



Citibank (Hong Kong) Limited

Financial Information Disclosure Statement

2018 Interim

CITIBANK (HONG KONG) LIMITED

We enclose herewith the Financial Information Disclosure Statement for the half-year ended June 30, 2018, which are prepared under the Banking (Disclosure) Rules made pursuant to Section 60A of the Banking Ordinance.

By Order of the Board

Ng Yin Yee Angel
Director and Chief Executive

September 28, 2018

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, 2018.

2018 First Half Results

- Operating Income up 10% to HK\$ 3,801 million (HK\$ 3,468 million for the first half of 2017)
- Profit before taxation up 35% to HK\$ 1,646 million (HK\$ 1,215 million for the first half of 2017)
- Profit after tax up 35% to HK\$ 1,400 million (HK\$ 1,034 million for the first half of 2017)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	<i>Note</i>	<i>Half-year ended Jun 30, 2018</i>	<i>Half-year ended Jun 30, 2017</i>
Interest income	1	2,095,908	1,756,568
Interest expense	2	(355,034)	(189,477)
Net interest income		1,740,874	1,567,091
Net fee and commission income	3	1,719,267	1,519,107
Net trading income	4	333,722	253,679
Dividend income from unlisted companies		3,122	2,138
Other operating income		3,874	126,416
Operating income		3,800,859	3,468,431
Staff costs		(608,335)	(628,366)
Premises & equipment expenses		(156,928)	(152,664)
Depreciation expenses		(25,978)	(20,868)
Other operating expenses	5	(1,319,312)	(1,346,465)
Operating expenses		(2,110,553)	(2,148,363)
Operating profit before Impairment losses		1,690,306	1,320,068
Impairment losses - loans and advances to customers		(44,847)	(105,001)
Impairment losses - others		793	-
Impairment losses		(44,054)	(105,001)
Profit before taxation		1,646,252	1,215,067
Taxation	6	(246,258)	(181,400)
Profit after taxation		1,399,994	1,033,667
Other comprehensive income for the period, net of tax			
Items that will not be classified to profit or loss:			
Remeasurement on defined benefits plan		20	12,379
Items that may be classified subsequently to profit or loss:			
Changes in fair value of Financial assets at fair value through other comprehensive income		1,968	111,764
Other comprehensive income for the period		1,988	124,143
Total comprehensive income for the period		1,401,982	1,157,810

STATEMENT OF FINANCIAL POSITION

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

	<i>Note</i>	<i>At Jun 30, 2018</i>	<i>At Dec 31, 2017</i>
Assets			
Cash and balances with banks and other financial institutions		10,417,799	8,444,652
Placements with banks and other financial institutions	7	11,051,557	5,411,932
Loans and advances	8	106,205,807	107,739,220
Trade Bills		-	329
Financial assets at fair value through profit or loss		30,492,792	27,856,032
Financial assets at fair value through other comprehensive income / Available-for-sale financial assets		28,981,558	27,442,763
Property, plant and equipment	15	394,001	407,025
Intangible assets		70,402	85,813
Deferred tax assets		55,852	53,554
Other assets		3,719,432	3,425,530
		<u>191,389,200</u>	<u>180,866,850</u>
Liabilities			
Deposits and balances from banks and other financial institutions		2,693,746	146,755
Deposits from customers	16	161,064,474	154,201,564
Trading financial liabilities		168,845	23,892
Current taxation		301,585	56,126
Other liabilities		4,460,227	5,017,124
		<u>168,688,877</u>	<u>159,445,461</u>
Equity			
Share capital		7,348,440	7,348,440
Reserves	17	15,351,883	14,072,949
		<u>22,700,323</u>	<u>21,421,389</u>
		<u>191,389,200</u>	<u>180,866,850</u>

The statement of financial position 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		75,664,362	74,587,169
Deposits from customers		161,784,936	154,968,513

