



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

For the period ended 30 June 2011

STANDARD CHARTERED BANK (HONG KONG) LIMITED

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STANDARD CHARTERED BANK (HONG KONG) LIMITED

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 2011.

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.

2011 First Half Results

Profit before taxation increased by 53 per cent from HK\$3,394 million to HK\$5,186 million. Net interest income increased by 24 per cent to HK\$5,766 million. Net fee and commission income increased by 27 per cent over the corresponding period. Total operating income increased by 26 per cent to HK\$10,857 million.

Operating expenses increased by 7 per cent over the corresponding period in 2010 to HK\$5,521 million. The increase of HK\$155 million in total impairments was mainly due to an increase in provisions for debt securities classified as loans and receivables in the first half of 2011.

Profit after taxation was HK\$4,295 million, an increase of HK\$1,437 million over HK\$2,858 million recorded in the first half of 2010.

Basis of Preparation

The accounting policies used in the preparation of the interim financial disclosure statements are materially consistent with those adopted in the 2010 consolidated financial statements except as stated in note 32.

Statement of compliance

In preparing the interim results for the first half of 2011, 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

Figures in HK\$m

	Note	6 months ended 30 June 2011	Restated 6 months ended 30 June 2010
Interest income	1	7,162	5,477
Interest expense	2	(1,396)	(822)
Net interest income		5,766	4,655
Fee and commission income		3,573	2,869
Fee and commission expense		(262)	(256)
Net fee and commission income	3	3,311	2,613
Net trading income	4	1,474	1,122
Net gains from financial instruments designated at fair value through profit or loss	5	118	109
Net gains from disposal of available-for-sale securities		114	101
Other operating income	6	74	32
		5,091	3,977
Total operating income		10,857	8,632
Staff costs		(3,075)	(2,703)
Premises and equipment	7	(587)	(519)
Others		(1,859)	(1,947)
Operating expenses		(5,521)	(5,169)
Operating profit before impairment		5,336	3,463
Impairment charge on advances to banks and customers		(235)	(250)
Other impairment (charges)/reversals	8	(164)	6
Operating profit after impairment		4,937	3,219
Share of profit of associates		249	175
Profit before taxation		5,186	3,394
Taxation	9	(891)	(536)
Profit after taxation		4,295	2,858
Attributable to:			
Equity shareholders of the Bank		4,273	2,835
Non-controlling interests		22	23
Profit after taxation		4,295	2,858

STANDARD CHARTERED BANK (HONG KONG) LIMITED**Consolidated Balance Sheet***Figures in HK\$m*

	<i>Note</i>	<i>At 30 June 2011</i>	<i>Restated At 31 December 2010</i>
Assets			
Cash and balances with banks, central banks and other financial institutions		57,550	29,902
Placements with banks and other financial institutions	10	84,648	97,167
Hong Kong SAR Government certificates of indebtedness		31,531	31,581
Trading assets		40,842	48,719
Financial assets designated at fair value		5,731	6,560
Investment securities	16	140,251	135,019
Advances to customers	11	363,239	334,850
Amounts due from immediate holding company		29,550	33,665
Amounts due from fellow subsidiaries		27,559	20,660
Interest in associates		6,264	4,513
Fixed assets	17	3,949	3,103
Goodwill and intangible assets		1,728	1,725
Deferred tax assets		93	350
Other assets		15,682	10,809
		808,617	758,623
Liabilities			
Hong Kong SAR currency notes in circulation		31,531	31,581
Deposits and balances of banks and other financial institutions		27,720	19,745
Deposits from customers	19	626,588	573,277
Trading liabilities		26,479	36,446
Financial liabilities designated at fair value	20	4,029	3,052
Debt securities in issue	21	6,661	–
Amounts due to immediate holding company		9,180	24,586
Amounts due to fellow subsidiaries		6,114	5,983
Current tax liabilities		708	360
Deferred tax liabilities		21	17
Other liabilities	22	17,847	16,480
Subordinated liabilities	23	8,165	8,055
		765,043	719,582
Equity			
Share capital		97	97
Reserves	24	43,386	38,875
Shareholders' equity		43,483	38,972
Non-controlling interests		91	69
		43,574	39,041
		808,617	758,623

