



Standard Chartered Bank  
(Hong Kong) Limited  
Interim Financial Information  
Disclosure Statements

For the period ended 30 June 2010

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# 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 2010.

### **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.

### **2010 First Half Results**

Profit before taxation decreased by 2 per cent from HK\$3,237 million to HK\$3,168 million. Net interest income fell by 19 per cent to HK\$4,222 million. Net fee and commission income increased by 36 per cent over the corresponding period. Total operating income decreased by 2 per cent to HK\$8,204 million.

Operating expenses increased by 32 per cent over the corresponding period in 2009 to HK\$5,032 million. The reduction of HK\$1,231 million in total impairments was due to lower new provisions in the first half of 2010.

Profit after taxation was HK\$2,673 million, an increase of HK\$6 million over HK\$2,667 million recorded in the first half of 2009.

### **Basis of Preparation**

The accounting policies used in the preparation of the interim financial disclosure statements are materially consistent with those adopted in the 2009 consolidated financial statements.

### **Statement of compliance**

In preparing the interim results for the first half of 2010, 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 2010</b>	<b>6 months ended 30 June 2009</b>
Interest income	1	5,007	6,793
Interest expense	2	(785)	(1,589)
<b>Net interest income</b>		<b>4,222</b>	<b>5,204</b>
Fee and commission income		3,423	2,593
Fee and commission expense		(255)	(262)
Net fee and commission income	3	3,168	2,331
Net trading income	4	558	726
Net gains/(losses) from financial instruments designated at fair value	5	109	(25)
Net gains from disposal of available-for-sale securities		101	142
Other operating income	6	46	6
		<b>3,982</b>	<b>3,180</b>
<b>Total operating income</b>		<b>8,204</b>	<b>8,384</b>
Staff costs		(2,625)	(2,270)
Premises and equipment	7	(510)	(507)
Others		(1,897)	(1,036)
<b>Operating expenses</b>		<b>(5,032)</b>	<b>(3,813)</b>
<b>Operating profit before impairment</b>		<b>3,172</b>	<b>4,571</b>
Impairment charge on advances to banks and customers		(185)	(601)
Other impairment	8	6	(809)
<b>Operating profit after impairment</b>		<b>2,993</b>	<b>3,161</b>
Share of profit of associates		175	76
<b>Profit before taxation</b>		<b>3,168</b>	<b>3,237</b>
Taxation	9	(495)	(570)
<b>Profit after taxation</b>		<b>2,673</b>	<b>2,667</b>
<b>Attributable to:</b>			
Equity shareholders of the Bank		2,650	2,659
Minority interests		23	8
<b>Profit after taxation</b>		<b>2,673</b>	<b>2,667</b>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated Balance Sheet

<i>Figures in HK\$m</i>		<i>At</i>	<i>At</i>
	<i>Note</i>	<i>30 June</i>	<i>31 December</i>
		<i>2010</i>	<i>2009</i>
<b>Assets</b>			
Cash and balances with banks and other financial institutions		16,739	8,871
Placements with banks and other financial institutions	10	91,931	144,968
Hong Kong SAR Government certificates of indebtedness		27,641	26,461
Trading assets		44,361	32,654
Advances to customers	11	270,595	226,236
Amounts due from immediate holding company		47,747	54,406
Amounts due from fellow subsidiaries		29,130	18,508
Investment securities	16	140,699	145,472
Interest in associates		4,438	3,595
Fixed assets	17	2,865	2,883
Goodwill and intangible assets		1,202	1,230
Deferred tax assets		300	488
Other assets		12,848	8,382
		<u>690,496</u>	<u>674,154</u>
<b>Liabilities</b>			
Hong Kong SAR currency notes in circulation		27,641	26,461
Deposits and balances of banks and other financial institutions		13,886	19,952
Deposits from customers	19	533,657	524,050
Trading liabilities		32,008	29,036
Financial liabilities designated at fair value	20	7,900	7,566
Debt securities in issue	21	–	1,063
Amounts due to immediate holding company		6,213	8,847
Amounts due to fellow subsidiaries		2,860	2,819
Current tax liabilities		234	311
Deferred tax liabilities		19	39
Other liabilities	22	16,605	12,954
Subordinated liabilities	23	8,216	2,306
		<u>649,239</u>	<u>635,404</u>
<b>Equity</b>			
Share capital		97	97
Reserves	24	41,110	38,626
Shareholders' equity		41,207	38,723
Minority interests		50	27
		<u>41,257</u>	<u>38,750</u>
		<u>690,496</u>	<u>674,154</u>

