



Citibank (Hong Kong) Limited
Financial Information Disclosure Statements

2013 Interim

CITIBANK (HONG KONG) LIMITED

We enclose herewith the Financial Information Disclosure Statements for the half-year ended June 30, 2013, which are prepared under the Banking (Disclosure) Rules made pursuant to Section 60A of the Banking Ordinance.

By Order of the Board

Lam Yuk Wah Christine
Director and Chief Executive

September 30, 2013

CITIBANK (HONG KONG) LIMITED

The directors are pleased to announce the unaudited interim results of Citibank (Hong Kong) Limited (the "Company") for the half-year ended June 30, 2013.

2013 First Half Results

For the period under review, operating income increased by 8% to HK\$2,959 million. Operating expenses decreased by 2% to HK\$1,759 million.

Impairment losses on loans and advances decreased by 3% to HK\$108 million.

Profit after taxation increased by 30% to HK\$911 million.

Loans and advances to customers increased 6%, to HK\$61.1 billion. Total equity increased by 5% to HK\$18.4 billion.

STATEMENT OF COMPREHENSIVE INCOME

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

| | <i>Note</i> | <i>Half-year ended Jun 30, 2013</i> | <i>Half-year ended Jun 30, 2012</i> |
|---|-------------|---|---|
| Interest income | 1 | 1,610,713 | 1,821,933 |
| Interest expense | 2 | (208,621) | (275,790) |
| Net interest income | | 1,402,092 | 1,546,143 |
| Net fee and commission income | 3 | 1,154,593 | 947,277 |
| Net trading income | 4 | 348,053 | 228,975 |
| Dividend income from unlisted companies | | 2,713 | 1,975 |
| Net gain /(loss) on disposal of available-for-sale financial assets | | 12,290 | (11) |
| Other operating income | | 39,143 | 12,139 |
| Operating income | | 2,958,884 | 2,736,498 |
| Staff costs | | (549,451) | (588,621) |
| Premises & equipment expenses | | (161,839) | (158,443) |
| Depreciation expenses | | (34,019) | (34,932) |
| Other operating expenses | 5 | (1,013,678) | (1,009,751) |
| Operating expenses | | (1,758,987) | (1,791,747) |
| Operating profit before impairment | | 1,199,897 | 944,751 |
| Individually assessed – new provisions | | (187,254) | (152,609) |
| Individually assessed – recoveries | | 57,529 | 50,734 |
| Collectively assessed – release / (new provisions) | | 22,023 | (9,733) |
| Impairment losses on loans and advances | | (107,702) | (111,608) |
| Profit before taxation | | 1,092,195 | 833,143 |
| Taxation | 6 | (180,820) | (134,492) |
| Profit after taxation | | 911,375 | 698,651 |
| Other comprehensive (expense) /income for the period, net of tax | | | |
| Changes in fair value of available-for-sale financial assets | | 7,651 | 21,272 |
| Transfer to profit or loss on disposal of available-for-sale financial assets | | (12,290) | 11 |
| Other comprehensive (expense) /income for the period | | (4,639) | 21,283 |
| Total comprehensive income for the period | | 906,736 | 719,934 |

