

Standard Chartered Bank  
(Hong Kong) Limited

Interim Financial Information  
Disclosure Statements

For the period ended  
30 June 2016

# 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 2016.

### **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.

### **2016 First Half Results**

Profit before taxation decreased by HK\$2,187 million from HK\$6,611 million to HK\$4,424 million. Net interest income decreased by 16 per cent to HK\$4,992 million. Net fee and commission income decreased by 29 per cent over the corresponding period in 2015. Total operating income decreased by 25 per cent to HK\$11,352 million.

Operating expenses decreased by 14 per cent over the corresponding period to HK\$6,533 million. Total impairments decreased by HK\$262 million over the corresponding period.

Profit after taxation was HK\$3,807 million, a decrease of HK\$2,141 million over HK\$5,948 million recorded in the first half of 2015.

### **Basis of Preparation**

The accounting policies used in the preparation of the interim financial disclosure statements are materially consistent with those adopted in the 2015 consolidated financial statements.

### **Statement of compliance**

In preparing the interim results for the first half of 2016, 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 2016.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated income statement

<i>Figures in HK\$m</i>		<b>6 months ended 30 June 2016</b>	<b>6 months ended 30 June 2015</b>
	<i>Note</i>		
Interest income	1	<b>6,693</b>	8,707
Interest expense	2	<b>(1,701)</b>	(2,787)
<b>Net interest income</b>		<b>4,992</b>	5,920
Fee and commission income		<b>3,778</b>	5,250
Fee and commission expense		<b>(225)</b>	(264)
Net fee and commission income	3	<b>3,553</b>	4,986
Net trading income	4	<b>917</b>	706
Net gains/(losses) from financial instruments designated at fair value through profit or loss	5	<b>(15)</b>	27
Net gains from disposal of available-for-sale securities		<b>136</b>	86
Other operating income	6	<b>1,769</b>	3,325
		<b>6,360</b>	9,130
<b>Total operating income</b>		<b>11,352</b>	15,050
Staff costs		<b>(2,914)</b>	(3,484)
Premises and equipment	7	<b>(1,485)</b>	(1,503)
Others		<b>(2,134)</b>	(2,596)
<b>Operating expenses</b>		<b>(6,533)</b>	(7,583)
<b>Operating profit before impairment</b>		<b>4,819</b>	7,467
Impairment charge on advances to banks and customers		<b>(896)</b>	(1,478)
Other impairment		<b>(320)</b>	–
<b>Operating profit after impairment</b>		<b>3,603</b>	5,989
Share of profit of associates		<b>821</b>	622
<b>Profit before taxation</b>		<b>4,424</b>	6,611
Taxation	8	<b>(617)</b>	(663)
<b>Profit after taxation</b>		<b>3,807</b>	5,948

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated statement of comprehensive income

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2016</b>	<i>6 months ended 30 June 2015</i>
<b>Profit after taxation</b>	<b>3,807</b>	5,948
<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>(69)</b>	53
– Related tax effect	<b>11</b>	(9)
<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>791</b>	82
– Changes in fair value transferred to the income statement on disposal	<b>(136)</b>	(86)
– Transfer to the income statement on fair value hedged items attributable to hedged risk	<b>(512)</b>	(49)
– Share of available-for-sale investment reserve of associates	<b>(40)</b>	15
– Related tax effect	<b>(25)</b>	20
Cash flow hedges:		
– Changes in fair value recognised during the period	<b>111</b>	(3)
– Transferred to the income statement on termination of hedging derivatives	<b>(19)</b>	(15)
– Related tax effect	<b>(15)</b>	3
Exchange difference	<b>(135)</b>	(19)
Other comprehensive income for the period, net of tax	<b>(38)</b>	(8)
<b>Total comprehensive income for the period</b>	<b>3,769</b>	5,940

Transactions with owners, recorded directly in shareholders' equity include a distribution from owners of HK\$4 million (30 June 2015: HK\$188 million of distribution to owners) in respect of share-based compensation plans.