STANDARD CHARTERED BANK (HONG KONG) LIMITED**Consolidated Statement of Comprehensive Income***Figures in HK\$m*

	6 months ended 30 June 2011	<i>Restated 6 months ended 30 June 2010</i>
Profit after taxation	4,295	2,858
Other comprehensive income:		
Defined benefit plan:		
– Actuarial losses	(28)	(99)
– Related tax effect	5	20
Available-for-sale securities:		
– Changes in fair value recognised during the period	262	(79)
– Changes in fair value transferred to the income statement on disposal	(114)	(101)
– Transfer to the income statement on fair value hedged items attributable to hedged risk	(54)	(232)
– Related tax effect	(9)	69
Cash flow hedges:		
– Changes in fair value recognised during the period	50	(107)
– Transferred to the income statement on termination of hedging derivatives	23	(7)
– Related tax effect	(12)	19
Net changes in share option equity reserve	71	410
Exchange difference	44	(52)
Other comprehensive income/(losses) for the period, net of tax	238	(159)
Total comprehensive income for the period	4,533	2,699
Attributable to:		
Shareholders of the Bank	4,511	2,676
Non-controlling interests	22	23
	4,533	2,699

There were no dividends declared or paid during the 6 months ended 30 June 2011 (30 June 2010: Nil).

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

1. Interest income

Interest income in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	6 months ended 30 June 2011	<i>Restated 6 months ended 30 June 2010</i>
Interest income on financial assets that are not measured at fair value through profit or loss	7,017	5,349
Interest income on unwinding of discounts on loan impairment charges	11	20

2. Interest expense

Interest expense in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	6 months ended 30 June 2011	<i>Restated 6 months ended 30 June 2010</i>
Interest expense on financial liabilities that are not measured at fair value through profit or loss	1,290	706

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>	6 months ended 30 June 2011	<i>Restated 6 months ended 30 June 2010</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	1,714	1,324
– fee and commission expense	158	127
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	244	204
– fee and commission expense	71	46

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

4. Net trading income

Net trading income in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2011	<i>Restated 6 months ended 30 June 2010</i>
Net trading income shown in the income statement	1,474	1,122
Add: interest income arising from trading assets	47	128
Less: interest expense arising from trading liabilities	(99)	(93)
	1,422	1,157

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>	6 months ended 30 June 2011	<i>6 months ended 30 June 2010</i>
Net gains shown in the income statement	118	109
Add: interest income arising from financial assets designated at fair value	98	–
Less: interest expense arising from financial liabilities designated at fair value	(7)	(23)
	209	86

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

6. Other operating income

Other operating income in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2011	<i>Restated 6 months ended 30 June 2010</i>
Dividend income from listed available-for-sale securities	1	–
Dividend income from unlisted available-for-sale securities	7	7
Net gains on disposal of financial instruments measured at amortised cost	14	–
Net gains on disposal of fixed assets	20	–
Net losses on revaluation of investment properties	(7)	(25)
Others	39	50
	<u>74</u>	<u>32</u>

7. Premises and equipment

Premises and equipment expenses in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2011	<i>Restated 6 months ended 30 June 2010</i>
Premises and equipment expenses excluding depreciation	475	428
Depreciation	112	91
	<u>587</u>	<u>519</u>

8. Other impairment (charges)/reversals

<i>Figures in HK\$m</i>	6 months ended 30 June 2011	<i>6 months ended 30 June 2010</i>
Impairment charges relating to debt securities classified as loans and receivables	(164)	–
Recovery of impairment on disposal of available-for-sale securities	–	6
	<u>(164)</u>	<u>6</u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

9. Taxation

Taxation in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2011	<i>Restated 6 months ended 30 June 2010</i>
Hong Kong profits tax	558	194
Overseas taxation	88	65
Deferred taxation	245	277
	891	536

