整合資源 · 穩中求進

Stability and Growth

中信嘉華銀行
CITIC KA WAH BANK

2008 Annual Results Highlights

Results Highlights

- Net interest income up 10.4% to HK$1,546 million.
- Non-interest income of HK$256 million compared to a loss in 2007, primarily due to the significant decrease in the impact from the structured investment vehicle (SIV) related write-downs.
- Operating profit before impairment allowances increased over 2.8 times to HK$476 million.
- Profit attributable to shareholders up 20.6% to HK$128 million.
- Excluding fund investments and SIV-related write-downs, profit attributable to shareholders would have been HK$796 million.

Healthy Financial Position

- Total assets up 10% to HK$121.8 billion.
- Total loans up 10.2% to HK$74.2 billion, primarily due to strong growth in wholesale banking loan book in the first half of 2008.
- Total deposits up 9.4% to HK$99.5 billion.
- Capital adequacy ratio stood at a healthy 14.7%.

Core Business Performance

- **Retail Banking Group:** CITIC*first* customers grew by 32.3% to reach 13,700, of which over 21.0% were new-to-bank customers; total customer assets under management up 7.6% to HK$37 billion.
- **Wholesale Banking Group:** Total loans and deposits up 14.3% and 16.4% respectively; non-interest income up 11.8% to account for 35.8% of the unit's total operating income.
- **China Banking:** Approved credit facilities referred by CNCB up 35% to HK$8.5 billion.
- **Treasury & Markets Group:** Returns from money market gapping activities up 30.2% to HK$233 million.

Fund Investments

- Wrote down full remaining value of SIV investments at HK$718 million in the first half of 2008.
- Completed redemption of all funds of hedge funds as planned.

Key Corporate Developments

- Parent company, CIFH, successfully privatised and delisted on 5 November 2008.
- HK$3 billion funding commitment from CITIC Group and BBVA to CIFH available and can be downstreamed to CKWB upon request and with approval by Board of Directors.
- CITIC Group will inject its holdings in CIFH into CNCB and CKWB will be renamed CITIC Bank International Limited upon completion of the injection.
- Tripartite strategy development among CKWB, CNCB and BBVA progressing on all business fronts.

CIFH – CITIC International Financial Holdings Limited; CKWB – CITIC Ka Wah Bank Limited; CNCB – China CITIC Bank Corporation Limited; BBVA – Banco Bilbao Vizcaya Argentaria, S.A.

中信嘉華銀行有限公司
CITIC KA WAH BANK LIMITED
(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

ANNOUNCEMENT OF 2008 FINAL RESULTS

The Board of Directors of CITIC Ka Wah Bank Limited ("the Bank") is pleased to announce the consolidated results of the Bank and its subsidiaries ("the Group") for the year ended 31 December 2008.

Consolidated Income Statement
for the year ended 31 December 2008

(Expressed in Hong Kong dollars)

	2008	2007
	HK$'000	HK$'000
Interest income	**4,019,835**	5,057,239
Interest expense	**(2,474,170)**	(3,657,411)
Net interest income	**1,545,665**	1,399,828
Fee and commission income	**760,310**	835,875
Fee and commission expense	**(16,779)**	(13,835)
Net fee and commission income	**743,531**	822,040
Net loss and write-down on structured investment vehicles	**(717,885)**	(1,311,170)
Other net trading income	**231,554**	576,543
Net trading loss	**(486,331)**	(734,627)
Net loss from financial instruments designated at fair value through profit or loss	**(74,422)**	(249,014)
Net hedging gain	**2,933**	2,455
Other operating income	**70,220**	61,127
Operating income	**1,801,596**	1,301,809
Operating expenses	**(1,325,218)**	(1,179,048)
Operating profit before impairment	**476,378**	122,761
Impairment losses on loans and advances	**(383,185)**	(72,476)
Impairment losses written back on held-to-maturity investments	**-**	242
Impairment losses written back on available-for-sale securities	**292**	-
Impairment losses on property and equipment	**-**	(30,068)
Impairment losses	**(382,893)**	(102,302)
Net profit on disposal of available-for-sale securities	**46,195**	6,905
Operating profit	**139,680**	27,364
Net profit on disposal of property and equipment	**24,185**	18,859
Revaluation gain on investment properties	**446**	60,104
Profit before taxation	**164,311**	106,327
Income tax	**(36,003)**	38
Profit for the year	**128,308**	106,365

Consolidated Balance Sheet

as at 31 December 2008

(Expressed in Hong Kong dollars)

	2008	2007
	HK$'000	HK$'000
ASSETS		
Cash and balances with banks, central banks and other financial institutions	**10,754,122**	1,502,875
Placements with and advances to banks, central banks and other financial institutions	**10,473,951**	12,647,588
Trade bills	**816,069**	1,523,200
Trading assets	**2,065,746**	3,479,009
Securities designated at fair value through profit or loss	**521,834**	531,025
Loans and advances to customers and other accounts	**75,183,429**	67,751,338
Available-for-sale securities	**20,683,453**	22,125,403
Property and equipment		
- Investment property	**148,076**	238,380
- Other property and equipment	**887,788**	845,856
Tax recoverable	**167,267**	71,248
Deferred tax assets	**108,095**	67,155
TOTAL ASSETS	**121,809,830**	110,783,077
EQUITY AND LIABILITIES		
Deposits and balances of banks and other financial institutions	**927,337**	1,539,030
Deposits from customers	**95,332,338**	84,018,313
Trading liabilities	**1,385,886**	879,690
Certificates of deposit issued	**4,121,408**	6,863,124
Debt securities issued	**2,333,727**	2,314,394
Current taxation	**10,128**	6,760
Deferred tax liabilities	**1,350**	-
Other liabilities	**4,239,497**	1,596,952
Loan capital	**3,927,221**	3,926,390
TOTAL LIABILITIES	**112,278,892**	101,144,653
EQUITY		
Share capital	**5,583,341**	5,583,341
Reserves	**3,947,597**	4,055,083
Total equity attributable to equity shareholders of the Bank	**9,530,938**	9,638,424
TOTAL EQUITY AND LIABILITIES	**121,809,830**	110,783,077

Consolidated Statement of Changes in Equity
for the year ended 31 December 2008

(Expressed in Hong Kong dollars)

	2008		2007	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Total equity as at 1 January		**9,638,424**		7,282,339
Net expense recognised directly in equity:				
Exchange difference on translation of financial statements of overseas subsidiaries		**15,148**		15,238
Release of revaluation surplus upon disposal of investment properties		**277**		6,011
Effect on deferred tax balances as at 1 January resulting from a change in tax rate		**(784)**		-
Available-for-sale securities				
- change in fair value	**(269,459)**		(337,476)	
- transfer to income statement on disposal	**(45,612)**		(7,356)	
- transfer to deferred tax	**51,987**		60,346	
		(263,084)		(284,486)
		(248,443)		(263,237)
Profit for the year		**128,308**		106,365
Total recognised income and expense for the year		**(120,135)**		(156,872)
Movements in equity arising from capital transactions:				
Issue and allotment of shares	**-**		2,500,000	
Equity-settled share-based transactions	**12,649**	**12,649**	12,957	2,512,957
Total equity as at 31 December		**9,530,938**		9,638,424

Consolidated Cash Flow Statement
for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	2008	2007
	HK$'000	HK$'000
Operating activities		
Profit before taxation	**164,311**	106,327
Adjustments for non-cash items:		
Impairment losses on loans and advances	**383,185**	72,476
Revaluation gain on investment properties	**(446)**	(60,104)
Net loss and write-down on structured investment vehicles	**717,885**	1,311,170
Net profit on disposal of property and equipment	**(24,185)**	(18,859)
Net profit on disposal of available-for-sale securities	**(46,195)**	(6,905)
Impairment losses written back on held-to-maturity investments	**-**	(242)
Impairment losses written back on available-for-sale securities	**(292)**	-
Impairment losses on property and equipment	**-**	30,068
Equity-settled share-based payment expenses	**16,129**	12,957
Amortisation of deferred expenses	**69,483**	66,236
Depreciation on property and equipment	**77,713**	83,069
Dividend income from equity securities	**(4,100)**	(20,291)
Interest expense on loan capital	**275,396**	318,035
Foreign exchange differences	**(25,281)**	36,662
	1,603,603	1,930,599
(Increase)/ decrease in operating assets		
Placements with and advances to banks, central banks and other financial institutions with original maturity beyond three months	**(953,409)**	(2,115,988)
Treasury bills with original maturity beyond three months	**499,609**	(499,609)
Certificates of deposit held with original maturity beyond three months	**150,033**	(99,734)
Trading assets	**695,378**	1,563,797
Securities designated at fair value through profit or loss	**9,191**	472,554
Loans and advances to customers, other accounts and trade bills	**(7,164,186)**	(16,999,056)
Held-to-maturity investments	**-**	9,988,152
Available-for-sale securities	**1,675,890**	(16,768,423)
	(5,087,494)	(24,458,307)
Increase/ (decrease) in operating liabilities		
Deposits and balances of banks and other financial institutions	**(611,693)**	707,057
Deposits from customers	**11,314,025**	18,052,706
Trading liabilities	**506,196**	451,042
Certificates of deposit issued	**(2,751,653)**	(399,015)
Debt securities issued	**31,808**	4,945
Other liabilities	**2,669,597**	42,290
	11,158,280	18,859,025
Cash generated from/ (used in) operations	**7,674,389**	(3,668,683)

