Citibank (Hong Kong) Limited

Financial Information Disclosure Statements

2020 Annual

CITIBANK (HONG KONG) LIMITED

We enclose herewith the Financial Information Disclosure Statement for the year ended December 31, 2020, which are prepared under the Banking (Disclosure) Rules made pursuant to Section 60A of the Banking Ordinance.

By Order of the Board

Lam Chi Kong Lawrence
Director and Chief Executive

April 30, 2021

CITIBANK (HONG KONG) LIMITED

The directors are pleased to announce the final results of Citibank (Hong Kong) Limited (the "Company") for the year ended December 31, 2020.

2020 Full Year Results

• Operating Income down 8% to HK$ 7,112 million (HK$ 7,696 million for 2019)

• Profit before taxation down 20% to HK$ 2,609 million (HK$ 3,274 million for 2019)

• Profit after tax down 21% to HK$ 2,212 million (HK$ 2,800 million for 2019)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Note	*2020*	*2019*
Interest income	2	4,227,760	5,722,419
Interest expense	2	(1,168,982)	(2,087,249)
Net interest income		**3,058,778**	**3,635,170**
Net fee and commission income	3	3,334,319	3,399,325
Net trading income	4	701,183	645,139
Net profit from sale of financial assets at fair value through other comprehensive income		1,029	-
Dividend income from unlisted investment		4,697	2,707
Other operating income		11,771	13,997
Operating income		**7,111,777**	**7,696,338**
Staff costs		(1,246,634)	(1,213,377)
Premises & equipment expenses		(77,167)	(68,267)
Depreciation expenses		(249,755)	(260,831)
Other operating expenses		(2,716,800)	(2,672,178)
Operating expenses		**(4,290,356)**	**(4,214,653)**
Operating profit before impairment		**2,821,421**	**3,481,685**
Impairment losses	5	(207,656)	(206,058)
Operating profit after impairment		**2,613,765**	**3,275,627**
Loss from disposal of property, plant and equipment		(4,836)	(1,297)
Profit before taxation		**2,608,929**	**3,274,330**
Taxation	6	(396,806)	(474,590)
Profit for the year		**2,212,123**	**2,799,740**
Other comprehensive income for the year, net of tax			
Items that will not be classified to profit or loss:			
Remeasurement of defined benefit plan		(2,913)	33
Items that may be classified subsequently to profit or loss:			
Changes in fair value of financial assets through other comphensive income		17,809	(6,024)
Net profit from sale of financial assets at fair value through other comprehensive income		(1,029)	-
Other comprehensive income for the year		**13,867**	**(5,991)**
Total comprehensive income for the year		**2,225,990**	**2,793,749**

STATEMENT OF FINANCIAL POSITION

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

	Note	*2020*	*2019*
Assets			
Cash and balances with banks, central banks and other financial institutions		9,409,863	12,949,226
Placements with banks and other financial institutions	7	13,626,667	9,047,648
Loans and advances	8	151,732,931	131,060,164
Financial assets at fair value through profit or loss	9	72,478,139	51,638,058
Financial assets at fair value through other comphensive income	10	38,819,529	24,100,132
Financial assets at amortised cost	11	3,875,900	-
Property, plant and equipment	12	660,797	827,895
Intangible assets		33,324	49,327
Deferred tax assets		66,757	68,348
Other assets		4,374,865	3,086,413
		295,078,772	232,827,211
Liabilities			
Deposits and balances from banks and other financial institutions		49,731,929	30,158,731
Deposits from customers	13	215,542,715	174,758,805
Trading financial liabilities	14	10,425	36,200
Current taxation		48,786	526,034
Other liabilities		6,096,149	4,511,934
		271,430,004	209,991,704
Equity			
Share capital		7,348,440	7,348,440
Reserves	15	16,300,328	15,487,067
		23,648,768	22,835,507
		295,078,772	232,827,211

The balance sheet is prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The following table discloses the balances in accordance with the banking return completion instructions issued by the Hong Kong Monetary Authority (“HKMA”), before the effects of offsetting as suggested in HKAS 32.

Loans and advances to customers	101,066,791	99,321,834
Deposits from customers	215,951,245	175,406,887

CASH FLOW STATEMENT

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

	Note	*2020*	*2019*
Operating activities			
Profit before taxation		2,608,929	3,274,330
Adjustments for:			
- Interest received on financial assets at fair value through other comprehensive income		(322,495)	(499,776)
- Dividends received		(4,697)	(2,707)
- Depreciation		249,755	260,831
- Amortization of intangible assets		30,312	28,377
- Impairment losses on loans and advances to customers		197,595	204,968
- Net profit from sale of financial assets at fair value through other comprehensive income		(1,029)	-
- Equity-settled share-based payment expense		3,134	3,842
- Loss from disposal of property, plant and equipment		4,836	1,297
- Write-off of construction in progress		10,509	1,500
		2,776,849	3,272,662
(Increase)/decrease in operating assets:			
Financial assets at fair value through profit or loss		(7,741,668)	(5,512,662)
Cash and balances with banks, central banks and other financial institutions with original maturity beyond three months		(1,262,889)	1,047,866
Loans and advances and trade bills		(20,870,362)	(18,713,390)
Placements with banks and other financial institutions with original maturity beyond three months		(4,451,594)	2,308,983
Other assets		(1,288,452)	211,513
		(35,614,965)	(20,657,690)
Increase/(decrease) in operating liabilities			
Trading financial liabilities		(25,775)	(45,680)
Deposits from customers		40,783,910	5,375,417
Deposits from banks and other financial institutions		19,428,128	2,300,051
Other liabilities		1,786,459	73,767
		61,972,722	7,703,555
Cash generated from/(used in) operations		29,134,606	(9,681,473)

CASH FLOW STATEMENT (CONTINUED)

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

	Note	*2020*	*2019*
Income tax paid			
- Hong Kong Profits Tax paid		(872,999)	-
- Overseas Tax paid		(2,639)	(5,747)
Net cash generated from/(used in) operating activities		28,258,968	(9,687,220)
Investing activities			
Payment for purchase of intangible assets		(14,309)	(10,000)
Payment for purchase of property, plant and equipment		(98,002)	(472,343)
Proceeds from sale of financial assets at fair value through other comprehensive income with original maturity beyond three months		24,101,161	31,220,807
Payment for purchase of financial assets at fair value through other comprehensive income with original maturity beyond three months		(38,799,539)	(24,107,582)
Payment for purchase of financial assets at fair value at amortised cost		(3,875,900)	-
Interest received on financial assets at fair value through other comprehensive income		322,495	499,776
Dividends received		4,697	2,707
Net cash (used in)/generated from investing activities		(18,359,397)	7,133,365
Financing activities			
Dividends paid to equity shareholder of the Company		(1,410,721)	(2,954,856)
Interest element of lease rentals paid		(8,143)	(7,470)
Capital element of lease rentals paid		(202,191)	(211,025)
Net cash used in financing activities		(1,621,055)	(3,173,351)
Net increase/(decrease) in cash and cash equivalents		8,278,516	(5,727,206)
Cash and cash equivalents at 1 January		37,692,720	43,419,926
Cash and cash equivalents at 31 December	16	45,971,236	37,692,720
Cash flows from operating activities include:			
Interest received		4,209,818	5,674,543
Interest paid		(1,292,249)	(2,062,969)

NOTES ON THE FINANCIAL STATEMENTS

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

1 Significant accounting policies

Citibank (Hong Kong) Limited (the "Company") is a licensed bank incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- obligations under share-based incentive plans (see note 1(h)(iv)); and
- financial instruments classified as trading, measured at fair value through profit or loss and measured at fair value through other comprehensive income (see note 1(d)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Intangible assets

Intangible assets include premium paid on acquisition of customer relationships, acquired computer software licences and capitalized development costs of computer software programs. Expenditure on development of computer software programs is capitalized if the programs are technologically and commercially feasible and the Company has the intention and sufficient resources to complete the development. The expenditure capitalized includes the direct labor, costs of materials, and an appropriate proportion of overheads. Intangible assets are stated at cost less accumulated amortization and impairment losses (see note 1(f)).

Amortization of customer relationships is charged to the profit or loss based on the pattern in which the future economic benefits on the related deposits are likely to accrue to the Company. Amortization of other intangible assets with finite useful lives is charged to the profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

- acquired computer software licenses	1 - 3 years
- capitalized development costs of computer software program	5 - 10 years
- exclusivity right	4 years

Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

1 Significant accounting policies (continued)

(d) Financial instruments

(i) Initial recognition

The Company initially recognises loans and advances, deposits, debt securities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

1 Significant accounting policies (continued)

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

1 Significant accounting policies (continued)

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. nonrecourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. When (and only when) the Company changes its business model for managing financial assets, it reclassifies all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in reclassifying financial assets'. Accordingly, any previously recognised gains, losses or interest will not be restated.

If a financial asset is reclassified out of the amortised cost measurement category and into the FVTPL or FVOCI measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss (if reclassification as FVTPL measurement category) or is recognised in other comprehensive income (if reclassification as FVOCI measurement category).

If a financial asset is reclassified out of the FVOCI measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the classification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

If a financial asset is reclassified out of the FVOCI measurement category and into the FVTPL measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

1 Significant accounting policies (continued)

If a financial asset is reclassified out of the FVTPL measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

If an entity reclassifies a financial asset out of the FVTPL measurement category and into the FVOCI measurement category, the financial asset continues to be measured at fair value and subsequent changes in fair value will be recognised in other comprehensive income.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the financial position date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognized stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate used is a market rate at the statement of financial position date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the financial position date.

