

Standard Chartered Bank  
(Hong Kong) Limited

Interim Financial Information  
Disclosure Statements

For the period ended  
30 June 2012

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

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The directors are pleased to announce the unaudited consolidated interim results of Standard Chartered Bank (Hong Kong) Limited (the "Bank") and its subsidiaries for the six months ended 30 June 2012.

### **Principal activities**

The Bank is a licensed bank registered under the Hong Kong Banking Ordinance. The Bank's principal activities are the provision of banking and related financial services.

### **2012 First Half Results**

Profit before taxation increased by HK\$42 million from HK\$5,186 million to HK\$5,228 million. Net interest income increased by 11 per cent to HK\$6,425 million. Net fee and commission income decreased by 4 per cent over the corresponding period. Total operating income increased by 8 per cent to HK\$11,676 million.

Operating expenses increased by 12 per cent over the corresponding period in 2011 to HK\$6,178 million. Total impairments increased by HK\$315 million over the corresponding period.

Profit after taxation was HK\$4,425 million, an increase of HK\$130 million over HK\$4,295 million recorded in the first half of 2011.

### **Basis of Preparation**

The accounting policies used in the preparation of the interim financial disclosure statements are materially consistent with those adopted in the 2011 consolidated financial statements.

### **Statement of compliance**

In preparing the interim results for the first half of 2012, the Bank has fully complied with the disclosure standards set out in the "Banking (Disclosure) Rules" and the "Guideline on the Application of the Banking (Disclosure) Rules" issued by the Hong Kong Monetary Authority ("HKMA").

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated Income Statement

<i>Figures in HK\$m</i>	<i>Note</i>	<b>6 months ended 30 June 2012</b>	<i>6 months ended 30 June 2011</i>
Interest income	1	<b>9,222</b>	7,162
Interest expense	2	<b>(2,797)</b>	(1,396)
<b>Net interest income</b>		<b>6,425</b>	5,766
Fee and commission income		<b>3,465</b>	3,573
Fee and commission expense		<b>(289)</b>	(262)
Net fee and commission income	3	<b>3,176</b>	3,311
Net trading income	4	<b>1,427</b>	1,474
Net gains from financial instruments designated at fair value through profit or loss	5	<b>82</b>	118
Net gains from disposal of available-for-sale securities		<b>26</b>	114
Other operating income	6	<b>540</b>	74
		<b>5,251</b>	5,091
<b>Total operating income</b>		<b>11,676</b>	10,857
Staff costs		<b>(3,322)</b>	(3,075)
Premises and equipment	7	<b>(833)</b>	(587)
Others		<b>(2,023)</b>	(1,859)
<b>Operating expenses</b>		<b>(6,178)</b>	(5,521)
<b>Operating profit before impairment</b>		<b>5,498</b>	5,336
Impairment charge on advances to banks and customers		<b>(327)</b>	(235)
Other impairment charges	8	<b>(387)</b>	(164)
<b>Operating profit after impairment</b>		<b>4,784</b>	4,937
Share of profit of associates		<b>444</b>	249
<b>Profit before taxation</b>		<b>5,228</b>	5,186
Taxation	9	<b>(803)</b>	(891)
<b>Profit after taxation</b>		<b>4,425</b>	4,295
<b>Attributable to:</b>			
Equity shareholders of the Bank		<b>4,421</b>	4,273
Non-controlling interests		<b>4</b>	22
<b>Profit after taxation</b>		<b>4,425</b>	4,295

