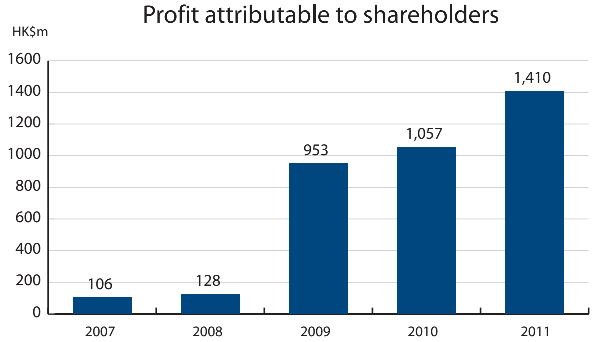
Building Strength,
Gathering Pace

中信銀行國際
CITIC BANK INTERNATIONAL

2011 Annual Results Highlights

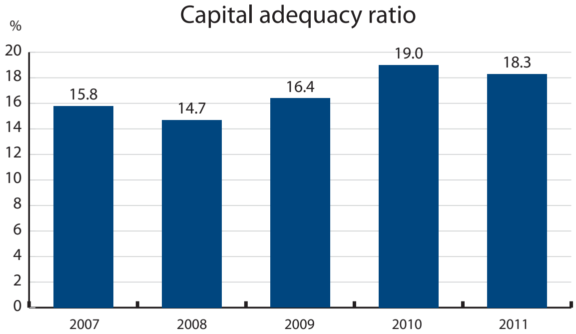
Results Highlights

- Operating income up by 13.7% to HK$3,419 million, mainly driven by a 30.5% surge in non-interest income to HK$1,557 million
- Net impairment losses down 60.8% to HK$103 million
- Profit attributable to shareholders up by 33.5% to a historical high of HK$1,410 million



Robust Financial Position

- Focused efforts on credit approval as well as asset and liability management resulted in a moderate total loan growth of 5.5% to HK$93.7 billion
- Roll-out of a diverse range of customer-driven deposit products delivering strong growth in total deposits by 15.5% to HK$139.1 billion
- Capital adequacy ratio stood at 18.3%, far higher than industry average
- Impaired loan ratio improved significantly from 1.39% to 0.75%



Core Performance

- **Retail Banking Group:** Hong Kong branch footprint expanded to 32 outlets and CITIC*first* customer base expanded 13.8% to more than 19,300; official launch of Private Banking in April 2011 to drive the Group's vision of becoming a borderless financial platform; spearheaded new bancassurance business with Manulife and operationalised strategic partnership with China Life Insurance
- **Wholesale Banking Group:** Record profit before tax with a 57.5% year-on-year increase, along with 51% growth in trade commission; launch of Singapore Branch as a gateway into the ASEAN market with several RMB product roll-outs
- **China Banking:** Gained foothold in RMB and cross-border businesses through collaboration with CNCB and CITIC Group subsidiaries, acting as an offshore financing and product solutions development platform; volume of cross-border RMB trade settlement grew significantly in 2011 to a market share of more than 3% in Hong Kong
- **Treasury & Markets Group:** Operating income reached HK$345 million, up 18.0% year-on-year; Fee income from cross-selling of treasury products up 128.6%, driven by robust sales of RMB products; successfully assisted four corporate customers with the issuance of RMB dim-sum bonds

CNCB – China CITIC Bank Corporation Limited

CITIC BANK INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

ANNOUNCEMENT OF 2011 ANNUAL RESULTS

The Board of Directors of CITIC Bank International Limited ("the Bank") is pleased to announce the consolidated results of the Bank and its subsidiaries ("the Group") for the year ended 31 December 2011.

Consolidated Income Statement
For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	2011	2010
	HK$'000	HK$'000
Interest income	**3,573,280**	2,830,882
Interest expense	**(1,711,533)**	(1,018,087)
Net interest income	**1,861,747**	1,812,795
Fee and commission income	**627,826**	721,607
Fee and commission expense	**(38,035)**	(30,877)
Net fee and commission income	**589,791**	690,730
Net trading income	**803,962**	421,184
Net gain from financial instruments designated at fair value through profit or loss	**9,382**	23,152
Net hedging loss	**(1,124)**	(1,022)
Net (loss)/ gain on disposal of available-for-sale securities	**(136,846)**	16,799
Other operating income	**291,918**	42,551
Operating income	**3,418,830**	3,006,189
Operating expenses	**(1,652,445)**	(1,452,197)
Operating profit before impairment	**1,766,385**	1,553,992
Impairment losses written back/ (charged) on loans and advances and other accounts	**75,091**	(261,936)
Impairment losses (charged)/ written back on available-for-sale securities	**(177,788)**	7
Impairment losses	**(102,697)**	(261,929)
Operating profit	**1,663,688**	1,292,063
Impairment and write-down on capital notes investments	**-**	(668,385)
Net (loss)/ gain on disposal of property and equipment	**(11)**	521,672
Revaluation gain on investment properties	**28,352**	14,858
Profit before taxation	**1,692,029**	1,160,208
Income tax	**(281,816)**	(103,551)
Profit for the year	**1,410,213**	1,056,657

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	2011	2010
	HK$'000	HK$'000
Profit for the year	**1,410,213**	1,056,657
Other comprehensive income for the year (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of overseas subsidiaries	**49,798**	22,430
Other property revaluation reserve		
- release of deferred tax liabilities upon disposal of investment properties transferred from other premises	**-**	3,204
Available-for-sale securities		
- change in fair value	**(413,105)**	(121,018)
- transfer to income statement on disposal	**136,303**	(18,919)
- transfer to income statement on impairment	**178,000**	186,402
- transfer to/ (from) deferred tax	**16,794**	(7,660)
	(32,210)	64,439
Total comprehensive income for the year	**1,378,003**	1,121,096
Attributable to equity shareholders of the Bank	**1,378,003**	1,121,096

Consolidated Statement of Financial Position
At 31 December 2011
(Expressed in Hong Kong dollars)

	2011	2010
	HK$'000	HK$'000
ASSETS		
Cash and balances with banks, central banks and other financial institutions	**12,944,105**	21,225,122
Placements with and advances to banks, central banks and other financial institutions	**35,838,843**	12,229,126
Trading assets	**2,079,683**	1,633,657
Securities designated at fair value through profit or loss	**355,677**	646,508
Loans and advances to customers and other accounts	**96,365,280**	90,714,680
Available-for-sale securities	**22,904,954**	20,857,745
Property and equipment		
- Investment property	**187,602**	159,250
- Other property and equipment	**644,520**	582,496
Tax recoverable	**3,038**	59,744
Deferred tax assets	**102,423**	100,573
TOTAL ASSETS	**171,426,125**	148,208,901
EQUITY AND LIABILITIES		
Deposits and balances of banks and other financial institutions	**5,121,298**	1,850,372
Deposits from customers	**127,040,396**	113,466,113
Trading liabilities	**1,331,198**	1,477,528
Certificates of deposit issued	**12,123,896**	6,985,054
Debt securities issued	**397,436**	231,900
Current taxation	**122,264**	18,972
Deferred tax liabilities	**1,496**	2,197
Other liabilities	**3,990,018**	3,061,233
Loan capital	**8,192,926**	7,763,729
TOTAL LIABILITIES	**158,320,928**	134,857,098
EQUITY		
Share capital	**7,283,341**	7,283,341
Reserves	**5,821,856**	6,068,462
Total equity attributable to equity shareholders of the Bank	**13,105,197**	13,351,803
TOTAL EQUITY AND LIABILITIES	**171,426,125**	148,208,901