BALANCE SHEET

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

| | <i>Note</i> | <i>At Jun 30, 2013</i> | <i>At Dec 31, 2012</i> |
|---|-------------|----------------------------|----------------------------|
| Assets | | | |
| Cash and balances with banks and other financial institutions | | 2,587,811 | 6,010,901 |
| Placements with banks and other financial institutions | 7 | 50,953,549 | 51,452,386 |
| Loans and advances to customers | 8 | 61,102,518 | 57,914,879 |
| Trade Bills | | 21,496 | 12,286 |
| Financial assets at fair value through profit or loss | | 13,140,750 | 16,755,253 |
| Available-for-sale financial assets | | 9,933,631 | 5,116,252 |
| Fixed assets | 14 | 486,087 | 506,167 |
| Intangible assets | | 209,029 | 199,578 |
| Deferred tax assets | | 24,221 | 39,337 |
| Other assets | | 2,704,760 | 2,129,816 |
| | | 141,163,852 | 140,136,855 |
| Liabilities | | | |
| Deposits and balances from banks and other financial institutions | | 15,092,530 | 15,572,115 |
| Deposits from customers | 15 | 103,328,443 | 103,345,242 |
| Trading financial liabilities | | 658,920 | 48,868 |
| Current taxation | | 203,619 | 101,948 |
| Other liabilities | | 3,434,068 | 3,529,146 |
| | | 122,717,580 | 122,597,319 |
| Equity | | | |
| Share capital | | 7,348,440 | 7,348,440 |
| Reserves | 16 | 11,097,832 | 10,191,096 |
| | | 18,446,272 | 17,539,536 |
| | | 141,163,852 | 140,136,855 |

The balance sheet is prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The following table discloses the balances in accordance with the banking return completion instructions issued by the Hong Kong Monetary Authority (“HKMA”), before the effects of offsetting as suggested in HKAS 32.

| | | |
|---------------------------------|-------------|-------------|
| Loans and advances to customers | 62,648,124 | 59,212,694 |
| Deposits from customers | 104,874,049 | 104,643,057 |

NOTES ON THE FINANCIAL STATEMENTS

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

| | <i>Half-year ended Jun 30, 2013</i> | <i>Half-year ended Jun 30, 2012</i> |
|---|---|---|
| 1 Interest income | | |
| Interest income on loans | 1,223,490 | 1,215,085 |
| Interest income on placements | 262,332 | 414,339 |
| Interest income on investment | <u>35,356</u> | <u>61,501</u> |
| Interest income on financial instruments that are not measured at fair value through profit or loss | 1,521,178 | 1,690,925 |
| Interest income on financial assets designated at fair value through profit or loss | <u>89,535</u> | <u>131,008</u> |
| Total interest income from all financial assets | <u><u>1,610,713</u></u> | <u><u>1,821,933</u></u> |
| Included in the above is interest income accrued on impaired financial assets of \$4,313 thousands (Jun 30, 2012: \$4,905 thousands). | | |
| 2 Interest expense | | |
| Interest expense on deposits from customers | 171,947 | 233,661 |
| Interest expense on deposits from banks and other financial institutions | <u>36,674</u> | <u>42,129</u> |
| Interest expense on financial instruments that are not measured at fair value through profit or loss | <u>208,621</u> | <u>275,790</u> |
| 3 Net fee and commission income | | |
| Fee and commission income from retail banking | 706,001 | 563,979 |
| Fee and commission income from card business | 627,777 | 561,047 |
| Service fee from fellow subsidiaries | <u>40,076</u> | <u>40,987</u> |
| | 1,373,854 | 1,166,013 |
| Fee and commission expenses | <u>(219,261)</u> | <u>(218,736)</u> |
| | <u><u>1,154,593</u></u> | <u><u>947,277</u></u> |

Above amounts entirely represent net fee and commission income, other than fees included in determining the effective interest rate, arising from financial assets or financial liabilities that are neither held for trading nor designated at fair value through profit or loss.