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated Balance Sheet

<i>Figures in HK\$m</i>		<b>At</b>	<b>At</b>
	<i>Note</i>	<b>30 June</b>	<b>31 December</b>
		<b>2012</b>	<b>2011</b>
<b>Assets</b>			
Cash and balances with banks, central banks and other financial institutions		<b>16,209</b>	21,777
Placements with banks and other financial institutions	10	<b>163,309</b>	136,513
Hong Kong SAR Government certificates of indebtedness		<b>32,131</b>	31,401
Trading assets		<b>32,282</b>	35,377
Financial assets designated at fair value		<b>3,393</b>	4,275
Investment securities	16	<b>152,687</b>	135,090
Advances to customers	11	<b>396,644</b>	389,763
Amounts due from immediate holding company		<b>35,544</b>	50,957
Amounts due from fellow subsidiaries		<b>16,950</b>	17,531
Interest in associates		<b>6,937</b>	6,619
Fixed assets	17	<b>15,586</b>	10,522
Goodwill and intangible assets		<b>1,762</b>	1,741
Current tax assets		<b>13</b>	3
Deferred tax assets		<b>209</b>	319
Other assets		<b>18,398</b>	11,966
		<b>892,054</b>	<b>853,854</b>
<b>Liabilities</b>			
Hong Kong SAR currency notes in circulation		<b>32,131</b>	31,401
Deposits and balances of banks and other financial institutions		<b>12,998</b>	15,729
Deposits from customers	19	<b>706,420</b>	672,940
Trading liabilities		<b>25,690</b>	24,638
Financial liabilities designated at fair value	20	<b>3,220</b>	3,487
Debt securities in issue	21	<b>13,653</b>	13,265
Amounts due to immediate holding company		<b>18,410</b>	13,023
Amounts due to fellow subsidiaries		<b>4,276</b>	5,073
Current tax liabilities		<b>1,076</b>	917
Deferred tax liabilities		<b>14</b>	5
Other liabilities	22	<b>17,535</b>	19,775
Subordinated liabilities	23	<b>11,085</b>	13,100
		<b>846,508</b>	<b>813,353</b>
<b>Equity</b>			
Share capital		<b>97</b>	97
Reserves	24	<b>45,387</b>	40,346
Shareholders' equity		<b>45,484</b>	40,443
Non-controlling interests		<b>62</b>	58
		<b>45,546</b>	<b>40,501</b>
		<b>892,054</b>	<b>853,854</b>

**STANDARD CHARTERED BANK (HONG KONG) LIMITED****Consolidated Statement of Comprehensive Income**

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<b>6 months ended 30 June 2011</b>
<b>Profit after taxation</b>	<b>4,425</b>	4,295
<b>Other comprehensive income:</b>		
Defined benefit plans:		
– Actuarial losses	(7)	(28)
– Related tax effect	1	5
Available-for-sale securities:		
– Changes in fair value recognised during the period	812	262
– Changes in fair value transferred to the income statement on disposal	(26)	(114)
– Transfer to the income statement on fair value hedged items attributable to hedged risk	(161)	(54)
– Related tax effect	(100)	(9)
Cash flow hedges:		
– Changes in fair value recognised during the period	(28)	50
– Transferred to the income statement on termination of hedging derivatives	(6)	23
– Related tax effect	6	(12)
Net changes in share option equity reserve	161	71
Exchange difference	(32)	44
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	620	238
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>5,045</b>	4,533
	<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>		
Shareholders of the Bank	5,041	4,511
Non-controlling interests	4	22
	<hr/>	<hr/>
	<b>5,045</b>	4,533
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There were no dividends declared or paid during the six months ended 30 June 2012 (30 June 2011: Nil).

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 1. Interest income

Interest income in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<i>6 months ended 30 June 2011</i>
Interest income on financial assets that are not measured at fair value through profit or loss	<b>9,012</b>	7,017
Interest income on unwinding of discounts on loan impairment charges	<b>9</b>	11

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### 2. Interest expense

Interest expense in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<i>6 months ended 30 June 2011</i>
Interest expense on financial liabilities that are not measured at fair value through profit or loss	<b>2,706</b>	1,290

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### 3. Net fee and commission income

Net fee and commission income in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<i>6 months ended 30 June 2011</i>
Net fee and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at fair value		
– fee and commission income	<b>1,376</b>	1,714
– fee and commission expense	<b>159</b>	158
Net fee and commission income from trust and other fiduciary activities where the Bank and its subsidiaries hold or invest assets on behalf of its customers		
– fee and commission income	<b>238</b>	244
– fee and commission expense	<b>72</b>	71

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 4. Net trading income

Net trading income in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<i>6 months ended 30 June 2011</i>
Net trading income shown in the income statement	<b>1,427</b>	1,474
Add: interest income arising from trading assets	<b>136</b>	47
Less: interest expense arising from trading liabilities	<b>(75)</b>	(99)
	<b>1,488</b>	1,422

