

Standard Chartered Bank
(Hong Kong) Limited

Interim Financial Information
Disclosure Statements

For the period ended
30 June 2014

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 2014.

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.

2014 First Half Results

Profit before taxation decreased by HK\$395 million from HK\$6,899 million to HK\$6,504 million. Net interest income increased by 3 per cent to HK\$6,815 million. Net fee and commission income increased by 44 per cent over the corresponding period in 2013. Total operating income increased by 8 per cent to HK\$14,460 million.

Operating expenses increased by 12 per cent over the corresponding period to HK\$7,331 million. Total impairments increased by HK\$772 million over the corresponding period.

Profit after taxation was HK\$5,747 million, a decrease of HK\$118 million over HK\$5,865 million recorded in the first half of 2013.

Basis of Preparation

The accounting policies used in the preparation of the interim financial disclosure statements are materially consistent with those adopted in the 2013 consolidated financial statements.

Statement of compliance

In preparing the interim results for the first half of 2014, 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").

Capital disclosures as required by section 24 of the Banking (Disclosure) Rules will be available on our website: www.sc.com/hk on or before 30 September 2014.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Consolidated Income Statement

<i>Figures in HK\$m</i>		6 months ended 30 June 2014	6 months ended 30 June 2013
	<i>Note</i>		
Interest income	1	9,450	9,202
Interest expense	2	(2,635)	(2,605)
Net interest income		6,815	6,597
Fee and commission income		5,512	3,974
Fee and commission expense		(262)	(337)
Net fee and commission income	3	5,250	3,637
Net trading income	4	738	2,021
Net gains from financial instruments designated at fair value through profit or loss	5	296	54
Net gains from disposal of available-for-sale securities		32	10
Other operating income	6	1,329	1,077
		7,645	6,799
Total operating income		14,460	13,396
Staff costs		(3,452)	(3,313)
Premises and equipment	7	(1,290)	(1,166)
Others		(2,589)	(2,085)
Operating expenses		(7,331)	(6,564)
Operating profit before impairment		7,129	6,832
Impairment charge on advances to banks and customers		(1,282)	(522)
Other impairment releases	8	–	12
Operating profit after impairment		5,847	6,322
Share of profit of associates		657	577
Profit before taxation		6,504	6,899
Taxation	9	(757)	(1,034)
Profit after taxation		5,747	5,865
Attributable to:			
Equity shareholders of the Bank		5,747	5,858
Non-controlling interests		–	7
Profit after taxation		5,747	5,865

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Consolidated Statement of Comprehensive Income

<i>Figures in HK\$m</i>	6 months ended 30 June 2014	<i>6 months ended 30 June 2013</i>
Profit after taxation	5,747	5,865
Other comprehensive income:		
<u>Items that will not be reclassified to the income statement:</u>		
Defined benefit plans:		
– Remeasurement of net defined benefit liability	(23)	163
– Related tax effect	3	(27)
<u>Items that may be reclassified subsequently to the income statement:</u>		
Available-for-sale securities:		
– Changes in fair value recognised during the period	367	(450)
– Changes in fair value transferred to the income statement on disposal	(32)	(10)
– Transfer to the income statement on fair value hedged items attributable to hedged risk	14	275
– Related tax effect	(41)	33
Cash flow hedges:		
– Changes in fair value recognised during the period	110	(29)
– Transferred to the income statement on termination of hedging derivatives	5	(10)
– Related tax effect	(19)	7
Exchange difference	(84)	69
Other comprehensive income for the period, net of tax	300	21
Total comprehensive income for the period	6,047	5,886
Attributable to:		
Shareholders of the Bank	6,047	5,879
Non-controlling interests	–	7
	6,047	5,886

Transactions with owners, recorded directly in shareholders' equity include a distribution to owners of HK\$154 million (30 June 2013: HK\$260 million) in respect of share-based compensation plans.

During the six months ended 30 June 2014, the directors had declared and paid a dividend of HK\$0.20 per each 'A' and 'B' ordinary share totalling HK\$388 million (30 June 2013: Nil).

