4	4,922,846	4,550,488
Other loss	5	(2,447)	(2,980)
Operating income		**4,931,238**	**4,552,383**
- Staff costs		(1,699,610)	(1,492,667)
- Premises & equipment expenses		(134,788)	(148,005)
- Depreciation expenses		(126)	(106)
- Other operating expenses		(975,671)	(710,557)
Operating expenses		**(2,810,195)**	**(2,351,335)**
Profit for the year		**2,121,043**	**2,201,048**
Taxation	6	(361,444)	(357,987)
Profit after tax		**1,759,599**	**1,843,061**
Other comprehensive income for the year, net of tax			
Item that will not be classified to profit or loss:			
- Remeasurement of net defined benefit liabilities		1,224	(3,405)
Item that may be classified subsequently to profit or loss:			
- Changes in fair value of financial assets through other comprehensive income		654	-
Total comprehensive income		**1,761,477**	**1,839,656**

Statement of financial position

(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

	Note	2022	2021
Assets			
Balances with banks	7	3,190,189	7,695,331
Financial assets at fair value through other comprehensive income	8	1,141,997	-
Plant and equipment	9	542	545
Deferred tax assets		22,576	14,449
Current tax recoverable		-	68,599
Other assets		20,789	32,252
		4,376,093	7,811,176
Liabilities			
Deposits and balances from banks		779,755	311,024
Defined benefit liabilities		11,718	12,900
Current taxation		91,592	-
Other liabilities		671,694	701,636
		1,554,759	1,025,560
Equity			
Share capital		187,556	187,556
Reserves	10	2,633,778	6,598,060
		2,821,334	6,785,616
		4,376,093	7,811,176

Cash flow statement

(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

	Note	*2022*	*2021*
Operating activities			
Profit before taxation		2,121,043	2,201,048
Adjustments for:			
Net interest income		(10,839)	(4,875)
Depreciation		126	106
Impairment recovery		(14)	(612)
Share-based payment transactions		(11,496)	48,086
		2,098,820	2,243,753
Decrease / (increase) in operating assets:			
Other assets		11,253	(15,974)
Increase / (decrease) in operating liabilities:			
Deposits from banks		779,755	-
Other liabilities		(12,024)	1,577
Defined benefit liabilities		42	(29)
		767,773	1,548
Cash generated from operations		2,877,846	2,229,327
Tax paid			
- Hong Kong Profits Tax paid		(208,873)	(565,941)
- Overseas tax paid		(490)	(839)
Net cash generated from operating activities		2,668,483	1,662,547

Cash flow statement (continued)

(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

	Note	*2022*	*2021*
Investing activities			
Payment for purchase of financial assets at fair value through other comprehensive income		(1,141,343)	-
Payment for purchase of plant and equipment		(123)	(327)
Interest received		13,533	4,742
Net cash (used in) / generated from investing activities		(1,127,933)	4,415
Financing activities			
Dividend paid		(5,730,500)	(2,154,727)
Interest paid		(4,168)	-
Net cash used in financing activities		(5,734,668)	(2,154,727)
Net decrease in cash and cash equivalents		(4,194,118)	(487,765)
Cash and cash equivalents at 1 January	11	7,384,307	7,872,072
Cash and cash equivalents at 31 December	11	3,190,189	7,384,307

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- obligations under share-based incentive plans (see note 1(g)(iii)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1 Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition

The Company initially recognises financial assets and financial liabilities at fair value through profit or loss ("FVTPL") on the date it becomes a party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the date which they are originated.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Company's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

– how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

– the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

1 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Classification (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

– contingent events that would change the amount and timing of cash flows;
– leverage features;
– prepayment and extension terms;
– terms that limit the Company's claim to cash flows from specified assets;
– features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. When (and only when) the Company changes its business model for managing financial assets, it reclassifies all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in reclassifying financial assets'. Accordingly, any previously recognised gains, losses or interest will not be restated.

If a financial asset is reclassified out of the amortised cost measurement category and into the FVTPL or fair value through other comprehensive income ("FVOCI") measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss (if reclassification as FVTPL measurement category) or is recognised in other comprehensive income (if reclassification as FVOCI measurement category).