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### 5. Net gains from financial instruments designated at fair value

Net gains from financial instruments designated at fair value in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<i>6 months ended 30 June 2011</i>
Net gains shown in the income statement	<b>82</b>	118
Add: interest income arising from financial assets designated at fair value	<b>74</b>	98
Less: interest expense arising from financial liabilities designated at fair value	<b>(16)</b>	(7)
	<b>140</b>	209

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 6. Other operating income

Other operating income in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<b>6 months ended 30 June 2011</b>
Rental income from operating lease assets	476	2
Dividend income from listed available-for-sale securities	1	1
Dividend income from unlisted available-for-sale securities	9	7
Net (losses)/gains on disposal of financial instruments measured at amortised cost	(7)	14
Net gains on disposal of fixed assets	3	20
Net losses on revaluation of investment properties	(4)	(7)
Others	62	37
	<u>540</u>	<u>74</u>

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### 7. Premises and equipment

Premises and equipment expenses in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<b>6 months ended 30 June 2011</b>
Premises and equipment expenses excluding depreciation	517	475
Depreciation	316	112
	<u>833</u>	<u>587</u>

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### 8. Other impairment charges

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<b>6 months ended 30 June 2011</b>
Other impairment charges relating to credit commitments	(388)	-
Impairment reversals/(charges) relating to debt securities classified as loans and receivables	1	(164)
	<u>(387)</u>	<u>(164)</u>

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 9. Taxation

Taxation in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2012</b>	<i>6 months ended 30 June 2011</i>
Hong Kong profits tax	<b>756</b>	558
Overseas taxation	<b>23</b>	88
Deferred taxation	<b>24</b>	245
	<b>803</b>	891

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### 10. Placements with banks and other financial institutions

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<i>At 31 December 2011</i>
<b>(a) Placements with banks and other financial institutions</b>		
Gross placements with banks and other financial institutions		
– maturing within one month	<b>57,427</b>	53,814
– maturing between one month and one year	<b>104,502</b>	81,198
– maturing between one year to five years	<b>1,382</b>	1,504
	<b>163,311</b>	136,516
Less: impairment allowances – individually assessed	<b>(2)</b>	(3)
	<b>163,309</b>	136,513
<b>(b) Impaired placements with banks and other financial institutions</b>		
Gross impaired advances to banks	<b>61</b>	64
Impairment allowances – individually assessed	<b>(2)</b>	(3)
	<b>59</b>	61
Gross impaired advances to banks as a % of gross advances to banks	<b>0.04%</b>	0.05%

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There is no collateral held against impaired advances to banks.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 11. Advances to customers

Figures in HK\$m

	At 30 June 2012	At 31 December 2011
<b>(a) Advances to customers</b>		
Gross advances to customers	397,759	390,897
Individually assessed impairment allowances	(571)	(580)
Collectively assessed impairment allowances	(544)	(554)
	<u>396,644</u>	<u>389,763</u>
<b>(b) Impaired advances to customers</b>		
Gross impaired advances to customers	924	971
Impairment allowances – individually assessed	(571)	(580)
	<u>353</u>	<u>391</u>
Gross impaired advances to customers as a % of gross advances to customers	<u>0.23%</u>	<u>0.25%</u>
Fair value of collateral held against the covered portion of impaired advances to customers	<u>574</u>	<u>577</u>
Covered portion of impaired advances to customers	211	249
Uncovered portion of impaired advances to customers	<u>713</u>	<u>722</u>

The covered portion of impaired advances to customers represents the amount of collateral held against outstanding balances. It does not include any collateral held over and above outstanding exposures.

An allowance for impairment is established if there is objective evidence that the Bank and its subsidiaries will not be able to collect all amounts due according to the original contractual terms of the loan. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The individually assessed impairment allowances are made after taking into account the value of collateral held in respect of such advances.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 12. Advances to customers analysed by industry sector and geographical area

Figures in HK\$m

	At 30 June 2012	% of advances covered by collateral or other securities	Restated At 31 December 2011	Restated % of advances covered by collateral or other securities
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The analysis of gross advances to customers by industry sector is based on the categories used by the HKMA.

