中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

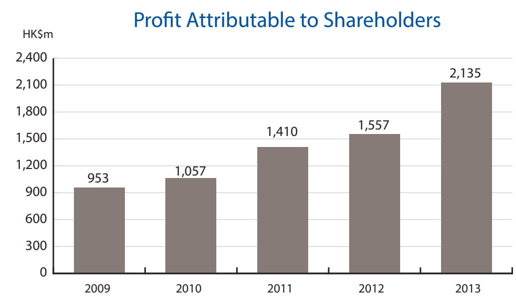
你首选的中资银行
The China Bank of Choice

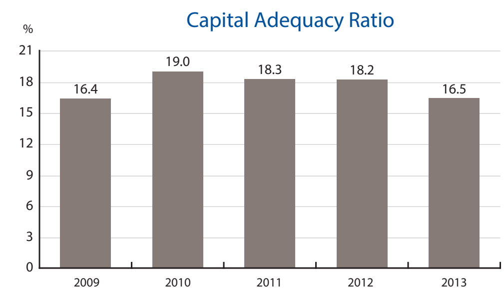
Focus on Fundamentals as We Scale New Heights

2013 Results Highlights

Results Highlights

- Total assets grew 22.1% year-on-year to reach record-breaking HK$216.3 billion
- Profit attributable to shareholders rose 37.2% to HK$2.14 billion
- Net interest margin at 1.83%, up 45 basis points year-on-year, surpassing industry average of 4 basis points
- Net interest income increased 42.4% to HK$3.33 billion
- Operating income up 27.8% year-on-year to HK$4.75 billion
- ROA at 1.11%, up 22 basis points year-on-year, ROE at 13.22%, up 2.4 percentage points year-on-year
- Total deposits grew 17.8% year-on-year to HK$170.8 billion, with RMB deposit to total deposits at 25.4%
- Total loans exceeded HK$127.0 billion, up 20.9% year-on-year
- Ample liquidity with average liquidity ratio at 55.3%
- As of end 2013, capital adequacy ratio stood at 16.5%, well above HKMA requirement
- Impaired loan ratio at 0.32%, down 13 basis points from 0.45% in 2012 and improved for five consecutive years since 2009





Core Businesses

- **Wholesale & Cross-border Banking Group:** Operating income grew 9.6% year-on-year to record-high of HK$2.28 billion, of which, revenue generated by business referrals from CNCB and CITIC Group entities achieved 37.2% growth. Leveraging the Bank's expertise in RMB and cross-border products and services, Wholesale & Cross-border Banking Group, overseas branches and CITIC Bank International (China) Limited ("CBI (China)") drove customer loans and deposits up 31.0% and 25.1% to HK$89.47 billion and HK$85.79 billion, respectively.
- **Personal & Business Banking Group:** Operating income rose 11.5% to HK$1.54 billion, mainly driven by a 16.9% increase in net interest income. Strengthened distribution channel capabilities helped drive customer deposit growth of 13.8% year-on-year, reaching HK$73.96 billion. Customer loans grew 4.4%, primarily secured SME loans and personal unsecured lending amid keen competition in the mortgage market.
- **Treasury & Markets Group:** Operating income improved significantly to HK$925 million. Of which, boosted by product diversification, expanded customer base and favourable market environment, non interest income of Global Markets grew 30.6% year-on-year to HK$672 million.

中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

CHINA CITIC BANK INTERNATIONAL LIMITED

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

ANNOUNCEMENT OF 2013 ANNUAL RESULTS

The Board of Directors of China 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 2013.

Consolidated Income Statement
For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	2013 *HK$'000*	2012 *HK$'000*
Interest income	**5,664,037**	4,847,356
Interest expense	**(2,333,080)**	(2,508,545)
Net interest income	**3,330,957**	2,338,811
Fee and commission income	**733,683**	678,005
Fee and commission expense	**(38,144)**	(37,839)
Net fee and commission income	**695,539**	640,166
Net trading income	**665,324**	718,456
Net gain from financial instruments designated at fair value through profit or loss	**3,017**	5,272
Net hedging gain	**1,970**	503
Net gain/(loss) on disposal of available-for-sale securities	**12,324**	(27,523)
Other operating income	**38,116**	39,802
Operating income	**4,747,247**	3,715,487
Operating expenses	**(2,089,057)**	(1,808,312)
Operating profit before impairment	**2,658,190**	1,907,175
Impairment losses on loans and advances and other accounts	**(84,356)**	(91,216)
Impairment losses on available-for-sale securities	**(35,590)**	–
Impairment losses	**(119,946)**	(91,216)
Operating profit	**2,538,244**	1,815,959
Net gain/(loss) on disposal of property and equipment	**13,936**	(745)
Revaluation gain on investment properties	**2,174**	50,746
Profit before taxation	**2,554,354**	1,865,960
Income tax	**(418,873)**	(309,402)
Profit for the year	**2,135,481**	1,556,558
Attributable to equity shareholders of the Bank	**2,135,481**	1,556,558

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**2,135,481**	1,556,558
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that will not be reclassified to income statement:		
Property revaluation reserve		
–transfer to deferred tax on disposal	**921**	–
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of financial statements of overseas subsidiaries	**42,751**	25,937
Available-for-sale securities		
– change in fair value	**(91,487)**	415,071
– transfer (from)/to income statement on disposal	**(11,269)**	21,093
– transfer to income statement on impairment	**35,590**	–
– transfer to/(from) deferred tax	**12,174**	(72,000)
Other comprehensive income for the year	**(11,320)**	390,101
Total comprehensive income for the year	**2,124,161**	1,946,659
Attributable to equity shareholders of the Bank	**2,124,161**	1,946,659

Consolidated Statement of Financial Position
At 31 December 2013
(Expressed in Hong Kong dollars)

	2013	2012
	HK$'000	*HK$'000*
Assets		
Cash and balances with banks, central banks and other financial institutions	**12,621,484**	5,290,053
Placements with and advances to banks, central banks and other financial institutions	**46,089,324**	43,501,215
Trading assets	**2,398,265**	1,849,344
Securities designated at fair value through profit or loss	**63,204**	91,500
Loans and advances to customers and other accounts	**132,531,544**	107,474,923
Available-for-sale securities	**21,661,781**	18,030,653
Property and equipment		
– Investment property	**180,056**	238,348
– Other property and equipment	**719,624**	670,605
Tax recoverable	**6**	6,038
Deferred tax assets	**42,618**	28,761
Total assets	**216,307,906**	177,181,440
Equity and liabilities		
Deposits and balances of banks and other financial institutions	**7,522,382**	3,685,575
Deposits from customers	**154,658,966**	130,719,661
Trading liabilities	**1,568,640**	907,342
Certificates of deposit issued	**16,175,173**	14,297,569
Debt securities issued	**1,151,253**	1,119,747
Current taxation	**179,394**	62,133
Deferred tax liabilities	**12,124**	1,478
Other liabilities	**9,206,405**	4,637,920
Loan capital	**8,657,552**	6,698,159
Total liabilities	**199,131,889**	162,129,584
Equity		
Share capital	**7,283,341**	7,283,341
Reserves	**9,892,676**	7,768,515
Total equity attributable to equity shareholders of the Bank	**17,176,017**	15,051,856
Total equity and liabilities	**216,307,906**	177,181,440

Consolidated Statement of Changes in Equity
For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	General reserve *HK$'000*	Exchange differences reserve *HK$'000*	Property revaluation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Statutory reserve *HK$'000*	Regulatory general reserve *HK$'000*	Retained profits *HK$'000*	Total reserves *HK$'000*	Total equity *HK$'000*
At 1 January 2013	**7,283,341**	**282,930**	**6,589**	**100,000**	**98,150**	**4,718**	**50,146**	**33,241**	**124,915**	**7,067,826**	**7,768,515**	**15,051,856**
Changes in equity for 2013:												
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,135,481**	**2,135,481**	**2,135,481**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**42,751**	**921**	**(54,992)**	**–**	**–**	**–**	**(11,320)**	**(11,320)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**42,751**	**921**	**(54,992)**	**–**	**–**	**2,135,481**	**2,124,161**	**2,124,161**
Transfer from retained profits	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,108**	**24,585**	**(29,693)**	**–**	**–**
Release of reserve upon disposal of property	**–**	**–**	**–**	**–**	**–**	**(5,584)**	**–**	**–**	**–**	**5,584**	**–**	**–**
At 31 December 2013	**7,283,341**	**282,930**	**6,589**	**100,000**	**140,901**	**55**	**(4,846)**	**38,349**	**149,500**	**9,179,198**	**9,892,676**	**17,176,017**
At 1 January 2012	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
Changes in equity for 2012:												
Profit for the year	–	–	–	–	–	–	–	–	–	1,556,558	1,556,558	1,556,558
Other comprehensive income for the year	–	–	–	–	25,937	–	364,164	–	–	–	390,101	390,101
Total comprehensive income for the year	–	–	–	–	25,937	–	364,164	–	–	1,556,558	1,946,659	1,946,659
Transfer from retained profits	–	–	–	–	–	–	–	12,379	2,175	(14,554)	–	–
At 31 December 2012	7,283,341	282,930	6,589	100,000	98,150	4,718	50,146	33,241	124,915	7,067,826	7,768,515	15,051,856