10. Placements with banks and other financial institutions

<i>Figures in HK\$m</i>	At 30 June 2011	<i>At 31 December 2010</i>
(a) Placements with banks and other financial institutions		
Gross placements with banks and other financial institutions		
– maturing within one month	27,836	58,671
– maturing between one month and one year	56,244	38,285
– maturing between one year to five years	569	213
	84,649	97,169
Less: impairment allowances – individually assessed	(1)	(2)
	84,648	97,167
(b) Impaired placements with banks and other financial institutions		
Gross impaired advances to banks	71	65
Impairment allowances – individually assessed	(1)	(2)
	70	63
Gross impaired advances to banks as a % of gross advances to banks	0.08%	0.07%

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 2011	At 31 December 2010
(a) Advances to customers		
Gross advances to customers	364,315	336,098
Individually assessed impairment allowances	(573)	(775)
Collectively assessed impairment allowances	(503)	(473)
	<u>363,239</u>	<u>334,850</u>
(b) Impaired advances to customers		
Gross impaired advances to customers	950	1,152
Impairment allowances – individually assessed	(573)	(775)
	<u>377</u>	<u>377</u>
Gross impaired advances to customers as a % of gross advances to customers	<u>0.26%</u>	<u>0.34%</u>
Fair value of collateral held against the covered portion of impaired advances to customers	<u>192</u>	<u>185</u>
Covered portion of impaired advances to customers	135	116
Uncovered portion of impaired advances to customers	<u>815</u>	<u>1,036</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 2011	% of advances covered by collateral or other securities	At 31 December 2010	% 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	7,440	14%	5,492	11%
– Property investment	39,712	83%	36,149	89%
– Financial concerns	19,880	33%	19,684	30%
– Stockbrokers	4,932	57%	2,949	62%
– Wholesale and retail trade	14,010	50%	9,708	41%
– Manufacturing	24,542	27%	21,766	20%
– Transport and transport equipment	3,562	29%	2,981	18%
– Recreational activities	385	–	63	–
– Information technology	1,753	–	1,869	–
– Others	7,828	22%	10,545	12%

Individuals

– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	998	100%	1,085	100%
– Advances for the purchase of other residential properties	122,015	100%	121,455	100%
– Credit card advances	14,788	–	13,410	–
– Others	20,012	25%	17,438	22%

Total gross advances for use in Hong Kong

Trade finance	37,092	16%	28,898	15%
Trade bills	7,735	21%	9,230	22%
Gross advances for use outside Hong Kong	37,631	34%	33,376	33%
Gross advances to customers	364,315	57%	336,098	58%

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Additional Information

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 2011 and 31 December 2010, approximately 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:

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 2011

Advances for the

purchase of other					
residential properties	83	158	20	2	1
Property investment	7	18	4	33	–
Trade Finance	425	14	258	31	5
Gross advances for use					
outside HK	47	–	42	31	–

As at 31 December 2010

Advances for the purchase

of other residential properties	57	179	22	2	1
Property investment	12	1	4	31	–
Trade Finance	493	9	392	25	87
Gross advances for use					
outside HK	108	–	–	29	–

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

13. Overdue advances to banks and customers

Figures in HK\$m

	At 30 June 2011	At 31 December 2010
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(a) Overdue advances to banks

	% of advances to banks	% of advances to banks
Gross advances to banks which have been overdue with respect to either principal or interest for periods of:		
Over 1 year	71 0.08%	65 0.07%

There is no collateral held against overdue advances to banks.

Individually assessed impairment

allowances against advances

to banks overdue more than 3 months

1	2
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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
2011

At
31 December
2010

(b) Overdue advances to customers

	% of advances to customers		% of advances to customers	
Gross advances to customers which have been overdue with respect to either principal or interest for periods of:				
6 months or less but over 3 months	75	–	36	–
1 year or less but over 6 months	80	–	47	–
Over 1 year	316	0.1%	529	0.2%
	471	0.1%	612	0.2%

Fair value of collateral held

against the covered portion of
overdue advances to customers

	30	111
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Covered portion of overdue advances

to customers

	22	55
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Uncovered portion of overdue advances

to customers

	449	557
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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 guarantees.

Individually assessed impairment

allowances against advances

to customers overdue more than 3 months

	324	484
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STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

14. Rescheduled advances to customers

<i>Figures in HK\$m</i>	At 30 June 2011	% of advances to customers	<i>At 31 December 2010</i>	% of advances to customers
Rescheduled advances to customers	481	0.1%	480	0.1%

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 2011 and 31 December 2010, there were no rescheduled advances to banks and other financial institutions.