#### Gross advances for use in Hong Kong

##### *Industrial, commercial and financial*

- Property development	11,758	5%	11,231	9%
- Property investment	41,033	85%	40,137	85%
- Financial concerns	12,421	52%	12,317	32%
- Stockbrokers	3,413	62%	3,269	62%
- Wholesale and retail trade	15,757	49%	14,705	47%
- Manufacturing	31,514	34%	30,167	34%
- Transport and transport equipment	4,155	32%	3,784	33%
- Recreational activities	817	2%	672	3%
- Information technology	3,525	3%	762	14%
- Others	10,106	8%	10,757	12%

##### *Individuals*

- Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	834	100%	906	100%
- Advances for the purchase of other residential properties	126,259	100%	124,318	100%
- Credit card advances	18,538	-	17,883	-
- Others	25,155	27%	22,009	26%

#### *Total gross advances for use in*

<b>Hong Kong</b>	<b>305,285</b>		<b>292,917</b>	
<b>Trade finance</b>	<b>36,811</b>	<b>12%</b>	<b>35,739</b>	<b>12%</b>
<b>Trade bills</b>	<b>6,661</b>	<b>26%</b>	<b>11,787</b>	<b>35%</b>
<b>Gross advances for use outside Hong Kong</b>	<b>49,002</b>	<b>15%</b>	<b>50,454</b>	<b>20%</b>
<b>Gross advances to customers</b>	<b>397,759</b>	<b>53%</b>	<b>390,897</b>	<b>54%</b>

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 12. Advances to customers analysed by industry sector and geographical area (cont'd)

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. As at 30 June 2012, approximately 89 per cent (31 December 2011: 87 per cent) of the Bank's and its subsidiaries' advances to customers were classified under the area of Hong Kong.

The amount of impaired and overdue advances to customers and individually and collectively assessed impairment allowances for industry sectors which constitute not less than 10% of the Bank and its subsidiaries' total advances to customers are as follows:

*Figures in HK\$m*

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	<i>Impaired advances to customers</i>	<i>Overdue advances to customers</i>	<i>Individually assessed impairment allowances</i>	<i>Collectively assessed impairment allowances</i>
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#### As at 30 June 2012

##### Advances for the purchase of other

residential properties	109	106	14	2
Property investment	5	8	4	11
<b>Gross advances for use outside Hong Kong</b>	<b>30</b>	<b>27</b>	<b>30</b>	<b>60</b>

#### As at 31 December 2011

##### Advances for the purchase of other

residential properties	123	129	15	4
Property investment	7	107	4	17
<b>Gross advances for use outside Hong Kong</b>	<b>46</b>	<b>24</b>	<b>36</b>	<b>62</b>

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 13. Overdue advances to banks and customers

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Figures in HK\$m

	<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
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#### (a) Overdue advances to banks

	<b>% of advances to banks</b>	<b>% of advances to banks</b>
<b>Gross advances to banks which have been overdue with respect to either principal or interest for periods of:</b>		
Over 1 year	<b>61    0.04%</b>	<b>63    0.05%</b>

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There is no collateral held against overdue advances to banks.

Individually assessed impairment

allowances against advances

to banks overdue more than 3 months

<b>2</b>	<b>3</b>
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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 13. Overdue advances to banks and customers (cont'd)

Figures in HK\$m

	<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
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#### (b) Overdue advances to customers

	<b>% of advances to customers</b>	<b>% of advances to customers</b>
<b>Gross advances to customers which have been overdue with respect to either principal or interest for periods of:</b>		
6 months or less but over 3 months	<b>74    0.02%</b>	160    0.04%
1 year or less but over 6 months	<b>152    0.04%</b>	110    0.03%
Over 1 year	<b>403    0.10%</b>	345    0.09%
	<b>629    0.16%</b>	615    0.16%

Fair value of collateral held

against the covered portion of  
overdue advances to customers

<b>145</b>	377
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Covered portion of overdue advances

to customers

<b>94</b>	174
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Uncovered portion of overdue advances

to customers

<b>535</b>	441
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The covered portion of overdue advances to customers represents the amount of collateral held against outstanding balances. It does not include any collateral held over and above outstanding exposures.

