

Standard Chartered Bank  
(Hong Kong) Limited

Interim Financial Information  
Disclosure Statements

For the period ended  
30 June 2015

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

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The directors are pleased to announce the unaudited consolidated interim results of Standard Chartered Bank (Hong Kong) Limited (the "Bank") and its subsidiaries for the six months ended 30 June 2015.

### **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.

### **2015 First Half Results**

Profit before taxation increased by HK\$107 million from HK\$6,504 million to HK\$6,611 million. Net interest income decreased by 13 per cent to HK\$5,920 million. Net fee and commission income decreased by 5 per cent over the corresponding period in 2014. Total operating income increased by 4 per cent to HK\$15,050 million.

Operating expenses increased by 3 per cent over the corresponding period to HK\$7,583 million. Total impairments increased by HK\$196 million over the corresponding period.

Profit after taxation was HK\$5,948 million, an increase of HK\$201 million over HK\$5,747 million recorded in the first half of 2014.

### **Basis of Preparation**

The accounting policies used in the preparation of the interim financial disclosure statements are materially consistent with those adopted in the 2014 consolidated financial statements.

### **Statement of compliance**

In preparing the interim results for the first half of 2015, 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").

Additional disclosures as required by the Banking (Disclosure) Rules will be available on our website: [www.sc.com/hk](http://www.sc.com/hk) on or before 30 September 2015.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated Income Statement

<i>Figures in HK\$m</i>		<b>6 months ended 30 June 2015</b>	<b>6 months ended 30 June 2014</b>
	<i>Note</i>		
Interest income	1	<b>8,707</b>	9,450
Interest expense	2	<b>(2,787)</b>	(2,635)
<b>Net interest income</b>		<b>5,920</b>	6,815
Fee and commission income		<b>5,250</b>	5,512
Fee and commission expense		<b>(264)</b>	(262)
Net fee and commission income	3	<b>4,986</b>	5,250
Net trading income	4	<b>706</b>	738
Net gains from financial instruments designated at fair value through profit or loss	5	<b>27</b>	296
Net gains from disposal of available-for-sale securities		<b>86</b>	32
Other operating income	6	<b>3,325</b>	1,329
		<b>9,130</b>	7,645
<b>Total operating income</b>		<b>15,050</b>	14,460
Staff costs		<b>(3,484)</b>	(3,452)
Premises and equipment	7	<b>(1,503)</b>	(1,290)
Others		<b>(2,596)</b>	(2,589)
<b>Operating expenses</b>		<b>(7,583)</b>	(7,331)
<b>Operating profit before impairment</b>		<b>7,467</b>	7,129
Impairment charge on advances to banks and customers		<b>(1,478)</b>	(1,282)
<b>Operating profit after impairment</b>		<b>5,989</b>	5,847
Share of profit of associates		<b>622</b>	657
<b>Profit before taxation</b>		<b>6,611</b>	6,504
Taxation	8	<b>(663)</b>	(757)
<b>Profit after taxation</b>		<b>5,948</b>	5,747

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated Statement of Comprehensive Income

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2015</b>	<i>6 months ended 30 June 2014</i>
<b>Profit after taxation</b>	<b>5,948</b>	5,747
<b>Other comprehensive income:</b>		
<u>Items that will not be reclassified to the income statement:</u>		
Defined benefit plans:		
– Remeasurement of net defined benefit liability	<b>53</b>	(23)
– Related tax effect	<b>(9)</b>	3
<u>Items that may be reclassified subsequently to the income statement:</u>		
Available-for-sale securities:		
– Changes in fair value recognised during the period	<b>97</b>	367
– Changes in fair value transferred to the income statement on disposal	<b>(86)</b>	(32)
– Transfer to the income statement on fair value hedged items attributable to hedged risk	<b>(49)</b>	14
– Related tax effect	<b>20</b>	(41)
Cash flow hedges:		
– Changes in fair value recognised during the period	<b>(3)</b>	110
– Transferred to the income statement on termination of hedging derivatives	<b>(15)</b>	5
– Related tax effect	<b>3</b>	(19)
Exchange difference	<b>(19)</b>	(84)
Other comprehensive income for the period, net of tax	<b>(8)</b>	300
<b>Total comprehensive income for the period</b>	<b>5,940</b>	6,047

Transactions with owners, recorded directly in shareholders' equity include a distribution to owners of HK\$188 million (30 June 2014: HK\$154 million) in respect of share-based compensation plans.