NOTES ON THE FINANCIAL STATEMENTS

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

	<i>Half-year ended Jun 30, 2018</i>	<i>Half-year ended Jun 30, 2017</i>
1 Interest income		
Interest income on loans to customers	1,368,825	1,299,522
Interest income on placements with banks and other financial institutions	402,229	308,174
Interest income on investment		
- Listed	3,127	3,962
- Unlisted	141,293	39,466
Interest income on financial instruments that are not measured at fair value through profit or loss	1,915,474	1,651,124
Interest income on financial assets designated at fair value through profit or loss		
- Listed	1,006	704
- Unlisted	179,428	104,740
Total interest income from all financial assets	<u>2,095,908</u>	<u>1,756,568</u>
Included in the above is interest income accrued on impaired financial assets of \$1,404 thousand (Jun 30, 2017: \$2,297 thousand).		
2 Interest expense		
Interest expense on deposits from customers	314,170	183,635
Interest expense on deposits from banks and other financial institutions	40,864	5,842
Interest expense on financial instruments that are not measured at fair value through profit or loss	<u>355,034</u>	<u>189,477</u>
3 Net fee and commission income		
Fee and commission income from retail banking	893,011	704,759
Fee and commission income from card business	493,760	672,542
Service fee from fellow subsidiaries	405,352	395,499
	<u>1,792,123</u>	<u>1,772,800</u>
Fee and commission expenses	(72,856)	(253,693)
	<u>1,719,267</u>	<u>1,519,107</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.

For the half-year ended June 30, 2018, brokerage fee expense of HK\$45.4 million is presented as 'Fee and commission expense' in Statement of profit or loss and other comprehensive income. The comparative amount of brokerage fee expense for the half-year ended June 30, 2017 of HK\$27.1 million was netted against 'Fee and commission income' and such presentation has not been restated.

CITIBANK (HONG KONG) LIMITED
FINANCIAL INFORMATION DISCLOSURE STATEMENT

		<i>Half-year ended Jun 30, 2018</i>	<i>Half-year ended Jun 30, 2017</i>
4	Net trading income		
	Net gain from dealing in foreign exchange	256,142	250,637
	Net gain from financial assets designated at fair value through profit or loss	77,580	3,042
		333,722	253,679
5	Other operating expenses		
	Marketing expenses	421,600	442,191
	Intercompany expenses	745,694	718,017
	Others	152,018	186,257
		1,319,312	1,346,465
6	Taxation		
	Provision for Hong Kong Profits Tax	245,605	178,125
	Overseas Taxation	3,339	-
	Deferred taxation	(2,686)	3,275
		246,258	181,400
		<i>At Jun 30, 2018</i>	<i>At Dec 31, 2017</i>
7	Placements with banks and other financial institutions		
	Maturing between one month and one year	11,051,638	5,411,932
	Less: Impairment allowances		
	- Stage 1 & 2	(81)	-
	- Stage 3	-	-
		11,051,557	5,411,932

	At Jun 30, 2018	At Dec 31, 2017
8 Loans and advances less impairment		
Gross loans and advances to customers	75,283,984	74,048,216
Less: Impairment allowances		
- Stage 1 & 2	(309,936)	-
- Stage 3	(30,147)	-
- individually assessed	-	-
- collectively assessed	-	(227,996)
	74,943,901	73,820,220
Gross loans and advances to banks	31,262,002	33,919,000
Less: Impairment allowances		
- Stage 1 & 2	(96)	-
- Stage 3	-	-
	31,261,906	33,919,000
	106,205,807	107,739,220

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 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-balance sheet 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:

	At Jun 30, 2018				
	Non-bank private sector				
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Total
Developed countries	49,851,407	21,502,180	4,100,533	730,994	76,185,114
of which United States	49,632,693	12,182,520	1,128,857	164,946	63,109,016
	At Dec 31, 2017				
	Non-bank private sector				
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Total
Developed countries	46,654,762	19,236,750	4,396,371	769,964	71,057,847
of which United States	46,483,944	10,964,660	1,349,143	193,503	58,991,250

11 Mainland activities

The following analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the Hong Kong Monetary Authority under the Banking (Disclosure) Rules with reference to the HKMA Return of Mainland activities.