	2008	2007
	HK$'000	HK$'000
Cash generated from/ (used in) operations	**7,674,389**	(3,668,683)
Income tax paid		
Hong Kong Profits Tax paid	**(101,237)**	(192,372)
Overseas tax paid	**(15,620)**	(7,501)
Net cash generated from/ (used in) operating activities	**7,557,532**	(3,868,556)
Investing activities		
Dividends received from equity securities	**4,100**	20,291
Purchase of property and equipment	**(40,601)**	(54,390)
Proceeds from disposal of property and equipment	**35,861**	29,143
Net cash used in investing activities	**(640)**	(4,956)
Financing activities		
Proceeds from shares issued	**-**	2,500,000
Interest paid on loan capital	**(280,526)**	(319,337)
Proceeds from loan capital issued	**-**	1,949,500
Redemption of loan capital	**-**	(1,949,363)
Net cash (used in)/ generated from financing activities	**(280,526)**	2,180,800
Net increase/ (decrease) in cash and cash equivalents	**7,276,366**	(1,692,712)
Cash and cash equivalents as at 1 January	**10,339,283**	12,031,995
Cash and cash equivalents as at 31 December	**17,615,649**	10,339,283
Cash flows from operating activities included:		
Interest received	**4,046,642**	5,046,218
Interest paid	**(2,181,594)**	(3,209,371)

Notes:
(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

(1) The financial information relating to the financial year ended 31 December 2008 included in this final results announcement does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 will be available from the Bank's website and registered office.

(2) The statutory financial statements have fully complied with the Banking (Disclosure) Rules and are prepared on a basis consistent with the accounting policies and methods adopted in the 2007 annual accounts.

(3) The HKICPA has issued the following new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group:

- HK(IFRIC) 11, HKFRS 2 - Group and treasury share transactions
- HK(IFRIC) 12, Service concession arrangements
- HK(IFRIC) 14, HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
- Amendment to HKAS 39, Financial instruments: Recognition and measurement, and HKFRS 7, Financial instruments: Disclosures - Reclassification of financial assets

These HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's current operations.

2 Interest income

	2008	2007
	HK$'000	HK$'000
Listed securities	**348,506**	450,986
Unlisted securities	**394,010**	488,512
Others	**3,277,319**	4,117,741
	4,019,835	5,057,239

All interest income and interest expenses included in the income statement refer to those interest income on financial assets or interest expenses on financial liabilities that are not at fair value through profit or loss for the years ended 31 December 2008 and 2007.

Included in the above is interest income accrued on impaired financial assets of HK$2,985,000 (2007: HK$18,172,000), which includes interest income on unwinding of discount on loan impairment losses of HK$2,136,000 (2007: HK$1,820,000) for the year ended 31 December 2008.

3 Net fee and commission income

	2008	2007
	HK$'000	HK$'000
Fee and commission income:		
Bills commission	**78,241**	67,184
Cards related income	**30,410**	36,549
General banking services	**60,306**	52,373
Insurance	**107,317**	125,543
Investment and structured investment products	**159,410**	270,818
Loans, overdrafts and facilities fees	**323,658**	282,509
Others	**968**	899
	760,310	835,875
Fee and commission expense	**(16,779)**	(13,835)
	743,531	822,040

Of which:

Net fee and commission income (other than the amounts included in determining the effective interest rate) relating to financial assets and liabilities not at fair value through profit or loss:

	2008	2007
- Fee and commission income	**354,068**	319,058
- Fee and commission expense	**(6,593)**	(4,641)
	347,475	314,417

4 Net trading loss

	2008	2007
	HK$'000	HK$'000
Net loss and write-down on structured investment vehicles	**(717,885)**	(1,311,170)
Other net trading income:		
Gains less losses from dealing in foreign currencies	**171,638**	133,058
Gains less losses from trading securities	**(43,560)**	178,958
Gains less losses from other dealing activities	**99,579**	160,407
Interest income on trading assets		
- Listed	**36**	13,752
- Unlisted	**3,861**	73,937
Dividend income from unlisted trading securities	**-**	16,431
	231,554	576,543
	(486,331)	(734,627)

The Group recorded a net loss and write-down on structured investment vehicles of approximately HK$717,885,000 (2007: HK$1,311,170,000) during the year, which represented the changes in fair value of the investments.

5 Net loss from financial instruments designated at fair value through profit or loss

	2008	2007
	HK$'000	HK$'000
Net losses	**(40,561)**	(103,020)
Interest income		
- Listed	**4,964**	11,304
- Unlisted	**17,680**	22,899
Interest expense	**(56,505)**	(180,197)
	(74,422)	(249,014)

6 Net hedging gain

	2008	2007
	HK$'000	HK$'000
Fair value hedge gain	**2,933**	2,455

7 Other operating income

	2008	2007
	HK$'000	HK$'000
Dividend income from available-for-sale equity securities		
- Listed	**40**	-
- Unlisted	**4,060**	3,860
Rental income from investment properties less direct outgoings of HK$240,000 (2007: HK$217,000)	**4,132**	5,201
Others	**61,988**	52,066
	70,220	61,127

8 Operating expenses

	2008	2007
	HK$'000	HK$'000
(a) Staff costs		
Salaries and other staff costs	**686,798**	631,772
Retirement costs	**46,115**	41,064
Share-based payment expenses		
- Equity-settled share-based payment expenses	**16,129**	12,957
- Cash-settled share-based payment expenses	**4,997**	12,828
	754,039	698,621
(b) Depreciation		
Depreciation of property and equipment		
- Assets held for use under operating leases	**10,678**	13,212
- Other assets	**67,035**	69,857
	77,713	83,069
(c) Other operating expenses		
Property and equipment expenses (excluding depreciation)		
- Rental of property	**88,167**	81,357
- Others	**88,322**	69,143
Auditor's remuneration	**6,238**	5,169
Advertising	**41,326**	56,039
Communication, printing and stationery	**64,188**	60,815
Legal and professional fees	**33,389**	15,910
Others	**171,836**	108,925
	493,466	397,358
Total operating expenses	**1,325,218**	1,179,048

9 Impairment losses on loans and advances

	2008 HK$'000	2007 HK$'000
Individual assessment charged for		
- Additions	**(453,922)**	(158,954)
- Releases	**43,226**	11,037
- Recoveries	**50,092**	53,559
	(360,604)	(94,358)
Collective assessment (charged for)/ written back	**(22,581)**	21,882
	(383,185)	(72,476)

10 Net profit on disposal of available-for-sale securities

	2008 HK$'000	2007 HK$'000
Net revaluation gain transferred from reserves	**45,612**	7,356
Net profit/ (loss) arising in current year	**583**	(451)
	46,195	6,905

11 Income tax in the consolidated income statement

	2008 HK$'000	2007 HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**5,856**	9,544
(Over)/ under-provision in respect of prior years	**(657)**	3,655
	5,199	13,199
Current tax - Overseas		
Provision for the year	**18,473**	10,755
Under-provision in respect of prior years	**441**	-
	18,914	10,755
Deferred tax		
Origination and reversal of temporary differences	**8,821**	(23,992)
Effect on deferred tax balances as at 1 January resulting from a change in tax rate	**3,069**	-
	11,890	(23,992)
	36,003	(38)

In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. This decrease is taken into account in the preparation of the Group's 2008 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year and the opening balance of deferred tax has been re-estimated accordingly. Taxation for overseas branches and subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

12 Trading assets

	2008	2007
	HK$'000	HK$'000
Debt securities	619,782	1,335,609
Equity securities	2,340	5,612
Investment funds	5,534	1,238,246
Trading securities	627,656	2,579,467
Positive fair values of derivatives	1,438,090	899,542
	2,065,746	3,479,009
Issued by:		
Sovereigns	-	898
Public sector entities	-	2,355
Banks and other financial institutions	619,782	628,054
Corporate entities	7,874	1,948,160
	627,656	2,579,467
Analysed by place of listing:		
Listed in Hong Kong	-	1,095
Listed outside Hong Kong	2,340	200,165
	2,340	201,260
Unlisted	625,316	2,378,207
	627,656	2,579,467

13 Securities designated at fair value through profit or loss

	2008	2007
	HK$'000	HK$'000
Debt securities	521,834	531,025
Issued by:		
Banks and other financial institutions	257,471	134,422
Corporate entities	264,363	396,603
	521,834	531,025
Analysed by place of listing:		
Listed outside Hong Kong	82,029	82,844
Unlisted	439,805	448,181
	521,834	531,025

14 Loans and advances to customers and other accounts

(a) Loans and advances to customers and other accounts less impairment allowances

	2008	2007
	HK$'000	HK$'000
Gross loans and advances to customers	**73,414,516**	65,833,430
Impairment allowances		
- Individually assessed	**(247,227)**	(70,883)
- Collectively assessed	**(237,579)**	(223,540)
	72,929,710	65,539,007
Accrued interest and other accounts less impairment allowances	**2,253,719**	2,212,331
	75,183,429	67,751,338

(b) Loans and advances to customers analysed by industry sectors

The following economic sector analysis is based on categories and definitions used by the Hong Kong Monetary Authority ("HKMA").

