Leading the way
in Asia, Africa and the Middle East

Standard Chartered PLC – Financial highlights

For the six months ended 30 June 2013

Reported results[1]

Profit before goodwill impairment and own credit adjustment

$4,088m

H1 2012: $3,936m / H2 2012: $2,915m

Loans and advances to customers

$292bn

H1 2012: $278bn / H2 2012: $285bn

Profit attributable to ordinary shareholders[2]

$2,131m

H1 2012: $2,806m / H2 2012: $1,980m

Customer deposits

$381bn

H1 2012: $359bn / H2 2012: $385bn

Operating income excluding own credit adjustment

$9,751m

H1 2012: $9,371m / H2 2012: $9,412m

Performance metrics[3]

Normalised earnings per share

121.9 cents

H1 2012: 116.6 cents / H2 2012: 108.7 cents

Interim dividend per share

28.80 cents

H1 2012: 27.23 cents / H2 2012: 56.77 cents

Normalised return on ordinary shareholders' equity

13.3%

H1 2012: 13.8% / H2 2012: 12.4%

Capital and liquidity metrics

Tangible net asset value per share

1,537.9 cents

H1 2012: 1,414.1 cents / H2 2012: 1,519.9 cents

Total capital ratio

16.9%

H1 2012: 16.9% / H2 2012: 17.4%

Core Tier 1 capital ratio

11.4%

H1 2012: 11.6% / H2 2012: 11.7%

Advances-to-deposits ratio

76.6%

H1 2012: 77.6% / H2 2012: 73.9%

Liquid asset ratio

28.3%

H1 2012: 28.3% / H2 2012: 30.5%

Significant highlights

- Delivered broad based performance across multiple markets, including excellent performances from Hong Kong, India and Africa
- Profit before taxation in Hong Kong was over $1 billion for the first time in a six-month period
- Income of over $50 million in 25 markets and 17 markets delivered double digit growth
- Strong volume growth with market share gains in key products, including trade finance volumes up 18 per cent and cash foreign exchange volumes up 30 per cent
- The Group remains highly liquid and well capitalised
- Re-opened in Myanmar and announced the acquisition of a custody business in South Africa

1 Amounts for prior periods have been restated as explained in note 32 on page 149

2 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 10 on page 110)

3 Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items set out in note 11 on page 111

Unless another currency is specified, the word 'dollar', symbol '$' or reference to USD in this document means United States (US) dollar and the word 'cent' or symbol 'c' means one-hundredth of one US dollar.

Within this document, the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'; The Republic of Korea is referred to as Korea or South Korea; Middle East and Other South Asia (MESA) includes: Pakistan, United Arab Emirates (UAE), Bahrain, Qatar, Jordan, Sri Lanka and Bangladesh; and 'Other Asia Pacific' includes: China, Malaysia, Indonesia, Brunei, Thailand, Taiwan, Vietnam and the Philippines.

Standard Chartered PLC

For the six months ended 30 June 2013

Summary of results

	6 months ended 30.06.13 $million	6 months ended 30.06.12[1] $million	6 months ended 31.12.12[1] $million
Results			
Operating income (excluding own credit adjustment of $237 million in H1 2013)	**9,751**	9,371	9,412
Impairment losses on loans and advances and other credit risk provisions	**(730)**	(575)	(621)
Goodwill impairment	**(1,000)**	–	–
Other impairment	**(11)**	(74)	(122)
Profit before goodwill impairment and own credit adjustment	**4,088**	3,936	2,915
Profit before taxation	**3,325**	3,936	2,915
Profit attributable to parent company shareholders	**2,181**	2,856	2,031
Profit attributable to ordinary shareholders[2]	**2,131**	2,806	1,980
Balance sheet			
Total assets	**649,957**	613,556	631,208
Total equity	**45,358**	42,934	46,055
Total capital base	**54,650**	48,311	52,688
Information per ordinary share	**Cents**	Cents	Cents
Earnings per share – normalised[3]	**121.9**	116.6	108.7
– basic	**88.1**	117.6	82.3
Dividend per share[4]	**28.80**	27.23	56.77
Net asset value per share	**1,814.7**	1,736.1	1,852.3
Tangible net asset value per share	**1,537.9**	1,414.1	1,519.9
Ratios			
Return on ordinary shareholders' equity – normalised basis[3]	**13.3%**	13.8%	12.4%
Cost to income ratio – normalised basis[3]	**51.4%**	52.1%	55.3%
Capital ratios			
Core Tier 1 capital	**11.4%**	11.6%	11.7%
Tier 1 capital	**13.0%**	13.4%	13.4%
Total capital	**16.9%**	16.9%	17.4%

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1 Amounts for prior periods have been restated as explained in note 32 on page 149
2 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity (see note 10 on page 110)
3 Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 11 on page 111
4 Represents the interim dividend per share declared for the six months ended 30 June 2013 and 30 June 2012 and the recommended final dividend per share for the six months ended 31 December 2012 (subsequently declared at the Annual General Meeting on 8 May 2013 and recognised in these financial statements)

Profit before taxation, goodwill and own credit adjustment

+4%

$4.09 billion

Interim dividend

28.80 cents

+6%

"Standard Chartered's business remains robust and there are still strong opportunities across our footprint. The external environment will remain challenging for the foreseeable future, but we are in the right markets and have the right strategy in place to deliver growth."

Our results for the first six months of 2013 demonstrate the diversity and resilience of our business:

- Profit before taxation, goodwill and own credit adjustment was up 4 per cent to $4.09 billion
- Reported profit before taxation was $3.33 billion
- Income excluding own credit adjustment was up 4 per cent to $9.75 billion, and up 5 per cent on a normalised basis
- Normalised earnings per share were up 5 per cent to 121.9 cents

The Board has declared an interim dividend of 28.80 cents per share, up 6 per cent.

Despite turbulence in the global economy and increased regulatory headwinds, we have continued to deliver value for our shareholders.

Standard Chartered's business remains robust and there are still strong opportunities across our footprint. The external environment will remain challenging for the foreseeable future, but we are in the right markets and have the right strategy in place to deliver growth. And, as ever, we keep the interests of our shareholders resolutely top of mind.

Public interest in the behaviour of banks remains high, as do expectations. As a bank with over 88,000 employees in 70 markets, we cannot afford to be complacent. We continue to review and enhance our compliance controls and processes, and remain firmly focused on our culture and values, ensuring that we live up to our brand promise, Here for good, at every level of our business. This means putting our clients and customers at the heart of what we do and making sure that we contribute to sustainable economic growth and job creation in our markets. And it means adhering to the spirit as well as the letter of regulations, learning from past failures and being committed to continuously raising the bar on compliance effectiveness.

There is no doubt that our markets will continue to grow and change dramatically. Technological, regulatory and social changes mean we will need to adapt and respond as our clients and customers navigate opportunities in our markets.

We remain focused on the basics of good banking: managing risk, maintaining a strong balance sheet, controlling costs and supporting our clients and customers as they drive economic activity. This continued focus will enable us to drive superior returns for our shareholders through the cycle, delivering on our four financial objectives over time. Banking is a long game and we will continue to invest for the future, because our markets offer exciting opportunities for growth.

Income in both businesses accelerated in the second quarter, we have entered the second half of the year with good momentum and we remain confident for the long term. I would like to thank the Board, the management team and the Group's employees for another good performance.

Sir John Peace
Chairman
6 August 2013

"Once again we have demonstrated the resilience of Standard Chartered … There is no doubt that being spread across such diverse markets is a source of strength for us … We have kept focused and continued to make progress against our strategic aspirations."

Our performance so far this year has been resilient, with good underlying momentum somewhat masked by some big one-off items and weakness in own account income. Headline profit has been hit by the write-down of goodwill in respect of our Korean business, offset in part by own credit adjustment. Excluding these factors, income is up and profits are up. Costs are well controlled, without compromising investment. Credit quality remains good, notwithstanding the increase in Consumer Banking loan impairment, and the balance sheet is in excellent shape.

Despite the squeeze on margins and the fall in own account income, we have continued to grow income, with Consumer Banking income up 7 per cent and Wholesale Banking client income up 6 per cent. Volumes have grown even faster, particularly in our core Commercial Banking businesses, such as Trade Finance, up 18 per cent, Cash, up 13 per cent, or Cash Foreign Exchange, up 30 per cent. Whilst some of our businesses have been slowed by economic turbulence or regulatory or policy interventions, our diversity means we can take such challenges in our stride and still deliver growth.

The benefits of diversity are evident from our geographic performance. This year markets like Hong Kong, India and Africa delivered impressive growth, whilst Korea, Singapore and Other Asia Pacific faltered. However, looking back over the past decade, different markets have driven our growth in different periods.

At a time when market sentiment towards emerging markets seems remarkably correlated, it is worth remembering that these economies don't all rise and fall simultaneously. None are immune to global economic trends, but they don't all respond in the same way. This is partly because of differences in structure – such as whether they import or export energy or how open they are to international trade and investment flows – and partly due to local idiosyncratic factors.

There is no doubt that being spread across such diverse markets is a source of strength for us. It is one reason why we have been able to deliver growth in income and profits so consistently over the last decade and throughout the turbulence that has followed in the wake of the crisis. In the five years since August 2008 we have increased income by 40 per cent and our lending to clients and customers by 65 per cent.

Korea

Korea continues to be our most difficult market. The banking industry as a whole is having an extremely challenging time, given a slowing economy and the impact of multiple policy and regulatory interventions. Banking sector profits were down 48 per cent in the first half. For our part, in the first half we have faced a 5 per cent fall in income and a sharp rise in loan impairment, driven by the government-sponsored personal debt rehabilitation scheme.

The goodwill impairment we have taken reflects the marked shift in industry economics. When we acquired Korea First Bank in 2005, the return on equity in the banking industry was around 18 per cent. Now it is about 4 per cent.

We cannot escape the realities of the Korean context, but we are determined to improve productivity and return on capital, so we are further reducing costs, simplifying the operating structure and reinforcing the balance sheet. We are tightening our focus on core clients, which means exiting unprofitable relationships. We are reconfiguring the branch network, putting greater emphasis on digital and we are reviewing options for some non-core businesses, including potential sale.

This won't be a quick turnaround. Indeed, we expect that the second half will also be very difficult. But we are making good progress in strengthening the underlying dynamics of the business. For example, we continue to make excellent progress in working with Korean clients as they trade and invest across the rest of our footprint. Network income from Korea grew by 12 per cent in the first half, to almost $120 million. We now have dedicated

Korea desks covering 14 cities across ten countries, in places as diverse as Brazil and the UAE, and we see significant opportunities for further growth in network income.

Korea has proved to be a huge challenge, but it is also an opportunity. It is the twelfth largest economy in the world and the sixth largest exporter. We are working to reconfigure the business to improve efficiency and returns and play to our strengths. It is not a quick fix, but we are committed to doing what we have to do to make it work.

Singapore

Whilst Korea has been a challenge for some time, Singapore has been one of our strongest performing markets over recent years. Yet, in the first half income fell 3 per cent, whilst profits fell 12 per cent. The decline in income is a result of three factors: a sharp reduction in own account income, largely in asset and liability management (ALM); pressure on Wholesale Banking margins, particularly Trade Finance; and a slowdown in Consumer Banking, again mainly due to weaker margins on both sides of the balance sheet.

Credit quality is good and costs have been well controlled, despite significant investment in preparing for the subsidiarisation of the Consumer Banking business, which will take place in the fourth quarter, and in migrating to a new core banking platform, which we did successfully in June.

With second quarter volumes up significantly on the first quarter and some signs of margins stabilising, we anticipate a stronger second half.

Other Asia Pacific

The rest of ASEAN forms part of Other Asia Pacific for reporting purposes. We have provided more detail on the countries within Other Asia Pacific in these results and intend to regroup them into ASEAN and Greater China regions for the full year and thereafter.

The two biggest markets, Indonesia and Malaysia, saw declines in income and profits. In Malaysia this was driven by the non-repeat of private equity gains and loan sales. In Indonesia it was due to margin pressures and weak own account income, after a very strong performance in the first half last year.

Taiwan and China, which together with Hong Kong make up Greater China, also contributed to the decline in Other Asia Pacific income and profit. In Taiwan flat income and an increase in impairment drove a 25 per cent reduction in first half profit. Various regulatory constraints have impeded growth, but we are reshaping both businesses and anticipate a modest pickup in the second half.

In mainland China, weak ALM income and significant margin compression contributed to a 9 per cent fall in onshore income. On the other hand, profit from our investment in Bohai Bank increased by 78 per cent to $73 million. Overall profit fell by 8 per cent.

We are actively managing the risks as China adjusts to a different pace and pattern of growth. There are significant stresses in the economy and financial system, but the strength of the underlying drivers of growth in China should not be overlooked. Moreover, the new government is determined to squeeze out excesses and get the economy onto a more sustainable growth path driven more by domestic consumption than investment and exports.

There will be bumps and we are therefore being very thoughtful about the shape of our business and the structure of our balance sheet. Despite the evident stresses in the system, we are very comfortable with the quality of the book. In Wholesale Banking the loan book is trade-focused, short tenor and weighted to high quality clients. We have no exposure to local government investment vehicles and municipalities.

In addition to the business we book onshore, China is also a major source of network income, generating some $350 million in the first half. Much of the network income originating from mainland China and Taiwan ended up in Hong Kong, our biggest market, where it helped to drive an excellent performance.

In Hong Kong income was up 14 per cent and we delivered profits of just over $1 billion, up 19 per cent, with a range of businesses delivering a strong performance.

Our renminbi business continues to grow, despite pressure on margins. And the regulatory changes made in July to further liberalise cross-border treasury and trade flows will create more opportunities.

As business and finance across Hong Kong, Taiwan and mainland China gets ever more integrated, it makes sense to consider our three businesses as parts of an overall Greater China region. Indeed, our ability to make the interconnections is really important to clients. One example is Hutchison Whampoa, a client for over three decades which we serve across 12 countries, including all of Greater China.

India

As an economy, India has had a relatively tough couple of years, with falling GDP growth and a decline in the rupee. As the market began to slow, we took action to reshape the business, adjusting our risk profile and priorities. We are now starting to see the benefits, with Wholesale Banking income up 20 per cent and Consumer Banking income up 10 per cent, despite a 6 per cent foreign exchange drag.

Loan impairment is up slightly year on year, but our portfolio is well diversified, well collateralised and short in tenor. Moreover, network income from India continues to grow strongly, up 37 per cent. This includes clients such as Apollo Tyres, which is investing in the US, or telecoms operator Bharti Group, with widespread operations across Africa.

We expect the macro environment in India to remain somewhat challenging and uncertain, but, despite this, both businesses have very good momentum as we begin the second half.

Africa

In Africa we have also had a strong start to the year, with income up 16 per cent and profits up 10 per cent. Our Africa business has multiple, diverse engines of growth: seven markets delivered income of over $50 million in the first half and nine markets achieved double-digit income growth.

We are using our network to facilitate trade and investment flows between Africa and the rest of the world. We are also making use of our sector expertise to help develop Africa's infrastructure. For example, we are contributing $2 billion to finance power generation and distribution under President Obama's Power Africa initiative, which was launched in July.

We are investing across Africa, in people, systems and new branches. In the second half we will launch our new joint venture bank in Angola, giving us an onshore presence in sub-Saharan Africa's third largest economy for the first time. We also intend to open up in Mozambique.

Macro environment

Whilst growth in emerging markets has been slowing, in our footprint GDP growth rates are still substantially higher than in the major developed economies. In most of our markets demand for financial services is growing around twice as fast as GDP growth.

Furthermore, in most markets our share is relatively small, so we can grow with the market, and we can grow by taking share. We have demonstrated pretty consistently that we can gain share from competitors in our core businesses. For example, in Trade Finance, whilst global trade volumes have been pretty flat, we have achieved an 18 per cent increase year on year.

Enabling trade and investment

One of the things that differentiates us is our network. It is not just the fact that we are present in so many countries, and have been for a very long time, but the way we work across borders, collaborating to support our clients as they trade and invest within, from and into Asia, Africa and the Middle East. Globalisation has many critics, but it is an enormously powerful driver of human wellbeing, and we play a vital role in making it happen.

The patterns of world trade are constantly evolving, and we are well placed to support some of the fastest-growing corridors. One example is the India-Africa trade corridor, which has grown by a compound annual rate of 25 per cent since the beginning of this century. In June we took the chairmen and CEOs from our African subsidiaries to Delhi and Mumbai to meet Indian clients to discuss ways in which we can do even more to facilitate such trade.

With trade comes investment. A recent example from the India-Africa trade corridor is Godrej, an Indian conglomerate that is investing in fast-moving consumer goods businesses across Africa. We recently supported its acquisition of a Kenya-based hair care products business.

The old paradigm of investment and finance flowing from the West into the emerging markets no longer captures the complex reality. The US and Europe are still a huge source of investment in our footprint, and we work closely with many multinationals and financial institutions to facilitate these flows. But we are increasingly seeing massive South-South flows of investment. The new giants of modern globalisation are players like Samsung, which we bank across 27 countries, or Tata, which we bank across 19 countries.

Operations efficiency

For most banks the vast majority of cross-border business is between their home country and their international network. More than any other bank, we are multi-nodal, facilitating trade and investment across multiple corridors across our network.

Doing this well requires continuous investment in our technology platforms. This offers clients more functionality and flexibility and increases our efficiency and resilience.

We were a pioneer in cross-border hubbing and have invested heavily in implementing globally standardised technology platforms. For example, unlike most banks we run all our Trade Finance on a single platform and we are implementing a similar global platform for security services. This enables us to deliver continuous improvement in productivity. For example, in the first half, unit costs in Trade fell by 7 per cent and in Security Services by 3 per cent, and we held headcount almost flat, despite volumes in both businesses increasing significantly.

Achieving continuous improvements in efficiency is how we create the headroom to keep on investing for growth. At a time when the costs of complying with ever more demanding regulations keep on going up, and when margins are under pressure in many of our businesses, it has never been more important and it remains a key component of our strategy.

Technology-driven innovation

Technology-driven innovation can be about reducing costs, but it is also about how we interact with our clients and customers and about the power we put in their hands. For example, we continue to roll out Breeze, our innovative consumer banking platform, to different markets. With an intuitive interface and rich functionality, Breeze has won multiple awards, and, more importantly, is really liked by customers.

We have increased the number of digital customers by 11 per cent since the year end to almost three million, and now have online services across 31 markets.

Big data offers great promise in banking. We can make better use of data to enhance risk management, offer better insights to our clients and tailor the products and services we offer them more effectively. Technology can also help us respond to the ever-increasing expectations from regulators and the public.

Here for good

The avalanche of regulation shows no sign of slowing, and the industry still faces an immense challenge in terms of rebuilding public trust. Strong rules are a vital part of the answer, but effective supervision and good governance are equally important and culture is the foundation.

We recognised the importance of culture some time ago and embedded our values into our performance management systems, so that people got rewarded for how they did things, not just for what they did. We launched Here for good, making explicit our commitment to make a positive contribution to the societies in which we live and work, and to always try to do the right thing.

We are not at all complacent. In an organisation of over 88,000 people, not everyone is going to be doing everything right all the time. So we keep on training, keep learning the lessons when things go wrong, and keep reinforcing the values. In the first half, all key operational staff – over 8,000 people – completed advanced sanctions training, and we are training all our employees on our new code of conduct. We have also stepped up spending on regulatory compliance, by almost $100 million in the first half, particularly in the area of financial crime. We will continue to commit substantial resources to uphold the highest standards of governance and conduct.

We believe that by staying true to our values, by focusing on meeting the needs of our clients and customers, and by running the Group well, we can maximise our contribution to the broader economy and society. That is what being Here for good is all about. It is also about taking a long-term perspective, supporting emerging economies in developing models for sustainable economic growth. We are working with the government of Myanmar to develop Myanmar's financial markets and infrastructure. We have worked with the Bank of Ghana on their National Payments Strategy and provided sovereign ratings advice to countries such as Vietnam, Bangladesh and Nigeria. These are tangible examples of the depth of our commitment to our markets.

Strategy

Once again we have demonstrated the resilience of Standard Chartered. There has been no shortage of challenges over the past six months, but we have kept focused and continued to make progress against our strategic aspirations.

In June we held our annual strategy board in Ghana, which confirmed our commitment to the fundamentals tenets of our strategy: our focus on Asia, Africa and the Middle East; our commitment to building deep, longstanding relationships with our clients and customers; and our commitment to being Here for good. However, whilst our strategy remains unchanged, we have to keep adapting to and anticipating changes in the world around us. Every year brings different challenges, so our priorities evolve, and we have to have the resilience and flexibility to navigate the unexpected.

Outlook

As we consider the outlook for the full year, it is important to bear in mind the growing turbulence and uncertainty in the global economy, whether it be the re-emergence of troubles in the eurozone, the market reaction to the prospect of Federal Reserve tapering, or quantitative easing in Japan. Regulation continues to add complexity, uncertainty and not inconsiderable cost. But the world is also seeing renewed growth prospects in the US, and Asia excluding Japan is expected to show GDP growth of over 6 per cent – a combination that underpins our growth.

We enter the second half with good momentum, high volume growth and excellent client activity levels. We have a robust balance sheet, strong capital and ample liquidity to serve our clients as they achieve their growth aspirations. We are managing business-as-usual costs tightly, whilst continuing to invest selectively, and will target costs growing broadly in line with income for the full year.

Whilst we are clearly not tracking to a double-digit income performance for 2013 – and will not compromise our standards to achieve this – we are still expecting to grow our business at a good rate this year, and remain confident in the potential of our strategy and in the growth of our markets.

The income performance of Consumer Banking has been good, with tight expense control, though loan impairment is higher as a result of past asset growth. And volumes and transaction pipelines in Wholesale Banking remain excellent, supporting strong momentum in client income. Our franchise is in excellent shape, and we therefore enter the second half with confidence.

Our resilient performance is a credit to our staff. I would like to thank the people of Standard Chartered for their commitment, professionalism and teamwork.

Peter Sands
Group Chief Executive
6 August 2013

The following financial review reflects the restatement of prior period amounts to equity account rather than proportionately consolidate PT Permata Bank Tbk, our joint venture business in Indonesia, following the adoption by the Group of IFRS 11 from 1 January 2013 (see page 146 for further details).

Group summary

The Group has delivered a resilient performance for the six months ended 30 June 2013 (H1 2013) against a backdrop of ongoing turbulence in the global economy.

Income continues to be well diversified across businesses, markets and products. 17 markets generated double digit income growth compared to the first half of 2012 and Hong Kong became the first market to deliver over $1 billion of profit before tax in a six-month period.

Operating income, excluding $237 million of fair value gains relating to an own credit adjustment (OCA) following the adoption by the Group of IFRS 13 (see page 98 for further details), increased by $380 million, or 4 per cent, to $9,751 million.

Profit before taxation, excluding OCA and the impact of a $1 billion impairment charge relating to our Korea business (see page 139 for further details), was up 4 per cent compared to the six months ended 30 June 2012 (H1 2012) at $4,088 million.