If a financial asset is reclassified out of the FVOCI measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the classification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

If a financial asset is reclassified out of the FVOCI measurement category and into the FVTPL measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Financial liabilities

The Company classifies its financial liabilities as measured at amortised cost.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the financial position date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognized stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the statement of financial position date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the financial position date.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Company uses the weighted average method to determine realised gains and losses to be recognised in profit or loss on derecognition.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1 Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Credit losses and impairment of assets

The Company recognises loss allowances for Expected Credit Loss (ECL) on financial assets measured at amortised cost and FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– financial assets that are determined to have low credit risk at the reporting date; and

– other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and

– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer,
- a breach of contract such as a default or being more than 90 days past due; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

1 Significant accounting policies (continued)

(c) *Financial instruments (continued)*

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(d) *Property, plant and equipment*

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(e)). Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives of 3 to 10 years.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in the profit or loss on the date of retirement or disposal.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) *Impairment of non-financial assets*

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and

- other non-financial assets.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies (continued)

(e) Impairment of non-financial assets (continued)

- Recognition of impairment losses

An impairment loss is recognised in the profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(f) Cash and cash equivalents

Cash and cash equivalents are demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(g) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plans obligation

The Company's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

1 Significant accounting policies (continued)

(g) Employee benefits (continued)

(ii) Defined benefit retirement plans obligation (continued)

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognized in operating expenses. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognized. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations.

Remeasurements arising from defined benefit retirement plans are recognized in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Share-based payments

The Company participates in a number of Citigroup Inc. ("Citigroup") share-based incentive plans under which Citigroup grants shares to the Company's employees. Pursuant to a separate Stock Plans Affiliate Participation Agreement ("SPAPA"), the Company reimburses Citigroup for the fair value of the share based incentive awards delivered to the Company's employees under these plans. The Company accounts for these plans as equity-settled plans, with separate accounting for its associated obligations to make payments to Citigroup. The Company recognizes the fair value of the awards at grant date as compensation expense over the vesting period with a corresponding credit in equity as a capital contribution from Citigroup. The Company's liability to Citigroup under the SPAPA is remeasured annually until settlement date and any changes in value are recognized in equity.

(iv) Termination benefits

Termination benefits are recognized at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(h) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the profit or loss except to the extent that they relate to items recognized directly in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 Significant accounting policies (continued)

(h) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each statement of financial position date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (continued)

(i) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(j) Revenue recognition

Income is classified by the Company as revenue when it arises from the sale of goods or the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Company's revenue and other income recognition policies are as follows:

(i) Fee and commission income

Fee and commission income arises from financial services provided by the Company including merchant and investment banking services and banking support services. Fee and commission income is recognized when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognized as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

Origination or commitment fees received/paid by the Company which result in the creation or acquisition of a financial asset are deferred and recognized as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

1 Significant accounting policies (continued)

(j) Revenue recognition (continued)

(ii) Interest income

Interest income for all interest-bearing financial instruments is recognised in the profit or loss on an accruals basis using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

When calculating the effective interest rate for financial instruments, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

(k) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in the profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

All exchange differences relating to monetary items are presented as gains less losses from dealing in foreign currencies in the profit or loss.

1 Significant accounting policies (continued)

(l) Related parties

(1) A person, or a close member of that person's family, is related to the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or the Company's parent.

(2) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management services to the Company or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Interest income

	2022	*2021*
Interest income on financial assets at fair value through other comprehensive income		
- Unlisted	401	-
Interest income on placements with banks	12,922	4,875
	13,323	4,875

3 Interest expense

	2022	*2021*
Interest expense on deposits and balances from banks	2,484	-

4 Fee and commission income

	2022	*2021*
Agency and servicing fees	116,229	132,073
Banking support services fees	4,806,617	4,418,415
	4,922,846	4,550,488

5 Other loss

	2022	*2021*
Loss on foreign exchange	2,447	2,980

6 Taxation

	2022	*2021*
Current Tax - Hong Kong Profits Tax	369,064	356,412
Current Tax - Overseas	490	839
Deferred tax	(8,110)	736
	361,444	357,987

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year.