	2008		2007	
	Gross loans and advances to customer	**Impaired loans and advances**	Gross loans and advances to customer	Impaired loans and advances
	HK$'000	**HK$'000**	HK$'000	HK$'000
Industrial, commercial and financial				
- Property development	**110,000**	**-**	207,000	-
- Property investment	**9,124,397**	**11,465**	7,740,669	21,931
- Financial concerns	**4,494,391**	**142**	5,061,032	323
- Stockbrokers	**11,360**	**-**	181,000	-
- Wholesale and retail trade	**3,440,433**	**44,491**	3,383,895	95,552
- Manufacturing	**6,420,287**	**53,016**	5,833,965	8,208
- Transport and transport equipment	**2,902,689**	**362**	3,394,165	2,750
- Recreational activities	**125,358**	**-**	100,800	-
- Information technology	**20,845**	**-**	1,122	-
- Others	**3,065,534**	**35,671**	3,332,366	24,483
Individuals				
- Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**32,148**	**-**	34,963	-
- Loans for the purchase of other residential properties	**10,398,618**	**4,448**	11,284,553	13,927
- Credit card advances	**381,074**	**1,969**	506,775	488
- Others	**3,174,606**	**8,419**	2,401,149	11,781
Gross loans and advances for use in Hong Kong	**43,701,740**	**159,983**	43,463,454	179,443
Trade finance	**4,495,859**	**223,740**	4,467,495	44,838
Gross loans and advances for use outside Hong Kong	**25,216,917**	**1,000,456**	17,902,481	532,931
Gross loans and advances to customers	**73,414,516**	**1,384,179**	65,833,430	757,212

(c) Impaired loans and advances to customers

	2008	2007
	HK$'000	HK$'000
Gross impaired loans and advances to customers	**1,384,179**	757,212
Impairment allowances - Individually assessed	**(247,227)**	(70,883)
	1,136,952	686,329
Gross impaired loans and advances as a % of total loans and advances to customers	**1.89%**	1.15%

Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis.

Individually assessed impairment allowances were made after taking into account the realisable value of collateral in respect of such loans and advances of HK$878,996,000 (2007: HK$601,359,000) for the Group. This collateral mainly comprises mortgage interest over residential or commercial properties and cash with the Group.

15 Available-for-sale securities

	2008	2007
	HK$'000	HK$'000
Certificates of deposit held	**200,014**	150,033
Debt securities	**19,219,141**	21,157,046
Treasury bills (including Exchange Fund Bills)	**1,173,721**	721,180
Equity securities	**34,306**	40,212
Investment funds	**56,271**	56,932
	20,683,453	22,125,403
Issued by:		
Sovereigns	**1,173,721**	805,060
Public sector entities	**727,720**	710,682
Banks and other financial institutions	**14,434,242**	15,450,543
Corporate entities	**4,347,770**	5,159,118
	20,683,453	22,125,403
Analysed by place of listing:		
Listed in Hong Kong	**500,428**	864,142
Listed outside Hong Kong	**4,897,115**	6,473,642
	5,397,543	7,337,784
Unlisted	**15,285,910**	14,787,619
	20,683,453	22,125,403

16 Reserves

	2008	2007
	HK$'000	HK$'000
Share premium	**282,930**	282,930
Capital reserve	**6,589**	6,589
General reserve	**100,000**	100,000
Exchange differences reserve	**40,848**	25,700
Property revaluation reserve	**20,932**	22,066
Investment revaluation reserve	**(350,829)**	(86,694)
Share option reserve	**-**	25,785
Statutory reserve	**3,475**	-
Regulatory general reserve	**47,236**	-
Retained profits*	**3,796,416**	3,678,707
Total	**3,947,597**	4,055,083

* A regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances (and investments in the year of 2007) in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained profits and in consultation with the HKMA. As at 31 December 2008, HK$675,465,000 (2007: HK$957,055,000) was included in the retained profits in this respect which was distributable to equity holders of the Bank subject to consultation with the HKMA.

17 Contingent liabilities and commitments to extend credit

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	2008	2007
	HK$'000	HK$'000
Direct credit substitutes	**4,818,512**	4,391,322
Transaction-related contingencies	**357,938**	576,339
Trade-related contingencies	**989,214**	1,746,636
Other commitments:		
- which are unconditionally cancellable or automatically cancellable due to deterioration in the creditworthiness of the borrower	**18,894,280**	15,921,154
- with an original maturity of not more than 1 year	**4,258,945**	3,551,324
- with an original maturity of more than 1 year	**3,468,674**	3,488,150
	32,787,563	29,674,925
Credit risk-weighted amounts	**5,269,794**	4,472,023

The risk weights used in the computation of credit risk-weighted amounts range from 0% to 150% (2007: 0% to 150%).

18 Currency risks

The Bank's foreign exchange risk stems from taking foreign exchange positions, commercial dealings, investments in foreign currency securities and operations of the Bank and its overseas branches and subsidiaries. Foreign exchange positions of the Bank are subject to exposure limits approved by Asset and Liability Committee. Methods adopted to measure foreign currency risk exposure against corresponding limits include individual currency positions, overall foreign exchange positions and sensitivities such as Greeks (for foreign exchange options).

Significant foreign currency exposures at the balance sheet date were as follows:

	2008			
Equivalent in HK$'000	**USD**	**RMB**	**Others**	**Total**
Spot assets	**42,574,348**	**1,914,543**	**3,304,502**	**47,793,393**
Spot liabilities	**(43,668,983)**	**(1,512,671)**	**(6,202,653)**	**(51,384,307)**
Forward purchases	**21,011,235**	**2,987,077**	**7,554,558**	**31,552,870**
Forward sales	**(18,906,234)**	**(3,069,207)**	**(4,697,912)**	**(26,673,353)**
Net options position	**-**	**-**	**-**	**-**
Net long/ (short) position	**1,010,366**	**319,742**	**(41,505)**	**1,288,603**
Net structural position	**-**	**227,390**	**48,515**	**275,905**

Equivalent in HK$'000	2007 USD	RMB	Others	Total
Spot assets	38,538,910	1,255,843	5,102,714	44,897,467
Spot liabilities	(34,921,047)	(891,646)	(7,187,422)	(43,000,115)
Forward purchases	25,333,018	8,026,722	9,424,640	42,784,380
Forward sales	(28,515,984)	(8,016,877)	(7,328,437)	(43,861,298)
Net options position	-	-	-	-
Net long position	434,897	374,042	11,495	820,434
Net structural position	-	213,555	48,559	262,114

The net options position is calculated using model user approach which has been approved by the HKMA.

19 Non-adjusting post balance sheet events

In January 2009 the Group entered into a second credit default swap ("CDS") with the senior loan provider of Farmington Finance Limited ("Farmington") as a partial credit protection against non-performance of a term loan to Farmington provided by this senior loan provider. Under the terms of the two CDS entered, the Group is now responsible for the first loss of the portfolio up to a notional value of US$456 million (2007: US$347.3 million) equivalent to HK$3,535.7 million (2007: HK$2,708.3 million).

Unaudited supplementary financial information

(Expressed in Hong Kong dollars unless otherwise indicated)

(A) Capital adequacy ratio

(i) Capital adequacy ratio

	2008	2007
Capital adequacy ratio as at 31 December	**14.71%**	15.77%
Core capital ratio as at 31 December	**9.61%**	10.13%

The capital adequacy ratio ("CAR") and core capital ratio, as at 31 December 2008 and 31 December 2007, are computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules. The Bank has adopted the "standardised approach" for the calculation of the risk-weighted amount for credit risk and market risk and the "basic indicator approach" for the calculation of operational risk.