Profit before taxation on a reported basis fell 16 per cent to $3,325 million.

The commentary below and thereafter in this financial review excludes the impact of OCA to better reflect the underlying performance of the Group.

Consumer Banking (CB) income increased 7 per cent to $3,683 million and operating profit fell 6 per cent to $858 million.

Wholesale Banking (WB) income increased 2 per cent to $6,068 million and operating profit rose 7 per cent to $3,230 million.

The normalised cost to income ratio was lower at 51.4 per cent compared to 52.1 per cent in H1 2012. Costs remain tightly controlled and grew broadly in line with income as we phased investment spend across both businesses.

Normalised earnings per share grew 5 per cent to 121.9 cents. While normalised return on shareholders' equity of 13.3 per cent was lower than the prior year period, it was higher than that for the six months ended 31 December 2012 (H2 2012). Further details of basic and diluted earnings per share are provided in note 11 on pages 110 and 111.

In accordance with accounting requirements, the cost of the UK bank levy is charged in the second half of the year. Note 5 on page 108 provides further details of the UK bank levy together with the impact, on a pro-forma basis, if the levy had been recognised in these financial statements.

Asset quality in both businesses remains resilient, albeit with a few areas of localised pressure in CB. 72 per cent of the CB loan book is fully secured and 65 per cent of WB customer loans have a tenor of less than one year. CB loan impairment increased driven by the seasoning effects of growth in the unsecured book, lower levels of debt sales and increased levels of provisioning in Korea relating to the Personal Debt Rehabilitation Scheme (PDRS).

The Group's balance sheet remains very strong and resilient - well diversified, conservative and with limited exposure to problem asset classes – and we continue to focus on the basics of banking. We have no direct sovereign exposure to Cyprus, Greece, Ireland, Italy, Portugal or Spain and our direct sovereign exposure to the remainder of the eurozone is immaterial. Further details of our exposure to the eurozone is set out on pages 64 to 70.

The Group remains highly liquid and our advances-to-deposits ratio remained strong at 76.6 per cent, and up from 73.9 per cent at the year end. Following strong growth in H2 2012, deposit balances are moderated slightly during the period as good growth in Americas, UK & Europe and Hong Kong was offset by lower balances in Korea and in the Other Asia Pacific Region (Other APR). The Group maintains a conservative funding structure with only limited levels of refinancing required over the next few years and we continue to be a significant net lender to the interbank market.

The Group remains strongly capitalised and generated good levels of organic equity during the period. The Core Tier 1 ratio at 30 June 2013 was 11.4 per cent, slightly down from 11.6 per cent at the year end primarily due to the timing of dividend payments and growth in risk-weighted assets.

We remain focused on the disciplined execution of our strategy, staying true to the basics of banking and funding before lending. We continue to be well positioned not only for the opportunities that we see across our footprint in Asia, Africa and the Middle East but also for our continued ability to act as a bridge connecting these markets with the West.

Operating income and profit

	6 months ended 30.06.13 $million	OCA/ Goodwill impairment $million	Excluding OCA/ Goodwill impairment $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million	H1 2013 vs H1 2012 Better / (worse) %	H1 2013 vs H2 2012 Better / (worse) %
Net interest income	5,598	-	5,598	5,374	5,407	4	4
Fees and commissions income, net	2,095	-	2,095	1,953	2,126	7	(1)
Net trading income	1,685	237	1,448	1,560	1,179	(7)	23
Other operating income	610	-	610	484	700	26	(13)
Non-interest income	4,390	237	4,153	3,997	4,005	4	4
Operating income	9,988	237	9,751	9,371	9,412	4	4
Operating expenses	(5,034)	-	(5,034)	(4,879)	(5,843)	(3)	14
Operating profit before impairment losses and taxation	4,954	237	4,717	4,492	3,569	5	32
Impairment losses on loans and advances and other credit risk provisions	(730)	-	(730)	(575)	(621)	(27)	(18)
Goodwill impairment	(1,000)	(1,000)	-	-	-	-	-
Other impairment	(11)	-	(11)	(74)	(122)	85	91
Profit from associates and joint ventures	112	-	112	93	89	20	26
Profit before taxation	3,325	(763)	4,088	3,936	2,915	4	40

Group performance

Operating income grew $380 million to $9,751 million, up 4 per cent over H1 2012. On a normalised basis, operating income grew 5 per cent over H1 2012 (note 11 on page 111). The Group's income streams continued to be well diversified, by product and geography.

CB income was 7 per cent higher at $3,683 million. The benefit from good volume growth in H2 2012 in Credit Cards and Personal Loans (CCPL), Current and Savings Accounts (CASA) and in the SME customer segment, together with improved mortgage margins and fees and a higher contribution from Wealth Management, was partly offset by margin compression in unsecured products and in CASA and Time Deposits.

WB income was 2 per cent higher than H1 2012 at $6,068 million and client income was up 6 per cent. High levels of client activity drove strong volume growth across our businesses. This was partially offset by market-wide margin and spread compression which particularly impacted our Commercial Banking business. Own account income fell 15 per cent, with lower valuation gains in Principal Finance and Asset and Liability Management (ALM) impacted by lower reinvestment yields

Net interest income grew by $224 million, or 4 per cent, to $5,598 million. The Group net interest margin declined to 2.2 per cent against H1 2012, but was flat compared to H2 2012. In CB, unsecured balances were lower against H2 2012 with muted growth in H1 2013 as we selectively tightened underwriting criteria in some markets. However on a year-on-year basis, higher volumes more than compensated for the fall in margins on unsecured assets. WB interest income benefitted from higher levels of client activity across most products, offsetting margin compression in Transaction Banking driven by excess market-wide liquidity and increased competition.

Non-interest income was up by $156 million, or 4 per cent, to $4,153 million and comprises net fees and commissions, trading and other operating income.

Net fees and commissions income rose by $142 million, or 7 per cent, to $2,095 million. Fees in CB benefitted from income earned on higher volumes of Wealth Management products sold together with fees earned in respect of the Korea Mortgage Purchase Program (MPP). In WB fees were down reflecting fewer large value transactions.

Net trading income fell by 7 per cent to $1,448 million as strong growth in FX and Rates was offset by lower valuations in Principal Finance.

Other operating income grew by $126 million, or 26 per cent, to $610 million, on the back of: higher gains from realisations out of the available-for-sale investment securities portfolio, up $40 million; increased dividend income, up $28 million; and increased income from aircraft and shipping operating lease assets, up $73 million. This was partly offset by lower levels of property disposals, down $58 million.

Operating expenses increased $155 million, or 3 per cent, to $5,034 million. Expenses for H1 2013 benefitted from $36 million of provision recoveries while H2 2012 included $667 million relating to the settlements with the US authorities, $86 million in respect of a legacy commercial legal provision and $174 million in respect of the UK bank levy. Excluding these items, operating expenses were 4 per cent higher than H1 2012 and 3 per cent higher than H2 2012. During H1 2013 we continued to make targeted investments in both businesses, with investments in branches and mobile technology in CB and capability enhancements in WB. Reflecting continued investment, depreciation from our transport leasing business increased $34 million against H1 2012. Expenses were also impacted by higher regulatory and compliance costs. Staff costs rose by 3 per cent, as the impact of inflationary pressures was partly offset by lower levels of variable compensation.

Pre-provision profit improved $225 million, or 5 per cent, to $4,717 million.

Loan impairment increased by $155 million, or 27 per cent, at $730 million. CB loan impairment increased by $216 million, or 74 per cent, reflecting the seasoning impact of growth in unsecured lending, together with higher provisioning in Korea relating to PDRS and lower levels of portfolio sales.

WB impairment fell by $61 million, as H1 2012 was impacted by provisions taken on a very small number of large exposures in India and the UAE. Although asset quality across both businesses remains good, we continue to closely monitor our portfolios for stress, reflecting our proactive approach to risk.

Other impairment increased by $937 million to $1,011 million, $1 billion of which relates to a goodwill impairment charge against our Korean business. Excluding this, other impairment fell 85 per cent reflecting lower write-downs within Private Equity.

Profit from associates and joint ventures grew $19 million to $112 million as China Bohai Bank continues to perform strongly.

Profit before taxation excluding goodwill impairment rose $152 million, or 4 per cent, to $4,088 million. WB increased operating profit by 7 per cent while CB operating profit fell 6 per cent.

The Group's effective tax rate (ETR) at 32.8 per cent is higher compared to H1 2012 as a result of the impact of goodwill impairment, partially offset by a decrease in non-deductible expenses.

Consumer Banking

The following tables provide an analysis of operating profit by geography for Consumer Banking:

6 months ended 30.06.13	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Consumer Banking Total $million
Operating income	**780**	**493**	**573**	**841**	**245**	**408**	**257**	**86**	**3,683**
Operating expenses	**(394)**	**(291)**	**(403)**	**(600)**	**(159)**	**(256)**	**(165)**	**(72)**	**(2,340)**
Loan impairment	**(65)**	**(39)**	**(176)**	**(163)**	**(15)**	**(27)**	**(11)**	**(10)**	**(506)**
Other impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit from associates and joint ventures	**-**	**-**	**-**	**21**	**-**	**-**	**-**	**-**	**21**
Operating profit/(loss)	**321**	**163**	**(6)**	**99**	**71**	**125**	**81**	**4**	**858**

6 months ended 30.06.12	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Consumer Banking Total $million
Operating income	674	479	588	760	223	371	235	99	3,429
Operating expenses	(374)	(268)	(392)	(575)	(164)	(247)	(148)	(78)	(2,246)
Loan impairment	(46)	(23)	(96)	(83)	(11)	(21)	(9)	(1)	(290)
Other impairment	-	-	-	(1)	-	-	-	(8)	(9)
Profit from associates and joint ventures	-	-	-	24	-	-	-	-	24
Operating profit	254	188	100	125	48	103	78	12	908

6 months ended 31.12.12	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Consumer Banking Total $million
Operating income	736	495	595	836	217	382	247	84	3,592
Operating expenses	(397)	(285)	(403)	(634)	(154)	(246)	(158)	(73)	(2,350)
Loan impairment	(49)	(39)	(127)	(103)	(16)	(30)	(11)	(9)	(384)
Other impairment	-	-	(1)	(35)	-	-	-	-	(36)
Profit from associates and joint ventures	-	-	-	19	-	-	-	-	19
Operating profit	290	171	64	83	47	106	78	2	841

An analysis of Consumer Banking income by product is set out below:

Operating income by product	**6 months ended 30.06.13 $million**	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Cards, Personal Loans and Unsecured Lending	**1,411**	1,278	1,390
Wealth Management	**686**	636	632
Deposits	**714**	765	761
Mortgages and Auto Finance	**727**	614	684
Other	**145**	136	125
Total operating income	**3,683**	3,429	3,592

Operating income in CB increased $254 million, or 7 per cent, to $3,683 million. H1 2012 included a property gain of $39 million and excluding this income increased 9 per cent.

Income in CB remains diverse, with all major markets growing income except Korea and Americas, UK & Europe.

Net interest income increased by $162 million, or 7 per cent, to $2,486 million, as higher asset and liability volumes offset the impact of margin compression in unsecured and liability products. Mortgage margins improved due to higher pricing in a number of markets and changes to internal funding cost although volumes continued to be affected by property market cooling measures and regulatory restrictions in several of our markets as well as continued transfers under the Korea MPP.

CCPL margins tightened, down 28 basis points (bps), reflecting regulatory and competitive pressures although volumes saw good growth in H2 2012. On the liability side, while there was good growth in CASA volumes in Singapore and Hong Kong, deposit margins overall continue to be under pressure, with CASA down 21 bps reflecting the low interest rate environment across our markets. The proportion of customer deposits held as CASA remained broadly stable compared to H2 2012 at 59 per cent.

Non-interest income at $1,197 million was $92 million, or 8 per cent higher. Excluding the property gain of $39 million in H1 2012, non-interest income increased 12 per cent primarily driven by growth in Wealth Management from increased sales of equity-linked products together with fees received from the Korea MPP.

Expenses were up $94 million, or 4 per cent, at $2,340 million. Expenses continue to be tightly managed and the increase compared to H1 2012 reflects continued investment in infrastructure, front-line technology and systems.

Loan impairment increased by $216 million, or 74 per cent, at $506 million. Around 20 per cent of this increase, or $39 million, reflects lower levels of debt sales in the current period. The remainder of the increase reflects the seasoning impact of growth in the unsecured portfolio, pockets of pressure in Other APR and higher levels of provisioning relating to an acceleration of filings under the PDRS in Korea. During the second half of 2012 and in the first quarter of 2013 we undertook a number of de-risking actions in Korea and other select markets to tighten our credit policy for new unsecured lending.

Operating profit fell by $50 million, or 6 per cent, to $858 million, with a strong performance by Hong Kong and India offset by the impairment headwinds experienced in Korea and in Other APR.

Product performance

Income from CCPL grew $133 million, or 10 per cent, to $1,411 million. Higher volumes more than offset the impact of lower margins in Credit Cards, although balances fell against H2 2012. Margins were impacted by a change in product mix to lower margin products and also due to regulatory reforms in Hong Kong. Personal Loan margins remained flat although improved compared to the second half of 2012.

Wealth Management income grew by 8 per cent to $686 million. Income growth was broad based as investor sentiment in a number of our markets improved. Equity-linked products accounted for almost all of the growth, although this segment represents just over a third of Wealth Management income. Income from non-equity linked products was broadly flat, as good growth from insurance products was offset by lower foreign exchange revenues.

Deposits income fell by 7 per cent to $714 million. Although we saw good volume growth in CASA balances compared to H1 2012, CASA balances were broadly flat compared to H2 2012 while Time Deposits reduced, partly as a result of exchange rate translation. Margins for both CASA and Time Deposits continued to be under pressure, as the overall interest rate environment across our markets remained low and competition intensified.

Mortgages and Auto Finance income grew by $113 million, or 18 per cent, to $727 million. This was largely driven by improved margins, up 16bps, as a result of re-pricing in Hong Kong and changes to internal funding costs although intensifying competition compressed margins in Singapore and the UAE. Regulatory constraints in a number of markets, including Taiwan and Korea, continued to impact mortgage volumes as well as transfers under the Korea MPP. The impact of this was partly offset by an increase in fees received from our participation in the Korea MPP.

Other income primarily includes SME related trade and other transactional income and grew 7 per cent to $145 million.

Geographic performance

Hong Kong

Income was up $106 million, or 16 per cent, to $780 million. Income from Mortgages grew strongly and benefitted from good growth in asset balances as we increased market share coupled with improved margins with a continued focus on originating new business in higher margin Prime rate based products. Wealth Management also delivered good growth, with higher levels of unit trust sales as market sentiment improved. CCPL income grew more slowly as margins continued to narrow during the period and regulatory reforms also impacted Credit Card income. Deposits income was slightly higher as the benefit of good volume growth in CASA in H2 2012 was partially offset by lower margins. We continued to see good growth in RMB deposits, with balances up strongly compared to H1 2012.

Operating expenses were higher by $20 million, or 5 per cent, primarily due to the flow-through impact of prior period investments in the branch network and in front line technology.

Pre-provision profit was up $86 million, or 29 per cent, to $386 million. Loan impairment was $19 million higher at $65 million, reflecting the seasoning impact of growth in unsecured lending together with lower recoveries. During the first half of 2013 we tightened underwriting criteria on unsecured products for selected higher risk customer segments.

Operating profit rose $67 million, or 26 per cent, to $321 million.

Singapore

Income was up $14 million, or 3 per cent, to $493 million in tough market conditions. Although Credit Card volumes saw good momentum, CCPL income rose slightly as the pace of growth was impacted by the run-off of higher margin portfolios. Wealth Management benefitted from good growth across major product lines, with unit trust products performing particularly well. Margin compression continued to impact the Mortgages business and income fell compared to H1 2012 despite good growth in balances. Deposits income, however, grew strongly on the back of increased levels of CASA balances although Time Deposit margins narrowed slightly due to increased competition for liquidity.

Operating expenses increased $23 million, or 9 per cent, to $291 million primarily from flow through and current period investments in technology and branches, while staff costs remained flat.

Pre-provision profit fell by $9 million to $202 million. Loan impairment increased $16 million to $39 million due to the maturing of the unsecured portfolio.

Operating profit fell by $25 million, or 13 per cent, to $163 million.

Korea

Income fell $15 million, or 3 per cent, to $573 million. On a constant currency basis, income fell 6 per cent. H1 2012 benefitted from a property gain and excluding this income grew 4 per cent on a headline basis. CCPL income increased on the back of improved margins although balances declined in H1 2013 against H2 2012 due to a tightening of underwriting criteria during the period. Mortgages continued to be impacted by regulatory headwinds and income fell as outstandings reduced although margins saw a slight improvement. We continued to originate and transfer fixed rate mortgages under the MPP in the first half of 2013, however the program is due to end in the third quarter of the year with the final transfer of the residual balance. Income from SMEs fell due to margin compression and increased competition from local banks. Deposits income was also lower, impacted by severe margin compression as a result of the falling interest rate environment. Wealth Management income grew slightly, as good growth in fund sales was partly offset by lower insurance income.

Operating expenses rose $11 million, or 3 per cent, to $403 million. On a constant currency basis expenses fell 1 per cent. Expenses remained tightly managed with growth reflecting inflation related salary increases.

Pre-provision profit was lower by $26 million at $170 million. Loan impairment was up $80 million, or 83 per cent, to $176 million due a market-wide acceleration in the number of filings under the PDRS. During H2 2012 and H1 2013 we have undertaken a number of de-risking actions to tighten underwriting criteria for unsecured products.

Operating profit fell $106 million to a loss of $6 million.

Other Asia Pacific (Other APR)

Income was up $81 million, or 11 per cent, to $841 million with growth spread across the region.

Income in China increased by 23 per cent to $166 million, reflecting continued growth in Personal Loan and Mortgage income, improved Mortgage margins, and strong Wealth Management income from increased unit trust sales. This was partially offset by lower Deposits income as margins were compressed. Income from SMEs also fell as margins were compressed across key deposit products.

Income in Taiwan grew 3 per cent to $211 million with a strong double digit growth in Wealth Management as market sentiment improved. Deposits income also grew as Time Deposit margins improved reflecting a change in product mix. This was partly offset by lower Mortgages income as regulatory restrictions impacted balance sheet growth. CCPL income was also impacted by regulatory caps on Personal Loans and income was flat compared to H1 2012 despite higher margins.

Income in Malaysia increased 13 per cent due to increased income from Personal Loans as margins improved. Indonesia income grew 6 per cent, or 12 per cent on a constant currency basis, as improved Wealth Management and Deposits income was partly offset by slightly lower CCPL income.

Operating expenses were up $25 million, or 4 per cent, to $600 million. Expenses in China were tightly controlled and rose by 9 per cent to $200 million as we continued to invest in new branch outlets, adding 14 since H1 2012.

Pre-provision profit was up $56 million, or 30 per cent, to $241 million. Loan impairment was up by $80 million, or 96 per cent, to $163 million, reflecting portfolio growth and mix change, a lower level of loan portfolio sales, higher bankruptcy levels in Taiwan and increased levels of provisioning in Thailand relating to a specific segment for which sales have been discontinued.

Other APR delivered an operating profit of $99 million, down 21 per cent from H1 2012, with Taiwan and Thailand being the most significant contributors to the decline. The operating loss in China decreased to $42 million from $56 million in H1 2012.

India

Income rose $22 million, or 10 per cent, to $245 million. On a constant currency basis, income increased by 16 per cent. Mortgage income was up due to higher margins and benefitted from the portfolio acquisitions in 2012. CCPL also benefitted from higher volumes on the back of portfolio acquisitions and improved margins. This benefit was partly offset by lower Deposits income as margins were impacted by the low interest rate environment. Wealth Management income fell slightly due to weak local market sentiment. Income from SMEs grew strongly on the back of wider margins and increased volumes on a constant currency basis.

Operating expenses were $5 million, or 3 per cent, lower at $159 million. On a constant currency basis, expenses increased by 2 per cent, reflecting increased investment in technology.

Pre-provision profit was up $27 million, or 46 per cent, to $86 million. Loan impairment was marginally higher by $4 million at $15 million due to volume growth from acquired unsecured portfolios.

Operating profit was higher by $23 million, or 48 per cent, to $71 million. On a constant currency basis, operating profit was 56 per cent higher.

Middle East and Other South Asia (MESA)

Income was up $37 million, or 10 per cent, to $408 million.

Income in the UAE increased by 17 per cent with growth in CCPL reflecting good momentum in payroll-linked Personal Loan products. Mortgages income rose as volumes increased on the back of an improving property market while Deposits income was slightly lower as margins narrowed. Income from Islamic banking continued to grow strongly in the UAE. Income in Pakistan fell 9 per cent reflecting sharp margin compression following interest rate cuts. Bangladesh income grew 28 per cent, driven by higher Deposit income reflecting both improved margins and strong volumes.

Operating expenses in MESA were higher by $9 million, or 4 per cent, at $256 million. While UAE expenses were up 9 per cent, reflecting flow through of prior period investments in front line sales capacity, expenses in most other markets were well controlled reflecting tight cost discipline across the region.

Pre-provision profit for MESA was up $28 million, or 23 per cent, to $152 million. Loan impairment increased to $27 million, up $6 million compared to H1 2012 as the prior period benefitted from provision releases in the UAE.

MESA operating profit increased 21 per cent, up $22 million to $125 million.

Africa

Income was up $22 million, or 9 per cent, at $257 million. On a constant currency basis, income was up 14 per cent. Income from CCPL grew strongly on the back of increased volumes, and increased CASA balances helped offset lower Time Deposit margins. Wealth Management income fell as growth was constrained by regulatory pricing changes. Income from SMEs grew on the back of good asset and liability growth.

Kenya continues to be the largest CB income generator in the region and income grew 4 per cent. The pace of growth slowed compared to prior periods as strong growth in CCPL was partly offset by lower Deposit margins. Ghana and Zambia grew income at 32 per cent and 22 per cent respectively. Income growth in Ghana was driven by higher Deposit and SME income, partly offset by lower income from CCPL. Zambia saw good growth in both CCPL and Deposit income. Income in Nigeria was up 9 per cent and benefitted from good growth in CCPL and Wealth Management income, partly offset by lower Deposits income as margins compressed. Income in Botswana, however, was flat compared to H1 2012.

Operating expenses were $17 million, or 11 per cent, higher at $165 million. On a constant currency basis, expenses were 16 per cent higher, as we continued to build out the distribution network across the region in line with our strategy.

Pre-provision profit in Africa was higher by $5 million at $92 million. Loan impairment was up $2 million to $11 million.

Operating profit was up $3 million, or 4 per cent to $81 million. On a constant currency basis, operating profit increased 8 per cent.

Americas, UK & Europe

The business in this region is primarily Private Banking in nature and focuses on delivering our product suite to international customers from across our network. Income fell $13 million, or 13 per cent to $86 million. Wealth Management income fell following the sale of our Private Banking operations in Miami and Deposits income was lower as margins were compressed. This was partly offset by increased income from Mortgages.