7 Balances with banks

	2022	*2021*
Balances with banks	3,190,675	2,695,831
Placement with banks maturing within one month	-	5,000,000
Less: Impairment allowances	(486)	(500)
	3,190,189	7,695,331

8 Financial assets at fair value through other comprehensive income

	2022	*2021*
Exchange Fund Bills	1,141,997	-
Issued by:		
- Sovereigns	1,141,997	-
Analysed by place of listing:		
- Unlisted	1,141,997	-

9 Plant and equipment

	2022	2021
	Furniture and equipment	*Furniture and equipment*
Cost:		
At January 1	3,040	2,734
Additions	123	327
Write-offs	(1,656)	(21)
At December 31	1,507	3,040
Accumulated depreciation:		
At January 1	2,495	2,410
Charge for the year	126	106
Write-offs	(1,656)	(21)
At December 31	965	2,495
Net book value	542	545

10 Reserves

	Retained earnings	*Capital Reserves*	*Fair value Reserves*	*Total*
At January 1, 2021	6,855,858	17,819	-	6,873,677
Profit for the year	1,843,061	-	-	1,843,061
Dividend declared in respect of the current year	(2,154,727)	-	-	(2,154,727)
Other comprehensive income	(3,405)	-	-	(3,405)
Share-based payment transactions, net of tax	-	39,454	-	39,454
At December 31, 2021	6,540,787	57,273	-	6,598,060
At January 1, 2022	6,540,787	57,273	-	6,598,060
Profit for the year	1,759,599	-	-	1,759,599
Dividend declared in respect of the current year	(5,730,500)	-	-	(5,730,500)
Other comprehensive income	1,224	-	654	1,878
Share-based payment transactions, net of tax	-	4,741	-	4,741
At December 31, 2022	2,571,110	62,014	654	2,633,778

10 Reserves (continued)

Nature and purpose of reserve

Capital reserve

The capital reserves comprise the subsequent change in fair value of the share awards granted to employees of the Company recognized in accordance with the accounting policy for share-based payments in note 1(g)(iii).

Fair value reserve

This reserve comprises the cumulative net change in fair value of FVOCI debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (note 1(c)).

11 Cash and cash equivalents in the cash flow statement

	2022	*2021*
Balances with banks	3,190,189	2,695,831
Placements with banks with original maturity within 3 months	-	4,999,500
	3,190,189	7,695,331
Less: Overdrafts	-	(311,024)
Cash and cash equivalents in the cash flow statement	3,190,189	7,384,307

12 Financial risk management

This section presents information about the Company's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- credit risk: loss resulting from customer or counterparty default and arises on credit exposure in all forms, including settlement risk.
- market risk: risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and market risk comprises currency risk, interest rate risk and other price risk.
- liquidity and funding risk: risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.
- operational risk: risk arising from matters such as non-adherence to systems and procedures or from frauds resulting in financial or reputation loss.

The Company has established policies and procedures to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date management and information systems. The Company continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. The Internal Audit also perform regular audits to ensure compliance with the policies and procedures.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

12 Financial risk management (continued)

(a) Credit risk management

The Company's activities are predominantly with group entities or with institutions with strong credit standing. As such, management does not consider the credit risk for the Company's activities to be significant.

(b) Market risk management

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, interest rate derivatives, etc. The objective of market risk management is to avoid adverse financial effects from market volatilities.

The Treasury Department manages risks arising from balance sheet against the limits approved by the Regional Market / Treasury Risk Management, and monitored and reported by an independent Operations unit.

The Company applies quantitative techniques and simulation models to identify and assess the potential net interest income and market value effects of these interest rate positions in different interest rate scenarios. The risk position is monitored periodically and any exceptions would be reviewed and escalated to appropriate level of risk manager and governance forum.

(i) Currency risk

The Company is exposed to currency risks primarily arising from financial instruments that are denominated in the United States dollar ("USD"). As the Hong Kong dollar ("HKD") is pegged to the USD, the Company considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

The Company seeks to match closely its foreign currency denominated assets with corresponding liabilities in the same currencies.

The net positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position in all foreign currencies.