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Consolidated Balance Sheet

<i>Figures in HK\$m</i>		At	At
	<i>Note</i>	30 June	31 December
		2014	2013
Assets			
Cash and balances with banks, central banks and other financial institutions		30,349	26,885
Placements with banks and other financial institutions	10	132,189	125,868
Hong Kong SAR Government certificates of indebtedness		36,041	34,581
Trading assets		27,426	38,861
Financial assets designated at fair value		1,928	2,154
Investment securities	16	165,660	199,181
Advances to customers	11	496,899	453,558
Amounts due from immediate holding company		47,703	53,689
Amounts due from fellow subsidiaries		39,974	35,180
Interest in associates		8,928	8,331
Fixed assets	17	29,544	28,573
Goodwill and intangible assets		1,932	1,933
Current tax assets		4	7
Deferred tax assets		207	275
Other assets		19,305	15,156
		1,038,089	1,024,232
Liabilities			
Hong Kong SAR currency notes in circulation		36,041	34,581
Deposits and balances of banks and other financial institutions		33,431	16,213
Deposits from customers	19	798,294	817,428
Trading liabilities		15,359	23,547
Financial liabilities designated at fair value	20	12,392	5,723
Debt securities in issue	21	31,439	15,336
Amounts due to immediate holding company		14,155	19,013
Amounts due to fellow subsidiaries		3,983	3,852
Current tax liabilities		1,307	786
Deferred tax liabilities		145	112
Other liabilities	22	20,285	22,047
Subordinated liabilities	23	10,707	10,548
		977,538	969,186
Equity			
Share capital		16,378	97
Reserves		44,173	54,949
Shareholders' equity	24	60,551	55,046
		1,038,089	1,024,232

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 2014	<i>Restated 6 months ended 30 June 2013</i>
Interest income on financial assets that are not measured at fair value through profit or loss	9,226	9,039
Interest income on unwinding of discounts on loan impairment charges	12	10

2. Interest expense

Interest expense in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	6 months ended 30 June 2014	<i>6 months ended 30 June 2013</i>
Interest expense on financial liabilities that are not measured at fair value through profit or loss	2,570	2,538

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 2014	<i>Restated 6 months ended 30 June 2013</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	1,734	1,761
– fee and commission expense	58	122
Net fee and commission income from trust and other fiduciary activities where the Bank and its subsidiaries hold or invest assets on behalf of its customers		
– fee and commission income	248	255
– fee and commission expense	62	70

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 2014	<i>6 months ended 30 June 2013</i>
Net trading income shown in the income statement	738	2,021
Add: interest income arising from trading assets	205	140
Less: interest expense arising from trading liabilities	(45)	(54)
	898	2,107

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 2014	<i>Restated 6 months ended 30 June 2013</i>
Net gains shown in the income statement	296	54
Add: interest income arising from financial assets designated at fair value	19	23
Less: interest expense arising from financial liabilities designated at fair value	(20)	(13)
	295	64

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 2014	<i>6 months ended 30 June 2013</i>
Rental income from operating lease assets	1,114	996
Dividend income from listed available-for-sale securities	1	1
Dividend income from unlisted available-for-sale securities	9	11
Net (losses)/gains on disposal of financial instruments measured at amortised cost	(18)	13
Net gains on revaluation of investment properties	200	12
Net losses on disposal of fixed assets	(5)	–
Others	28	44
	<u>1,329</u>	<u>1,077</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 2014	<i>6 months ended 30 June 2013</i>
Premises and equipment expenses excluding depreciation	658	571
Depreciation	632	595
	<u>1,290</u>	<u>1,166</u>

8. Other impairment releases

Other impairment releases in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2014	<i>6 months ended 30 June 2013</i>
Releases relating to debt securities classified as loans and receivables	–	12
	<u>–</u>	<u>12</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 2014	<i>6 months ended 30 June 2013</i>
Hong Kong profits tax	667	987
Overseas taxation	44	15
Deferred taxation	46	32
	757	1,034

10. Placements with banks and other financial institutions

<i>Figures in HK\$m</i>	At 30 June 2014	<i>At 31 December 2013</i>
(a) Placements with banks and other financial institutions		
Gross placements with banks and other financial institutions		
– maturing within one month	76,108	63,688
– maturing between one month and one year	53,709	60,600
– maturing between one year to five years	2,395	1,580
	132,212	125,868
Less: impairment provision – individually assessed	(23)	–
	132,189	125,868
(b) Impaired placements with banks and other financial institutions		
Gross impaired advances to banks	34	46
Impairment provision – individually assessed	(23)	–
	11	46
Gross impaired advances to banks as a % of gross advances to banks	0.03%	0.04%