15. Repossessed assets

<i>Figures in HK\$m</i>	At 30 June 2011	<i>At 31 December 2010</i>
Reposessed assets	19	41

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>	At 30 June 2011	<i>At 31 December 2010</i>
Available-for-sale securities		
Certificates of deposit held	17,620	15,098
Other available-for-sale securities	112,988	109,960
	130,608	125,058
Loans and receivables	9,643	9,961
	140,251	135,019

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

17. Fixed assets

Figures in HK\$m

	<i>Buildings and leasehold land held for own use</i>	<i>Equipment, furniture & 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 2011,						
as previously stated	2,862	389	–	3,251	518	3,769
Effect of change in accounting policy	–	–	–	–	23	23
As restated	2,862	389	–	3,251	541	3,792
Additions	57	108	–	165	106	271
Disposals	(18)	(50)	–	(68)	(64)	(132)
Reclassifications	(1)	1	–	–	–	–
Net losses on revaluation	–	–	–	–	(7)	(7)
Acquisitions	–	–	758	758	–	758
At 30 June 2011	2,900	448	758	4,106	576	4,682
<i>Accumulated depreciation:</i>						
At 1 January 2011,						
as previously stated	492	197	–	689	45	734
Effect of change in accounting policy	–	–	–	–	(45)	(45)
As restated	492	197	–	689	–	689
Charge for the period	43	68	1	112	–	112
Written back on disposals	(18)	(50)	–	(68)	–	(68)
At 30 June 2011	517	215	1	733	–	733
<i>Net book value:</i>						
At 30 June 2011	2,383	233	757	3,373	576	3,949
At 31 December 2010 as restated	2,370	192	–	2,562	541	3,103

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

18. Investments in subsidiaries

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

19. Deposits from customers

<i>Figures in HK\$m</i>	<i>At 30 June 2011</i>	<i>At 31 December 2010</i>
Current accounts	84,071	74,727
Savings accounts	303,239	303,112
Time, call and notice deposits	232,632	183,370
Deposits and balances of central banks	6,646	12,068
	<u>626,588</u>	<u>573,277</u>

20. Financial liabilities designated at fair value

<i>Figures in HK\$m</i>	<i>At 30 June 2011</i>	<i>At 31 December 2010</i>
Structured customer deposits	3,132	3,052
Debt securities issued	897	–
	<u>4,029</u>	<u>3,052</u>

21. Debt securities in issue

<i>Figures in HK\$m</i>	<i>At 30 June 2011</i>	<i>At 31 December 2010</i>
Certificates of deposit, measured at amortised cost	6,661	–

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

22. Other liabilities

<i>Figures in HK\$m</i>	At 30 June 2011	At 31 December 2010
Accruals and deferred income	3,100	3,121
Provision for liabilities and charges	1,211	2,267
Negative fair values of hedging derivatives	83	54
Acceptances and endorsements	4,669	4,611
Others	8,784	6,427
	17,847	16,480

23. Subordinated liabilities

<i>Figures in HK\$m</i>	At 30 June 2011	At 31 December 2010
US\$300 million		
Floating Rate Step-Up Notes 2017 ⁽¹⁾	2,315	2,314
US\$750 million		
5.875% Fixed Rate Notes 2020 ⁽²⁾	5,850	5,741
	8,165	8,055

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

- ⁽¹⁾ 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.
- ⁽²⁾ Interest rate at 5.875 per cent per annum, payable semi-annually, to the maturity date on 24 June 2020.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

24. Reserves

Figures in HK\$m

	<i>At 30 June 2011</i>	<i>Restated At 31 December 2010</i>
Share premium	12,477	12,477
Capital redemption reserve	3,804	3,804
Cash flow hedge reserve	(60)	(121)
Available-for-sale investment reserve	130	45
Revaluation reserve	146	146
Pension reserve	(133)	(110)
Foreign exchange reserve	194	150
Share option equity reserve	365	294
Retained earnings	26,463	22,190
	<hr/> 43,386 <hr/>	<hr/> 38,875 <hr/>