Consolidated Statement of Changes in Equity
For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Share capital	Share premium	Capital reserve	General reserve	Exchange differences reserve	Property revaluation reserve	Investment revaluation reserve	Statutory reserve	Regulatory general reserve	Retained profits	Total reserves	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	**7,283,341**	**282,930**	**6,589**	**100,000**	**22,415**	**4,718**	**(232,010)**	**11,802**	**73,636**	**5,798,382**	**6,068,462**	**13,351,803**
Changes in equity for 2011:												
Profit for the year	-	-	-	-	-	-	-	-	-	**1,410,213**	**1,410,213**	**1,410,213**
Other comprehensive income for the year	-	-	-	-	**49,798**	-	**(82,008)**	-	-	-	**(32,210)**	**(32,210)**
Total comprehensive income for the year	-	-	-	-	**49,798**	-	**(82,008)**	-	-	**1,410,213**	**1,378,003**	**1,378,003**
Interim dividend declared and paid in respect of the current year	-	-	-	-	-	-	-	-	-	**(1,624,609)**	**(1,624,609)**	**(1,624,609)**
Transfer from retained profits	-	-	-	-	-	-	-	**9,060**	**49,104**	**(58,164)**	-	-
At 31 December 2011	**7,283,341**	**282,930**	**6,589**	**100,000**	**72,213**	**4,718**	**(314,018)**	**20,862**	**122,740**	**5,525,822**	**5,821,856**	**13,105,197**
At 1 January 2010	7,283,341	282,930	6,589	100,000	(15)	20,932	(270,815)	6,567	57,099	4,744,079	4,947,366	12,230,707
Changes in equity for 2010:												
Profit for the year	-	-	-	-	-	-	-	-	-	1,056,657	1,056,657	1,056,657
Other comprehensive income for the year	-	-	-	-	22,430	3,204	38,805	-	-	-	64,439	64,439
Total comprehensive income for the year	-	-	-	-	22,430	3,204	38,805	-	-	1,056,657	1,121,096	1,121,096
Transfer from retained profits	-	-	-	-	-	-	-	5,235	16,537	(21,772)	-	-
Release of reserve upon disposal of property	-	-	-	-	-	(19,418)	-	-	-	19,418	-	-
At 31 December 2010	7,283,341	282,930	6,589	100,000	22,415	4,718	(232,010)	11,802	73,636	5,798,382	6,068,462	13,351,803

Consolidated Cash Flow Statement
For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	2011	2010
	HK$'000	HK$'000
Operating activities		
Profit before taxation	**1,692,029**	1,160,208
Adjustments for non-cash items:		
Impairment losses (written back)/ charged on loans and advances and other accounts	**(75,091)**	261,936
Impairment losses charged/ (written back) on available-for-sale securities	**177,788**	(7)
Impairment and write-down on capital notes investments	**-**	668,385
Net loss/ (gain) on disposal of available-for-sale securities	**136,846**	(16,799)
Net loss/ (gain) on disposal of property and equipment	**11**	(521,672)
Revaluation gain on investment properties	**(28,352)**	(14,858)
Amortisation of deferred expenses	**58,978**	52,895
Depreciation on property and equipment	**87,754**	74,778
Dividend income from equity securities	**(4,002)**	(4,660)
Interest expense on loan capital	**490,510**	355,904
Foreign exchange differences	**(129,894)**	51,757
	2,406,577	2,067,867
(Increase)/ decrease in operating assets		
Placements with and advances to banks, central banks and other financial institutions with original maturity beyond three months	**(10,827,793)**	6,770,594
Treasury bills with original maturity beyond three months	**(295,225)**	(721,050)
Certificates of deposit held with original maturity beyond three months	**(845,942)**	13,408
Trading assets	**(446,026)**	150,218
Securities designated at fair value through profit or loss	**290,831**	(65,872)
Loans and advances to customers and other accounts	**(5,634,052)**	(16,957,496)
Available-for-sale securities	**2,286,006**	469,696
	(15,472,201)	(10,340,502)
Increase/ (decrease) in operating liabilities		
Deposits and balances of banks and other financial institutions	**3,270,926**	(943,983)
Deposits from customers	**13,574,283**	19,225,133
Trading liabilities	**(146,330)**	369,519
Certificates of deposit issued	**5,310,722**	3,267,812
Debt securities issued	**165,814**	160,100
Other liabilities	**1,345,148**	969,156
	23,520,563	23,047,737
Cash generated from operations	**10,454,939**	14,775,102

	2011	2010
	HK$'000	HK$'000
Cash generated from operations	**10,454,939**	14,775,102
Income tax paid		
Hong Kong Profits Tax paid	**(74,492)**	(122,649)
Overseas tax paid	**(33,463)**	(14,415)
Net cash generated from operating activities	**10,346,984**	14,638,038
Investing activities		
Dividends received from equity securities	**4,002**	4,660
Purchase of property and equipment	**(149,018)**	(111,023)
Proceeds from disposal of property and equipment	**54**	859,585
Net cash (used in)/ generated from investing activities	**(144,962)**	753,222
Financing activities		
Dividends paid	**(1,624,609)**	-
Proceeds from loan capital issued	**-**	3,876,200
Interest paid on loan capital	**(471,022)**	(352,284)
Net cash (used in)/ generated from financing activities	**(2,095,631)**	3,523,916
Net increase in cash and cash equivalents	**8,106,391**	18,915,176
Cash and cash equivalents at 1 January	**30,903,532**	11,988,356
Cash and cash equivalents at 31 December	**39,009,923**	30,903,532
Cash flows from operating activities included:		
Interest received	**3,468,929**	2,724,407
Interest paid	**(972,650)**	(591,547)

Notes:

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

The financial information relating to the financial year ended 31 December 2011 included in this annual results announcement does not constitute the Group's statutory financial statements for that financial year but is extracted from those financial statements. Statutory financial statements for the year ended 31 December 2011 comply fully with the Banking (Disclosure) Rules and will be available from the Bank's website and registered office.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to HK(IFRIC) 14, *HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction - Prepayments of a minimum funding requirement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures* . The disclosures about the Group's financial instruments in the relevant note to the financial statements has been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3 Interest income and interest expense

(a) Interest income

	2011	2010
	HK$'000	HK$'000
Listed securities	**20,681**	87,863
Unlisted securities	**435,832**	362,308
Others (Note)	**3,116,767**	2,380,711
Interest income on financial assets that are not at fair value through profit or loss	**3,573,280**	2,830,882

(b) Interest expense

	2011	2010
	HK$'000	HK$'000
Deposits from customers, banks and other financial institutions, certificates of deposit issued and others	**1,220,786**	661,915
Debt securities issued	**237**	268
Loan capital issued	**490,510**	355,904
Interest expense on financial liabilities that are not at fair value through profit or loss	**1,711,533**	1,018,087
Of which:		
Deposits from customers, banks and other financial institutions, certificates of deposit issued and others repayable after 5 years	**6,254**	4,277
Loan capital issued repayable after 5 years	**270,364**	139,980

Note:
Included in the above is interest income accrued on impaired financial assets of HK$22,300,000 (2010: HK$26,598,000), which includes interest income on the unwinding of discount on loan impairment losses of HK$12,151,000 (2010: HK$8,817,000) for the year ended 31 December 2011.

4 Net fee and commission income

	2011	2010
	HK$'000	HK$'000
Fee and commission income:		
Bills commission	**109,898**	76,117
Cards-related income	**20,871**	21,554
General banking services	**79,294**	65,480
Insurance	**168,296**	136,667
Investment and structured investment products	**101,377**	101,176
Loans, overdrafts and facilities fees	**147,433**	319,950
Others	**657**	663
	627,826	721,607
Fee and commission expense	**(38,035)**	(30,877)
	589,791	690,730
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:		
- Fee and commission income	**168,304**	341,504
- Fee and commission expense	**(14,487)**	(14,286)
	153,817	327,218

5 Net trading income

	2011	2010
	HK$'000	HK$'000
Gains less losses from dealing in foreign currencies	**407,435**	280,634
Gains less losses from trading securities	**2,364**	(25,008)
Gains less losses from other dealing activities	**430,062**	168,338
Interest income on trading assets		
- Unlisted	**-**	77
Interest expense on trading liabilities	**(35,899)**	(2,857)
	803,962	421,184

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

	2011	2010
	HK$'000	HK$'000
Net gain	**625**	3,898
Interest income		
- Listed	**4,963**	4,953
- Unlisted	**11,502**	14,343
Interest expense	**(7,708)**	(42)
	9,382	23,152

7 Net hedging loss

	2011	2010
	HK$'000	HK$'000
Net loss on fair value hedge	**1,124**	1,022

8 Net (loss)/ gain on disposal of available-for-sale securities

	2011	2010
	HK$'000	HK$'000
Net revaluation (loss)/ gain transferred from reserves	**(136,303)**	18,919
Net loss arising in current year	**(543)**	(2,120)
	(136,846)	16,799

9 Other operating income

	2011	2010
	HK$'000	HK$'000
Dividend income from available-for-sale equity securities		
- Listed	**102**	100
- Unlisted	**3,900**	4,560
Rental income from investment properties		
less direct outgoings of HK$253,000 (2010: HK$242,000)	**5,049**	3,970
Others (Note)	**282,867**	33,921
	291,918	42,551

Note:

After Lehman Brothers Special Financing Inc. ("Lehman Brothers"), the Trustee, the Receivers (as agents of the Issuer and without personal liability) and others agreed on the Conditional Agreement on 28 March 2011 to settle opposing claims asserted by Lehman Brothers in respect of the recovery of collateral for Lehman Brothers Minibonds, the Conditional Agreement was approved and fully implemented in the year ended 31 December 2011. As the Bank had repurchased the Lehman Brothers Minibonds from customers during 2008 and 2009, the Bank was entitled to receive distributions under the Conditional Agreement.