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

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2010</b>	<i>6 months ended 30 June 2009</i>
<b>Profit after taxation</b>	<b>2,673</b>	2,667
<b>Other comprehensive income:</b>		
Defined benefit plan:		
– Actuarial (losses)/gains	<b>(99)</b>	261
– Related tax effect	<b>20</b>	(43)
Available-for-sale securities:		
– Changes in fair value recognised during the period	<b>(79)</b>	(175)
– Changes in fair value transferred to the income statement on disposal	<b>(101)</b>	(142)
– Transfer to income statement on fair value hedged items attributable to hedged risk	<b>(232)</b>	(8)
– Related tax effect	<b>69</b>	88
Cash flow hedges:		
– Effective portion of changes in fair value of cash flow hedges	<b>(115)</b>	(51)
– Changes in fair value transferred to the income statement on termination of hedging derivatives	<b>(7)</b>	(13)
– Related tax effect	<b>20</b>	11
Share option equity reserve:		
– Net changes in equity settled share-based transactions	<b>410</b>	–
Exchange difference	<b>(52)</b>	(31)
Other comprehensive losses for the period, net of tax	<b>(166)</b>	(103)
<b>Total comprehensive income for the period</b>	<b>2,507</b>	2,564
<b>Attributable to:</b>		
Shareholders of the Bank	<b>2,484</b>	2,556
Minority interest	<b>23</b>	8
	<b>2,507</b>	2,564

There were no dividends declared or paid during the 6 months ended 30 June 2010 (30 June 2009: 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 2010</b>	<b>6 months ended 30 June 2009</b>
Interest income on financial assets that are not measured at fair value through profit or loss	<b>4,879</b>	6,695
Interest income on unwinding of discounts on loan impairment charges	<b>13</b>	23
	<u><u>          </u></u>	<u><u>          </u></u>

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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 2010</b>	<b>6 months ended 30 June 2009</b>
Interest expense on financial liabilities that are not measured at fair value through profit or loss	<b>669</b>	1,487
	<u><u>          </u></u>	<u><u>          </u></u>

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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 2010</b>	<b>6 months ended 30 June 2009</b>
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>771</b>	754
– fee and commission expense	<b>64</b>	106
	<u><u>          </u></u>	<u><u>          </u></u>
Net fee income from trust and other fiduciary activities where the Bank holds or invests assets on behalf of its customers		
– fee and commission income	<b>204</b>	190
– fee and commission expense	<b>46</b>	65
	<u><u>          </u></u>	<u><u>          </u></u>

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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 2010</b>	<i>6 months ended 30 June 2009</i>
Net trading income shown in the income statement	<b>558</b>	726
Add: interest income arising from trading assets	<b>128</b>	98
Less: interest expense arising from trading liabilities	<b>(93)</b>	(88)
	<b>593</b>	736

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### 5. Net gains/(losses) from financial instruments designated at fair value

Net gains/(losses) 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 2010</b>	<i>6 months ended 30 June 2009</i>
Net gains/(losses) shown in the income statement	<b>109</b>	(25)
Less: interest expense arising from financial liabilities designated at fair value	<b>(23)</b>	(14)
	<b>86</b>	(39)

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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 2010</b>	<i>6 months ended 30 June 2009</i>
Dividend income from listed available-for-sale securities	–	1
Dividend income from unlisted available-for-sale securities	7	7
Net loss on disposal of financial instruments measured at amortised cost	–	(31)
Others	<u>39</u>	<u>29</u>
	<u><b>46</b></u>	<u><b>6</b></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 2010</b>	<i>6 months ended 30 June 2009</i>
Premises and equipment expenses excluding depreciation	416	398
Depreciation	<u>94</u>	<u>109</u>
	<u><b>510</b></u>	<u><b>507</b></u>

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### 8. Other impairment

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2010</b>	<i>6 months ended 30 June 2009</i>
Recovery of impairment on disposal of available-for-sale securities	6	–
Provision for contingent liabilities	<u>–</u>	<u>(809)</u>