(ii) *Capital base after deductions*

	2008	2007
	HK$'000	HK$'000
Core capital		
Paid up ordinary share capital	**5,583,341**	5,583,341
Share premium	**282,930**	282,930
Reserves	**2,782,734**	2,686,681
Profit and loss account	**170,834**	106,352
Total core capital before deductions	**8,819,839**	8,659,304
Less: Net deferred tax assets	**(106,745)**	(67,155)
Less: Deductions from core capital	**(473,652)**	(357,533)
Total core capital after deductions	**8,239,442**	8,234,616
Eligible supplementary capital		
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss (in supplementary capital)	**6,616**	-
Regulatory reserve for general banking risks	**675,465**	795,023
Collectively assessed impairment allowances	**237,758**	223,695
Perpetual subordinated debt	**1,989,718**	1,976,738
Term subordinated debt	**1,937,504**	1,949,652
Total supplementary capital before deductions	**4,847,061**	4,945,108
Less: Deductions from supplementary capital items	**(473,652)**	(357,533)
Total supplementary capital after deductions	**4,373,409**	4,587,575
Total capital base after deductions	**12,612,851**	12,822,191
Total deductions from the core capital and supplementary capital	**947,304**	715,066
Risk-weighted amount		
- credit risk	**81,447,518**	77,053,822
- market risk	**959,975**	875,063
- operational risk	**3,323,050**	3,384,425
	85,730,543	81,313,310

(iii) *Liquidity ratio*

	2008	2007
Average liquidity ratio for the year ended 31 December *	**37.00%**	40.77%

* The average liquidity ratio for the year is the simple average of each calendar month's average liquidity ratio, which is computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the HKMA for its regulatory purposes, and is in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

(B) Segmental information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format as the directors consider that this is more relevant to the Group's internal financial reporting.

(i) Business segments

The Group is principally engaged in the provision of banking and related financial services. The Group comprises the following main business segments:

Retail banking business:	It mainly comprises deposit account services, residential mortgage, other consumer lendings, credit card services and finance leases.
Wholesale banking business:	It mainly comprises trade financing, syndicated loans and other corporate lendings.
Treasury:	It covers provision of foreign exchange services, money market activities, management of investment securities and central cash management.
Fund investment:	It mainly comprises all fund investments made by the Bank that are managed by external fund managers.
Unallocated:	It mainly comprises the Bank's premises and any items which cannot be reasonably allocated to specific business segments.

For the purpose of segment reporting, the allocation of operating income reflects the benefits of funding resources allocated to the business segments based on internal funds transfer pricing mechanism.

Cost allocation is based on the direct costs incurred by the respective business segments and apportionment of overheads on a reasonable basis to the business segments. Rental charges at market rate for usage of bank premises are reflected as inter-segment income for the "unallocated" segment and inter-segment expenses for the respective business segments.

	2008					
	Wholesale banking	Retail banking	Treasury	Fund investment	Unallocated	Consolidated
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Net interest income/ (expenses)	651,394	633,077	99,144	(42,180)	204,230	1,545,665
Other operating income/ (expenses)	362,805	435,657	155,196	(758,335)	60,608	255,931
Operating income/ (expenses)	1,014,199	1,068,734	254,340	(800,515)	264,838	1,801,596
Operating expenses	(171,532)	(459,221)	(32,469)	-	(661,996)	(1,325,218)
Inter-segment expenses	(159,447)	(252,772)	(46,940)	-	459,159	-
Operating profit/ (loss) before impairment	683,220	356,741	174,931	(800,515)	62,001	476,378
Impairment losses on loans and advances	(302,509)	(50,084)	-	-	(30,592)	(383,185)
Impairment losses written back on available-for-sale securities	163	128	-	-	1	292
Impairment losses	(302,346)	(49,956)	-	-	(30,591)	(382,893)
Net profit on disposal of available-for-sale securities	9,645	756	35,794	-	-	46,195
Operating profit/ (loss)	390,519	307,541	210,725	(800,515)	31,410	139,680
Net profit/ (loss) on disposal of property and equipment	(203)	(2,764)	(7)	-	27,159	24,185
Revaluation gain on investment properties	-	-	-	-	446	446
Profit/ (loss) before taxation	390,316	304,777	210,718	(800,515)	59,015	164,311
Income tax	-	-	-	-	(36,003)	(36,003)
Profit/ (loss) for the year	390,316	304,777	210,718	(800,515)	23,012	128,308
Depreciation for the year	(3,471)	(13,634)	(200)	-	(60,408)	(77,713)
Segment assets	47,462,577	25,632,612	48,241,247	894,176	(420,782)	121,809,830
Segment liabilities	50,846,600	48,826,264	16,146,354	-	(3,540,326)	112,278,892
Capital expenditure incurred during the year	1,073	27,197	461	-	11,870	40,601

	2007					
	Wholesale banking	Retail banking	(Note) (Restated) Treasury	Fund investment	(Note) (Restated) Unallocated	Consolidated
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Net interest income/ (expenses)	635,929	664,512	137,757	(293,469)	255,099	1,399,828
Other operating income/ (expenses)	324,593	571,785	(64,358)	(998,975)	68,936	(98,019)
Operating income/ (expenses)	960,522	1,236,297	73,399	(1,292,444)	324,035	1,301,809
Operating expenses	(147,804)	(418,850)	(27,474)	-	(584,920)	(1,179,048)
Inter-segment expenses	(131,661)	(242,568)	(56,731)	-	430,960	-
Operating profit/ (loss) before impairment	681,057	574,879	(10,806)	(1,292,444)	170,075	122,761
Impairment losses (charged for)/ written back on loans and advances	(56,657)	(23,664)	-	-	7,845	(72,476)
Impairment losses written back on held-to-maturity investments	-	242	-	-	-	242
Impairment losses on property and equipment	-	-	-	-	(30,068)	(30,068)
Impairment losses	(56,657)	(23,422)	-	-	(22,223)	(102,302)
Net profit on disposal of available-for-sale securities	-	-	6,905	-	-	6,905
Operating profit/ (loss)	624,400	551,457	(3,901)	(1,292,444)	147,852	27,364
Net profit/ (loss) on disposal of property and equipment	(3)	(703)	-	-	19,565	18,859
Revaluation gain on investment properties	-	-	-	-	60,104	60,104
Profit/ (loss) before taxation	624,397	550,754	(3,901)	(1,292,444)	227,521	106,327
Income tax	-	-	-	-	38	38
Profit/ (loss) for the year	624,397	550,754	(3,901)	(1,292,444)	227,559	106,365
Depreciation for the year	(3,836)	(15,023)	(182)	(27)	(64,001)	(83,069)
Segment assets	43,024,517	25,873,041	37,137,738	4,846,946	(99,165)	110,783,077
Segment liabilities	43,692,816	42,827,062	16,331,955	2,065	(1,709,245)	101,144,653
Capital expenditure incurred during the year	2,488	23,203	1,103	-	27,596	54,390

Note: For the purposes of further enhancement in business segment management, the policy for the allocation of internal capital charges was revised in the year of 2008. In light of this change, certain comparatives included in segmental information for the year of 2007 have to be restated for consistency. The net interest income for treasury and unallocated segments were then restated from HK$333,299,000 and HK$59,557,000 to HK$137,757,000 and HK$255,099,000 respectively.

(ii) By geographical areas

	2008				
	Profit/ (loss) before taxation	**Total assets**	**Total liabilities**	**Operating income**	**Contingent liabilities and commitments**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Hong Kong	**48,109**	**119,499,885**	**110,270,863**	**1,528,173**	**29,587,668**
Mainland China	**90,505**	**6,905,392**	**5,654,967**	**195,581**	**844,168**
USA	**13,506**	**1,690,064**	**1,539,559**	**51,424**	**865,611**
Others	**12,239**	**1,630,056**	**1,604,849**	**26,514**	**1,490,116**
Inter-segment items	**(48)**	**(7,915,567)**	**(6,791,346)**	**(96)**	**-**
	164,311	**121,809,830**	**112,278,892**	**1,801,596**	**32,787,563**

	2007				
	Profit/ (loss) before taxation	Total assets	Total liabilities	Operating income	Contingent liabilities and commitments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	(31,146)	108,215,373	98,738,530	1,092,362	26,570,652
Mainland China	51,563	5,941,578	5,322,139	108,609	689,495
USA	61,375	1,921,844	1,778,619	72,433	618,920
Others	17,364	1,757,310	1,736,415	28,643	1,795,858
Inter-segment items	7,171	(7,053,028)	(6,431,050)	(238)	-
	106,327	110,783,077	101,144,653	1,301,809	29,674,925

The above geographical analysis is classified by the location of the principal operations of the subsidiaries or overseas branches.

	2008				
	Loans and advances to customers	**Overdue loans and advances**	**Impaired loans and advances**	**Individual impairment allowances**	**Collective impairment allowances**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Hong Kong	**52,926,670**	**268,039**	**489,615**	**215,435**	**171,430**
Mainland China	**12,102,527**	**520,855**	**517,303**	**107**	**41,731**
USA	**1,661,738**	**-**	**38,711**	**-**	**1,489**
Others	**6,723,581**	**233,686**	**338,550**	**31,685**	**22,929**
	73,414,516	**1,022,580**	**1,384,179**	**247,227**	**237,579**

	2007				
	Loans and advances to customers	Overdue loans and advances	Impaired loans and advances	Individual impairment allowances	Collective impairment allowances
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	46,888,980	183,628	254,867	29,969	142,348
Mainland China	11,397,494	502,346	502,345	40,914	55,616
USA	1,787,427	-	-	-	1,618
Others	5,759,529	51,034	-	-	23,958
	65,833,430	737,008	757,212	70,883	223,540

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.