Operating expenses fell $6 million, or 8 per cent, to $72 million as we continued to tightly manage costs. Impairment was higher by $9 million at $10 million. Operating profit fell by $8 million to $4 million.

Wholesale Banking

The following tables provide an analysis of operating profit by geography for Wholesale Banking:

	6 months ended 30.06.13								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe	Wholesale Banking Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Operating income[1]	1,149	630	325	890	682	735	596	1,061	6,068
Operating expenses	(432)	(323)	(146)	(449)	(205)	(298)	(256)	(585)	(2,694)
Loan impairment	(5)	-	(17)	(27)	(98)	(11)	(64)	(2)	(224)
Other impairment	(2)	10	(19)	(1)	-	-	-	1	(11)
Profit from associates and joint ventures	-	-	-	90	-	-	-	1	91
Operating profit[1]	710	317	143	503	379	426	276	476	3,230

1 Operating income and operating profit excludes Own credit adjustment of $237 million

	6 months ended 30.06.12								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe	Wholesale Banking Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Operating income	1,014	683	362	1,072	567	754	500	990	5,942
Operating expenses	(392)	(320)	(138)	(477)	(219)	(312)	(251)	(524)	(2,633)
Loan impairment	2	(3)	(21)	(21)	(94)	(141)	(2)	(5)	(285)
Other impairment	(8)	(2)	-	(29)	9	(26)	-	(9)	(65)
Profit from associates and joint ventures	-	-	-	69	-	-	-	-	69
Operating profit	616	358	203	614	263	275	247	452	3,028

	6 months ended 31.12.12								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe	Wholesale Banking Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Operating income	924	546	307	1,004	578	727	611	1,033	5,730
Operating expenses	(409)	(296)	(148)	(572)	(216)	(295)	(227)	(1,156)	(3,319)
Loan impairment	(16)	(1)	(5)	(14)	(44)	(124)	(16)	(17)	(237)
Other impairment	1	-	(7)	(92)	-	(6)	-	18	(86)
Profit from associates and joint ventures	-	-	-	69	-	-	-	1	70
Operating profit/(loss)	500	249	147	395	318	302	368	(121)	2,158

Income by product is set out below:

Operating income by product	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Lending and Portfolio Management	**400**	421	416
Transaction Banking			
Trade	**932**	945	970
Cash Management and Custody	**814**	880	841
	1,746	1,825	1,811
Global Markets[1]			
Financial Markets [2]	**2,107**	1,989	1,668
Asset and Liability Management (ALM)	**410**	484	353
Corporate Finance	**1,238**	991	1,231
Principal Finance	**167**	232	251
	3,922	3,696	3,503
Total operating income	**6,068**	5,942	5,730

Financial Markets operating income by desk	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Foreign Exchange	**835**	739	538
Rates	**552**	539	426
Commodities and Equities	**288**	277	244
Capital Markets	**283**	290	301
Credit and Other[2]	**149**	144	159
Total Financial Markets operating income	**2,107**	1,989	1,668

1 Global Markets comprises the following businesses: Financial Markets (foreign exchange, interest rate and other derivatives, commodities and equities, debt capital markets, syndications); ALM; Corporate Finance (corporate advisory, structured trade finance, structured finance and project and export finance); and Principal Finance (corporate private equity, mezzanine, real estate infrastructure and alternative investments)

2 Excludes $237 million in respect of Own credit adjustment

WB continued to be disciplined in the execution of its strategy, delivering robust results in a challenging market environment. Operating income grew $126 million, or 2 per cent, to $6,068 million. Operating profit rose $202 million, or 7 per cent, to $3,230 million.

Client income, which constituted over 80 per cent of WB income in the first half of the year, increased by 6 per cent with Hong Kong becoming the first country to deliver over $1 billion of client income in a half year period. Own account income fell 15 per cent.

The diversity of WB was again demonstrated, with strength in Corporate Finance and Financial Markets more than offsetting the impact of margin compression in Transaction Banking. We continue to be a market leader in the RMB market, maintaining our position as the largest foreign RMB clearing bank in China and the second largest bank in Hong Kong for RMB bond issuance. During the first half of 2013, we were named 'Best Renminbi Trade Settlement Bank' and 'Best Dim Sum Bond House' at The Asset Triple A awards and undertook a number of groundbreaking transactions for our clients, including the first ever CNH HIBOR fixing interest rate swap transaction with a Hong Kong-based corporate client and the first offshore CNY bond listed, cleared and settled in Singapore.

Net interest income was up $62 million, or 2 per cent, to $3,112 million as good levels of client activity in Trade and Cash Management (Cash), and Corporate Finance drove increased balances. This was partially offset by margin compression as excess liquidity across a number of our footprint markets created intense levels of competition.

Non-interest income increased by $50 million, or 2 per cent, to $2,956 million.

Commercial Banking, which includes Transaction Banking (incorporating Trade and Cash), Lending and flow foreign exchange (FX), continue to represent the core of the WB business, contributing around half of client income. Transaction Banking benefitted from strong levels of client activity although this was more than offset by continued margin compression. As a result, Trade income fell 1 per cent and Cash Management and Custody income fell 8 per cent.

Income from Financial Markets (FM) grew 6 per cent on the back of strong client activity levels across our businesses. FM Income exceeded $2 billion for the first time since 2009 with double digit growth in our FX business. ALM income fell by 15 per cent reflecting lower reinvestment yields. Corporate Finance income rose 25 per cent with a strong performance across all financing businesses. Income in Principal Finance fell 28 per cent, as market sentiment impacted valuation gains.

Operating expenses grew $61 million, or 2 per cent, to $2,694 million. We continued to manage expenses tightly with reduced levels of variable compensation offset by increased investments in technology and client servicing together with higher regulatory costs. Excluding the $667 million impact of the settlements with the US authorities, expenses increased by 1 per cent compared to H2 2012.

Loan impairment fell by $61 million to $224 million, as the prior year period was impacted by a small number of exposures in India and the UAE. The portfolio remains predominantly short tenor, with no significant sector concentrations. Credit quality continues to be good although we are watchful in India and around the impact of falling commodity prices.

Other impairment fell $54 million, or 83 per cent, to $11 million, driven by lower levels of Private Equity impairments and recoveries on disposal of previously impaired investments.

Profit from associates and joint ventures increased $22 million to $91 million reflecting continued good growth from Bohai.

Product performance

Lending and Portfolio Management income fell by $21 million, or 5 per cent, to $400 million. Margins rose 14 bps as we reallocated capital to higher return areas whilst average balances were flat on the prior year. This was offset by increased portfolio management costs.

Transaction Banking income fell 4 per cent to $1,746 million. Trade income fell $13 million, or 1 per cent. Increased levels of client activity generated strong growth in average trade assets, up 18 per cent. This was offset by margin compression, with trade net interest margins 26 bps lower compared to H1 2012 due to excess liquidity across our markets. Cash Management and Custody income fell $66 million, or 8 per cent. Strong growth in average liabilities, up 13 per cent compared to H1 2012, was more than offset by margin compression, down 18 bps.

Global Markets income increased by $212 million, or 6 per cent, to $3,908 million. Within Global Markets, the Financial Markets business, which primarily comprises sales and trading of foreign exchange and interest rate products, continued to be the largest contributor to income and has increasingly diverse income streams.

FM income grew by $104 million, or 6 per cent, to $2,107 million. Client income, which forms over three quarters of FM income, grew 10 per cent while own account income rose 3 per cent.

FX income grew strongly, up 13 per cent, driven by an increase in FX option volumes reflecting corporate hedging activity in North East Asia and a strong performance in G10 currency pairs. Cash FX increased 2 per cent, as we saw strong growth in volumes and increased market share which more than compensated for lower spreads which were impacted by market-wide compression.

Rates income grew 2 per cent and our strong credit rating continues to provide a competitive advantage. Growth was constrained by the turmoil in the bond markets in June 2013 combined with a strong performance in June last year.

Commodities and Equities income rose 4 per cent driven by strong client flows despite lower levels of volatility. We are seeing good progress on the investment in our Equities business with a strong performance in Equity Derivatives. In Capital Markets income fell 2 per cent, as growth in bond income was offset by lower income from syndications where margin compression eroded strong volume growth.

ALM income was $74 million, or 15 per cent, lower at $410 million. The decrease was primarily driven by flat yield curves across our markets and the continued move to secured, high quality lower yielding assets to support regulatory requirements. This was partially offset by securities realisations on favourable positions.

Corporate Finance income rose $247 million, or 25 per cent, to $1,238 million. Over 60 per cent of total income is annuity based underpinning a more stable earnings stream.

Principal Finance income fell $65 million, or 28 per cent, to $167 million. Weaker market sentiment adversely affected valuations on our portfolio. This was partially offset by a greater number of investment realisations despite challenging market conditions.

Geographic performance

Hong Kong

Income was up $135 million, or 13 per cent, to $1,149 million, with client income up 15 per cent and exceeding $1 billion for the first time in a half year period. Transaction Banking income fell as continued growth in average Trade assets and average liabilities was more than offset by compression in Trade and Cash margins. FM delivered strong broad based growth and FX income from RMB continued to grow and remains a key pillar of our business. Rates and Credit also grew reflecting client demand for yield in the current low interest rate environment. Corporate Finance income grew strongly driven by transport leasing and higher deal volumes. Own account income increased although the pace of growth was impacted by lower reinvestment yields in ALM. Hong Kong continues to leverage the Group’s network as a hub into and out of China, although inbound revenues from China slowed compared to H1 2012.

Operating expenses grew $40 million, or 10 per cent, to $432 million, primarily driven by depreciation of assets held within our transport leasing business. We continued to manage other expenses tightly.

Pre-provision profit was up $95 million, or 15 per cent, to $717 million. Loan impairment was higher by $7 million at $5 million. Operating profit was up $94 million, or 15 per cent, at $710 million.

Singapore

Income fell $53 million, or 8 per cent, to $630 million although client income grew 1 per cent. Transaction Banking income fell, primarily due to margin compression as a result of excess liquidity and changes in client mix which particularly impacted Trade. This was partially offset by strong growth in average assets and liabilities reflecting increased levels of client activity. FM income benefitted from higher FX income, with strong volume growth from financial institution and corporate clients. This was partly offset by lower income from Capital Markets as corporate clients found alternative sources of funding. Corporate Finance income grew strongly due to asset growth and higher levels of recurring income from transaction in prior periods. Own account income fell on the back of lower ALM income, which was impacted by the increased cost of investing in high quality liabilities and more liquid asset classes.

Operating expenses were well managed and grew by $3 million to $323 million, with continued discipline on expenses, lower levels of variable compensation and cost efficiencies.

Pre-provision profit fell $56 million, or 15 per cent, to $307 million. Loan impairment was $3 million lower and credit quality remains good. Other impairment improved to a net recovery of $10 million following disposals of previously impaired Private Equity investments. Operating profit fell by $41 million to $317 million.

Korea

Income fell $37 million, or 10 per cent, to $325 million. On a constant currency basis income fell 12 per cent. Excluding a $35 million gain on a property disposal from H1 2012, income was broadly flat on a headline basis. Client income fell by 8 per cent primarily as a result of lower Transaction Banking income. The decline in Transaction Banking income was due to lower average Cash balances and margin compression, which was partly offset by higher Trade income as the impact of margin compression was compensated by strong growth in average balances. FM income was slightly higher with a strong Rates performance partially offset by lower FX income. Lending income was lower with a decline in average balances as we reallocated capital to higher returning parts of the network. Corporate Finance income, however, almost doubled as a result of higher structured finance deal flows. Own account income fell with ALM impacted by a flattened yield curve. Income generated by Korean clients across our network continued to show good momentum, growing at a double digit rate.

Operating expenses were higher by $8 million, or 6 per cent, at $146 million. On a constant currency basis expenses increased by 2 per cent from flow through of prior period investments as we continued to tightly manage costs.

Pre-provision profit fell by $45 million, or 20 per cent, to $179 million. Loan impairment decreased by $4 million to $17 million and credit quality across the portfolio remained good. Other impairment increased by $19 million and primarily related to historic derivative transactions.

Operating profit was lower by $60 million, or 30 per cent, at $143 million.

Other APR

Income fell $182 million, or 17 per cent, at $890 million impacted by lower income in China and Indonesia.

Income in China fell 21 per cent to $282 million primarily due to a fall in margins in Cash and lower reinvestment yields in ALM. Client income fell 5 per cent as strong growth in Cash, Trade and FM transaction volumes was more than offset by lower margins following interest rate cuts in 2012 and spread compression in FX. Corporate Finance income grew strongly as we provided advisory and financing solutions across a wider range of industries.

Income in Taiwan fell 8 per cent. Client income increased 5 per cent while own account income fell sharply due to lower ALM income. Transaction Banking income was lower as a result of margin compression and lower average balances. This was more than offset by higher FX revenue on the back of increased hedging of RMB exposures. Own account income fell as excess liquidity in the market impacted returns.

Indonesia income fell 33 per cent due to compression in Lending and Trade margins, and in lower FX spreads, combined with lower Corporate Finance income compared to a strong prior year period. Income in Malaysia fell 25 per cent primarily due to lower own account income as low reinvestment yields impacted ALM.

Operating expenses in Other APR fell $28 million, or 6 per cent, to $449 million. Expenses in H2 2012 were impacted by $86 million relating to a legacy commercial legal provision while H1 2012 benefitted by $36 million of provision recoveries; excluding these items, expenses were flat compared to H2 2012 and 2 per cent higher than H1 2012. China operating expenses were flat at $183 million compared to H1 2012 and across the region we continued to drive tight cost management.

Pre-provision profit in Other APR was lower by 26 per cent at $441 million. Loan impairment increased by $6 million to $27 million, $12 million of which relates to China. Other impairment was $28 million lower, and benefitted from impairment recoveries on disposal of previously impaired Private Equity investments. Other impairment in H2 2012 was impacted by an impairment of an associate. Profit from associates and joint ventures increased to $90 million as a result of a strong performance by Bohai.

Operating profit was 18 per cent lower at $503 million. China contributed $159 million of operating profit, with Malaysia and Indonesia as the other major profit contributors in this region.

India

Income increased by $115 million, or 20 per cent, to $682 million. On a constant currency basis, income rose 27 per cent. Client income grew 3 per cent on a headline basis. Transaction Banking income fell as significant margin compression in Cash more than offset the benefit of higher Trade margins compared to H1 2012 and good growth in average Trade and Cash balances. Corporate Finance income grew strongly and we saw an increase in Lending margins. FM income rose on the back of higher FX and Rates income. Own account income grew strongly as ALM benefited from de-risking and realisations drove higher Principal Finance income. Cross-border activity from our Indian clients remained strong during the first half of 2013, with income booked across our network growing at a double digit rate.

Operating expenses were lower by $14 million, or 6 per cent, at $205 million. On a constant currency basis, expenses fell by 1 per cent, with the benefit from lower headcount levels partly offset by higher infrastructure costs.

Pre-provision profit increased $129 million, or 37 per cent, at $477 million. Loan impairment increased by $4 million to $98 million. While the charge in H1 2012 benefitted in part from a release of portfolio impairment provisions, the current year was impacted by charges relating to a small number of exposures. Other impairment saw a net recovery in H1 2012 which was not replicated in H1 2013.

Operating profit increased $116 million, or 44 per cent, to $379 million. On a constant currency basis, operating profit rose 49 per cent.

MESA

Income was lower by $19 million, at 3 per cent to $735 million. Client income across the region fell 3 per cent as margin compression outstripped the benefit of increased volumes. Own account income was down, impacted by lower levels of volatility.

Income in UAE, which generates more than 50 per cent of the income in this region income, fell by 6 per cent. Client income fell 5 per cent and was adversely affected by margin compression across Transaction Banking and Lending products. This was partly mitigated by strong double digit growth in Trade average assets. FM income was also lower, primarily due to lower FX income, which was impacted by tighter spreads and reduced market volatility, despite higher volumes. Own account income was also impacted by low levels of volatility and tighter margins. Income from Pakistan was down 11 per cent due to lower Transaction Banking and FX revenues. Bangladesh income grew 29 per cent driven by growth in FM and Transaction Banking.

Operating expenses in MESA fell $14 million, or 4 per cent, to $298 million, as we managed costs tightly across the region and in the UAE in particular, where operating expenses fell 6 per cent.

Pre-provision profit in MESA was down $5 million, or 1 per cent, to $437 million. Loan impairment fell $130 million to $11 million as H1 2012 was impacted by provisions against a small number of clients in the UAE. The current book continues to perform well. Operating profit consequently improved by 55 per cent to $426 million.

Africa

Income increased $96 million, or 19 per cent, to $596 million. On a constant currency basis, income was up 24 per cent. The business remains diversified across products, client groups and countries, with five markets generating double digit growth. Client income grew 25 per cent across a broad base of products and countries. Transaction Banking income increased driven by strong growth in average balances. FM income benefitted from increased FX income, as higher volumes compensated for spread compression, and higher Capital Markets income driven by loan syndications. Corporate Finance also grew strongly as deal flow increased. Own account income fell 5 per cent.

Nigeria remains our largest WB market in the region and income grew 10 per cent led by Corporate Finance and higher Lending income. Ghana income grew 38 per cent due to higher Transaction Banking and ALM income. Zambia income grew 69 per cent with over four times more revenue from Corporate Finance transactions than H1 2012 and income in Kenya, up 22 per cent, also benefitted from higher Corporate Finance income. Income in Uganda and Tanzania fell, down 20 per cent and 12 per cent respectively, reflecting competitive challenges and excess liquidity in these markets.

Operating expenses were up $5 million, or 2 per cent, to $256 million. On a constant currency basis, expenses were 7 per cent higher, reflecting investments made across the franchise to build capability together with inflation related increases.

Pre-provision profit rose $91 million, or 37 per cent, to $340 million. While credit quality across the portfolio remains good, loan impairment increased by $62 million to $64 million, reflecting growth in loans across the region.

Operating profit was $29 million higher at $276 million, up 12 per cent. On a constant currency basis, operating profit was up 16 per cent.

Americas, UK & Europe

This region acts as a two-way bridge, linking the Americas, UK & Europe with our markets in Asia, Africa and the Middle East. Income was up 7 per cent to $1,061 million. Client income increased by 12 per cent, with good growth in Transaction Banking, as higher average balances in Trade compensated for tighter Trade margins and higher Cash income. FM income was marginally higher as good performances in FX and Commodities was offset by weaker Credit income. Corporate Finance income grew strongly, driven by continued balance sheet momentum. Own account income fell, largely due to lower reinvestment yields and ongoing costs of meeting the regulatory liquid asset buffer requirements.

Operating expenses increased by $61 million, or 12 per cent, reflecting higher regulatory and compliance costs partially offset by efficiencies and continued cost discipline across the region. Expenses in H2 2012 were impacted by $667 million relating to the settlements with the US authorities.

Pre-provision profit rose $10 million, or 2 per cent to $476 million. Loan impairment fell to $2 million.

Operating profit rose 5 per cent to $476 million.

Group summary consolidated balance sheet

	30.06.13 $million	30.06.12 $million	31.12.12 $million	H1 2013 vs H1 2012 $million	H1 2013 vs H2 2012 $million	H1 2013 vs H1 2012 %	H1 2013 vs H2 2012 %
Assets							
Advances and investments							
Cash and balances at central banks	**57,621**	50,683	60,537	6,938	**(2,916)**	14	**(5)**
Loans and advances to banks	**73,305**	73,930	67,797	(625)	**5,508**	(1)	**8**
Loans and advances to customers	**285,353**	272,453	279,638	12,900	**5,715**	5	**2**
Investment securities held at amortised cost	**3,946**	4,804	3,851	(858)	**95**	(18)	**2**
	420,225	401,870	411,823	18,355	**8,402**	5	**2**
Assets held at fair value							
Investment securities held available-for-sale	**90,866**	83,391	95,374	7,475	**(4,508)**	9	**(5)**
Financial assets held at fair value through profit or loss	**28,135**	27,743	27,076	392	**1,059**	1	**4**
Derivative financial instruments	**54,548**	52,530	49,495	2,018	**5,053**	4	**10**
	173,549	163,664	171,945	9,885	**1,604**	6	**1**
Other assets	**56,183**	48,022	47,440	8,161	**8,743**	17	**18**
Total assets	**649,957**	613,556	631,208	36,401	**18,749**	6	**3**
Liabilities							
Deposits and debt securities in issue							
Deposits by banks	**45,012**	44,754	36,427	258	**8,585**	1	**24**
Customer accounts	**371,314**	350,248	372,874	21,066	**(1,560)**	6	**(0)**
Debt securities in issue	**58,690**	57,814	55,979	876	**2,711**	2	**5**
	475,016	452,816	465,280	22,200	**9,736**	5	**2**
Liabilities held at fair value							
Financial liabilities held at fair value through profit or loss	**22,456**	19,067	23,064	3,389	**(608)**	18	**(3)**
Derivative financial instruments	**53,781**	50,144	47,192	3,637	**6,589**	7	**14**
	76,237	69,211	70,256	7,026	**5,981**	10	**9**
Subordinated liabilities and other borrowed funds	**18,393**	16,408	18,588	1,985	**(195)**	12	**(1)**
Other liabilities	**34,953**	32,187	31,029	2,766	**3,924**	9	**13**
Total liabilities	**604,599**	570,622	585,153	33,977	**19,446**	6	**3**
Equity	**45,358**	42,934	46,055	2,424	**(697)**	6	**(2)**
Total liabilities and shareholders' funds	**649,957**	613,556	631,208	36,401	**18,749**	6	**3**

Balance sheet

Unless otherwise stated, the variance and analysis explanations compare the position as at 30 June 2013 with the position as at 31 December 2012.

The Group's balance sheet remains resilient and well diversified. We continue to be highly liquid and primarily deposit funded, with an advances to deposits ratio of 76.6 per cent, up from the previous year-end position of 73.9 per cent, although we saw increasing levels of competition for deposits across our footprint. We continue to be a net lender into the interbank market, particularly in Hong Kong, Singapore and Americas, UK & Europe. The Group's funding structure remains conservative, with limited levels of refinancing over the next few years. Senior debt funding during the period continued to demonstrate strong demand for our paper.

The Group remains well capitalised with profit accretion, net of distributions during the period further supporting our growth. Our Core Tier 1 ratio fell slightly to 11.4 per cent from 11.6 per cent at the year end primarily due to the timing of dividend payments and higher risk-weighted assets.

The profile of our balance sheet remains stable, with over 71 per cent of our financial assets held at amortised cost, and 59 per cent of total assets have a residual maturity of less than one year. The Group has low exposure to problem asset classes, no direct sovereign exposure to Cyprus, Greece, Ireland, Italy, Portugal or Spain and immaterial direct exposure to the rest of the eurozone.

Balance sheet footings grew by $19 billion, or 3 per cent, during this period. We continued to grow loans to banks and customers and maintained our strategy of funding before lending, although we saw slightly lower Customer accounts balances.