| | <i>Half-year ended Jun 30, 2013</i> | <i>Half-year ended Jun 30, 2012</i> |
|--|---|---|
| 4 Net trading income | | |
| Net gain from dealing in foreign exchange | 361,693 | 232,279 |
| Net gain from trading interest rate derivatives | 549 | 1,703 |
| Net loss from financial assets designated at fair value through profit or loss | <u>(14,189)</u> | <u>(5,007)</u> |
| | <u>348,053</u> | <u>228,975</u> |
| 5 Other operating expenses | | |
| Marketing expenses | 332,259 | 297,346 |
| Intercompany expenses | 512,082 | 504,491 |
| Others | <u>169,337</u> | <u>207,914</u> |
| | <u>1,013,678</u> | <u>1,009,751</u> |
| 6 Taxation | | |
| Provision for Hong Kong Profits Tax | 164,786 | 122,914 |
| Deferred taxation | <u>16,034</u> | <u>11,578</u> |
| | <u>180,820</u> | <u>134,492</u> |
| | <u><i>At Jun 30, 2013</i></u> | <u><i>At Dec 31, 2012</i></u> |
| 7 Placements with banks and other financial institutions | | |
| Maturing within one month | 7,442,855 | 10,598,816 |
| Maturing between one month and one year | 23,966,323 | 15,886,509 |
| Maturing after one year | <u>19,544,371</u> | <u>24,967,061</u> |
| | <u>50,953,549</u> | <u>51,452,386</u> |
| | <u><i>At Jun 30, 2013</i></u> | <u><i>At Dec 31, 2012</i></u> |
| 8 Loans and advances to customers less impairment | | |
| Gross loans and advances to customers | 61,313,790 | 58,148,174 |
| Less: Impairment allowances | | |

| | | |
|-------------------------|------------|------------|
| - individually assessed | - | - |
| - collectively assessed | (211,272) | (233,295) |
| | 61,102,518 | 57,914,879 |

9 Loans and advances to customers analyzed by geographical area

Loans and advances to customers by geographical area are classified according to the location of the counterparties. After taking into account the transfer of risk, there were no exposures to a single country outside Hong Kong exceeding 10% of the aggregate gross amount of loans and advances to customers as at the above respective reporting dates.

10 Cross border claims

The cross-border exposures in the table below are prepared in accordance with the HKMA Return of the External Positions Part II: Cross-Border Claims (MA(BS)9A) guidelines. Cross-border claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk. Countries or geographical areas constituting 10% or more of the total cross-border claims are disclosed.

| | <i>Banks and other financial institutions</i> | <i>Public sector entities</i> | <i>Others</i> | <i>Total</i> |
|----------------------|---|-----------------------------------|---------------|--------------|
| <u>North America</u> | | | | |
| <i>Jun 30, 2013</i> | 51,746,588 | 5,395,175 | 992,069 | 58,133,832 |
| <i>Dec 31, 2012</i> | 51,317,222 | 4,391,354 | 188,313 | 55,896,889 |

11 Non-bank Mainland China exposures

The following analysis of non-bank Mainland exposures is based on the categories contained in the HKMA Return of Analysis of Loans and Advances and Provisions (MA(BS)2A).

| | <i>Jun 30, 2013</i> | | |
|--|---|--|----------------------------|
| | <i>On-balance sheet exposures</i> | <i>Off-balance sheet exposures</i> | <i>Total exposures</i> |
| Companies and individuals outside Mainland where the credit is granted for use in Mainland | 11,378 | 67,512 | 78,890 |
| Other counterparties where the exposure is considered by the reporting institution to be non-bank China exposure | 1,966,504 | 2,311,219 | 4,277,723 |
| Total | 1,977,882 | 2,378,731 | 4,356,613 |
| | <i>Dec 31, 2012</i> | | |
| | <i>On-balance sheet exposures</i> | <i>Off-balance sheet exposures</i> | <i>Total exposures</i> |
| Companies and individuals outside Mainland where the credit is granted for use in Mainland | 8,130 | 21,921 | 30,051 |
| Other counterparties where the exposure is considered by the reporting institution to be non-bank China exposure | 1,575,372 | 2,144,531 | 3,719,903 |
| Total | 1,583,502 | 2,166,452 | 3,749,954 |