During the six months ended 30 June 2016, there were no dividend declared and paid in respect of 'A' and 'B' ordinary share (30 June 2015: HK\$1,744 million). A total dividend of HK\$121 million (30 June 2015: HK\$122 million) 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 statement of financial position

<i>Figures in HK\$m</i>		<b>At</b>	<b>At</b>
	<i>Note</i>	<b>30 June</b>	<b>31 December</b>
		<b>2016</b>	<b>2015</b>
<b>Assets</b>			
Cash and balances with banks, central banks and other financial institutions		21,128	48,769
Placements with banks and other financial institutions	9	136,241	119,658
Hong Kong SAR Government certificates of indebtedness		40,941	38,031
Trading assets		19,372	18,597
Financial assets designated at fair value		589	666
Investment securities	16	211,801	210,572
Advances to customers	10	428,402	414,955
Amounts due from immediate holding company		31,839	30,357
Amounts due from fellow subsidiaries		19,628	16,105
Interest in associates		10,128	9,481
Property, plant and equipment	17	40,398	37,480
Goodwill and intangible assets		1,034	1,075
Current tax assets		25	556
Deferred tax assets		274	314
Other assets		18,434	12,349
		<b>980,234</b>	<b>958,965</b>
<b>Liabilities</b>			
Hong Kong SAR currency notes in circulation		40,941	38,031
Deposits and balances of banks and other financial institutions		26,261	24,655
Deposits from customers	19	741,299	745,701
Trading liabilities		9,044	8,847
Financial liabilities designated at fair value	20	9,845	13,724
Debt securities in issue	21	1,183	1,209
Amounts due to immediate holding company		31,894	27,519
Amounts due to fellow subsidiaries		19,571	8,314
Current tax liabilities		10	4
Deferred tax liabilities		315	274
Other liabilities	22	20,388	15,245
Subordinated liabilities	23	10,482	10,093
		<b>911,233</b>	<b>893,616</b>
<b>Equity</b>			
Share capital		20,256	20,256
Reserves		48,745	45,093
Shareholders' equity	24	<b>69,001</b>	<b>65,349</b>
		<b>980,234</b>	<b>958,965</b>

# 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 2016</b>	<i>6 months ended 30 June 2015</i>
Interest income on financial assets that are not measured at fair value through profit or loss	<b>6,516</b>	8,505
Of which: Interest income on unwinding of discounts on loan impairment charges	<b>30</b>	20

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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 2016</b>	<i>6 months ended 30 June 2015</i>
Interest expense on financial liabilities that are not measured at fair value through profit or loss	<b>1,645</b>	2,696

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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 2016</b>	<i>6 months ended 30 June 2015</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>1,196</b>	1,508
– fee and commission expense	<b>51</b>	74
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>212</b>	340
– fee and commission expense	<b>59</b>	92

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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:

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<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2016</b>	<i>6 months ended 30 June 2015</i>
Net trading income shown in the income statement	<b>917</b>	706
Add: interest income arising from trading assets	<b>174</b>	183
Less: interest expense arising from trading liabilities	<b>(34)</b>	(35)
	<b>1,057</b>	854

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

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

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<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2016</b>	<i>6 months ended 30 June 2015</i>
Net gains/(losses) shown in the income statement	<b>(15)</b>	27
Add: interest income arising from financial assets designated at fair value	<b>3</b>	19
Less: interest expense arising from financial liabilities designated at fair value	<b>(22)</b>	(56)
	<b>(34)</b>	(10)

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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 2016</b>	<i>6 months ended 30 June 2015</i>
Rental income from operating lease assets	<b>1,650</b>	1,549
Dividend income from listed available-for-sale securities	–	–
Dividend income from unlisted available-for-sale securities	<b>22</b>	10
Net losses on disposal of financial instruments measured at amortised cost	<b>(12)</b>	(17)
Net gains on revaluation of investment properties	<b>4</b>	3
Net gains on disposal of fixed assets	<b>51</b>	–
Gain on disposal of subsidiary and associate	–	1,758
Others	<b>54</b>	22
	<hr/> <b>1,769</b> <hr/>	<hr/> 3,325 <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 2016</b>	<i>6 months ended 30 June 2015</i>
Premises and equipment expenses excluding depreciation	<b>634</b>	624
Depreciation	<b>851</b>	879
	<hr/> <b>1,485</b> <hr/>	<hr/> 1,503 <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 2016</b>	<i>6 months ended 30 June 2015</i>
Hong Kong profits tax	<b>539</b>	603
Overseas taxation	<b>26</b>	–
Deferred taxation	<b>52</b>	60
	<b>617</b>	663