Consolidated Cash Flow Statement
For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	2013	2012
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	**2,554,354**	1,865,960
Adjustments for non-cash items:		
Impairment losses on loans and advances and other accounts	**84,356**	91,216
Impairment losses on available-for-sale securities	**35,590**	–
Net (gain)/loss on disposal of available-for-sale securities	**(12,324)**	27,523
Net (gain)/loss on disposal of property and equipment	**(13,936)**	745
Revaluation gain on investment properties	**(2,174)**	(50,746)
Amortisation of deferred expenses	**55,558**	68,276
Depreciation on property and equipment	**116,258**	101,574
Dividend income from equity securities	**(5,568)**	(5,303)
Interest expense on loan capital	**385,388**	410,791
Foreign exchange differences	**394,870**	135,376
	3,592,372	2,645,412
(Increase)/decrease in operating assets		
Placements with and advances to banks, central banks and other financial institutions with original maturity beyond 3 months	**(8,106,403)**	4,796,934
Treasury bills with original maturity beyond 3 months	**(397,794)**	829,626
Certificates of deposit held with original maturity beyond 3 months	**(1,469,741)**	(2,494,558)
Trading assets	**(548,921)**	230,340
Securities designated at fair value through profit or loss	**28,296**	264,177
Loans and advances to customers and other accounts	**(25,202,223)**	(11,260,756)
Available-for-sale securities	**(3,757,083)**	6,835,143
	(39,453,869)	(799,094)
Increase/(decrease) in operating liabilities		
Deposits and balances of banks and other financial institutions	**3,836,807**	(1,435,723)
Deposits from customers	**23,939,305**	3,679,265
Trading liabilities	**661,297**	(423,855)
Certificates of deposit issued	**1,519,989**	2,036,639
Debt securities issued	**–**	714,667
Other liabilities	**4,171,848**	797,453
	34,129,246	5,368,446
Cash (used in)/generated from operations	**(1,732,251)**	7,214,764

	2013	2012
	HK$'000	*HK$'000*
Cash (used in)/generated from operations	**(1,732,251)**	7,214,764
Income tax paid		
Hong Kong Profits Tax paid	**(193,587)**	(325,800)
Overseas tax paid	**(46,757)**	(45,933)
Net cash (used in)/generated from operating activities	**(1,972,595)**	6,843,031
Investing activities		
Dividends received from equity securities	**5,568**	5,303
Purchase of property and equipment	**(176,028)**	(126,880)
Proceeds from disposal of property and equipment	**84,317**	63
Net cash used in investing activities	**(86,143)**	(121,514)
Financing activities		
Proceeds from loan capital issued	**2,325,852**	2,312,589
Redemption of loan capital	**–**	(3,878,422)
Interest paid on loan capital	**(357,034)**	(463,160)
Net cash from/(used in) financing activities	**1,968,818**	(2,028,993)
Net (decrease)/increase in cash and cash equivalents	**(89,920)**	4,692,524
Cash and cash equivalents at 1 January	**43,702,447**	39,009,923
Cash and cash equivalents at 31 December	**43,612,527**	43,702,447
Cash flows from operating activities include:		
Interest received	**5,578,775**	4,850,950
Interest paid	**(1,830,143)**	(2,047,201)

Notes:

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The financial information relating to the financial year ended 31 December 2013 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 2013 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 several amendments to HKFRSs 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:

– Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

– HKFRS 13, *Fair value measurement*

– Amendments to HKFRS 7, Disclosures – *Offsetting financial assets and financial liabilities*

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

The impacts of the adoption of the new or amended HKFRSs are as follows:

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to the income statement in the future if certain conditions are met separately from those that would never be reclassified to the income statement. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 is required to be applied prospectively from the beginning of the first annual period in which it is applied. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in the notes 26 and 43 to the financial statements. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKFRS 7, *Disclosures – Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities, which enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32. To the extent that the requirements are applicable to the Group, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities in the note 42(a)(iii) to the financial statements.

3 INTEREST INCOME AND INTEREST EXPENSE

(a) Interest income

	2013	2012
	HK$'000	*HK$'000*
Listed securities	**1,189**	3,284
Unlisted securities	**357,073**	390,717
Others (Note)	**5,305,775**	4,453,355
Interest income on financial assets that are not at fair value through profit or loss	**5,664,037**	4,847,356

(b) Interest expense

	2013	2012
	HK$'000	*HK$'000*
Deposits from customers, banks and other financial institutions, certificates of deposit issued and others	**1,904,390**	2,084,184
Debt securities issued	**43,302**	13,570
Loan capital issued	**385,388**	410,791
Interest expense on financial liabilities that are not at fair value through profit or loss	**2,333,080**	2,508,545
Of which:		
Loan capital issued repayable after 5 years	**170,909**	161,165

Note:
Included in the above is interest income accrued on impaired financial assets of HK$7,217,000 (2012: HK$5,240,000), which includes interest income on the unwinding of the discount on loan impairment losses of HK$4,828,000 (2012: HK$5,120,000) for the year ended 31 December 2013.

4 NET FEE AND COMMISSION INCOME

	2013	2012
	HK$'000	*HK$'000*
Fee and commission income:		
Bills commission	**131,639**	124,387
Card-related income	**24,187**	24,218
General banking services	**86,130**	80,795
Insurance	**167,791**	190,645
Investment and structured investment products	**126,873**	96,533
Loans, overdrafts and facilities fees	**196,481**	160,819
Others	**582**	608
	733,683	678,005
Fee and commission expense	**(38,144)**	(37,839)
	695,539	640,166
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	**352,307**	309,424
– Fee and commission expense	**(12,901)**	(14,540)
	339,406	294,884

5 NET TRADING INCOME

	2013	2012
	HK$'000	*HK$'000*
Gains less losses from dealing in foreign currencies	**120,257**	277,918
Gains less losses from trading securities	**577**	735
Gains less losses from other dealing activities	**492,800**	489,194
Interest income on trading assets	**51,690**	–
Interest expense on trading liabilities	**–**	(49,391)
	665,324	718,456

6 NET GAIN FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
	HK$'000	*HK$'000*
Net gain	**2,546**	2,901
Interest income		
– Listed	**–**	921
– Unlisted	**471**	1,450
	3,017	5,272

7 NET HEDGING GAIN

	2013	2012
	HK$'000	*HK$'000*
Net gain on fair value hedge	**1,970**	503

8 NET GAIN/(LOSS) ON DISPOSAL OF AVAILABLE-FOR-SALE SECURITIES

	2013	2012
	HK$'000	*HK$'000*
Net revaluation gain/(loss) transferred from reserves	**11,269**	(21,093)
Net gain/(loss) arising in current year	**1,055**	(6,430)
	12,324	(27,523)

9 OTHER OPERATING INCOME

	2013	2012
	HK$'000	*HK$'000*
Dividend income from available-for-sale equity securities		
– Listed	**268**	103
– Unlisted	**5,300**	5,200
Rental income from investment properties less direct outgoings of HK$315,000 (2012: HK$276,000)	**6,208**	4,823
Others	**26,340**	29,676
	38,116	39,802

10 OPERATING EXPENSES

	2013	2012
	HK$'000	*HK$'000*
(a) Staff costs		
Salaries and other staff costs	**1,201,473**	1,027,081
Retirement costs	**72,748**	67,356
	1,274,221	1,094,437
(b) Depreciation		
Depreciation of property and equipment		
– Assets held for use under operating leases	**25,763**	21,374
– Other assets	**90,495**	80,200
	116,258	101,574
(c) Other operating expenses		
Property and equipment expenses (excluding depreciation)		
– Rental of properties	**238,269**	180,451
– Others	**149,333**	125,466
Auditor's remuneration	**7,184**	6,494
Advertising	**47,674**	43,596
Communication, printing and stationery	**77,738**	67,863
Legal and professional fees	**29,653**	28,865
Others	**148,727**	159,566
	698,578	612,301
Total operating expenses	**2,089,057**	1,808,312