12 Loans and advances to customers analyzed by industry sector

| | <i>At Jun 30, 2013</i> | | <i>At Dec 31, 2012</i> | |
|---|------------------------|--|------------------------|--|
| | <i>Amount</i> | <i>% of loans and advances covered by collateral or other security</i> | <i>Amount</i> | <i>% of loans and advances covered by collateral or other security</i> |
| Loans and advances to customers for use in Hong Kong | | | | |
| <i>Industrial, commercial and financial</i> | | | | |
| Property investment | 6,462,876 | 100% | 6,538,034 | 100% |
| Wholesale and retail trade | 250,477 | 57% | 323,465 | 52% |
| Manufacturing | 116,244 | 59% | 148,118 | 56% |
| Others | 84,596 | 38% | 91,444 | 26% |
| <i>Individuals</i> | | | | |
| Loans for the purchase of other residential properties | 31,161,700 | 100% | 29,166,200 | 100% |
| Credit card advances | 11,497,151 | 0% | 12,070,901 | 0% |
| Others | 12,991,804 | 58% | 10,840,636 | 50% |
| | 62,564,848 | | 59,178,798 | |
| Netting adjustment on account of foreign currency margin products | (1,545,606) | | (1,297,815) | |
| Total loans and advances to customers for use in Hong Kong | 61,019,242 | | 57,880,983 | |
| Loans and advances to customers for use outside Hong Kong | 11,378 | 17% | 8,130 | 0% |
| Trade finance | 283,170 | 45% | 259,061 | 47% |
| Total | 61,313,790 | | 58,148,174 | |

The above analysis has been classified according to categories and definitions used by the HKMA.

12 Loans and advances to customers analyzed by industry sector (continued)

The amount of overdue and impaired loans and advances to customers and respective collective impairment allowances in respect of loans and advances to industry sectors which constitute not less than 10% of the Company's total loans and advances to customers are shown as follows:

| | <u>At Jun 30,</u> <u>2013</u> | <u>At Dec 31,</u> <u>2012</u> |
|--|----------------------------------|----------------------------------|
| <u>Overdue loans and advances to customers</u> | | |
| <i>Industrial, Commercial and Financial</i> | | |
| Property Investment | - | - |
| <i>Individuals</i> | | |
| Loans for the purchase of other residential properties | 515 | 784 |
| Credit card advances | 31,960 | 32,021 |
| Others | 7,361 | 6,490 |
| <u>Impaired loans and advances to customers</u> | | |
| <i>Industrial, Commercial and Financial</i> | | |
| Property Investment | - | - |
| <i>Individuals</i> | | |
| Loans for the purchase of other residential properties | 8,523 | 9,392 |
| Credit card advances | 31,960 | 32,021 |
| Others | 57,075 | 58,534 |
| <u>Collective impairment allowances</u> | | |
| <i>Industrial, Commercial and Financial</i> | | |
| Property Investment | 1,056 | 2,232 |
| <i>Individuals</i> | | |
| Loans for the purchase of other residential properties | 57 | 57 |
| Credit card advances | 127,461 | 142,280 |
| Others | 64,743 | 59,698 |

13 Overdue and rescheduled assets

(i) Overdue loans and advances to customers

| | <i>At Jun 30, 2013</i> | | <i>At Dec 31, 2012</i> | |
|---|------------------------|---|------------------------|---|
| | <i>Amount</i> | <i>% of loans and advances to customers</i> | <i>Amount</i> | <i>% of loans and advances to customers</i> |
| Loans and advances to customers which have been overdue for periods of: | | | | |
| - 6 months or less but over 3 months | 40,196 | 0.07% | 39,862 | 0.07% |
| - 1 year or less but over 6 months | - | - | - | - |
| - over 1 year | 515 | 0.00% | 545 | 0.00% |
| | 40,711 | 0.07% | 40,407 | 0.07% |
| Current market value of collateral held against the covered portion of overdue loans and advances to customers | 4,327 | | 6,140 | |
| Covered portion of overdue loans and advances to customers | 1,042 | | 3,246 | |
| Uncovered portion of overdue loans and advances to customers | 39,669 | | 37,161 | |
| | 40,711 | | 40,407 | |

The covered portion of overdue loans and advances to customers represents the amount of collateral held against outstanding balances. Where collateral values are greater than gross loans and advances, only the amount of collateral up to the gross loans and advance was included.