During the six months ended 30 June 2015, the directors had declared and paid a dividend of HK\$0.90 per each 'A' and 'B' ordinary share totalling HK\$1,744 million (30 June 2014: HK\$388 million). A total dividend of HK\$122 million (30 June 2014: Nil) was paid in respect of the US\$500 million 6.25% perpetual non-cumulative convertible preference shares classified as equity.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated Balance Sheet

<i>Figures in HK\$m</i>		<b>At</b>	<b>At</b>
	<i>Note</i>	<b>30 June</b>	<b>31 December</b>
		<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Cash and balances with banks, central banks and other financial institutions		<b>9,078</b>	53,076
Placements with banks and other financial institutions	9	<b>168,540</b>	145,770
Hong Kong SAR Government certificates of indebtedness		<b>37,101</b>	36,741
Trading assets		<b>20,598</b>	23,388
Financial assets designated at fair value		<b>958</b>	1,575
Investment securities	16	<b>212,490</b>	172,302
Advances to customers	10	<b>448,566</b>	454,996
Amounts due from immediate holding company		<b>35,887</b>	70,263
Amounts due from fellow subsidiaries		<b>21,886</b>	46,061
Interest in associates		<b>9,595</b>	9,008
Fixed assets	17	<b>39,742</b>	39,950
Goodwill and intangible assets		<b>1,091</b>	1,116
Current tax assets		<b>9</b>	266
Deferred tax assets		<b>133</b>	141
Other assets		<b>23,236</b>	24,389
		<b>1,028,910</b>	1,079,042
<b>Liabilities</b>			
Hong Kong SAR currency notes in circulation		<b>37,101</b>	36,741
Deposits and balances of banks and other financial institutions		<b>26,459</b>	32,605
Deposits from customers	19	<b>794,831</b>	851,029
Trading liabilities		<b>11,261</b>	12,800
Financial liabilities designated at fair value	20	<b>18,995</b>	14,915
Debt securities in issue	21	<b>1,664</b>	13,838
Amounts due to immediate holding company		<b>24,504</b>	17,209
Amounts due to fellow subsidiaries		<b>8,755</b>	3,644
Current tax liabilities		<b>339</b>	18
Deferred tax liabilities		<b>249</b>	212
Other liabilities	22	<b>24,506</b>	19,582
Subordinated liabilities	23	<b>10,320</b>	10,406
		<b>958,984</b>	1,012,999
<b>Equity</b>			
Share capital		<b>20,256</b>	20,256
Reserves		<b>49,670</b>	45,787
Shareholders' equity	24	<b>69,926</b>	66,043
		<b>1,028,910</b>	1,079,042

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 1. Interest income

Interest income in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2015</b>	<i>6 months ended 30 June 2014</i>
Interest income on financial assets that are not measured at fair value through profit or loss	<b>8,505</b>	9,226
Of which: Interest income on unwinding of discounts on loan impairment charges	<b>20</b>	12

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### 2. Interest expense

Interest expense in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2015</b>	<i>6 months ended 30 June 2014</i>
Interest expense on financial liabilities that are not measured at fair value through profit or loss	<b>2,696</b>	2,570

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### 3. Net fee and commission income