	<i>At Jun 30, 2018</i>		
	<i>On-balance sheet exposures</i>	<i>Off-balance sheet exposures</i>	<i>Total exposures</i>
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	219,719	-	219,719
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	2,010,721	865,446	2,876,167
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	791	-	791
Other counterparties where the exposures are considered by the reporting institution to be non-bank China exposure	21,558	50	21,608
Total	2,252,789	865,496	3,118,285
Total assets after provision	192,104,211		
On-balance sheet exposures as percentage of total assets	1.17%		
	<i>At Dec 31, 2017</i>		
	<i>On-balance sheet exposures</i>	<i>Off-balance sheet exposures</i>	<i>Total exposures</i>
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	59,896	-	59,896
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	1,821,367	868,316	2,689,683
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	871	-	871
Other counterparties where the exposures are considered by the reporting institution to be non-bank China exposure	25,940	50	25,990
Total	1,908,074	868,366	2,776,440
Total assets after provision	181,632,713		
On-balance sheet exposures as percentage of total assets	1.05%		

12 Loans and advances to customers analyzed by industry sector

	At Jun 30, 2018		At Dec 31, 2017	
	Amount	% of loans and advances covered by collateral or other security	Amount	% of loans and advances covered by collateral or other security
Loans and advances to customers for use in Hong Kong				
<i>Industrial, commercial and financial</i>				
Property investment	3,447,420	100%	3,663,045	100%
Wholesale and retail trade	260,144	33%	304,725	33%
Manufacturing	46,173	37%	57,203	37%
Others	114,831	19%	134,434	20%
<i>Individuals</i>				
Loans for the purchase of other residential properties	40,199,181	100%	38,866,706	100%
Credit card advances	11,851,762	-	12,755,573	-
Others	19,855,560	72%	18,946,218	70%
	75,775,071		74,727,904	
Netting adjustment on account of foreign currency margin products	(720,462)		(766,949)	
Total loans and advances to customers for use in Hong Kong	75,054,609		73,960,955	
Loans and advances to customers for use outside Hong Kong	8,441	-	11,708	-
Trade finance	220,934	15%	75,553	53%
Total	75,283,984		74,048,216	

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:

	<i>At Jun 30,</i>	<i>At Dec 31,</i>
	<u>2018</u>	<u>2017</u>
<u>Overdue loans and advances to customers</u>		
<i>Individuals</i>		
Loans for the purchase of other residential properties	1,175	446
Credit card advances	30,623	32,558
Others	2,475	4,128
 <u>Impaired loans and advances to customers</u>		
<i>Individuals</i>		
Loans for the purchase of other residential properties	1,175	1,979
Credit card advances	30,623	32,558
Others	20,842	24,448
 <u>Collective impairment allowances</u>		
<i>Individuals</i>		
Loans for the purchase of other residential properties	1,617	522
Credit card advances	253,279	172,076
Others	37,525	39,453
 <u>Specific impairment allowances</u>		
<i>Individuals</i>		
Loans for the purchase of other residential properties	-	-
Credit card advances	26,998	-
Others	2,358	-

13 Overdue and rescheduled assets

(i) Overdue loans and advances to customers

	At Jun 30, 2018		At Dec 31, 2017	
	Amount	% of loans and advances to customers	Amount	% of loans and advances to customers
Loans and advances to customers which have been overdue for periods of:				
- 6 months or less but over 3 months	34,695	0.05%	36,697	0.05%
- 1 year or less but over 6 months	-	-	-	0.00%
- over 1 year	-	0.00%	446	0.00%
	34,695	0.05%	37,143	0.05%
Current market value of collateral held against the covered portion of overdue loans and advances to customers	5,895		4,005	
Covered portion of overdue loans and advances to customers	1,175		446	
Uncovered portion of overdue loans and advances to customers	33,520		36,697	
	34,695		37,143	
Specific impairment allowances	24,053		-	

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, 2018</i>		<i>At Dec 31, 2017</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	18,367	0.02%	21,853	0.03%

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	34,695	0.05%	37,143	0.05%
Rescheduled loans and advances to customers	18,367	0.02%	21,853	0.03%
Impaired loans and advances to customers	53,062	0.07%	58,996	0.08%

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.

There were no advances to banks or other assets which were overdue for over three months as at 30 June 2018 and 31 December 2017, nor were there any rescheduled advances to banks and other financial institutions.