The collateral held in respect of the overdue loans and advances mainly consists of properties.

After taking into account the transfer of risk, there were no exposures to a single country outside Hong Kong exceeding 10% of the aggregate overdue loans and advances to customers as at the above respective reporting dates.

13 Overdue and rescheduled assets (continued)

| | <i>At Jun 30, 2013</i> | <i>At Dec 31, 2012</i> |
|---|------------------------|---|
| | <i>Amount</i> | <i>% of loans and advances to customers</i> |
| Rescheduled loans and advances to customers | 57,951 | 0.09% |
| | 61,481 | 0.11% |

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or because of the inability of the borrower to meet the original repayment schedule. Rescheduled loans and advances to customers are stated net of any loans and advances which have subsequently become overdue for over three months and which are included in overdue loans and advances to customers in part (i).

(iii) Impaired loans and advances to customers

| | <i>Amount</i> | <i>% of loans and advances to customers</i> |
|---|---------------|---|
| Overdue loans and advances to customers | 40,711 | 0.07% |
| Rescheduled loans and advances to customers | 57,951 | 0.09% |
| Impaired loans and advances to customers | 98,662 | 0.16% |

After taking into account the transfer of risk, there were no exposures to a single country outside Hong Kong exceeding 10% of the aggregate impaired loans and advances to customers as at the above respective reporting dates.

14 Repossessed assets

| | <i>At Jun 30, 2013</i> | <i>At Dec 31, 2012</i> |
|-------------------|----------------------------|----------------------------|
| Reposessed assets | - | 2,024 |

Assets acquired in exchange for the release in full or in part of the obligations of the borrowers due to restructuring or the inability of borrowers to repay, are recorded as "Other assets" in the balance sheet at the lower of net realization value and the carrying amount of the asset (net of any impairment allowance), until the assets are realized.

15 Fixed assets

| | <i>Buildings held for own use carried at cost</i> | <i>Plant, machinery and other assets</i> | <i>Installations</i> | <i>Construction in progress</i> | <i>Total fixed assets</i> |
|---|---|--|----------------------|-------------------------------------|-------------------------------|
| <i>Cost or valuation:</i> | | | | | |
| At Jan 1, 2013 | 405,528 | 149,728 | 195,087 | 34,045 | 784,388 |
| Additions | - | 3,484 | - | 14,273 | 17,757 |
| Transfer | - | 270 | 5,247 | (5,517) | - |
| Write-offs | - | (1,379) | - | (3,818) | (5,197) |
| At Jun 30, 2013 | <u>405,528</u> | <u>152,103</u> | <u>200,334</u> | <u>38,983</u> | <u>796,948</u> |
| <i>Accumulated depreciation:</i> | | | | | |
| At Jan 1, 2013 | 64,210 | 103,962 | 110,049 | - | 278,221 |
| Charge for the period | 4,055 | 4,373 | 25,591 | - | 34,019 |
| Write-offs | - | (1,379) | - | - | (1,379) |
| At Jun 30, 2013 | <u>68,265</u> | <u>106,956</u> | <u>135,640</u> | <u>-</u> | <u>310,861</u> |
| <i>Net book value:</i> | | | | | |
| At Jun 30, 2013 | <u>337,263</u> | <u>45,147</u> | <u>64,694</u> | <u>38,983</u> | <u>486,087</u> |
| At Dec 31, 2012 | <u>341,318</u> | <u>45,766</u> | <u>85,038</u> | <u>34,045</u> | <u>506,167</u> |