Cash and balances at central banks

Cash balances fell by $3 billion as we redeployed excess liquidity into client and customer lending.

Loans and advances to banks and customers

Loans to banks and customers, including those held at fair value, grew by $14 billion, or 4 per cent, to $367 billion.

CB portfolios, which represent 44 per cent of the Group's customer advances at 30 June, fell by $2 billion to $128 billion. 72 per cent is fully secured and the mortgage book continued to be conservatively placed, with an average loan to value ratio of 47 per cent. Mortgage balances fell by $2 billion as increasing levels of regulatory restrictions and intensifying competition impacted growth. This particularly affected Korea, where balances fell by $3 billion, although we originated and distributed $2 billion of fixed rate mortgages during the period under the Mortgage Purchase Program. Although we continued to see good demand for unsecured products, balances were broadly flat as prior years' originations matured and the pace of growth in new balances slowed during the year as we selectively tightened underwriting criteria in a few markets.

The WB portfolio remains well diversified by geography and client segment and the business continued to strengthen its existing client relationships, growing customer advances by $9 billion, or 6 per cent, to $164 billion. Lending increased strongly in Singapore, up 17 per cent, and in Hong Kong, up 11 per cent, driven by the continued ability of these geographies to support cross border business originating across the network. Growth was also seen across a broad range of industry sectors, reflecting increased trade activity and a continued focus on commerce, manufacturing and mining sectors which make up over 55 per cent of WB customer lending. Loans to banks increased 10 per cent, with Other Asia Pacific up 24 per cent as a result of a strategy to move more liquidity to banks in our footprint countries and Americas, UK & Europe up 22 per cent reflecting its role as a bridge between the West and our footprint markets.

Treasury bills, debt and equity securities

Treasury bills, debt and equity securities, including those held at fair value, fell by $6 billion due to lower holdings of highly rated Treasury Bills reflecting a change in the eligibility criteria for liquid asset buffers in the UK. The maturity profile of these assets is largely consistent with prior periods, with around 47 per cent of the book having a residual maturity of less than twelve months.

Derivatives

Customer appetite for derivative transactions has continued to be strong, and notional values have increased since the year end, particularly in interest rate options as clients reacted to the potential tapering of quantitative easing in the US. Unrealised positive mark-to-market positions were $5 billion higher at $55 billion. Our risk positions continue to be largely balanced, resulting in a corresponding increase in negative mark to market positions. Of the $55 billion mark to market positions, $37 billion was available for offset due to master netting agreements.

Deposits

The Group has continued to see good deposit growth and deposits by banks, including those held at fair value, increased by $8 billion, largely due to higher clearing balances, particularly those held within the Americas, UK & Europe region from banks within our footprint. Customer deposits fell $4 billion. While we continued to see good levels of deposit gathering in Hong Kong, up 2 per cent, and Americas, UK & Europe, up 14 per cent, this was more than offset by lower balances in Korea, down 20 per cent as we exited expensive Time Deposits, and Other Asia Pacific, down 9 per cent, as corporate deposits fell in Taiwan and Japan. CASA continued to be core of the customer deposit base, constituting over 50 per cent of customer deposits.

Debt securities in issue, subordinated liabilities and other borrowed funds

Subordinated debt remained largely flat as new issues were offset by redemptions, while debt securities in issue grew by $2.7 billion, or 5 per cent, on the back of continued good demand for our name.

Equity

Total shareholders' equity was $0.7 billion lower at $45.4 billion as profit accretion for the period was more than offset by $1.4 billion of dividends paid and a negative impact of $1.1bn from foreign exchange movements.

The following parts of the Risk Review are reviewed by the auditor: from the start of the 'Risk management' section on page 22 to the end of the 'Liquidity' section on page 83, with the exception of the 'Asset backed securities' and 'the impact of Basel III' sections on pages 63, 64 and 76.

Risk overview

Standard Chartered has a defined risk appetite, approved by the Board, which is an expression of the amount of risk we are prepared to take and plays a central role in the development of our strategic plans and policies. Our overall risk appetite has not changed. We regularly assess our aggregate risk profile, conduct stress tests and monitor concentrations to ensure that we are operating within our approved risk appetite. Further details on our approach to risk appetite and stress testing are set out on page 23.

We review and adjust our underwriting standards and limits in response to observed and anticipated changes in the external environment and the evolving expectations of our stakeholders. In the first half of 2013, we maintained our cautious stance overall whilst continuing to support our core clients. Credit risk management is covered in more detail on page 23.

Our balance sheet and liquidity have remained strong and we already meet the enhanced liquidity thresholds required under forthcoming Basel III regulations. Over half of total assets mature within one year and of these approximately 70 per cent mature within three months. The balance sheet is highly diversified across a wide range of products, industries, geographies and customer segments, which serves to mitigate risk:

- Customer loans and advances are 45 per cent of total assets
- The Manufacturing sector in Wholesale Banking, which is 25 per cent of lending, is diversified by industry and geography
- The largest concentration to any globally correlated industry is to energy at 9 per cent of total Wholesale Banking assets. The exposure is well spread across eight subsectors and over 350 client groups and, reflecting the trade bias in the portfolio, 68 per cent of exposures mature within one year
- Our cross-border asset exposure is also diversified and reflects our strategic focus on our core markets and customer segments
- 44 per cent of customer loans and advances are in Consumer Banking; 72 per cent of these are secured and the overall loan to value ratio on our mortgage portfolio is less than 48 per cent
- The unsecured Consumer portfolio is spread across multiple products in over 30 markets

We have low exposure to asset classes and segments outside our core markets and target customer base. We have no direct sovereign exposure (as defined by the European Banking Authority (EBA)) to Greece, Ireland, Italy, Portugal or Spain. Our total gross exposure to all counterparties in these countries is 0.6 per cent of total assets. Our direct sovereign exposure to the remainder of the eurozone is immaterial. Further details are given on page 64. Our exposure to countries impacted by the political developments in the Middle East and North Africa are also low. Exposures in Syria, Lebanon, Egypt, Libya, Algeria and Tunisia represent less than 0.5 per cent of our total assets.

Our exposures to commercial real estate and leveraged loans account for less than 2 per cent and 1 per cent of our total assets respectively. The notional value of the Asset Backed Securities (ABS) portfolio, which accounts for 1 per cent of our total assets increased by $1.9 billion in the first half of 2013 due to investments in high quality, senior ABS and Residential Mortgage Backed Securities (RMBS) assets in the Group's portfolio of marketable securities. Further details are given on page 63.

Market risk is tightly monitored using Value at Risk (VaR) methodologies complemented by sensitivity measures, gross nominal limits and loss triggers at a detailed portfolio level. This is supplemented with extensive stress testing which takes account of more extreme price movements. Our overall trading book risk exposure has not changed significantly. Further details on market risk are given on page 72.

We maintained a strong advances-to-deposits ratio in the first half of 2013. Liquidity will continue to be deployed to support growth opportunities in our chosen markets. We manage liquidity in each of our branches and operating subsidiaries in each country, ensuring that we can meet all short-term funding and collateral requirements and that our balance sheet remains structurally sound. Our customer deposit base is diversified by type and maturity and we are a net provider of liquidity to the interbank money markets. We have a substantial portfolio of marketable securities that can be realised in the event of liquidity stress. Further details on liquidity are given on pages 76 to 83.

We continue to engage actively with our regulators, in particular the Prudential Regulation Authority (PRA), the Bank of England (BoE) and our 'Crisis Management Group' regulators, to develop appropriate and workable responses to the various regulatory requirements that are being developed in relation to Recovery and Resolution Planning. It is critical that international regulators work together to develop co-ordinated approaches for cross-border banking groups.

We have a well-established risk governance structure, which is set out on page 22, and an experienced senior team. Members of our executive committee (the Court) sit on our principal risk executive committees, which ensures that risk oversight is a critical focus for all our directors, while common membership between these committees helps us address the inter-relationships between risk types. Board committees provide additional risk management oversight and challenge. Risk governance is covered in more detail on page 22.

We continue to build on the Group's culture of risk management discipline. During the first half of 2013 we refreshed and re-communicated the Group's Code of Conduct, reinforcing our values and our brand promise. We recognise that failures of regulatory compliance have damaged the Group's reputation, and continue to pay close attention to this. The management of operational risk, more broadly, continues to be enhanced as we incrementally roll out our new approach across all areas of the Group. We are introducing increased rigour in the process for anticipating a wide variety of operational risks and in our assessments of risks and control effectiveness. Operational risk and reputational risk are covered in more detail on pages 84 and 86.

Restatement of prior periods

The tables on pages 26 to 83 and related analysis reflect the restatement of balances at 30 June 2012 and 31 December 2012 for the impact of equity accounting Permata, the Group's joint venture business in Indonesia (within the Other APR geographic region) rather than the previous treatment of proportionate consolidation. Mortgage balances at 30 June 2012 have also been restated to gross-up balances previously recorded on a net basis. In addition the geographic regions of Africa and Other APR have been restated for 30 June 2012 to reflect the transfer of Mauritius from Other APR to Africa region. Details are provided in note 32 on pages 146 to 155.

Asset impairment review

The total impairment charge (excluding goodwill impairment) in the first half of 2013 whilst broadly flat to H2 2012 has increased by $92 million compared to H1 2012. The increase has been in Consumer Banking, partly offset by a lower loan impairment charge in Wholesale Banking and lower other impairment charges.

In Consumer Banking, total loan impairment provisions have increased year on year, primarily reflecting the growth and seasoning of loans booked between 2010 and 2012, and the ongoing impact of Korea Personal Debt Rehabilitation Scheme (PDRS) filings. The increase is otherwise in line with our portfolio growth and our continued strategic shift to unsecured products in selected markets. We remain disciplined in our approach to risk management and proactive in our collection efforts to minimise account delinquencies.

In Wholesale Banking, total loan impairment provisions have reduced year on year due to lower provision levels in UAE. The credit quality of the portfolio quality remains high in spite of the volatility in commodity prices and currencies.

Portfolio impairment provisions have increased in Wholesale Banking in line with loan portfolio growth.

Other impairment excluding goodwill impairment is lower compared to prior periods and is explained in note 8 on page 109.

Principal uncertainties

We are in the business of taking selected risks to generate shareholder value, and we seek to contain and mitigate these risks to ensure they remain within our risk appetite and are adequately compensated.

The key uncertainties we face in the coming year are set out below. This should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that we may experience.

Deteriorating macroeconomic conditions in footprint countries

Macroeconomic conditions have an impact on personal expenditure and consumption, demand for business products and services, the debt service burden of consumers and businesses, the general availability of credit for retail and corporate borrowers and the availability of capital and liquidity funding for our business. All these factors may impact our performance.

The world economy is coming out of a difficult period and uncertainty remains. The slowdown in China's growth may depress prices and trade in a number of commodity sectors such as energy, metals and mining sectors. A prolonged slowdown could have wider economic repercussions.

The sovereign crisis in the eurozone is not fully resolved and, although acute risks have been addressed by ongoing policy initiatives, there is still a need for substantial new structural reform (see additional information on the risk of redenomination on page 64).

Our exposure to eurozone sovereign debt is very low. However, we remain alert to the risk of secondary impacts from events in the West on financial institutions, other counterparties and global economic growth.

Inflation and property prices appear to be under control in most of the countries in which we operate. Changes in monetary policy could lead to significant increases in interest rates from their currently low historical levels, with resulting impacts on the wider economy and on property values.

We balance risk and return taking account of changing conditions through the economic cycle, and monitor economic trends in our markets very closely. We conduct stress tests to assess the effects of extreme but plausible trading conditions on our portfolio and also continuously review the suitability of our risk policies and controls. We manage credit exposures following the principle of diversification across products, geographies, client and customer segments. This provides for strong resilience against economic shocks in one or more of our portfolios.

Regulatory changes and compliance

Our business as an international bank will continue to be subject to an evolving and complex regulatory framework comprising legislation, regulation and codes of practice, in each of the countries in which we operate. A key uncertainty relates to the way in which governments and regulators adjust laws, regulations and economic policies in response to macroeconomic and other systemic conditions. The nature and impact of such future changes are not predictable and could run counter to our strategic interests. Some are anticipated to have a significant impact such as changes to capital and liquidity regimes, changes to the calculation of risk weighted assets, derivatives reform, remuneration reforms, recovery and resolution plans, banking structural reforms in a number of markets, the UK bank levy and the US Foreign Account Tax Compliance Act. Uncertainty remains regarding details of the application of the European Union's Capital Requirements Directive IV (CRD IV) and Over The Counter (OTC) Derivative reforms across our markets which could potentially have a material impact on the Group and its business model. Proposed changes could also adversely affect economic growth, the volatility and liquidity of the financial markets and, consequently, the way we conduct business and manage capital and liquidity. These effects may directly or indirectly impact our financial performance. Despite these concerns, we remain a highly liquid and well capitalised bank.

It is in the wider interest to have a well run financial system, and we are supportive of a tighter regulatory regime that enhances the resilience of the international financial system. The Group will continue to participate in the regulatory debate through responses to consultations and working towards an improved and workable regulatory architecture. We are also encouraging our international regulators to work together to develop co-ordinated approaches to regulating and resolving cross border banking groups. We support changes to laws, regulations and codes of practice that will improve the overall stability of, and the conduct within the financial system because this provides benefits to our customers, clients and shareholders. However, we also have concerns that certain proposals may not achieve this desired objective and may have unintended consequences, either individually or in terms of aggregate impact.

The Group seeks to comply with all applicable laws and regulations but may be subject to regulatory actions and investigations across our markets, the outcome of which are generally difficult to predict and can be material to the Group.

The Group seeks to co-operate with regulators in response to requests for information, inquiries and investigations and takes remedial actions as necessary.

The Group is participating in regulatory reviews wherever relevant, contributing to industry proposals to strengthen rate setting processes in certain markets and continues to review its practices and processes in the light of such proposals.

During 2012, the Group reached settlements with the US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services (NYDFS), a Cease and Desist Order by the Federal Reserve Bank of New York (FRBNY), Deferred Prosecution Agreements with each of the Department of Justice and with the District Attorney of New York and a Settlement Agreement with the Office of Foreign Assets Control. In addition to the civil penalties totalling $667million, the terms of these settlements include conditions and ongoing obligations such as: reporting requirements; compliance reviews; banking transparency requirements; training measures; audit programmes; disclosure obligations; requirements to co-operate with further information requests and testimony; requirement to compliance with a remediation programme and the appointment of an independent monitor at the direction of NYDFS; and compliance with a separate remediation programme at the direction of the FRBNY.

The Group is engaged with all relevant authorities to implement these programmes and to meet the obligations under the settlements, including the monitoring and compliance reviews, responding to further requests for information and inquiries related to its sanctions compliance and identifying further improvements to processes. The Group remains resolute in its commitment to tackling financial crime across its global footprint and complying with all relevant regulations. The Group has made significant enhancements in its global sanctions and anti-money laundering systems and procedures. The Group recognises that, following these settlements, its compliance with sanctions, not just in the US but throughout its footprint, will remain a focus of the relevant authorities.

Financial markets dislocation

There is a risk that a sudden financial market dislocation, perhaps as a result of a tightening of monetary policy in the major economies or a deterioration of the sovereign debt crisis in the eurozone, could significantly increase general financial market volatility which could affect our performance or the availability of capital or liquidity. These factors may have an impact on the mark-to-market valuations of assets in our available-for-sale and trading portfolios. The potential losses incurred by certain clients holding derivative contracts during periods of financial market volatility could also lead to an increase in disputes and corporate defaults. At the same time, financial market instability could cause some financial institution counterparties to experience tighter liquidity conditions or even fail. There is no certainty that Government action to reduce the systemic risk will be successful and it may have unintended consequences.

We closely monitor the performance of our financial institution counterparties and adjust our exposure to these counterparties as necessary. We maintain robust processes to assess the appropriateness and suitability of products and services we provide to clients and customers to mitigate the risk of disputes.

Geopolitical events

We operate in a large number of markets around the world, and our performance is in part reliant on the openness of cross-border trade and capital flows. We face a risk that geopolitical tensions or conflicts in our footprint could impact trade flows, our customers' ability to pay, and our ability to manage capital or operations across borders.

We actively monitor the political situation in all our principal markets, such as the development of events in the Middle East and territorial disputes in North East Asia. We conduct stress tests of the impact of extreme but plausible geopolitical events on our performance and the potential for such events to jeopardise our ability to operate within our stated risk appetite. Further details on stress testing are given on page 23.

Risk of fraud

The banking industry has long been a target for third parties seeking to defraud, to disrupt legitimate economic activity, or to facilitate other illegal activities. The risk posed by such criminal activity is growing as criminals become more sophisticated and as they take advantage of the increasing use of technology.

We seek to be vigilant to the risk of internal and external crime in our management of people, processes, systems and in our dealings with customers and other stakeholders. We have a broad range of measures in place to monitor and mitigate this risk. Controls are embedded in our policies and procedures across a wide range of the Group's activities, such as origination, recruitment, physical and information security.

Exchange rate movements

Changes in exchange rates affect, among other things, the value of our assets and liabilities denominated in foreign currencies, as well as the earnings reported by our non-US dollar denominated branches and subsidiaries. Sharp currency movements can also impact trade flows and the wealth of clients both of which could have an impact on our performance.

We monitor exchange rate movements closely and adjust our exposures accordingly. Under certain circumstances, we may take the decision to hedge our foreign exchange exposures in order to protect our capital ratios from the effects of changes in exchange rates. The effect of exchange rate movements on the capital adequacy ratio is mitigated to the extent there are proportionate movements in risk weighted assets.

The table below sets out the period end and average currency exchange rates per US dollar for India, Korea, Singapore and Taiwan for the first half of 2013 and the half year periods ending 30 June 2012 and 31 December 2012. These are the markets for which currency exchange rate movements have had the greatest translation impact on the Group's results in the first half of 2013.

	6 months ended 30.06.13	6 months ended 30.06.12	6 months ended 31.12.12
Indian rupee			
Average	**54.95**	52.13	54.72
Period end	**59.35**	55.56	54.96
Korean won			
Average	**1,103.21**	1,140.98	1,111.64
Period end	**1,141.76**	1,145.07	1,070.34
Singapore dollar			
Average	**1.24**	1.26	1.23
Period end	**1.27**	1.27	1.22
Taiwan dollar			
Average	**29.65**	29.65	29.50
Period end	**30.01**	29.89	29.07

As a result of our normal business operations, Standard Chartered is exposed to a broader range of risks than those principal uncertainties mentioned above and our approach to managing risk is detailed on the following pages.

Risk management

The management of risk lies at the heart of Standard Chartered's business. One of the main risks we incur arises from extending credit to customers through our trading and lending operations. Beyond credit risk, we are also exposed to a range of other risk types such as country cross-border, market, liquidity, operational, pension, reputational and other risks that are inherent to our strategy, product range and geographical coverage.

Risk management framework

Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus a central part of the financial and operational management of the Group.

Through our risk management framework we manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our risk appetite.

As part of this framework, we use a set of principles that describe the risk management culture we wish to sustain:

- Balancing risk and return: risk is taken in support of the requirements of our stakeholders, in line with our strategy and within our risk appetite
- Responsibility: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social responsibilities and our commitments to customers in taking risk to produce a return
- Accountability: risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported
- Anticipation: we seek to anticipate future risks and ensure awareness of all known risks
- Competitive advantage: we seek to achieve competitive advantage through efficient and effective risk management and control

Risk governance

Ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board.

Acting within an authority delegated by the Board, the Board Risk Committee (BRC), whose membership is comprised exclusively of non-executive directors of the Group, has responsibility for oversight and review of prudential risks including but not limited to credit, market, capital, liquidity and operational. It reviews the Group's overall risk appetite and makes recommendations thereon to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material acquisitions and disposals, and monitoring the activities of the Group Risk Committee (GRC) and Group Asset and Liability Committee (GALCO).

The BRC receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. The BRC also conducts 'deep dive' reviews on a rolling basis of different sections of the consolidated group risk information report.

The Brand and Values Committee (BVC) oversees the brand, culture, values and good reputation of the Group. It ensures that the management of reputational risk is consistent with the risk appetite approved by the Board and with the creation of long term shareholder value.

The role of the Audit Committee is to have oversight and review of financial, audit and internal control issues.

Overall accountability for risk management is held by the Court of Standard Chartered Bank (the Court) which comprises the group executive directors and other senior executives of Standard Chartered Bank.

The Court is the highest executive body of the Group and its terms of reference are approved by the Board of Standard Chartered PLC. The Court delegates authority for the management of risk to the GRC and the GALCO.

The GRC is responsible for the management of all risks other than those delegated by the Court to the GALCO. The GRC is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, pension risk and reputational risk. The GRC also defines our overall risk management framework.

The GALCO is responsible for the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and interest rate risk.

Members of the GRC and the GALCO are both drawn from the Court. The GRC is chaired by the Group Chief Risk Officer (GCRO). The GALCO is chaired by the Group Finance Director. Risk limits and risk exposure approval authority frameworks are set by the GRC in respect of credit risk, country cross-border risk, market risk and operational risk. The GALCO sets the approval authority framework in respect of liquidity risk. Risk approval authorities may be exercised by risk committees or authorised individuals.

The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board through to the appropriate functional, divisional and country-level committees. Information regarding material risk issues and compliance with policies and standards is communicated to the country, business, functional and Group-level committees.

Roles and responsibilities for risk management are defined under a 'three lines of defence' model. Each line of defence describes a specific set of responsibilities for risk management and control.

- First line of defence: all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business, function and geographic governance heads are accountable for risk management in their respective businesses and functions, and for countries where they have governance responsibilities
- Second line of defence: this comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the risks within the scope of their responsibilities remain within appetite. The scope of a Risk Control Owner's responsibilities is defined by a given Risk Type and the risk management processes that relate to that Risk Type. These responsibilities cut across the Group and are not constrained by functional, business and geographic boundaries. The major risk types are described individually in the following sections

- Third line of defence: the independent assurance provided by the Group Internal Audit (GIA) function. Its role is defined and overseen by the Audit Committee

The findings from GIA's audits are reported to all relevant management and governance bodies – accountable line managers, relevant oversight function or committee and committees of the Board.

GIA provides independent assurance of the effectiveness of management's control of its own business activities (the first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

The Risk function
The GCRO directly manages a Risk function that is separate from the origination, trading and sales functions of the businesses. The GCRO also chairs the GRC and is a member of the Court.

The role of the Risk function is:

- To maintain the Risk Management Framework, ensuring it remains appropriate to the Group's activities, is effectively communicated and implemented across the Group and for administering related governance and reporting processes
- To uphold the overall integrity of the Group's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with the Group's standards and risk appetite
- To exercise direct risk control ownership for credit, market, country cross-border, short-term liquidity and operational risk types

The Group appoints Chief Risk Officers (CROs) for its two business divisions and principal countries and regions. CROs at all levels of the organisation fulfil the same role as the GCRO, in respect of the business, geography or legal entity for which they are responsible. The roles of CROs are aligned at each level.