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

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2015</b>	<i>6 months ended 30 June 2014</i>
Net fee and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at fair value		
– fee and commission income	<b>1,508</b>	1,734
– fee and commission expense	<b>74</b>	58
Net fee and commission income from trust and other fiduciary activities where the Bank and its subsidiaries hold or invest assets on behalf of its customers		
– fee and commission income	<b>340</b>	248
– fee and commission expense	<b>92</b>	62

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 4. Net trading income

Net trading income in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2015</b>	<i>6 months ended 30 June 2014</i>
Net trading income shown in the income statement	<b>706</b>	738
Add: interest income arising from trading assets	<b>183</b>	205
Less: interest expense arising from trading liabilities	<b>(35)</b>	(45)
	<b>854</b>	898

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

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

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2015</b>	<i>6 months ended 30 June 2014</i>
Net gains shown in the income statement	<b>27</b>	296
Add: interest income arising from financial assets designated at fair value	<b>19</b>	19
Less: interest expense arising from financial liabilities designated at fair value	<b>(56)</b>	(20)
	<b>(10)</b>	295

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 6. Other operating income

Other operating income in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2015</b>	<i>6 months ended 30 June 2014</i>
Rental income from operating lease assets	<b>1,549</b>	1,114
Dividend income from listed available-for-sale securities	–	1
Dividend income from unlisted available-for-sale securities	<b>10</b>	9
Net losses on disposal of financial instruments measured at amortised cost	<b>(17)</b>	(18)
Net gains on revaluation of investment properties	<b>3</b>	200
Net losses on disposal of fixed assets	–	(5)
Gain on disposal of subsidiary and associate	<b>1,758</b>	–
Others	<b>22</b>	28
	<hr/> <b>3,325</b> <hr/>	<hr/> 1,329 <hr/>

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#### 7. Premises and equipment

Premises and equipment expenses in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2015</b>	<i>6 months ended 30 June 2014</i>
Premises and equipment expenses excluding depreciation	<b>624</b>	658
Depreciation	<b>879</b>	632
	<hr/> <b>1,503</b> <hr/>	<hr/> 1,290 <hr/>

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 8. Taxation

Taxation in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2015</b>	<i>6 months ended 30 June 2014</i>
Hong Kong profits tax	<b>603</b>	667
Overseas taxation	–	44
Deferred taxation	<b>60</b>	46
	<b>663</b>	757

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

<i>Figures in HK\$m</i>	<b>At 30 June 2015</b>	<i>At 31 December 2014</i>
Placements with banks and other financial institutions		
– maturing within one month	<b>102,470</b>	85,928
– maturing between one month and one year	<b>63,330</b>	58,053
– maturing between one year to five years	<b>2,740</b>	1,789
	<b>168,540</b>	145,770

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As at 30 June 2015 and 31 December 2014, there were no impaired placements with banks and other financial institutions.

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

#### 10. Advances to customers

Figures in HK\$m

	At 30 June 2015	At 31 December 2014
<b>(a) Advances to customers</b>		
Gross advances to customers	449,953	456,789
Less: Impairment provision – individually assessed	(1,072)	(1,440)
Impairment provision – collectively assessed	(315)	(353)
	<u>448,566</u>	<u>454,996</u>
<b>(b) Impaired advances to customers</b>		
Gross impaired advances to customers	2,835	2,712
Less: Impairment provision – individually assessed	(1,072)	(1,440)
	<u>1,763</u>	<u>1,272</u>
Gross impaired advances to customers as a % of gross advances to customers	<u>0.63%</u>	<u>0.59%</u>
Fair value of collateral held against the covered portion of impaired advances to customers	<u>1,597</u>	<u>1,206</u>
Covered portion of impaired advances to customers	1,134	725
Uncovered portion of impaired advances to customers	<u>1,701</u>	<u>1,987</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