The collateral held in respect of overdue advances to customers consists of cash and properties.

Individually assessed impairment

allowances against advances

to customers overdue more than 3 months

<b>444</b>	363
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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 14. Rescheduled advances to customers

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<b>% of advances to customers</b>	<b>At 31 December 2011</b>	<b>% of advances to customers</b>
Rescheduled advances to customers	<b>304</b>	<b>0.08%</b>	341	0.09%

Rescheduled advances are those advances, which have been restructured or renegotiated because of a deterioration in the financial position of the borrowers, or the inability of the borrowers to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Bank. Rescheduled advances to customers are stated net of any advances that have subsequently become overdue for over 3 months and reported as overdue advances in note 13.

As at 30 June 2012 and 31 December 2011, there were no rescheduled advances to banks and other financial institutions.

### 15. Repossessed assets

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
Reposessed assets	<b>6</b>	48

Loan collateral acquired from borrowers due to restructuring or their inability to repay, continues to be recorded as "Advances to customers" in the balance sheet at the lower of fair value (less costs to sell) and the carrying amount of the loan (net of any impairment allowances), until the collateral is realised.

### 16. Investment securities

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
Available-for-sale securities		
Certificates of deposit held	<b>29,314</b>	23,787
Other available-for-sale securities	<b>112,030</b>	101,253
	<b>141,344</b>	125,040
Loans and receivables	<b>11,343</b>	10,050
	<b>152,687</b>	135,090



# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 17. Fixed assets

<i>Figures in HK\$m</i>	<i>Buildings and leasehold land held for own use</i>	<i>Equipment, furniture &amp; fixtures</i>	<i>Operating lease assets</i>	<i>Sub-total</i>	<i>Investment properties</i>	<i>Total</i>
<i>Cost or valuation:</i>						
At 1 January 2012	2,958	488	7,359	10,805	586	11,391
Additions	32	59	5,299	5,390	6	5,396
Disposals	(1)	(13)	-	(14)	(12)	(26)
Reclassifications	(19)	19	-	-	-	-
Net losses on revaluation	-	-	-	-	(4)	(4)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2012	<u>2,970</u>	<u>553</u>	<u>12,658</u>	<u>16,181</u>	<u>576</u>	<u>16,757</u>
<i>Accumulated depreciation:</i>						
At 1 January 2012	535	241	93	869	-	869
Charge for the period	48	73	195	316	-	316
Written back on disposals	(1)	(13)	-	(14)	-	(14)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2012	<u>582</u>	<u>301</u>	<u>288</u>	<u>1,171</u>	<u>-</u>	<u>1,171</u>
<i>Net book value:</i>						
At 30 June 2012	<u>2,388</u>	<u>252</u>	<u>12,370</u>	<u>15,010</u>	<u>576</u>	<u>15,586</u>
At 31 December 2011	<u>2,423</u>	<u>247</u>	<u>7,266</u>	<u>9,936</u>	<u>586</u>	<u>10,522</u>

### 18. Investments in subsidiaries

The principal subsidiaries of the Bank are Prime Credit Limited, Standard Chartered Securities (Hong Kong) Limited, Standard Chartered APR Limited and Standard Chartered Leasing Group Limited.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 19. Deposits from customers

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<i>At 31 December 2011</i>
Current accounts	92,072	96,528
Savings accounts	313,447	318,359
Time, call and notice deposits	275,304	252,626
Deposits and balances of central banks	25,597	5,427
	<u>706,420</u>	<u>672,940</u>

### 20. Financial liabilities designated at fair value

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<i>At 31 December 2011</i>
Structured customer deposits	3,212	2,615
Debt securities issued	8	872
	<u>3,220</u>	<u>3,487</u>

### 21. Debt securities in issue

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<i>At 31 December 2011</i>
Certificates of deposit, measured at amortised cost	<u>13,653</u>	<u>13,265</u>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 22. Other liabilities

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<i>At 31 December 2011</i>
Accruals and deferred income	<b>3,995</b>	4,372
Provision for liabilities and charges	<b>67</b>	1,082
Acceptances and endorsements	<b>4,112</b>	4,777
Others	<b>9,361</b>	9,544
	<b>17,535</b>	19,775

### 23. Subordinated liabilities

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<i>At 31 December 2011</i>
US\$300 million		
Floating Rate Step-Up Notes 2017 <sup>(1)</sup>	–	2,330
US\$750 million		
5.875% Fixed Rate Notes 2020 <sup>(2)</sup>	<b>6,548</b>	6,427
SGD750 million		
4.15% Fixed Rate Notes 2021 <sup>(3)</sup>	<b>4,537</b>	4,343
	<b>11,085</b>	13,100

All subordinated liabilities are unsecured and subordinated to the claims of other creditors.