	2022	*2021*
United States dollars		
Spot assets	443,065	299,942
Spot liabilities	(1,056,925)	(564,362)
Net short position	(613,860)	(264,420)

12 Financial risk management (continued)

(b) Market risk management (continued)

(ii) Interest rate risk

Interest Rate Risk in the Banking Book ("IRRBB") pertains to the risk to the Company's financial condition resulting from adverse movements in interest rates that affect the Company's capital and earnings. The Company's principal measures of risk to economic value of equity ("EVE") and net interest income ("NII") are defined based on the standardized framework described in the Supervisory Policy Manual module IR-1 "Interest Rate Risk in the Banking Book" and in accordance with the method used in the Return on Interest Rate Risk in the Banking Book (MA(BS)12A).

Through the treasury discipline, IRRBB is managed within the limits that are reviewed and monitored by the Company's independent Treasury Risk organization, Asset and Liability Committee (ALCO) and the Board. The Company has an established IRRBB limit framework for identified risk factors that clearly defines approved risk profiles and is within the Treasury Risk Appetite Framework. In order to manage IRRBB effectively, the Company may take hedging actions or restructure existing positions to reduce IRRBB. The Company regularly assesses viability of these actions and other strategies, including further strengthening its capital position, and implement such strategies when deemed prudent, ensuring the Company operates well within established limits.

IRRBB regulatory reporting and monitoring is done on a quarterly basis. IRRBB measures from this return, including any hedging strategies or actions to reduce IRRBB, are presented to the ALCO and the Board. In addition to and in accordance with global firm-specific standards, IRRBB based on internal methodologies and assumptions is monitored on a monthly basis. While the Company uses internally defined standard interest rate shocks and scenario assumptions for internal risk reports, rate models and other assumptions that relate to interest rate risk sensitivity are consistent between internal monitoring and regulatory reporting. These models and assumptions are reviewed and validated on an annual basis, at the minimum, and where applicable, are governed by an established Model Risk Management Policy.

The Company employs additional measurements of vulnerability to loss, including stress testing based on the six standardized interest rate shocks defined by the HKMA and internally selected scenarios that reflect plausible balance sheet and risk changes as observed in the past as well as based on hypothetical or forward-looking assumptions. Potential impact from these changes is considered when reviewing policy, setting limits as well as assessing capital adequacy.

In calculating ΔNII, the Company assumes that businesses and/or the Treasury make no additional changes in balances or positioning in response to the unanticipated rate changes. A static balance sheet is maintained throughout the 12 month forecast horizon, remaining constant in terms of size and product mix regardless of the interest rate scenario with maturing instruments being replaced with ones of the same original tenor and repricing terms.

Major currency positions reported are determined based on the criteria defined by HKMA. Currencies identified as significant for the current annual reporting date at 31st December 2022 are HKD and USD. IRR Economic Value Sensitivities do not include any netting across currencies. All favorable exposures (gains) are excluded and adverse exposures (losses) are reported.

(c) Liquidity risk

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. This includes the Company's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by the Treasury Teams under the direction of the Country Asset and Liability Committee ("ALCO") and in accordance with the Quarterly Liquidity Review Process (Horizontal Review), which is jointly reviewed and approved by Country Risk Manager and ALCO. The Treasury Teams are responsible for ensuring that the Company has adequate liquidity for all operations, and monitoring local and international markets for the adequacy of funding and liquidity.

The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

12 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period at the balance sheet date to the contractual maturity date.

2022	*Total*	*Repayable on demand*	*1 month or less*	*Over 1 month to 3 months*	*Undated or overdue*
Assets					
Balances with banks	3,190,189	3,190,189	-	-	-
Financial assets at fair value through other comprehensive income	1,141,997	-	-	1,141,997	-
Plant and equipment	542	-	-	-	542
Deferred tax assets	22,576	-	-	-	22,576
Other assets	20,789	-	-	-	20,789
	4,376,093	3,190,189	-	1,141,997	43,907
Liabilities					
Deposits and balances from banks	779,755	-	779,755	-	-
Defined benefit liabilities	11,718	-	-	-	11,718
Current taxation	91,592	-	91,592	-	-
Other liabilities	671,694	-	-	-	671,694
	1,554,759	-	871,347	-	683,412
Asset-liability gap	2,821,334	3,190,189	(871,347)	1,141,997	(639,505)