1 Significant accounting policies (continued)

(iv) Derecognition

A financial asset is derecognized when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

The Company uses the first-in first-out method to determine realized gains and losses to be recognized in profit or loss on derecognition.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(vi) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

1 Significant accounting policies (continued)

(vii) ***Credit losses and impairment of assets***

The Company recognises loss allowances for expected credit loss on financial assets measured at amortised cost and FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

1 Significant accounting policies (continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

1 Significant accounting policies (continued)

(e) *Property, plant and equipment*

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings held for own use carried at cost	50 years
- Plant, machinery and other assets	3 -10 years
- Installations	3 -10 years

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss on the date of retirement or disposal.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Impairment of non-financial assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- intangible assets.

If any such indication exists, the asset’s recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies (continued)

(f) Impairment of non-financial assets (continued)

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(g) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, balances with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(h) *Employee benefits*

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 Significant accounting policies (continued)

(h) *Employee benefits (continued)*

(ii) Defined benefit retirement plan obligations

The Company's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognized in operating expenses. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognized. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/(asset). The discount rate is the yield at the statement of financial position date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations.

Remeasurements arising from defined benefit retirement plans are recognized in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)). The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

1 Significant accounting policies (continued)

(h) *Employee benefits (continued)*

(iv) Share-based payments

The Company participates in a number of Citigroup Inc. ("Citigroup") share-based incentive plans under which Citigroup grants shares to the Company's employees. Pursuant to a separate Stock Plans Affiliate Participation Agreement ("SPAPA"), the Company reimburses Citigroup for the fair value of the share-based incentive awards delivered to the Company's employees under these plans. The Company accounts for these plans as equity-settled plans, with separate accounting for its associated obligations to make payments to Citigroup. The Company recognizes the fair value of the awards at grant date as compensation expense over the vesting period with a corresponding credit in equity as a capital contribution from Citigroup. The Company's liability to Citigroup under the SPAPA is remeasured annually until settlement date and any changes in value are recognized in equity.

(i) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 Significant accounting policies (continued)

(i) Income tax (continued)

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each statement of financial position date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

1 Significant accounting policies (continued)

(j) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Revenue recognition

Income is classified by the Company as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Company's business.

Revenue is recognised when control over a product or service is transferred to the customer,
or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf
of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Company's revenue and other income recognition policies are as
follows:

(i) Interest income

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or

- the amortised cost of the financial liability.

1 Significant accounting policies (continued)

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 1(d)(vii).

1 Significant accounting policies (continued)

(ii) Membership fee income

Annual card membership fees are deferred and amortized on a straight-line basis over twelve months which represent the membership period.

(iii) Finance charges

Finance charges are mainly derived from interest income on cash advances and other amounts due from cardmembers.

Finance charges on cardmember receivables, excluding cash advances, are recognized from the respective transaction dates, on balances which remain unpaid as at the payment due date, to the extent they are considered recoverable, and at the rates applicable.

Finance charges on cash advance receivables are recognized from the date of the advance, to the extent they are considered recoverable on the principal outstanding and at the rates applicable.

(iv) Commission income

Commission income is recognized on a time-apportioned basis on the assets under management outstanding and at the rate applicable. For the card business, commission income is recognized in the financial statements on the date when the sales transaction is recorded, at which time the income is deemed to be earned.

(v) Service fee income

Service fee income is recognized when services are rendered.

(l) Leased assets

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 Significant accounting policies (continued)

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company, are primarily laptops and office furniture. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(f)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Company presents right-of-use assets in 'Property, plant and equipment' and lease liabilities in 'Other liabilities' in the statement of financial position.

1 Significant accounting policies (continued)

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the statement of financial position date. Exchange gains and losses are recognized in the profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments measured at fair value through profit or loss. All other exchange differences relating to monetary items are presented as gains less losses from dealing in foreign currencies in the profit or loss.

(n) Related parties

(a) A person, or a close member of that person's family, is related to the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management services to the Compnay or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Interest income and interest expense

(a) Interest income

	2020	*2019*
Interest income on loans to customers	2,805,816	3,194,606
Interest income on placements with banks and other financial institutions	817,173	929,251
Interest income on investments		
- Listed	6,189	1,229
- Unlisted	316,306	498,547
Interest income on financial instruments that are not measured at fair value through profit or loss	3,945,484	4,623,633
Interest income on financial assets designated at fair value through profit or loss		
- Listed	5,765	626
- Unlisted	276,511	1,098,160
Total interest income from all financial assets	4,227,760	5,722,419

Included in the above is interest income accrued on impaired financial assets of HK$3,684 thousand (2019: HK$3,802 thousand).

(b) Interest expense

	2020	*2019*
Interest expense on deposits from customers	820,259	1,446,548
Interest expense on deposits from banks and other financial institutions	340,580	633,231
Others	8,143	7,470
Interest expense on financial instruments that are not measured at fair value through profit or loss	1,168,982	2,087,249

3 Fee and commission income

	2020	*2019*
Fee and commission income from retail banking	1,813,915	1,668,775
Fee and commission income from card business	714,434	1,000,169
Service fee from group companies	912,131	874,695
	3,440,480	3,543,639
Fee and commission expenses	(106,161)	(144,314)
	3,334,319	3,399,325

Above amounts entirely represent net fee and commission income, other than fees included in determining the effective interest rate, arising from financial assets or financial liabilities that are neither held for trading nor measured at fair value through profit or loss.

4 Net trading income

	2020	*2019*
Net gain from foreign exchange	652,030	590,216
Net gain from financial assets measured at fair value through profit or loss	49,153	54,923
	701,183	645,139

5 Impairment losses

	2020	*2019*
Cash and balances with banks and other financial institutions	1,497	(23)
Placements with banks and other financial institutions	5,578	(74)
Loans and advances with banks	997	(10)
Loans and advances with customers	197,595	204,968
Financial assets at fair value through other comphensive income	534	1,195
Other assets	1,455	2
	207,656	206,058

6 Taxation

	2020	*2019*
Provision for Hong Kong Profits Tax	395,786	479,949
Overseas Taxation	2,639	5,747
Deferred Taxation	(1,619)	(11,106)
	396,806	474,590

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

7 Placements with banks and other financial institutions

	2020	*2019*
Maturing between one month and one year	13,628,205	9,047,689
Less: Impairment allowances		
- Stage 1	(1,538)	(41)
- Stage 2	-	-
- Stage 3	-	-
	13,626,667	9,047,648

8 Loans and advances

(a) Loans and advances less impairment

	2020	*2019*
Gross loans and advances to customers	101,016,647	99,070,064
Less: Impairment allowances		
- Stage 1	(177,082)	(174,832)
- Stage 2	(141,482)	(182,760)
- Stage 3	(39,822)	(38,720)
	100,658,261	98,673,752
Gross loans and advances to banks	51,080,394	32,386,559
Less: Impairment allowances		
- Stage 1	(5,724)	(147)
- Stage 2	-	-
- Stage 3	-	-
	151,732,931	131,060,164

8 Loans and advances (continued)

(b) Movement in impairment allowances on loans and advances

The following tables show reconciliations from the opening to the closing balance of the impairment allowances on loans and advances to customers. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 1(d)(vii).

	2020			
	12-month ECL	*Lifetime ECL not credit-impaired*	*Lifetime ECL credit-impaired*	*Total*
At January 1, 2020	174,832	182,760	38,720	396,312
Transfer to 12-month ECL	102,669	(101,081)	(1,588)	-
Transfer to lifetime ECL not credit-impaired	(1,101)	1,116	(15)	-
Transfer to lifetime ECL credit-impaired	(4,904)	(51,262)	56,166	-
Impairment losses charged to income statement:				
Net remeasurement of loss allowance	(89,288)	102,073	177,019	189,804
New financial assets originated or purchased, assets derecognised, repayment and further lending	(5,126)	7,876	5,041	7,791
Amounts written off	-	-	(328,590)	(328,590)
Recoveries of loans and advances written off	-	-	93,069	93,069
At December 31, 2020	177,082	141,482	39,822	358,386

	2019			
	12-month ECL	*Lifetime ECL not credit-impaired*	*Lifetime ECL credit-impaired*	*Total*
At January 1, 2019	151,180	159,568	30,171	340,919
Transfer to 12-month ECL	81,137	(80,366)	(771)	-
Transfer to lifetime ECL not credit-impaired	(2,724)	2,774	(50)	-
Transfer to lifetime ECL credit-impaired	(8,922)	(42,329)	51,251	-
Impairment losses charged to income statement:				
Net remeasurement of loss allowance	(49,978)	127,440	101,309	178,771
New financial assets originated or puchased, assets derecognised, repayment and futher lending	4,139	15,673	6,385	26,197
Amounts written off	-	-	(250,886)	(250,886)
Recoveries of loans and advances written off	-	-	101,311	101,311
At December 31, 2019	174,832	182,760	38,720	396,312

8 Loans and advances (continued)

(c) Analysis of amount of loans and advances to customers classified into industry categories

Loans and advances to customers for use in Hong Kong	*2020*	*2019*
Industrial, commercial and financial		
- Property investment	2,716,231	3,083,098
- Wholesale and retail trade	24,652	63,211
- Manufacturing	3,784	8,588
- Others	15,348	37,916
Individuals		
- Loans for the purchase of other residential properties	62,791,623	55,171,177
- Credit card advances	12,320,965	13,473,213
- Others	23,549,253	27,869,597
	101,421,856	99,706,800
Netting adjustment on account of foreign currency margin products	(408,530)	(648,082)
Total loans and advances to customers for use in Hong Kong	101,013,326	99,058,718
Loans and advances to customers for use outside Hong Kong	3,321	11,346
Total	101,016,647	99,070,064

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

After taking into account the transfer of risk, there were no exposures to a single country outside Hong Kong exceeding 10% of the aggregate gross amount of loans and advances to customers as at the above respective reporting dates.

