



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

For the period ended 30 June 2009

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 2009.

2009 First Half Results

Profit before taxation decreased by 34 per cent from HK\$4,924 million to HK\$3,237 million. Net interest income grew by 5 per cent to HK\$5,204 million. Net fee and commission income was down 18 per cent on the equivalent period. Total operating income decreased by 7 per cent to HK\$8,384 million.

Operating expenses increased by 6 per cent over the corresponding period in 2008 to HK\$3,813 million. The increase of HK\$1,046 million in the total impairment charge was due to higher new provisions in the first half of 2009.

Profit after taxation was HK\$2,667 million, a decrease of 35 per cent over HK\$4,103 million recorded in the corresponding period in 2008.

Basis of Preparation

The accounting policies used in the preparation of the interim financial disclosure statements are materially consistent with those adopted in the 2008 consolidated financial statements.

Statement of compliance

In preparing the interim results for the first half of 2009, 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>	6 months ended 30 June 2009	6 months ended 30 June 2008
Interest income	1	6,793	8,056
Interest expense	2	(1,589)	(3,077)
Net interest income		5,204	4,979
Fee and commission income		2,593	3,094
Fee and commission expense		(262)	(249)
Net fee and commission income	3	2,331	2,845
Net trading income	4	726	1,039
Net losses from financial instruments designated at fair value	5	(25)	(34)
Net gains from disposal of available-for-sale securities		142	66
Other operating income	6	6	83
		3,180	3,999
Total operating income		8,384	8,978
Staff costs		(2,270)	(1,904)
Premises and equipment	7	(507)	(444)
Others		(1,036)	(1,266)
Operating expenses		(3,813)	(3,614)
Operating profit before impairment		4,571	5,364
Impairment charge on advances to banks and customers		(601)	(344)
Other impairment charges	8	(809)	(20)
Operating profit after impairment		3,161	5,000
Share of profit/(loss) of associates		76	(76)
Profit before taxation		3,237	4,924
Taxation	9	(570)	(821)
Profit after taxation		2,667	4,103
Attributable to:			
Equity shareholders of the Bank		2,659	4,103
Minority interests		8	-
Profit after taxation		2,667	4,103

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Consolidated Balance Sheet

<i>Figures in HK\$m</i>		At	At
	<i>Note</i>	30 June	31 December
		2009	2008
Assets			
Cash and balances with banks and other financial institutions		15,222	15,378
Placements with banks and other financial institutions	10	134,884	136,463
Hong Kong SAR Government certificates of indebtedness		24,851	24,001
Trading assets		29,071	17,241
Advances to customers	11	222,439	213,539
Amounts due from immediate holding company		53,010	59,400
Amounts due from fellow subsidiaries		23,613	25,278
Investment securities	16	122,556	90,501
Interest in associates		3,365	3,401
Fixed assets	17	2,924	2,946
Goodwill and intangible assets		1,247	935
Deferred tax assets		172	172
Other assets		8,849	7,820
		642,203	597,075
Liabilities			
Hong Kong SAR currency notes in circulation		24,851	24,001
Deposits and balances of banks and other financial institutions		13,157	6,914
Deposits from customers	19	492,815	476,796
Trading liabilities		26,147	15,620
Financial liabilities designated at fair value	20	9,266	5,306
Debt securities in issue	21	1,860	3,420
Amounts due to immediate holding company		9,646	7,162
Amounts due to fellow subsidiaries		4,802	4,826
Current tax liabilities		489	272
Deferred tax liabilities		–	37
Other liabilities		17,013	13,102
Subordinated liabilities	22	6,154	6,180
		606,200	563,636
Equity			
Share capital		97	97
Reserves	23	35,893	33,337
Shareholders' equity		35,990	33,434
Minority interests		13	5
		36,003	33,439
		642,203	597,075