- <sup>(1)</sup> Interest rate at three-months US dollar LIBOR plus 0.25 per cent, payable quarterly, to the call option date on 13 April 2012. Thereafter, it will be reset to three-months US dollar LIBOR plus 0.75 per cent, payable quarterly. The Bank has exercised its option to redeem the Notes in whole on 13 April 2012.
- <sup>(2)</sup> Interest rate at 5.875 per cent per annum, payable semi-annually, to the maturity date on 24 June 2020.
- <sup>(3)</sup> Interest rate at 4.15 per cent per annum, payable semi-annually, to the maturity date on 27 October 2021.

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 24. Reserves

<i>Figures in HK\$m</i>	<i>At 30 June 2012</i>	<i>At 31 December 2011</i>
Share premium	12,477	12,477
Capital redemption reserve	3,804	3,804
Cash flow hedge reserve	(29)	(1)
Available-for-sale investment reserve	(345)	(870)
Revaluation reserve	146	146
Pension reserve	(465)	(459)
Foreign exchange reserve	217	249
Share option equity reserve	465	304
Retained earnings	29,117	24,696
	<u>45,387</u>	<u>40,346</u>

The HKMA requires the Bank and its subsidiaries to maintain a minimum level of impairment allowances which is in excess of the impairment allowances required under Hong Kong Financial Reporting Standards. Of the retained earnings as at 30 June 2012, an amount of HK\$5,422 million (31 December 2011: HK\$5,309 million) has been reserved for this purpose.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 25. Off-balance sheet exposures

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Figures in HK\$m

	At 30 June 2012	At 31 December 2011
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#### a) Contingent liabilities and commitments

##### Contractual or notional amounts

Direct credit substitutes	13,918	16,520
Transaction-related contingencies	15,262	13,755
Trade-related contingencies	21,825	26,517
Forward asset purchases	548	622
Forward forward deposits placed	4,421	–
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	7,459	11,479
with original maturity of more than one year	13,832	13,436
which are unconditionally cancellable	336,421	303,223
	<hr/>	<hr/>
	413,686	385,552
	<hr/>	<hr/>
Credit risk weighted amount	33,040	33,198
	<hr/>	<hr/>

Contingent liabilities and commitments are credit-related instruments, which include letters of credit, guarantees and commitments to extend credit. 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 defaults. As the facilities may expire without being drawn upon, the contracted amounts do not represent expected future cash flows.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 25. Off-balance sheet exposures (cont'd)

Figures in HK\$m

	At 30 June 2012	At 31 December 2011
<b>b) Derivatives</b>		
<u>Notional amounts</u>		
Exchange rate contracts	1,003,098	758,821
Interest rate contracts	112,236	119,391
Others	14,222	14,134
	<u>1,129,556</u>	<u>892,346</u>

Derivatives are financial instruments that derive their value in reference to changes in interest or exchange rates, credit risk, financial instrument prices and indices. The notional amounts of these instruments indicate the volume of transactions outstanding and do not represent amounts at risk.

#### Fair values and credit risk weighted amounts of derivatives

Figures in HK\$m	At 30 June 2012			Restated At 31 December 2011		
	Fair value assets	Fair value liabilities	Credit risk weighted amount	Fair value assets	Fair value liabilities	Credit risk weighted amount
Exchange rate contracts	3,219	2,797	1,371	2,644	3,088	1,135
Interest rate contracts	1,091	1,818	368	872	1,549	295
Others	700	698	19	903	909	7
	<u>5,010</u>	<u>5,313</u>	<u>1,758</u>	<u>4,419</u>	<u>5,546</u>	<u>1,437</u>

Credit risk weighted amount refers to the amount as calculated in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. The amount calculated is dependent upon the status of the counterparty and maturity characteristics of each type of contract.

