



Citibank (Hong Kong) Limited
Financial Information Disclosure Statement

2014 Interim

CITIBANK (HONG KONG) LIMITED

We enclose herewith the Financial Information Disclosure Statement for the half-year ended June 30, 2014, 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, 2014

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, 2014.

2014 First Half Results

For the period under review, operating income was HK\$2,940 million (lower than prior year by 0.6%).

Operating expenses was HK\$1,871 million (higher than prior year by 6%).

Impairment losses on loans and advances was HK\$118 million (higher than prior year by 10%).

Profit after taxation was HK\$803 million (lower than prior year by 12%).

Loans and advances to customers was HK\$63.9 billion (lower than Dec 2013 by 0.3%). Customer deposits was HK\$105 billion (higher than Dec 2013 by 1%).

STATEMENT OF COMPREHENSIVE INCOME

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

	<i>Note</i>	<i>Half-year ended Jun 30, 2014</i>	<i>Half-year ended Jun 30, 2013</i>
Interest income	1	1,589,253	1,610,713
Interest expense	2	(199,481)	(208,621)
Net interest income		1,389,772	1,402,092
Net fee and commission income	3	1,206,139	1,154,593
Net trading income	4	307,481	348,053
Dividend income from unlisted companies		2,506	2,713
Net gain on disposal of available-for-sale financial assets		3,904	12,290
Other operating income		30,680	39,143
Operating income		2,940,482	2,958,884
Staff costs		(546,264)	(549,451)
Premises & equipment expenses		(183,054)	(161,839)
Depreciation expenses		(31,459)	(34,019)
Other operating expenses	5	(1,109,984)	(1,013,678)
Operating expenses		(1,870,761)	(1,758,987)
Operating profit before impairment		1,069,721	1,199,897
Individually assessed – new provisions		(190,125)	(187,254)
Individually assessed – recoveries		56,883	57,529
Collectively assessed – release		15,226	22,023
Impairment losses on loans and advances		(118,016)	(107,702)
Operating profit after impairment		951,705	1,092,195
Gains from disposal of tangible fixed assets		170	-
Profit before taxation		951,875	1,092,195
Taxation	6	(149,328)	(180,820)
Profit after taxation		802,547	911,375
Other comprehensive expense for the period, net of tax			
Changes in fair value of available-for-sale financial assets		4,177	7,651
Transfer to profit or loss on disposal of available-for-sale financial assets		(3,904)	(12,290)
Other comprehensive expense for the period		273	(4,639)
Total comprehensive income for the period		802,820	906,736

BALANCE SHEET

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

	<i>Note</i>	<i>At Jun 30, 2014</i>	<i>At Dec 31, 2013</i>
Assets			
Cash and balances with banks and other financial institutions		3,772,831	2,169,223
Placements with banks and other financial institutions	7	23,899,734	31,784,716
Loans and advances	8	86,243,402	81,720,704
Trade Bills		18,164	21,745
Financial assets at fair value through profit or loss		7,074,733	9,656,596
Available-for-sale financial assets		15,050,454	11,005,264
Fixed assets	15	474,086	476,981
Intangible assets		157,788	194,873
Deferred tax assets		41,524	37,534
Other assets		2,046,784	2,448,926
		<u>138,779,500</u>	<u>139,516,562</u>
Liabilities			
Deposits and balances from banks and other financial institutions		7,831,098	12,307,666
Deposits from customers	16	105,451,887	104,617,900
Trading financial liabilities		67,081	432,364
Current taxation		200,746	48,257
Other liabilities		5,870,556	3,555,063
		<u>119,421,368</u>	<u>120,961,250</u>
Equity			
Share capital		7,348,440	7,348,440
Reserves	17	12,009,692	11,206,872
		<u>19,358,132</u>	<u>18,555,312</u>
		<u>138,779,500</u>	<u>139,516,562</u>

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	65,205,130	65,335,809
Deposits from customers	106,733,145	105,833,646