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

<i>Figures in HK\$m</i>	6 months ended 30 June 2009	6 months ended 30 June 2008
Profit after taxation	2,667	4,103
Other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	(51)	8
Changes in fair value transferred to the income statement on termination of hedging derivatives	(13)	–
Exchange difference	(31)	(2)
Changes in fair value of available-for-sale securities	(175)	(1,009)
Changes in fair value transferred to the income statement on disposal of available-for-sale securities	(142)	(66)
Transfer to income statement on fair value hedged items attributable to hedged risk	(8)	–
Actuarial gains/(losses) on defined benefit plan	261	(195)
Deferred tax recognised directly in reserves	56	371
Other comprehensive income for the period net of tax	(103)	(893)
Total comprehensive income for the period	2,564	3,210
Attributable to:		
Shareholders of the Bank	2,556	3,210
Minority interest	8	–
	2,564	3,210

There were no dividends declared or paid during the 6 months ended 30 June 2009. During the 6 months ended 30 June 2008, the directors had declared and paid a special dividend of HK\$0.60 per each 'A' and 'B' ordinary share totalling HK\$1,162 million.

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 2009	6 months ended 30 June 2008
Interest income on financial assets that are not measured at fair value through profit or loss	6,695	7,717
Interest income on unwinding of discounts on loan impairment charges	23	15

2. Interest expense

Interest expense in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	6 months ended 30 June 2009	6 months ended 30 June 2008
Interest expense on financial liabilities that are not measured at fair value through profit or loss	1,487	2,955

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 2009	6 months ended 30 June 2008
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	754	616
– fee and commission expense	106	125
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	190	223
– fee and commission expense	65	43

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

4. Net income from trading instruments

Net income from trading instruments in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2009	<i>6 months ended 30 June 2008</i>
Net trading income	726	1,039
Add: interest income arising from trading assets	98	254
Less: interest expense arising from trading liabilities	(88)	(122)
	736	1,171

5. Net losses from financial instruments designated at fair value

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

<i>Figures in HK\$m</i>	6 months ended 30 June 2009	<i>6 months ended 30 June 2008</i>
Net losses shown in the income statement	(25)	(34)
Add: interest income arising from financial assets designated at fair value	–	85
Less: interest expense arising from financial liabilities designated at fair value	(14)	–
	(39)	51

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 2009	<i>6 months ended 30 June 2008</i>
Dividend income from listed available-for-sale securities	1	1
Dividend income from unlisted available-for-sale securities	7	9
Net loss on disposal of financial instruments measured at amortised cost	(31)	(12)
Others	29	85
	<u>6</u>	<u>83</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 2009	<i>6 months ended 30 June 2008</i>
Premises and equipment expenses excluding depreciation	398	349
Depreciation	109	95
	<u>507</u>	<u>444</u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

8. Other impairment charges

<i>Figures in HK\$m</i>	6 months ended 30 June 2009	<i>6 months ended 30 June 2008</i>
Provision for contingent liabilities	<u>809</u>	<u>20</u>

9. Taxation

Taxation in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2009	<i>6 months ended 30 June 2008</i>
Hong Kong profits tax	509	784
Overseas taxation	56	17
Deferred taxation	<u>5</u>	<u>20</u>
	<u>570</u>	<u>821</u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