11 IMPAIRMENT LOSSES ON LOANS AND ADVANCES AND OTHER ACCOUNTS

	2013	2012
	HK$'000	*HK$'000*
Impairment losses charged		
– Loans and advances	**(84,356)**	(83,101)
– Other accounts	**–**	(8,115)
	(84,356)	(91,216)
Impairment losses (charged)/written back on loans and advances and other accounts		
– Individual assessment	**(36,674)**	(154,125)
– Collective assessment	**(47,682)**	62,909
	(84,356)	(91,216)
of which:		
– Additions	**(226,491)**	(227,916)
– Releases	**122,878**	107,885
– Recoveries	**19,257**	28,815
	(84,356)	(91,216)

12 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**374,852**	237,983
Under/(over)-provision in respect of prior years	**2,992**	(922)
	377,844	237,061
Current tax – Overseas		
Provision for the year	**31,936**	64,555
(Over)/under-provision in respect of prior years	**(944)**	1,113
	30,992	65,668
Deferred tax		
Origination of temporary differences	**10,037**	6,673
	418,873	309,402

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year, taking into account a one-off reductions of 75% of the tax payable for the year of assessment 2012-2013 subject to a ceiling of HK$10,000 allowed by the Hong Kong SAR Government for each business. Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

13 TRADING ASSETS

	2013	2012
	HK$'000	*HK$'000*
Trading securities – investment funds	**2,675**	2,662
Positive fair values of derivatives	**2,395,590**	1,846,682
	2,398,265	1,849,344
Issued by:		
Corporate entities	**2,675**	2,662
Analysed by place of listing:		
Unlisted	**2,675**	2,662

14 SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
	HK$'000	*HK$'000*
Certificates of deposit held	**–**	30,950
Debt securities	**63,204**	60,550
	63,204	91,500
Issued by:		
Sovereigns	**12,927**	12,642
Banks and other financial institutions	**–**	30,975
Corporate entities	**50,277**	47,883
	63,204	91,500
Analysed by place of listing:		
Unlisted	**63,204**	91,500

15 LOANS AND ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

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

	2013	2012
	HK$'000	*HK$'000*
Gross loans and advances to customers	**127,016,841**	105,091,832
Impairment allowances		
– Individually assessed	**(160,920)**	(265,356)
– Collectively assessed	**(315,055)**	(280,985)
	126,540,866	104,545,491
Accrued interest and other accounts	**5,992,286**	2,931,040
Impairment allowances		
– Individually assessed	**(1,608)**	(1,608)
	5,990,678	2,929,432
	132,531,544	107,474,923
Included in loans and advances to customers are:		
Trade bills	**8,610,825**	9,470,863
Impairment allowances		
– Collectively assessed	**(854)**	(552)
	8,609,971	9,470,311

(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").

	2013		2012	
	Gross loans and advances to customers *HK$'000*	**Impaired loans and advances to customers** *HK$'000*	Gross loans and advances to customers *HK$'000*	Impaired loans and advances to customers *HK$'000*
Industrial, commercial and financial				
– Property development	**15,227**	**–**	10,762	–
– Property investment	**14,074,440**	**1,375**	14,165,266	–
– Financial concerns	**4,073,785**	**–**	1,785,418	–
– Stockbrokers	**255,937**	**–**	31,000	–
– Wholesale and retail trade	**13,762,091**	**4,353**	7,984,910	30,630
– Manufacturing	**5,843,972**	**51,344**	3,401,071	46,821
– Transport and transport equipment	**2,252,707**	**218**	2,604,952	3,963
– Recreational activities	**271,979**	**–**	189,213	–
– Information technology	**882,728**	**–**	1,336	–
– Others	**2,272,510**	**–**	2,208,005	1,879
Individuals				
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**17,790**	**–**	20,100	–
– Loans for the purchase of other residential properties	**10,254,515**	**6,137**	9,671,193	4,818
– Credit card advances	**318,683**	**435**	288,991	868
– Others	**5,853,436**	**7,127**	6,132,235	4,281
Gross loans and advances for use in Hong Kong	**60,149,800**	**70,989**	48,494,452	93,260
Trade finance	**15,489,383**	**197,296**	13,930,092	83,966
Gross loans and advances for use outside Hong Kong	**51,377,658**	**138,180**	42,667,288	298,694
Gross loans and advances to customers	**127,016,841**	**406,465**	105,091,832	475,920

(c) **Impaired loans and advances to customers**

	2013 *HK$'000*	2012 *HK$'000*
Gross impaired loans and advances to customers	**406,465**	475,920
Impairment allowances – Individually assessed	**(160,920)**	(265,356)
	245,545	210,564
Gross impaired loans and advances as a % of total loans and advances to customers	**0.32%**	0.45%

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$202,649,000 (2012: HK$249,667,000) of the Group. This collateral mainly comprises mortgage interest over residential or commercial properties and cash with the Group.

16 AVAILABLE-FOR-SALE SECURITIES

	2013	2012
	HK$'000	*HK$'000*
Certificates of deposit held	**6,140,890**	4,671,149
Debt securities	**11,231,492**	7,581,974
Treasury bills (including Exchange Fund Bills)	**4,213,637**	5,718,900
Equity securities	**75,762**	58,630
	21,661,781	18,030,653
Issued by:		
Sovereigns	**4,444,409**	6,533,226
Banks and other financial institutions	**11,475,530**	10,000,576
Corporate entities	**5,741,842**	1,496,851
	21,661,781	18,030,653
Analysed by place of listing:		
Listed in Hong Kong	**77,144**	–
Listed outside Hong Kong	**134,165**	198,373
Unlisted	**21,450,472**	17,832,280
	21,661,781	18,030,653
Fair value of individually impaired debt securities (Note)	**211,309**	–

Note:
During 2013, the Group's management decided to provide an impairment loss to the profit or loss on the carrying values of two debt securities held by the Group, in consideration of the prolonged underperformance in their market prices and their entities' declining profit outlook. As a result, an investment revaluation reserve deficit of approximately HK$35.6 million was transferred to and recognised as an impairment loss in the income statement for the year ended 31 December 2013.

17 RESERVES

	2013	2012
	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	**140,901**	98,150
Property revaluation reserve	**55**	4,718
Investment revaluation reserve	**(4,846)**	50,146
Statutory reserve	**38,349**	33,241
Regulatory general reserve	**149,500**	124,915
Retained profits*	**9,179,198**	7,067,826
Total	**9,892,676**	7,768,515

* 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 2013, HK$1,816,253,000 (2012: HK$1,440,192,000) 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 ASSETS SUBJECT TO SALE AND REPURCHASE TRANSACTIONS

At 31 December 2013, the Group entered into repurchase agreements ("the Agreements") with certain banks or financial institutions to sell available-for-sale securities which are subject to the Agreements to repurchase these securities at the agreed dates and prices. The consideration received under the Agreements was reported as 'Deposits and balances of banks and financial institutions' at 31 December 2013. At 31 December 2013, no outstanding transferred financial assets in which the Group has a continuing involvement were derecognised in their entirety.

According to the Agreements, there was no transfer of the legal ownership of these securities to the counterparty banks during the cover period. However, the Group was not allowed to sell or pledge these securities during the covered period unless both parties mutually agreed with such arrangement. Accordingly, these securities were not derecognised from the financial statements but regarded as 'collateral' for the secured lending from these counterparty banks, who could only claim the collateral when an event of default existed.

Carrying amounts of financial assets and associated financial liabilities not qualifying for derecognition

	2013	2012
	HK$'000	*HK$'000*
Included in available-for-sale securities	**2,080,745**	643,176
Included in deposits and balances of banks and other financial institutions	**1,884,363**	604,700

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:

	2013	2012
	HK$'000	*HK$'000*
Direct credit substitutes	**12,032,661**	4,998,356
Transaction-related contingencies	**1,007,433**	1,517,432
Trade-related contingencies	**3,822,937**	2,953,560
Other commitments:		
– which are unconditionally cancellable or automatically cancellable due to deterioration in the creditworthiness of the borrower	**68,522,761**	47,584,418
– with an original maturity of not more than 1 year	**1,458,250**	396,763
– with an original maturity of more than 1 year	**1,014,658**	2,106,752
	87,858,700	59,557,281
Credit risk-weighted amounts	**5,840,792**	4,315,605

The risk weights used in the computation of credit risk-weighted amounts range from 0% to 150% (2012: 0% to 150%).