Overdue loans and advances are loans that have been overdue more than three months.

Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis.

(C) Further analysis on loans and advances to customers by industry sectors

Loans and advances to customers analysed by the coverage of collateral, overdue amount and the impairment allowance is as follows. The economic sector analysis is based on the categories and definitions used by the HKMA.

	2008		2007	
	Gross loans and advances	**% of gross loans and advances covered by collateral**	Gross loans and advances	% of gross loans and advances covered by collateral
	HK$'000		HK$'000	
Industrial, commercial and financial				
- Property development	**110,000**	**-**	207,000	-
- Property investment	**9,124,397**	**96**	7,740,669	98
- Financial concerns	**4,494,391**	**53**	5,061,032	36
- Stockbrokers	**11,360**	**92**	181,000	6
- Wholesale and retail trade	**3,440,433**	**48**	3,383,895	54
- Manufacturing	**6,420,287**	**29**	5,833,965	24
- Transport and transport equipment	**2,902,689**	**75**	3,394,165	81
- Recreational activities	**125,358**	**100**	100,800	99
- Information technology	**20,845**	**88**	1,122	80
- Others	**3,065,534**	**66**	3,332,366	60
Individuals				
- Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**32,148**	**100**	34,963	100
- Loans for the purchase of other residential properties	**10,398,618**	**100**	11,284,553	99
- Credit card advances	**381,074**	**-**	506,775	-
- Others	**3,174,606**	**89**	2,401,149	83
Gross loans and advances for use in Hong Kong	**43,701,740**	**74**	43,463,454	70
Trade finance	**4,495,859**	**33**	4,467,495	38
Gross loans and advances for use outside Hong Kong	**25,216,917**	**44**	17,902,481	42
Gross loans and advances to customers	**73,414,516**	**61**	65,833,430	61

The analysis of impaired loans and advances of the individual loan usage category, which accounted for 10% or more of the gross loans and advances to customers, is as follows:

	2008				
	Overdue loans and advances	**Individual impairment allowances**	**Collective impairment allowances**	**Impaired loans and advances**	**Impairment charged to income statement during the year**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Property investment	**8,517**	**3,377**	**4,993**	**11,465**	**630**
Loans and advances for the purchase of other residential properties	**2,979**	**-**	**943**	**4,448**	**3,705**
Gross loans and advances for use outside Hong Kong	**826,354**	**70,182**	**69,216**	**1,000,456**	**141,477**
	837,850	**73,559**	**75,152**	**1,016,369**	**145,812**

	2007				
	Overdue loans and advances	Individual impairment allowances	Collective impairment allowances	Impaired loans and advances	Impairment charged to income statement during the year
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property investment	63,650	3,059	7,486	21,931	-
Loans and advances for the purchase of other residential properties	7,238	1,944	4,470	13,927	1,378
Gross loans and advances for use outside Hong Kong	582,837	52,846	63,886	532,931	16,197
	653,725	57,849	75,842	568,789	17,575

(D) Overdue assets

(i) Overdue loans and advances to customers

	2008		2007	
		% on total loans and advances to customers		% on total loans and advances to customers
	HK$'000		HK$'000	
The gross amount of loans and advances has been overdue for periods of:				
- 6 months or less but over 3 months	**229,009**	**0.31**	100,158	0.15
- 1 year or less but over 6 months	**127,815**	**0.17**	55,274	0.08
- over 1 year	**665,756**	**0.91**	581,576	0.88
	1,022,580	**1.39**	737,008	1.11
Secured overdue loans and advances	**722,164**		679,136	
Unsecured overdue loans and advances	**300,416**		57,872	
	1,022,580		737,008	
Market value of collateral held against the secured overdue loans and advances	**867,174**		982,533	
Individual impairment allowances made	**99,952**		61,491	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the year end, loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

Majority of collateral held in respect of the overdue loans and advances is real estate properties. The eligible collateral should generally satisfy the following:

(a) The market value of the asset is readily determinable or can be reasonably established and verified;
(b) The asset is marketable and there exists a readily available secondary market for disposing of the asset;
(c) The Bank's right to repossess the asset is legally enforceable and without impediment; and
(d) The Bank is able to secure control over the asset if necessary.

The main type of "Eligible Collateral" is "Eligible Physical Collateral" which mainly comprises real estate.

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 31 December 2008 and 31 December 2007.

(ii) Other overdue assets

	2008	2007
	HK$'000	HK$'000
The gross amount of trade bills which has been overdue for:		
- 6 months or less but over 3 months	**11,650**	-
Available-for-sale securities which have been overdue for:		
- over 1 year	**15,500**	15,597

(E) Rescheduled loans

	2008		2007	
		% on total loans and advances to customers		% on total loans and advances to customers
	HK$'000		HK$'000	
Rescheduled loans	**15,297**	**0.02**	15,970	0.02

Rescheduled loans are those advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Group. Rescheduled loans to customers are stated net of any advances that have subsequently become overdue for over 3 months and reported as overdue advances in note (D).

There were no advances to banks and other financial institutions which were rescheduled as at 31 December 2008 and 31 December 2007.

(F) Repossessed assets

	2008	2007
	HK$'000	HK$'000
Included in loans and advances to customers and other accounts	**69,008**	37,773

The amount represents the estimated market value of the repossessed assets as at 31 December 2008 and 31 December 2007.

(G) Cross-border claims

Cross-border claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate cross-border claims are shown as follows:

	2008			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Asia and Pacific excluding Hong Kong	**9,519,509**	**33,333**	**14,697,159**	**24,250,001**
of which Australia	**3,264,931**	**829**	**351,026**	**3,616,786**
of which Mainland China	**2,798,451**	**30,636**	**11,764,953**	**14,594,040**
Western Europe	**16,189,713**	**1,924**	**2,861,252**	**19,052,889**
of which France	**3,691,215**	**-**	**706,087**	**4,397,302**
of which Germany	**2,612,756**	**-**	**19,498**	**2,632,254**
of which Netherlands	**1,421,752**	**-**	**924,932**	**2,346,684**
of which United Kingdom	**5,285,005**	**518**	**653,923**	**5,939,446**

	2007			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Asia and Pacific excluding Hong Kong	12,793,868	112,353	14,251,739	27,157,960
of which Australia	4,620,357	1,212	352,456	4,974,025
of which Mainland China	4,976,665	109,598	10,889,775	15,976,038
Caribbean	-	-	3,256,767	3,256,767
of which Bermuda	-	-	482,910	482,910
of which Cayman Islands	-	-	2,185,974	2,185,974
of which British Virgin Islands	-	-	587,884	587,884
Western Europe	15,516,696	2,451	2,946,157	18,465,304
of which France	1,746,454	-	791,162	2,537,616
of which Germany	3,394,903	-	2,287	3,397,190
of which Netherlands	1,593,567	-	886,191	2,479,758
of which United Kingdom	3,789,650	402	566,492	4,356,544

(H) Non-bank Mainland China exposures

Non-bank Mainland China exposures are the Mainland China exposures to non-bank counterparties. The categories follow the non-bank Mainland China exposures submitted by the Bank to the HKMA pursuant to section 63 of the Hong Kong Banking Ordinance.

	2008			
	On-balance sheet exposure	**Off-balance sheet exposure**	**Total**	**Individual impairment allowances**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Mainland China entities	**16,883,465**	**5,898,957**	**22,782,422**	**15,516**
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	**14,160,597**	**5,798,051**	**19,958,648**	**125,336**
	31,044,062	**11,697,008**	**42,741,070**	**140,852**

	2007			
	On-balance sheet exposure	Off-balance sheet exposure	Total	Individual impairment allowances
	HK$'000	HK$'000	HK$'000	HK$'000
Mainland China entities	14,800,862	5,346,463	20,147,325	37,836
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	13,212,306	6,549,817	19,762,123	10,520
	28,013,168	11,896,280	39,909,448	48,356

(I) Additional information on Structured Investments

(i) Structured Investment Vehicles ("SIVs")

During the year ended 31 December 2007, the Group wrote down HK$1,311.2 million for the changes in fair value of its SIV investments, which comprised Beta Finance Corporation (“Beta”), Five Finance Corporation (“Five”), Victoria Finance Limited ("Victoria") and Whistlejacket Capital Limited.

During the year ended 31 December 2008, the Group made a further write-down of HK$717.9 million for Beta and Five and thus all SIV investments were fully written off. As at 31 December 2008, the Group did not have any exposure on SIVs.