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 2011, an amount of HK\$3,359 million (31 December 2010: HK\$1,366 million) has been reserved for this purpose.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

25. Off-balance sheet exposures

Figures in HK\$m

	At 30 June 2011	<i>Restated At 31 December 2010</i>
a) <u>Contingent liabilities and commitments</u>		
<u>Contractual or notional amounts</u>		
Direct credit substitutes	14,669	14,325
Transaction-related contingencies	16,204	19,608
Trade-related contingencies	27,317	24,713
Forward asset purchases	558	2,283
Forward forward deposits placed	4,709	700
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	9,728	9,908
with original maturity of more than one year	16,465	13,267
which are unconditionally cancellable	302,162	283,882
	391,812	368,686
Credit risk weighted amount	35,033	35,012

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.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

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

Figures in HK\$m

	At 30 June 2011	<i>At 31 December 2010</i>
b) <u>Derivatives</u>		
<u>Notional amounts</u>		
Exchange rate contracts	483,779	442,722
Interest rate contracts	84,799	74,707
Others	1,263	645
	569,841	518,074

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 2011</i>			<i>At 31 December 2010</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	1,951	2,294	1,203	2,382	2,309	1,104
Interest rate contracts	290	752	217	174	609	142
Others	15	15	11	8	7	5
	2,256	3,061	1,431	2,564	2,925	1,251

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.

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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:

<i>Figures in HK\$m</i>	Banks and Other Financial Institutions	Public Sector Entities	Others	Total
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As at 30 June 2011

Asia Pacific excluding Hong Kong

– Mainland China	122,106	331	25,174	147,611
– South Korea	15,632	6,322	11,006	32,960
– Others	23,307	4,688	15,226	43,221
	<u>161,045</u>	<u>11,341</u>	<u>51,406</u>	<u>223,792</u>

Western Europe

– United Kingdom	51,431	–	6,963	58,394
– Others	38,609	1,666	4,435	44,710
	<u>90,040</u>	<u>1,666</u>	<u>11,398</u>	<u>103,104</u>

As at 31 December 2010

Asia Pacific excluding Hong Kong

– Mainland China	61,007	326	17,425	78,758
– South Korea	17,940	6,862	12,000	36,802
– Others	26,152	4,752	16,958	47,862
	<u>105,099</u>	<u>11,940</u>	<u>46,383</u>	<u>163,422</u>

Western Europe

– United Kingdom	67,569	–	9,675	77,244
– Others	33,738	2,544	2,536	38,818
	<u>101,307</u>	<u>2,544</u>	<u>12,211</u>	<u>116,062</u>

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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>
As at 30 June 2011				
Mainland China entities	31,741	43,866	75,607	–
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	20,813	36,452	57,265	2
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	3,202	2,127	5,329	–
	<u>55,756</u>	<u>82,445</u>	<u>138,201</u>	<u>2</u>

As at 31 December 2010

Mainland China entities	26,321	38,631	64,952	–
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	15,701	29,293	44,994	35
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	3,755	760	4,515	–
	<u>45,777</u>	<u>68,684</u>	<u>114,461</u>	<u>35</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.

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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>	<i>At 30 June 2011</i>	<i>At 31 December 2010</i>
US dollars exposure		
Spot assets	274,988	278,985
Spot liabilities	(243,331)	(225,106)
Forward purchases	206,333	192,556
Forward sales	(238,617)	(246,149)
Net option position	1	112
	<u>1</u>	<u>112</u>
Net (short)/long non-structural position	<u>(626)</u>	<u>398</u>
Chinese renminbi exposure		
Spot assets	71,626	22,165
Spot liabilities	(69,169)	(31,889)
Forward purchases	82,011	49,258
Forward sales	(83,725)	(37,053)
Net option position	(1)	(114)
	<u>(1)</u>	<u>(114)</u>
Net long non-structural position	<u>742</u>	<u>2,367</u>
Euro exposure		
Spot assets	20,002	20,068
Spot liabilities	(15,748)	(17,987)
Forward purchases	10,092	15,248
Forward sales	(14,376)	(17,297)
Net option position	-	1
	<u>-</u>	<u>1</u>
Net (short)/long non-structural position	<u>(30)</u>	<u>33</u>
Australian dollars exposure		
Spot assets	9,828	10,621
Spot liabilities	(13,360)	(10,473)
Forward purchases	7,106	10,023
Forward sales	(3,555)	(10,541)
Net option position	-	-
	<u>-</u>	<u>-</u>
Net long/(short) non-structural position	<u>19</u>	<u>(370)</u>