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 9. Taxation

Taxation in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2010</b>	<i>6 months ended 30 June 2009</i>
Hong Kong profits tax	153	509
Overseas taxation	65	56
Deferred taxation	277	5
	<u>495</u>	<u>570</u>

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

<i>Figures in HK\$m</i>	<b>At 30 June 2010</b>	<i>At 31 December 2009</i>
<b>(a) Placements with banks and other financial institutions</b>		
Gross placements with banks and other financial institutions		
– maturing within one month	53,277	92,638
– maturing between one month and one year	38,464	51,608
– maturing between one year to five years	193	722
	<u>91,934</u>	<u>144,968</u>
Less: impairment allowances – individually assessed	(3)	–
	<u>91,931</u>	<u>144,968</u>
<b>(b) Impaired placements with banks and other financial institutions</b>		
Gross impaired advances to banks	94	184
Impairment allowances – individually assessed	(3)	–
	<u>91</u>	<u>184</u>
Gross impaired advances to banks as a % of gross advances to banks	<u>0.10%</u>	<u>0.13%</u>

There is no collateral held against impaired advances to banks.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 11. Advances to customers

Figures in HK\$m

	At 30 June 2010	At 31 December 2009
<b>(a) Advances to customers</b>		
Gross advances to customers	272,114	227,853
Individually assessed impairment allowances	(1,172)	(1,196)
Collectively assessed impairment allowances	(347)	(421)
	<u>270,595</u>	<u>226,236</u>
<b>(b) Impaired advances to customers</b>		
Gross impaired advances to customers	1,511	1,932
Impairment allowances – individually assessed	(1,172)	(1,196)
	<u>339</u>	<u>736</u>
Gross impaired advances to customers as a % of gross advances to customers	<u>0.56%</u>	<u>0.85%</u>
Fair value of collateral held against the covered portion of impaired advances to customers	<u>183</u>	<u>234</u>
Covered portion of impaired advances to customers	131	170
Uncovered portion of impaired advances to customers	<u>1,380</u>	<u>1,762</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.

# 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 2010	% of advances covered by collateral or other securities	At 31 December 2009	% 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 to customers for use in Hong Kong

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

Property development	5,547	16%	4,107	20%
Property investment	33,600	82%	27,950	88%
Financial concerns	16,345	19%	14,050	46%
Stockbrokers	3,183	22%	935	57%
Wholesale and retail trade	7,565	25%	9,022	33%
Manufacturing	15,631	20%	10,946	16%
Transport and transport equipment	2,239	16%	2,375	13%
Recreational activities	61	–	43	–
Information technology	2,127	–	1,128	–
Others	6,051	17%	7,725	11%

##### *Individuals*

Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,134	100%	1,145	100%
Advances for the purchase of other residential properties	107,298	100%	98,101	100%
Credit card advances	9,271	–	7,465	–
Others	13,273	22%	15,048	16%

#### **Total gross advances to customers for use in Hong Kong**

	223,325		200,040	
<b>Trade finance</b>	24,073	11%	17,609	13%
<b>Trade bills</b>	7,928	18%	2,386	20%
<b>Gross advances to customers for use outside Hong Kong</b>	16,788	5%	7,818	9%
<b>Gross advances to customers</b>	<b>272,114</b>	<b>57%</b>	<b>227,853</b>	<b>63%</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 2010 and 31 December 2009, over 90 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's and its subsidiaries' total advances to customers are as follows:

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Figures in HK\$m

	<i>Impaired advances to customers</i>	<i>Overdue advances to customers</i>	<i>Individually assessed impairment allowances</i>	<i>Collectively assessed impairment allowances</i>	<i>New provision charge</i>
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#### As at 30 June 2010

##### Advances for the

##### purchase of other

residential properties	72	12	29	2	1
Property investment	13	3	4	35	–

#### As at 31 December 2009

##### Advances for the purchase

of other residential properties	95	26	43	2	10
Property investment	7	23	4	43	1

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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 2010</b>	<b>At 31 December 2009</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>94    0.1%</b>	<b>184    0.1%</b>
	<b>94    0.1%</b>	<b>184    0.1%</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>3</b>	<b>–</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

	At 30 June 2010	At 31 December 2009
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#### (b) Overdue advances to customers

	% of advances to customers	% of advances to customers
<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	45 –	83 –
1 year or less but over 6 months	36 –	429 0.2%
Over 1 year	918 0.4%	882 0.4%
	<u>999 0.4%</u>	<u>1,394 0.6%</u>

Fair value of collateral held

against the covered portion of

overdue advances to customers

109

256

Covered portion of overdue advances

to customers

64

120

Uncovered portion of overdue advances

to customers

935

1,274

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, properties and government guarantees.