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 2014	At 31 December 2013
(a) Advances to customers		
Gross advances to customers	498,628	454,605
Individually assessed impairment provision	(1,077)	(382)
Collectively assessed impairment provision	(652)	(665)
	<u>496,899</u>	<u>453,558</u>
(b) Impaired advances to customers		
Gross impaired advances to customers	2,435	1,935
Impairment provision – individually assessed	(1,077)	(382)
	<u>1,358</u>	<u>1,553</u>
Gross impaired advances to customers as a % of gross advances to customers	<u>0.49%</u>	<u>0.43%</u>
Fair value of collateral held against the covered portion of impaired advances to customers	<u>1,570</u>	<u>1,150</u>
Covered portion of impaired advances to customers	884	567
Uncovered portion of impaired advances to customers	<u>1,551</u>	<u>1,368</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.

A provision 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 provision is 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

The analysis of gross advances to customers by industry sector is based on the categories used by the HKMA.

Figures in HK\$m

	At 30 June 2014	% of advances covered by collateral or other securities	At 31 December 2013	% of advances covered by collateral or other securities
Gross advances for use in Hong Kong				
<i>Industrial, commercial and financial</i>				
- Property development	9,882	15%	9,971	11%
- Property investment	41,835	79%	42,352	76%
- Financial concerns	21,931	62%	14,968	70%
- Stockbrokers	28,290	14%	6,525	65%
- Wholesale and retail trade	27,705	38%	24,062	39%
- Manufacturing	28,190	16%	23,889	19%
- Transport and transport equipment	6,960	49%	7,903	58%
- Recreational activities	424	17%	1,041	14%
- Information technology	4,635	-	2,549	-
- Others	13,211	8%	15,389	7%
<i>Individuals</i>				
- Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	626	100%	674	100%
- Advances for the purchase of other residential properties	167,327	100%	158,211	100%
- Credit card advances	17,538	-	19,281	-
- Others	27,994	35%	26,123	34%
Total gross advances for use in Hong Kong	396,548		352,938	
Trade finance	40,910	14%	41,093	13%
Trade bills	4,551	6%	2,892	12%
Gross advances for use outside Hong Kong	56,619	13%	57,682	18%
Gross advances to customers	498,628	53%	454,605	55%

STANDARD CHARTERED BANK (HONG KONG) LIMITED

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 2014, approximately 83 per cent (31 December 2013: 78 per cent) of the Bank's and its subsidiaries' advances to customers were classified under the area of Hong Kong.

Except for Hong Kong, none of the remaining geographical segments represents more than 10% of the Bank and its subsidiaries' gross loans and advances to customers after taking into account the transfer of risk.

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

Figures in HK\$m

	<i>Impaired advances to customers</i>	<i>Overdue advances to customers</i>	<i>Individually assessed impairment provision</i>	<i>Collectively assessed impairment provision</i>	<i>New provision charge</i>
As at 30 June 2014					
Advances for the purchase of other residential properties	136	235	4	3	-
Gross advances for use outside Hong Kong	103	80	1	70	-
As at 31 December 2013 (restated)					
Advances for the purchase of other residential properties	120	196	4	3	1
Gross advances for use outside Hong Kong	936	115	19	68	-

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

13. Overdue advances to banks and customers

Figures in HK\$m

	At 30 June 2014	At 31 December 2013
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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	34 0.03%	46 0.04%

There is no collateral held against overdue advances to banks.

Individually assessed impairment provision
against advances to banks overdue more
than 3 months

23	-
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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 2014		At 31 December 2013	
(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	621	0.12%	190	0.04%
1 year or less but over 6 months	92	0.02%	70	0.01%
Over 1 year	531	0.11%	527	0.12%
	1,244	0.25%	787	0.17%
Fair value of collateral held against the covered portion of overdue advances to customers	504		506	
Covered portion of overdue advances to customers	398		352	
Uncovered portion of overdue advances to customers	846		435	
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 securities.				
Individually assessed impairment provision against advances to customers overdue more than 3 months	526		312	

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

14. Rescheduled advances to customers

<i>Figures in HK\$m</i>	At 30 June 2014		At 31 December 2013	
	% of advances to customers		% of advances to customers	
Rescheduled advances to customers	279	0.06%	1,070	0.24%

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 2014 and 31 December 2013, there were no rescheduled advances to banks and other financial institutions.