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

<i>Figures in HK\$m</i>	<b>At 30 June 2016</b>	<i>At 31 December 2015</i>
Placements with banks and other financial institutions		
– maturing within one month	<b>64,498</b>	64,774
– maturing between one month and one year	<b>69,585</b>	53,090
– maturing between one year to five years	<b>2,158</b>	1,794
	<b>136,241</b>	119,658

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As at 30 June 2016 and 31 December 2015, 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

	<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
<b>(a) Advances to customers</b>		
Gross advances to customers	429,262	415,278
Trade bills	1,541	1,785
Less: Impairment provision – individually assessed	(1,578)	(1,300)
Impairment provision – collectively assessed	(823)	(808)
	<u>428,402</u>	<u>414,955</u>
<b>(b) Impaired advances to customers</b>		
Gross impaired advances to customers	4,102	3,807
Less: Impairment provision – individually assessed	(1,578)	(1,300)
	<u>2,524</u>	<u>2,507</u>
Gross impaired advances to customers as a % of gross advances to customers	<u>0.95%</u>	<u>0.91%</u>
Fair value of collateral held against the covered portion of impaired advances to customers	<u>1,866</u>	<u>1,967</u>
Covered portion of impaired advances to customers	1,312	1,452
Uncovered portion of impaired advances to customers	<u>2,790</u>	<u>2,355</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 2016	% of advances covered by collateral or other securities	At 31 December 2015	% 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	6,198	36%	8,264	32%
- Property investment	31,770	82%	34,744	76%
- Financial concerns	19,796	37%	16,245	45%
- Stockbrokers	7,900	68%	6,791	53%
- Wholesale and retail trade	15,342	28%	14,154	29%
- Manufacturing	26,777	13%	19,724	18%
- Transport and transport equipment	5,815	51%	5,122	58%
- Recreational activities	213	34%	286	31%
- Information technology	3,656	1%	1,053	3%
- Others	14,086	9%	14,113	10%
<i>Individuals</i>				
- Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	445	100%	490	100%
- Advances for the purchase of other residential properties	200,213	100%	195,460	100%
- Credit card advances	15,411	-	15,235	-
- Others	21,844	42%	22,784	37%
<b>Total gross advances for use in Hong Kong</b>				
Trade finance	369,466		354,465	
Trade bills	31,003	4%	26,600	10%
	1,541	5%	1,785	9%
<b>Gross advances for use outside Hong Kong</b>				
	28,793	25%	34,213	30%
<b>Gross advances to customers</b>				
	430,803	63%	417,063	65%

## 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 2016</b>					
Advances for the purchase of other residential properties	84	34	–	2	–
<b>As at 31 December 2015</b>					
Advances for the purchase of other residential properties	98	51	1	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 2016</b>					
Hong Kong	368,541	3,284	2,882	1,224	584
Others	62,262	818	793	354	239
	<u>430,803</u>	<u>4,102</u>	<u>3,675</u>	<u>1,578</u>	<u>823</u>
<b>As at 31 December 2015</b>					
Hong Kong	347,752	3,407	2,198	1,178	535
Others	69,311	400	376	122	273
	<u>417,063</u>	<u>3,807</u>	<u>2,574</u>	<u>1,300</u>	<u>808</u>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional information

### 13. Overdue advances to customers

Figures in HK\$m

	<b>At 30 June 2016</b>		<b>At 31 December 2015</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>955</b>	<b>0.22%</b>	1,342	0.32%
1 year or less but over 6 months	<b>1,701</b>	<b>0.39%</b>	475	0.12%
Over 1 year	<b>1,019</b>	<b>0.24%</b>	757	0.18%
	<b>3,675</b>	<b>0.85%</b>	2,574	0.62%
Fair value of collateral held against the covered portion of overdue advances to customers	<b>1,483</b>		1,169	
Covered portion of overdue advances to customers	<b>1,278</b>		922	
Uncovered portion of overdue advances to customers	<b>2,397</b>		1,652	
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	<b>1,480</b>		1,064	

As at 30 June 2016 and 31 December 2015, 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>	<b>At</b>		<b>At</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2016</b>		<b>2015</b>	
	<b>% of</b>		<b>% of</b>	
	<b>advances</b>		<b>advances</b>	
	<b>to customers</b>		<b>to customers</b>	
Rescheduled advances to customers	<b>132</b>	<b>0.03%</b>	156	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 2016 and 31 December 2015, there were no rescheduled advances to banks and other financial institutions.