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 2013, the Group's average daily trading profit and loss from foreign exchange positions was a profit of HK$570,000 (2012: HK$425,000) with a standard deviation of HK$1,180,000 (2012: HK$1,208,000).

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

	2013			
Equivalent in HK$'000	***USD***	***RMB***	***Others***	***Total***
Spot assets	**79,645,849**	**59,058,951**	**4,355,246**	**143,060,046**
Spot liabilities	**(46,860,315)**	**(48,203,556)**	**(17,850,334)**	**(112,914,205)**
Forward purchases	**121,528,234**	**93,438,490**	**17,922,579**	**232,889,303**
Forward sales	**(152,152,154)**	**(103,337,170)**	**(4,564,835)**	**(260,054,159)**
Net options position	**89,661**	**(52,740)**	**34,676**	**71,597**
Net long/(short) position	**2,251,275**	**903,975**	**(102,668)**	**3,052,582**
Net structural position	**–**	**767,871**	**48,532**	**816,403**

	2012			
Equivalent in HK$'000	*USD*	*RMB*	*Others*	*Total*
Spot assets	57,070,920	44,646,981	2,471,373	104,189,274
Spot liabilities	(39,101,835)	(30,439,250)	(12,203,069)	(81,744,154)
Forward purchases	69,140,302	41,340,778	17,450,341	127,931,421
Forward sales	(85,439,312)	(55,288,591)	(7,893,574)	(148,621,477)
Net options position	(782,680)	530,762	165,431	(86,487)
Net long/(short) position	887,395	790,680	(9,498)	1,668,577
Net structural position	–	747,770	48,544	796,314

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 which are regularly reviewed or evaluated internally by the 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 and cross-border banking business includes wholesale banking business in Hong Kong and overseas branches, and China banking. Wholesale banking mainly comprises corporate lending and syndicated loans, trade financing and cash management. Overseas branches include the management office unit in Hong Kong and the branches operated overseas. China banking mainly includes a branch and a subsidiary bank in China, and the China banking management office in Hong Kong.

Personal and business banking mainly comprises deposit account services, residential mortgages, other consumer lending, credit card services and Small and Medium Enterprises ("SMEs") banking business, wealth management services and private banking.

Treasury and markets covers the provision of foreign exchange services, money market activities, the management of investment securities and central cash management.

Others mainly comprises 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 the internal funds transfer pricing mechanism. Cost allocation is based on the direct costs incurred by the respective business segments and the apportionment of overheads on a reasonable basis to the business segments. Rental charges at the market rate for the use 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**

	2013				
	Wholesale and cross-border banking	**Personal and business banking**	**Treasury and markets**	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net interest income	1,915,735	1,075,798	304,133	35,291	3,330,957
Other operating income/(expense)	357,681	466,780	610,162	(30,657)	1,403,966
Net gain on disposal of available-for-sale securities	1,747	–	10,577	–	12,324
Operating income	2,275,163	1,542,578	924,872	4,634	4,747,247
Operating expenses	(535,052)	(607,369)	(62,490)	(884,146)	(2,089,057)
Inter-segment (expenses)/income	(213,318)	(317,666)	(99,862)	630,846	–
Operating profit/(loss) before impairment	1,526,793	617,543	762,520	(248,666)	2,658,190
Impairment losses (charged)/written back on loans and advances and other accounts	(49,569)	(36,840)	(35,590)	2,053	(119,946)
Operating profit/(loss)	1,477,224	580,703	726,930	(246,613)	2,538,244
Net gain/(loss) on disposal of property and equipment	(6)	(2,786)	–	16,728	13,936
Revaluation gain on investment properties	–	–	–	2,174	2,174
Profit/(loss) before taxation	1,477,218	577,917	726,930	(227,711)	2,554,354
Income tax	–	–	–	(418,873)	(418,873)
Profit/(loss) for the year	1,477,218	577,917	726,930	(646,584)	2,135,481
Other segment items:					
Depreciation	22,805	21,210	1,171	71,072	116,258
Segment assets	113,582,102	37,828,073	80,366,118	(15,468,387)	216,307,906
Segment liabilities	104,843,268	79,625,938	30,640,754	(15,978,071)	199,131,889
Capital expenditure incurred during the year	6,749	66,156	14,770	88,353	176,028

	2012				
	Wholesale and cross-border banking	Personal and business banking	Treasury and markets	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net interest income/(expense)	1,711,640	920,084	(339,068)	46,155	2,338,811
Other operating income	362,423	463,929	558,419	19,428	1,404,199
Net gain/(loss) on disposal of available-for-sale securities	2,454	–	(29,977)	–	(27,523)
Operating income	2,076,517	1,384,013	189,374	65,583	3,715,487
Operating expenses	(438,200)	(491,998)	(65,423)	(812,691)	(1,808,312)
Inter-segment (expenses)/income	(236,871)	(327,318)	(98,521)	662,710	–
Operating profit/(loss) before impairment	1,401,446	564,697	25,430	(84,398)	1,907,175
Impairment losses (charged)/written back on loans and advances and other accounts	(88,858)	(2,846)	–	488	(91,216)
Operating profit/(loss)	1,312,588	561,851	25,430	(83,910)	1,815,959
Net loss on disposal of property and equipment	(27)	(249)	–	(469)	(745)
Revaluation gain on investment properties	–	–	–	50,746	50,746
Profit/(loss) before taxation	1,312,561	561,602	25,430	(33,633)	1,865,960
Income tax	–	–	–	(309,402)	(309,402)
Profit/(loss) for the year	1,312,561	561,602	25,430	(343,035)	1,556,558
Other segment items:					
Depreciation	22,374	17,739	1,153	60,308	101,574
Segment assets	89,435,758	36,158,116	66,827,598	(15,240,032)	177,181,440
Segment liabilities	84,101,987	70,618,597	24,557,741	(17,148,741)	162,129,584
Capital expenditure incurred during the year	65,637	29,380	5,367	26,496	126,880

(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.

	2013				
	Profit before taxation *HK$'000*	**Total assets** *HK$'000*	**Total liabilities** *HK$'000*	**Operating income** *HK$'000*	**Contingent liabilities and commitments** *HK$'000*
Hong Kong	**2,284,302**	**194,916,371**	**178,534,484**	**4,161,496**	**67,812,885**
Mainland China	**141,919**	**19,015,509**	**17,198,708**	**285,361**	**4,878,624**
United States	**50,826**	**3,874,987**	**3,800,062**	**82,469**	**1,427,437**
Singapore	**58,098**	**13,671,664**	**13,581,566**	**189,840**	**11,478,559**
Others	**19,221**	**1,345,525**	**1,332,175**	**28,342**	**2,261,195**
Inter-segment items	**(12)**	**(16,516,150)**	**(15,315,106)**	**(261)**	**–**
	2,554,354	**216,307,906**	**199,131,889**	**4,747,247**	**87,858,700**

	2012				
	Profit before taxation *HK$'000*	Total assets *HK$'000*	Total liabilities *HK$'000*	Operating income *HK$'000*	Contingent liabilities and commitments *HK$'000*
Hong Kong	1,531,465	164,052,152	149,648,756	3,067,651	50,472,916
Mainland China	161,947	15,768,774	14,089,151	338,587	3,585,517
United States	48,600	2,332,154	2,245,266	84,859	384,394
Singapore	89,520	9,090,833	9,010,369	180,199	3,357,070
Others	34,411	1,100,193	1,070,164	44,357	1,757,384
Inter-segment items	17	(15,162,666)	(13,934,122)	(166)	–
	1,865,960	177,181,440	162,129,584	3,715,487	59,557,281

Unaudited supplementary financial information
(Expressed in Hong Kong dollars unless otherwise indicated)

(A) Capital adequacy

(i) Capital base – At 31 December 2013

Capital adequacy ratios ("CARs") are complied with in accordance with the Banking (Capital) Rules issued by the HKMA. The CARs as at 31 December 2013 are complied with in accordance with the Banking (Capital) (Amendment) Rules 2012 effective from 1 January 2013 for the implementation of the Basel III capital requirement. Accordingly, the capital disclosures for December 2013 under Basel III are not directly comparable with the disclosures for December 2012 prepared under the Basel II basis, as referred to the note (A)(iv). Certain comparative figures have not been provided where the current year is the first year of disclosure.