15. Repossessed assets

<i>Figures in HK\$m</i>	At 30 June 2014		At 31 December 2013	
Reposessed assets	114		110	

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 provision), until the collateral is realised.

16. Investment securities

<i>Figures in HK\$m</i>	At 30 June 2014		At 31 December 2013	
Available-for-sale securities				
Certificates of deposit held	20,726		34,737	
Other available-for-sale securities	138,156		158,227	
	158,882		192,964	
Loans and receivables – Debt securities	6,778		6,217	
	165,660		199,181	

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>Operating lease assets</i>	<i>Sub-total</i>	<i>Investment properties</i>	<i>Total</i>
<i>Cost or valuation:</i>						
At 1 January 2014	2,977	505	26,884	30,366	638	31,004
Additions	50	25	1,659	1,734	-	1,734
Disposals	(23)	(72)	(353)	(448)	-	(448)
Reclassifications	(6)	6	-	-	-	-
Net gains on revaluation	-	-	-	-	200	200
At 30 June 2014	<u>2,998</u>	<u>464</u>	<u>28,190</u>	<u>31,652</u>	<u>838</u>	<u>32,490</u>
<i>Accumulated depreciation:</i>						
At 1 January 2014	676	238	1,517	2,431	-	2,431
Charge for the period	50	49	533	632	-	632
Written back on disposals	(23)	(72)	(22)	(117)	-	(117)
At 30 June 2014	<u>703</u>	<u>215</u>	<u>2,028</u>	<u>2,946</u>	<u>-</u>	<u>2,946</u>
<i>Net book value:</i>						
At 30 June 2014	<u>2,295</u>	<u>249</u>	<u>26,162</u>	<u>28,706</u>	<u>838</u>	<u>29,544</u>
At 31 December 2013	<u>2,301</u>	<u>267</u>	<u>25,367</u>	<u>27,935</u>	<u>638</u>	<u>28,573</u>

18. Investments in subsidiaries

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

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

19. Deposits from customers

<i>Figures in HK\$m</i>	<i>At 30 June 2014</i>	<i>At 31 December 2013</i>
Current accounts	115,039	113,756
Savings accounts	394,450	393,863
Time, call and notice deposits	243,287	273,209
Deposits and balances of central banks	45,518	36,600
	<u>798,294</u>	<u>817,428</u>

20. Financial liabilities designated at fair value

<i>Figures in HK\$m</i>	<i>At 30 June 2014</i>	<i>At 31 December 2013</i>
Structured bank and customer deposits	6,082	3,897
Debt securities issued	6,310	1,826
	<u>12,392</u>	<u>5,723</u>

21. Debt securities in issue

<i>Figures in HK\$m</i>	<i>At 30 June 2014</i>	<i>At 31 December 2013</i>
Certificates of deposit, measured at amortised cost	31,417	15,336
Structured notes issued, measured at amortised cost	22	–
	<u>31,439</u>	<u>15,336</u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

22. Other liabilities

<i>Figures in HK\$m</i>	At 30 June 2014	<i>At 31 December 2013</i>
Accruals and deferred income	3,422	4,525
Provision for liabilities and charges	218	129
Acceptances and endorsements	3,515	5,591
Unsettled trades and others	13,130	11,802
	20,285	22,047

23. Subordinated liabilities

<i>Figures in HK\$m</i>	At 30 June 2014	<i>At 31 December 2013</i>
US\$750 million 5.875% Fixed Rate Notes 2020 ⁽¹⁾	6,208	6,120
SGD750 million 4.15% Fixed Rate Notes 2021 ⁽²⁾	4,499	4,428
	10,707	10,548

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

- ⁽¹⁾ Interest rate at 5.875 per cent per annum, payable semi-annually, to the maturity date on 24 June 2020.
- ⁽²⁾ Interest rate at 4.15 per cent per annum, payable semi-annually, to the maturity date on 27 October 2021.
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STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