16 Deposits from customers

| | <i>At Jun 30, 2013</i> | <i>At Dec 31, 2012</i> |
|--------------------------------------|----------------------------|----------------------------|
| Demand deposits and current accounts | 13,143,184 | 13,008,677 |
| Savings deposits | 55,011,731 | 57,821,770 |
| Time, call and notice deposits | <u>35,173,528</u> | <u>32,514,795</u> |
| | <u>103,328,443</u> | <u>103,345,242</u> |

17 Reserves

| | <i>At Jun 30, 2013</i> | <i>At Dec 31, 2012</i> |
|--|----------------------------|----------------------------|
| Available-for-sale revaluation reserve | 451 | 5,090 |
| Retained profits | 11,098,480 | 10,187,105 |
| Capital reserves | (1,099) | (1,099) |
| | 11,097,832 | 10,191,096 |

(a) Nature and purpose of reserves

Available-for-sale revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities until the financial assets are derecognized and is dealt with in accordance with the accounting policies for financial instruments and impairment of assets.

Capital reserves

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.

(b) Regulatory reserve

The regulatory reserve is earmarked for the purpose of paragraph 9 of the Seventh Schedule to the Hong Kong Banking Ordinance to set aside amounts in respect of losses which the Company will or may incur on loans and advances in addition to impairment losses recognized under HKAS 39. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As of June 30, 2013, the regulatory reserve is earmarked at \$1,228,208 thousands (December 31, 2012: \$1,128,018 thousands).

18 Derivatives

Derivatives are used for managing the Company's own exposures to market risk as part of its asset and liability management process and their sale to customers as part of the Company's business activities. The principal derivative instruments used by the Company are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives.

(i) Notional amount of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices. The notional amounts of these instruments indicate the volume of outstanding transactions and do not represent amounts at risk.

| | <i>At Jun 30, 2013</i> | <i>At Dec 31, 2012</i> |
|---|----------------------------|----------------------------|
| <i>Interest rate derivatives</i> | | |
| Swaps | 1,200,000 | 1,200,000 |
| <i>Currency derivatives</i> | | |
| Forwards and futures | 22,737,016 | 16,820,783 |
| Options purchased | 4,316,007 | 6,160,580 |
| Options written | 4,316,007 | 6,160,580 |
| | 31,369,030 | 29,141,943 |
| | 32,569,030 | 30,341,943 |

(ii) Fair values and credit risk weighted amounts of derivatives

| | <i>At Jun 30, 2013</i> | | | <i>At Dec 31, 2012</i> | | |
|---------------------------|------------------------|--------------------|---|------------------------|--------------------|---|
| | <i>Fair value</i> | | <i>Credit risk- weighted amount</i> | <i>Fair value</i> | | <i>Credit risk- weighted amount</i> |
| | <i>Assets</i> | <i>Liabilities</i> | | <i>Assets</i> | <i>Liabilities</i> | |
| Interest rate derivatives | 3,394 | 1,566 | 3,447 | 5,320 | 3,233 | 5,660 |
| Currency derivatives | 88,888 | 657,354 | 71,058 | 130,770 | 45,635 | 98,707 |
| | 92,282 | 658,920 | 74,505 | 136,090 | 48,868 | 104,367 |

The credit risk-weighted amounts are assessed in accordance with the Banking (Capital) Rules (the "Capital Rules") and depend on the status of the counterparty and maturity characteristics of the instrument. The risk weights used range from 0% to 1250%.

The Company did not enter into any bilateral netting arrangements on derivative transactions during the period and accordingly these amounts are shown on a gross basis.

| | <i>At Jun 30,</i> <i>2013</i> | <i>At Dec 31,</i> <i>2012</i> |
|--|----------------------------------|----------------------------------|
| 19 Contingent liabilities and commitments | | |
| Contractual or notional amounts | | |
| Direct credit substitutes | - | 4,000 |
| Trade-related contingencies | 19,832 | 22,211 |
| Forward forward deposits placed | 1,153,668 | 602,705 |
| Other commitments | | |
| - which are unconditionally cancellable | 80,957,672 | 78,348,618 |
| | 82,131,172 | 78,977,534 |
| Credit risk-weighted amounts | 234,700 | 128,983 |

Contingent liabilities and commitments include forward forward deposits placed as well as credit-related instruments. The risk involved is similar to the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of other commitments is expected to expire without being drawn upon, the total of contractual amounts is not representative of future liability requirements.