(ii) Collateralised Debt Obligations (“CDO”)

As at 31 December 2008, the US$120.0 million (HK$ equivalent 930.0 million) capital notes issued by Farmington Finance Limited ("Farmington") (restructured from the Victoria's SlV in November 2007) was still the only cash-flow CDO held by the Group. These capital notes represent the equity tranche. On 9 December 2008, the long-term funding obtained by Farmington was downgraded to "A+" from "AAA" while the US$114.0 million (HK$ equivalent 883.5 million) Farmington capital note was also downgraded to "CCC" from "BBB". The remaining US$6.0 million (HK$ equivalent 46.5 million) capital note was not rated.

The capital notes are accounted for as available-for-sale securities by the Group and their book carrying value as at 31 December 2008 was US$83.1 million (HK$ equivalent 644.0 million) based on their net present value ("NPV") of 69.2%. The NPV is determined by discounting the projected cash flows of the underlying investment portfolio considering that the vehicle will be maintained until all assets mature, all principal repayments of portfolio assets will be reinvested until November 2009, and deducted the amount of expected loss given default in the assets portfolio.

As at 31 December 2008 the underlying investment portfolio of Farmington continued to meet cash flows. The portfolio quality showed some deterioration in line with the general credit markets. However, the portfolio is well diversified amongst some 400 assets in diverse classes, with approximately 77% rated A- or above, 16.0% rated between B- to A-, and 7% rated CCC+ or below as at 31 December 2008. The portfolio of Farmington consists of approximately 8% in debt securities of financial institutions, approximately 15% in monoline guaranteed financial institution securities, approximately 18% in residential prime mortgage-backed securities, and the remaining 59% in other structured credit securities. As at 31 December 2008, the Weighted Average Life of the whole portfolio was 3.99 years. Reinvestment was temporarily suspended due to a breach of the WARF test (weight average rating factor) in 2008 but resumed in January 2009. The Group considered the portfolio's direct exposure to sub-prime related mortgage backed securities not to be significant.

In addition to the credit default swap (“CDS”) as reported in the annual report, the Group has entered into a second CDS in January 2009 with the senior loan provider of Farmington as a partial credit protection against non-performance of a term loan to Farmington provided by this senior loan provider. Under the terms of the two CDS entered, the Group is now responsible for the first loss of the portfolio up to a notional value of US$456 million (2007: US$347.3 million) equivalent to HK$3,535.7 million (2007: HK$2,708.3 million). The first CDS was accounted for as an outstanding contingent liability in the Group's accounts as at 31 December 2008 and the second one will be included in the following financial year. Up to the date of this report, there was neither any settlement request claimed on the CDSs nor any indication that the deterioration in the credit quality of the underlying assets of Farmington threatening its ability to meet payments under the long-term senior debt as they become due, as such, no provision is considered necessary in respect of the CDSs for the year.

As last reported, Farmington is subject to certain trigger events that take into account the credit quality of the underlying assets and the cash flows of the portfolio. In the event that any such event is triggered, the senior debt provider will have the right to realise the collateral in the portfolio.

Other than the above Farmington CDO investments, the Group has not made nor does it hold any other CDO investments as at 31 December 2008.

Report of Chief Executive Officer

Operating Environment

In the second half of 2008, the world was swept by the financial tsunami that was triggered by the US sub-prime mortgage crisis. After Lehman Brothers filed for bankruptcy protection in September, major financial institutions in the US and Europe successively fell into financial distress. Economies around the world declined sharply; the global credit markets ground to a halt; the confidence crisis that ensued was unprecedented in its gravity. As one of Asia's financial centres, Hong Kong was not spared. The local stock market plummeted, while the Hong Kong Interbank Offered Rate ("HIBOR") shot up markedly for a period, sharply increasing banks' funding cost and eroding their credit appetite and ability to lend.

Meanwhile, a lot of retail investors in Hong Kong also felt the impact of Lehman Brothers' collapse as they suffered losses from investments in related structured products. Faced with the controversy that arose from the public and political outcries, banks in Hong Kong are having to rethink their wealth management business models. Tightening of liquidity in the market and increasing news of corporate collapses exerted additional pressures on the asset quality and profitability of banks. With all these internal and macro influences confronting the industry at once, the operating environment of Hong Kong banks was at its most severe in recent decades.

On the more positive side, China's economic muscle and national power have grown from strength to strength. With China's economy still growing at a relatively high rate, Hong Kong would undoubtedly benefit given its geopolitical advantage. The central government has already committed its vast financial reserves to stimulate domestic demand. It has also announced more measures to promote RMB business in Hong Kong. This will bring new opportunities for the local banking industry and enable it to defend itself against the difficult economic conditions.

CITIC Ka Wah Bank Limited ("CKWB" or the "Bank") was determined in its efforts to protect its business fundamentals in 2008. While giving focus to restructure resources and maximise efficiencies, the Bank was unfaltering in its efforts to deepen collaboration with China CITIC Bank Corporation Limited ("CNCB") and to reinforce the one-stop cross-border business model between the two banks. This will pave the way for the Bank's future growth, allow it to seize opportunities while ensuring its stability, and enable it to become its customers' "China Bank of Choice" in Asia.

Separately, CKWB took the decisive move to fully write down its investments in two structured investment vehicles ("SIVs") in the first half of last year, given the persistent deterioration of the global credit markets. Even then, the Bank was able to report better profit performance as the impact of the SIVs on the Bank's 2008 results was substantially lower than that in 2007. (See section on Business Development – Treasury and Markets Group for full details on the Bank's remaining fund investments portfolio.)

Corporate Developments

In June 2008, the Bank's parent company, CITIC International Financial Holdings Limited ("CIFH"), announced that it had received a proposal from Gloryshare Investments Limited ("GIL"), acting in concert with Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), to privatise CIFH by way of a Scheme of Arrangement under section 166 of the Companies Ordinance of Hong Kong ("Proposed Privatisation"). GIL, wholly-owned by CITIC Group of Beijing ("CITIC"), and BBVA then had shareholdings of approximately 55% and 15% respectively in CIFH. The Proposed Privatisation was part of CITIC's strategy to restructure and align its commercial banking businesses in Mainland China and Hong Kong ("Restructuring Strategy").

On 16 October 2008, CIFH received overwhelming minority shareholder support at a court meeting and extraordinary general meeting to approve its Proposed Privatisation. On 5 November 2008, the Scheme of Arrangement became effective and CIFH was delisted from the Hong Kong Stock Exchange, marking the first milestone in CITIC's Restructuring Strategy. CIFH is now 70% and 30% owned by CITIC and BBVA respectively. Upon the Scheme of Arrangement becoming effective and subject to relevant conditions having been met, CIFH proportionately transferred its CNCB shareholdings to its two major shareholders and repaid its bridging loan of HK$5.1 billion as planned.

The successful privatisation of CIFH enables CKWB and CNCB to better align their onshore and offshore commercial banking businesses. Moreover, CIFH's simplified equity and regulatory structures will facilitate and maximise further synergies that can be achieved in the tripartite cooperation between CKWB, CNCB and BBVA.

To complete its Restructuring Strategy to create a single commercial banking business platform, CITIC intends to inject its holdings in CIFH into CNCB, subject to necessary approvals from third parties and regulators (the "Injection"). Depending on the progress of the Injection, CKWB will be renamed CITIC Bank International Limited as soon as possible to better reflect its role as the commercial banking platform in Hong Kong and Asia under the tripartite collaboration.

Business Performance

<u>Earnings</u>

Despite the devastation caused by the global financial tsunami on the Hong Kong banking industry in the second half of 2008, CKWB managed to deliver relatively sound full-year performance off the solid core business foundation that it laid down in the early half of the year. Net interest income grew 10.4% compared to 2007, offsetting a 9.6% decline in net fees and commission income. SIV-related write-downs for the year amounted to HK$718 million, significantly below the 2007 amount of HK$1,311 million. As a result, operating profit before impairment allowances increased to HK$476 million, or over 2.8 times compared to 2007.

As economic conditions weakened and the credit market rapidly deteriorated during the year, the Bank registered HK$383 million in net impairment charges. Including HK$46 million in net profit on disposal of available-for-sale securities, operating profit amounted to HK$140 million. After taking into account other items and income tax, the Bank's profit attributable to shareholders totalled HK$128 million, which represented a 20.6% increase over 2007.

Excluding fund investments and SIV-related write-downs, CKWB's operating profit after impairment and other items would have been HK$940 million, or a 28.8% decline compared to 2007; profit attributable to shareholders would have decreased 32.1% to HK$796 million.

<u>Net Interest Income</u>

CKWB's net interest income for the year grew 10.4% year-on-year to HK$1,546 million. This primarily reflected the expansion in the Bank's loan portfolio in the first half of the year and the gradual repricing of the loan portfolio given the overall tightening in the local credit market. It was also helped by the increase in its interest free capital as a result of the HK$2.5 billion capital injection from CIFH in December 2007.