24. Shareholders' equity

Figures in HK\$m

	<i>At 30 June 2014</i>	<i>At 31 December 2013</i>
Share capital	16,378	97
Share premium	–	12,477
Capital redemption reserve	–	3,804
Cash flow hedge reserve	63	(33)
Available-for-sale investment reserve	360	52
Revaluation reserve	146	146
Foreign exchange reserve	348	432
Property revaluation reserve	2	2
Share option equity reserve	111	265
Retained earnings	43,143	37,804
	<hr/> 60,551 <hr/>	<hr/> 55,046 <hr/>

The HKMA requires the Bank and its subsidiaries to maintain a minimum level of impairment provision which is in excess of the impairment provision required under Hong Kong Financial Reporting Standards. Of the retained earnings as at 30 June 2014, an amount of HK\$6,811 million (31 December 2013: HK\$6,148 million) has been reserved for this purpose.

The Hong Kong Companies Ordinance was revised with effect from 3 March 2014. Under the new Companies Ordinance (Chapter 622), amounts which were previously credited to the share premium account and capital redemption reserve have been aggregated together as part of the Bank's share capital.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

25. Off-balance sheet exposures

Figures in HK\$m

	At 30 June 2014	At 31 December 2013
a) Contingent liabilities and commitments		
<u>Contractual or notional amounts</u>		
Direct credit substitutes	6,043	6,885
Transaction-related contingencies	7,323	9,316
Trade-related contingencies	20,233	23,735
Forward asset purchases	302	279
Forward forward deposits placed	775	388
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	10,029	10,307
with original maturity of more than one year	21,532	24,294
which are unconditionally cancellable	350,985	394,614
	417,222	469,818
Credit risk weighted amount	31,005	33,270

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 2014	At 31 December 2013
b) Derivatives		
<u>Notional amounts</u>		
Exchange rate contracts	1,252,206	1,282,285
Interest rate contracts	103,972	98,362
Others	7,912	3,634
	1,364,090	1,384,281

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

Fair values and credit risk weighted amounts of derivatives

Figures in HK\$m	At 30 June 2014			At 31 December 2013		
	Fair value assets	Fair value liabilities	Credit risk weighted amount	Fair value assets	Fair value liabilities	Credit risk weighted amount
Exchange rate contracts	4,763	4,568	6,664	11,217	11,892	8,317
Interest rate contracts	815	964	3,603	871	721	850
Others	110	310	231	81	236	174
	5,688	5,842	10,498	12,169	12,849	9,341

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

The credit risk weighted amounts have included additional capital requirements for asset value correlation and credit valuation adjustment.

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:

<i>Figures in HK\$m</i>	<i>Banks and Other Financial Institutions</i>	<i>Public Sector Entities</i>	<i>Others</i>	<i>Total</i>
As at 30 June 2014				
Asia Pacific excluding Hong Kong				
– Mainland China	132,687	10,343	47,435	190,465
– Others	58,059	1,429	38,210	97,698
	<u>190,746</u>	<u>11,772</u>	<u>85,645</u>	<u>288,163</u>
Western Europe				
– United Kingdom	58,460	–	7,202	65,662
– Others	25,750	–	11,826	37,576
	<u>84,210</u>	<u>–</u>	<u>19,028</u>	<u>103,238</u>
As at 31 December 2013				
Asia Pacific excluding Hong Kong				
– Mainland China	144,560	11,335	39,353	195,248
– Others	59,623	1,839	33,455	94,917
	<u>204,183</u>	<u>13,174</u>	<u>72,808</u>	<u>290,165</u>
Western Europe				
– United Kingdom	54,837	–	7,192	62,029
– Others	21,198	–	11,529	32,727
	<u>76,035</u>	<u>–</u>	<u>18,721</u>	<u>94,756</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 provision</i>
As at 30 June 2014				
Mainland China entities	74,327	19,490	93,817	187
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	26,909	4,622	31,531	331
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	12,649	1,814	14,463	–
	<u>113,885</u>	<u>25,926</u>	<u>139,811</u>	<u>518</u>
As at 31 December 2013 (restated)				
Mainland China entities	58,219	19,081	77,300	19
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	25,667	6,876	32,543	21
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	11,841	2,379	14,220	–
	<u>95,727</u>	<u>28,336</u>	<u>124,063</u>	<u>40</u>

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

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

28. Currency risk

The Bank and its subsidiaries had the following non-structural foreign currency positions which exceeded 10% of the net non-structural position in all foreign currencies. The net option position is calculated on the basis of the delta-weighted positions of all foreign exchange option contracts.