Taking into account the recovery payments of the Lehman Brothers Minibonds under the Conditional Agreement, the payments by the Bank pursuant to the Ex-gratia Payment Scheme and the increased funding under the Expenses Funding Agreement, the Bank wrote back approximately HK$229,000,000 to the income statement during the year ended 31 December 2011, which represented substantial recovery of the LB Minibonds compensation provisions of approximately HK$298,000,000 made in 2008 and 2009.

10 Operating expenses

	2011	2010
	HK$'000	HK$'000
(a) Staff costs		
Salaries and other staff costs	**944,595**	852,554
Retirement costs	**60,860**	50,368
	1,005,455	902,922
(b) Depreciation		
Depreciation of property and equipment		
- Assets held for use under operating leases	**27,515**	9,034
- Other assets	**60,239**	65,744
	87,754	74,778
(c) Other operating expenses		
Property and equipment expenses (excluding depreciation)		
- Rental of properties	**158,913**	110,119
- Others	**108,176**	90,544
Auditor's remuneration	**6,211**	5,292
Advertising	**33,756**	44,780
Communication, printing and stationery	**66,805**	59,298
Legal and professional fees	**27,864**	35,204
Others	**157,511**	129,260
	559,236	474,497
Total operating expenses	**1,652,445**	1,452,197

11 Impairment losses written back/ (charged) on loans and advances and other accounts

	2011	2010
	HK$'000	HK$'000
Impairment losses written back/ (charged)		
- Loans and advances	**15,131**	(200,807)
- Other accounts	**59,960**	(61,129)
	75,091	(261,936)

Impairment losses written back/ (charged) on loans and advances and other accounts		
- Individual assessment	**62,965**	(207,078)
- Collective assessment	**12,126**	(54,858)
	75,091	(261,936)
of which:		
- Additions	**(122,692)**	(307,927)
- Releases	**168,561**	25,315
- Recoveries	**29,222**	20,676
	75,091	(261,936)

12 Income tax in the consolidated income statement

	2011	2010
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**225,194**	88,073
Under/ (Over)-provision in respect of prior years	**4,723**	(80)
	229,917	87,993
Current tax - Overseas		
Provision for the year	**39,549**	20,658
Over-provision in respect of prior years	**(2,162)**	(2,417)
	37,387	18,241
Deferred tax		
Origination/ (reversal) of temporary differences	**14,512**	(2,683)
	281,816	103,551

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year. Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

13 Trading assets

	2011	2010
	HK$'000	HK$'000
Equity securities	**-**	3,029
Investment funds	**2,965**	4,162
Trading securities	**2,965**	7,191
Positive fair values of derivatives	**2,076,718**	1,626,466
	2,079,683	1,633,657
Issued by:		
Corporate entities	**2,965**	7,191
Analysed by place of listing:		
Listed outside Hong Kong	**-**	3,029
Unlisted	**2,965**	4,162
	2,965	7,191

14 Securities designated at fair value through profit or loss

	2011	2010
	HK$'000	HK$'000
Certificates of deposit held	**200,613**	-
Debt securities	**155,064**	646,508
	355,677	646,508
Issued by:		
Sovereigns	**18,835**	29,729
Banks and other financial institutions	**212,954**	485,181
Corporate entities	**123,888**	131,598
	355,677	646,508
Analysed by place of listing:		
Listed outside Hong Kong	**78,285**	81,992
Unlisted	**277,392**	564,516
	355,677	646,508

15 Loans and advances to customers and other accounts

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

	2011	2010
	HK$'000	HK$'000
Gross loans and advances to customers	**93,718,132**	88,818,235
Impairment allowances		
- Individually assessed	**(195,660)**	(297,634)
- Collectively assessed	**(346,898)**	(359,960)
	93,175,574	88,160,641
Accrued interest and other accounts	**3,191,927**	2,619,750
Impairment allowances		
- Individually assessed	**(2,221)**	(65,711)
	3,189,706	2,554,039
	96,365,280	90,714,680
Included in loans and advances to customers are:		
Trade bills	**3,046,382**	1,658,060
Impairment allowances		
- Collectively assessed	**(507)**	(655)
	3,045,875	1,657,405

During the year ended 31 December 2011, a held-for-sale asset with a carrying value of HK$174,602,000 included in other accounts, which had been acquired through the recovery of an impaired loan, was disposed of by the Group to an independent party through a share transfer agreement. Accordingly, the Group received approximately HK$273,194,000 net of related transaction costs. A reversal of impairment loss of approximately HK$58,078,000 and a net gain of approximately HK$30,057,000 were recognised in the income statement.

(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").

	2011		2010	
	Gross loans and advances to customers	**Impaired loans and advances to customers**	Gross loans and advances to customers	Impaired loans and advances to customers
	HK$'000	**HK$'000**	HK$'000	HK$'000
Industrial, commercial and financial				
- Property development	**4,000**	**-**	313,400	-
- Property investment	**12,905,620**	**-**	11,585,272	-
- Financial concerns	**2,951,325**	**-**	4,386,559	-
- Stockbrokers	**35,000**	**-**	182,000	-
- Wholesale and retail trade	**6,352,248**	**29,934**	9,189,862	43,769
- Manufacturing	**6,153,567**	**69,018**	9,490,999	130,950
- Transport and transport equipment	**2,532,195**	**4,368**	2,940,451	218
- Recreational activities	**269,183**	**108,966**	261,747	-
- Information technology	**1,456**	**-**	16,370	-
- Others	**2,557,801**	**31**	2,692,537	11
Individuals				
- Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**23,124**	**-**	25,806	-
- Loans for the purchase of other residential properties	**10,135,734**	**11,154**	10,912,294	13,793
- Credit card advances	**283,061**	**497**	267,441	1,719
- Others	**5,335,304**	**3,636**	4,430,096	9,269
Gross loans and advances for use in Hong Kong	**49,539,618**	**227,604**	56,694,834	199,729
Trade finance	**10,372,639**	**108,460**	7,360,087	111,142
Gross loans and advances for use outside Hong Kong	**33,805,875**	**364,537**	24,763,314	919,941
Gross loans and advances to customers	**93,718,132**	**700,601**	88,818,235	1,230,812

(c) Impaired loans and advances to customers

	2011	2010
	HK$'000	HK$'000
Gross impaired loans and advances to customers	**700,601**	1,230,812
Impairment allowances - Individually assessed	**(195,660)**	(297,634)
	504,941	933,178
Gross impaired loans and advances as a % of total loans and advances to customers	**0.75%**	1.39%

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$534,858,000 (2010: HK$282,912,000) of the Group. This collateral mainly comprises mortgage interest over residential or commercial properties and cash with the Group.

16 Available-for-sale securities

	2011	2010
	HK$'000	HK$'000
Certificates of deposit held	**2,176,591**	1,480,621
Debt securities	**14,020,172**	16,727,106
Treasury bills (including Exchange Fund Bills)	**6,661,256**	2,610,576
Equity securities	**46,935**	39,442
	22,904,954	20,857,745
Issued by:		
Sovereigns	**7,402,616**	2,771,218
Banks and other financial institutions	**12,410,202**	14,480,134
Corporate entities	**3,092,136**	3,606,393
	22,904,954	20,857,745
Analysed by place of listing:		
Listed outside Hong Kong	**197,455**	1,608,651
Unlisted	**22,707,499**	19,249,094
	22,904,954	20,857,745
Fair value of individually impaired debt securities (Note)	**214,878**	124

Note:
In the second half of 2011, in response to European debt crisis and the substantial drop in the fair value of debt securities issued by an European corporation, the Group's management decided to recognise an impairment to the profit or loss on the carrying value of these debt securities held by the Group. As a result, an investment revaluation reserve deficit of approximately HK$178 million was transferred to and recognised as an impairment loss in the income statement for the year ended 31 December 2011.