2021	*Total*	*Repayable on demand*	*1 month or less*	*Over 1 month to 3 months*	*Undated or overdue*
Assets					
Balances with banks	7,695,331	2,695,831	4,999,500	-	-
Plant and equipment	545	-	-	-	545
Deferred tax assets	14,449	-	-	-	14,449
Current tax recoverable	68,599	-	-	-	68,599
Other assets	32,252	-	29,150	-	3,102
	7,811,176	2,695,831	5,028,650	-	86,695
Liabilities					
Deposits and balances from banks	311,024	311,024	-	-	-
Defined benefit liabilities	12,900	-	-	-	12,900
Other liabilities	701,636	-	-	-	701,636
	1,025,560	311,024	-	-	714,536
Asset-liability gap	6,785,616	2,384,807	5,028,650	-	(627,841)

As the deposits may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

12 Financial risk management (continued)

(d) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The definition of operational risk includes legal risk – which is the risk of loss (including litigation costs, settlements and regulatory fines) resulting from the failure of the bank to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the bank's business – but excludes strategic and reputation risks. Citi also recognizes the impact of operational risk on reputation risk associated with Citi's business activities.

Operational risk is inherent in the Company's business activities and is managed through an overall framework with checks and balances that include recognized ownership of the risk by the businesses and independent risk management oversight. The Company mitigates its operational risk by setting up its key controls and assessments according to Citigroup's and the Regulators' standards. They are also evaluated, monitored, and managed by its sound governance structure.

The Operational Risk Management ("ORM") team establishes and oversees the design, implementation and maintenance of the Operational Risk Management Policy, an integral part of the Citi Enterprise Risk Management Framework ("ERMF"). The ORM Policy establishes standards for consistent identification, measurement, monitoring, reporting and management of operational risk across Citi which are designed to lead to effective anticipation and mitigation of operational risk and improved loss experience. It also provides an enterprise-wide assessment framework for significant current and emerging operational risks. This approach furthers business ownership and accountability in terms of risk management, supported by the ORM team.

Citigroup's Operational Risk Framework includes a governance structure that supports core operational risk management activities of anticipation, mitigation and recovery by three lines of defence which are the Business Management and a number of corporate functions (i.e. Chief Administrative Office, Finance, Enterprise Operations and Technology, Global Public Affairs), independent risk oversight (i.e. Independent Compliance Risk Management and Independent Risk Management), and Internal Audit. Additionally, there are enterprise control functions (i.e. Legal, Human Resources).

Principles of Good Operational Risk Management:

Strong Ownership and Oversight

- Established lines of defense
- Businesses and Functions self-identify issues before Regulators and Internal Audit
- Issues are remediated on time and not reopened
- Significant events are escalated timely and consistently evaluated for lessons learned
- Governance Committees actively oversee risk identification and control remediation
- Management implements effective controls to mitigate significant risks
- Products and services are delivered as intended
- Credible second line operational risk managers

Dynamic Framework and Tools

- Risk Appetite is clearly articulated and monitored with key indicators
- Taxonomies and scoring methodologies are intuitive and used consistently
- Managers Control Assessment (MCA) provides a dynamic residual risk picture and tool for proactive prioritization
- End-to-end processes are assessed by management
- Material risks are identified and aligned with capital/stress projections
- Reporting is timely and clearly articulates the operational risk profile
- Technology platform that integrates all framework elements

(e) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The process of allocating capital to specific operations and activities is undertaken by senior management.

Consistent with industry practice, the Company monitors its capital structure on the basis of the capital adequacy ratio and there have been no material changes in the Company's policy on the management of capital during the year, except for a change in the calculation methodology in the capital adequacy ratio as mentioned below.

The capital adequacy ratios as at December 31, 2022 and 2021 are computed on the basis as specified by the HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

The Company has complied with all externally imposed capital requirements, with capital positions well above the minimum capital requirement set by the HKMA, throughout the years ended December 31, 2022 and 2021. Further information on the Company's capital positions can be found in part (a) of the unaudited supplementary information.