Individually assessed impairment

allowances against advances

to customers overdue more than 3 months

835

962

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 14. Rescheduled advances to customers

<i>Figures in HK\$m</i>	<i>At</i>		<i>At</i>	
	<i>30 June</i>		<i>31 December</i>	
	<i>2010</i>		<i>2009</i>	
	<i>% of</i>		<i>% of</i>	
	<i>advances</i>		<i>advances</i>	
	<i>to customers</i>		<i>to customers</i>	
Rescheduled advances to customers	578	0.2%	575	0.3%

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. The 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 2010 and 31 December 2009, there were no rescheduled advances to banks and other financial institutions.

### 15. Repossessed assets

<i>Figures in HK\$m</i>	<i>At</i>		<i>At</i>	
	<i>30 June</i>		<i>31 December</i>	
	<i>2010</i>		<i>2009</i>	
Reposessed assets	59		60	

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>	<i>At</i>		<i>At</i>	
	<i>30 June</i>		<i>31 December</i>	
	<i>2010</i>		<i>2009</i>	
Available-for-sale securities				
Certificates of deposit held	9,791		11,807	
Other available-for-sale securities	122,229		127,032	
	132,020		138,839	
Loans and receivables	8,679		6,633	
	140,699		145,472	

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 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>Sub-total</i>	<i>Investment properties</i>	<i>Total</i>
<i>Cost:</i>					
At 1 January 2010	2,660	513	3,173	518	3,691
Additions	44	32	76	–	76
Disposals	(47)	(194)	(241)	–	(241)
Reclassifications	(9)	9	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2010	<u>2,648</u>	<u>360</u>	<u>3,008</u>	<u>518</u>	<u>3,526</u>
<i>Accumulated depreciation:</i>					
At 1 January 2010	436	338	774	34	808
Charge for the period	43	46	89	5	94
Written back on disposals	(47)	(194)	(241)	–	(241)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2010	<u>432</u>	<u>190</u>	<u>622</u>	<u>39</u>	<u>661</u>
<i>Net book value:</i>					
At 30 June 2010	<u>2,216</u>	<u>170</u>	<u>2,386</u>	<u>479</u>	<u>2,865</u>
At 31 December 2009	<u>2,224</u>	<u>175</u>	<u>2,399</u>	<u>484</u>	<u>2,883</u>

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### 18. Investments in subsidiaries

The principal subsidiaries of the Bank are Standard Chartered APR Limited and Standard Chartered Securities (Hong Kong) Limited.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 19. Deposits from customers

<i>Figures in HK\$m</i>	<i>At 30 June 2010</i>	<i>At 31 December 2009</i>
Current accounts	66,886	68,780
Savings accounts	275,778	286,310
Time, call and notice deposits	178,505	155,717
Deposits and balances of central banks	12,488	13,243
	<u>533,657</u>	<u>524,050</u>

### 20. Financial liabilities designated at fair value

<i>Figures in HK\$m</i>	<i>At 30 June 2010</i>	<i>At 31 December 2009</i>
Structured customer deposits	<u>7,900</u>	<u>7,566</u>

### 21. Debt securities in issue

<i>Figures in HK\$m</i>	<i>At 30 June 2010</i>	<i>At 31 December 2009</i>
Certificates of deposit, measured at amortised cost	<u>–</u>	<u>1,063</u>

### 22. Other liabilities

<i>Figures in HK\$m</i>	<i>At 30 June 2010</i>	<i>At 31 December 2009</i>
Accruals and deferred income	2,297	3,113
Provision for liabilities and charges	1,946	1,556
Negative fair values of hedging derivatives	6	14
Acceptances and endorsements	5,664	3,772
Others	6,692	4,499
	<u>16,605</u>	<u>12,954</u>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 23. Subordinated liabilities

<i>Figures in HK\$m</i>	<i>At 30 June 2010</i>	<i>At 31 December 2009</i>
US\$300 million		
Floating Rate Step-Up Notes 2017 <sup>(1)</sup>	2,317	2,306
US\$750 million		
5.875% Fixed Rate Notes 2020 <sup>(2)</sup>	5,899	–
	<u>8,216</u>	<u>2,306</u>

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.
- <sup>(2)</sup> Interest rate at 5.875 per cent per annum, payable semi-annually, to the maturity date on 24 June 2020.