(d) Impaired loans and advances to customers

	2020		*2019*	
	Amount	*% of total loans and advances to customers*	*Amount*	*% of total loans and advances to customers*
Overdue loans and advances to customers	80,468	0.07%	44,706	0.05%
Rescheduled loans and advances to customers	29,140	0.03%	21,926	0.02%
Gross impaired loans and advances to customers	109,608	0.10%	66,632	0.07%

The gross impaired loans and advances disclosed above correspond to the total loans and advances to customers.

9 Financial assets at fair value through profit or loss

	2020	*2019*
Financial assets designated at fair value through profit or loss		
Treasury bills (including exchange fund notes)	71,652,003	50,905,062
Equity securities	696,000	650,000
Trading financial assets		
Positive fair value of derivatives (note 17b)	130,136	82,996
	72,478,139	51,638,058
Issued by:		
- Sovereigns	71,652,003	50,905,062
- Corporates	696,000	650,000
	72,348,003	51,555,062
Analyzed by place of listing:		
- Listed outside Hong Kong	792,683	-
- Unlisted	71,555,320	51,555,062
	72,348,003	51,555,062

10 Financial assets at fair value through other comprehensive income

	2020	*2019*
Exchange fund notes	36,440,049	21,925,609
Debt securities	2,379,480	2,174,523
	38,819,529	24,100,132
Issued by:		
- Sovereigns	36,440,049	21,925,609
- Corporates	2,379,480	2,174,523
	38,819,529	24,100,132
Analyzed by place of listing:		
- Listed in Hong Kong	1,191,105	-
- Unlisted	37,628,424	24,100,132
	38,819,529	24,100,132

11 Financial assets at Amortised Cost

	2020	*2019*
Debt securities	3,875,900	-
Issued by:		
- Corporates	3,875,900	-
Analyzed by place of listing:		
- Unlisted	3,875,900	-

12 Property, plant and equipment

	Buildings held for own use carried at cost	*Right-of-use assets*	*Installations, plant, manchinery and other assets*	*Construction in progress*	*Total property, plant and equipment*
Cost or valuation:					
At January 1, 2020	405,528	624,654	429,258	60,113	1,519,553
Additions	-	76,705	1,986	19,311	98,002
Transfer	-	-	59,484	(59,484)	-
Write-offs	-	-	(90,997)	(10,509)	(101,506)
At December 31, 2020	405,528	701,359	399,731	9,431	1,516,049
Accumulated depreciation:					
At January 1, 2020	120,985	211,440	359,233	-	691,658
Charge for the year	8,111	197,493	44,151	-	249,755
Write-offs	-	-	(86,161)	-	(86,161)
At December 31, 2020	129,096	408,933	317,223	-	855,252
Net book value:					
At December 31, 2020	276,432	292,426	82,508	9,431	660,797

	Buildings held for own use carried at cost	*Right-of-use assets*	*Installations, plant, manchinery and other assets*	*Construction in progress*	*Total property, plant and equipment*
Cost or valuation:					
At January 1, 2019	405,528	-	415,277	9,207	830,012
Impact on intial application of HKFRS 16	-	236,189	-	-	236,189
Adjusted balance at 1 January 2019	405,528	236,189	415,277	9,207	1,066,201
Additions	-	388,465	3,047	80,831	472,343
Transfer	-	-	28,425	(28,425)	-
Write-offs	-	-	(17,491)	(1,500)	(18,991)
At December 31, 2019	405,528	624,654	429,258	60,113	1,519,553
Accumulated depreciation:					
At January 1, 2019	112,874	-	334,147	-	447,021
Charge for the year	8,111	211,440	41,280	-	260,831
Write-offs	-	-	(16,194)	-	(16,194)
At December 31, 2019	120,985	211,440	359,233	-	691,658
Net book value:					
At December 31, 2019	284,543	413,214	70,025	60,113	827,895

13 Deposits from customers

	2020	*2019*
Demand deposits and current accounts	58,271,442	32,504,494
Savings deposits	139,167,015	80,764,983
Time, call and notice deposits	18,104,258	61,489,328
	215,542,715	174,758,805

14 Trading financial liabilities

	2020	*2019*
Negative fair value of derivatives (note 17b)	10,425	36,200

15 Reserves

	Capital reserves	*Fair value reserve*	*Retained profits*	*Total*
At January 1, 2020	(10,809)	(6,327)	15,504,203	15,487,067
Changes in reserves for 2020:				
Share-based payment transactions, net of tax	(2,008)	-	-	(2,008)
Total comprehensive income for the year	-	16,780	2,209,210	2,225,990
Dividend declared in respect of the current year	-	-	(1,410,721)	(1,410,721)
At December 31, 2020	(12,817)	10,453	16,302,692	16,300,328

	Capital reserves	*Fair value reserve*	*Retained profits*	*Total*
At January 1, 2019	(12,993)	(303)	15,659,286	15,645,990
Changes in reserves for 2019:				
Share-based payment transactions, net of tax	2,184	-	-	2,184
Total comprehensive income for the year	-	(6,024)	2,799,773	2,793,749
Dividend declared in respect of the current year	-	-	(2,954,856)	(2,954,856)
At December 31, 2019	(10,809)	(6,327)	15,504,203	15,487,067

15 Reserves (continued)

(a) Nature and purpose of reserves

Fair value reserve

This reserve comprises the cumulative net change in fair value of FVOCI debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (note 1(d)).

Capital reserves

The capital reserves comprise the subsequent change in fair value of the share awards granted to employees of the Company recognized in accordance with the accounting policy for share-based payments in notes 1(h)(iv).

(b) Regulatory reserve

To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Company has earmarked a regulatory reserve directly from retained profits. As of December 31, 2020, the effect of this requirement is to reduce the amount of reserves which can be distributed to equity shareholders by $360,985 thousand (2019: $629,618 thousand).

(c) Distributability of reserves

A Level 3 reserve comprises the cumulative net change in the fair value of Level 3 securities held until the securities are derecognised. The derecognition policy is set out in Note 1(d). At 31 December 2020, the Level 3 reserve balance was $653,167 thousand (2019: $607.943 thousand). The amount is deducted from the aggregate amount of reserves available for distribution.

At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$15,286,176 thousand (2019: HK$14,249,506 thousand).

(d) The directors did not propose any final dividend (2019: $Nil) after the year end.

16 Cash and cash equivalents

(a) Cash and cash equivalents in the cash flow statement

	2020	*2019*
Cash and balances with banks, central banks and other financial institutions with original maturity within three months	7,489,456	12,291,708
Placements with banks and other financial institutions with original maturity within three months	193,838	66,413
Financial assets designated at fair value through profit or loss with original maturity within three months	39,308,671	26,210,258
	46,991,965	38,568,379
Less: Overdrafts	(1,020,729)	(875,659)
Cash and cash equivalents in the cash flow statement	45,971,236	37,692,720

(b) Reconciliation with the statement of financial position

	2020	*2019*
Cash and balances with banks, central banks and other financial institutions	9,410,918	12,949,284
Placements with banks and other financial institutions	13,628,205	9,047,689
Financial assets designated at fair value through profit or loss		
- Treasury bills	71,652,003	50,905,062
Financial assets designated at fair value through other comprehensive income		
- Exchange fund notes	36,440,049	21,925,609
- Debt securities	2,379,480	2,174,523
Amounts shown in the statement of financial position	133,510,655	97,002,167
Less: Amounts with an original maturity of beyond three months	(86,518,690)	(58,433,788)
Less: Overdrafts	(1,020,729)	(875,659)
Cash and cash equivalents in the cash flow statement	45,971,236	37,692,720

17 Derivatives

Derivatives are used for managing the Company's own exposures to market risk as part of its asset and liability management process and their sale to customers as part of the Company's business activities. The principal derivative instruments used by the Company are foreign exchange rate related contracts, which are primarily over-the-counter derivatives.

(a) Notional amount of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices. The notional amounts of these instruments indicate the volume of outstanding transactions and do not represent amounts at risk.

	2020	*2019*
Currency derivatives		
Forwards and futures	16,266,785	9,152,558
Options purchased	1,759,429	2,288,638
Options written	1,759,429	2,288,638
	19,785,643	13,729,834

Currency forwards and futures are acquired or incurred principally for hedging purposes. Currency options are customer driven transactions and hedging transactions. The Company has elected not to use hedge accounting.

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

	2020			*2019*		
	Fair value		*Credit risk weighted amount*	*Fair value*		*Credit risk weighted amount*
	Assets	*Liabilities*		*Assets*	*Liabilities*	
Currency derivatives	130,136	10,425	73,233	82,996	36,200	72,836

The credit equivalent amounts are assessed in accordance with the Banking (Capital) Rules and depend on the status of the counterparty and maturity characteristics of the instrument. The risk weights used range from 0% to 1250%.