### 11. Advances to customers analysed by industry sector

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 2015	% of advances covered by collateral or other securities	At 31 December 2014	% of advances covered by collateral or other securities
<b>Gross advances for use in Hong Kong</b>				
<i>Industrial, commercial and financial</i>				
- Property development	12,147	5%	15,586	38%
- Property investment	36,122	79%	38,849	81%
- Financial concerns	19,413	58%	18,668	51%
- Stockbrokers	10,219	58%	8,541	19%
- Wholesale and retail trade	21,272	38%	26,997	41%
- Manufacturing	25,662	16%	26,332	15%
- Transport and transport equipment	6,457	48%	7,757	40%
- Recreational activities	243	29%	410	40%
- Information technology	1,500	-	2,571	2%
- Others	12,557	10%	14,555	5%
<i>Individuals</i>				
- Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	526	100%	571	100%
- Advances for the purchase of other residential properties	185,249	100%	174,386	100%
- Credit card advances	15,021	-	17,126	-
- Others	24,579	62%	23,786	42%
<b>Total gross advances for use in Hong Kong</b>				
Trade finance	370,967		376,135	
Trade bills	33,022	13%	33,732	16%
Gross advances for use outside Hong Kong	2,937	5%	3,237	4%
	43,027	18%	43,685	11%
<b>Gross advances to customers</b>	<b>449,953</b>	<b>61%</b>	<b>456,789</b>	<b>58%</b>

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

#### 11. Advances to customers analysed by industry sector (cont'd)

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:

<i>Figures in HK\$m</i>	<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>
<b>As at 30 June 2015</b>					
Advances for the purchase of other residential properties	78	31	2	2	-
<b>As at 31 December 2014</b>					
Advances for the purchase of other residential properties	112	30	3	2	-

#### 12. Advances to customers by geographical area

The analysis of advances to customers by geographical area is classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area which is different from that of the counterparty.

<i>Figures in HK\$m</i>	<i>Gross advances to customers</i>	<i>Impaired advances to customers</i>	<i>Overdue advances to customers</i>	<i>Individually assessed impairment provision</i>	<i>Collectively assessed impairment provision</i>
<b>As at 30 June 2015</b>					
Hong Kong	364,031	2,058	1,256	668	219
Mainland China	46,424	277	74	-	53
Others	39,498	500	356	404	43
	<u>449,953</u>	<u>2,835</u>	<u>1,686</u>	<u>1,072</u>	<u>315</u>
<b>As at 31 December 2014</b>					
Hong Kong	367,339	2,387	2,005	1,348	251
Mainland China	55,970	87	-	-	65
Others	33,480	238	89	92	37
	<u>456,789</u>	<u>2,712</u>	<u>2,094</u>	<u>1,440</u>	<u>353</u>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 13. Overdue advances to customers

Figures in HK\$m

	<b>At 30 June 2015</b>		<b>At 31 December 2014</b>	
	<b>% of advances to customers</b>		<b>% of advances to customers</b>	
<b>Gross advances to customers which have been overdue with respect to either principal or interest for periods of:</b>				
6 months or less but over 3 months	<b>649</b>	<b>0.14%</b>	979	0.21%
1 year or less but over 6 months	<b>466</b>	<b>0.10%</b>	614	0.13%
Over 1 year	<b>571</b>	<b>0.13%</b>	501	0.11%
	<b>1,686</b>	<b>0.37%</b>	2,094	0.45%
Fair value of collateral held against the covered portion of overdue advances to customers	<b>860</b>		668	
Covered portion of overdue advances to customers	<b>549</b>		470	
Uncovered portion of overdue advances to customers	<b>1,137</b>		1,624	
Individually assessed impairment provision against advances to customers overdue more than 3 months	<b>865</b>		1,388	

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.

As at 30 June 2015 and 31 December 2014, there were no overdue advances to banks and other financial institutions.