17 Reserves

	2011	2010
	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	**72,213**	22,415
Property revaluation reserve	**4,718**	4,718
Investment revaluation reserve	**(314,018)**	(232,010)
Statutory reserve	**20,862**	11,802
Regulatory general reserve	**122,740**	73,636
Retained profits*	**5,525,822**	5,798,382
Total	**5,821,856**	6,068,462

* 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 impairment losses recognised which the Bank will or may incur on loans and advances. Movements in the reserve are earmarked directly through retained profits and in consultation with the HKMA. At 31 December 2011, HK$1,340,028,000 (2010: HK$732,504,000) was included in the retained profits in this respect, which was distributable to equity holders of the Bank subject to consultation with the HKMA.

18 Dividend

During the year ended 31 December 2011, an interim dividend of HK$1,624,609,207.59 (equivalent to US$208,648,560.66 as at 1 September 2011) was declared and paid to CITIC International Financial Holdings Limited (2010: Nil).

19 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:

	2011	2010
	HK$'000	HK$'000
Direct credit substitutes	**2,007,355**	5,514,355
Transaction-related contingencies	**951,660**	394,540
Trade-related contingencies	**4,241,352**	1,840,502
Other commitments:		
- which are unconditionally cancellable or automatically cancellable due to deterioration in the creditworthiness of the borrower	**33,822,786**	21,470,921
- with an original maturity of not more than 1 year	**3,959,572**	9,295,373
- with an original maturity of more than 1 year	**3,657,934**	5,984,814
	48,640,659	44,500,505
Credit risk-weighted amounts	**5,488,054**	9,130,072

The risk weights used in the computation of credit risk-weighted amounts range from 0% to 150% (2010: 0% to 150%).

As at 31 December 2010, the Group had contingent assets of US$114.4 million (equivalent to HK$889.4 million) for any potential CDS loss to be borne by the Group which could be reimbursed from its immediate parent, CIFH, in accordance with the terms of the Agreement as disclosed in the relevant note to the financial statements. As the Group has completed the CDS settlement in September 2011, the CDS sub-writing amount was HK$1,624,609,207.59 (equivalent to USD208,648,560.66), which should be reimbursed from CIFH. In November 2011, CIFH settled all the CDS sub-writing obligations with the Group; therefore there was no such contingent assets for the year ended 31 December 2011.

20 Currency risk

The Group's foreign exchange risk stems from taking foreign exchange positions from commercial dealings, investments in foreign currency securities, and operations of the Group and its overseas branches and subsidiaries. The Group's foreign exchange positions are subject to exposure limits approved by the 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). For the year ended 31 December 2011, the Group's average daily trading profit and loss from foreign exchange positions was a profit of HK$415,000 (2010: a profit of HK$115,000) with a standard deviation of HK$978,000 (2010: HK$571,000).

Significant foreign currency exposures at the end of the reporting period were as follows:

	2011			
Equivalent in HK$'000	**USD**	**RMB**	**Others**	**Total**
Spot assets	**56,453,603**	**30,482,056**	**4,089,798**	**91,025,457**
Spot liabilities	**(39,857,172)**	**(24,163,466)**	**(12,866,936)**	**(76,887,574)**
Forward purchases	**71,872,830**	**44,111,233**	**20,091,778**	**136,075,841**
Forward sales	**(87,385,354)**	**(49,892,395)**	**(11,289,714)**	**(148,567,463)**
Net options position	**6,033**	**-**	**(780)**	**5,253**
Net long position	**1,089,940**	**537,428**	**24,146**	**1,651,514**
Net structural position	**-**	**612,510**	**48,527**	**661,037**

	2010			
Equivalent in HK$'000	USD	RMB	Others	Total
Spot assets	52,053,543	13,545,912	3,866,923	69,466,378
Spot liabilities	(35,441,270)	(9,597,738)	(10,928,279)	(55,967,287)
Forward purchases	68,147,181	42,123,945	13,801,988	124,073,114
Forward sales	(84,304,550)	(45,427,531)	(6,753,175)	(136,485,256)
Net options position	-	-	-	-
Net long/ (short) position	454,904	644,588	(12,543)	1,086,949
Net structural position	-	236,058	48,489	284,547

The net options position is calculated using the Model User Approach, which has been approved by the HKMA.

21 Segment reporting

Segment information is presented consistently, with reportable segments regularly reviewed or evaluated internally by a chief operating decision maker to allocate resources to the segments and to assess their performance. The Group has identified the following four main reportable segments.

Wholesale banking business mainly comprises trade financing, syndicated loans and other corporate lendings.

Retail banking business mainly comprises deposit account services, residential mortgage, other consumer lendings, credit card services and finance leases, wealth management services and private banking.

Treasury and markets covers provision of foreign exchange services, money market activities, management of investment securities and central cash management. In addition, it comprises all fund investments made by the Bank that are managed by external fund managers.

Others mainly comprise unallocated revenue and expenses, head office and corporate expenses.

For the purpose of segment reporting, the allocation of operating income reflects the benefits of funding resources allocated to the business segments based on an 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 "Others" segment and inter-segment expenses for the respective business segments.

(a) Reportable segments

	2011				
	Wholesale banking	**Retail banking**	**Treasury and markets**	**Others**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Net interest income/ (expense)	**1,047,770**	**695,554**	**(193,551)**	**311,974**	**1,861,747**
Other operating income	**334,702**	**680,726**	**675,058**	**3,443**	**1,693,929**
Net (loss)/ gain on disposal of available-for-sale securities	**5**	**-**	**(136,867)**	**16**	**(136,846)**
Operating income	**1,382,477**	**1,376,280**	**344,640**	**315,433**	**3,418,830**
Operating expenses	**(254,679)**	**(455,927)**	**(79,683)**	**(862,156)**	**(1,652,445)**
Inter-segment (expenses)/ income	**(203,583)**	**(305,397)**	**(77,889)**	**586,869**	**-**
Operating profit before impairment	**924,215**	**614,956**	**187,068**	**40,146**	**1,766,385**
Impairment losses written back on loans and advances and other accounts	**69,275**	**5,475**	**-**	**341**	**75,091**
Impairment losses (charged)/ written back on available-for-sale securities	**-**	**-**	**(178,000)**	**212**	**(177,788)**
Impairment losses (charged)/ written back	**69,275**	**5,475**	**(178,000)**	**553**	**(102,697)**
Operating profit	**993,490**	**620,431**	**9,068**	**40,699**	**1,663,688**
Net loss on disposal of property and equipment	**-**	**(6)**	**-**	**(5)**	**(11)**
Revaluation gain on investment properties	**-**	**-**	**-**	**28,352**	**28,352**
Profit before taxation	**993,490**	**620,425**	**9,068**	**69,046**	**1,692,029**
Income tax	**-**	**-**	**-**	**(281,816)**	**(281,816)**
Profit/ (loss) for the year	**993,490**	**620,425**	**9,068**	**(212,770)**	**1,410,213**
Other segment items:					
Depreciation	**10,736**	**14,606**	**334**	**62,078**	**87,754**
Segment assets	**69,096,551**	**33,863,664**	**62,546,194**	**5,919,716**	**171,426,125**
Segment liabilities	**69,515,757**	**64,256,967**	**22,206,581**	**2,341,623**	**158,320,928**
Capital expenditure incurred during the year	**55,933**	**31,401**	**16,127**	**45,557**	**149,018**

	2010				
	Wholesale banking	Retail banking	Treasury and markets	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net interest income/ (expense)	882,040	819,278	(88,564)	200,041	1,812,795
Other operating income	376,467	409,858	363,928	26,342	1,176,595
Net gain on disposal of available-for-sale securities	-	-	16,799	-	16,799
Operating income	1,258,507	1,229,136	292,163	226,383	3,006,189
Operating expenses	(178,168)	(424,564)	(41,420)	(808,045)	(1,452,197)
Inter-segment (expenses)/ income	(181,866)	(236,835)	(79,553)	498,254	-
Operating profit/ (loss) before impairment	898,473	567,737	171,190	(83,408)	1,553,992
Impairment losses (charged)/ written back on loans and advances and other accounts	(264,357)	(1,119)	-	3,540	(261,936)
Impairment losses written back on available-for-sale securities	-	7	-	-	7
Impairment losses (charged)/ written back	(264,357)	(1,112)	-	3,540	(261,929)
Operating profit/ (loss)	634,116	566,625	171,190	(79,868)	1,292,063
Impairment and write-down on capital notes investments	-	-	(668,385)	-	(668,385)
Net gain/ (loss) on disposal of property and equipment	(3,398)	(235)	(388)	525,693	521,672
Revaluation gain on investment properties	-	-	-	14,858	14,858
Profit/ (loss) before taxation	630,718	566,390	(497,583)	460,683	1,160,208
Income tax	-	-	-	(103,551)	(103,551)
Profit/ (loss) for the year	630,718	566,390	(497,583)	357,132	1,056,657
Other segment items:					
Depreciation	2,747	9,338	220	62,473	74,778
Segment assets	56,094,264	31,841,713	56,515,297	3,757,627	148,208,901
Segment liabilities	59,455,273	57,108,175	18,700,806	(407,156)	134,857,098
Capital expenditure incurred during the year	22,269	36,684	11,738	40,332	111,023

(b) Geographical information

The geographical information analysis is based on the location of the principal operations of the subsidiaries, or in the case of the Bank itself, of the location of the branches responsible for reporting the results or booking the assets and liabilities.