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

18 Contingent liabilities and commitments

	2020	*2019*
Contractual or notional amounts		
Trade-related contingencies	-	-
Forward forward deposits placed	901,789	39
Other commitments		
- with an original maturity of not more than one year	1,698,635	606,477
- with an original maturity of more than one year	749,303	728,002
- which are unconditionally cancellable	81,254,645	79,437,146
	84,604,372	80,771,664
Credit risk weighted amounts	519,254	200,030

Contingent liabilities and commitments are forward deposits placed as well as credit-related instruments. The risk involved is similar to the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of other commitments is expected to expire without being drawn upon, the total of contractual amounts is not representative of future liability requirements.

The credit risk-weighted amounts are assessed in accordance with the Banking (Capital) Rules and depend on the status of the counterparty and the maturity characteristics of the instrument. The risk weights used range from 0% to 1250%.

19 Financial risk management

This section presents information about the Company's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- credit risk: risk of loss resulting from the decline in credit quality (or downgrade risk) or failure of a borrower, counterparty, third party or issuer to honor its financial or contractual obligations.

- market risk: risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and market risk comprises currency risk, interest rate risk and other price risk.

- liquidity and funding risk: risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

- operational risk: risk arising from matters such as non-adherence to systems and procedures or from frauds resulting in financial or reputation loss.

19 Financial risk management (continued)

The Company has established policies and procedures to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date management and information systems. The Company continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal Audit also performs regular audits to ensure compliance with the policies and procedures.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

(a) *Credit risk management*

This category includes credit and counterparty risks from loans and advances and counterparty risks from trading and investing activities and also third parties to either hold, collect or settle the funds on behalf of the Company. The Company identifies and manages this risk through its (a) target market definitions, (b) credit approval process, (c) post-disbursement monitoring and (d) remedial management procedures.

Credit Risk Management is responsible for the quality and performance of credit portfolios of the Company, through which it can pursue a long-term sustainable and profitable growth. It manages, monitors and controls all credit risks within the Company through:

- formulating credit policies on new acquisition, portfolio management, collection and recovery for credit portfolios;
- developing risk acceptance criteria for portfolios towards segments, sectors, industries, usages and collateral;
- undertaking an independent review and objective assessment of credit risks;
- controlling exposures to portfolios, industries, counterparties and countries etc by setting limits;
- monitoring the performance of credit portfolios, including collateral positions, and developing effective remedial strategies;
- evaluating potentially adverse scenario that many impact the quality and performance of credit portfolios;
- establishing key risk indicators that assess the market situation on on-going basis; and
- providing advice and guidance to business units on various credit-related issues.

The Company’s credit risk arises mainly from its consumer and treasury operations.

19 Financial risk management (continued)

(a) Credit risk management (continued)

Consumer credit risk

The Company's consumer credit policy, approval process and credit delegation authority are designed for the fact that there are high volumes of relatively homogeneous, small value transactions in each consumer loan category. Because of the nature of consumer banking, the credit policies are based primarily on statistical analyzes of risks with respect to different products and types of customers. The Company has established methodologies on risk assessment for new product launch as well as periodic review of the terms of existing products, so as to achieve the desired customer profiles.

Credit risk for treasury transactions

The Company's treasury activities are predominantly with group entities or with institutions and governments with strong credit standing. As such, credit risk for the Company's treasury activities is not significant.

Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions, are therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans.

Master netting arrangements

The Company enters into master netting arrangements with counterparties whenever possible. Netting agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis.

Concentration of credit risk

The Company pursues a strategy of mitigating any concentration in credit risk by diversifying the asset portfolio. The total asset portfolio consists of a balanced mix of collateralized products (mortgages and margin finance), as well as credit cards and unsecured credit facility but is concentrated in Hong Kong.

19 Financial risk management (continued)

(b) Market risk management

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, etc. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to manage the Company's exposure to the price volatility inherent in financial instruments.

The Treasury Department manages interest rate risks within the limits approved by the Market Risk Management and/or Asset and Liability Management Committee (ALCO), and these risks are monitored and reported by an independent Reporting unit. It also reviews and sets limits package as well as permitted product list, ensuring adherence to risk management objectives. These are governed by Citi Mark to Market Policy.

Derivative instruments are used to manage the Company's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Company are foreign exchange rate related contracts, which are primarily over-the-counter derivatives.

Derivative instruments shall be reflected in the trading systems which feed to Risk system. Market Risk Reporting Unit prepares risk reports for exposure usage monitoring against the limits as approved. Reporting Unit sends the report to the business, market risk management for limit monitoring purpose. Once there are limit excesses, it will be communicated between Treasury Department and Market Risk Management on the resolution plan and timeline and trace of resolution. The models and parameters in the systems are regularly updated and assessed as defined in the Citi policies.

The Company sets various positions and sensitivity limit structures. Additionally, the Company applies quantitative techniques and simulation models to identify and assess the potential net interest income and market value effects of these interest rate positions in different interest rate scenarios. The primary objective of such interest rate risk management is to limit the potential adverse effect of interest rate movements on net interest income. The Market Risk Manager monitors interest rate risks against set limits on a daily basis. All exceptions are reviewed and approved by the appropriate level of Market Risk Management.

(i) Currency risk

The Company's foreign currency positions arise from foreign exchange transactions. All foreign currency positions are managed by the Treasury Department within limits approved by the Market Risk Management and ALCO.

The Company seeks to match closely its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Company is exposed to currency risks primarily arising from financial instruments that are denominated in the United States dollar ("USD"). In respect of financial instruments denominated in other currencies, the Company ensures that the next exposure is kept to an acceptable level by buying or selling foreign currencies at market rates where necessary to address short-term imbalances.

19 Financial risk management (continued)

(b) Market risk management (continued)

(ii) Interest rate risk

Interest Rate Risk in the Banking Book ("IRRBB") pertains to the risk to the Company's financial condition resulting from adverse movements in interest rates that affect the Company's capital and earnings. The Company's principal measures of risk to economic value of equity ("EVE") and net interest income ("NII") are defined based on the standardized framework described in the Supervisory Policy Manual module IR-1 "Interest Rate Risk in the Banking Book" and in accordance with the method used in the Return on Interest Rate Risk in the Banking Book (MA(BS)12A).

Through the treasury discipline, IRRBB is managed within the limits that are reviewed and monitored by the Company's independent Treasury Risk organization, Asset and Liability Committee (ALCO) and the Board. The Company has an established IRRBB limit framework for identified risk factors that clearly defines approved risk profiles and is within the Treasury Risk Appetite Framework. In order to manage IRRBB effectively, the Company may take hedging actions or restructure existing positions to reduce IRRBB. The Company regularly assesses viability of these actions and other strategies, including further strengthening its capital position, and implement such strategies when deemed prudent, ensuring the Company operates well within established limits.

IRRBB regulatory reporting and monitoring is done on a quarterly basis. IRRBB measures from this return, including any hedging strategies or actions to reduce IRRBB, are presented to the ALCO and the Board. In addition to and in accordance with global firm-specific standards, IRRBB based on internal methodologies and assumptions is monitored on a daily as well as monthly basis. While the Company uses internally defined standard interest rate shocks and scenario assumptions for internal risk reports, rate models and other assumptions that relate to interest rate risk sensitivity are consistent between internal monitoring and regulatory reporting. These models and assumptions are reviewed and validated on an annual basis, at the minimum, and where applicable, are governed by an established Model Risk Management Policy.

The Company employs additional measurements of vulnerability to loss, including stress testing based on the six standardized interest rate shocks defined by the HKMA and internally selected scenarios that reflect plausible balance sheet and risk changes as observed in the past as well as based on hypothetical or forward-looking assumptions. Potential impact from these changes is considered when reviewing policy, setting limits as well as assessing capital adequacy.

In calculating change in NII, the Company assumes that businesses and/or the Treasury make no additional changes in balances or positioning in response to the unanticipated rate changes. A static balance sheet is maintained throughout the 12 month forecast horizon, remaining constant in terms of size and product mix regardless of the interest rate scenario with maturing instruments being replaced with ones of the same original tenor and repricing terms. No prepayment and early redemption assumptions are considered for loans and time deposits as risk from these options have been assessed as immaterial and impact is curbed by the penalty fee structure in place. Optionality risks in existing as well as new products are assessed and reviewed on a regular basis, and when it is believed to be material, are incorporated into the IRRBB measurements.

19 Financial risk management (continued)

(c) Liquidity risk mangement

The Company's liquidity risk management process is integrated into the overall Citi liquidity and funding process and liquidity monitoring framework. Liquidity is managed at the Citi-level, the Citibank, N.A.-level, the Country level and the level of Material Legal Entity ("MLE").

Citi policy requires all MLE (which is the level at which the Company is operating at) to maintain a strong liquidity position and ensure sufficient cash flows to meet all financial commitment and to capitalize on opportunities for business expansion. This includes the Company's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and make new loans and investments as opportunities arise. The Company maintains a pool of customer deposits, which are made up of current and savings accounts and time deposits. The customer deposits are widely diversified by type and maturity and represent a stable source of funding.

Policies and Procedures

The Company has established an Asset and Liability Management Committee ("ALCO"). The ALCO Charter includes the monitoring and control of liquidity and funding. ALCO monitors trends in statement of financial position and ensures that any concerns that might impact the stability of the customer deposits are addressed effectively.