### 15. Repossessed assets

<i>Figures in HK\$m</i>	<b>At</b>		<b>At</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2016</b>		<b>2015</b>	
Reposessed assets	<b>326</b>		185	

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>	<b>At</b>		<b>At</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2016</b>		<b>2015</b>	
Available-for-sale securities				
Treasury bills	<b>52,585</b>		60,737	
Certificates of deposit held	<b>24,187</b>		14,952	
Debt securities	<b>125,537</b>		126,441	
Equity shares	<b>483</b>		632	
Less: impairment provision	<b>(11)</b>		(11)	
	<b>202,781</b>		202,751	
Loans and receivables – Debt securities	<b>9,020</b>		7,821	
	<b>211,801</b>		210,572	

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional information

### 17. Property, Plant and Equipment

Figures in HK\$m

	<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 2016	2,878	483	38,108	41,469	937	42,406
Additions	16	55	3,972	4,043	-	4,043
Disposals	(21)	(46)	-	(67)	-	(67)
Net gains on revaluation	-	-	-	-	4	4
At 30 June 2016	<u>2,873</u>	<u>492</u>	<u>42,080</u>	<u>45,445</u>	<u>941</u>	<u>46,386</u>
<i>Accumulated depreciation:</i>						
At 1 January 2016	837	263	3,826	4,926	-	4,926
Charge for the period	43	40	768	851	-	851
Impairment	-	-	268	268	-	268
Written back on disposals	(11)	(46)	-	(57)	-	(57)
At 30 June 2016	<u>869</u>	<u>257</u>	<u>4,862</u>	<u>5,988</u>	<u>-</u>	<u>5,988</u>
<i>Net book value:</i>						
At 30 June 2016	<u>2,004</u>	<u>235</u>	<u>37,218</u>	<u>39,457</u>	<u>941</u>	<u>40,398</u>
At 31 December 2015	<u>2,041</u>	<u>220</u>	<u>34,282</u>	<u>36,543</u>	<u>937</u>	<u>37,480</u>

### 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

Figures in HK\$m

	<i>At 30 June 2016</i>	<i>At 31 December 2015</i>
Current accounts	155,427	158,967
Savings accounts	408,968	432,975
Time, call and notice deposits	170,885	144,672
Deposits and balances of central banks	6,019	9,087
	<u>741,299</u>	<u>745,701</u>



## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional information

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

<i>Figures in HK\$m</i>	<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
Structured deposits from banks and customers	2,934	6,542
Debt securities issued	6,911	7,182
	<b>9,845</b>	<b>13,724</b>

#### 21. Debt securities in issue

<i>Figures in HK\$m</i>	<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
Structured notes issued	23	–
Other debt securities	1,160	1,209
	<b>1,183</b>	<b>1,209</b>

#### 22. Other liabilities

<i>Figures in HK\$m</i>	<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
Accruals and deferred income	2,861	3,340
Provision for liabilities and charges	431	314
Acceptances and endorsements	2,364	2,588
Unsettled trades and others	14,732	9,003
	<b>20,388</b>	<b>15,245</b>

## 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 2016</b>	<i>At 31 December 2015</i>
US\$750 million 5.875% Fixed Rate Notes 2020 <sup>(1)</sup>	<b>6,333</b>	6,191
SGD750 million 4.15% Fixed Rate Notes 2021 <sup>(2)</sup>	<b>4,149</b>	3,902
	<b>10,482</b>	10,093

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 2016</b>	<i>At 31 December 2015</i>
Share capital	<b>20,256</b>	20,256
Cash flow hedge reserve	<b>95</b>	18
Available-for-sale investment reserve	<b>71</b>	(7)
Revaluation reserve	<b>146</b>	146
Foreign exchange reserve	<b>(339)</b>	(204)
Share option equity reserve	<b>310</b>	306
Retained earnings	<b>48,462</b>	44,834
	<b>69,001</b>	65,349