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

#### 14. Rescheduled advances to customers

<i>Figures in HK\$m</i>	<i>At</i>		<i>At</i>	
	<i>30 June</i>		<i>31 December</i>	
	<i>2015</i>		<i>2014</i>	
	<i>% of</i>		<i>% of</i>	
	<i>advances</i>		<i>advances</i>	
	<i>to customers</i>		<i>to customers</i>	
Rescheduled advances to customers	<b>193</b>	<b>0.04%</b>	168	0.04%

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 2015 and 31 December 2014, there were no rescheduled advances to banks and other financial institutions.

#### 15. Repossessed assets

<i>Figures in HK\$m</i>	<i>At</i>		<i>At</i>	
	<i>30 June</i>		<i>31 December</i>	
	<i>2015</i>		<i>2014</i>	
Reposessed assets	<b>50</b>		229	

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>	<i>At</i>		<i>At</i>	
	<i>30 June</i>		<i>31 December</i>	
	<i>2015</i>		<i>2014</i>	
Available-for-sale securities				
Certificates of deposit held	<b>16,991</b>		15,086	
Other available-for-sale securities	<b>186,885</b>		148,382	
	<b>203,876</b>		163,468	
Loans and receivables – Debt securities	<b>8,614</b>		8,834	
	<b>212,490</b>		172,302	

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 17. Fixed assets

<i>Figures in HK\$m</i>	<i>Buildings and leasehold land held for own use</i>	<i>Equipment, furniture &amp; fixtures</i>	<i>Operating lease assets</i>	<i>Sub-total</i>	<i>Investment properties</i>	<i>Total</i>
<i>Cost or valuation:</i>						
At 1 January 2015	2,921	518	39,116	42,555	934	43,489
Additions	22	27	4,957	5,006	-	5,006
Transferred to asset classified as asset held for sale within "other assets"	-	-	(780)	(780)	-	(780)
Disposals	(14)	(20)	(3,682)	(3,716)	-	(3,716)
Reclassifications	(23)	23	-	-	-	-
Net gains on revaluation	-	-	-	-	3	3
At 30 June 2015	2,906	548	39,611	43,065	937	44,002
<i>Accumulated depreciation:</i>						
At 1 January 2015	721	255	2,563	3,539	-	3,539
Charge for the period	47	49	783	879	-	879
Transferred to asset classified as asset held for sale within "other assets"	-	-	(2)	(2)	-	(2)
Written back on disposals	(14)	(20)	(122)	(156)	-	(156)
At 30 June 2015	754	284	3,222	4,260	-	4,260
<i>Net book value:</i>						
At 30 June 2015	2,152	264	36,389	38,805	937	39,742
At 31 December 2014	2,200	263	36,553	39,016	934	39,950

### 18. Investments in subsidiaries

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

### 19. Deposits from customers

<i>Figures in HK\$m</i>	<i>At 30 June 2015</i>	<i>At 31 December 2014</i>
Current accounts	153,285	142,839
Savings accounts	437,119	410,954
Time, call and notice deposits	191,994	261,688
Deposits and balances of central banks	12,433	35,548
	<b>794,831</b>	<b>851,029</b>



## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

#### 20. Financial liabilities designated at fair value

<i>Figures in HK\$m</i>	<i>At 30 June 2015</i>	<i>At 31 December 2014</i>
Structured deposits from banks and customers	9,764	7,528
Debt securities issued	9,231	7,387
	<u>18,995</u>	<u>14,915</u>

#### 21. Debt securities in issue

<i>Figures in HK\$m</i>	<i>At 30 June 2015</i>	<i>At 31 December 2014</i>
Certificates of deposit, measured at amortised cost	1,625	13,838
Structured notes issued, measured at amortised cost	39	–
	<u>1,664</u>	<u>13,838</u>

#### 22. Other liabilities

<i>Figures in HK\$m</i>	<i>At 30 June 2015</i>	<i>At 31 December 2014</i>
Accruals and deferred income	3,287	4,009
Provision for liabilities and charges	89	311
Acceptances and endorsements	2,863	2,843
Unsettled trades and others	18,267	10,417
Liabilities held for sale (note)	–	2,002
	<u>24,506</u>	<u>19,582</u>

(note) As at 31 December 2014, liabilities held for sale included the disposal group which consisted of Prime Credit Limited and Shenzhen Prime Credit Limited. The disposal took place during the period ended 30 June 2015.