In accordance with the Banking (Capital) Rules, the CARs are computed on a consolidated basis covering the Bank and certain of its subsidiaries as required by the HKMA for its regulatory purposes, and the Bank has adopted the "standardised approach" for calculating the risk-weighted amount for credit risk and market risk and the "basic indicator approach" for calculating operational risk.

	2013 *HK$'000*
Common Equity Tier 1 ("CET1") capital: instruments and reserves	
Directly issued qualifying CET1 capital instruments plus any related share premium	**7,566,271**
Retained earnings	**1,767,448**
Disclosed reserves	**8,007,823**
CET1 capital before regulatory deductions	**17,341,542**
CET1 capital: regulatory deductions	
Deferred tax assets net of deferred tax liabilities	**39,347**
Cumulative fair value gains arising from the revaluation of land and buildings	**105,440**
Regulatory reserve for general banking risks	**1,816,253**
Debt valuation adjustments in respect of derivative contracts	**1,141**
Excess AT1 deductions	**–**
Total regulatory deductions to CET1 capital	**1,962,181**
CET1 capital	**15,379,361**
Additional Tier 1 ("AT1") capital	
Total AT1 capital	**–**
Tier 1 capital	**15,379,361**
Tier 2 capital: instruments and provisions	
Qualifying Tier 2 capital instruments plus any related share premium	**7,893,661**
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	**47,448**
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	**1,752,118**
Tier 2 capital base before deductions	**9,693,227**
Tier 2 capital: regulatory deductions	
Total regulatory deductions to Tier 2 capital	**–**
Total capital (Total capital = Tier 1 + Tier 2)	**25,072,588**

(ii) Risk-weighted amount

– Credit risk	**141,390,871**
– Market risk	**3,413,838**
– Operational risk	**7,425,588**
	152,230,297

(iii) Capital adequacy ratios

– CET1 capital ratio	**10.1%**
– Tier 1 capital ratio	**10.1%**
– Total capital ratio	**16.5%**

(iv) Capital base after deductions – At 31 December 2012

The capital base after deductions used in the calculation of capital adequacy ratios and reported to the HKMA for 31 December 2012 is analysed as follows:

	2012
	HK$'000
Core capital	
Paid-up ordinary share capital	7,283,341
Share premium	282,930
Reserves	4,852,273
Profit and loss account	1,658,782
Less: Net deferred tax assets	(27,283)
Total core capital before deductions	14,050,043
Less: Deductions from core capital	(5,412)
Total core capital after deductions	14,044,631
Supplementary capital	
Reserves attributable to fair value gains on revaluation of land and buildings	2,543
Reserves attributable to fair value gains on revaluation of holdings of available-for-sale equities and debt securities	26,774
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	1,237
Regulatory reserve for general banking risks	1,213,909
Collectively assessed impairment allowances	280,985
Term subordinated debt	6,179,232
Total supplementary capital before deductions	7,704,680
Total eligible supplementary capital before deductions	7,704,680
Less: Deductions from supplementary capital items	(5,413)
Total supplementary capital after deductions	7,699,267
Total capital base after deductions	21,743,898
Total deductions from the core capital and supplementary capital	10,825
Risk-weighted amount	
– credit risk	110,380,460
– market risk	2,647,488
– operational risk	6,337,300
	119,365,248
Core capital ratio	11.8%
Capital adequacy ratio	18.2%

(v) Capital instruments

The following is a summary of the Group's CET1 and Tier 2 capital instruments.

	2013
	HK$'000
CET1 capital instruments issued by the Bank	
Ordinary shares:	
7,283,341,176 issued and fully paid ordinary shares of HK$1 each	**7,283,341**
Tier 2 capital instruments	
Issued by the Bank:	
– Subordinated note due 2020 (nominal value: US$500 million)	**4,098,142**
– Subordinated note due 2022 (nominal value: US$300 million)	**2,277,706**
– Subordinated note due 2024 (nominal value: US$300 million)	**2,281,704**
	8,657,552

(vi) Additional information

To comply with the Banking (Disclosure) Rules ("BDR"), the Group has established "Regulatory Disclosure" section on its corporate website: www.cncbinternational.com, and included all the information relating to the disclosure of regulatory capital instruments and the reconciliation to the Group's published financial statements. The Regulatory Disclosure section will include the following information:

– A description of the main features and the full terms and conditions of the Group's capital instruments.

– A detailed breakdown of the Group's CET1 capital, AT1 capital, T2 capital and regulatory deductions, using the standard template as specified by the HKMA.

– A full reconciliation between the Group's accounting and regulatory balance sheet, using the standard template as specified by the HKMA.

(B) Liquidity ratio

	2013	2012
Average liquidity ratio for the year ended 31 December *	**55.34%**	59.35%

* 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.

	2013		2012	
	Gross loans and advances to customers *HK$'000*	**% of gross loans and advances to customers covered by collateral**	Gross loans and advances to customers *HK$'000*	% of gross loans and advances to customers covered by collateral
Industrial, commercial and financial				
– Property development	**15,227**	**100**	10,762	100
– Property investment	**14,074,440**	**100**	14,165,266	100
– Financial concerns	**4,073,785**	**33**	1,785,418	27
– Stockbrokers	**255,937**	**40**	31,000	100
– Wholesale and retail trade	**13,762,091**	**91**	7,984,910	80
– Manufacturing	**5,843,972**	**57**	3,401,071	48
– Transport and transport equipment	**2,252,707**	**46**	2,604,952	60
– Recreational activities	**271,979**	**78**	189,213	64
– Information technology	**882,728**	**5**	1,336	74
– Others	**2,272,510**	**57**	2,208,005	61
Individuals				
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**17,790**	**100**	20,100	100
– Loans for the purchase of other residential properties	**10,254,515**	**100**	9,671,193	100
– Credit card advances	**318,683**	**–**	288,991	–
– Others	**5,853,436**	**87**	6,132,235	91
Gross loans and advances for use in Hong Kong	**60,149,800**	**82**	48,494,452	85
Trade finance	**15,489,383**	**20**	13,930,092	21
Gross loans and advances for use outside Hong Kong	**51,377,658**	**34**	42,667,288	40
Gross loans and advances to customers	**127,016,841**	**55**	105,091,832	58

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:

	2013				
	Overdue loans and advances to customers *HK$'000*	**Individual impairment allowances** *HK$'000*	**Collective impairment allowances** *HK$'000*	**Impaired loans and advances to customers** *HK$'000*	**Impairment charged to/ (written back) on income statement during the year** *HK$'000*
Property investment	**1,375**	**–**	**84**	**1,375**	**(1,022)**
Wholesale and retail trade	**4,353**	**4,354**	**47,797**	**4,353**	**67,189**
Trade finance	**197,296**	**127,773**	**43,924**	**197,296**	**3,962**
Gross loans and advances for use outside Hong Kong	**97,271**	**25,224**	**156,887**	**138,180**	**(3,796)**
	300,295	**157,351**	**248,692**	**341,204**	**66,333**

	2012				
	Overdue loans and advances to customers *HK$'000*	Individual impairment allowances *HK$'000*	Collective impairment allowances *HK$'000*	Impaired loans and advances to customers *HK$'000*	Impairment written back on income statement during the year *HK$'000*
Property investment	–	–	105	–	(227)
Loans for the purchase of other residential properties	–	–	27	4,818	(120)
Trade finance	81,607	75,163	40,515	83,966	(1,882)
Gross loans and advances for use outside Hong Kong	255,062	178,191	162,859	298,694	(18,684)
	336,669	253,354	203,506	387,478	(20,913)

By geographical areas

	2013				
	Loans and advances to customers *HK$'000*	**Overdue loans and advances to customers** *HK$'000*	**Impaired loans and advances to customers** *HK$'000*	**Individual impairment allowances** *HK$'000*	**Collective impairment allowances** *HK$'000*
Hong Kong	**65,078,764**	**216,992**	**256,066**	**102,230**	**129,448**
Mainland China	**44,105,532**	**103,357**	**87,403**	**31,917**	**84,595**
United States	**1,213,184**	**3,032**	**26,524**	**–**	**1,476**
Singapore	**7,377,259**	**–**	**–**	**–**	**58,104**
Others	**9,242,102**	**36,472**	**36,472**	**26,773**	**41,432**
	127,016,841	**359,853**	**406,465**	**160,920**	**315,055**

	2012				
	Loans and advances to customers *HK$'000*	Overdue loans and advances to customers *HK$'000*	Impaired loans and advances to customers *HK$'000*	Individual impairment allowances *HK$'000*	Collective impairment allowances *HK$'000*
Hong Kong	58,723,477	133,556	143,762	57,223	127,109
Mainland China	33,425,756	84,051	84,051	45,381	64,320
United States	1,302,979	632	44,264	11,023	3,562
Singapore	4,537,227	–	–	–	43,663
Others	7,102,393	203,842	203,843	151,729	42,331
	105,091,832	422,081	475,920	265,356	280,985

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

	2013		2012	
		% 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	**52,155**	**0.04**	5,431	0.01
– 1 year or less but over 6 months	**117,966**	**0.09**	75,572	0.07
– over 1 year	**189,732**	**0.15**	341,078	0.32
	359,853	**0.28**	422,081	0.40
Secured overdue loans and advances	**156,932**		210,309	
Unsecured overdue loans and advances	**202,921**		211,772	
	359,853		422,081	
Market value of collateral held against the secured overdue loans and advances	**244,069**		285,939	
Individual impairment allowances made	**160,920**		250,429	

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.