The fair values and credit risk weighted amounts do not take into account the effects of bilateral netting arrangements and accordingly these amounts are shown on a gross basis.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 26. Cross border claims

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

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*Figures in HK\$m*

	<i><b>Banks and Other Financial Institutions</b></i>	<i><b>Public Sector Entities</b></i>	<i><b>Others</b></i>	<i><b>Total</b></i>
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#### As at 30 June 2012

##### Asia Pacific excluding Hong Kong

– Mainland China	140,819	3,123	28,838	172,780
– Others	59,923	2,960	33,545	96,428
	<u>200,742</u>	<u>6,083</u>	<u>62,383</u>	<u>269,208</u>

##### Western Europe

– United Kingdom	47,836	–	2,749	50,585
– Others	38,377	830	9,284	48,491
	<u>86,213</u>	<u>830</u>	<u>12,033</u>	<u>99,076</u>

#### As at 31 December 2011

##### Asia Pacific excluding Hong Kong

– Mainland China	134,037	3,072	29,985	167,094
– Others	41,358	5,251	25,927	72,536
	<u>175,395</u>	<u>8,323</u>	<u>55,912</u>	<u>239,630</u>

##### Western Europe

– United Kingdom	61,488	–	5,288	66,776
– Others	30,841	1,611	8,332	40,784
	<u>92,329</u>	<u>1,611</u>	<u>13,620</u>	<u>107,560</u>

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 27. Non-bank Mainland China exposure

Figures in HK\$m

	<i>On-balance sheet exposure</i>	<i>Off-balance sheet exposure</i>	<i>Total</i>	<i>Individually assessed impairment allowances</i>
<b>As at 30 June 2012</b>				
Mainland China entities	42,087	53,041	95,128	–
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	19,653	37,001	56,654	3
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	5,408	2,139	7,547	–
	<u>67,148</u>	<u>92,181</u>	<u>159,329</u>	<u>3</u>
<b>As at 31 December 2011</b>				
Mainland China entities	39,881	41,373	81,254	–
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	21,060	35,884	56,944	3
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	4,342	3,406	7,748	–
	<u>65,283</u>	<u>80,663</u>	<u>145,946</u>	<u>3</u>

The off-balance sheet exposure represents the amount at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.



# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 28. Currency risk

The Bank and its subsidiaries had the following non-structural foreign currency positions which exceeded 10% of the net non-structural position in all foreign currencies.

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
<b>US dollars exposure</b>		
Spot assets	326,557	311,090
Spot liabilities	(269,548)	(262,066)
Forward purchases	451,456	328,649
Forward sales	(507,771)	(378,787)
Net long/(short) non-structural position	<u>694</u>	<u>(1,114)</u>
<b>Chinese renminbi exposure</b>		
Spot assets	102,574	87,053
Spot liabilities	(86,436)	(63,195)
Forward purchases	260,723	162,096
Forward sales	(274,201)	(185,047)
Net long non-structural position	<u>2,660</u>	<u>907</u>
<b>Australian dollars exposure</b>		
Spot assets	7,632	6,800
Spot liabilities	(22,129)	(15,005)
Forward purchases	23,907	10,833
Forward sales	(9,308)	(2,977)
Net long/(short) non-structural position	<u>102</u>	<u>(349)</u>

The Bank and its subsidiaries had the following structural foreign currency positions which exceeded 10% of the net structural position in all foreign currencies:

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
Chinese Renminbi	4,486	4,163
United Arab Emirates Dirham	531	531
Vietnamese Dong	734	740
US dollars	433	363
	<u>6,184</u>	<u>5,797</u>

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 29. Capital adequacy ratios

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	<b>At 30 June 2012</b>	<i>At 31 December 2011</i>
Capital adequacy ratio	<b>13.6%</b>	13.6%
Core capital ratio	<b>10.5%</b>	9.7%

The consolidated capital adequacy and core capital ratios were calculated in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

The basis of consolidation for accounting purposes is in accordance with the Hong Kong Financial Reporting Standards. The principal subsidiaries of the Bank for accounting purposes are Standard Chartered APR Limited, Standard Chartered Securities (Hong Kong) Limited, Prime Credit Limited and Standard Chartered Leasing Group Limited.