	2011				
	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	**1,531,819**	**156,160,679**	**143,567,767**	**2,929,392**	**43,446,840**
Mainland China	**161,591**	**15,636,529**	**14,087,474**	**294,921**	**1,378,711**
United States	**12,853**	**2,486,245**	**2,424,020**	**53,070**	**975,226**
Singapore	**2,581**	**5,760,368**	**5,759,463**	**105,643**	**1,341,223**
Others	**(16,854)**	**1,602,848**	**1,609,798**	**35,937**	**1,498,659**
Inter-segment items	**39**	**(10,220,544)**	**(9,127,594)**	**(133)**	**-**
	1,692,029	**171,426,125**	**158,320,928**	**3,418,830**	**48,640,659**

	2010				
	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	1,054,082	142,400,913	129,529,906	2,744,970	41,535,834
Mainland China	95,448	9,016,339	7,642,692	201,880	838,691
United States	(974)	1,558,498	1,452,247	35,120	560,413
Singapore	(1,018)	94,447	95,486	(16)	-
Others	7,677	983,104	958,966	26,681	1,565,567
Inter-segment items	4,993	(5,844,400)	(4,822,199)	(2,446)	-
	1,160,208	148,208,901	134,857,098	3,006,189	44,500,505

Unaudited supplementary financial information

(Expressed in Hong Kong dollars unless otherwise indicated)

(A) Capital adequacy ratio

(i) Capital adequacy ratio

	2011	2010
Capital adequacy ratio at 31 December	**18.30%**	19.03%
Core capital ratio at 31 December	**10.38%**	11.23%

The capital adequacy ratio ("CAR") and core capital ratio, at 31 December 2011 and 31 December 2010, 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

	2011 HK$'000	2010 HK$'000
Core capital		
Paid up ordinary share capital	**7,283,341**	7,283,341
Share premium	**282,930**	282,930
Reserves	**4,405,852**	3,990,723
Profit and loss account	**216,229**	1,056,657
Less: Net deferred tax assets	**(100,927)**	(98,376)
Total core capital before deductions	**12,087,425**	12,515,275
Less: Deductions from core capital	**(4,585)**	(514,786)
Total core capital after deductions	**12,082,840**	12,000,489
Supplementary capital		
Reserves attributable to fair value gains on revaluation of land and buildings	**2,543**	2,543
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	**121**	-
Regulatory reserve for general banking risks	**1,111,379**	732,504
Collectively assessed impairment allowances	**346,898**	359,960
Perpetual subordinated debt	**1,950,007**	1,972,153
Term subordinated debt	**5,813,819**	5,791,576
Total supplementary capital before deductions	**9,224,767**	8,858,736
Total eligible supplementary capital before deductions	**9,224,767**	8,858,736
Less: Deductions from supplementary capital items	**(4,585)**	(514,786)
Total supplementary capital after deductions	**9,220,182**	8,343,950
Total capital base after deductions	**21,303,022**	20,344,439
Total deductions from the core capital and supplementary capital	**9,170**	1,029,572
Risk-weighted amount		
- credit risk	**108,116,493**	99,707,717
- market risk	**2,305,663**	2,195,788
- operational risk	**6,011,388**	5,000,600
	116,433,544	106,904,105

(B) Liquidity ratio

	2011	2010
Average liquidity ratio for the year ended 31 December *	**43.57%**	44.71%

* 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.

(C) Further analysis on loans and advances to customers

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.

	2011		2010	
	Gross loans and advances to customers	**% of gross loans and advances to customers covered by collateral**	Gross loans and advances to customers	% of gross loans and advances to customers covered by collateral
	HK$'000		**HK$'000**	
Industrial, commercial and financial				
- Property development	**4,000**	**100**	313,400	100
- Property investment	**12,905,620**	**99**	11,585,272	98
- Financial concerns	**2,951,325**	**58**	4,386,559	45
- Stockbrokers	**35,000**	**100**	182,000	7
- Wholesale and retail trade	**6,352,248**	**79**	9,189,862	34
- Manufacturing	**6,153,567**	**52**	9,490,999	39
- Transport and transport equipment	**2,532,195**	**78**	2,940,451	71
- Recreational activities	**269,183**	**72**	261,747	80
- Information technology	**1,456**	**66**	16,370	41
- Others	**2,557,801**	**46**	2,692,537	47
Individuals				
- Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**23,124**	**100**	25,806	100
- Loans for the purchase of other residential properties	**10,135,734**	**100**	10,912,294	100
- Credit card advances	**283,061**	**-**	267,441	-
- Others	**5,335,304**	**93**	4,430,096	95
Gross loans and advances for use in Hong Kong	**49,539,618**	**83**	56,694,834	69
Trade finance	**10,372,639**	**24**	7,360,087	25
Gross loans and advances for use outside Hong Kong	**33,805,875**	**42**	24,763,314	36
Gross loans and advances to customers	**93,718,132**	**62**	88,818,235	56

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

	2011				
	Overdue loans and advances to customers	**Individual impairment allowances**	**Collective impairment allowances**	**Impaired loans and advances to customers**	**Impairment written back on income statement during the year**
	HK\$'000	**HK\$'000**	**HK\$'000**	**HK\$'000**	**HK\$'000**
Property investment	**-**	**-**	**699**	**-**	**(235)**
Loans for the purchase of other residential properties	**6,327**	**-**	**62**	**11,154**	**(951)**
Trade finance	**107,836**	**50,799**	**41,892**	**108,460**	**(504)**
Gross loans and advances for use outside Hong Kong	**146,888**	**117,955**	**137,619**	**364,537**	**(4,810)**
	261,051	**168,754**	**180,272**	**484,151**	**(6,500)**

	2010				
	Overdue loans and advances to customers	Individual impairment allowances	Collective impairment allowances	Impaired loans and advances to customers	Impairment charged/ (written back) on income statement during the year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment	-	-	1,975	-	(1,209)
Wholesale and retail trade	40,066	18,337	69,472	43,769	(13,498)
Manufacturing	97,632	59,219	94,796	130,950	119,726
Loans for the purchase of other residential properties	-	865	85	13,793	577
Gross loans and advances for use outside Hong Kong	888,048	153,582	70,766	919,941	(6,279)
	1,025,746	232,003	237,094	1,108,453	99,317

By geographical areas

	2011				
	Loans and advances to customers	**Overdue loans and advances to customers**	**Impaired loans and advances to customers**	**Individual impairment allowances**	**Collective impairment allowances**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Hong Kong	**56,667,444**	**307,112**	**348,486**	**58,672**	**195,377**
Mainland China	**23,874,829**	**63,246**	**63,247**	**3,174**	**77,937**
United States	**1,336,428**	**-**	**-**	**-**	**1,611**
Singapore	**3,564,689**	**-**	**-**	**-**	**30,093**
Others	**8,274,742**	**71,218**	**288,868**	**133,814**	**41,880**
	93,718,132	**441,576**	**700,601**	**195,660**	**346,898**

	2010				
	Loans and advances to customers	Overdue loans and advances to customers	Impaired loans and advances to customers	Individual impairment allowances	Collective impairment allowances
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	59,947,840	307,795	349,791	133,449	229,106
Mainland China	19,626,028	78,498	56,132	1,461	90,087
United States	1,795,773	-	-	-	5,528
Singapore	607,227	-	-	-	11,620
Others	6,841,367	744,438	824,889	162,724	23,619
	88,818,235	1,130,731	1,230,812	297,634	359,960

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 for more than three months.