10. Placements with banks and other financial institutions

Figures in HK\$m

	At 30 June 2009	At 31 December 2008
(a) Placements with banks and other financial institutions		
Gross placements with banks and other financial institutions		
– maturing within one month	39,666	59,017
– maturing between one month and one year	93,746	76,619
– maturing between one year to five years	1,476	829
	<u>134,888</u>	<u>136,465</u>
Less: impairment charges – individually assessed	<u>(4)</u>	<u>(2)</u>
	<u><u>134,884</u></u>	<u><u>136,463</u></u>
(b) Impaired placements with banks and other financial institutions		
Gross impaired advances to banks	184	177
Impairment charges – individually assessed	<u>(4)</u>	<u>(2)</u>
	<u>180</u>	<u>175</u>
Gross impaired advances to banks as a % of gross advances to banks	<u>0.14%</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 2009	At 31 December 2008
(a) Advances to customers		
Gross advances to customers	224,245	215,246
Individually assessed impairment allowances	(1,354)	(1,276)
Collectively assessed impairment allowances	(452)	(431)
	<u>222,439</u>	<u>213,539</u>
(b) Impaired advances to customers		
Gross impaired advances to customers	2,365	1,936
Impairment charges – individually assessed	(1,354)	(1,276)
	<u>1,011</u>	<u>660</u>
Gross impaired advances to customers as a % of gross advances to customers	<u>1.05%</u>	<u>0.90%</u>
Fair value of collateral held against the covered portion of impaired advances to customers	<u>365</u>	<u>273</u>
Covered portion of impaired advances to customers	310	160
Uncovered portion of impaired advances to customers	<u>2,055</u>	<u>1,776</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 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 2009	% of advances covered by collateral or other securities	At 31 December 2008	% 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	5,103	9%	4,125	10%
Property investment	24,612	85%	22,619	89%
Financial concerns	14,529	31%	21,081	26%
Stockbrokers	10,858	5%	2,422	–
Wholesale and retail trade	8,442	52%	4,554	28%
Manufacturing	11,214	20%	10,844	19%
Transport and transport equipment	1,715	15%	1,805	12%
Recreational activities	41	43%	41	33%
Information technology	1,880	–	1,370	–
Others	5,708	5%	5,400	11%

Individuals

Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,233	100%	1,328	99%
Advances for the purchase of other residential properties	90,889	100%	87,673	99%
Credit card advances	7,307	–	8,378	–
Others	13,566	11%	13,337	17%

Total gross advances to customers for use in Hong Kong

	197,097		184,977	
Trade finance	17,694	15%	19,598	12%
Trade bills	2,640	11%	3,381	–
Gross advances to customers for use outside Hong Kong	6,814	17%	7,290	7%
Gross advances to customers	224,245	58%	215,246	57%

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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 2009 and 31 December 2008, 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:

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>
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As at 30 June 2009

Advances for the purchase of other residential properties	110	28	47	2
Property investment	2	17	1	58

As at 31 December 2008

Advances for the purchase of other residential properties	117	32	48	9
Property investment	8	35	4	61

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

13. Overdue advances to banks and customers

Figures in HK\$m

	At 30 June 2009	At 31 December 2008
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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:		
1 year or less but over 6 months	184 0.1%	— —
	184 0.1%	— —

There is no collateral held against overdue advances to banks.

Individually assessed impairment

allowances against advances

to banks overdue more than 3 months

4	—
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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 2009	At 31 December 2008
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(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	275 0.1%	479 0.2%
1 year or less but over 6 months	883 0.4%	165 0.1%
Over 1 year	493 0.2%	438 0.2%
	<u>1,651 0.7%</u>	<u>1,082 0.5%</u>
Fair value of collateral held against the covered portion of overdue advances to customers		
	<u>306</u>	<u>260</u>
Covered portion of overdue advances to customers		
	185	101
Uncovered portion of overdue advances to customers		
	<u>1,466</u>	<u>981</u>
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 the overdue advances consists of cash, properties and securities.		
Individually assessed impairment allowances against advances to customers overdue more than 3 months		
	<u>1,118</u>	<u>696</u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

14. Rescheduled advances to customers

<i>Figures in HK\$m</i>	At 30 June 2009		At 31 December 2008	
	% of advances to customers		% of advances to customers	
Rescheduled advances to customers	561	0.3%	456	0.2%

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 2009 and 31 December 2008, there were no rescheduled advances to banks and other financial institutions.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

15. Repossessed assets

<i>Figures in HK\$m</i>	At 30 June 2009	<i>At 31 December 2008</i>
Repossessed assets	<u>106</u>	<u>7</u>

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 assets are realised.