It is the responsibility of the Company's management to ensure compliance with local regulatory requirements and limits set by ALCO. The Company's liquidity resources are managed by the treasurer. Liquidity is managed on a daily basis by treasury function. The Board is ultimately responsible for overseeing liquidity risk that the Company is able to take and ensure that there is a robust liquidity management process in place.

The Company's liquidity risk management framework requires limits to be set for prudent liquidity management, the limits and internal targets include:

- Net intragroup balance
- Liquidity ratios
- Loan to deposit ratio
- Daily S2
- Monthly Local S2
- Resolution Liquidity Adequacy and Positioning ("RLAP")

All limits and internal targets are reviewed at least annually together with Funding and Liquidity Plan ("FLP") and more frequently if required, to ensure that they are remain relevant to current market conditions and business strategy. These limits and targets are monitored and reviewed by ALCO on a regular basis. Any limit excess will be escalated under a delegated authority structure and reviewed by ALCO and the Board. A Contingency Funding and Liquidity Plan ("CFP") playbook is in place for Hong Kong, on a total country basis, which lays out the trigger points and actions in the event of liquidity crisis to ensure that there is an effective response by senior management in case of such an event.

The Company's securities holdings are mainly in government securities that can be liquidated, repurchased or used as collateral in the event of liquidity stress.

19 Financial risk management (continued)

(c) Liquidity risk management (continued)

Stress Test

Citi uses multiple measures in monitoring its liquidity, including those described below. In addition, there continues to be numerous regulatory developments relating to future liquidity standards and requirements applicable to financial institutions such as Citi, including certain measures discussed below.

Stress testing and scenario analyzes are intended to quantify the potential impact of a liquidity event on the statement of financial position (including on and off balance sheet), contingent funding obligations and other liquidity exposures, and to identify viable funding alternatives that can be utilized. These scenarios include assumptions about significant changes in key funding sources, market triggers (such as credit ratings), potential uses of funding and political and economic conditions in certain countries. These conditions include standard and stress market conditions as well as firm-specific events.

A wide range of liquidity events are considered to ascertain potential mismatches between liquidity sources and uses over a variety of time horizons by tenor buckets. Liquidity limits are set accordingly. To monitor the liquidity of the Bank, those stress tests and potential mismatches may be calculated with varying frequencies, with several important tests performed daily. All assumptions used in the stress scenarios must be approved under the process of “Annual Funding and Liquidity Plan”.

S2-“Highly Stressed Market Disruption Scenario” is Citi’s primary long term stress metrics. Assumes market, credit and economic conditions are moderately to high stressed with potential further deterioration, and is used to measure a 12 month survival, i.e. CHKL must maintain sufficient liquidity to meet all maturing obligations with 12 months under the S2 stress scenario. S2 is prepared daily for all major currencies including HKD, CNY and G10 currencies. Other minor currencies are included in the S2 Universal.

Local S2 - “Institution Specific and Local Market Scenario” is represented a significant local market disruption such as a collapse of a major local bank, or an abrupt change in the regulatory or political environment, which will affect the liquidity available to that market. It requires a self-sufficiency period over a 3 month period and it is performed in a monthly basis.

19 Financial risk management (continued)

(c) Liquidity risk management (continued)

Resolution Liquidity Adequacy and Positioning (RLAP) -is a ratio based on internal stressed outflows assumptions and internal definition of liquidity resources. It is designed to ensure there are sufficient liquidity resources to withstand outflows associated with Resolution scenario with a 30 day survival period under a severely stress market condition. Assumptions are internally developed and referenced to Basel III LCR and ratio is produced and monitored on daily basis.

Encumbered and unencumbered assets

An asset is defined as encumbered, from a liquidity perspective, if it has been pledged as collateral against an existing liability, and as a result is no longer available to the bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorized as unencumbered if it has not been pledged against an existing liability. As of December 31, 2020, High Quality Liquid Assets (HQLA) held by the bank are mostly unencumbered assets, except a small portion of Hong Kong exchange fund bills which are set aside for intraday liquidity needs.

The Company maintains a sufficient cushion of HQLA which can be sold or used as collateral to provide liquidity under stress period. The compositions of the HQLA are mainly in government securities together with a small portion of high investment grade credit securities. The size of the liquidity cushion was approximately HK$107 billion as of December 31, 2020.

Citibank, N.A.'s credit ratings as at the end of December, 2020 were A+(S&P) and Aa3 (Moody's). Given that Citibank other entities are our only counterparties for these derivative transactions and cash positions are held or posted as collateral according to the mark to market of the contracts. Citibank's credit ratings downgrade has minimal impact on Bank's derivative collateral requirement.

19 Financial risk management (continued)

(c) Liquidity risk management (continued)

Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period at the statement of financial position date to the contractual maturity date.

2020	*Total*	*Repayable on demand*	*1 month or less*	*Over 1 month to 3 months*	*Over 3 months to 1 year*	*Over 1 year to 5 years*	*Over 5 years*	*Undated or overdue*
Assets								
Cash and balances with banks, central banks and other financial institutions	9,409,863	4,606,159	4,803,704	-	-	-	-	-
Placements with banks and other financial institutions	13,626,667	-	-	2,533,151	11,093,516	-	-	-
Loans and advances	151,732,931	7,066,196	469,196	3,891,416	15,717,885	73,627,350	50,807,231	153,657
Financial assets at fair value through profit or loss	72,478,139	-	29,522,739	35,854,714	6,274,550	-	-	826,136
Financial assets at fair value through other comprehensive income	38,819,529	-	4,263,935	12,445,732	18,539,277	3,570,585	-	-
Financial assets at amortised cost	3,875,900	-	-	-	-	3,875,900	-	-
Non-interest bearing assets	5,135,743	-	-	-	-	-	-	5,135,743
	295,078,772	11,672,355	39,059,574	54,725,013	51,625,228	81,073,835	50,807,231	6,115,536
Liabilities								
Deposits and balances from banks and other financial institutions	49,731,929	1,020,729	14,726,549	772,096	5,996,109	27,216,446	-	-
Deposits from customers	215,542,715	197,438,457	10,925,134	6,796,831	381,518	775	-	-
Trading financial liabilities	10,425	-	-	-	-	-	-	10,425
Lease liabilities	296,254	-	15,790	31,667	134,434	114,363	-	-
Non-interest bearing liabilities	5,848,681	-	-	-	-	-	-	5,848,681
	271,430,004	198,459,186	25,667,473	7,600,594	6,512,061	27,331,584	-	5,859,106
Commitments								
Other commitments	83,702,583	82,003,949	1,258,620	425,814	14,200	-	-	-
Forward deposits placed	901,789	-	901,789	-	-	-	-	-
	84,604,372	82,003,949	2,160,409	425,814	14,200	-	-	-
Of which:								
Debt securities								
- included in financial assets at fair value through profit or loss	71,652,003	-	29,522,739	35,854,714	6,274,550	-	-	-
- included in financial assets at fair value through other comprehensive income	38,819,529	-	4,263,935	12,445,732	18,539,277	3,570,585	-	-
- included in financial assets at amortised cost	3,875,900	-	-	-	-	3,875,900	-	-
	114,347,432	-	33,786,674	48,300,446	24,813,827	7,446,485	-	-

19 Financial risk management (continued)

(c) Liquidity risk management (continued)

2019	*Total*	*Repayable on demand*	*1 month or less*	*Over 1 month to 3 months*	*Over 3 months to 1 year*	*Over 1 year to 5 years*	*Over 5 years*	*Undated or overdue*
Assets								
Cash and balances with banks, central banks and other financial institutions	12,949,226	4,330,353	8,618,873	-	-	-	-	-
Placements with banks and other financial institutions	9,047,648	-	-	1,372,589	7,675,059	-	-	-
Loans and advances	131,060,164	8,578,103	488,719	4,456,512	18,558,509	53,196,459	45,620,595	161,267
Financial assets at fair value through profit or loss	51,638,058	-	18,000,221	27,541,587	5,363,254	-	-	732,996
Financial assets at fair value through other comprehensive income	24,100,132	-	1,048,873	6,437,458	14,439,278	2,174,523	-	-
Non-interest bearing assets	4,031,983	-	-	-	-	-	-	4,031,983
	232,827,211	12,908,456	28,156,686	39,808,146	46,036,100	55,370,982	45,620,595	4,926,246
Liabilities								
Deposits and balances from banks and other financial institutions	30,158,731	875,659	15,588,705	511,324	2,359,621	10,823,422	-	-
Deposits from customers	174,758,805	113,269,477	36,188,003	24,208,500	1,092,825	-	-	-
Trading financial liabilities	36,200	-	-	-	-	-	-	36,200
Non-interest bearing liabilities	5,037,968	-	16,790	33,677	128,050	235,040	-	4,624,411
	209,991,704	114,145,136	51,793,498	24,753,501	3,580,496	11,058,462	-	4,660,611
Commitments								
Other commitments	80,771,625	80,165,148	353,197	160,321	92,959	-	-	-
Forward deposits placed	39	-	39	-	-	-	-	-
	80,771,664	80,165,148	353,236	160,321	92,959	-	-	-
Of which:								
Debt securities								
- included in financial assets at fair value through profit or loss	50,905,062	-	18,000,221	27,541,587	5,363,254	-	-	-
- included in financial assets at fair value through other comprehensive income	24,100,132	-	1,048,873	6,437,458	14,439,278	2,174,523	-	-
	75,005,194	-	19,049,094	33,979,045	19,802,532	2,174,523	-	-

As the trading portfolios may be sold before maturity or deposits from customers may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

19 Financial risk management (continued)

(d) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of operational risk includes legal risk – which is the risk of loss (including litigation costs, settlements and regulatory fines) resulting from the failure of the bank to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the bank's business – but excludes strategic and reputation risks. Citi also recognizes the impact of operational risk on reputation risk associated with Citi's business activities.