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28. Currency risk (cont'd)

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

Figures in HK\$m

	At 30 June 2011	<i>Restated At 31 December 2010</i>
Chinese Renminbi	3,876	2,216
United Arab Emirates Dirham	520	541
Vietnamese Dong	671	581
US dollars	587	469
	5,654	3,807

29. Capital adequacy ratios

	At 30 June 2011	<i>At 31 December 2010</i>
Capital adequacy ratio	15.1%	12.8%
Core capital ratio	12.7%	10.9%

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 and Prime Credit 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 ("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 ("ALCO") and the Board of Directors ("the Board").

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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:

Figures in HK\$m

	At 30 June 2011	Restated At 31 December 2010
Core capital:		
Paid up ordinary share capital	97	97
Share premium	12,477	12,477
Reserves	22,310	25,513
Profit and loss account	4,021	(1,401)
Current period/year profit	4,021	5,589
Dividend paid	–	(6,990)
Non-controlling interests	91	69
Deduct:		
Goodwill	(1,253)	(1,258)
Other intangible assets	(178)	(164)
Deferred tax assets	(70)	(322)
	<u>37,495</u>	<u>35,011</u>
Deductions from core capital	<u>(3,294)</u>	<u>(2,795)</u>
Core capital after deductions	<u><u>34,201</u></u>	<u><u>32,216</u></u>
Supplementary capital:		
Available-for-sale investment reserve and others	8	–
Regulatory reserve	238	136
Collective impairment allowances	209	183
Surplus provisions	1,119	–
Term subordinated debt	8,165	8,055
	<u>9,739</u>	<u>8,374</u>
Deductions from supplementary capital	<u>(3,294)</u>	<u>(2,795)</u>
Supplementary capital after deductions	<u><u>6,445</u></u>	<u><u>5,579</u></u>
Total capital base before deductions	47,234	43,385
Deductions from total capital base	<u>(6,588)</u>	<u>(5,590)</u>
Total capital base	<u><u>40,646</u></u>	<u><u>37,795</u></u>

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31. Liquidity ratio

	<i>6 months ended 30 June 2011</i>	<i>6 months ended 30 June 2010</i>
Average liquidity ratio for the period	<u>30.31%</u>	<u>34.98%</u>

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.

32. Comparative figures

a) Merger accounting

Accounting Guideline No. 5 – “Merger Accounting for Common Control Combinations” issued by the HKICPA, has been applied for the acquisition of Prime Credit Limited (“PCL”). As a result, the comparative figures have been presented as if the acquisition of PCL by the Bank had occurred from the date when PCL first came under the control of Standard Chartered PLC Group.

b) Reclassification of certain income from allocation of Financial Markets products

In 2010, certain income from allocations of Financial Markets products had been reclassified from “Fee and commission income” to “Net trading income”. An amount of HK\$564 million has therefore been reclassified in the period ended 30 June 2010 to conform to the current period presentation. This reclassification provides a better reflection of the underlying transactions.

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Additional Information

32. Comparative figures (cont'd)

c) Investment properties

In prior years, investment properties were stated in the balance sheet at depreciated cost less impairment. Investment properties were depreciated over their estimated useful lives on a straight-line basis.

With effect from 1 January 2011, the Bank and its subsidiaries have changed their accounting policy for investment properties from a cost model to a fair value model. Under the new policy, investment properties are initially measured at cost, including transaction costs. Subsequently investment properties are stated at fair value with any gains or losses in fair value reported in the income statement as they arise. The change in accounting policy has been applied retrospectively with comparative amounts restated.

By order of the Board



Saleem Razvi
Director

Hong Kong
3 August 2011