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

(D) Overdue assets

Overdue loans and advances to customers

	2011		2010	
		% of total loans and advances to customers		% of 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	**21,999**	**0.02**	56,383	0.06
- 1 year or less but over 6 months	**175,513**	**0.19**	808,971	0.91
- over 1 year	**244,064**	**0.26**	265,377	0.30
	441,576	**0.47**	1,130,731	1.27
Secured overdue loans and advances	**367,906**		207,008	
Unsecured overdue loans and advances	**73,670**		923,723	
	441,576		1,130,731	
Market value of collateral held against the secured overdue loans and advances	**652,968**		384,033	
Individual impairment allowances made	**88,795**		241,294	

Loans and advances with specific repayment dates 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.

Eligible collateral, which is held in respect of the overdue loans and advances, is "Eligible Physical Collateral" which mainly comprises 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 disposal 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.

There were no advances to banks and other financial institutions which were overdue for over 3 months at 31 December 2011 and 2010.

Other overdue assets

	2011	2010
	HK$'000	HK$'000
Available-for-sale securities which have been overdue for:		
- over 1 year	-	13,421

(E) Rescheduled loans

	2011		2010	
		% of total loans and advances to customers		% of total loans and advances to customers
	HK$'000		HK$'000	
Rescheduled loans	**910,196**	**0.97**	283,179	0.32

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 are reported as overdue advances in note (D).

There were no advances to banks and other financial institutions which were rescheduled at 31 December 2011 and 31 December 2010.

(F) Repossessed assets

	2011	2010
	HK$'000	HK$'000
Included in loans and advances to customers and other accounts	**6,513**	4,000

The amount represents the estimated market value of the repossessed assets at 31 December 2011 and 31 December 2010.

(G) Cross-border claims

Cross-border claims are on statement of financial position 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:

	2011			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Asia Pacific excluding Hong Kong	**32,847,217**	**463,315**	**27,509,547**	**60,820,079**
of which Mainland China	**26,969,386**	**336,208**	**20,837,302**	**48,142,896**
Western Europe	**11,649,410**	**2,858**	**1,999,568**	**13,651,836**
of which France	**2,364,064**	**-**	**11,682**	**2,375,746**
of which Germany	**1,757,023**	**-**	**21,031**	**1,778,054**
of which Spain	**1,542,440**	**-**	**950,079**	**2,492,519**
of which United Kingdom	**3,233,853**	**737**	**404,714**	**3,639,304**

	2010			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Asia Pacific excluding Hong Kong	16,406,753	236,008	21,761,227	38,403,988
of which Australia	2,970,715	1,950	733,512	3,706,177
of which Mainland China	8,362,781	66,054	18,290,877	26,719,712
Western Europe	10,087,353	2,401	2,141,922	12,231,676
of which France	1,285,045	-	6,614	1,291,659
of which Netherlands	951,367	-	719,951	1,671,318
of which Spain	1,112,956	-	215,048	1,328,004
of which Switzerland	1,161,563	-	158,524	1,320,087
of which United Kingdom	2,580,236	971	567,109	3,148,316

(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.

	2011			
	On-statement of financial position exposure	**Off-statement of financial position exposure**	**Total**	**Individual impairment allowances**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Mainland China entities	**14,932,429**	**6,021,822**	**20,954,251**	**22,477**
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	**28,529,769**	**10,965,515**	**39,495,284**	**18,072**
	43,462,198	**16,987,337**	**60,449,535**	**40,549**

	2010			
	On-statement of financial position exposure	Off-statement of financial position exposure	Total	Individual impairment allowances
	HK$'000	HK$'000	HK$'000	HK$'000
Mainland China entities	16,096,399	7,878,958	23,975,357	11,048
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	26,151,097	14,784,059	40,935,156	35,600
	42,247,496	22,663,017	64,910,513	46,648

Report of the Chief Executive Officer

Operating Environment

In 2011, Hong Kong's economy maintained a relatively rapid growth driven by strong domestic consumption and robust tourism. The global economy and investment conditions, on the other hand, were hard hit by a number of fast-deteriorating external conditions, especially the unprecedented downgrade of the US' AAA credit rating in the first half of 2011 and the renewed threat of Europe's debt crisis spill-over into several major countries in the region. As a small, export-oriented economy, Hong Kong began to experience adverse effects posed by the sluggish external economic environment, with the trade sector being hit head-on and seeing a marked slowdown.

On a positive note, the Chinese Central Government continued to facilitate Hong Kong's development as an offshore RMB centre and in the second half of the year rolled out several pro-Hong Kong measures including a series of those for optimising the RMB backflow mechanism, thus creating more opportunities for onshore and offshore RMB business. In a slowing macro-economic environment fraught with increased risks, these new opportunities were particularly important in bringing benefits and support to Hong Kong's financial industry.

CITIC Bank International Limited ("CBI") and its subsidiaries ("the Group"), at the critical juncture of the economic cycle in 2011, adopted a prudent yet proactive approach in business development. On the one hand, it focused its efforts on tightening underwriting practices and enhancing its asset and liability management by aligning loan and deposit growth momentum in order to improve yield and ensure ample liquidity towards achieving a sound overall financial standing. On the other hand, capitalising on the opportunities presented by Hong Kong's rapidly growing offshore RMB market, the Group actively drove the development of related business and revenue growth while making two major business moves in accordance with the planned strategy. These included the official launch of the Singapore Branch as the Group's strategic foothold in the ASEAN market, and the roll-out of a new private banking service in Hong Kong, to establish a one-stop onshore and offshore private banking platform in collaboration with its parent bank, China CITIC Bank Corporation Limited ("CNCB"). This not only underpinned CBI's role as the offshore platform for CNCB Group's pursuit for international expansion, but also diversified the source of income and laid a solid foundation for the stable development of business sustainability.

Business Performance

Earnings

Riding on its established leadership in RMB business to grasp the opportunities arising from the rapid development of Hong Kong's offshore RMB businesses, the Group strengthened the collaboration with its parent bank CNCB in 2011 to capitalise on its extensive network and customer base in Mainland China. This enabled the Group to roll out timely and diversified RMB products and services which effectively met its customers' investment and hedging needs and drove a significant increase in non-interest income in support of the continuous growth in the Group's overall income and earnings. During the year, the Group's operating income rose by 13.7% year-on-year to HK$3,419 million, while its operating profit before impairment also increased by 13.7% to HK$1,766 million.

Since 2009, the Group leveraged off the management expertise of its strategic shareholder, Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") to put in place a comprehensive Risk Management Plan which was completed successfully at year-end 2011. The plan effectively improved asset quality, resulting in continuous improvement in the Group's impairment provisions. In 2011, the Group recorded net impairment losses of HK$103 million, representing a reduction of 60.8% as compared to 2010. Taking into account the HK$28 million in revaluation gain on investment properties, the Group's profit before taxation increased by 45.8% year-on-year to HK$1,692 million while its profit attributable to shareholders surged by 33.5% to HK$1,410 million as compared to 2010. Both figures hit a historical high.

Net Interest Income

In 2011, the Group maintained a stable loan growth with total loans up by 5.5% as compared to year-end 2010. In addition to this, the continuous effect of the repricing of corporate loan portfolio helped to boost net interest income by 2.7% year-on-year to HK$1,862 million. However, due to fierce competition for customer deposits in the banking industry, funding costs rose significantly, thus putting hard pressure on net interest margin, which contracted 16 basis points year-on-year to 1.22% from 1.38% in 2010.

Non-Interest Income

During the year, the Group's non-interest income grew significantly by 30.5% year-on-year to HK$1,557 million after factoring in losses of HK$140 million incurred from a reduction in its European bond holdings. The growth in non-interest income was partly attributable to the 128.6% year-on-year surge in income related to the effective cross-selling of treasury products facilitated by the close collaboration between Treasury & Markets Group, Wholesale Banking Group and Retail Banking Group amid surging demand for offshore RMB products. Wealth management related income also grew steadily by 19.3%, while trade bills commission income rose significantly by 44.4%. All of these factors were key to the growth in non-interest income. Aside from this, the Group, together with 15 other banks, reached an agreement with relevant parties on the final resolution proposal for Lehman Brothers Minibonds in March 2011. As a result, the Group made a one-off write-back from the recovery of Lehman Brothers Minibonds collateral, which was also reflected in its non-interest income during the year.

Operating Expenses

The Group pursued steady business development as planned and further increased the number of its Hong Kong and overseas branches. Therefore, more resources have been allocated to manpower, systems, and equipment. Upward adjustment pressure on wages and rental of premises also caused the Group's operating expenses to rise 13.8% year-on-year during the year to HK$1,652 million. The Group's cost to income ratio stood at 48.3%, remaining approximately at the same level as in 2010.