16. Investment securities

<i>Figures in HK\$m</i>	At 30 June 2009	<i>At 31 December 2008</i>
Available-for-sale securities		
Certificates of deposit held	12,458	15,212
Other available-for-sale securities	<u>105,361</u>	<u>69,721</u>
	117,819	84,933
Loans and receivables	<u>4,737</u>	<u>5,568</u>
	<u>122,556</u>	<u>90,501</u>

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 & fixtures</i>	<i>Sub-total</i>	<i>Investment properties</i>	<i>Total</i>
<i>Cost:</i>					
At 1 January 2009	2,664	515	3,179	501	3,680
Additions	56	3	59	17	76
Disposals	(5)	(32)	(37)	–	(37)
Reclassifications	(27)	27	–	–	–
Acquisition of subsidiary	–	27	27	–	27
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2009	<u>2,688</u>	<u>540</u>	<u>3,228</u>	<u>518</u>	<u>3,746</u>
<i>Accumulated depreciation:</i>					
At 1 January 2009	401	310	711	23	734
Charge for the period	48	55	103	6	109
Written back on disposals	(5)	(32)	(37)	–	(37)
Acquisition of subsidiary	–	16	16	–	16
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2009	<u>444</u>	<u>349</u>	<u>793</u>	<u>29</u>	<u>822</u>
<i>Net book value:</i>					
At 30 June 2009	<u>2,244</u>	<u>191</u>	<u>2,435</u>	<u>489</u>	<u>2,924</u>
At 31 December 2008	<u>2,263</u>	<u>205</u>	<u>2,468</u>	<u>478</u>	<u>2,946</u>

18. Investments in subsidiaries

The principal subsidiaries of the Bank are Standard Chartered APR Limited and Cazenove Asia Limited.

On 30 January 2009, the Bank acquired 100 per cent of the share capital of Cazenove Asia Limited, an Asian equity capital markets, corporate finance and institutional brokerage company for HKD569 million. The fair value of the net assets acquired was approximately HKD326 million and goodwill generated was HKD243 million. The fair value amounts contain some provisional balances which will be finalized within 12 months of the acquisition date.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

19. Deposits from customers

<i>Figures in HK\$m</i>	At 30 June 2009	<i>At 31 December 2008</i>
Current accounts	57,245	41,248
Savings accounts	252,222	196,769
Time, call and notice deposits	177,562	229,299
Deposits and balances of central banks	5,786	9,480
	<u>492,815</u>	<u>476,796</u>

20. Financial liabilities designated at fair value

<i>Figures in HK\$m</i>	At 30 June 2009	<i>At 31 December 2008</i>
Structured customer deposits	9,230	5,270
Debt securities in issue	36	36
	<u>9,266</u>	<u>5,306</u>

21. Debt securities in issue

<i>Figures in HK\$m</i>	At 30 June 2009	<i>At 31 December 2008</i>
Certificates of deposit, measured at amortised cost	1,860	3,420

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

22. Subordinated liabilities

<i>Figures in HK\$m</i>	<i>At 30 June 2009</i>	<i>At 31 December 2008</i>
HK\$595 million		
Floating Rate Step-Up Notes 2014 ⁽¹⁾	598	596
HK\$500 million 3.5%		
Fixed/Floating Rate Step-Up Notes 2014 ⁽²⁾	505	508
US\$350 million 4.375%		
Fixed/Floating Rate Step-Up Notes 2014 ⁽³⁾	2,750	2,776
US\$300 million		
Floating Rate Step-Up Notes 2017 ⁽⁴⁾	2,301	2,300
	<u>6,154</u>	<u>6,180</u>

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

- ⁽¹⁾ Interest rate at three month HIBOR plus 0.37 per cent, payable quarterly, to the call option date on 4 December 2009. Thereafter, it will be reset to three-month HIBOR plus 0.87 per cent, payable quarterly.
- ⁽²⁾ Interest rate at 3.5 per cent per annum, payable semi-annually, to the call option date on 4 December 2009. Thereafter, it will be reset to three-month HIBOR plus 0.87 per cent, payable quarterly.
- ⁽³⁾ Interest rate at 4.375 per cent per annum, payable semi-annually, to the call option date on 4 December 2009. Thereafter, it will be reset to three-month US dollar LIBOR plus 0.86 per cent, payable quarterly.
- ⁽⁴⁾ Interest rate at three-month 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-month US dollar LIBOR plus 0.75 per cent, payable quarterly.