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 23. Subordinated liabilities

<i>Figures in HK\$m</i>	<b>At 30 June 2015</b>	<i>At 31 December 2014</i>
US\$750 million 5.875% Fixed Rate Notes 2020 <sup>(1)</sup>	<b>6,199</b>	6,213
SGD750 million 4.15% Fixed Rate Notes 2021 <sup>(2)</sup>	<b>4,121</b>	4,193
	<b>10,320</b>	10,406

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

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

<sup>(2)</sup> Interest rate at 4.15 per cent per annum, payable semi-annually, to the maturity date on 27 October 2021.

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#### 24. Shareholders' equity

<i>Figures in HK\$m</i>	<b>At 30 June 2015</b>	<i>At 31 December 2014</i>
Share capital	<b>20,256</b>	20,256
Cash flow hedge reserve	<b>36</b>	51
Available-for-sale investment reserve	<b>293</b>	311
Revaluation reserve	<b>146</b>	146
Foreign exchange reserve	<b>349</b>	369
Property revaluation reserve	<b>–</b>	2
Share option equity reserve	<b>226</b>	414
Retained earnings	<b>48,620</b>	44,494
	<b>69,926</b>	66,043

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 2015, an amount of HK\$6,418 million (31 December 2014: HK\$6,501 million) has been reserved for this purpose.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 25. Off-balance sheet exposures

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Figures in HK\$m

	<b>At 30 June 2015</b>	<b>At 31 December 2014</b>
<b>a) Contingent liabilities and commitments</b>		
<u>Contractual or notional amounts</u>		
Direct credit substitutes	<b>7,037</b>	5,262
Transaction-related contingencies	<b>6,196</b>	5,519
Trade-related contingencies	<b>15,910</b>	17,265
Forward asset purchases	<b>282</b>	289
Forward forward deposits placed	<b>1,399</b>	3,877
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	<b>7,121</b>	6,982
with original maturity of more than one year	<b>21,335</b>	17,822
which are unconditionally cancellable	<b>395,536</b>	391,520
	<b>454,816</b>	448,536
Credit risk weighted amount	<b>40,716</b>	40,839

Contingent liabilities and commitments are credit-related instruments, which include letters of credit, guarantees and commitments to extend credit. The risk involved is similar to the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contracted amounts do not represent expected future cash flows.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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

Figures in HK\$m

	At 30 June 2015	At 31 December 2014
<b>b) Derivatives</b>		
<u>Notional amounts</u>		
Exchange rate contracts	1,654,992	1,413,898
Interest rate contracts	141,024	114,635
Others	19,803	9,993
	<b>1,815,819</b>	1,538,526

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 2015			At 31 December 2014		
	Fair value assets	Fair value liabilities	Credit risk weighted amount	Fair value assets	Fair value liabilities	Credit risk weighted amount
Exchange rate contracts	6,274	7,133	7,030	5,153	5,495	5,813
Interest rate contracts	2,134	2,768	4,199	1,430	1,889	7,347
Others	306	201	1,391	187	198	331
	<b>8,714</b>	<b>10,102</b>	<b>12,620</b>	6,770	7,582	13,491

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

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#### 26. 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.