NOTES ON THE FINANCIAL STATEMENTS

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

	<i>Half-year ended Jun 30, 2014</i>	<i>Half-year ended Jun 30, 2013</i>
1 Interest income		
Interest income on loans	1,275,062	1,223,490
Interest income on placements	245,913	262,332
Interest income on investment		
- Listed	29,187	31,753
- Unlisted	14,717	3,603
Interest income on financial instruments that are not measured at fair value through profit or loss	1,564,879	1,521,178
Interest income on financial assets designated at fair value through profit or loss		
- Listed	794	835
- Unlisted	23,580	88,700
Total interest income from all financial assets	1,589,253	1,610,713
Included in the above is interest income accrued on impaired financial assets of \$4,390 thousands (Jun 30, 2013: \$4,313 thousands).		
2 Interest expense		
Interest expense on deposits from customers	171,238	171,947
Interest expense on deposits from banks and other financial institutions	28,243	36,674
Interest expense on financial instruments that are not measured at fair value through profit or loss	199,481	208,621
3 Net fee and commission income		
Fee and commission income from retail banking	532,986	706,001
Fee and commission income from card business	673,639	627,777
Service fee from fellow subsidiaries	250,474	40,076
	1,457,099	1,373,854
Fee and commission expenses	(250,960)	(219,261)
	1,206,139	1,154,593

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, 2014</i>	<i>Half-year ended Jun 30, 2013</i>
4 Net trading income		
Net gain from dealing in foreign exchange	305,004	361,693
Net (loss)/gain from trading interest rate derivatives	(285)	549
Net gain/(loss) from financial assets designated at fair value through profit or loss	<u>2,762</u>	<u>(14,189)</u>
	<u>307,481</u>	<u>348,053</u>
5 Other operating expenses		
Marketing expenses	301,316	332,259
Intercompany expenses	651,144	512,082
Others	<u>157,524</u>	<u>169,337</u>
	<u>1,109,984</u>	<u>1,013,678</u>
6 Taxation		
Provision for Hong Kong Profits Tax	152,489	164,786
Overseas Tax	51	-
Deferred taxation	<u>(3,212)</u>	<u>16,034</u>
	<u>149,328</u>	<u>180,820</u>
	<i>At Jun 30, 2014</i>	<i>At Dec 31, 2013</i>
7 Placements with banks and other financial institutions		
Maturing within one month	9,402,390	9,749,358
Maturing between one month and one year	<u>14,497,344</u>	<u>22,035,358</u>
	<u>23,899,734</u>	<u>31,784,716</u>

	<i>At Jun 30, 2014</i>	<i>At Dec 31, 2013</i>
8 Loans and advances less impairment		
Gross loans and advances to customers	64,122,995	64,334,412
Less: Impairment allowances		
- individually assessed	-	-
- collectively assessed	(199,123)	(214,349)
	63,923,872	64,120,063
Gross loans and advances to banks	22,319,530	17,600,641
	86,243,402	81,720,704

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>At Jun 30, 2014</i>			
	<i>Banks</i>	<i>Public sector entities</i>	<i>Others</i>	<i>Total</i>
Asia Pacific excluding Hong Kong	1,414,431	562,932	4,324,968	6,302,331
North America	48,370,048	2,029,841	991,999	51,391,888
	<i>At Dec 31, 2013</i>			
	<i>Banks</i>	<i>Public sector entities</i>	<i>Others</i>	<i>Total</i>
Asia Pacific excluding Hong Kong	1,370,666	1,988,022	4,204,093	7,562,781
North America	50,172,089	2,909,213	983,230	54,064,532

11 Non-bank Mainland 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>At Jun 30, 2014</i>		
	<i>On-balance sheet exposures</i>	<i>Off-balance sheet exposures</i>	<i>Total exposures</i>
Mainland entities	83,589	-	83,589
Companies and individuals outside Mainland where the credit is granted for use in Mainland	2,567	271	2,838
Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposure	1,446,128	931,639	2,377,767
Total	1,532,284	931,910	2,464,194

	<i>At Dec 31, 2013</i>		
	<i>On-balance sheet exposures</i>	<i>Off-balance sheet exposures</i>	<i>Total exposures</i>
Mainland entities	85,578	-	85,578
Companies and individuals outside Mainland where the credit is granted for use in Mainland	3,657	1,261	4,918
Other counterparties where the exposure is considered by the reporting institution to be non-bank China exposure	1,403,816	1,682,701	3,086,517
Total	1,493,051	1,683,962	3,177,013