Impairment Allowances

Owing to stringent asset quality control, the Group registered a net write-back in loans and advances and other accounts totalling HK$75 million during the year. Net impairment losses of HK$262 million were recorded for 2010. The net write-back in individually assessed loans and collectively assessed loans amounted to HK$42 million and HK$4 million respectively during the year, compared with a net charge-off of HK$221 million and HK$62 million respectively in 2010. Bad debt recoveries increased by 41.3% year-on-year to HK$29 million. The Group also recorded impairment losses of HK$178 million on available-for-sale securities in one of its European bond holdings during the year as the European debt crisis deteriorated.

Asset Quality

Asset, Loan, and Deposit Sizes

As the economic environment turned uncertain, the Group focused its efforts on enhancing its credit approval as well as asset and liability management by increasing lending moderately and putting more efforts on raising deposits in 2011 in order to improve yield and ensure ample liquidity. As at end-December 2011, the Group's total loans rose moderately by 5.5% to HK$93.7 billion. Meanwhile, the Group's roll-out of a diverse range of customer-driven deposit products drove customer deposit growth effectively. Consequently, total deposits rose significantly by 15.5% to HK$139.1 billion as compared to year-end 2010, contributing to an increase of 15.7% in total assets to HK$171.4 billion.

Asset Quality Indicators

The Group's asset quality improved steadily, resulting in a continuous decline in the impaired loan ratio over the last three years. As at end-December 2011, the impaired loan ratio dropped to 0.75% from 1.39% as at end-December 2010 and from 1.78% as at end-December 2009, reflecting the effectiveness of the Group's stringent asset quality control.

Financial Position

During the year, the Group paid out a dividend of HK$1,625 million and also expanded its loan portfolio. As a result, the Group's capital adequacy ratio as at end-December 2011 dropped by 0.7 percentage point to 18.3% as compared to year-end 2010, but was still far higher than the industry average. To support steady business growth and respond to the mounting regulatory and capital requirements for the global banking sector, the Group believes that maintaining its capital adequacy ratio at a relatively strong level is conducive to long-term development. Meanwhile, despite tightening liquidity conditions, the roll-out of a series of successful customer deposit campaigns and active asset and liability management programmes enabled the Group to maintain its average liquidity ratio and loans to deposits ratio at a healthy level of 43.6% and 67.3% respectively as at end-December 2011.

CBI's Key Financial Ratios

	31 December 2011	**31 December 2010**
Capital adequacy	18.3%	19.0%
Core capital adequacy	10.4%	11.2%
Average liquidity	43.6%	44.7%
Loans to deposits	67.3%	73.7%
Loans to total assets	54.7%	59.9%
Impaired loans	0.75%	1.39%
Coverage[1]	96.3%	45.5%
Loan loss coverage	77.4%	53.4%
Mainland loans to total customer advances	25.5%	22.1%

[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")

In 2011, RBG continued to execute transformation initiatives as planned and delivered satisfactory results despite volatilities in the global financial markets and slowing economic growth in Mainland China and Hong Kong. The total retail lending balances grew 6.4% year-on-year to HK$33.3 billion which was attributable mainly to the satisfactory growth in mortgages and secured SME loans. With an effort to expand CBI's distribution channels, retail deposits surged by 13.2% over 2010 to HK$59.2 billion. Compared to the previous year, net interest income declined by 15.1% to HK$696 million as a result of the rising cost of funds. Despite this, non-interest income rose 66.1% year-on-year to HK$681 million, on the back of the write-back from Lehman Brothers Minibonds and in particular the high-performing wealth management business which recorded a significant revenue growth from currency-linked deposits and foreign exchange.

Operating expenses increased 15.1% year-on-year to HK$761 million, due primarily to increased investments in frontline talent and distribution channels expansion in support of various business development initiatives including the launch of the private banking service. RBG's loan quality remained healthy with a write-back of HK$5.5 million in credit cost for 2011. In all, RBG posted a record high net profit before tax of HK$620 million, up 9.5% year-on-year.

During the year, two new branches, the Des Voeux Road West Branch and CITIC Tower Branch complemented CBI's retail network which now boasts 32 branches across Hong Kong. A direct sales channel responsible for deposit gathering was also set up to increase CBI's alternative distribution channel capability.

Aside from this, the Group's CITIC*first* private wealth management franchise reported an encouraging 13.8% growth in clientele over the year 2010 to more than 19,300 with total customer assets under management exceeding HK$50 billion.

In April 2011, RBG officially launched its private banking service which comprises a comprehensive portfolio of superior wealth management solutions to high net worth individuals and entrepreneurs in Mainland China and Hong Kong. Local clients acquired actively by the Hong Kong Team, as well as Mainland clients referred by parent bank CNCB and currently managed by the China Team, gave RBG good leverage in developing borderless private banking services for different clients' needs.

<u>Wholesale Banking Group ("WBG")</u>

In 2011, WBG again delivered superior results. Profit before tax achieved a record high, with a year-on-year growth of 57.5%. Such outstanding performance was underpinned by WBG's continuous progress against the multi-engine business model developed in the beginning of 2010 with a strategic focus on revenue stream diversification, product capability upgrade, regional expansion, close collaboration with parent bank CNCB, and prudent risk management.

In the coming years, the competitive landscape of the banking industry in Hong Kong is expected to be paved with uncertainties resulted from volatilities in the European and US markets, coupled with the continuous growth of China's cross-border trade and RMB internationalisation. With the support of the Group's parent bank, WBG's business model, which was built to widen income streams and enhance revenue sustainability through product upgrade and regional expansion, laid the foundation for sustaining continuous growth. As one of the forerunners in launching new cross-border RMB trade products, WBG continued to seek to create value for its customers and, through effective cross-selling to drive profitability and capital efficiency, achieved significant growth in RMB deposits, loans, cross-border trade settlement and Global Markets products. WBG's competitive advantage exhibited in this area underscored the Group's commitment to becoming customers' "China Bank of Choice".

The opening of the Singapore Branch in December 2010 marked the Group's success in expanding its offshore network, meeting customers' regional business needs, and ultimately contributing to a stronger and more profound relationship with them. The Singapore Branch made its mark in cross-border business by being the first Chinese financial institution in Singapore to complete High-Yield RMB Swap transactions for corporate customers. Throughout the year 2011, the growth momentum of the Singapore Branch showed promise, with strong financial results exceeding expectations.

Faced with mounting challenges in the market environment, WBG remained steadfast in observing strict customer management and lending disciplines established a year ago, which should form a solid foundation for building sustainable growth.

China Banking

The Group strengthened its role within the function as an effective cross-border financial platform for its parent bank CNCB and its ultimate parent company CITIC Group Corporation ("CITIC Group") and in 2011 made significant strides in a number of structural works. Many CNCB clients turned to seek overseas financing as their cross-border business grew. In view of this, the Group tailored financial solutions which catered for these clients' needs, adding emphasis to its role as the offshore financing platform of CNCB. There was a marked increase in financing to CNCB's corporate customers and their overseas subsidiaries. The form of financing varied and included "3-in-1" product financing, standby letter of credit ("LC") loans, overseas refinancing and LC negotiation. Among these, the performance of overseas refinancing and LC negotiation had been particularly encouraging, registering a year-on-year growth of 31% and 330% respectively in 2011. The amount of the Group's financing to CITIC Group subsidiaries and their partners also grew substantially, involving a variety of financing products including syndication loans, Certificates of Deposit, domestic and overseas structured finance, as well as property financing.

Meanwhile, further progress was seen in the cross-border RMB business cooperation between the Group and CNCB. The volume of CBI's cross-border RMB trade settlement grew significantly in 2011 to a market share of more than 3% in Hong Kong. This put CNCB in a No.1 position among the Mainland's small- to medium-sized banks in the cross-border RMB trade settlement business. Advances were also observed in RMB product development, with the transaction volume of RMB non-deliverable forward ("NDF") business, overseas RMB refinancing and Express Remittance reaching a record high during the year. Among these, the performance of Express Remittance services was most reassuring, with the transaction volume surging by 320% year-on-year in 2011. It is noteworthy that the success of these products also brought in a large quantity of new RMB deposits for CNCB's branches on the Mainland.

CITIC Bank International (China) Limited ("CBI China") stepped up its functional role as the Group's onshore platform during the year in a bid to support the development of the Group's cross-border business by consolidating the cooperation between the Group's Hong Kong teams and CNCB branches and CITIC Group's subsidiaries. It also played an instrumental role in facilitating and materialising the aforementioned business collaboration between the Group and CNCB or CITIC Group. Through a series of new products, CBI China achieved significant growth with impressive business development results.