### 24. Reserves

<i>Figures in HK\$m</i>	<i>At 30 June 2010</i>	<i>At 31 December 2009</i>
Share premium	12,477	12,477
Capital redemption reserve	3,804	3,804
Cash flow hedge reserve	(158)	(56)
Available-for-sale investment reserve	(153)	190
Revaluation reserve	146	146
Pension reserve	(190)	(111)
Foreign exchange reserve	114	166
Share option equity reserve	410	–
Retained earnings	24,660	22,010
	<u>41,110</u>	<u>38,626</u>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 24. Reserves (cont'd)

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The HKMA requires the Bank 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 2010, an amount of HK\$1,565 million (31 December 2009: HK\$1,041 million) has been reserved for this purpose.

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### 25. Off-balance sheet exposures

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Figures in HK\$m

	<b>At 30 June 2010</b>	<i>At 31 December 2009</i>
<b>a) <u>Contingent liabilities and commitments</u></b>		
<u>Contractual or notional amounts</u>		
Direct credit substitutes	<b>22,209</b>	26,402
Transaction-related contingencies	<b>14,173</b>	13,994
Trade-related contingencies	<b>27,771</b>	20,518
Forward asset purchases	<b>204</b>	851
Forward forward deposits placed	<b>1,186</b>	3,791
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	<b>1,949</b>	1,743
with original maturity of more than one year	<b>7,697</b>	10,127
which are unconditionally cancellable	<b>255,774</b>	247,745
	<b>330,963</b>	325,171
	<hr/> <hr/>	<hr/> <hr/>
Credit risk weighted amount	<b>33,696</b>	29,109
	<hr/> <hr/>	<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)

<i>Figures in HK\$m</i>	<b>At 30 June 2010</b>	<i>At 31 December 2009</i>
<b>b) <u>Derivatives</u></b>		
<u>Notional amounts</u>		
Exchange rate contracts	<b>391,802</b>	392,562
Interest rate contracts	<b>62,325</b>	50,785
Others	<b>794</b>	396
	<b>454,921</b>	443,743

Derivatives are contracts whose value depends on the value of one or more underlying financial instruments, interest or exchange rates or 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

<i>Figures in HK\$m</i>	<i>At 30 June 2010</i>			<i>At 31 December 2009</i>		
	<i>Fair value assets</i>	<i>Fair value liabilities</i>	<i>Credit risk weighted amount</i>	<i>Fair value assets</i>	<i>Fair value liabilities</i>	<i>Credit risk weighted amount</i>
Exchange rate contracts	3,308	1,859	970	2,274	1,347	550
Interest rate contracts	445	808	129	425	559	77
Others	24	11	53	23	10	24
	<b>3,777</b>	<b>2,678</b>	<b>1,152</b>	<b>2,722</b>	<b>1,916</b>	<b>651</b>

The credit risk weighted amount is 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

### 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:

*Figures in HK\$m*

	<i>Banks and Other Financial Institutions</i>	<i>Public Sector Entities</i>	<i>Others</i>	<i>Total</i>
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#### As at 30 June 2010

##### Asia Pacific excluding Hong Kong

– Mainland China	54,148	17	7,341	61,506
– South Korea	25,242	5,052	12,891	43,185
– Others	26,839	2,768	12,907	42,514
	<u>106,229</u>	<u>7,837</u>	<u>33,139</u>	<u>147,205</u>

##### Western Europe

– United Kingdom	44,398	–	784	45,182
– France	29,210	–	67	29,277
– Others	31,762	1,749	1,065	34,576
	<u>105,370</u>	<u>1,749</u>	<u>1,916</u>	<u>109,035</u>

#### As at 31 December 2009 (Restated)

##### Asia Pacific excluding Hong Kong

– Mainland China	13,517	26	7,294	20,837
– South Korea	16,632	–	8,950	25,582
– Others	43,690	1,634	3,743	49,067
	<u>73,839</u>	<u>1,660</u>	<u>19,987</u>	<u>95,486</u>