The credit risk-weighted amounts are assessed in accordance with the Capital Rules and depend on the status of the counterparty and the maturity characteristics of the instrument. The risk weights used range from 0% to 1250%.

20 Currency risk

The Company's foreign currency positions arise from foreign exchange dealing. All foreign currency positions are managed by the Treasury Department within limits approved by the Market Risk Management.

The Company seeks to manage 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.

United States dollars

| | | |
|-------------------|--------------|--------------|
| Spot assets | 55,506,054 | 54,177,879 |
| Spot liabilities | (39,440,735) | (44,969,072) |
| Forward purchases | 3,811,990 | 3,559,249 |
| Forward sales | (17,230,598) | (11,346,940) |
| Net long position | 2,646,711 | 1,421,116 |

There were no foreign currency structural positions as at the above reporting dates.

21 Liquidity ratio

| | <i>Half-year ended Jun 30, 2013</i> | <i>Half-year ended Jun 30, 2012</i> |
|--|---|---|
| Average liquidity ratio for the period | <u>36.79%</u> | <u>35.43%</u> |

The average liquidity ratio is computed as the simple average of each calendar month's average ratio and in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

22 Capital adequacy ratio

(a) Capital adequacy at June 30, 2013

The capital adequacy ratios were calculated in accordance with the Capital Rules. The ratios as of June 30, 2013 are compiled in accordance with the amended Capital Rules effective from January 1, 2013 for the implementation of the Basel III capital accord. In accordance with the Capital Rules, the Company has adopted the "standardized approach" for the calculation of the risk-weighted assets for credit risk, market risk, and operational risk.

| | <i>At Jun 30, 2013</i> |
|---|----------------------------|
| The Company's regulatory capital position was as follows: | |
| Common Equity Tier 1 (CET1) capital ratio | <u>26.83%</u> |
| Tier 1 capital ratio | <u>26.83%</u> |
| Total capital ratio | <u>27.92%</u> |

Regulatory capital disclosures can be found in our website www.citibank.com.hk, 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 balance sheets.

22 Capital adequacy ratio (continued)

(b) *Capital adequacy at December 31, 2012*

The ratios as of December 31, 2012 were compiled in accordance with the pre-amended Capital Rules as in force immediately before January 1, 2013. Accordingly, the capital ratios of the two reporting dates are not directly comparable.

At Dec 31,
2012

The Company's regulatory capital position was as follows:

| | |
|-----------------------------|--------|
| Core capital adequacy ratio | 25.89% |
| Capital adequacy ratio | 27.16% |

Components of capital base

Core capital:

| | |
|--------------------------------------|------------|
| Paid-up ordinary share capital | 7,348,440 |
| Published reserves | 7,577,723 |
| Profit and loss account | 1,480,265 |
| Total core capital before deductions | 16,406,428 |
| Less: Deductions from core capital | (239,977) |
| Total core capital after deductions | 16,166,451 |

Supplementary capital:

| | |
|--|------------|
| Reserves attributable to fair value gains on revaluation of holdings of available-for-sale equities and debt securities | 2,768 |
| Regulatory reserve for general banking risks | 554,328 |
| Collectively assessed impairment allowances | 233,295 |
| Total supplementary capital before deductions | 790,391 |
| Less: Deductions from supplementary capital | - |
| Total supplementary capital after deductions | 790,391 |
| Total capital base after deductions | 16,956,842 |
| Total deductions from the core capital and supplementary capital | (239,977) |