12 Loans and advances to customers analyzed by industry sector

	<u>At Jun 30, 2014</u>		<u>At Dec 31, 2013</u>	
	<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	5,928,602	100%	6,167,593	100%
Wholesale and retail trade	279,121	53%	195,019	60%
Manufacturing	99,847	53%	88,865	58%
Others	97,839	36%	82,218	40%
<i>Individuals</i>				
Loans for the purchase of other residential properties	32,667,246	100%	32,261,653	100%
Credit card advances	12,672,319	0%	13,241,416	0%
Others	<u>13,374,149</u>	60%	<u>13,215,039</u>	57%
	65,119,123		65,251,803	
Netting adjustment on account of foreign currency margin products	<u>(1,281,258)</u>		<u>(1,215,746)</u>	
Total loans and advances to customers for use in Hong Kong	63,837,865		64,036,057	
Loans and advances to customers for use outside Hong Kong	11,369	3%	11,064	11%
Trade finance	<u>273,761</u>	52%	<u>287,291</u>	65%
Total	<u>64,122,995</u>		<u>64,334,412</u>	

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>2014</u>	<u>At Dec 31,</u> <u>2013</u>
<u>Overdue loans and advances to customers</u>		
<i>Individuals</i>		
Loans for the purchase of other residential properties	491	10,870
Credit card advances	29,652	30,431
Others	5,513	8,742
 <u>Impaired loans and advances to customers</u>		
<i>Individuals</i>		
Loans for the purchase of other residential properties	7,249	16,491
Credit card advances	29,652	30,431
Others	41,625	51,330
 <u>Collective impairment allowances</u>		
<i>Individuals</i>		
Loans for the purchase of other residential properties	57	57
Credit card advances	144,676	136,585
Others	46,343	64,559

13 Overdue and rescheduled assets

(i) *Overdue loans and advances to customers*

	<i>At Jun 30, 2014</i>		<i>At Dec 31, 2013</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	35,911	0.06%	49,730	0.08%
- 1 year or less but over 6 months	-	-	-	-
- over 1 year	491	0.00%	509	0.00%
	36,402	0.06%	50,239	0.08%
Current market value of collateral held against the covered portion of overdue loans and advances to customers	4,360		35,818	
Covered portion of overdue loans and advances to customers	951		511	
Uncovered portion of overdue loans and advances to customers	35,451		49,728	
	36,402		50,239	

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, 2014</i>		<i>At Dec 31, 2013</i>	
	<i>Amount</i>	<i>% of loans and advances to customers</i>	<i>Amount</i>	<i>% of loans and advances to customers</i>
(ii) Rescheduled loans and advances to customers				
Rescheduled loans and advances to customers	46,078	0.07%	48,328	0.08%

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>	<i>Amount</i>	<i>% of loans and advances to customers</i>
Overdue loans and advances to customers	36,402	0.06%	50,239	0.08%
Rescheduled loans and advances to customers	46,078	0.07%	48,328	0.08%
Impaired loans and advances to customers	82,480	0.13%	98,567	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, 2014</i>	<i>At Dec 31, 2013</i>
Repossession assets	10,360	-

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, 2014	405,528	150,948	206,694	23,496	786,666
Additions	-	5,175	839	26,166	35,180
Write-offs	-	(2,565)	(11,312)	(1,260)	(15,137)
At Jun 30, 2014	<u>405,528</u>	<u>153,558</u>	<u>196,221</u>	<u>51,402</u>	<u>806,709</u>
<i>Accumulated depreciation:</i>					
At Jan 1, 2014	72,319	106,101	131,265	-	309,685
Charge for the period	4,055	13,257	24,412	-	41,724
Write-offs	-	(5,134)	(13,652)	-	(18,786)
At Jun 30, 2014	<u>76,374</u>	<u>114,224</u>	<u>142,025</u>	<u>-</u>	<u>332,623</u>
<i>Net book value:</i>					
At Jun 30, 2014	<u>329,154</u>	<u>39,334</u>	<u>54,196</u>	<u>51,402</u>	<u>474,086</u>
At Dec 31, 2013	<u>333,209</u>	<u>44,847</u>	<u>75,429</u>	<u>23,496</u>	<u>476,981</u>