Operational risk is inherent in the Company's business activities and is managed through an overall framework with checks and balances that include recognized ownership of the risk by the businesses and independent risk management oversight. The Company mitigates its operational risk by setting up its key controls and assessments according to Citigroup's and the Regulators' standards. They are also evaluated, monitored, and managed by its sound governance structure.

The Operational Risk Management ("ORM") team establishes and oversees the design, implementation and maintenance of the Operational Risk Management Framework ("ORMF"). The ORMF establishes standards for consistent identification, measurement, monitoring, reporting and management of operational risk across Citi which are designed to lead to effective anticipation and mitigation of operational risk and improved loss experience. It also provides an enterprise-wide assessment framework for significant current and emerging operational risks. This approach furthers business ownership and accountability in terms of risk management, supported by the ORM team.

Citi's Operational Risk Framework includes a governance structure that supports core operational risk management activities of anticipation, mitigation and recovery by three lines of defence which are Business Management (Front line units), Independent Risk Management & and Independent Compliance Risk Management, and Internal Audit, respectively.

Additionally, the firm has units (i.e. control and support functions) which are expected to design, implement and maintain an effective control environment, supportive of safety and soundness.

Principles of Good Operational Risk Management:

Strong Ownership and Oversight

- Established lines of defense
- Businesses and Functions self-identify issues before Regulators and Internal Audit
- Issues are remediated on time and not reopened
- Significant events are escalated timely and consistently evaluated for lessons learned
- Governance Committees actively oversee risk identification and control remediation
- Management implements effective controls to mitigate significant risks
- Products and services are delivered as intended
- Credible second line operational risk managers

Dynamic Framework and Tools

- Risk Appetite is clearly articulated and monitored with key indicators
- Taxonomies and scoring methodologies are intuitive and used consistently
- Managers Control Assessment (MCA) provides a dynamic residual risk picture and tool for proactive prioritization
- End-to-end processes are assessed by management
- Material risks are identified and aligned with capital/stress projections
- Reporting is timely and clearly articulates the operational risk profile
- Technology platform that integrates all framework elements

19 Financial risk management (continued)

(e) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The process of allocating capital to specific operations and activities is undertaken by senior management.

Consistent with industry practice, the Company monitors its capital structure on the basis of the capital adequacy ratio and there have been no material changes in the Company's policy on the management of capital during the year.

The Company has complied with all externally imposed capital requirements, with capital positions well above the minimum capital requirement set by the HKMA, throughout the years ended December 31, 2020 and 2019. Further information on the Company's capital positions can be found in part (a) of the unaudited supplementary information.

20 Fair values of financial instruments

The carrying amounts of the Company's financial instruments are carried at cost or amortized cost and are reasonable approximation of their fair values as at 31 December 2020 and 2019.

21 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company entered into the following material related party transactions. The Company has policies on lending to related parties which define related parties, credit and reporting processes, requirements and restrictions on such lending.

21 Material related party transactions (continued)

(a) Transactions with group companies

During the year, the Company entered into transactions with related parties in the ordinary course of its banking business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions and off-balance sheet transactions. The transactions were priced at the relevant market rates at the time of each transaction.

The amounts of related-party transactions during the year and outstanding balances at the end of the year are set out below:

	Ultimate holding company		*Immediate holding company*		*Fellow subsidiaries*	
	2020	*2019*	*2020*	*2019*	*2020*	*2019*
Interest income	-	-	756,611	840,683	2,365	6,960
Interest expense	-	-	(393,532)	(632,277)	(12)	(25)
Fee and commission income	-	-	708,297	637,876	203,834	236,819
Operating expenses	-	-	(1,305,345)	(1,222,824)	(204,821)	(237,100)
For the year ended December 31	-	-	(233,969)	(376,542)	1,366	6,654
Placement of deposits						
At January 1	-	-	49,672,632	45,165,164	380,489	358,353
At December 31	-	-	68,360,277	49,672,632	531,882	380,489
Acceptance of deposits						
At January 1	-	-	30,158,731	27,003,586	396,933	307,578
At December 31	-	-	49,731,929	30,158,731	312,970	396,933
Cash and balances with banks and other financial institutions						
At January 1	-	-	1,436,712	1,555,633	-	50,655
At December 31	-	-	2,326,879	1,436,712	-	-
Other assets						
At January 1	-	-	1,007,456	1,004,614	28,745	31,296
At December 31	-	-	1,250,389	1,007,456	12,495	28,745
Other liabilities						
At January 1	11,310	12,196	171,002	163,187	31,845	34,669
At December 31	12,663	11,310	209,165	171,002	9,607	31,845

21 Material related party transactions (continued)

(b) Key management personnel emoluments

Emoluments for key management personnel, including amounts paid to the Company's directors, are as follows:

	2020	*2019*
Short-term employee benefits	53,474	47,699
Post-employment benefits	2,590	2,365
Share-based payments	4,090	2,990
	60,154	53,054

Amounts disclosed include emoluments totaling HK$22,137,836 (2019: HK$19,122,762) to certain key management personnel were paid by group companies of the Company. The Company did not reimburse the group companies for the service provided.

In addition to the amounts disclosed above, emoluments totalling HK$836,545 (2019: HK$723,103) to certain key management personnel who provided services to group companies of the Company were paid by the Company. The Company did not receive reimbursement from group companies.

(c) Loans to directors

Loans to directors of the Company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020	*2019*
Aggregate amount of relevant loans made by the Company outstanding at December 31	67,149	63,731
Maximum aggregate amount of relevant loans made by the Company outstanding during the year	74,502	66,377

UNAUDITED SUPPLEMENTARY INFORMATION

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

(a) Capital adequacy ratio

The capital adequacy ratios were calculated in accordance with the Capital Rules. In accordance with the Capital Rules, the Company has adopted the "standardized approach" for the calculation of the risk-weighted assets for credit risk, market risk, and operational risk.

	At Dec 31, 2020	*At Dec 31, 2019*
The Company's regulatory capital position was as follows:		
Common Equity Tier 1 (CET1) capital ratio	24.47%	27.05%
Tier 1 capital ratio	24.47%	27.05%
Total capital ratio	25.19%	28.11%

Countercyclical Capital Buffer Ratio

	At Dec 31, 2020	*At Dec 31, 2019*
Countercyclical Capital Buffer Ratio	0.96%	1.92%

The relevant disclosures pursuant to the Banking (Disclosure) Rules for this period can be found in our website www.citibank.com.hk.

Capital Conservation Buffer Ratio

Under the Banking (Capital) Rules, the capital conservation buffer ratios for calculating the Bank's buffer level are 2.5% for 2020 and 2019.

Regulatory capital disclosures can be found in our website www.citibank.com.hk, covering a description of the main features, the full terms and conditions of the Company's capital instruments, a detailed breakdown of the Company's CET1 capital, AT1 capital, Tier 2 capital, regulatory deductions and a full reconciliation between the Company's accounting and regulatory statement of financial position.

(b) Leverage ratio

	At Dec 31, 2020	*At Dec 31, 2019*
Leverage Ratio	7.60%	9.15%

The disclosure on leverage ratio is computed on the same basis as specified in a notice from the HKMA in accordance with section 3C of the Capital Rules. The relevant disclosures pursuant to the Banking (Disclosure) Rules can be found in our website www.citibank.com.hk.

(c) Segmental information

(i) By class of business

The Company mainly provides financial services related to retail banking business.

(ii) By geographical area

No single country or geographic segment other than Hong Kong contributes 10% or more of the Group's assets, liabilities, profit or loss before taxation, total operating income or contingent liabilities and commitments.

(iii) International claims

The country risk exposures in the tables below are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk.

International claims attributable to individual countries or areas not less than 10% of the bank's total international claims, after recognised risk transfer, are shown as follows:

	At Dec 31, 2020				
			Non-bank private sector		
	Banks	*Offical Sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Total*
Developed countries	72,412,736	63,996,641	12,163,862	1,151,125	149,724,364
of which United States	71,972,452	53,355,901	8,498,386	309,902	134,136,641

	At Dec 31, 2019				
			Non-bank private sector		
	Banks	*Offical Sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Total*
Developed countries	52,799,074	45,446,380	6,688,256	1,069,377	106,003,087
of which United States	52,161,511	34,275,780	3,807,223	295,500	90,540,014

(d) Further analysis on loans and advances to customers

(i) Loans and advances to customers analyzed by industry sector

	2020		2019	
	Amount	*% of loans and advances covered by collateral or other security*	*Amount*	*% of loans and advances covered by collateral or other security*
Loans and advances to customers for use in Hong Kong				
Industrial, commercial and financial				
Property investment	2,716,231	100%	3,083,098	100%
Wholesale and retail trade	24,652	61%	63,211	41%
Manufacturing	3,784	80%	8,588	45%
Others	15,348	73%	37,916	43%
Individuals				
Loans for the purchase of other residential properties	62,791,623	100%	55,171,177	100%
Credit card advances	12,320,965	-	13,473,213	-
Others	23,549,253	76%	27,869,597	80%
	101,421,856		99,706,800	
Netting adjustment on account of foreign currency margin products	(408,530)		(648,082)	
Total loans and advances to customers for use in Hong Kong	101,013,326		99,058,718	
Loans and advances to customers for use outside Hong Kong	3,321	-	11,346	-
Total	101,016,647		99,070,064	

The above analysis has been classified according to categories and definitions used by the HKMA.