##### Western Europe

– United Kingdom	60,234	786	439	61,459
– France	50,630	–	56	50,686
– Others	81,921	–	2,650	84,571
	<u>192,785</u>	<u>786</u>	<u>3,145</u>	<u>196,716</u>

# 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 2010</b>				
Mainland China entities	16,953	29,359	46,312	–
Companies and individuals outside				
Mainland China where the credit is granted for use in Mainland China	15,738	21,624	37,362	63
Other counterparties where the exposure is considered by the Bank to be non-bank				
Mainland China exposure	302	532	834	–
<b>As at 31 December 2009</b>				
Mainland China entities	8,140	18,545	26,685	4
Companies and individuals outside				
Mainland China where the credit is granted for use in Mainland China	5,550	20,400	25,950	10
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	645	1,360	2,005	–

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

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#### 28. Currency risk

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

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<i>Figures in HK\$m</i>	<b>At 30 June 2010</b>	<i>At 31 December 2009</i>
<b>US dollar exposure</b>		
Spot assets	<b>252,577</b>	228,051
Spot liabilities	<b>(202,097)</b>	(186,265)
Forward purchases	<b>163,073</b>	163,395
Forward sales	<b>(212,019)</b>	(204,926)
	<hr/>	<hr/>
Net long non-structural position	<b>1,534</b>	255
	<hr/> <hr/>	<hr/> <hr/>

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

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<i>Figures in HK\$m</i>	<b>At 30 June 2010</b>	<i>At 31 December 2009</i>
Chinese Renminbi	<b>2,109</b>	1,196
United Arab Emirates Dirham	<b>479</b>	484
Vietnamese Dong	<b>610</b>	682
	<hr/>	<hr/>
	<b>3,198</b>	2,362
	<hr/> <hr/>	<hr/> <hr/>

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 29. Capital adequacy ratios

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	<b>At 30 June 2010</b>	<i>At 31 December 2009</i>
Capital adequacy ratio	<b>16.2%</b>	14.4%
Core capital ratio	<b>14.1%</b>	14.4%

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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 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.

Since 1 January 2008, the Bank has been using the advanced internal ratings - based ("IRB") 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 IRB.

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, the Executive Committee and the Board of Directors.

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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 2010</b>	<b>At 31 December 2009</b>
<b>Core capital:</b>		
Paid up ordinary share capital	97	97
Share premium	12,477	12,477
Reserves	23,870	19,828
Current year profit	2,213	4,787
Minority interests	50	27
Deduct:		
Goodwill	(729)	(729)
Other intangible assets	(169)	(192)
Deferred tax assets	(248)	(485)
	<u>37,561</u>	<u>35,810</u>
Deductions from core capital	<u>(3,191)</u>	<u>(3,155)</u>
Core capital after deductions	<u><u>34,370</u></u>	<u><u>32,655</u></u>
<b>Supplementary capital:</b>		
Available-for-sale investment reserve and others	–	77
Regulatory reserve	97	98
Collective impairment allowances for impaired assets	81	85
Term subordinated debt	8,216	2,306
	<u>8,394</u>	<u>2,566</u>
Deductions from supplementary capital	<u>(3,191)</u>	<u>(2,566)</u>
Supplementary capital after deductions	<u><u>5,203</u></u>	<u><u>–</u></u>
<b>Total capital base before deductions</b>	<b>45,955</b>	<b>38,376</b>
Deductions from total capital base	<u>(6,382)</u>	<u>(5,721)</u>
<b>Total capital base</b>	<u><u>39,573</u></u>	<u><u>32,655</u></u>

# 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 2010</b>	<b>6 months ended 30 June 2009</b>
Average liquidity ratio for the period	<b>34.98%</b>	36.5%

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

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On 1 July 2010, the Bank acquired 100 per cent of the share capital of Prime Credit Limited ("PCL"), a deposit-taking company in Hong Kong, from a fellow subsidiary company at a cost of US\$26 million. On 30 June 2010, the Bank had also provided a US\$21 million subordinated loan to PCL.

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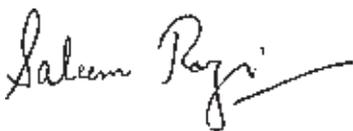
### 33. Comparative figures

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Certain comparative figures have been restated to conform with the current period presentation.

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By order of the Board



Saleem Razvi  
Director

Hong Kong  
4 August 2010