23. Reserves

<i>Figures in HK\$m</i>	<i>At 30 June 2009</i>	<i>At 31 December 2008</i>
Share premium	12,477	12,477
Capital redemption reserve	3,804	3,804
Cash flow hedge reserve	(10)	43
Available-for-sale investment reserve	(21)	216
Pension reserve	(284)	(502)
Foreign exchange reserve	147	178
Retained earnings	19,780	17,121
	<u>35,893</u>	<u>33,337</u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

23. Reserves (cont'd)

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 2009, an amount of HK\$1,007 million (31 December 2008: HK\$1,383 million) has been reserved for this purpose.

24. Off-balance sheet exposures

Figures in HK\$m

	At 30 June 2009	At 31 December 2008
a) <u>Contingent liabilities and commitments</u>		
<u>Contractual or notional amounts</u>		
Direct credit substitutes	25,784	35,633
Transaction-related contingencies	9,880	12,087
Trade-related contingencies	20,650	19,819
Forward asset purchases	60	14
Forward forward deposits placed	1,705	25
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	2,293	5,971
with original maturity of more than one year	6,975	10,338
which are unconditionally cancellable	237,565	179,100
	<u>304,912</u>	<u>262,987</u>
Credit risk weighted amount	<u>24,692</u>	<u>22,477</u>

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

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

<i>Figures in HK\$m</i>	At 30 June 2009	<i>At 31 December 2008 (restated)</i>
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b) Derivatives

Notional amounts

Exchange rate contracts	310,668	469,453
Interest rate contracts	45,261	28,780
Others	710	643
	356,639	498,876

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 2009</i>			<i>At 31 December 2008</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	879	1,915	470	1,502	1,819	853
Interest rate contracts	621	641	252	572	384	68
Others	30	14	38	45	32	33
	1,530	2,570	760	2,119	2,235	954

Credit risk weighted amount refers to the amount as computed 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

25. 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 2009

Asia Pacific excluding Hong Kong	<u>45,385</u>	<u>1,607</u>	<u>19,509</u>	<u>66,501</u>
Western Europe				
– United Kingdom	86,844	–	2,102	88,946
– France	27,714	–	7	27,721
– Others	<u>54,535</u>	–	<u>895</u>	<u>55,430</u>
	<u>169,093</u>	–	<u>3,004</u>	<u>172,097</u>

As at 31 December 2008

Asia Pacific excluding Hong Kong	<u>42,027</u>	–	<u>24,778</u>	<u>66,805</u>
Western Europe				
– United Kingdom	89,560	–	3,261	92,821
– Others	<u>80,950</u>	–	<u>709</u>	<u>81,659</u>
	<u>170,510</u>	–	<u>3,970</u>	<u>174,480</u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

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26. 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 2009				
Mainland China entities	10,164	7,413	17,577	13
Companies and individuals outside				
Mainland China where the credit is granted for use in Mainland China	4,758	17,101	21,859	44
Other counterparties where the exposure is considered by the Bank to be non-bank				
Mainland China exposure	853	1,002	1,855	–
As at 31 December 2008				
Mainland China entities	6,326	7,293	13,619	17
Companies and individuals outside				
Mainland China where the credit is granted for use in Mainland China	4,889	16,578	21,467	46
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	60	598	658	–

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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Additional Information

27. 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:

<i>Figures in HK\$m</i>	At 30 June 2009	<i>At 31 December 2008</i>
US dollar exposure		
Spot assets	211,152	209,139
Spot liabilities	(194,142)	(179,746)
Forward purchases	135,414	206,303
Forward sales	(152,479)	(236,755)
Net short non-structural position	<u>(55)</u>	<u>(1,059)</u>
Euro exposure		
Spot assets	39,389	21,181
Spot liabilities	(22,945)	(17,941)
Forward purchases	5,685	4,436
Forward sales	(22,046)	(7,680)
Net long/(short) non-structural position	<u>83</u>	<u>(4)</u>
Australian dollar exposure		
Spot assets	12,634	14,864
Spot liabilities	(14,590)	(14,485)
Forward purchases	6,291	2,113
Forward sales	(4,282)	(2,349)
Net long non-structural position	<u>53</u>	<u>143</u>
New Zealand dollar exposure		
Spot assets	5,386	5,419
Spot liabilities	(3,362)	(4,331)
Forward purchases	3,522	498
Forward sales	(5,498)	(1,446)
Net long non-structural position	<u>48</u>	<u>140</u>

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27. Currency risk (cont'd)

The Bank 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>	<i>At 30 June 2009</i>	<i>At 31 December 2008 (restated)</i>
Chinese Renminbi	<u>1,138</u>	<u>1,146</u>
United Arab Emirates Dirham	<u>489</u>	<u>478</u>
Vietnamese Dong	<u>554</u>	<u>568</u>

28. Capital adequacy ratios

	<i>At 30 June 2009</i>	<i>At 31 December 2008</i>
Capital adequacy ratio	16.0%	13.1%
Core capital ratio	14.3%	11.7%

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 calculation of the capital ratios follows the basis of consolidation for financial reporting with the exclusion of certain subsidiaries. Accordingly, the Bank's investment costs in these unconsolidated subsidiaries are deducted from the capital base. The principal unconsolidated subsidiaries are:

- SCL Consulting (Shanghai) Company Ltd
- Standard Chartered Corporate Advisory Company Limited
- SCOPE International (China) Company Limited
- Standard Chartered Investment Services Limited
- Cazenove Asia Limited

The Bank used the advanced internal ratings-based ("IRB") approach for the measurement of credit risk capital for the majority of its non-securitisation exposures and the standardised (credit risk) approach for insignificant portfolios exempted from IRB. The Bank used the internal ratings-based (securitisation) approach to calculate its credit risk for securitisation exposures.

For the calculation of its capital requirement for market risk, the Bank used an internal models approach for two guaranteed funds and the standardized (market risk) approach for other exposures. The Bank used the standardized (operational risk) approach for assessing capital requirements for operational risk.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

29. Components of 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>	At 30 June 2009	<i>At 31 December 2008</i>
Core capital:		
Paid up ordinary share capital	97	97
Share premium	12,477	12,477
Reserves	19,697	13,306
Current year profit	2,678	5,837
Minority interests	13	5
Deduct:		
Goodwill	(729)	(729)
Other intangible assets	(212)	(206)
Deferred tax assets	(171)	(262)
	<u>33,850</u>	<u>30,525</u>
Deductions from core capital	<u>(2,825)</u>	<u>(3,317)</u>
Core capital after deductions	<u><u>31,025</u></u>	<u><u>27,208</u></u>
Supplementary capital:		
Available-for-sale investment reserve and others	–	115
Regulatory reserve	111	36
Collective impairment allowances for impaired assets	96	85
Term subordinated debt	6,154	6,180
	<u>6,361</u>	<u>6,416</u>
Deductions from supplementary capital	<u>(2,825)</u>	<u>(3,317)</u>
Supplementary capital after deductions	<u><u>3,536</u></u>	<u><u>3,099</u></u>
Total capital base before deductions	40,211	36,941
Deductions from total capital base	<u>(5,650)</u>	<u>(6,634)</u>
Total capital base	<u><u>34,561</u></u>	<u><u>30,307</u></u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

30. Liquidity ratio

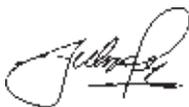
	6 months ended 30 June 2009	<i>6 months ended 30 June 2008 (restated)</i>
Average liquidity ratio for the period	36.5%	33.2%

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.

31. Comparative figures

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

By order of the Board



Julian Fong Loong Choon
Director

Hong Kong
4 August 2009