16 Deposits from customers

	<i>At Jun 30, 2014</i>	<i>At Dec 31, 2013</i>
Demand deposits and current accounts	17,265,934	15,472,453
Savings deposits	60,698,097	58,282,518
Time, call and notice deposits	<u>27,487,856</u>	<u>30,862,929</u>
	<u>105,451,887</u>	<u>104,617,900</u>

17 Reserves

	<i>At Jun 30,</i> <i>2014</i>	<i>At Dec 31,</i> <i>2013</i>
Available-for-sale revaluation reserve	8,580	8,307
Retained profits	12,006,213	11,203,666
Capital reserves	(5,101)	(5,101)
	12,009,692	11,206,872

(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, 2014, the regulatory reserve is earmarked at \$1,298,634 thousands (December 31, 2013: \$1,286,750 thousands).

(c) The Directors have declared an interim dividend of HK\$775,155 thousands (2013 interim dividend: HK\$581,415 thousands) in respect of the six months ended 30th June, 2014.

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, 2014</i>	<i>At Dec 31, 2013</i>
<i>Interest rate derivatives</i>		
Swaps	700,000	1,200,000
<i>Currency derivatives</i>		
Forwards and futures	14,903,210	16,672,821
Options purchased	4,213,281	3,552,011
Options written	4,213,281	3,552,011
	23,329,772	23,776,843
	24,029,772	24,976,843

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

	<i>At Jun 30, 2014</i>			<i>At Dec 31, 2013</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	668	648	334	2,131	1,287	1,816
Currency derivatives	118,297	66,433	104,708	61,154	431,077	92,565
	118,965	67,081	105,042	63,285	432,364	94,381

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.

19 Contingent liabilities and commitments

	At Jun 30, 2014	At Dec 31, 2013
Contractual or notional amounts		
Trade-related contingencies	9,223	12,838
Forward forward deposits placed	391,439	383,401
Other commitments		
- which are unconditionally cancellable	73,265,783	79,600,260
- with an original maturity of not more than one year	382,027	261,601
- with an original maturity of more than one year	1,223,332	1,275,149
	75,271,804	81,533,249
Credit risk-weighted amounts	353,443	351,012

Contingent liabilities and commitments are 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 Regional 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.

<i>At Jun 30, 2014</i>	<u>USD</u>	<u>RMB</u>	<u>AUD</u>
Spot assets	46,007,185	1,652,536	2,613,194
Spot liabilities	(36,755,404)	(1,745,978)	(6,821,952)
Forward purchases	922,980	125,158	7,632,955
Forward sales	<u>(10,101,301)</u>	<u>(1,519)</u>	<u>(3,410,381)</u>
Net long/(short) position	<u>73,460</u>	<u>30,197</u>	<u>13,816</u>
<i>At Dec 31, 2013</i>	<u>USD</u>	<u>RMB</u>	<u>AUD</u>
Spot assets	51,372,856	1,929,564	3,791,457
Spot liabilities	(39,885,700)	(1,901,811)	(11,008,810)
Forward purchases	1,535,416	3,941	10,487,791
Forward sales	<u>(13,058,609)</u>	<u>(1,721)</u>	<u>(3,253,175)</u>
Net long/(short) position	<u>(36,037)</u>	<u>29,973</u>	<u>17,263</u>

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

21 Liquidity ratio

	<i>Half-year ended Jun 30, 2014</i>	<i>Half-year ended Jun 30, 2013</i>
Average liquidity ratio for the period	32.99%	36.79%

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

22 Capital adequacy ratio

The capital adequacy ratios were calculated 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, 2014</i>	<i>At Dec 31, 2013</i>
The Company's regulatory capital position was as follows:		
Common Equity Tier 1 (CET1) capital ratio	28.74%	26.73%
Tier 1 capital ratio	28.74%	26.73%
Total capital ratio	29.82%	27.82%

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.