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 2016, an amount of HK\$4,800 million (31 December 2015: HK\$5,428 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 2016</b>	<b>At 31 December 2015</b>
<b>a) Contingent liabilities and commitments</b>		
<u>Contractual or notional amounts</u>		
Direct credit substitutes	<b>8,392</b>	7,288
Transaction-related contingencies	<b>6,111</b>	6,259
Trade-related contingencies	<b>14,878</b>	13,124
Forward asset purchases	<b>124</b>	105
Forward forward deposits placed	<b>233</b>	358
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	<b>1,256</b>	1,761
with original maturity of more than one year	<b>18,517</b>	15,726
which are unconditionally cancellable	<b>310,356</b>	339,269
	<b>359,867</b>	383,890
Credit risk weighted amount	<b>35,977</b>	38,333

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 2016	At 31 December 2015
<b>b) Derivatives</b>		
<u>Notional amounts</u>		
Exchange rate contracts	1,899,080	1,708,821
Interest rate contracts	159,726	143,058
Others	7,481	12,784
	<u>2,066,287</u>	<u>1,864,663</u>

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 2016			At 31 December 2015		
	Fair value assets	Fair value liabilities	Credit risk weighted amount	Fair value assets	Fair value liabilities	Credit risk weighted amount
Exchange rate contracts	11,310	15,175	2,905	14,931	14,749	3,801
Interest rate contracts	4,062	5,222	933	2,170	2,600	701
Others	204	87	253	308	209	463
	<u>15,576</u>	<u>20,484</u>	<u>4,091</u>	<u>17,409</u>	<u>17,558</u>	<u>4,965</u>

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 credit risk weighted amounts have taken into account the effects of bilateral netting arrangements.

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional information

#### 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.

<i>Figures in HK\$m</i>	<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
<b>US dollars exposure</b>		
Spot assets	323,458	278,272
Spot liabilities	(297,298)	(293,469)
Forward purchases	914,262	838,812
Forward sales	(936,573)	(819,270)
Net option position	-	-
Net long non-structural position	<u>3,849</u>	<u>4,345</u>
<b>Chinese renminbi exposure</b>		
Spot assets	66,828	83,495
Spot liabilities	(54,330)	(55,165)
Forward purchases	545,889	564,160
Forward sales	(557,166)	(590,802)
Net option position	-	-
Net long non-structural position	<u>1,221</u>	<u>1,688</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>	<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
Chinese Renminbi	9,131	8,515
US dollars	2,213	2,147
	<u>11,344</u>	<u>10,662</u>

## 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 2016</b>	<i>At 31 December 2015</i>
Common Equity Tier 1 ("CET1") capital ratio	<b>14.2%</b>	14.3%
Tier 1 capital ratio	<b>15.3%</b>	15.4%
Total capital ratio	<b>17.7%</b>	18.3%

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 2016</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	744	420
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	433	340
Standard Chartered Investment Services Limited	Investment management	63	44
Standard Chartered Trust (HK) Limited	Trustee services	12	11
Standard Chartered Nominees (Western Samoa) Limited	Nominees Services	-	-
Horsford Nominees Limited	Nominees Services	-	-
Standard Chartered Global Trading Investment Limited	Nominees Services	-	-
		<b>1,290</b>	<b>796</b>

<i>Figures in HK\$m</i>		<i>At 31 December 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	745	420
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	469	297
Standard Chartered Investment Services Limited	Investment management	49	36
Standard Chartered Trust (HK) Limited	Trustee services	12	12
Standard Chartered Nominees (Western Samoa) Limited	Nominees Services	-	-
Horsford Nominees Limited	Nominees Services	-	-
Standard Chartered Global Trading Investment Limited	Nominees Services	-	-
		<b>1,313</b>	<b>746</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.

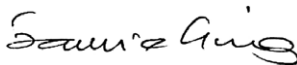
The Bank uses the advanced internal ratings based ("IRB") approach for both the measurement of credit risk capital and the management of credit risk for the majority of its portfolios. The Bank also uses the standardised (credit risk) approach for certain insignificant portfolios exempted from IRB. The 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  
3 August 2016