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<i>Figures in HK\$m</i>	<b>At 30 June 2015</b>	<b>At 31 December 2014</b>
<b>US dollars exposure</b>		
Spot assets	380,689	373,653
Spot liabilities	(295,160)	(340,519)
Forward purchases	751,488	669,828
Forward sales	(840,116)	(696,706)
Net option position	-	-
	<hr/>	<hr/>
Net (short)/long non-structural position	<b>(3,099)</b>	6,256
	<hr/> <hr/>	<hr/> <hr/>
<b>Chinese renminbi exposure</b>		
Spot assets	102,914	135,189
Spot liabilities	(98,574)	(97,721)
Forward purchases	533,464	477,387
Forward sales	(535,799)	(516,333)
Net option position	-	-
	<hr/>	<hr/>
Net long/(short) non-structural position	<b>2,005</b>	(1,478)
	<hr/> <hr/>	<hr/> <hr/>

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

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<i>Figures in HK\$m</i>	<b>At 30 June 2015</b>	<b>At 31 December 2014</b>
Chinese Renminbi	8,284	7,803
US dollars	2,001	1,570
	<hr/>	<hr/>
	<b>10,285</b>	9,373
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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 27. Capital adequacy ratios

<i>Figures in HK\$m</i>	<b>At 30 June 2015</b>	<i>At 31 December 2014</i>
Common Equity Tier 1 ("CET1") capital ratio	<b>13.8%</b>	12.5%
Tier 1 capital ratio	<b>14.8%</b>	13.5%
Total capital ratio	<b>17.4%</b>	16.4%

The consolidated 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 Hong Kong Financial Reporting Standards. The principal subsidiaries of the Bank for accounting purposes are Standard Chartered APR Limited, Standard Chartered Leasing Group Limited and Standard Chartered Securities (Hong Kong) 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 included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the Banking (Capital) rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities companies that are authorized and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorized institutions under the Banking (Capital) Rules and the Banking Ordinance.

The Bank's shareholdings in these subsidiaries are deducted from its capital base subject to the thresholds and transitional arrangements as determined in accordance with Part 3 and Schedule 4H of the Banking (Capital) Rules.

The Bank operates subsidiaries in a number of countries and territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the banking group.

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

#### 27. Capital adequacy ratios (cont'd)

Directly held subsidiaries not included in the consolidation for regulatory purposes are set out below:

<i>Figures in HK\$m</i>		<i>At 30 June 2015</i>	
<b>Name of company</b>	<b>Principal Activity</b>	<b>Total assets</b>	<b>Total equity</b>
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	1,539	406
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	436	240
Standard Chartered Investment Services Limited	Investment management	61	54
Standard Chartered Trust (HK) Limited	Trustee services	13	12
Standard Chartered Nominees (Western Samoa) Limited	Nominees Services	-	-
Horsford Nominees Limited	Nominees Services	-	-
Standard Chartered Global Trading Investment Limited	Nominees Services	-	-
		<b>2,087</b>	<b>693</b>

<i>Figures in HK\$m</i>		<i>At 31 December 2014</i>	
<b>Name of company</b>	<b>Principal Activity</b>	<b>Total assets</b>	<b>Total equity</b>
Standard Chartered Securities (Hong Kong) Limited	Equity capital markets, corporate finance and institutional brokerage	1,912	410
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	403	240
Standard Chartered Investment Services Limited	Investment management	59	43
Standard Chartered Trust (HK) Limited	Trustee services	14	13
Standard Chartered Nominees (Western Samoa) Limited	Nominees Services	-	-
Horsford Nominees Limited	Nominees Services	-	-
Standard Chartered Global Trading Investments Limited	Nominees Services	-	-
		<b>2,426</b>	<b>687</b>

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 27. Capital adequacy ratios (cont'd)

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.

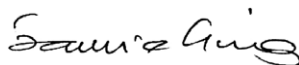
The Bank uses the advanced internal ratings based ("IRB") approach for both the measurement of credit risk capital and the management of credit risk for the majority of its portfolios. The Bank also uses the standardised (credit risk) approach for certain insignificant portfolios exempted from IRB. The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

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

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

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By order of the Board



Ling Fou Tsong  
Director

Hong Kong  
5 August 2015