(d) Further analysis on loans and advances to customers (continued)

(i) Loans and advances to customers analyzed by industry sector (continued)

The amount of overdue and impaired loans and advances to customers and respective collective impairment allowances in respect of loans and advances to industry sectors which constitute not less than 10% of the Company's total loans and advances to customers are shown as follows:

	2020	*2019*
Overdue loans and advances to customers		
Individuals		
Loans for the purchase of other residential properties	36,226	-
Credit card advances	38,971	40,934
Others	5,271	3,772
Impaired loans and advances to customers		
Individuals		
Loans for the purchase of other residential properties	36,226	3,147
Credit card advances	38,971	40,934
Others	34,411	22,551
Collective impairment allowances		
Individuals		
Loans for the purchase of other residential properties	3,597	1,400
Credit card advances	253,369	289,198
Others	61,121	60,391
Specific impairment allowances		
Individuals		
Loans for the purchase of other residential properties	3	-
Credit card advances	36,575	36,319
Others	3,244	2,218
New impairment allowances		
Individuals		
Loans for the purchase of other residential properties	2,200	(405)
Credit card advances	235,412	237,717
Others	53,489	63,703
Advances written off during the year		
Individuals		
Credit card advances	270,985	200,750
Others	51,733	36,842

(ii) Loans and advances to customers analyzed by geographical area

Loans and advances to customers by geographical area are classified according to the location of the counterparties. After taking into account the transfer of risk, there were no exposures to a single country outside Hong Kong exceeding 10% of the aggregate gross amount of loans and advances to customers as at the above respective reporting dates.

(e) Overdue and rescheduled assets

(i) Overdue loans and advances to customers

	2020		*2019*	
	Amount	*% of loans and advances to customers*	*Amount*	*% of loans and advances to customers*
Loans and advances to customers which have been overdue for periods of:				
- 6 months or less but over 3 months	54,525	0.05%	44,706	0.05%
- 1 year or less but over 6 months	1,995	0.00%	-	0.00%
- over 1 year	23,948	0.02%	-	0.00%
	80,468	0.07%	44,706	0.05%
Current market value of collateral held against the covered portion of overdue loans and advances to customers	104,625		-	
Covered portion of overdue loans and advances to customers	36,226		-	
Uncovered portion of overdue loans and advances to customers	44,242		44,706	
	80,468		44,706	
Specific impairment allowances	32,777		32,381	

The covered portion of overdue loans and advances to customers represents the amount of collateral held against outstanding balances. Where collateral values are greater than gross loans and advances, only the amount of collateral up to the gross loans and advance was included.

The collateral held in respect of the overdue loans and advances mainly consists of properties.

After taking into account the transfer of risk, there were no exposures to a single country outside Hong Kong exceeding 10% of the aggregate overdue loans and advances to customers as at the above respective reporting dates.

(e) Overdue and rescheduled assets (continued)

(ii) Rescheduled loans and advances to customers

	2020		*2019*	
	Amount	*% of loans and advances to customers*	*Amount*	*% of loans and advances to customers*
Rescheduled loans and advances to customers	29,140	0.03%	21,926	0.02%

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or because of the inability of the borrower to meet the original repayment schedule. Rescheduled loans and advances to customers are stated net of any loans and advances which have subsequently become overdue for over three months and which are included in overdue loans and advances to customers in part (e)(i).

(iii) Impaired loans and advances to customers

	2020		*2019*	
	Amount	*% of loans and advances to customers*	*Amount*	*% of loans and advances to customers*
Overdue loans and advances to customers	80,468	0.07%	44,706	0.05%
Rescheduled loans and advances to customers	29,140	0.03%	21,926	0.02%
Impaired loans and advances to customers	109,608	0.10%	66,632	0.07%

After taking into account the transfer of risk, there were no exposures to a single country outside Hong Kong exceeding 10% of the aggregate impaired loans and advances to customers as at the above respective reporting dates.

There were no advances to banks or other assets which were overdue for over three months as at 31 December 2020 and 31 December 2019, nor were there any rescheduled advances to banks and other financial institutions.

(f) Repossessed assets

	2020	*2019*
Repossessed assets	-	2,843

Assets acquired in exchange for the release in full or in part of the obligations of the borrowers due to restructuring or the inability of borrowers to repay, are recorded as "Other assets" in the balance sheet at the lower of net realization value and the carrying amount of the asset (net of any impairment allowance), until the assets are realized.

(g) Mainland Activities

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

		2020	
	On-balance sheet exposures	*Off-balance sheet exposures*	*Total exposures*
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	2,048,535	858,141	2,906,676
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	525	-	525
Other counterparties where the exposures are considered by the reporting institution to be non-bank China exposure	10,232	-	10,232
Total	2,059,292	858,141	2,917,433
Total assets after provision	295,487,302		
On-balance sheet exposures as percentage of total assets	0.70%		

(g) Mainland Activities (continued)

	2019		
	On-balance sheet exposures	*Off-balance sheet exposures*	*Total exposures*
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	2,937,726	930,157	3,867,883
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	789	-	789
Other counterparties where the exposures are considered by the reporting institution to be non-bank China exposure	18,627	-	18,627
Total	2,957,142	930,157	3,887,299
Total assets after provision	233,475,293		
On-balance sheet exposures as percentage of total assets	1.27%		

(h) Additional disclosures on credit risk management

(i) Capital requirements for credit risk

The capital requirements on each class of exposures calculated under the standardized (credit risk) approach at the statement of financial position date can be analyzed as follows:

	2020	*2019*
Classes of exposures:		
Sovereign	-	-
Public sector entity	34,407	12,728
Bank	2,753,429	1,859,325
Corporate	1,533	2,718
Cash items	145	220
Regulatory retail	1,172,360	1,226,014
Residential mortgage loans	2,092,795	1,936,292
Other exposures which are not past due	399,545	476,510
Past due	9,647	6,285
Total capital requirements for on-balance sheet exposures	6,463,861	5,520,092
Trade-related contingencies	-	-
Forward forward deposits placed	14,429	1
Other commitments	27,112	16,002
Exchange rate contracts	5,859	5,827
Total capital requirements for off-balance sheet exposures	47,400	21,830

The capital requirement is made by multiplying the Company's risk-weighted amount derived from the relevant calculation approach by 8%. It does not reflect the Company's actual regulatory capital.

(ii) Capital charge for operational risk

The capital charge for operational risk calculated in accordance with the standardized (operational risk) approach at the statement of financial position date is:

	2020	*2019*
Capital charge for operational risk	917,945	912,568

(h) Additional disclosures on credit risk management (continued)

(iii) Credit risk exposures

Credit ratings from Moody's Investors Service and Standard & Poor's Ratings Services are used for the exposures of Sovereign, Public sector entity ("PSE"), Multilateral development bank, Bank, Securities firm, Corporate and Collective investment scheme ("CIS"). The Company follows the process prescribed in Part 4 of the Banking (Capital) Rules to map the ratings to the exposures booked in the Company's banking book.

An analysis of the credit risk of the Company by class of exposures at the statement of financial position date is as follows:

		After credit risk mitigation		*Risk-weighted amounts*				
2020	*Total exposures*	*Rated*	*Unrated*	*Rated*	*Unrated*	*Total risk-weighted amounts*	*Total exposure covered by recognized collateral*	*Total exposure covered by recognized guarantees or credit derivative contracts*
On-balance sheet								
Sovereign	109,378,600	109,384,566	-	-	-	-	-	-
Public sector entity	-	2,150,456	-	430,091	-	430,091	-	-
Multilateral development bank	-	-		-		-	-	-
Bank	72,758,052	72,226,050	532,002	34,311,092	106,769	34,417,861	-	-
Corporate	20,307	-	19,160	-	19,160	19,160	-	1,147
Cash items	512,606	-	512,606	-	1,816	1,816	-	-
Regulatory retail	27,772,037	-	19,539,332	-	14,654,500	14,654,500	8,227,885	4,820
Residential mortgage loans	65,153,643	-	63,003,188	-	26,159,943	26,159,943	-	2,150,455
Other exposures which are not past due	11,633,712	-	4,994,317	-	4,994,317	4,994,317	6,639,395	-
Past due	92,597	-	92,597	-	120,586	120,586	-	-
Off-balance sheet								
Forward forward deposits placed	901,789	901,596	193	180,319	39	180,358	-	-
Commitments that are unconditionally cancellable without prior notice	81,254,645	-	81,254,645	-	-	-	-	-
Other commitments	2,447,938	-	2,447,938	-	338,896	338,896	-	-
Exchange rate contracts	327,992	209,652	75,282	64,491	8,742	73,233	43,058	-

(h) Additional disclosures on credit risk management (continued)

(iii) Credit risk exposures (continued)