14 Repossessed assets

	<i>At Jun 30,</i>	<i>At Dec 31,</i>
	<i>2018</i>	<i>2017</i>
Repossessed assets	-	-

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 statement of financial position 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 Property, plant and equipment

	<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 preproperty, plant and equipment</i>
<i>Cost or valuation:</i>					
At Jan 1, 2018	405,528	141,383	231,126	27,400	805,437
Additions	-	2,776	122	10,056	12,954
Transfer	-	101	2,382	(2,483)	-
Write-offs	-	(24)	(122)	-	(146)
At Jun 30, 2018	405,528	144,236	233,508	34,973	818,245
<i>Accumulated depreciation:</i>					
At Jan 1, 2018	104,763	114,270	179,379	-	398,412
Charge for the period	4,055	5,040	16,883	-	25,978
Write-offs	-	(24)	(122)	-	(146)
At Jun 30, 2018	108,818	119,286	196,140	-	424,244
<i>Net book value:</i>					
At Jun 30, 2018	296,710	24,950	37,368	34,973	394,001
At Dec 31, 2017	300,765	27,113	51,747	27,400	407,025

16 Deposits from customers

	<i>At Jun 30,</i>	<i>At Dec 31,</i>
	<i>2018</i>	<i>2017</i>
	<hr/>	<hr/>
Demand deposits and current accounts	34,152,568	35,125,097
Savings deposits	82,747,259	87,836,273
Time, call and notice deposits	44,164,647	31,240,194
	<hr/> <hr/>	<hr/> <hr/>
	161,064,474	154,201,564

17 Reserves

	<i>At Jun 30,</i>	<i>At Dec 31,</i>
	<i>2018</i>	<i>2017</i>
	<hr/>	<hr/>
Investment revaluation reserve	(14,966)	161,682
Retained profits	15,378,325	13,921,880
Capital reserves	(11,476)	(10,613)
	<hr/> <hr/>	<hr/> <hr/>
	15,351,883	14,072,949

(a) Nature and purpose of reserves

Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of Financial assets at fair value through other comprehensive income 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

To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Company has earmarked a regulatory reserve directly from retained earnings. As of June 30, 2018, the effect of this requirement is to reduce the amount of reserves which can be distributed to equity shareholders by \$685,722 thousand (December 31, 2017: 998,973 thousand).

(c) The Directors have declared an interim dividend of \$784,820 thousands (2017 interim dividend: \$779,960 thousands) in respect of the six months ended June 30, 2018.

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 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.

	At Jun 30, 2018	At Dec 31, 2017
Currency derivatives		
Forwards and futures	15,995,423	11,153,711
Options purchased	3,353,570	2,327,212
Options written	3,353,570	2,327,212
	22,702,563	15,808,135

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

	At Jun 30, 2018			At Dec 31, 2017		
	Fair value		Credit risk- weighted amount	Fair value		Credit risk- weighted amount
	Assets	Liabilities		Assets	Liabilities	
Currency derivatives	63,719	168,845	71,804	97,858	23,892	63,056

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 fair value and credit risk weighted amounts do not take into account any bilateral netting arrangements during the period and accordingly these amounts are shown on a gross basis.

19 Contingent liabilities and commitments

	<i>At Jun 30,</i>	<i>At Dec 31,</i>
	<u>2018</u>	<u>2017</u>
Contractual or notional amounts		
Trade-related contingencies	8,260	3,573
Forward forward deposits placed	159,498	1,286
Other commitments		
- with an original maturity of not more than one year	1,890,254	888,275
- with an original maturity of more than one year	838,032	903,212
- which are unconditionally cancellable	<u>75,702,891</u>	<u>73,189,122</u>
	<u>78,598,935</u>	<u>74,985,468</u>
Credit risk-weighted amounts	<u>371,844</u>	<u>243,057</u>

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 transactions. 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.

<i>At Jun 30, 2018</i>	<i>USD</i>	<i>RMB</i>
Spot assets	62,293,256	1,335,493
Spot liabilities	(51,851,340)	(1,754,517)
Forward purchases	1,626,356	729,228
Forward sales	(11,884,055)	(26,889)
Net long/(short) non-structural position	<u>184,217</u>	<u>283,315</u>
<i>At Dec 31, 2017</i>	<i>USD</i>	<i>RMB</i>
Spot assets	57,128,938	924,675
Spot liabilities	(49,489,993)	(1,548,398)
Forward purchases	1,115,538	839,874
Forward sales	(8,679,996)	(8,511)
Net long/(short) non-structural position	<u>74,487</u>	<u>207,640</u>

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

21 Regulatory disclosures

The regulatory disclosures which are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the HKMA can be found in our website www.citibank.com.hk.