13 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company entered into the following material related party transactions. The Company has policies on lending to related parties which define related parties, credit and reporting processes, requirements and restrictions on such lending.

(a) Transactions with group companies

During the year, the Company entered into transactions with related parties in the ordinary course of its business activities. The transactions were priced at the relevant market rates at the time of each transaction.

The amounts of related party transactions during the year and outstanding balances at the end of the year are set out below:

	Ultimate holding company		*Intermediate holding company*		*Fellow subsidiaries*	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*
Interest income	-	-	12,922	4,875	-	-
Interest expense	-	-	(2,484)	-	-	-
Fee and commission income	-	-	4,659,117	4,232,349	147,502	186,066
Operating expenses	-	-	(659,320)	(440,700)	(104,742)	(81,240)
	-	-	4,010,235	3,796,524	42,760	104,826

(b) Amounts outstanding with group companies

Included in the balance sheet captions are balances due from and to group companies:

	Ultimate holding company		*Intermediate holding company*		*Fellow subsidiaries*	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*
Balances with banks	-	-	3,190,109	7,695,331	-	-
Other assets	-	-	65	947	2,170	8,451
Deposits and balances from banks	-	-	779,755	311,024	-	-
Other liabilities	141,831	17,972	8,969	7,745	1,689	2,052

13 Material related party transactions (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	2022	*2021*
Short-term employee benefits	11,581	16,643
Post-employment benefits	244	300
Share-based payments	8,430	4,783
	20,255	21,726

Amounts disclosed above include remuneration totalling $10,710,670 (2021: $7,803,448) to certain key management personnel were paid by group companies of the Company. The Company did not reimburse the group companies for the service provided.

In addition to the amounts disclosed, remuneration to certain key management personnel totalling $1,035,084 (2021: $6,657,895) to certain key management personnel who provided services to group companies of the Company were paid by the Company. The Company did not receive reimbursement from group companies.

(d) Loans to directors

Pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, the Company did not grant any loans to directors during the year (2021: Nil).

Unaudited supplementary information

(Expressed in thousands of Hong Kong dollar unless otherwise indicated)

(a) Capital adequacy ratio

The Company's regulatory capital position was as follows:

	At Dec 31, 2022	*At Dec 31, 2021*
Common Equity Tier 1 (CET1) capital ratio	29.39%	66.32%
Tier 1 capital ratio	29.39%	66.32%
Total capital ratio	29.39%	66.32%

The capital adequacy ratios were calculated in accordance with the Banking (Capital) Rules (the "Capital Rules"). In accordance with the Capital Rules, the Company has adopted the "standardized approach" and the "basic indicator approach" for the calculation of the risk-weighted assets for credit risk and operational risk respectively.

Countercyclical Capital Buffer Ratio

	At Dec 31, 2022	*At Dec 31, 2021*
Countercyclical Capital Buffer Ratio	0.79%	0.91%

The relevant disclosures pursuant to the Banking (Disclosure) Rules for this period can be found in our website http://www.citibank.com.hk/cil.

Capital Conservation Buffer Ratio

Under the Banking (Capital) Rules, the capital conservation buffer ratio for calculating the Company's buffer level are 2.5% for 2022 and 2021.

Regulatory capital disclosure can be found in our website http://www.citibank.com.hk/cil, covering a description of the main features, the full terms and conditions of the Company's capital instruments, a detailed breakdown of the Company's CET1 capital, AT1 capital, Tier 2 capital, regulatory deductions and a full reconciliation between the Company's accounting and regulatory statement of financial position.

(b) Leverage ratio

	At Dec 31, 2022	*At Dec 31, 2021*
Leverage ratio	64.29%	86.85%

The leverage ratio is computed on the same basis as specified in a notice from the HKMA in accordance with section 3C of the Capital Rules. The relevant disclosures pursuant to the Banking (Disclosure) Rules can be found in our website http://www.citibank.com.hk/cil.

(c) Segmental information

(i) By geographical area

All profits and assets are booked in Hong Kong.