The independence of the Risk function is to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. This is particularly important given that revenues are recognised from the point of sale while losses arising from risk positions typically manifest themselves over time.

In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the wider organisation.

Risk appetite
We manage our risks to build a sustainable franchise in the interests of all our stakeholders.

Risk appetite is an expression of the amount of risk we are willing to take in pursuit of our strategic objectives, reflecting our capacity to sustain losses and continue to meet our obligations arising from a range of different stress trading conditions.

We define our risk appetite in terms of both volatility of earnings and the maintenance of adequate regulatory capital requirements under stress scenarios. We also define a risk appetite with respect to liquidity risk, operational risk and reputational risk.

Our quantitative risk profile is assessed through a bottom-up analytical approach covering all of our major businesses, countries and products. It is also assessed against a range of exposure concentration thresholds.

The Group's risk appetite statement is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix.

The Group will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns.

The GRC and GALCO are responsible for ensuring that our risk profile is managed in compliance with the risk appetite set by the Board.

Stress testing
Stress testing and scenario analysis are used to assess the financial and management capability of Standard Chartered to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, regulatory, legal, political, environmental and social factors.

Our stress testing framework is designed to:

- Contribute to the setting and monitoring of risk appetite
- Identify key risks to our strategy, financial position, and reputation
- Support the development of mitigating actions and contingency plans
- Ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing
- Ensure adherence to regulatory requirements

Our stress testing activity focuses on the potential impact of macroeconomic, geopolitical and physical events on relevant geographies, customer segments and asset classes.

A Stress Testing Committee, led by the Risk function with members drawn from the businesses, Group Finance and Group Treasury, aims to ensure that the implications of specific stress scenarios are fully understood allowing informed mitigation actions and construction of contingency plans. The Stress Testing Committee generates and considers pertinent and plausible scenarios that have the potential to adversely affect our business and considers impact across different risk types and countries.

Stress tests are also performed at country and business level.

Credit risk management

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group in accordance with agreed terms. Credit exposures arise from both the banking and trading books.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework. The Group manages its credit exposures following the principle of diversification across products, geographies, client and customer segments.

Credit policies
Group-wide credit policies and standards are considered and approved by the GRC, which also oversees the delegation of credit approval and loan impairment provisioning authorities.

Policies and procedures specific to each business are established by authorised risk committees within Wholesale and Consumer Banking. These are consistent with our Group-wide credit policies, but are more detailed and adapted to reflect the different risk environments and portfolio characteristics.

Credit rating and measurement
Risk measurement plays a central role, along with judgment and experience, in informing risk taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

Since 1 January 2008, Standard Chartered has used the advanced Internal Ratings Based (IRB) approach under the Basel II regulatory framework to calculate credit risk capital requirements.

For IRB portfolios, a standard alphanumeric credit risk grade (CG) system is used in both Wholesale and Consumer Banking. The grading is based on our internal estimate of probability of default over a one-year horizon, with customers or portfolios assessed against a range of quantitative and qualitative factors. The numeric grades run from 1 to 14 and some of the grades are further sub-classified A, B or C. Lower credit grades are indicative of a lower likelihood of default. Credit grades 1A to 12C are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

Our credit grades in Wholesale Banking are not intended to replicate external credit grades, and ratings assigned by external ratings agencies are not used in determining our internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade.

Advanced IRB models cover a substantial majority of our exposures and are used extensively in assessing risks at a customer and portfolio level, setting strategy and optimising our risk/return decisions.

IRB risk measurement models are approved by the responsible risk committee, on the recommendation of the Group Model Assessment Committee (MAC). The MAC supports risk committees in ensuring risk identification and measurement capabilities are objective and consistent, so that risk control and risk origination decisions are properly informed. Prior to review by the MAC, all IRB models are validated in detail by a model validation team, which is separate from the teams that develop and maintain the models. Models undergo periodic review. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process.

Credit approval
Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Group Credit Committee (GCC). The GCC derives its authority from the GRC.

All other credit approval authorities are delegated by the GRC to individuals based both on their judgment and experience and a risk-adjusted scale that takes account of the estimated maximum potential loss from a given customer or portfolio. Credit origination and approval roles are segregated in all but a very few authorised cases. In those very few exceptions where they are not, originators can only approve limited exposures within defined risk parameters.

Credit concentration risk
Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. This is managed within concentration caps set by counterparty or groups of connected counterparties, and having regard for correlation, by country and industry in Wholesale Banking; and by product and country in Consumer Banking. Additional concentration thresholds are set and monitored, where appropriate, by tenor profile, collateralisation levels and credit risk profile.

Credit concentrations are monitored by the responsible risk committees in each of the businesses and concentration limits that are material to the Group are reviewed and approved at least annually by the GCC.

Credit monitoring
We regularly monitor credit exposures, portfolio performance, and external trends that may impact risk management outcomes.

Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance; and IRB portfolio metrics including credit grade migration.

The Wholesale Banking Credit Issues Forum (WBCIF) is a sub-committee of the Wholesale Banking Risk Committee, which in turn is a sub-committee of and derives its authority from the GRC. The WBCIF meets regularly to assess the impact of external events and trends on the Wholesale Banking credit risk portfolio and to define and implement our response in terms of appropriate changes to portfolio shape, portfolio and underwriting standards, risk policy and procedures.

The Consumer Banking Credit Governance Committee (CGC) is a sub-committee of the Consumer Banking Risk Committee (CBRC). Both the CGC and CBRC meet regularly to assess relevant credit matters. This includes market developments with direct credit concerns, credit policy changes, prominent or emerging credit concerns and mitigating actions.

Clients or portfolios are placed on early alert when they display signs of actual or potential weakness. For example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, non-performance of an obligation within the stipulated period, or there are concerns relating to ownership or management.

Such accounts and portfolios are subjected to a dedicated process overseen by Early Alert Committees in countries. Client account plans and credit grades are re-evaluated. In addition, remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Group Special Assets Management (GSAM), our specialist recovery unit.

In Consumer Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and is considered for lending decisions. Accounts that are past due are subject to a collections process, managed independently by the Risk function. Charged-off accounts are managed by specialist recovery teams. In some countries, aspects of collections and recovery functions are outsourced.

The small and medium-sized enterprise (SME) business is managed within Consumer Banking in two distinct customer sub-segments: small businesses and medium enterprises, differentiated by the annual turnover of the counterparty. The credit processes are further refined based on exposure at risk. Larger exposures are managed through the Discretionary Lending approach, in line with Wholesale Banking procedures, and smaller exposures are managed through Programmed

Lending, in line with Consumer Banking procedures. Discretionary Lending and Private Banking problem accounts are managed by GSAM.

Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Where appropriate, credit derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility, such derivatives are used in a controlled manner with reference to their expected volatility.

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types.

For Wholesale Banking, these policies set out the clear criteria that must be satisfied if the mitigation is to be considered effective:

- excessive exposure to any particular risk mitigants or counterparties should be avoided. Collateral concentration mitigation standards are maintained at both the portfolio and counterparty level
- risk mitigants should not be correlated with the underlying assets such that default would coincide with a lowering of the forced sale value of the collateral
- where there is a currency mismatch, haircuts should be applied to protect against currency fluctuations
- legal opinions and documentation must be in place; and
- ongoing review and controls exist where there is a maturity mismatch between the collateral and exposure

For all credit risk mitigants that meet the policy criteria, a clear set of procedures are applied to ensure that the value of the underlying collateral is appropriately recorded and updated regularly.

Collateral types that are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. Standard Chartered also enters into collateralised reverse repurchase agreements.

All eligible collateral accepted by Consumer Banking is covered by a product proposal approved by senior credit officers with the relevant delegated authority. New collateral types have to be vetted through a stringent 'New Business Approval' process and approved by the CBRC.

In order to be recognised as security and for the loan to be classified as secured, all items pledged must be valued and an active secondary resale market must exist for the collateral. Documentation must be held to enable Consumer Banking to realise the asset without the co-operation of the asset owner in the event that this is necessary.

For certain types of lending – typically mortgages and asset financing – the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default. The requirement for collateral is however not a substitute for the ability to pay, which is the primary consideration for any lending decisions.

Regular valuation of collateral is required in accordance with the Group's risk mitigation policy, which prescribes both the process of valuation and the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks in those portfolios. Physical collateral is required to be insured at all times and against all risks, with the Group as the loss payee under the insurance policy. Detailed procedures over collateral management must be in place for each business at the country level.

Where appropriate, collateral values are adjusted to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of possession.

Where guarantees or credit derivatives are used as credit risk mitigation the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty. The main types of guarantors include bank guarantees, insurance companies, parent companies, shareholders and export credit agencies.

The Group uses bilateral and multilateral netting to reduce pre-settlement and settlement counterparty risk. Pre-settlement risk exposures are normally netted using bilateral netting documentation in legally approved jurisdictions. Settlement exposures are generally netted using Delivery versus Payments or Payment versus Payments systems.

Traded products

Credit risk from traded products is managed within the overall credit risk appetite for corporates and financial institutions.

The credit risk exposure from traded products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

For derivative contracts, we limit our exposure to credit losses in the event of default by entering into master netting agreements with certain counterparties. As required by IAS 32, exposures are only presented net in the financial statement if there is a legal right to offset and the assets/liabilities will be settled simultaneously.

In addition, we enter into Credit Support Annexes (CSAs) with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Further details on CSAs are set out on page 26.

Securities

Within Wholesale Banking, the Underwriting Committee approves the portfolio limits and parameters by business unit for the underwriting and purchase of all pre-defined securities assets to be held for sale. The Underwriting Committee is established under the authority of the GRC. Wholesale Banking operates within set limits, which include country, single issuer, holding period and credit grade limits.

Day to day credit risk management activities for traded securities are carried out by Traded Credit Risk Management whose activities include oversight and approval within the levels delegated by the Underwriting Committee. Issuer credit risk, including settlement and pre-settlement risk, is controlled by Wholesale Banking Risk, while price risk is controlled by Group Market Risk.

The Underwriting Committee approves individual proposals to underwrite new security issues for our clients. Where an underwritten security is held for a period longer than the target sell-down period, the final decision on whether to sell the position rests with the Risk function.

Credit portfolio

Maximum exposure to credit risk

The table below presents the Group's maximum exposure to credit risk for its on-balance sheet and off-balance sheet financial instruments at 30 June 2013, before taking into account any collateral held or other credit risk mitigation. For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

The Group's exposure to credit risk is spread across our markets. The Group is affected by the general economic conditions in the territories in which it operates. The Group sets limits on the exposure to any counterparty and credit risk is spread over a variety of different personal and commercial customers.

The Group's maximum exposure to credit risk has increased by $21.0 billion in the first half of 2013 compared to 31 December 2012. Exposure to loans and advances to banks and customers has increased by $13.5 billion due to broad based growth across several industry sectors in Wholesale Banking partly offset by a decline in Consumer Banking mortgages. Further details of the loan portfolio are set out on page 27. The Group's credit risk exposure arising from derivatives has increased by $5.1 billion compared to 31 December 2012.

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Derivative financial instruments	**54,548**	52,530	49,495
Loans and advances to customers	**291,793**	278,140	284,616
Loans and advances to banks	**74,880**	74,605	68,571
Investment securities[1]	**109,373**	104,794	114,117
Contingent liabilities	**47,594**	43,559	44,293
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	**59,835**	51,327	56,647
Documentary credits and short term trade-related transactions	**8,171**	8,614	7,610
Forward asset purchases and forward deposits placed	**852**	1,068	711
	647,046	614,637	626,060

1 Excludes equity shares

Credit risk mitigation

Loans and advances

The Group holds collateral against loans and advances to customer and banks of $142 billion (30 June 2012: $144 billion; 31 December 2012: $140 billion). Further details of collateral held by businesses and held for past due and individually impaired loans are set out on page 32.

The Group has transferred to third parties by way of securitisation the rights to any collection of principal and interest on customer loan assets with a face value of $1,034 million (30 June 2012: $1,714 million; 31 December 2012: $1,321 million). The Group continues to recognise these assets in addition to the proceeds and related liability of $833 million (30 June 2012: $1,530 million; 31 December 2012: $1,093 million) arising from the securitisations. The Group considers the above customer loan assets to be encumbered. Further details of encumbered assets are provided on page 77.

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $21.8 billion (30 June 2012: $20.0 billion; 31 December 2012: $22.1 billion). These credit default swaps are accounted for as guarantees. The Group continues to hold the underlying assets referenced in the credit default swaps as it continues to be exposed to related credit and foreign exchange risk on these assets. Further details of the transactions are set out in note 33 on page 156.

Derivatives financial instruments

The Group enters into master netting arrangements which result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions. At 30 June 2013 $37,379 million (30 June 2012: $20,708 million; 31 December 2012: $35,073 million) is available for offset as a result of master netting agreements. These amounts do not qualify for net presentation for accounting purposes as settlement is not intended to be made on a net basis.

The Group holds cash collateral against derivative and other financial instruments of $3,241 million (30 June 2012: $3,132 million; 31 December 2012: $3,245 million) as disclosed in note 24 on page 140.

Cash collateral includes collateral called under a variation margin process from counterparties if total uncollateralised mark-to-market exposure exceeds the threshold and minimum transfer amount specified in the CSA. With certain counterparties, the CSA is reciprocal and requires us to post collateral if the overall mark-to-market values of positions is in the counterparty's favour and exceeds an agreed threshold. The Group holds $2,123 million (30 June 2012: $2,213 million; 31 December 2012: $2,700 million) under CSAs.

Off-balance sheet exposures

For certain types of exposures such as letters of credit and guarantees, the Group obtains collateral such as cash depending on internal credit risk assessments as well as in the case of letters of credit holding legal title to the underlying assets should a default take place.

Loan portfolio

	Group Page reference	Consumer Banking Page reference	Wholesale Banking Page reference
Overview	28	37	47
Geographic analysis	28	37	48-49
Maturity analysis			
• By business	29	-	-
• By category of borrower	-	38	49-50
Credit quality analysis			
• By business, internal credit grades and days past due	30-31	-	-
• By product and geography	-	39-40	51-54
Credit risk mitigation			
• Collateral by business and credit quality	32	-	-
• Analysis of secured / unsecured loans by category of business		41	-
• Collateral held by type	-	-	55
• Geographic analysis of mortgage loan to value ratios	-	42	-
Problem credit management and provisioning			
• Policies on credit management and provisioning	33	43	55
• <u>*Non-performing loans*</u>			
o By business	33	-	-
o By geography	-	46	58-59
o Movement in non-performing loans and total impaired loans by business	-	47	60
• <u>*Loan impairment*</u>			
o Movement in total impairment provisions	34	-	-
o Movement in individual impairment provision by geography	35		
o Loan impairment charge – by geography	-	44	56
o Loan impairment movement – by category of borrower	-	45	57-58
Forbearance and other renegotiated loans	36	-	-

Group overview

This section covers a summary of the Group's loan portfolio analysed by business and geography, along with an analysis of the maturity profile, credit quality and provisioning of the loan book. A more detailed analysis by product, by counterparty type and by geography is set out for Consumer Banking on pages 37 to 47 and Wholesale Banking on pages 47 to 60.

Geographic analysis

Loans and advances to customers grew by $7.2 billion since 31 December 2012 to $291.8 billion. The Consumer Banking portfolio in the first half of 2013 has decreased by $2.2 billion, or 2 per cent since December 2012, with a majority of the decline driven by Mortgages in Korea and Singapore. The Wholesale Banking portfolio has continued to grow in 2013, increasing by $9.4 billion, or 6 per cent, compared to December 2012 with all geographic regions except Korea, Africa and MESA regions growing balances. Loans to banks have increased by $6.3 billion since 31 December 2012 to $74.9 billion, mainly in Americas, UK and Europe.

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Consumer Banking	**32,970**	**27,218**	**24,824**	**25,477**	**5,128**	**6,064**	**1,854**	**4,634**	**128,169**
Wholesale Banking	**23,899**	**33,224**	**6,980**	**25,255**	**6,948**	**14,266**	**6,230**	**47,559**	**164,361**
Portfolio impairment provision	**(85)**	**(46)**	**(123)**	**(168)**	**(41)**	**(135)**	**(68)**	**(71)**	**(737)**
Total loans and advances to customers[1,2]	**56,784**	**60,396**	**31,681**	**50,564**	**12,035**	**20,195**	**8,016**	**52,122**	**291,793**
Total loans and advances to banks[1,2]	**20,306**	**4,831**	**3,815**	**10,067**	**436**	**2,760**	**813**	**31,852**	**74,880**

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Consumer Banking	28,629	25,413	30,613	25,705	4,528	4,980	1,462	3,256	124,586
Wholesale Banking	23,391	29,500	7,262	21,157	6,800	14,530	6,030	45,586	154,256
Portfolio impairment provision	(70)	(48)	(132)	(177)	(34)	(143)	(47)	(51)	(702)
Total loans and advances to customers[1,2]	51,950	54,865	37,743	46,685	11,294	19,367	7,445	48,791	278,140
Total loans and advances to banks[1,2]	22,311	5,178	4,755	10,720	422	3,780	503	26,936	74,605

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Consumer Banking	31,324	27,567	28,587	26,702	5,190	5,418	1,710	3,919	130,417
Wholesale Banking	21,515	28,321	7,710	22,526	6,827	14,672	6,327	47,023	154,921
Portfolio impairment provision	(74)	(47)	(132)	(166)	(39)	(138)	(63)	(63)	(722)
Total loans and advances to customers[1,2]	52,765	55,841	36,165	49,062	11,978	19,952	7,974	50,879	284,616
Total loans and advances to banks[1,2]	19,356	6,205	4,633	8,133	571	3,172	378	26,123	68,571

1 Amounts net of individual impairment provision and include financial instruments held at fair value through profit or loss (see note 12 on page 112)

2 Loans and advances to customers in the above table are presented on the basis of booking location of the loan. The analysis of loans and advances by geography presented on page 102 in note 2 to the financial statements present loans based on the location of the customers

Maturity analysis

Approximately half of our loans and advances to customers are short-term having a contractual maturity of one year or less. The Wholesale Banking portfolio remains predominantly short-term, with 65 per cent (30 June 2012: 63 per cent; 31 December 2012: 62 per cent) of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 55 per cent (30 June 2012: 57 per cent; 31 December 2012: 56 per cent) of the portfolio is in the mortgage book, which is traditionally longer term in nature and well secured. Whilst the Other and SME loans in Consumer Banking have short contractual maturities, typically they may be renewed and repaid over longer terms in the normal course of business.

	30.06.13			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Consumer Banking	**39,438**	**22,546**	**66,185**	**128,169**
Wholesale Banking	**107,577**	**44,658**	**12,126**	**164,361**
Portfolio impairment provision				**(737)**
Total loans and advances to customers				**291,793**

	30.06.12			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Consumer Banking	34,362	22,820	67,404	124,586
Wholesale Banking	97,722	45,872	10,662	154,256
Portfolio impairment provision				(702)
Total loans and advances to customers				278,140

	31.12.12			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Consumer Banking	38,475	23,592	68,350	130,417
Wholesale Banking	96,194	46,195	12,532	154,921
Portfolio impairment provision				(722)
Total loans and advances to customers				284,616

Credit quality analysis

The table below sets out an analysis of the loan portfolio between those loans that are neither past due nor impaired, those that are past due but not individually impaired and those that are individually impaired. A loan is considered past due when a client or customer has failed to make a payment of principal or interest when contractually due.

Most of the Group's loans to banks are in the credit grade 1-5 category as we lend in the interbank market to highly rated counterparties. Exposure in the credit grade 6-8 category predominantly relates to trade finance business with financial institutions in our core markets.

As at 30 June 2013, 3 per cent of the Wholesale Banking loans to customers are either past due or individually impaired down from 6 per cent at 31 December 2012.

Loans past due but not individually impaired declined by $3.7 billion compared to 31 December 2012 mainly due to the renegotiation of a very small number of large exposures in the first half of 2013 which are now reported as part of the Other renegotiated loans on page 36. These were regularised in the first half of 2013 and no impairment was recognised as a result of this renegotiation. Of the $891 million balances which were past due but not individually impaired at 30 June 2013, more than half have either been repaid or renegotiated.

Net individually impaired loans in Wholesale Banking increased by $0.2 billion driven by a small number of exposures in India and Africa.

In Consumer Banking, individually impaired loans increased by $66 million reflecting higher levels of impairment in unsecured lending and the impact of Personal Debt Rehabilitation Schedule (PDRS) in Korea. Despite the increase in impairment charge, the increase seen in impaired loans is lower as impaired unsecured loans are written off after 150 days.

	30.06.13				30.06.12			
	Loans to banks	Loans to customers – Wholesale Banking	Loans to customers – Consumer Banking	Total loans to customers	Loans to banks	Loans to customers – Wholesale Banking	Loans to customers – Consumer Banking	Total loans to customers
	$million	$million	$million	$million	$million	$million	$million	$million
Neither past due nor individually impaired loans								
- Grades 1-5	64,889	65,785	58,726	124,511	63,665	65,051	56,748	121,799
- Grades 6-8	8,611	65,247	41,183	106,430	9,272	62,535	40,274	102,809
- Grades 9-11	1,195	27,958	21,019	48,977	1,135	21,966	21,297	43,263
- Grade 12	64	1,645	2,615	4,260	124	1,779	1,672	3,451
	74,759	160,635	123,543	284,178	74,196	151,331	119,991	271,322
Past due but not individually impaired loans								
- Up to 30 days past due	12	656	3,080	3,736	171	472	3,175	3,647
- 31 - 60 days past due	-	60	444	504	97	89	455	544
- 61 - 90 days past due	-	175	228	403	-	182	204	386
- 91 - 150 days past due	-	-	178	178	-	-	166	166
	12	891	3,930	4,821	268	743	4,000	4,743
Individually impaired loans	211	4,666	1,298	5,964	230	3,818	1,113	4,931
Individual impairment provisions	(100)	(1,831)	(602)	(2,433)	(87)	(1,636)	(518)	(2,154)
Net individually impaired loans	111	2,835	696	3,531	143	2,182	595	2,777
Total loans and advances	74,882	164,361	128,169	292,530	74,607	154,256	124,586	278,842
Portfolio impairment provision	(2)	(325)	(412)	(737)	(2)	(284)	(418)	(702)
	74,880	164,036	127,757	291,793	74,605	153,972	124,168	278,140
Of which, held at fair value through profit or loss:								
Neither past due nor individually impaired								
- Grades 1-5	1,167	1,895	-	1,895	364	986	-	986
- Grades 6-8	408	3,801	-	3,801	303	4,149	-	4,149
- Grades 9-11	-	597	-	597	8	545	-	545
- Grade 12	-	147	-	147	-	7	-	7
	1,575	6,440	-	6,440	675	5,687	-	5,687

	31.12.12			
	Loans to banks	Loans to customers – Wholesale Banking	Loans to customers – Consumer Banking	Total loans to customers
	$million	$million	$million	$million
Neither past due nor individually impaired loans				
- Grades 1-5	59,118	63,216	59,280	122,496
- Grades 6-8	7,757	61,739	41,696	103,435
- Grades 9-11	1,457	21,324	21,596	42,920
- Grade 12	32	1,400	2,689	4,089
	68,364	147,679	125,261	272,940
Past due but not individually impaired loans				
- Up to 30 days past due	3	1,434	3,559	4,993
- 31 - 60 days past due	-	114	493	607
- 61 - 90 days past due	-	3,058	230	3,288
- 91 - 150 days past due	-	-	208	208
	3	4,606	4,490	9,096
Individually impaired loans	309	4,400	1,232	5,632
Individual impairment provisions	(103)	(1,764)	(566)	(2,330)
Net individually impaired loans	206	2,636	666	3,302
Total loans and advances	68,573	154,921	130,417	285,338
Portfolio impairment provision	(2)	(300)	(422)	(722)
	68,571	154,621	129,995	284,616
Of which, held at fair value through profit or loss:				
Neither past due nor individually impaired				
- Grades 1-5	555	1,237	-	1,237
- Grades 6-8	219	3,048	-	3,048
- Grades 9-11	-	692	-	692
- Grade 12	-	1	-	1
	774	4,978	-	4,978

Collateral

The requirement for collateral is not a substitute for the ability to pay, which is the primary consideration for any lending decisions. In determining the financial effect of collateral held against loans neither past due or impaired, we have assessed the significance of the collateral held in relation to the type of lending.