Treasury and Markets Group ("TMG")

In spite of the challenging external environment, TMG tapped the opportunities arising from the spectacular growth of Hong Kong's offshore RMB market to develop related businesses, providing customers with tailored RMB products in a timely manner and thus registered satisfactory results in 2011. Driven by sharp income growth from RMB product sales, the fee income from cross-selling of Global Markets' treasury products surged by 128.6% year-on-year. As a result, TMG reported a record operating income of HK$345 million in 2011, up 18.0% from the previous year.

During the year, TMG extended its debt capital market capabilities. Taking either a lead- or co-lead manager role, it successfully assisted various corporate customers including Road King, TPV, Tsinlien and Shougang Holding with the issuance of four RMB dim-sum bonds. The Group also became a nominee bank for the international tranche of Hong Kong's first RMB REIT IPO in partnership with CITIC Securities International. Meanwhile, the Group actively participated in Hong Kong's offshore RMB ("CNH") market and became one of the most active market makers and a CNH daily FX fixing rate contributing bank, taking a 10% share of the CNH interbank foreign exchange market.

In the area of central treasury management, the Group exercised prudence in an orderly manner and reduced its European bond holdings in its available-for-sale securities portfolio during the year in order to minimise the possible adverse impact entailed by the European debt crisis, posting however a disposal loss on securities of HK$140 million. In a move to secure deposit-taking, TMG, in close collaboration with WBG and RBG, built a bigger market share and longer maturity profile in RMB deposits which provided a sound funding base for the Group's various RMB business development plans. As at year-end 2011, CBI's RMB customer deposits accounted for 15.4% of its total customer deposits.

Risk Management

The global economic environment in 2011 was filled with volatilities. Amid this tumultuous climate, the Risk Management Group focused its efforts on tightening underwriting practices, rigorous risk reviews, managing vulnerable portfolios, improving the Group's investment strategy, and developing critical risk tools.

In 2011, the Group continued to strengthen its risk management infrastructure and capabilities. A Risk Management Plan ("RMP"), which was kick-started in 2009, was completed in December 2011. This plan resulted in the development and enhancement of comprehensive risk tools, methodologies, and processes to enhance the Group's risk infrastructure. This has enabled the Group to establish the Global Risk Indicator ("GRI") which is an objective, simple and comprehensive tool to measure the Group's overall risk profile.

The Group has adopted the standardised approach for credit risk and market risk, and the basic indicator approach for operational risk. Accordingly, the Group has overhauled its systems and controls in order to meet the standards required for these approaches. Based on the Basel framework, the Group has strengthened the risk based pricing model and capital measurement tools for more effective capital management to cater to CBI's strategic decisions and future growth.

In the areas of corporate governance, the Credit and Risk Management Committee ("CRMC") is empowered by the Board to ensure that the risk management practices in place are commensurate with the Group's strategies and business activities, encompassing oversight of CBI's risk profile, policies, and risk control framework. The prime responsibility of the Director of Risks is to ensure that effective risk control framework and processes are implemented and that the CRMC is apprised of critical risk issues and developments.

The Group's risk policies and procedures are subject to a high degree of oversight. Established policies and procedures are in place to identify, quantify and analyse the risks to which the Group is exposed, and to set appropriate risk control limits for monitoring. The Group continuously enhances its risk policies, procedures and frameworks in line with best practices. In addition, the Audit Department conducts regular independent reviews of the bank-wide risk management practices to ensure compliance with internal policies as well as regulatory requirements.

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

With the establishment of a comprehensive, long-term Operational Risk Management ("ORM") plan, significant enhancement and progress has been achieved. Implementation in 2011 encompassed bank-wide operational risk training, incident reporting mechanism and escalation protocol, operational risk self-assessment and key risk indicator model development. These ORM tools have been revamped and integrated in all business and functional units. Staff are engaged and are alert to identify, assess and report operational risks, which is further strengthened by strong management support to further cultivate the operational risk culture.

The strategic collaboration between the Group, CNCB and BBVA, is well established with a substantial focus on achieving synergy in the risk management area. Risk knowledge sharing and skills transfer have contributed significantly to the establishment of a more advanced risk management model and best practices. This formidable alliance has enabled the Group to better capture the opportunities from the growing economic pre-eminence of the Greater China and Asian region. Risk management remains a fundamental and integral part of the Group's business activities. In 2012, priorities will be given to the continuous enhancement of capital and liquidity management, BASEL III, and actively managing all risks to ensure they are aligned with the Group's risk appetite.

Human Resources Development

With a view to uphold its “best in class” service, the Group went to great lengths to acquire, develop and retain talent. For the development of the Singapore Branch and the private banking service for instance, much attention was paid to ensuring the newly hired employees were equipped with the competence, ethical standards, and awareness of governance. Through continuous learning and a quest for excellence, the Group’s workforce helped drive financial results and sustain its robust operational infrastructure.

With an aim to further align and integrate with its parent bank and to fulfil the brand promise of the Group, Human Resources Group launched a series of training interventions named “Winning Business in China” with encouraging response. This was complemented by an array of mini-lectures and topical presentations on politics, economy, business etiquette and practices, social trends, as well as interpersonal techniques. More cross-border events are in the 2012 pipeline to gear staff up for increased and more diverse collaboration between the Group and selected CNCB branches.

Turning to people development, the Group conducted a series of target and structured learning programmes to raise the overall competency levels and professional standards of its staff. WBG continued to run a Management Associate Programme to nurture and attract talent while RBG launched a Financial Service Executive Programme to train and enhance the supply of its frontline professionals. To prepare mid-level managers for broader responsibilities, the Group also spearheaded a Career Coaching Programme, involving the CEO and all CBI’s senior executives, for a batch of more than 30 high-performing managers with more to be identified in 2012.

The Group’s core values, business directions, and key achievements were communicated to staff via various bank-wide and function-specific communication initiatives. These included the Quarterly CEO Forums, Executive Forum, business unit forums, management conferences, Long-service Awards presentation ceremonies, the STAR Award programme, as well as various induction programmes. Through these, exemplary behaviours were recognised, praised and promoted while health awareness, social service, environment protection and work-life balance were encouraged through team events, sports activities, and community services.

Future Outlook

To tackle the European debt crisis and alleviate budget deficits, a number of euro-zone nations have announced tight fiscal measures, which will likely heighten recession risks in the region in 2012. In addition, as the pace of economic recovery remains slow for the US and the once resilient emerging markets begin to show signs of a slowdown, the global economic outlook for 2012 will remain pessimistic. The challenging possibilities for Hong Kong's financial sector are to be taken with utmost caution given the dim outlook for the global economy this year.

Reassuringly, Hong Kong boasts strong financial fundamentals as well as ample fiscal surplus, and is well geared to deal with economic adversity and financial crisis. Besides, the Mainland economy, which is linked ever so closely to that of Hong Kong, still has the world's highest growth. The country's huge stockpile of foreign exchange reserves, abundant surplus and robust domestic consumption constitute advantageous conditions for accelerated economic growth. Buoyed by the advantages from its close ties with the motherland in addition to government measures to boost cross-border RMB business, Hong Kong's financial industry can expect to see ample exciting opportunities ahead.

Looking ahead, the Group will continue to adhere to stringent financial disciplines as well as risk management to ensure a sound financial and capital position in preparation for possible economic turbulences brought by a potentially downward spiralling economic environment. The Group will also maintain its competitive edge in RMB business and allocate more resources to related product research and development, riding on CNCB's extensive network and customer base on the Mainland to propel the development of offshore RMB business and RMB business in Hong Kong.

Equally important, the Group will this year move on as planned with development strategies to expand its network by opening new concept branches in Hong Kong to cater to the growth in retail banking business. Further a field, the Group is working towards completing the preparation work for a new representative office in Australia and for launching private banking services at its Singapore Branch in order to advance CNCB Group's progress of international expansion. The Group believes that continuous implementation of regional presence and growth strategies will increase the Group's capability for serving Hong Kong, Mainland and regional customers who demonstrate business needs and have development plans within the region.

The year 2012 marks CNCB's 25th anniversary and CBI's 90th anniversary. CBI plans to align the design elements of its logo with those of CNCB's. This will enable CBI to further leverage its strong Chinese parentage and fully realise the synergistic benefits within the CNCB Group.

Chan Hui Dor Lam Doreen
Chief Executive Officer
Hong Kong, 29 March 2012