In September 2008, the HIBOR spiked in response to the panicked reaction of the global financial markets to the bankruptcy of Lehman Brothers, placing mid- and small-sized banks under severe funding cost pressure. The HIBOR finally returned to more normalised levels in

November after successive market liquidity injections by the Hong Kong Monetary Authority ("HKMA") to defend the HKD-USD peg. However, the net interest margins of mid- and small-sized banks had in general become compressed by then as a result of the market volatilities. After adjusting for the funding cost of its remaining fund investments, the Bank's net interest margin fell 33 basis points compared to 2007 to 1.53%.

Non-Interest Income

The Bank reported non-interest income of HK$256 million for 2008 compared to a loss of HK$98 million in 2007. This was due primarily to the significant decrease in the impact from the SIV-related write-downs. During the year, the main drivers for non-interest income included a 29.0% increase in income from foreign exchange dealing, a 17.4% increase in corporate loans related income, and a 16.5% increase in trade bills commissions. As investor confidence got severely crushed both by the market volatilities and the collapse of Lehman Brothers in the second half of the year, wealth management related income suffered a substantial decline by 28.3%, resulting in a 9.6% decrease in net fees and commission income.

Operating Expenses

Operating expenses rose 12.4% in 2008 compared to a year ago, due primarily to a 7.9% increase in staff costs which typically account for over 50% of the Bank's total operating expenses. The Bank places a high priority on its human capital, and continued to invest in recruiting and retaining high quality professionals and management talents during the period in order to prepare for its development into a regional bank. Meanwhile, information technology-related expenses climbed 27.7% due to the establishment of CITIC Ka Wah Bank (China) Limited ("CKWB China"), the restructuring of the Bank's China businesses, as well as one-off investments related to the enhancement of the Bank's existing system infrastructure. The Bank reported a 73.6% cost-to-income ratio for the period, due primarily to the write-downs from the SIVs. Its cost-to-income ratio based on the results of its core businesses alone would have been 52.6%.

Impairment Allowances

With the sharp escalation in credit risks in the market, the Bank tightened its impairment policy which resulted in a 274.3% increase in net charge in impairment provision over 2007 to HK$383 million. The charge in the Bank's individually assessed loans increased by 179.3% year-on-year to HK$408 million. The charge for its collectively assessed loans was HK$31 million in 2008 compared to a release of HK$11 million in 2007. Bad debt recoveries decreased 10.9% year-on-year to HK$56 million.

Asset Quality

Asset, Loan, And Deposit Sizes

CKWB reported total assets of HK$121.8 billion as at the end of 2008, representing a 10.0% growth over 2007 year-end. This was primarily due to the large volume of corporate deposits received towards the end of the year, which helped to enhance the Bank's liquidity and significantly increased its cash and balances with banks, central banks and other financial institutions. Additionally, the Bank rigorously defended the strong growth in its wholesale banking loan book registered in the first half of the year. Total loans for the year amounted to HK$74.2 billion, an increase of 10.2% compared to 2007. Meanwhile, deposits from customers grew by 13.5% on the back of successful deposit acquisition campaigns, which in turn saw total deposits increase by 9.4% to HK$99.5 billion.

Asset Quality Indicators

Although CKWB's asset quality was negatively impacted by the deteriorating economic environment during the year, it is worth noting that the Bank's residential mortgage delinquency ratio fell from 2007's 0.06% to 0.03% at the end of 2008, outperforming the industry average of 0.05% as announced by the HKMA. In July 2008, Fitch Ratings and Moody's affirmed the Bank's credit rating at BBB+ and Baa2 respectively. Fitch Ratings expects that stronger cooperation between CKWB, CNCB and BBVA post-privatisation of CIFH will help the Bank's steady transformation into a Hong Kong-based regional financial solutions provider for Chinese, Hong Kong and other regional corporates. Meanwhile, the Moody's rating was derived from the Bank's solid capital position and capital management practices.

Financial Position

As at the end of 2008, the Bank's capital adequacy ratio stood at a healthy 14.7%. Subsequent to the privatisation of CIFH, it received HK$3 billion funding commitment from CITIC and BBVA which, upon approval by its board of directors, can be downstreamed to CKWB to support the Bank's capital and business development needs. Meanwhile, to address the general liquidity tightening in the market, the Bank actively implemented a series of deposit as well as asset and liability management programmes. As a result, its liquidity ratio and loans to deposits ratio were improved to 37.0% and 74.6% respectively by the end of the year compared to mid-year.

CKWB's Key Financial Ratios

	31 December 2008	**31 December 2007**
Capital adequacy	14.7%	15.8%
Core capital adequacy	9.6%	10.1%
Average liquidity	37.0%	40.8%
Loans to deposits	74.6%	74.1%
Loans to total assets	60.9%	60.8%
Impaired loans	1.89%	1.15%
Coverage[1]	81.2%	84.6%
Loan loss coverage	35.0%	38.9%
Collective assessment coverage	0.32%	0.33%
Mainland loans to total customer advances	16.5%	17.3%

1 Calculated by dividing the sum of individually assessed impairment allowances and collateral of impaired loans by the gross impaired loans.

Business Development

Retail Banking Group ("RBG")

The extreme volatilities in the stock market and the confidence crisis in the financial markets especially after the collapse of Lehman Brothers led to heightened risk aversion amongst retail investors. Impacted by the sharp decline in demand for wealth management products and services, RBG's non-interest income fell 23.8% year-on-year to HK$436 million. Meanwhile, aggressive deposit acquisition campaigns to support the Bank's liquidity strategy resulted in a moderate 4.7% decline in net interest income to HK$633 million on a 13.6% growth in retail deposit volumes. Net profit before tax registered for the year fell 44.7% year-on-year to HK$305 million.

Notwithstanding the challenges in the operating environment, the Bank continued to expand its CITIC*first* private wealth management franchise. To deliver on its commitment to innovate and create a differentiated customer experience, the Bank invested in the expansion and revamp of its CITIC*first* centres during the year. Three new CITIC*first* centres were added to bring the total to 14 throughout Hong Kong, Kowloon and the New Territories. Total number of customers grew by a robust 32.3% compared to a year ago to reach over 13,700, of which over 21.0% were new-to-bank customers, while total customer assets under management grew moderately by 7.6% to HK$37 billion despite the general decline in asset values in the equity markets.

In consumer finance and retail lending, RBG pursued a cautious growth strategy amidst the weakening economy and market uncertainties. The retail loan book was kept flat compared to 2007. Focus was placed on structuring retail loan offerings as an integral part of total service solutions for its core client segments. A conscious effort was made to stay away from fierce price-cutting competition in the market place. As a result, pricing on new residential mortgages booked during the year improved by 40 basis points compared to a year ago.

Wholesale Banking Group ("WBG")

WBG's strategy to deliver comprehensive value-added solutions to its Asian clientele continued to pay off with solid results despite the difficult operating environment in 2008. Its total loans and deposits for the year grew by 14.3% and 16.4% respectively compared to 2007. Non-interest income increased by 11.8% to account for 35.8% of its total operating income. However, in the latter half of last year, funding cost rose sharply but was not matched by the pace of loans repricing. Coupled with the rise in provisioning expenses due to the sharp turn in the global credit markets, its net profit before tax fell 37.5% compared to 2007 to HK$390 million.

In 2008, WBG continued to deepen its collaboration with CNCB (also see China Banking below) and to diversify its client portfolio in Asia. It also successfully upgraded the quality of its client portfolio and further expanded its core customer relationships through strengthening of its product capability. During the year, it participated in 36 loan syndication transactions (including 14 in which it acted as lead manager), involving a total underwritten amount of HK$6.8 billion. Hong Kong trade finance revenues rose by 23.0% year-on-year to HK$153.4 million and volumes rose by 33.5% year-on-year to HK$39.2 billion.

Faced with the unprecedented shocks from the financial tsunami, WBG took steps since early 2008 to tighten its portfolio and risk management disciplines and to make sure that its pricing strategy appropriately reflected the associated risks and funding costs. Focus was placed on developing relationships with China-related core customers, and credit exposures to high risk customers or projects were minimised.

Additionally, WBG is also responsible for the development of new markets in Asia for the Bank's tripartite alliance with CNCB and BBVA. Preparations to apply for the opening of a Singapore branch have basically been completed. Further progress will be made when the market stabilises in due course.

China Banking

As CITIC's offshore commercial banking platform, CKWB has been working closely with CNCB to address the needs of mainland corporates investing overseas. In particular, the focus is placed on providing offshore financing and related banking services to the key strategic customers of CNCB. Conversely, it leverages on CNCB to provide domestic RMB banking solutions to its Hong Kong and overseas corporate customers to invest and operate in China.

During the year, the Bank provided support to CNCB in fulfilling the foreign currency financing needs of its PRC customers. A number of new products were also developed under the global account management and field account management customer relationship model. These included offshore trade finance programmes, offshore lending by CKWB against domestic guarantees by CNCB, and domestic lending by CNCB against offshore guarantees by CKWB. As a result, approved credit facilities referred by CNCB rose by 35.0% over 2007 to HK$8.5 billion. As the two banks deepen their collaboration under the one-stop cross-border financing business model, not only does it help to grow CKWB's China banking business, it also enhances CNCB's competitive advantages in servicing its domestic customer base.