For loans and advances to banks and customers (including those held at fair value through profit or loss), the table below sets out the fair value of collateral held by the Group adjusted where appropriate in accordance with the risk mitigation policy as outlined on page 25 and for the effect of over-collateralisation.

In Consumer Banking, collateral levels have remained stable compared to 31 December 2012. The decline in collateral value is in line with the decline in the loan portfolio and also reflecting the gradual shift in mix to unsecured loans. 72 per cent of the loans to customers are fully secured and around 88 per cent of collateral across the portfolio is property based.

Collateral held against Wholesale Banking loans also covers off-balance sheet exposures including undrawn commitments and trade related instruments. At 30 June 2013, collateral as a proportion of total lending in Wholesale Banking remained broadly aligned when compared to 31 December 2012. Of the collateral obtained, which includes non-tangible collateral such as guarantees and letters of credit, approximately 50 per cent is secured on assets and this proportion is in line with the position at 31 December 2012 and 30 June 2012 respectively.

Further details on collateral are explained in the Consumer Banking and Wholesale Banking sections on page 41 and 55 respectively.

	Consumer Banking			Wholesale Banking			Total		
	Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million	Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million	Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million
As at 30 June 2013									
Collateral	**86,629**	**2,498**	**568**	**54,999**	**388**	**708**	**141,628**	**2,886**	**1,276**
Amount outstanding[1]	**128,169**	**3,930**	**1,298**	**239,243**	**903**	**4,877**	**367,412**	**4,833**	**6,175**
As at 30 June 2012									
Collateral	84,920	2,643	449	59,398	204	502	144,318	2,847	951
Amount outstanding[1]	124,586	4,000	1,113	228,863	1,011	4,048	353,449	5,011	5,161
As at 31 December 2012									
Collateral	88,119	2,799	563	51,594	1,823	573	139,713	4,622	1,136
Amount outstanding[1]	130,417	4,490	1,232	223,494	4,609	4,709	353,911	9,099	5,941

[1] Includes loans held at fair value through profit or loss

Collateral and other credit enhancements possessed or called upon

The Group obtains assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees). Repossessed properties are sold in an orderly fashion. Where the proceeds are in excess of the outstanding loan balance the excess is returned to the borrower. Certain equity securities acquired may be held by the Group for investment purposes and are classified as available-for-sale, and the related loan written off.

The table below details the carrying value of collateral possessed and held by the Group at 30 June 2013; 30 June 2012 and 31 December 2012:

	30.06.13			30.06.12		
	Consumer Banking $million	Wholesale Banking $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Total $million
Property	**39**	**-**	**39**	23	-	23
Other	**1**	**-**	**1**	2	-	2
	40	**-**	**40**	25	-	25

	31.12.12		
	Consumer Banking $million	Wholesale Banking $million	Total $million
Property	62	9	71
Other	3	-	3
	65	9	74

Problem credit management and provisioning

The Group's loan loss provisions are established to recognise incurred impairment losses either on specific loan assets or within a portfolio of loans and advances. Individually impaired loans are those loans against which individual impairment provisions have been raised.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Loan losses that have been incurred but have not been separately identified at the balance sheet date are determined on a portfolio basis, which takes into account past loss experience as a result of uncertainties arising from the economic environment, and defaults based on portfolio trends. Actual losses identified could differ significantly from the impairment provisions reported as a result of uncertainties arising from the economic environment.

The total amount of the Group's impairment allowances is inherently uncertain being sensitive to changes in economic and credit conditions across the geographies where the Group operates. Economic and credit conditions are interdependent within each geography and as a result there is no single factor to which the Group's loan impairment allowances as a whole are sensitive. It is possible that actual events in the future differ from the assumptions built into the model resulting in material adjustments to the carrying amount of loans and advances.

Non-performing loans

A non-performing loan is any loan that is more than 90 days past due or is otherwise individually impaired (which represents those loans against which individual impairment provisions have been raised) and excludes:

- Loans renegotiated before 90 days past due and on which no default in interest payments or loss of principal is expected;
- Loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.

The gross non-performing loans in Consumer Banking and Wholesale Banking have remained at similar levels to 31 December 2012.

	30.06.13		30.06.12		31.12.12	
	Consumer Banking	**Wholesale Banking**	Consumer Banking	Wholesale Banking	Consumer Banking	Wholesale Banking
	$million	**$million**	$million	$million	$million	$million
Impaired loans	**1,298**	**4,877**	1,113	4,048	1,232	4,709
Less: Renegotiated loans[1]	**(180)**	**(420)**	(146)	(27)	(174)	(437)
Past due but not individually impaired loans greater than 90 days	**178**	**-**	166	-	208	-
Gross non-performing loans	**1,296**	**4,457**	1,133	4,021	1,266	4,272
Individual impairment provisions[2]	**(558)**	**(1,929)**	(483)	(1,723)	(525)	(1,866)
Portfolio impairment provision	**(412)**	**(327)**	(418)	(286)	(422)	(302)
Cover ratio	**75%**	**51%**	80%	50%	75%	51%

1 Renegotiated loans are excluded from non-performing loans if certain specific performance criteria are met as explained above and are a sub-set of forborne loans as defined on page 36

2 The difference to total individual impairment provision reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days

Individual and portfolio impairment provisions

Individual impairment provisions increased by $100 million compared to 31 December 2012. This was primarily in India ($49 million increase) and Africa ($43 million increase) as a result of a small number of Wholesale Banking exposures and within Consumer Banking in Korea due to higher levels of filings under the PDRS regulations. Portfolio impairment provision increased by $15 million mainly in Wholesale Banking reflecting the loan portfolio growth in the business. The amounts written off at $577 million primarily related to Consumer banking (30 June 2012: $385 million, 31 December 2012: $550 million) relating to increased write-offs in unsecured lending which are written off after 150 days past due.

The following tables set out the movements in total individual and portfolio impairment provisions, together with the movement in individual impairment provisions by geography:

	30.06.13			30.06.12		
	Individual Impairment Provisions $million	Portfolio Impairment Provisions $million	Total $million	Individual Impairment Provisions $million	Portfolio Impairment Provisions $million	Total $million
Provisions held at 1 January	2,433	724	3,157	1,926	746	2,672
Exchange translation differences	(59)	(19)	(78)	(27)	(2)	(29)
Amounts written off	(577)	-	(577)	(385)	-	(385)
Releases of acquisition fair values	(1)	-	(1)	(2)	-	(2)
Recoveries of amounts previously written off	87	-	87	147	-	147
Discount unwind	(42)	-	(42)	(37)	-	(37)
New provisions	871	74	945	851	61	912
Recoveries/provisions no longer required	(179)	(40)	(219)	(232)	(101)	(333)
Net impairment charge/(release) against profit	692	34	726	619	(40)	579
Provisions held at 30 June	2,533	739	3,272	2,241	704	2,945

	31.12.12		
	Individual Impairment Provisions $million	Portfolio Impairment Provisions $million	Total $million
Provisions held at 1 July	2,241	704	2,945
Exchange translation differences	31	15	46
Amounts written off	(550)	-	(550)
Releases of acquisition fair values	(1)	-	(1)
Recoveries of amounts previously written off	141	-	141
Discount unwind	(40)	-	(40)
New provisions	827	55	882
Recoveries/provisions no longer required	(216)	(50)	(266)
Net impairment charge against profit	611	5	616
Provisions held at 31 December	2,433	724	3,157

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Provisions held at 1 January 2013	74	89	246	437	270	1,173	49	95	2,433
Exchange translation differences	-	(1)	(18)	(7)	(27)	(4)	(2)	-	(59)
Amounts written off	(77)	(43)	(166)	(186)	(23)	(67)	(17)	2	(577)
Releases of acquisition fair values	-	-	-	-	-	(1)	-	-	(1)
Recoveries of amounts previously written off	19	7	9	35	2	13	3	(1)	87
Discount unwind	(1)	(2)	(6)	(10)	(9)	(13)	-	(1)	(42)
New provisions	78	48	230	242	117	80	64	12	871
Recoveries/provisions no longer required	(20)	(9)	(36)	(58)	(11)	(38)	(5)	(2)	(179)
Net impairment charge against profit	58	39	194	184	106	42	59	10	692
Provisions held at 30 June 2013	73	89	259	453	319	1,143	92	105	2,533

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Provisions held at 1 January 2012	78	38	136	425	112	972	61	104	1,926
Exchange translation differences	-	1	-	(5)	(14)	(5)	(4)	-	(27)
Amounts written off	(59)	(62)	(63)	(113)	(6)	(59)	(9)	(14)	(385)
Releases of acquisition fair values	-	-	-	(1)	-	(1)	-	-	(2)
Recoveries of amounts previously written off	18	24	16	64	5	16	2	2	147
Discount unwind	(1)	(1)	(6)	(9)	(7)	(13)	-	-	(37)
New provisions	67	47	155	182	171	206	14	9	851
Recoveries/provisions no longer required	(22)	(25)	(42)	(85)	(17)	(31)	(5)	(5)	(232)
Net impairment charge against profit	45	22	113	97	154	175	9	4	619
Provisions held at 30 June 2012	81	22	196	458	244	1,085	59	96	2,241

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Provisions held at 1 July 2012	81	22	196	458	244	1,085	59	96	2,241
Exchange translation differences	-	4	17	6	7	(4)	-	1	31
Amounts written off	(96)	5	(112)	(206)	(36)	(64)	(20)	(21)	(550)
Releases of acquisition fair values	-	-	-	(1)	-	(1)	-	1	(1)
Recoveries of amounts previously written off	26	20	12	60	6	13	3	1	141
Discount unwind	(1)	(2)	(7)	(8)	(6)	(15)	(1)	-	(40)
New provisions	91	64	179	208	64	181	17	23	827
Recoveries/provisions no longer required	(27)	(24)	(39)	(80)	(9)	(22)	(9)	(6)	(216)
Net impairment charge against profit	64	40	140	128	55	159	8	17	611
Provisions held at 31 December 2012	74	89	246	437	270	1,173	49	95	2,433

Forbearance and other renegotiated loans
In certain circumstances, the Group may renegotiate client and customer loans.

Loans that are renegotiated on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared with the original terms of the loans result in impairment. These loans are considered to be subject to forbearance strategies and are included in "Loans subject to forbearance" in the disclosures below which is a subset of impaired loans.

Loans that are renegotiated primarily to grant extended tenure to a client or customer who is facing some difficulties but who we do believe is not impaired are reported as "Other renegotiated loans" in the disclosures below.

Loans that are renegotiated for commercial reasons, which may occur, for example, if a client had a credit rating upgrade, are not included within this disclosure because they are not indicative of any credit stress.

Forbearance strategies assist customers who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the customer, the bank or a third party (including government sponsored programmes or a conglomerate of credit institutions) and includes debt restructuring, such as a new repayment schedule, payment deferrals, tenor extensions and interest only payments.

Consumer Banking

In Consumer Banking, excluding Medium Enterprises and Private Banking, all loans subject to forbearance or renegotiated are managed within a separate portfolio. If such loans subsequently become past due, write off and IIP is accelerated to 90 days past due (unsecured loans and automobile finance) or 120 days past due (secured loans). The accelerated loss rates applied to this portfolio are derived from experience with other renegotiated loans, rather than the Consumer Banking portfolio as a whole, to recognise the greater degree of inherent risk.

At 30 June 2013, $795 million (30 June 2012: $729 million; 31 December 2012: $769 million) of Consumer Banking loans were subject to forbearance programmes which required impairment provisions to be recognised. This represents 0.6 per cent of total loans and advances to Consumer Banking customers. These loans were largely concentrated in countries that have active government sponsored forbearance programmes. Provision coverage against these loans was 12 per cent (30 June 2012:18 per cent; 31 December 2012: 12 per cent), reflecting collateral held and expected recovery rates.

	30.06.13		30.06.12		31.12.12	
	Gross loans $million	**Provisions $million**	Gross loans $million	Provisions $million	Gross loans $million	Provisions $million
Loans subject to forbearance	**795**	**94**	729	129	769	96
Other renegotiated loans	**416**	**-**	298	-	319	-
Total Consumer Banking	**1,211**	**94**	1,027	129	1,088	96

Wholesale Banking
For Wholesale Banking and Medium Enterprises and Private Banking accounts, forbearance and other renegotiations are applied on a case-by-case basis and are not subject to business wide programmes. In some cases, a new loan is granted as part of the restructure and in others, the contractual terms and repayment of the existing loans are changed or extended (for example, interest only for a period).

Loans classified as subject to forbearance are managed by GSAM and are reviewed at least quarterly to assess and confirm the client's ability to adhere to the restructured repayment strategy. Accounts are also reviewed if there is a significant event that could result in deterioration in their ability to repay.

If the terms of the renegotiation, where the present value of the new cash flows is lower than the present value of the original cash flows, the loan would be considered to be impaired and at a minimum a discount provision would be raised and shown under Loans subject to Forbearance.

At 30 June 2013, $1,132 million (30 June 2012: $891 million; 31 December 2012: $1,011 million) of Wholesale Banking loans were subject to forbearance strategies which required impairment provisions to be recognised. This represents 0.7 per cent of total loans and advances to Wholesale Banking customers.

$438 million (30 June 2012: $405 million; 31 December 2012: $437 million) of loans subject to forbearance represents those loans that have complied with the renegotiated loan terms for more than 180 days or when no loss of principal is expected. Although these remain impaired loans, they are excluded from our analysis of non-performing loans on page 58.

The increase in other renegotiated loans compared to 31 December 2012 related to a small number of previously past due exposures where payment terms have been rescheduled during the period. There is no shortfall in the present value of cash flows when compared to the original terms of the loans and no impairment was recognised in these accounts.

	30.06.13		30.06.12		31.12.12	
	Gross loans $million	**Provisions $million**	Gross loans $million	Provisions $million	Gross loans $million	Provisions $million
Loans subject to forbearance	**1,132**	**240**	891	205	1,011	232
Other renegotiated loans	**4,420**	**-**	1,203	-	773	-
Total Wholesale Banking	**5,552**	**240**	2,094	205	1,784	232

Consumer Banking loan portfolio

The Consumer Banking portfolio in the first half of 2013 has decreased by $2.2 billion, or 2 per cent compared to 31 December 2012. Mortgages declined by $2.3 billion as regulatory restrictions and increased competition continued to restrict growth in a number of markets, particularly in Korea and Singapore. In Korea we also originated and sold $2 billion ($6.9 billion since H1 2012) of fixed rate mortgages under the Mortgage Purchase Program to the Korea Housing Finance Corporation. Other loans, which include credit cards, and personal loans (including those related to Private Banking) declined marginally by $0.3 billion as growth in Hong Kong and MESA region was offset by lower balances in Korea as we selectively tightened underwriting criteria during H1 2013. SME lending grew by $0.4 billion with strong growth in MESA and Africa regions.

Geographic analysis

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans to individuals									
Mortgages	**22,741**	**13,995**	**13,682**	**14,215**	**2,181**	**1,763**	**275**	**1,459**	**70,311**
Other	**7,069**	**9,831**	**6,414**	**5,875**	**807**	**3,217**	**1,036**	**3,167**	**37,416**
Small and medium enterprises	**3,160**	**3,392**	**4,728**	**5,387**	**2,140**	**1,084**	**543**	**8**	**20,442**
	32,970	**27,218**	**24,824**	**25,477**	**5,128**	**6,064**	**1,854**	**4,634**	**128,169**
Portfolio impairment provision	**(56)**	**(25)**	**(107)**	**(135)**	**(20)**	**(42)**	**(23)**	**(4)**	**(412)**
Total loans and advances to customers	**32,914**	**27,193**	**24,717**	**25,342**	**5,108**	**6,022**	**1,831**	**4,630**	**127,757**

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans to individuals									
Mortgages	19,463	12,696	19,433	14,689	1,983	1,554	241	961	71,020
Other	6,346	9,630	6,389	5,920	649	2,622	967	2,293	34,816
Small and medium enterprises	2,820	3,087	4,791	5,096	1,896	804	254	2	18,750
	28,629	25,413	30,613	25,705	4,528	4,980	1,462	3,256	124,586
Portfolio impairment provision	(47)	(27)	(109)	(149)	(18)	(46)	(19)	(3)	(418)
Total loans and advances to customers	28,582	25,386	30,504	25,556	4,510	4,934	1,443	3,253	124,168

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans to individuals									
Mortgages	21,441	14,278	16,686	14,832	2,284	1,629	256	1,221	72,627
Other	6,843	10,038	6,936	6,387	806	2,902	1,152	2,696	37,760
Small and medium enterprises	3,040	3,251	4,965	5,483	2,100	887	302	2	20,030
	31,324	27,567	28,587	26,702	5,190	5,418	1,710	3,919	130,417
Portfolio impairment provision	(50)	(26)	(116)	(140)	(20)	(44)	(22)	(4)	(422)
Total loans and advances to customers	31,274	27,541	28,471	26,562	5,170	5,374	1,688	3,915	129,995

Maturity analysis

The proportion of Consumer Banking loans maturing in less than one year increased to 31 per cent compared to 30 per cent at 31 December 2012, primarily due to lower mortgage balances. In addition the increase in lending to SME and Private Banking clients are typically of short tenor.

The following tables show the contractual maturity of loans and advances to customers by each principal category of borrower.

	30.06.13			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Loans to individuals				
Mortgages	**3,956**	**8,569**	**57,786**	**70,311**
Other	**24,487**	**10,469**	**2,460**	**37,416**
Small and medium enterprises	**10,995**	**3,508**	**5,939**	**20,442**
	39,438	**22,546**	**66,185**	**128,169**
Portfolio impairment provision				**(412)**
Total loans and advances to customers				**127,757**

	30.06.12			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Loans to individuals				
Mortgages	3,113	8,743	59,164	71,020
Other	21,338	10,787	2,691	34,816
Small and medium enterprises	9,911	3,290	5,549	18,750
	34,362	22,820	67,404	124,586
Portfolio impairment provision				(418)
Total loans and advances to customers				124,168

	31.12.12			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Loans to individuals				
Mortgages	3,612	9,140	59,875	72,627
Other	24,082	10,923	2,755	37,760
Small and medium enterprises	10,781	3,529	5,720	20,030
	38,475	23,592	68,350	130,417
Portfolio impairment provision				(422)
Total loans and advances to customers				129,995

Credit quality analysis

The tables below set out the loan portfolio for Consumer Banking by product and by geography between those loans that are neither past due nor impaired, those that are past due but not individually impaired and those that are individually impaired.

The overall credit quality of the portfolio remains good with over 95 per cent of the portfolio neither past due nor impaired. The mortgage portfolio is well collateralised and has an average loan-to-value ratio of 47.4 per cent.

The proportion of the past due but not individually impaired loans decreased to $3.9 billion or 3 per cent of the loan portfolio (31 December 2012: 3.4 per cent). The $0.5 billion decline mainly arose in the less than 30 days past due category as the temporary timing differences at 31 December 2012 were regularised in the first half of 2013.

Individually impaired loans increased by $66 million compared to 31 December 2012. The increase is primarily in Unsecured lending ($99 million), partly offset by declines in Mortgages ($36 million). The increase in unsecured lending impaired loans is driven by the impact of PDRS in Korea and seasoning of loans booked between 2010 and 2012.

The portfolio impairment provision declined marginally due to the impact of exchange rates.

	30.06.13				30.06.12			
	Neither past due nor individually impaired $million	**Past due but not individually impaired $million**	**Individually impaired loans $million**	**Total $million**	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired loans $million	Total $million
Loans to individuals								
Mortgages	**68,499**	**1,630**	**311**	**70,440**	68,901	1,915	340	71,156
Other	**35,564**	**1,557**	**568**	**37,689**	33,143	1,482	368	34,993
Small and medium enterprises	**19,480**	**743**	**419**	**20,642**	17,947	603	405	18,955
	123,543	**3,930**	**1,298**	**128,771**	119,991	4,000	1,113	125,104
Individual impairment provision				**(602)**				(518)
Portfolio impairment provision				**(412)**				(418)
Total loans and advances to customers				**127,757**				124,168

	31.12.12			
	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired loans $million	Total $million
Loans to individuals				
Mortgages	70,313	2,104	347	72,764
Other	35,810	1,709	469	37,988
Small and medium enterprises	19,138	677	416	20,231
	125,261	4,490	1,232	130,983
Individual impairment provision				(566)
Portfolio impairment provision				(422)
Total loans and advances to customers				129,995

Consumer Banking - Loans to customers

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Neither past due nor individually impaired loans	32,500	26,564	23,851	23,936	4,750	5,588	1,773	4,581	123,543
Past due but not individually impaired loans	404	605	783	1,271	359	422	65	21	3,930
Individually impaired loans	90	66	359	420	46	218	28	71	1,298
Individual impairment provisions	(24)	(17)	(169)	(150)	(27)	(164)	(12)	(39)	(602)
Portfolio impairment provision	(56)	(25)	(107)	(135)	(20)	(42)	(23)	(4)	(412)
Total loans and advances to customers	32,914	27,193	24,717	25,342	5,108	6,022	1,831	4,630	127,757

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Neither past due nor individually impaired loans	28,333	24,805	29,643	24,212	4,211	4,275	1,381	3,131	119,991
Past due but not individually impaired loans	261	583	836	1,215	298	632	75	100	4,000
Individually impaired loans	53	40	240	417	46	229	23	65	1,113
Individual impairment provisions	(18)	(15)	(106)	(139)	(27)	(156)	(17)	(40)	(518)
Portfolio impairment provision	(47)	(27)	(109)	(149)	(18)	(46)	(19)	(3)	(418)
Total loans and advances to customers	28,582	25,386	30,504	25,556	4,510	4,934	1,443	3,253	124,168

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Neither past due nor individually impaired loans	30,878	26,956	27,340	25,142	4,825	4,772	1,629	3,719	125,261
Past due but not individually impaired loans	404	569	1,059	1,283	342	587	69	177	4,490
Individually impaired loans	66	57	329	417	52	224	24	63	1,232
Individual impairment provisions	(24)	(15)	(141)	(140)	(29)	(165)	(12)	(40)	(566)
Portfolio impairment provision	(50)	(26)	(116)	(140)	(20)	(44)	(22)	(4)	(422)
Total loans and advances to customers	31,274	27,541	28,471	26,562	5,170	5,374	1,688	3,915	129,995

Credit risk mitigation

A secured loan is one where the borrower pledges an asset as collateral that the Group is able to take possession in the event that the borrower defaults. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. Other secured loans are considered to be partially secured. Within Consumer Banking, 72 per cent of lending is fully secured and 9 per cent was partially secured. The following tables present an analysis of Consumer Banking loans by product split between fully secured, partially secured and unsecured.