		After credit risk mitigation		*Risk-weighted amounts*				
2019	*Total exposures*	*Rated*	*Unrated*	*Rated*	*Unrated*	*Total risk-weighted amounts*	*Total exposure covered by recognized collateral*	*Total exposure covered by recognized guarantees or credit derivative contracts*
On-balance sheet								
Sovereign	74,263,419	74,278,118	-	-	-	-	-	-
Public sector entity	-	795,479	-	159,096	-	159,096	-	-
Multilateral development bank	-	-		-		-	-	-
Bank	52,659,797	52,278,568	381,229	23,142,380	99,188	23,241,568	-	-
Corporate	37,842	-	33,981	-	33,981	33,981	-	3,861
Cash items	653,466	-	653,466	-	2,747	2,747	-	-
Regulatory retail	30,255,144	-	20,433,572	-	15,325,179	15,325,179	9,810,110	11,462
Residential mortgage loans	57,923,208	-	57,128,353	-	24,203,655	24,203,655	-	794,855
Other exposures which are not past due	14,911,530	-	5,956,376	-	5,956,376	5,956,376	8,955,154	-
Past due	53,423	-	53,423	-	78,559	78,559	-	-
Off-balance sheet								
Trade-related contingencies	-	-	-	-	-	-	-	-
Forward forward deposits placed	39	-	39	-	8	8	-	-
Commitments that are unconditionally cancellable without prior notice	79,437,146	-	79,437,146	-	-	-	-	-
Other commitments	1,334,479	-	1,334,479	-	200,022	200,022	-	-
Exchange rate contracts	220,294	98,639	62,276	42,657	30,179	72,836	59,379	-

The amount of credit exposures that are risk-weighted at 1250% is nil (2019: nil).

(h) Additional disclosures on credit risk management (continued)

(iv) Counterparty credit risk-related exposures

The Company engages in over-the-counter (OTC) derivative transactions that may result in counterparty credit risk. The OTC derivative transactions include (1) embedded derivatives of hybrid (combined) deposits to customers and (2) stand-alone derivatives.

Embedded derivatives of hybrid (combined) deposits

Positioned as a single product, a hybrid (combined) deposit to customers generally consists of two components: an embedded derivative and a host cash deposit. The host cash deposit serves as a collateral over the terms of the transaction that fully mitigates the counterparty credit risks associated with the embedded derivative.

Stand-alone derivatives transactions

The Company participates in stand-alone derivative transactions predominately for managing its own exposures as part of its asset and liability management process. The derivative activities of this type are with group entities.

No internal capital and credit limit for counterparty are considered necessary for the fully mitigated transactions and transactions with group entities.

An analysis of major classes of exposures by counterparty type is as follows:

	Banks and other financial institutions	*Others*	*Total*
2020			
Notional amounts	17,831,010	1,954,633	19,785,643
Credit equivalent amounts	298,631	29,361	327,992
Risk-weighted amounts	70,156	3,077	73,233
2019			
Notional amounts	9,720,422	4,009,412	13,729,834
Credit equivalent amounts	154,211	66,083	220,294
Risk-weighted amounts	49,194	23,642	72,836

(h) Additional disclosures on credit risk management (continued)

(iv) Counterparty credit risk-related exposures (continued)

Stand-alone derivatives transactions (continued)

An analysis of counterparty credit risk exposures is as follows:

	2020	*2019*
Gross total positive fair value	130,136	82,996
Credit equivalent amounts	327,992	220,294
Recognized collateral held:		
- Cash on deposits with the Company	43,058	59,379
Credit equivalents, net of recognized collateral held	284,934	160,915
Risk-weighted amounts	73,233	72,836

There were no counterparty credit risk exposures to sovereigns, public sector entities and corporates as at statement of financial position date.

(h) Additional disclosures on credit risk management (continued)

(v) Credit risk mitigation

Under the Banking (Capital) Rules, recognized netting is defined as any netting done pursuant to a valid bilateral netting arrangement. Consistent with the Banking (Capital) Rules, the Company only includes valid bilateral netting arrangements in the calculation of credit risk mitigation for capital adequacy purpose.

For all facilities except instalment mortgages, non-revolving loan supported by recognized guarantee and margin finance not hitting the required conditions, it is the Company's policy that they should be reviewed at least on an annual basis, with the collateral (if any) being revalued during the review. Where facilities have been overdue and are tangibly secured, the collateral must be revalued at a minimum of once every month.

For mortgages, valuation on the mortgaged property must be updated at a minimum of once every year through the consistent use of real estate price indices. When the market is subject to significant changes in conditions, valuation should be updated more frequently. For accounts past due over 120 days, an updated valuation through a panel surveyor on the mortgaged property is required. An updated valuation must be obtained on an annual basis or earlier if there is a reason to believe that the value of the mortgaged property has declined.

For Margin and Securities backed Finance facilities, all collateral are subject to daily mark-to-market revaluation; and margin calls must be initiated if the equity position has deteriorated to the margin trigger level. The frequency of revaluation may be intensified under the volatile market scenario.

The main types of recognized collateral taken by the Company includes cash on deposit, real estate properties, units or shares in collective investment schemes and various recognized debt securities.

The credit and market risks concentrations within the recognized collateral and guarantees used by the Company are considered to be immaterial.

(h) Additional disclosures on credit risk management (continued)

(vi) Market risk

The Company has adopted the Standardized Approach in the calculation of the market risk capital charge.

	2020	*2019*
Capital charge for:		
Foreign exchange exposure	58,583	51,849

(vii) Equity exposures

	2020	*2019*
Financial assets at fair value through profit and loss	696,000	650,000

The investment in equity securities that do not have a quoted market price in an active market and periodically evaluated for other-than-temporary impairment. Note 1(d) details the accounting practices as well as impairment valuation methodologies, assumptions and practices for the equity investments.

(viii) Currency risk

The net position in foreign currencies are disclosed when the individual currency constitutes not less than 10% of the total net position in all foreign currencies:

2020	USD	RMB
Spot assets	135,276,933	1,048,315
Spot liabilities	(120,136,553)	(2,605,576)
Forward purchases	336,937	2,274,836
Forward sales	(15,380,101)	(1,655)
Net long non- structural position	97,216	715,920

(h) Additional disclosures on credit risk management (continued)

(viii) Currency risk (continued)

2019	USD	RMB
Spot assets	85,472,961	1,128,277
Spot liabilities	(83,157,124)	(2,359,863)
Forward purchases	2,700,478	1,883,329
Forward sales	(4,858,744)	(12,352)
Net long non- structural position	157,571	639,391

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

(i) Corporate governance

The Company is a wholly owned subsidiary of Citigroup Inc. and falls under the Citigroup corporate governance infrastructure. Under this structure, the Company is committed to high standards of corporate governance and its activities are monitored by the various committees which the Group has in place in Hong Kong and globally. In additon, the Board has established a member of specialised committees to assist in the Board's oversight of certain of certain major functional areas. The Company has fully complied throughout the year with the guideline in the Supervisory Policy Manual CG-1 "Corporate Governance of Locally Incorporated Authorized Institutions" issued by the HKMA.

Board committees

The Company has a number of committees under the Board, including the Audit Committee, Risk Management Committee and Nomination and Remuneration Committee.

(i) Audit Committee

The Audit Committee meets regularly with the senior management of financial control, internal audit and compliance and the external auditors to consider the nature and scope of audit review and the effectiveness of the systems of internal control and compliance with local regulations. The Committee also discusses matters raised by the external auditors and ensures that all audit recommendations are implemented. The Committee comprises all Independent Non-executive Directors of the Company.

(ii) Risk Management Committee

The Risk Management Committee assists the Board in fulfilling its oversight responsibility relating to the establishment and operation of a risk management system, including reviewing the adequacy of risk management practices for the material risks such as credit, market, liquidity, legal, compliance, regulatory, conduct, operational risks and franchise and reputational risk, on a regular basis. The Committee is also mandated by the Board to oversee the operation of the Credit Forum, Asset and Liability Committee and Information Technology Management Forum.

The Committee comprises all Independent Non-Executive Directors of the Company.

(i) Corporate governance (continued)

Asset and Liability Committee

The Asset and Liability Committee provides oversight on the Company's market and liquidity risks, transfer pricing and balance sheet optimization across businesses, evaluation of capital adequacy and oversight of local regulatory constraints of the Company.

Credit Forum

Credit Forum is a regular forum for establishing sound business strategies, articulate and monitor adherence to risk appetite and risk limits, and identify, measure, manage and control risk. The Committee also ensures the retail lending activities are conducted in accordance to the requirements stipulated in Citi policies and regulatory requirements. The Committee also ensures that the credit risk arising from the wholesale assets is managed in accordance with relevant Citi policies.

Information Technology Management Forum

The Information Technology Management Forum is established to assume the overall information technology governance responsibilities covering all technology related matters including the establishment of a strategic information technology plan and provide guidance to the execution of the strategic plan.

(iii) Nomination and Remuneration Committee

The Nomination and Remuneration Committee, reconstituted from the Nomination Committee since February 2018, is established to identify individuals suitably qualified to become Board members, make recommendations on appointment or re-appointment and succession planning for directors and senior management, review the Board's structure, size and composition, review the efficiency and effectiveness of the functioning of the Board, oversee senior management's implementation of the remuneration system to ensure compliance with applicable regulatory requirements and to assess whether the Company's overall remuneration policy is in line with its risk appetite, risk culture and long-term interests. The Committee is also the dedicated board-level committee in advising the Board in discharging its responsibilities for the Company’s culture-related matters. The Committee comprises all Independent Non-executive Directors of the Company.