The basis and scope of consolidation for the calculation of capital ratios for regulatory purposes is different from the basis and scope of consolidation for accounting purposes. Subsidiaries not included in the consolidation for regulatory purposes are: Standard Chartered Securities (Hong Kong) Limited, Standard Chartered Securities (Singapore) Pte Ltd., SCL Consulting (Shanghai) Company Limited, Standard Chartered Corporate Advisory Company Limited, SCOPE International (China) Company Limited and Standard Chartered Investment Services Limited. The Bank's shareholdings in these subsidiaries are deducted from capital in accordance with the Banking (Capital) Rules. There is no relevant capital shortfall in any of the Bank's subsidiaries which are not included as part of the consolidation group for regulatory purposes.

The Bank uses the advanced internal ratings based ("AIRB") approach for both the measurement of credit risk capital and the management of credit risk for the majority of its portfolios. The Bank also uses the standardised (credit risk) approach for certain insignificant portfolios exempted from AIRB.

For the calculation of its capital charge for market risk, the Bank uses an internal models approach for two guaranteed funds and the standardized (market risk) approach for other exposures. In addition, the Bank adopts the standardized (operational risk) approach for operational risk.

The Bank applies the Internal Capital Adequacy Assessment Process ("ICAAP") to assess its capital demand on a current, planned and stressed basis. The assessment covers the major risks faced by the Bank, in addition to credit, market and operational risks that are covered under the minimum capital requirements. The ICAAP has been approved by the Asset and Liability Committee ("ALCO") and the Board of Directors ("the Board").

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 30. Components of the capital base

The capital base used in the calculation of the consolidated capital adequacy ratio for the Bank and its subsidiaries is analysed as follows:

<i>Figures in HK\$m</i>	<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
<b>Core capital:</b>		
Paid up ordinary share capital	97	97
Share premium	12,477	12,477
Reserves	21,552	18,787
Profit and loss account	4,038	1,993
Current period/year profit	4,038	7,826
Dividend paid	-	(5,833)
Non-controlling interests	62	58
Deduct:		
Goodwill	(1,253)	(1,254)
Other intangible assets	(220)	(193)
Deferred tax assets	(103)	(126)
Other deductions	(194)	-
	<b>36,456</b>	<b>31,839</b>
Deductions from core capital	<b>(3,230)</b>	<b>(3,227)</b>
Core capital after deductions	<b>33,226</b>	<b>28,612</b>
<b>Supplementary capital:</b>		
Regulatory reserve	386	327
Collective impairment allowances	166	155
Surplus provisions	1,433	1,353
Term subordinated debt	11,085	13,100
	<b>13,070</b>	<b>14,935</b>
Deductions from supplementary capital	<b>(3,230)</b>	<b>(3,227)</b>
Supplementary capital after deductions	<b>9,840</b>	<b>11,708</b>
<b>Total capital base before deductions</b>	<b>49,526</b>	<b>46,774</b>
Deductions from total capital base	<b>(6,460)</b>	<b>(6,454)</b>
<b>Total capital base</b>	<b>43,066</b>	<b>40,320</b>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 31. Liquidity ratio

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	<b>6 months ended 30 June 2012</b>	<b>6 months ended 30 June 2011</b>
Average liquidity ratio for the period	<u><u>33.5%</u></u>	<u><u>30.3%</u></u>

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The average liquidity ratio is computed as the simple average of each calendar month's average ratio and is in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

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### 32. Post-Balance Sheet Event

On 3 July 2012, the Bank entered into an agreement to acquire 30% of Shenzhen Prime Credit Limited, a consumer financing company in Shenzhen, from a fellow subsidiary. The acquisition is expected to be completed by the end of the year for a consideration of RMB44 million.


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### 33. Comparative Figures

Certain comparative figures have been restated in note 12 to reclassify the industry sectors for certain advances to customers and their related collateral, to better reflect the underlying business of the customers.

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By order of the Board



Ling Fou Tsong  
Director

Hong Kong  
1 August 2012