	30.06.13				30.06.12			
	Fully secured	**Partially secured**	**Unsecured**	**Total[1]**	Fully secured	Partially secured	Unsecured	Total[1]
	$million	**$million**	**$million**	**$million**	$million	$million	$million	$million
Loans to individuals								
Mortgages	**70,311**	**-**	**-**	**70,311**	71,020	-	-	71,020
Other	**15,794**	**-**	**21,622**	**37,416**	14,523	-	20,293	34,816
Small and medium enterprises	**6,417**	**11,555**	**2,470**	**20,442**	5,395	11,266	2,089	18,750
	92,522	**11,555**	**24,092**	**128,169**	90,938	11,266	22,382	124,586
Per centage of total loans	**72%**	**9%**	**19%**		73%	9%	18%	

	31.12.12			
	Fully secured	Partially secured	Unsecured	Total[1]
	$million	$million	$million	$million
Loans to individuals				
Mortgages	72,627	-	-	72,627
Other	15,509	-	22,251	37,760
Small and medium enterprises	5,985	11,634	2,411	20,030
	94,121	11,634	24,662	130,417
Per centage of total loans	72%	9%	19%	

1 Amounts net of individual impairment provisions

Mortgage loan-to-value ratios by geography

The following table provides an analysis of loan to value (LTV) ratios by geography for the mortgages portfolio. LTV ratios are determined based on the ratio of the current mortgage outstanding to the current fair value of the properties on which they are secured. Overall the average LTV ratio for the book has remained stable at 47.4 per cent compared to 47.8 per cent at 31 December 2012. Our major mortgage markets of Hong Kong, Singapore and Korea have an average LTV of less than 50 per cent. The proportion of the portfolio with average LTVs in excess of 100 per cent has declined from 0.5 per cent to 0.4 per cent. This is primarily due to property price increases and improving economic conditions in UAE. The average LTVs have remained stable across all regions.

	30.06.13								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	%	%	%	%	%	%	%	%	%
Less than 50 per cent	**71.6**	**54.4**	**48.1**	**42.6**	**66.5**	**30.6**	**27.6**	**15.3**	**55.8**
50 per cent to 59 per cent	**11.6**	**17.7**	**22.2**	**18.5**	**12.7**	**16.6**	**14.2**	**82.6**	**16.7**
60 per cent to 69 per cent	**6.8**	**13.7**	**20.5**	**19.1**	**9.8**	**16.0**	**21.1**	**2.1**	**14.0**
70 per cent to 79 per cent	**4.4**	**12.2**	**2.6**	**12.4**	**7.7**	**15.7**	**19.4**	**-**	**8.3**
80 per cent to 89 per cent	**3.7**	**2.0**	**2.3**	**5.8**	**2.8**	**7.0**	**16.2**	**-**	**3.6**
90 per cent to 99 per cent	**1.8**	**-**	**1.0**	**1.3**	**0.5**	**3.5**	**0.8**	**-**	**1.2**
100 per cent and greater	**-**	**-**	**0.4**	**0.2**		**10.6**	**0.7**	**-**	**0.4**
Average Portfolio loan to value	**42.5**	**45.0**	**49.6**	**52.7**	**40.3**	**65.2**	**64.4**	**53.6**	**47.4**
Loans to individuals - Mortgages ($million)	**22,741**	**13,995**	**13,682**	**14,215**	**2,181**	**1,763**	**275**	**1,459**	**70,311**

	30.06.12								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	%	%	%	%	%	%	%	%	%
Less than 50 per cent	71.1	53.8	50.9	33.3	53.7	22.5	27.8	10.5	52.7
50 per cent to 59 per cent	14.4	18.4	27.4	19.0	16.2	13.5	12.5	88.9	20.0
60 per cent to 69 per cent	8.9	15.1	16.1	21.4	12.9	17.1	20.4	0.6	15.0
70 per cent to 79 per cent	2.6	10.1	3.8	17.8	9.3	13.2	17.6	-	7.8
80 per cent to 89 per cent	2.3	2.6	1.3	6.9	2.8	8.3	19.0	-	3.2
90 per cent to 99 per cent	0.8	-	0.3	1.3	5.1	5.1	1.8	-	0.8
100 per cent and greater	-	-	0.1	0.3	-	20.4	1.2	-	0.6
Average Portfolio loan to value	42.9	45.3	47.8	54.6	46.9	78.6	65.0	51.4	48.1
Loans to individuals - Mortgages ($million)	19,463	12,696	19,433	14,689	1,983	1,554	241	961	71,020

	31.12.12								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	%	%	%	%	%	%	%	%	%
Less than 50 per cent	75.4	52.5	49.0	37.9	55.8	24.1	28.2	1.1	54.4
50 per cent to 59 per cent	11.4	18.4	24.6	19.1	15.4	15.9	13.9	98.9	17.9
60 per cent to 69 per cent	6.1	13.8	18.5	21.0	12.7	17.3	20.1	-	14.4
70 per cent to 79 per cent	3.2	12.7	5.0	14.5	10.5	13.3	18.8	-	8.4
80 per cent to 89 per cent	3.2	2.6	2.0	5.9	4.7	8.0	17.0	-	3.6
90 per cent to 99 per cent	0.7	-	0.7	1.3	0.9	5.2	1.2	-	0.8
100 per cent and greater	-	-	0.2	0.3	-	16.2	0.8	-	0.5
Average Portfolio loan to value	41.2	46.1	48.9	54.1	45.6	72.1	63.9	53.9	47.8
Loans to individuals - Mortgages ($million)	21,441	14,278	16,686	14,832	2,284	1,629	256	1,221	72,627

Problem credit management and provisioning

In Consumer Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. A loan is considered delinquent (past due) when the counterparty has failed to make a principal or interest payment when contractually due. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. For delinquency reporting purposes we follow industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due. Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collections processes.

Provisioning within Consumer Banking reflects the fact that the product portfolios (excluding medium-sized enterprises among SME customers and Private Banking customers) consist of a large number of comparatively small exposures. Mortgages are assessed for individual impairment on an account by account basis, but for other products it is impractical to monitor each delinquent loan individually and impairment is therefore assessed collectively.

For the main unsecured products and loans secured by automobiles, the entire outstanding amount is generally written off at 150 days past due. Unsecured consumer finance loans are similarly written off at 90 days past due. For secured loans (other than those secured by automobiles) individual impairment provisions (IIPs) are generally raised at either 150 days (mortgages) or 90 days (Wealth Management) past due.

The provisions are based on the estimated present values of future cashflows, in particular those resulting from the realisation of security. Following such realisation any remaining loan will be written off. The days past due used to trigger write offs and IIPs are broadly driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability of recovery (other than by realising security where appropriate) is low. For all products there are certain situations where the individual impairment provisioning or write off process is accelerated, such as in cases involving bankruptcy, customer fraud and death. Write off and IIPs are accelerated for all restructured accounts to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively. Individually impaired loans for Consumer Banking will therefore not equate to those reported as non-performing on page 46, because non-performing loans include all those over 90 days past due. This difference reflects the fact that, while experience shows that an element of delinquent loans are impaired it is not possible to identify which individual loans the impairment relates to until the delinquency is sufficiently prolonged that loss is almost certain which in the Group's experience, is generally around 150 days in Consumer Banking. Up to that point the inherent impairment is captured in portfolio impairment provision (PIP).

The PIP methodology provides for accounts for which an individual impairment provision has not been raised, either individually or collectively. PIP is raised on a portfolio basis for all products, and is set using expected loss rates, based on past experience supplemented by an assessment of specific factors affecting the relevant portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as delinquency trends and early alert trends. The methodology applies a larger provision against accounts that are delinquent but not yet considered impaired.

The procedures for managing problem credits for the Private Bank and the medium-sized enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking (described on page 55).

Loan impairment

The total net impairment charge in Consumer Banking increased by $216 million in the first half of 2013 compared to 30 June 2012. The increase is mainly driven by the ongoing impact of Korea PDRS, the growth and maturity of unsecured business acquired in previous years and lower loan sales compared to prior periods. The increase was concentrated in larger markets such as Hong Kong, Singapore, Malaysia, Thailand and Taiwan where we have grown the unsecured book (33 per cent from 2010 to 2012) and was also impacted by the higher bankruptcy rates.

The tables below set out the Individual impairment provision by geography together with an analysis of the individual impairment charge and the movement in impaired provision by product type.

	six months ended 30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	74	48	210	223	24	58	14	12	663
Recoveries/provisions no longer required	(15)	(9)	(33)	(58)	(10)	(29)	(5)	(2)	(161)
Net individual impairment charge	59	39	177	165	14	29	9	10	502
Portfolio impairment provision charge/(release)	6	-	(1)	(2)	1	(2)	2	-	4
Net impairment charge	65	39	176	163	15	27	11	10	506

	six months ended 30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	62	44	130	161	22	67	12	3	501
Recoveries/provisions no longer required	(18)	(25)	(40)	(80)	(11)	(30)	(4)	(2)	(210)
Net individual impairment charge	44	19	90	81	11	37	8	1	291
Portfolio impairment provision charge/(release)	2	4	6	2	-	(16)	1	-	(1)
Net impairment charge	46	23	96	83	11	21	9	1	290

	six months ended 31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	73	65	159	191	21	55	17	10	591
Recoveries/provisions no longer required	(26)	(24)	(32)	(77)	(8)	(22)	(8)	(1)	(198)
Net individual impairment charge	47	41	127	114	13	33	9	9	393
Portfolio impairment provision charge/(release)	2	(2)	-	(11)	3	(3)	2	-	(9)
Net impairment charge	49	39	127	103	16	30	11	9	384

The following tables set out the movement in total impairment provisions for Consumer Banking loans and advances by each principal category of borrower:

	Impairment provision held as at 1 January 2013 $million	Net impairment charge during the period $million	Amounts written off/ other movements during the period $million	Impairment provision held as at 30 June 2013 $million
Loans to individuals				
Mortgages	137	17	(25)	129
Other	228	420	(375)	273
Small and medium enterprises	201	65	(66)	200
	566	502	(466)	602
Portfolio impairment provision	422	4	(14)	412
	988	506	(480)	1,014

	Impairment provision held as at 1 January 2012 $million	Net impairment charge during the period $million	Amounts written off/ other movements during the period $million	Impairment provision held as at 30 June 2012 $million
Loans to individuals				
Mortgages	135	9	(8)	136
Other	149	232	(204)	177
Small and medium enterprises	197	50	(42)	205
	481	291	(254)	518
Portfolio impairment provision	424	(1)	(5)	418
	905	290	(259)	936

	Impairment provision held as at 1 July 2012 $million	Net impairment charge during the period $million	Amounts written off/ other movements during the period $million	Impairment provision held as at 31 December 2012 $million
Loans to individuals				
Mortgages	136	1	-	137
Other	177	333	(282)	228
Small and medium enterprises	205	59	(63)	201
	518	393	(345)	566
Portfolio impairment provision	418	(9)	13	422
	936	384	(332)	988

Non-performing loans

Non-performing loans have increased by $30 million compared with 31 December 2012 largely driven by Korea in line with the increase in the delinquency impacted by PDRS filings, partly offset by a decline in the UAE where credit quality has improved.

The cover ratio is a common metric used in considering trends in provisioning and non-performing loans. It should be noted, as explained above, a significant proportion of the PIP is intended to reflect losses inherent in the loan portfolio that is less than 90 days delinquent and hence recorded as performing. This metric should be considered in conjunction with other credit risk information including that contained on page 33.

The following tables set out the total non-performing loans and related provisions for Consumer Banking by geography:

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances									
Gross non-performing	**81**	**68**	**391**	**352**	**58**	**244**	**30**	**72**	**1,296**
Individual impairment provision[1]	**(24)**	**(13)**	**(169)**	**(110)**	**(27)**	**(164)**	**(12)**	**(39)**	**(558)**
Non-performing loans net of individual impairment provision	**57**	**55**	**222**	**242**	**31**	**80**	**18**	**33**	**738**
Portfolio impairment provision									**(412)**
									326
Cover ratio									**75%**

[1] The difference to total individual impairment provision at 30 June 2013 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days in line with the definition provided on page 33

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances									
Gross non-performing	44	59	276	347	56	261	25	65	1,133
Individual impairment provision[1]	(18)	(15)	(106)	(104)	(27)	(156)	(17)	(40)	(483)
Non-performing loans net of individual impairment provision	26	44	170	243	29	105	8	25	650
Portfolio impairment provision									(418)
									232
Cover ratio									80%

[1] The difference to total individual impairment provision at 30 June 2012 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days in line with the definition provided on page 33

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances									
Gross non-performing	67	70	376	344	65	253	26	65	1,266
Individual impairment provision[1]	(24)	(14)	(141)	(100)	(29)	(165)	(12)	(40)	(525)
Non-performing loans net of individual impairment provision	43	56	235	244	36	88	14	25	741
Portfolio impairment provision									(422)
									319
Cover ratio									75%

[1] The difference to total individual impairment provision at 31 December 2012 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days in line with the definition provided on page 33

The following tables set out the movement in individually impaired loans, those renegotiated loans excluded from non-performing and total non-performing loans.

	30.06.13			30.06.12		
	Past due/ Individually impaired loans[1]	**Renegotiated loans[2]**	**Total non-performing loans**	Past due/ Individually impaired loans[1]	Renegotiated loans[2]	Total non-performing loans
	$million	**$million**	**$million**	$million	$million	$million
At 1 January	**1,440**	**(174)**	**1,266**	1,223	(154)	1,069
Exchange translation differences	**(28)**	**7**	**(21)**	(21)	9	(12)
Additions	**561**	**(4)**	**557**	469	1	470
Maturities and disposals	**(497)**	**(9)**	**(506)**	(392)	(2)	(394)
At 30 June	**1,476**	**(180)**	**1,296**	1,279	(146)	1,133

	31.12.12		
	Past due/ Individually impaired loans[1]	Renegotiated loans[2]	Total non-performing loans
	$million	$million	$million
At 1 July	1,279	(146)	1,133
Exchange translation differences	33	(17)	16
Additions	237	(21)	216
Maturities and disposals	(109)	10	(99)
At 31 December	1,440	(174)	1,266

1 Includes past due but not individually impaired loans more than 90 days as explained on page 30

2 Renegotiated loans are excluded from non-performing loans if certain specific performance criteria are met as explained on page 33 and are a sub-set of forborne loans as defined on page 36

Wholesale Banking loan portfolio

The Wholesale Banking loan portfolio has increased by $9.4 billion, or 6 per cent, compared with 31 December 2012. More than two-thirds of the growth is due to Trade Finance and Corporate Finance as Wholesale Banking continues to deepen relationships with clients in core markets.

Customer assets growth has been broadly spread, with growth in Singapore, Hong Kong and the Americas, UK & Europe region partly offset by a decline in Korea. Growth in Singapore is mainly in trade loans and is concentrated in the Commerce and Manufacturing industry segments. Growth in Hong Kong is driven by syndications and trade products. The growth in the Americas, UK & Europe region is as a result of a number of large ticket leveraged finance deals primarily relating to clients across our network. In Korea, loans to customers declined by $0.7bn due to due to early repayment of fixed rate loans and severe competition due to availability of ample liquidity in the market.

Single borrower concentration risk has been mitigated by active distribution of assets to banks and institutional investors, some of which is achieved through credit-default swaps and synthetic risk transfer structures.

The Wholesale Banking portfolio remains diversified across both geography and industry. There are no significant concentrations within the broad industry classifications of manufacturing; financing, insurance and business services; commerce; or transport, storage and communication. The largest sector exposure is to manufacturing which is spread across many sub-industries.

Exposure to bank counterparties at $74.9 billion increased by $6.3 billion compared with 31 December 2012 mainly in Hong Kong, on the back of RMB financing demand, and in Americas, UK & Europe. The Group continues to be a net lender in the interbank money markets, particularly in geographies such as Hong Kong, Singapore, Other APR, MESA and Americas, UK & Europe.

Geographic analysis

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Agriculture, forestry and fishing	**19**	**872**	**2**	**416**	**28**	**279**	**726**	**2,609**	**4,951**
Construction	**181**	**238**	**325**	**616**	**636**	**1,400**	**173**	**700**	**4,269**
Commerce	**5,621**	**14,774**	**521**	**4,914**	**825**	**4,681**	**681**	**5,794**	**37,811**
Electricity, gas and water	**358**	**858**	**38**	**758**	**48**	**333**	**239**	**2,523**	**5,155**
Financing, insurance and business services	**2,969**	**1,929**	**256**	**4,005**	**437**	**1,882**	**236**	**10,183**	**21,897**
Governments	**-**	**386**	**436**	**1,286**	**1**	**311**	**-**	**622**	**3,042**
Mining and quarrying	**872**	**2,527**	**-**	**1,255**	**159**	**656**	**786**	**10,193**	**16,448**
Manufacturing	**7,310**	**3,519**	**4,145**	**9,262**	**3,084**	**2,762**	**2,381**	**8,304**	**40,767**
Commercial real estate	**3,954**	**2,723**	**998**	**1,418**	**1,238**	**884**	**-**	**1,175**	**12,390**
Transport, storage and communication	**2,379**	**4,663**	**147**	**1,197**	**470**	**904**	**776**	**5,331**	**15,867**
Other	**236**	**735**	**112**	**128**	**22**	**174**	**232**	**125**	**1,764**
	23,899	**33,224**	**6,980**	**25,255**	**6,948**	**14,266**	**6,230**	**47,559**	**164,361**
Portfolio impairment provision	**(29)**	**(21)**	**(16)**	**(33)**	**(21)**	**(93)**	**(45)**	**(67)**	**(325)**
Total loans and advances to customers	**23,870**	**33,203**	**6,964**	**25,222**	**6,927**	**14,173**	**6,185**	**47,492**	**164,036**
Total loans and advances to banks	**20,306**	**4,831**	**3,815**	**10,067**	**436**	**2,760**	**813**	**31,852**	**74,880**

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Agriculture, forestry and fishing	433	267	14	409	14	248	944	1,839	4,168
Construction	353	267	349	660	520	1,067	366	378	3,960
Commerce	4,918	9,201	421	3,709	858	4,252	884	4,980	29,223
Electricity, gas and water	664	411	-	622	-	416	258	2,297	4,668
Financing, insurance and business services	2,925	4,331	174	4,130	509	2,656	556	9,749	25,030
Governments	50	1,526	263	431	2	800	105	811	3,988
Mining and quarrying	1,001	2,227	-	1,006	421	360	259	11,218	16,492
Manufacturing	7,191	3,781	4,380	7,924	2,638	2,650	1,746	8,748	39,058
Commercial real estate	3,213	1,975	1,334	1,274	1,164	860	28	538	10,386
Transport, storage and communication	2,410	4,828	188	811	664	1,021	791	4,845	15,558
Other	233	686	139	181	10	200	93	183	1,725
	23,391	29,500	7,262	21,157	6,800	14,530	6,030	45,586	154,256
Portfolio impairment provision	(23)	(21)	(23)	(28)	(16)	(97)	(28)	(48)	(284)
Total loans and advances to customers	23,368	29,479	7,239	21,129	6,784	14,433	6,002	45,538	153,972
Total loans and advances to banks	22,311	5,178	4,755	10,720	422	3,780	503	26,936	74,605

	31.12.12								
	Hong Kong	Singapore	Korea	Other Asia Pacific	India	Middle East & Other S Asia	Africa	Americas UK & Europe	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Agriculture, forestry and fishing	54	806	4	392	13	261	785	2,079	4,394
Construction	374	484	487	508	629	1,183	259	659	4,583
Commerce	4,983	11,773	665	3,937	815	4,428	768	6,229	33,598
Electricity, gas and water	510	407	-	552	7	366	251	2,723	4,816
Financing, insurance and business services	2,702	2,184	52	4,272	378	2,295	455	10,149	22,487
Governments	50	790	651	765	2	319	47	630	3,254
Mining and quarrying	700	1,938	-	928	394	778	602	9,495	14,835
Manufacturing	6,018	3,845	4,182	8,690	2,864	2,893	2,208	8,941	39,641
Commercial real estate	3,524	2,296	1,354	1,413	1,270	1,082	64	540	11,543
Transport, storage and communication	2,400	3,330	194	920	447	965	809	5,411	14,476
Other	200	468	121	149	8	102	79	167	1,294
	21,515	28,321	7,710	22,526	6,827	14,672	6,327	47,023	154,921
Portfolio impairment provision	(24)	(21)	(16)	(26)	(19)	(94)	(41)	(59)	(300)
Total loans and advances to customers	21,491	28,300	7,694	22,500	6,808	14,578	6,286	46,964	154,621
Total loans and advances to banks	19,356	6,205	4,633	8,133	571	3,172	378	26,123	68,571

Maturity analysis

The Wholesale Banking portfolio remains predominantly short-term, with 65 per cent (June 2012: 63 per cent; December 2012: 62 per cent) of loans and advances having a contractual maturity of one year or less driven by short-dated loans and trade finance transactions primarily within commerce, manufacturing and Transport, storage and communication.

The following tables show the contractual maturity of loans and advances to customers by each principal category of borrowers' business or industry.