(ii) By class of business

	2022	*2021*
Banking support services fees	4,806,617	4,418,415
Others	116,229	132,073
	4,922,846	4,550,488

Banking support services comprises of front and back office support services provided mainly to the intermediate holding company in the ordinary course of business.

(iii) International claims

The country risk exposures in the tables below are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. International claims are on-statement of financial position exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk.

International claims attributable to individual countries or areas not less than 10% of the bank's total international claims, after recognised risk transfer, are shown as follows:

There were no advances to public sector entities as at the above respective reporting dates.

	At Dec 31, 2022				
			Non-bank private sector		
	Banks	*Official Sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Total*
Developed countries	449,080	-	520	970	450,570
of which United States	449,000	-	30	20	449,050

	At Dec 31, 2021				
			Non-bank private sector		
	Banks	*Official Sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Total*
Developed countries	394,270	-	1,110	1,070	396,450
of which United States	394,180	-	30	160	394,370

(d) Additional disclosures on risk management

(i) Capital requirements for credit risk

The capital requirements on each class of exposures calculated under the standardized (credit risk) approach at the statement of financial position date can be analyzed as follows:

	2022	*2021*
Classes of exposures:		
Sovereign	-	4
Bank	51,092	123,311
Securities Firm	5	5
Corporate	1,166	1,492
Collective Investment Scheme	-	24
Other exposures which are not past due	341	5,763
Total capital requirements for on-statement of financial position exposures	52,604	130,599

The capital requirement is made by multiplying the Company's risk-weighted amount derived from the relevant calculation approach by 8%. It does not reflect the Company's actual regulatory capital.

(ii) Capital charge for operational risk

The capital charge for operational risk calculated in accordance with the basic indicator approach at the statement of financial position date is:

	2022	*2021*
Capital charge for operational risk	709,135	686,228

(d) Additional disclosures on risk management (continued)

(iii) Credit risk exposures

Credit ratings from Moody's Investors Service and Standard & Poor's Ratings Services are used for all classes of credit exposures mentioned below. The Company follows the process prescribed in Part 4 of the Banking (Capital) Rules to map the ratings to the exposures booked in the Company's banking book.

An analysis of the credit risk of the Company by class of exposures at the statement of financial position date is as follows:

	Total exposures	*Exposures after recognized credit risk mitigation*		*Risk-weighted amounts*		*Total risk-weighted amounts*
		Rated	*Unrated*	*Rated*	*Unrated*	
<u>*2022*</u>						
On-statement of financial position:						
Sovereign	1,141,997	1,141,997	-	-	-	-
Bank	3,193,248	3,192,726	522	638,546	104	638,650
Securities Firm	121	-	121	-	61	61
Corporate	14,369	2,023	12,346	2,225	12,346	14,571
Other exposures which are not past due	4,269	344	3,925	344	3,925	4,269
<u>*2021*</u>						
On-statement of financial position:						
Sovereign	55	55	-	55	-	55
Multilateral Development Bank	103	103	-	-	-	-
Bank	7,706,512	7,705,998	514	1,541,200	192	1,541,392
Securities Firm	121	-	121	-	61	61
Corporate	18,083	3,976	14,107	4,539	14,107	18,646
Collective Investment Scheme	317	39	278	20	278	298
Other exposures which are not past due	72,037	71,866	171	71,866	171	72,037

No exposures have been covered by recognized collateral, recognized guarantee or recognized credit derivative contracts.

(d) Additional disclosures on risk management (continued)

(iv) Market risk

The Company has an exemption under section 22(1) of the Banking (Capital) Rules.

(e) Corporate governance

The Company is a wholly owned subsidiary of Citigroup Inc. ("Citigroup") and falls under the Citigroup corporate governance infrastructure. Under this structure, the Company is committed to high standards of corporate governance and its activities are monitored by the various committees which Citigroup has in place in Hong Kong and globally. The control framework of the Company also falls under the Citigroup control requirements. The Company's Board comprises a majority of Directors from Citigroup and one Independent Non-executive Director and board meetings are held as and when necessary. The Company has fully complied throughout the year with the applicable guidelines in the Supervisory Policy Manual CG-1 "Corporate Governance of Locally Incorporated Authorized Institutions" issued by the HKMA.