(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 three months at 31 December 2013 and 2012.

(E) Rescheduled loans

	2013		2012	
		% of total loans and advances to customers		% of total loans and advances to customers
	HK$'000		*HK$'000*	
Rescheduled loans	**728,855**	**0.57**	687,320	0.65

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 three 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 2013 and 2012.

(F) Repossessed assets

	2013	2012
	HK$'000	*HK$'000*
Included in loans and advances to customers and other accounts	**5,648**	–

The amount represents the estimated market value of the repossessed assets at 31 December 2013.

(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:

	2013			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Asia Pacific excluding Hong Kong	**53,435,320**	**267,743**	**42,926,522**	**96,629,585**
of which Mainland China	**49,224,819**	**102,346**	**34,078,518**	**83,405,683**

	2012			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Asia Pacific excluding Hong Kong	47,847,382	476,213	29,916,029	78,239,624
of which Mainland China	39,337,063	352,943	24,007,607	63,697,613

(H) Non-bank Mainland Exposures

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

	2013			
	On-statement of financial position exposure *HK$'000*	**Off-statement of financial position exposure** *HK$'000*	**Total** *HK$'000*	**Individual impairment allowances** *HK$'000*
Mainland entities	**22,466,004**	**10,456,603**	**32,922,607**	**82,847**
Companies and individuals outside Mainland where the credit is granted for use in Mainland	**16,318,519**	**3,450,896**	**19,769,415**	**62**
Other counterparties the exposures to whom are considered to be non-bank Mainland exposures	**37,372,279**	**8,468,840**	**45,841,119**	**72,300**
	76,156,802	**22,376,339**	**98,533,141**	**155,209**

	2012 (Restated)(Note)			
	On-statement of financial position exposure *HK$'000*	Off-statement of financial position exposure *HK$'000*	Total *HK$'000*	Individual impairment allowances *HK$'000*
Mainland entities	14,960,934	4,801,392	19,762,326	105,873
Companies and individuals outside Mainland where the credit is granted for use in Mainland	12,467,602	2,151,146	14,618,748	15
Other counterparties the exposures to whom are considered to be non-bank Mainland exposures	28,037,173	7,708,899	35,746,072	28,090
	55,465,709	14,661,437	70,127,146	133,978

Note: Certain comparative figures at the year ended 31 December 2012 have been restated in order to conform with both current year's presentation and new definitions of non-bank Mainland exposures.

REPORT OF THE CHIEF EXECUTIVE OFFICER

Operating Environment

In 2013, China CITIC Bank International Limited ("CNCBI") and its subsidiaries (the "Group") delivered several record results. Historical highest profit attributable to shareholders was again reported. It demonstrated a continued and balanced growth between loan and deposit sizes, and net interest margin kept growing. The Group also achieved a number of milestones in its RMB business. By offering a diverse range of RMB products and services, the Group achieved significant growth in RMB deposits. In addition, the Group was officially appointed as one of the contributing banks for the CNH Hong Kong Interbank Offered Rate (CNH HIBOR) by the Treasury Markets Association ("TMA"). During the year, the Group executed Hong Kong's first interest rate swap based on CNH HIBOR fixings, and arranged the then biggest RMB syndicated loan for a Qianhai corporate customer.

Benefitting from the gradual improvement of the global economy and low interest rates, the real estate market in the US showed signs of recovery. The country's unemployment rate started to drop and there were signs of a return of modest economic growth. However, the pace of economic growth slowed down following the decision by the US Federal Reserve ("Fed") to begin tapering quantitative easing measures starting in January 2014; and was further affected by the PRC economic structural adjustment. Being a highly open economy, Hong Kong is susceptible to changes in fund flows, and thus inevitably affected investor sentiment.

On the other hand, members of the Basel Committee began the phased implementation of Basel III from 1 January 2013, aiming at enhancing the ability of the banking sector to adapt to financial and economic shocks and tackle liquidity risk arising from critical situations. The Hong Kong Monetary Authority ("HKMA"), as a member of the Basel Committee, will implement the standards in Hong Kong in accordance with the Basel Committee's timetable, including the transitional arrangements. This will definitely entail adopting more stringent regulatory requirements resulting in greater capital pressure for both global and Hong Kong banks.

Notwithstanding these developments, the domestic consumption market boomed in Hong Kong during the year, backed by a favourable employment market with low unemployment rates standing between 3.2% and 3.5%, that drove steady economic growth. Under these circumstances, the banking sector in Hong Kong could maintain its stability by drawing on its excellent asset quality, despite uncertainties and challenges arising from conditions in some individual Asian economies. The Group believes the Chinese Government will work further towards financial reform to promote the PRC's long-term economic growth and create unlimited opportunities for the Hong Kong banking sector.

Hong Kong maintained respectable progress in its development as an offshore RMB business centre. During the year, a series of important measures were introduced by HKMA that included uplifting the limit for RMB net open positions and removing the RMB liquidity ratio; launching CNH HIBOR fixings; and setting up a Shanghai free trade zone in the PRC. Moreover, cross-border financing activities in Qianhai made good progress in enhancing the efficient flow and use of offshore RMB funds and significantly broadening opportunities for developing RMB business in Hong Kong, which became a key driving force for the local banking sector.

Against this background, in tandem with augmenting the development of a one-stop cross-border financial platform and strengthening its competitive edge in Hong Kong's offshore RMB business through continued close collaboration with China CITIC Bank Corporation Limited ("CNCB"), the Group maintained prudent and comprehensive risk management in 2013 as its concerted strategy for progressive development. Through resource integration also improved the efficiency in asset allocation to achieve healthy loan and deposit growth, thereby sustaining profitability. In addition, the Group will endeavor to expand non-interest income and capture cross-border business opportunities so as to diversify its sources of income.

Business Performance

Earnings

Underpinned by a leading position in RMB business and stronger collaboration with CNCB, the Group diversified its offshore banking and RMB products and services in 2013 to meet customers' financial needs in trading, investment, and risk hedging, and obtained impressive results. During the year, the Group registered a steady increase in interest-earning assets, a significantly widened net interest margin, and substantial growth in recurring income and earnings. Operating income rose by 27.8% to HK$4.75 billion, while operating profit before impairment grew by 39.4% to HK$2.66 billion.

The experiences of its strategic shareholder, Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") of Spain allowed the Group to better control its credit risk and maintain high asset quality. Net impairment losses on loans and advances declined further by 7.5%, from HK$91 million in 2012 to HK$84 million in 2013. Taking into account the gains on disposals of property and equipment and other gains, profit before taxation increased significantly year-on-year by 36.9% to HK$2.55 billion.

The Group's profit attributable to shareholders for the year surged sharply by 37.2% to HK$2.14 billion, generating a return on average assets of 1.11%, up 22 basis points year-on-year. Return on average shareholders' equity was 13.22%, up 2.4 percentage points year-on-year.

Net Interest Income

Net interest margin broadened significantly by 45 basis points to 1.83%, a much higher year-on-year growth than the industry average of 4 basis points, which was principally boosted by higher RMB-related income, better pricing of corporate loans, and improved funding costs. Due to the steady increase in interest-earning assets and the material improvement of net interest margin, net interest income leaped by 42.4% to HK$3.33 billion.

Non-interest Income

Non-interest income rose 2.9% year-on-year to HK$1.42 billion, mainly attributable to trading income and commissions, together with gains on disposal of available-for-sale securities. However, lower gains on foreign exchange weighed on non-interest income growth. The Group will strengthen cross-selling to drive a higher and more diverse stream of non-interest income to improve capital efficiency and build an even more solid foundation for revenue growth.