<i>Figures in HK\$m</i>	At 30 June 2014	<i>At 31 December 2013</i>
US dollars exposure		
Spot assets	339,431	354,480
Spot liabilities	(326,750)	(299,956)
Forward purchases	592,000	598,709
Forward sales	(604,981)	(650,692)
Net option position	-	-
Net (short)/long non-structural position	<u>(300)</u>	<u>2,541</u>
Chinese renminbi exposure		
Spot assets	117,590	118,819
Spot liabilities	(86,224)	(117,545)
Forward purchases	401,796	451,310
Forward sales	(432,313)	(453,433)
Net option position	-	-
Net long/(short) non-structural position	<u>849</u>	<u>(849)</u>
New Taiwan dollars exposure		
Spot assets	6,693	3,934
Spot liabilities	(650)	(220)
Forward purchases	1,182	544
Forward sales	(7,034)	(3,444)
Net option position	-	-
Net long non-structural position	<u>191</u>	<u>814</u>

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

<i>Figures in HK\$m</i>	At 30 June 2014	<i>At 31 December 2013</i>
Chinese Renminbi	6,979	6,335
US dollars	1,335	1,001
	<u>8,314</u>	<u>7,336</u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

29. Capital adequacy ratios

<i>Figures in HK\$m</i>	At 30 June 2014	<i>At 31 December 2013</i>
Common Equity Tier 1 ("CET1") capital ratio	11.7%	11.3%
Tier 1 capital ratio	11.7%	11.3%
Total capital ratio	14.4%	14.4%

Basel III

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

The basis and scope of consolidation for the calculation of capital ratios for regulatory purposes is different from the basis and scope of consolidation for accounting purposes. Directly held subsidiaries not included in the consolidation for regulatory purposes are set out below:

<i>Figures in HK\$m</i>		At 30 June 2014	
Name of company	Principal Activity	Total assets	Total equity
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	2,491	411
SC Learning Limited	Provision of learning solutions in the banking and finance industry	38	(19)
SCOPE International (China) Company Limited	Development and sales of software, data processing and information technology services	391	230
Standard Chartered Investment Services Limited	Investment management	55	49
Standard Chartered Trust (HK) Limited	Trustee services	17	15
Standard Chartered Nominees (Western Samoa) Limited	Nominees Services	-	-
Horsford Nominees Limited	Nominees Services	-	-
Standard Chartered Global Trading Investment Limited	Nominees Services	-	-
		2,992	686

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

29. Capital adequacy ratios (cont'd)

<i>Figures in HK\$m</i>		<i>At 31 December 2013</i>	
Name of company	Principal Activity	Total assets	Total equity
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	1,099	366
SC Learning Limited	Provision of learning solutions in the banking and finance industry	38	(19)
SCOPE International (China) Company Limited	Development and sales of software, data processing and information technology services	377	203
Standard Chartered Investment Services Limited	Investment management	49	37
Standard Chartered Trust (HK) Limited	Trustee services	20	17
Standard Chartered Nominees (Western Samoa) Limited	Nominees Services	-	-
Horsford Nominees Limited	Nominees Services	-	-
Standard Chartered Global Trading Investments Limited	Nominees Services	-	-
		<hr/>	<hr/>
		1,583	604
		<hr/>	<hr/>

The Bank's shareholdings in the above directly held subsidiaries are deducted from CET1 capital in accordance with the Banking (Capital) Rules. There is no relevant capital shortfall in any of the Bank's subsidiaries which are not included as part of the consolidation group for regulatory purposes.

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

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

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

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

30. Liquidity ratio

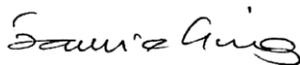
<i>Figures in HK\$m</i>	6 months ended 30 June 2014	<i>6 months ended 30 June 2013</i>
Average liquidity ratio for the period	34.5%	32.9%

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. Restatement of prior periods

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

By order of the Board



Ling Fou Tsong
Director

Hong Kong
6 August 2014