The Bank's wholly-owned PRC-incorporated bank, CKWB China, officially commenced business in April 2008, and managed to exceed all its business positioning, organisational restructuring and profitability targets within its first year of operation. It will leverage on the advantages of its foreign bank status and serve as the tripartite business collaboration platform with CNCB and BBVA in China. By providing clearly defined communications and service delivery channels, it will enhance the efficiency in the implementation of the tripartite business collaboration strategy, improve work flows and service efficiencies, and ensure that customers can enjoy seamless and coordinated services under the one-stop cross-border financing and service model.

Treasury and Markets Group ("TMG")

TMG worked closely with RBG and WBG during the year to provide a broad range of treasury-related value-added products and solutions to address their clients' needs against the highly volatile market conditions. These included interest rate hedging and swap products to help clients lock in their cost of funding, RMB non-deliverable forward contracts to help hedge against RMB foreign exchange risks, and retail structured deposit products to help enhance yields against a generally low savings rate environment.

TMG also did well in its money market operation. It prudently managed the Bank's short-term investment portfolio in anticipation of the downward trend in USD and HKD interest rates during the year, and generated HK$233 million in returns from money market gapping activities, an increase of 30.2% over 2007.

In the area of fund investments, the Bank completed the redemption of all the funds of hedge funds within its alternative investment portfolio in the first half of 2008. The remaining portable alpha mandates in the portfolio registered an aggregate market value of approximately HK$620 million at the end of 2008, which was similar to 2007 year-end. Given current volatilities and the uncertain market outlook, the Bank has decided to hold these remaining investments to maturity in 2010 in order to minimise redemption costs.

The Bank also had investments in two SIVs, namely Beta Finance Corporation and Five Finance Corporation. At the end of the first half of 2008, the Bank wrote down their then full remaining carrying value of HK$718 million. Although the two SIVs subsequently entered into receivership in December 2008, this development had no further impact on the Bank's results in the latter half of the year.

In November 2007, the Bank restructured its capital notes investment in the SIV Victoria Finance Limited into a fully-funded cash flow collateralised debt obligation called Farmington Finance Limited ("Farmington"). As at 31 December 2008, the net present value ("NPV") of Farmington stood at 69.2%, compared to 59.2% at the end of 2007. As at the end of 2008, the underlying investment portfolio of Farmington continued to meet projected cash flows. The portfolio quality showed some deterioration in line with the general credit markets, but it is well diversified amongst some 400 assets in diverse classes. Up to the date of this report, there was no settlement request claimed on the credit default swap ("CDS") written against Farmington, nor was there any indication that the deterioration in the credit quality of the underlying assets of Farmington has threatened its ability to meet its payments under the long-term senior debt as they become due, as such, no provision was considered necessary in respect of the CDS for the period. (See Note (I) in the Unaudited Supplementary Financial Information for further details on Farmington.)

Risk Management

As part of the Bank's on-going efforts to protect its business fundamentals, CKWB continuously adapted to the rapid changes in the financial and economic environments during the year by staying extra vigilant to the execution of sound risk management practices, particularly in the areas of credit and liquidity. Special attention was given to strengthen existing policies, implement rigorous on-going risk reviews, conduct remediation at both the customer and portfolio levels, and increase emphasis on early warning mechanisms. The current economic crisis clearly demonstrated the close linkages and contagiousness of different risks as the tsunami rapidly spread from product segments to market liquidity, financial sector credit quality, and to global economies in general. The objective of the Bank's enterprise-wide risk management approach is to enable it to respond effectively and coherently in all different stress scenarios.

The Bank's market risk appetite is aligned through a well-defined limit setting process. Rigorous risk controls are in place, and market risk limits are monitored daily. Stress testing is performed daily and monitored for rare but plausible events. Front line businesses and the market risk department interact closely to proactively review limits arising from strategic changes.

The Bank's risk infrastructure is also continuously strengthened through progressive enhancements both in terms of systems and professional skill sets. Efforts continued towards the objective of developing more risk-sensitive capital-based management tools and enhanced transparency, such as risk-based pricing and risk-based performance measurement, which the Bank considers essential to sustain future growth and profitability. The ability to draw on the experiences and support of a major international bank and key shareholder such as BBVA, with its advanced risk management practices, has greatly assisted the achievement of this objective.

Work also continued in 2008 on the refinement of the Bank's operational risk management framework and tools, such as risk and control self-assessments and key risk indicator processes, to facilitate the identification, assessment, mitigation and reporting of operational risks. Together with the other initiatives, this will enable an enhanced response to the Pillar II requirements of the New Basel Accord ("Basel II").

Looking ahead to 2009, there will be a continued need to balance strong execution of current risk management practices, with on-going enhancements to the Bank's capabilities.

Human Resources Development

Retaining and developing a competent and engaged staff force remained a high priority for the Bank. Overall headcount increased by 6.3%, largely due to the build-up during the first half of 2008 when the business was expanding under a still favourable economic environment. Talent retention amongst high performers was particularly strong, with only a single-digit turnover rate registered, as compared to the double-digit attrition rate recorded in 2007. The Bank also made two important senior executive appointments during the year, namely, CKWB's new Treasurer and Director of Risks. Both functional areas are crucial for the Bank to navigate through the challenges in the current environment. The Bank believes that the calibre and experience of these new senior talents will significantly strengthen its core competencies in these areas.

On-going focus to build employee engagement and team work has developed a winning culture in the Bank. Enthusiastic staff support enabled the Bank to deploy, within just a few days, a sizeable special taskforce of experienced staff from different functions to proactively and professionally manage the regulatory enquiries and exceptional volumes of client complaints from the Lehman Brothers mini-bond fall-out. Many staff members put in efforts beyond their normal call of duty to share the work load.

In positioning the Bank to become the "China Bank of Choice", training and development initiatives were implemented within a tough cost budget. A new programme for newly promoted managers was offered to strengthen their managerial skills and to shorten their learning curve. The "Business Leadership Development Programme" for middle to senior managers was organised for a second consecutive year. Overall, an average of five training days per staff member was attained in 2008.

A range of staff events, including business communication meetings, executive forums, and "CEO Chatrooms", were held regularly for senior management to share and obtain direct staff feedback on the Bank's strategies and plans. Through the human resources function and the Staff Recreation Committee, the Bank organised over 50 programmes that encouraged life-long learning and work-life balance. In particular, a series of staff sporting events, promoted as the "Team Power Olympics", was organised to foster a competitive yet collaborative working culture across functions as well as with other participating CIFH subsidiaries.

The Bank regularly reviews the design of its compensation structure and components for its 1,553 employees. The purpose is to drive up performance through differentiation in the reward quantum for different levels of performance among individuals, and also to ensure cost effectiveness in a changing market environment. To execute the strategies and deliver good results, the Bank will continue to strengthen its talent base through a top-grading and succession planning process. All these are not only critical to the Bank's on-going business success, but also to build a solid foundation for future growth.

Future Outlook

Looking ahead, challenges for Hong Kong's financial industry will intensify as the international financial crisis develops and global economic growth decelerates further. However, the government in China is determined to boost domestic demand, sustain growth and promote outward investments by Chinese corporates. As the springboard for China's "Go Global" strategy, Hong Kong enjoys considerable support from the Chinese government to position it as the country's international financial centre. To pave the way for Hong Kong to become the offshore RMB centre, the central government has announced successive policy measures to promote cross-border services and RMB business in Hong Kong. More importantly, China has upgraded the economic integration of Hong Kong, Macau and the Pearl River Delta Region to a national strategy, thus creating an abundance of opportunities for growth and innovation.

CKWB has been providing comprehensive value-added solutions to clients who are active in China-related cross-border businesses. This focus underpins our strategy to transform into a regional PRC bank and to become the new business expansion platform in Asia for CITIC's commercial banking businesses. With the realignment of CITIC's onshore and offshore commercial banking platforms last year, the Bank is now well-placed to capture opportunities that may arise in the current economic environment.

The Bank will stay determined in its efforts to reform, restructure, innovate and grow. Attention will be given to ensure sound and healthy growth on a stable funding and capital base. First and foremost, however, priority will be placed to support CITIC to complete the transfer of its interest in CIFH into CNCB. This will create a unified commercial banking platform for CNCB to internationalise its business, and provide growth impetus and capital strength for CKWB. Work on tripartite strategy development among the Bank, CNCB and

BBVA has already commenced in all business areas. As the new business expansion platform for the tripartite alliance in Asia, CKWB will play an active and on-going role to ensure progress in the implementation of such strategies, and to ensure that the business goals and needs of all three parties are well-coordinated. The Bank is confident that with the enormous competitive advantages that will be created under the unique partnership model in its tripartite alliance, CKWB is well on track to become the “China Bank of Choice” for its customers in Asia.

Chan Hui Dor Lam Doreen
President and Chief Executive Officer

Hong Kong, 24 March 2009