Operating Expenses

The Group has increased the number of branches in Hong Kong to 36, and will continue to devote resources to support its sustainable development. Higher wages, occupancy cost and one-off expenses incurred in office relocation exerted upward pressure on operating expenses. However, with strict cost control, operating expenses recorded a 15.5% year-on-year increase to HK$2.09 billion, 12.3 percentage points lower than income growth. In light of the foregoing, the cost to income ratio improved to 44.0%, representing a 4.66 percentage points reduction from 2012.

Impairment Allowances

Net impairment losses in loans and advances declined by HK$7 million to HK$84 million. Individually- and collectively-assessed loan provisions amounted to HK$51 million and HK$52 million respectively, as compared to individually-assessed loan provisions of HK$177 million and collectively-assessed loan provision write-backs of HK$57 million in 2012. Bad debt recoveries for 2013 amounted to HK$19 million, down HK$10 million from 2012.

Asset Quality

Asset, Loan and Deposit Sizes

In face of volatility in financial markets and prospective changes in monetary policies of developed countries, the Group pursued the development of a framework for risk management and a balance sheet management through suitable adjustments to customer loans and deposits besides assets. Drawing on its quality assets, the Group was able to maintain ample liquidity and enhance yield. As at the end of December 2013, the Group's total loans and total assets increased by 20.9% and 22.1% year-on-year to HK$127.02 billion and HK$216.31 billion and outperformed the market average growth rate by 5 percentage points and 8 percentage points respectively. At the same time, the Group continued to offer a diverse range of innovative deposit products that were responsive to customers' needs, driving a 17.8% year-on-year increase in total deposits to HK$170.83 billion. RMB deposits grew over 60% year-on-year, while the net growth of RMB retail deposits was almost twofold. As at the end of 2013, the Group's RMB customer deposits accounted for 25.4% of its total customer deposits.

Asset Quality Indicators

Improvements to risk management infrastructure and implementation ensured that the Group's asset quality was further enhanced. The impaired loan ratio was better by 13 basis points from 2012 year-end to 0.32% as at 2013 year-end, a fifth consecutive annual decline in the ratio since 2009, demonstrating our commitment to asset quality improvement.

Financial Position

As at the end of December 2013, the Group's capital adequacy ratio stood at 16.5%, slightly lower than 18.2% as at the end of December 2012, yet significantly exceeding the regulatory minimum set by the HKMA. This reflects the Group's continued focus on optimal resource utilisation, capital efficiency, and yield improvement. The average liquidity ratio and loans to deposits ratio remained at healthy levels of 55.3% and 74.4% respectively.

Key Financial Ratios

	2013 31 December	2012 31 December
Common Equity Tier 1 ("CETI") capital ratio[1]	**10.1%**	n/a
Tier 1 capital ratio[1]	**10.1%**	11.8%
Total capital ratio[1]	**16.5%**	18.2%
Average liquidity	**55.3%**	59.4%
Loans to deposits	**74.4%**	72.5%
Loans to total assets	**58.7%**	59.3%
Impaired loans	**0.32%**	0.45%
Coverage[2]	**89.5%**	98.8%
Loan loss coverage	**117.1%**	114.8%
Mainland loans to total customer advances	**34.7%**	31.8%

1 The capital disclosures at 31 December 2013 under Basel III (effective from 1 January 2013) are not directly comparable with the disclosures at 31 December 2012 as prepared under the Basel II basis.

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

Business Development

Personal and Business Banking Group ("PBG")

PBG scored a record high in gross income through continued expansion of business scale, service scope, and customer base. Operating income for 2013 was HK$1.54 billion, representing an 11.5% increase from the previous year. Customer deposits also hit a new high of HK$73.96 billion, up 13.8%. Customer loans reached HK$37.14 billion, posting year-on-year growth of 4.4%. Owing to severe competition in the mortgage loans market, PBG's loan growth was mainly derived from loans to small- to medium-sized enterprises ("SMEs"), and loans to individuals. Net interest income rose by 16.9% year-on-year to HK$1.08 billion, with the main contribution coming from loan and deposit growth and the effective management of lending rates and funding costs. Income from investment and insurance products saw steady growth. Non-interest income increased marginally by 0.6% to HK$467 million. Meanwhile, PBG's loan quality remained sound, with impairment losses of HK$36.8 million for the year. Profit before taxation for the year was HK$578 million, up 2.9% year-on-year.

PBG has introduced a number of new measures to devote additional resources to expand sales channels and strengthen its frontline sales team, including opening more branches, launching mobile banking, CITIC*mobile*, and internet banking for corporate banking customers, with a view to provide customers with a more accessible online banking platform. The Group continued to reinforce its strength in sales channels by opening three New Concept Branches at Nathan Road, Taikooshing, and Wanchai, thus increasing the number of its branches in Hong Kong to 36 as at the year-end. The direct sales team in unsecured personal loans was expanded to secure more business opportunities. PBG reported an annual growth of 12.9% in operating expenses to HK$925 million.

Under the marketing slogan of "a new standard of private wealth management", the wealth management brand CITIC*first* achieved notable results. The customer base was expanded by 10.6% from the end of 2012 to more than 23,900 customers. Total assets under management also registered growth of 10.6% to exceed HK$62 billion. During the year, CITIC*first* was recognised with awards of "PRO Choice Award 2013 – Wealth Management Category" from Capital Weekly magazine and "Outstanding Enterprise Award 2013 – Outstanding Wealth Management Platform" from Quamnet. The private banking unit also extended its range of products and services and achieved rapid growth of 59.4% year-on-year in assets under management.

Wholesale and Cross-border Banking Group ("WBG")

WBG presented excellent results for 2013. Closely pursuing the strategic focus allowed a closer collaboration with CNCB and CITIC Group, enhanced product capabilities, and accelerated the development of overseas businesses. Accordingly, operating income reached a record high of HK$2.28 billion, up 9.6% year-on-year, and profit before taxation reached an historic peak of HK$1.48 billion, up 12.6% year-on-year.

Collaboration with the rest of the Group as well as CNCB continued to drive remarkable results. Income generated from referrals by CNCB and CITIC Group achieved an all-time high with year-on-year growth of 37.2%.

WBG adopts a customer-centric business approach, whereby product specialists and marketing teams regularly review customers' needs and keep launching new products that are responsive to market demand so as to meet current and future financial needs of different customers. Leveraging on advanced technologies, WBG developed a new e-banking platform, striving for customer acquisition and clientele expansion.

Furthermore, WBG invested substantially in product development, encompassing Global Markets, Transaction Banking, and Structured Finance and Syndication. With expertise in products and services of RMB and cross-border businesses, WBG, the overseas branches and CITIC Bank International (China) Limited ("CBI (China)") achieved year-on-year growth in customer loans and deposits of 31.0% and 25.1% to HK$89.47 billion and HK$85.79 billion respectively. WBG has established a network covering Mainland China, the US, Singapore, and Macau, enabling it to deliver the best customer services in regional markets.

Treasury and Markets Group ("TMG")

The tapering of the bond purchases program by the US impacted significantly on all asset categories throughout 2013. Despite the resulting challenging operating environment, TMG generated excellent results by tapping into RMB-related businesses and offering customised products.

Market volatility provided a launch pad for TMG's diverse range of structured products developed to suit customers' risk hedging needs. This ensured a notable improvement in operating income for the year which amounted to HK$925 million, of which non-interest income from Global Markets grew 30.6% to HK$672 million, driven by a diversified product range and an expanded customer base together with a positive market environment. The continued reform of the marketing teams of Global Markets and the rollout of a wider array of products supported a greater contribution of structured products to operating income with a year-on-year increase of 7.5%. This not only underscored strong customer demand for structured products, but also demonstrated TMG's ability to expand its product offerings, including the ability to provide customised treasury solutions for the Group's corporate and retail customers.

In the area of central treasury management, the internal funding pool made a turnaround and resumed profitability for the year under the new "Liquidity Premium (LP) framework" and close monitoring of LP levels by the teams. Bolstered by better bond portfolio management, gains from securities portfolio was 38.0% higher. On interbank lending, the Group realised a substantial net interest income by successfully capitalising on the opportunities arising from onshore RMB market.

Simultaneously, the Group played an active role in the dim sum bond market through acting as joint lead manager or co-manager for four issuers. Being an active participant in Hong Kong's CNH foreign exchange market, TMG has become one of the most active market makers, with a 13% market share in 2013.

TMG, WBG, and PBG work closely to further expand market share and build longer maturity profile in RMB deposits, hence providing a concrete foundation for the Group's various RMB business development plans. To maintain capital adequacy ratio and support business growth, the Group issued in November 2013 US$300 million subordinated notes which have a maturity of 10.5 years and are irredeemable for the first 5.5 years and qualify as Tier 2 capital under Basel III. As at the end of 2013, the Group's capital adequacy ratio reached 16.5%. This sound capital strength is conducive to future business development and compliance with increasingly stringent capital regulatory requirements.

Risk Management

In spite of the gradual improvement in the global economy, the increasing prospect of modifications to monetary policies by central banks, and the risk of sudden market changes became more pronounced. Against this background, Risk Management Group ("RMG") continued to focus its efforts on conducting rigorous risk assessments, proactively managing loan portfolios, improving the Group's investment strategies, and enhancing capital and liquidity management in line with the Group's risk appetite.

The Group continuously enhanced and adopted various tools to further refine its procedures, including its (i) Global Risk Indicators ("GRI"), (ii) internal processes for capital adequacy assessment and capital management, and (iii) a bank-wide stress testing model. As the GRI has been further refined and recalibrated, the overall risk profile monitoring was improved, and comprised credit risk, market risk, operational risk (including legal risk), liquidity risk, interest rate risk, strategic risk, and reputation risk. Proactive risk management is fundamental to sustain profitability of the Group and ensured risk exposure is well within approved risk appetite.

The Group adopts a Standardised Approach for credit and market risk measurement, and a Basic Indicator Approach for operational risk measurement. It also strives for optimal system and control infrastructures and risk management tools beyond regulatory requirements. To support decision making and future development, the Group has imposed a risk-based pricing regime and tightened capital management practices in its overseas branches and subsidiaries.

The responsibility of monitoring and approving the Group's risk strategies, appetite, policies, limits and exposures lies with the Credit and Risk Management Committee of the Board. The Committee identifies, quantifies, monitors and minimises risk exposures by developing policies and procedures. It is also responsible for establishing committees at managerial level to perform monitor implementation. These committees include the credit committee, non-performing loans committee, assets and liabilities committee, operational risk management committee, management committee, and investment review committee. In addition the audit department conducts regular independent reviews of bank-wide risk management practices to ensure compliance with both internal policies and regulatory requirements. These measures provide assurance that all relevant policies and procedures are effectively implemented and rigorously supervised within the Group.

On market risk management, the market risk appetite is managed by setting clear risk limits. Under the robust risk management framework, market risk limits are monitored daily, stress testing is conducted periodically, and close tracking is performed as and when any unusual event arises in the market. Besides, frontline business units liaise closely with the market risk department to actively and continuously review risk limits as marketing strategies develop.

With respect to operational risk management, having invested significantly in the further expansion and implementation of the Operational Risk Management ("ORM") roadmap, and the ORM framework, the application of management tools and staff vigilance has been ensured. Since 2011, the Group has unfolded a series of focused initiatives including the reform and introduction of a bank-wide ORM training program, the strengthening of an incident reporting mechanism and process, operational risk self-assessments, and key operational risk indicator model development. These ORM tools have been revamped and integrated into all business and supporting units. On operational risk governance, the operational risk management committee has undergone a restructuring and is now chaired by the Chief Risk Officer. With an aim of strengthening the functions of the committee, additional resources have been provided, and the ORM department has been empowered to take charge of the improvement program. Furthermore, an operational scrutiny panel has been established, comprising representatives from various departments, to implement the bank-wide operational risk initiatives in close collaboration with the ORM department. Group staff takes an active part in operational risk identification, assessment, and reporting, while management provides continuous support to cultivate operational risk management culture. These efforts also assist the Group to identify and minimise risk incidents and any consequential loss.

The continued strategic collaboration between the Group, CNCB, and BBVA fosters trilateral risk knowledge sharing and capability building, as well as the development of a more comprehensive set of codes of practice. Risk management has played a fundamental and integral role in the Group's business development. In 2014, priority will be given to the continuous enhancement of capital and liquidity management, Basel III implementation, regulatory compliance, and the active management of all risks, so as to ensure all of these priorities are in conformity with the Group's risk appetite.

Human Resources Development

As the global economic outlook gradually brightens, the business environment in Mainland China, Hong Kong, Macau, and Singapore has turned promising, leading to intense competition for human resources in these regions, particularly in Hong Kong where increased governance requirements by regulators has put pressures on high-calibre professionals specialising in compliance, audit, and ORM.

The Group has deployed an array of financial and non-financial measures to attract and retain talents and strive for enhanced employee engagement. The Group's turnover rate is on par with the industry average and workforce stability and staff development remain a priority on the management's agenda.

Despite market-driven increases in staff costs, productivity improved considerably for the year and performance indicators per staff soared. Most notably net profit per employee surged by 40.0% year-on-year. Simultaneously, as a result of the Group's prudent headcount management, the number of staff reduced 2.5% year-on-year.

On staff development, the Group continued to provide targeted and tailored workshops to enhance the overall competence and professionalism of staff. In 2013, the Group extended the Effective People Manager Program to a wider group of managers.

To further strengthen good governance, the Group has held compliance seminars for all managers to raise awareness and reinforce understanding of compliance disciplines. Moreover, the Group's supporting teams and control functions were strengthened after the joining of experienced management members including the Chief Risk Officer, the Chief Information and Operations Officer and the Head of Operational Risk Management.

Besides, the Group has extended the use of a Balanced Scorecard to several units. Staff bonuses are performance-linked and are determined on a matrix of assessment factors, namely risk management, compliance performance, business growth, and staff attrition. The Balanced Scorecard will be brought into full operation bank-wide in 2014, which will provide an objective, quantitative, and integrated basis for performance appraisals.

Corporate governance and a strong teamwork culture will continue to help build human capital, and thus establish the foundation for robust results in the future.

Future Outlook

As quantitative easing policies undertaken by central banks have proved effective, market sentiment on the outlook for global economic growth has turned optimistic. It is anticipated that gradual economic stabilisation will be seen in developed countries. This should provide support for the growth in Mainland China and Hong Kong's exports and economies. Nonetheless the US's tapering of quantitative easing will lead to an increasingly volatile market for all assets. Furthermore, it appears that the upswing in the cycle of Mainland China's asset prices, particularly property prices, varies as the low interest rate environment changes. Towards the end of the year under review, the 10-year US Treasury bond yield hovered between 2.5% and 3%, significantly higher than the levels below 1.4% in 2012, reflecting the fact that financing costs have been on the rise and the upward trend of yields may continue. This will have an adverse impact on asset prices and pose challenges for the general economic outlook.

Moreover, the PRC continued its economic structural adjustments to shift away from its current investment-driven growth model, resulting in a slower pace of economic and investment growth in China. However, the improving employment market in the US buoyed market confidence in the PRC export industry and general business confidence. The PRC government has also promulgated various measures to establish a highly-efficient financial market. RMB internationalisation proceeds and economic integration of the Greater China region is growing, thereby cementing a stronger foundation for the PRC's long-term economic growth.

The Group will continue to impose strict financial discipline and risk management to sustain a sound financial and capital position and provide resilience to weather any potential shocks stemming from changes in the economic environment and increasing regulatory requirements. Given the progressive implementation of capital standards under Basel III, it is expected that capital requirements will escalate in the Hong Kong banking sector. Coupled with the upcoming introduction of the liquidity coverage ratio by the HKMA, it is believed that the interbank competition for deposits will become cut-throat. Nevertheless, the Group is well-prepared financially for future growth following the issue in November 2013 of US$300 million subordinated notes that qualify as Tier 2 capital under Basel III.

Backed by robust development in Mainland China, it is expected that Hong Kong, as the offshore RMB centre enjoying favourable PRC policies and the progress of RMB internationalisation, will continuously showcase greater potential for growth in RMB business and enhance its scale and position, bringing limitless development opportunities to the financial industry. As a member of the parent bank CNCB, and CITIC Group, the ultimate parent company, the Group will continue to strengthen intragroup activities with CNCB by capitalising on CITIC's brand and extensive customer network, seizing opportunities for the development of cross-border RMB business. Also, PBG, WBG and TMG will collaborate to develop customer-oriented treasury products and services. At the same time, extra attention will be paid to mobile finance development to optimise operational efficiency and provide more dynamic customer services.

The Group will continue to pursue its strategy of achieving sustainable and steady development by providing the best services for our customers, the best workplace for our staff, and the best value for our shareholders.

Zhang Xiaowei
Chief Executive Officer

Hong Kong, 26 March 2014