	30.06.13			
	One year or less	One to five years	Over five years	Total
	$million	$million	$million	$million
Agriculture, forestry and fishing	**3,586**	**1,156**	**209**	**4,951**
Construction	**2,961**	**1,115**	**193**	**4,269**
Commerce	**33,924**	**3,371**	**516**	**37,811**
Electricity, gas and water	**1,801**	**1,195**	**2,159**	**5,155**
Financing, insurance and business services	**13,666**	**7,254**	**977**	**21,897**
Governments	**2,803**	**154**	**85**	**3,042**
Mining and quarrying	**7,928**	**6,480**	**2,040**	**16,448**
Manufacturing	**28,769**	**9,951**	**2,047**	**40,767**
Commercial real estate	**4,842**	**7,231**	**317**	**12,390**
Transport, storage and communication	**6,449**	**5,900**	**3,518**	**15,867**
Other	**848**	**851**	**65**	**1,764**
	107,577	**44,658**	**12,126**	**164,361**
Portfolio impairment provision				**(325)**
Total loans and advances to customers				**164,036**

	30.06.12			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Agriculture, forestry and fishing	3,528	523	117	4,168
Construction	2,381	1,350	229	3,960
Commerce	25,121	3,748	354	29,223
Electricity, gas and water	1,815	1,147	1,706	4,668
Financing, insurance and business services	14,646	9,571	813	25,030
Governments	2,371	1,453	164	3,988
Mining and quarrying	9,453	4,762	2,277	16,492
Manufacturing	27,383	10,009	1,666	39,058
Commercial real estate	3,866	6,211	309	10,386
Transport, storage and communication	6,276	6,406	2,876	15,558
Other	882	692	151	1,725
	97,722	45,872	10,662	154,256
Portfolio impairment provision				(284)
Total loans and advances to customers				153,972

	31.12.12			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Agriculture, forestry and fishing	3,274	965	155	4,394
Construction	3,159	1,256	168	4,583
Commerce	28,941	4,239	418	33,598
Electricity, gas and water	1,863	1,043	1,910	4,816
Financing, insurance and business services	13,839	7,581	1,067	22,487
Governments	2,873	303	78	3,254
Mining and quarrying	6,873	5,275	2,687	14,835
Manufacturing	26,629	11,187	1,825	39,641
Commercial real estate	4,180	6,842	521	11,543
Transport, storage and communication	3,852	6,951	3,673	14,476
Other	711	553	30	1,294
	96,194	46,195	12,532	154,921
Portfolio impairment provision				(300)
Total loans and advances to customers				154,621

Credit quality analysis

The table below sets out an analysis of the loans to customers and banks between those loans that are neither past due nor impaired, those that are past due but not individually impaired and those that are individually impaired by industry type and by geography.

In Wholesale Banking, the overall portfolio quality remains good and more than 96 per cent of the portfolio is neither past due nor individually impaired.

Neither past due nor impaired loans have increased by $13.0 billion since 31 December 2012 in line with portfolio growth. This is primarily concentrated within the commerce and manufacturing sectors and within credit grades 1-5.

Loans past due but not individually impaired decreased by $3.7 billion to $0.9 billion or 0.5 per cent of the loan portfolio (31 December 2012: 2.9 per cent). As explained on page 30, a majority of the past due balances at 31 December 2012 related to a small number of exposures which were either repaid or renegotiated in early 2013. Of the $891 million balances which were past due but not individually impaired at 30 June 2013, more than half have either been repaid or renegotiated.

Individually impaired loans have remained at similar levels to 31 December 2012.

Loans to banks remain predominantly high quality and more than 99 per cent of the portfolio is neither past due nor individually impaired.

	30.06.13				30.06.12			
	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired loans $million	Total $million	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired loans $million	Total $million
Agriculture, forestry and fishing	4,835	52	93	4,980	4,099	15	83	4,197
Construction	3,942	148	244	4,334	3,701	129	195	4,025
Commerce	37,386	193	891	38,470	28,759	135	898	29,792
Electricity, gas and water	5,093	5	67	5,165	4,614	51	9	4,674
Financing, insurance and business services	20,813	7	1,306	22,126	24,399	9	783	25,191
Governments	3,042	-	-	3,042	3,988	-	-	3,988
Mining and quarrying	16,212	142	137	16,491	16,438	54	-	16,492
Manufacturing	39,857	295	1,162	41,314	38,095	295	1,229	39,619
Commercial real estate	12,213	27	170	12,410	10,246	4	162	10,412
Transport, storage and communication	15,489	22	552	16,063	15,263	51	428	15,742
Other	1,753	-	44	1,797	1,729	-	31	1,760
	160,635	891	4,666	166,192	151,331	743	3,818	155,892
Individual impairment provision				(1,831)				(1,636)
Portfolio impairment provision				(325)				(284)
Total loans and advances to customers				164,036				153,972
Loans and advances to banks	74,759	12	211	74,982	74,196	268	230	74,694
Individual impairment provision				(100)				(87)
Portfolio impairment provision				(2)				(2)
Total loans and advances to banks				74,880				74,605

	31.12.12			
	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired loans $million	Total $million
Agriculture, forestry and fishing	4,286	54	83	4,423
Construction	4,121	301	233	4,655
Commerce	33,027	306	933	34,266
Electricity, gas and water	4,735	4	85	4,824
Financing, insurance and business services	18,897	2,616	1,139	22,652
Governments	3,254	-	-	3,254
Mining and quarrying	14,253	574	17	14,844
Manufacturing	38,342	684	1,176	40,202
Commercial real estate	11,379	30	158	11,567
Transport, storage and communication	14,105	25	543	14,673
Other	1,280	12	33	1,325
	147,679	4,606	4,400	156,685
Individual impairment provision				(1,764)
Portfolio impairment provision				(300)
Total loans and advances to customers				154,621

Loans and advances to banks	68,364	3	309	68,676
Individual impairment provision				(103)
Portfolio impairment provision				(2)
Total loans and advances to banks				68,571

The tables below set out an analysis of the loan to customers and banks between those loans that are neither past due nor impaired, those that are past due but not individually impaired and those that are individually impaired by geography.

Loans to customers

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Neither past due nor individually impaired loans	23,619	33,012	6,863	24,854	6,253	12,557	6,161	47,316	160,635
Past due but not individually impaired loans	233	92	-	139	130	296	1	-	891
Individually impaired loans	96	192	207	488	857	2,392	148	286	4,666
Individual impairment provisions	(49)	(72)	(90)	(226)	(292)	(979)	(80)	(43)	(1,831)
Portfolio impairment provision	(29)	(21)	(16)	(33)	(21)	(93)	(45)	(67)	(325)
Total loans and advances to customers	23,870	33,203	6,964	25,222	6,927	14,173	6,185	47,492	164,036

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Neither past due nor individually impaired loans	23,287	29,333	7,123	20,873	6,245	13,090	5,889	45,491	151,331
Past due but not individually impaired loans	88	37	-	83	133	392	10	-	743
Individually impaired loans	79	204	229	412	635	1,944	174	141	3,818
Individual impairment provisions	(63)	(74)	(90)	(211)	(213)	(896)	(43)	(46)	(1,636)
Portfolio impairment provision	(23)	(21)	(23)	(28)	(16)	(97)	(28)	(48)	(284)
Total loans and advances to customers	23,368	29,479	7,239	21,129	6,784	14,433	6,002	45,538	153,972

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Neither past due nor individually impaired loans	20,674	28,036	7,554	22,171	6,186	12,697	6,212	44,149	147,679
Past due but not individually impaired loans	769	160	-	87	134	657	20	2,779	4,606
Individually impaired loans	122	199	261	487	748	2,326	132	125	4,400
Individual impairment provisions	(50)	(74)	(105)	(219)	(241)	(1,008)	(37)	(30)	(1,764)
Portfolio impairment provision	(24)	(21)	(16)	(26)	(19)	(94)	(41)	(59)	(300)
Total loans and advances to customers	21,491	28,300	7,694	22,500	6,808	14,578	6,286	46,964	154,621

Loans to banks

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Neither past due nor individually impaired loans	**20,289**	**4,831**	**3,815**	**9,980**	**435**	**2,761**	**813**	**31,835**	**74,759**
Past due but not individually impaired loans	**11**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**12**
Individually impaired loans	**6**	**-**	**-**	**165**	**-**	**-**	**-**	**40**	**211**
Individual impairment provisions	**-**	**-**	**-**	**(77)**	**-**	**-**	**-**	**(23)**	**(100)**
Portfolio impairment provision	**-**	**-**	**-**	**(1)**	**-**	**(1)**	**-**	**-**	**(2)**
Total loans and advances to banks	**20,306**	**4,831**	**3,815**	**10,067**	**436**	**2,760**	**813**	**31,852**	**74,880**

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Neither past due nor individually impaired loans	22,135	5,175	4,755	10,632	422	3,684	503	26,890	74,196
Past due but not individually impaired loans	168	3	-	-	-	97	-	-	268
Individually impaired loans	8	-	-	166	-	-	-	56	230
Individual impairment provisions	-	-	-	(77)	-	-	-	(10)	(87)
Portfolio impairment provision	-	-	-	(1)	-	(1)	-	-	(2)
Total loans and advances to banks	22,311	5,178	4,755	10,720	422	3,780	503	26,936	74,605

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Neither past due nor individually impaired loans	19,349	6,205	4,633	8,048	570	3,076	378	26,105	68,364
Past due but not individually impaired loans	2	-	-	-	1	-	-	-	3
Individually impaired loans	5	-	-	164	-	97	-	43	309
Individual impairment provisions	-	-	-	(78)	-	-	-	(25)	(103)
Portfolio impairment provision	-	-	-	(1)	-	(1)	-	-	(2)
Total loans and advances to banks	19,356	6,205	4,633	8,133	571	3,172	378	26,123	68,571

Credit risk mitigation

Collateral held against Wholesale Banking exposures amounted to $55 billion (30 June 2012: $59 billion; 31 December 2012: $52 billion). Our underwriting standards encourage taking specific charges on assets. 51 per cent of collateral held is comprised of physical assets or is property based, with the remainder held largely in investment securities.

Non-tangible collateral – such as guarantees and letters of credit – may also be held against corporate exposures although the financial effect of this type of collateral is less significant in terms of recoveries. However this type of collateral is considered when determining probability of default and other credit related factors.

Problem credit management and provisioning

Loans are classified as impaired and considered non-performing in line with the definition on page 33 and where analysis and review indicates that full payment of either interest or principal is questionable, or as soon as payment of interest or principal is 90 days overdue. Impaired accounts are managed by our specialist recovery unit, GSAM, which is separate from our main businesses. Where any amount is considered irrecoverable, an individual impairment provision is raised. This provision is the difference between the loan carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, we attempt to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

As with Consumer Banking, a PIP is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. In Wholesale Banking, this is set with reference to historic loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The PIP methodology provides for accounts for which an individual impairment provision has not been raised.

Loan impairment

The individual impairment charge decreased by $28 million or 13 per cent compared with 31 December 2012, primarily due to lower provisions in UAE. Individual impairment charge in India and Africa related to a small number of exposures in the manufacturing sector. Portfolio impairment provision increased in the first half of 2013 in line with the growth in the loan portfolio.

The table below sets out the net impairment charge for Wholesale Banking loans and advances and other credit risk provisions by geography.

30.06.13	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	4	-	20	19	93	22	50	-	208
Recoveries/provisions no longer required	(5)	-	(3)	-	(1)	(9)	-	-	(18)
Net individual impairment (credit)/charge	(1)	-	17	19	92	13	50	-	190
Portfolio impairment provision charge/(release)	5	-	-	8	7	(2)	14	(2)	30
Net loan impairment charge	4	-	17	27	99	11	64	(2)	220
Other credit risk provisions	1	-	-	-	(1)	-	-	4	4
Net impairment charge	5	-	17	27	98	11	64	2	224

30.06.12	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	5	3	25	21	149	139	2	6	350
Recoveries/provisions no longer required	(4)	-	(2)	(5)	(6)	(1)	(1)	(3)	(22)
Net individual impairment charge	1	3	23	16	143	138	1	3	328
Portfolio impairment provision (release)/charge	(3)	-	(2)	5	(49)	3	1	6	(39)
Net loan impairment charge	(2)	3	21	21	94	141	2	9	289
Other credit risk provisions	-	-	-	-	-	-	-	(4)	(4)
Net impairment (release)/charge	(2)	3	21	21	94	141	2	5	285

31.12.12	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Gross impairment charge	18	(1)	20	17	43	126	-	13	236
Recoveries/provisions no longer required	(1)	-	(7)	(3)	(1)	-	(1)	(5)	(18)
Net individual impairment charge/(credit)	17	(1)	13	14	42	126	(1)	8	218
Portfolio impairment provision charge/(release)	-	2	(8)	-	4	(6)	17	5	14
Net loan impairment charge	17	1	5	14	46	120	16	13	232
Other credit risk provisions	(1)	-	-	-	(2)	4	-	4	5
Net impairment charge	16	1	5	14	44	124	16	17	237

Impairment provisions on loans and advances

The following table sets out the movement in impairment provisions on loans and advances by each principal category of borrowers business or industry:

	Impairment provision held as at 1 January 2013	Net impairment charge during the period	Amounts written off/ other movements during the period	Impairment provision held as at 30 June 2013
	$million	$million	$million	$million
Agriculture, forestry and fishing	29	4	(4)	29
Construction	72	7	(14)	65
Commerce	668	15	(24)	659
Electricity, gas and water	8	8	(6)	10
Financing, insurance and business services	165	5	59	229
Mining and quarrying	9	36	(2)	43
Manufacturing	561	100	(114)	547
Commercial real estate	24	-	(4)	20
Transport, storage and communication	197	14	(15)	196
Other	31	2	-	33
Individual impairment provision against loans and advances to customers	1,764	191	(124)	1,831
Portfolio impairment provision against loans and advances to customers	300	30	(5)	325
Total impairment provisions on loans and advances to customers	2,064	221	(129)	2,156
Individual impairment provision against loans and advances to banks	103	(1)	(2)	100
Portfolio impairment provision against loans and advances to banks	2	-	-	2
Total impairment provisions on loans and advances to banks	105	(1)	(2)	102

	Impairment provision held as at 1 January 2012	Net impairment charge during the period	Amounts written off/ other movements during the period	Impairment provision held as at 30 June 2012
	$million	$million	$million	$million
Agriculture, forestry and fishing	24	-	5	29
Construction	65	8	(8)	65
Commerce	464	65	40	569
Electricity, gas and water	6	-	-	6
Financing, insurance and business services	167	64	(70)	161
Mining and quarrying	1	-	(1)	-
Manufacturing	542	36	(17)	561
Commercial real estate	24	-	2	26
Transport, storage and communication	40	151	(7)	184
Other	29	(2)	8	35
Individual impairment provision against loans and advances to customers	1,362	322	(48)	1,636
Portfolio impairment provision against loans and advances to customers	321	(38)	1	284
Total impairment provisions on loans and advances to customers	1,683	284	(47)	1,920
Individual impairment provision against loans and advances to banks	82	6	(1)	87
Portfolio impairment provision against loans and advances to banks	2	(1)	1	2
Total impairment provisions on loans and advances to banks	84	5	-	89

	Impairment provision held as at 1 July 2012 $million	Net impairment charge during the period $million	Amounts written off/ other movements during the period $million	Impairment provision held as at 31 December 2012 $million
Agriculture, forestry and fishing	29	-	-	29
Construction	65	11	(4)	72
Commerce	569	71	28	668
Electricity, gas and water	6	-	2	8
Financing, insurance and business services	161	54	(50)	165
Mining and quarrying	-	-	9	9
Manufacturing	561	65	(65)	561
Commercial real estate	26	-	(2)	24
Transport, storage and communication	184	11	2	197
Other	35	6	(10)	31
Individual impairment provision against loans and advances to customers	1,636	218	(90)	1,764
Portfolio impairment provision against loans and advances to customers	284	15	1	300
Total impairment provisions on loans and advances to customers	1,920	233	(89)	2,064
Individual impairment provision against loans and advances to banks	87	-	16	103
Portfolio impairment provision against loans and advances to banks	2	(1)	1	2
Total impairment provisions on loans and advances to banks	89	(1)	17	105

Non-performing loans

Gross non-performing loans in Wholesale Banking have increased by $185 million, or 4.3 per cent, since December 2012. The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions and was unchanged at 51 per cent as at 30 June 2013 compared with 31 December 2012. The balance of non-performing loans not covered by individual impairment provisions represents the value of collateral held and the Group's estimate of the net outcome of any workout strategy. The cover ratio after taking into account collateral is 66 per cent (30 June 2012: 62 per cent; 31 December 2012: 65 per cent).

The following tables set out the total non-performing loans to banks and customers for Wholesale Banking on the basis of the geographic regions to which the exposure relates to rather than the booking location:

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances									
Gross non-performing	**102**	**13**	**207**	**739**	**859**	**2,055**	**269**	**213**	**4,457**
Individual impairment provision[1]	**(49)**	**(12)**	**(90)**	**(310)**	**(290)**	**(1,032)**	**(80)**	**(66)**	**(1,929)**
Non-performing loans net of individual impairment provision	**53**	**1**	**117**	**429**	**569**	**1,023**	**189**	**147**	**2,528**
Portfolio impairment provision									**(327)**
Net non-performing loans and advances									**2,201**
Cover ratio									**51%**

1 The difference to total individual impairment provision at 30 June 2013 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days in line with the definition provided on page 33

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances									
Gross non-performing	87	13	229	820	649	2,025	161	37	4,021
Individual impairment provision[1]	(63)	(7)	(90)	(319)	(217)	(929)	(42)	(56)	(1,723)
Non-performing loans net of individual impairment provision	24	6	139	501	432	1,096	119	(19)	2,298
Portfolio impairment provision									(286)
Net non-performing loans and advances									2,012
Cover ratio									50%

[1] The difference to total individual impairment provision at 30 June 2012 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days in line with the definition provided on page 33

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Loans and advances									
Gross non-performing	128	21	261	707	754	2,089	147	165	4,272
Individual impairment provision[1]	(50)	(14)	(105)	(304)	(240)	(1,061)	(37)	(55)	(1,866)
Non-performing loans net of individual impairment provision	78	7	156	403	514	1,028	110	110	2,406
Portfolio impairment provision									(302)
Net non-performing loans and advances									2,104
Cover ratio									51%

[1] The difference to total individual impairment provision at 31 December 2012 reflects provisions against restructured loans that are not included within non-performing loans as they have been performing for 180 days in line with the definition provided on page 33

The following table set out the movement in individually impaired loans, those renegotiated loans excluded from non-performing and the total non-performing loans.

	30.06.13			30.06.12		
	Individually impaired loans	Renegotiated loans[1]	Total non-performing loans	Individually impaired loans	Renegotiated loans[1]	Total non-performing loans
	$million	$million	$million	$million	$million	$million
At 1 January	4,709	(437)	4,272	3,450	(407)	3,043
Exchange translation differences	(91)	-	(91)	(58)	(1)	(59)
Additions	661	(3)	658	884	384	1,268
Maturities and disposals	(402)	20	(382)	(228)	(3)	(231)
At 30 June	4,877	(420)	4,457	4,048	(27)	4,021

	31.12.12		
	Individually impaired loans	Renegotiated loans[1]	Total non-performing loans
	$million	$million	$million
At 1 July	4,048	(27)	4,021
Exchange translation differences	18	(2)	16
Additions	825	(412)	413
Maturities and disposals	(182)	4	(178)
At 31 December	4,709	(437)	4,272

[1] Renegotiated loans are excluded from non-performing loans if certain specific performance criteria are met as explained on page 33 and are a sub-set of forborne loans as explained on page 36

Debt securities and treasury bills

Debt securities and treasury bills are analysed as follows:

	30.06.13			30.06.12		
	Debt securities $million	Treasury bills $million	Total $million	Debt securities $million	Treasury bills $million	Total $million
Securities neither past due nor impaired:						
AAA	22,220	3,608	25,828	18,797	4,078	22,875
AA- to AA+	18,988	7,010	25,998	18,163	8,981	27,144
A- to A+	22,342	7,917	30,259	24,030	8,171	32,201
BBB- to BBB+	7,778	4,678	12,456	7,867	3,440	11,307
Lower than BBB-	3,225	823	4,048	1,987	1,328	3,315
Unrated	8,812	1,714	10,526	7,193	523	7,716
	83,365	25,750	109,115	78,037	26,521	104,558
Net impaired securities:						
Impaired securities	411	-	411	403	-	403
Impairment	(153)	-	(153)	(167)	-	(167)
	258	-	258	236	-	236
	83,623	25,750	109,373	78,273	26,521	104,794
Of which:						
Assets at fair value[1]						
Trading	13,516	3,380	16,896	14,487	4,542	19,029
Designated at fair value	368	-	368	327	-	327
Available-for-sale	65,793	22,370	88,163	58,656	21,979	80,635
	79,677	25,750	105,427	73,470	26,521	99,991
Assets at amortised cost[1]						
Loans and receivables	3,946	-	3,946	4,803	-	4,803
	3,946	-	3,946	4,803	-	4,803
	83,623	25,750	109,373	78,273	26,521	104,794

	31.12.12		
	Debt securities $million	Treasury bills $million	Total $million
Securities neither past due nor impaired:			
AAA	20,755	6,516	27,271
AA- to AA+	20,232	6,594	26,826
A- to A+	23,570	10,694	34,264
BBB- to BBB+	10,122	3,818	13,940
Lower than BBB-	3,027	502	3,529
Unrated	6,471	1,571	8,042
	84,177	29,695	113,872
Net impaired securities:			
Impaired securities	404	-	404
Impairment	(159)	-	(159)
	245	-	245
	84,422	29,695	114,117
Of which:			
Assets at fair value[1]			
Trading	14,882	2,955	17,837
Designated at fair value	333	-	333
Available-for-sale	65,356	26,740	92,096
	80,571	29,695	110,266
Assets at amortised cost[1]			
Loans and receivables	3,851	-	3,851
	3,851	-	3,851
	84,422	29,695	114,117

[1] See note 12, 13 and 17 of the financial statements for further details

The above table analyses debt securities and treasury bills that are neither past due nor impaired by external credit rating. The standard credit ratings used by the Group are those used by Standard & Poor's or their equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating as described under credit rating and measurements on page 24.

Debt securities in the AAA rating category increased by $1.5 billion to $22.2 billion in June 2013 mainly due to increase higher quality corporate bonds in Hong Kong and Singapore.

Unrated securities primarily relate to corporate issuers. Using internal credit ratings $9,728 million (30 June 2012: $6,761 million; 31 December 2012: $7,208 million) of these securities are considered to be equivalent to investment grade.

Treasury bills have declined by $3.9 billion or 13 per cent since December 2012. Singapore sold $2.1 billion of Treasury bills to deploy the funds into higher quality assets as part of liquidity and regulatory deployment. Korea also decreased Treasury bills by $2.1 billion partially due to the market interest rates decline and partly driven by the restructuring of the balance sheet.

Asset backed securities

Total exposures to asset backed securities

	30.06.13				30.06.12			
	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million
Residential Mortgage Backed Securities (RMBS)	46%	3,095	3,060	3,067	25%	636	562	552
Collateralised Debt Obligations (CDOs)	4%	241	185	205	11%	283	219	230
Commercial Mortgage Backed Securities (CMBS)	7%	440	329	333	21%	525	395	375
Other Asset Backed Securities (Other ABS)	43%	2,851	2,831	2,845	43%	1,067	1,036	1,051
	100%	6,627	6,405	6,450	100%	2,511	2,212	2,208
Of which included within:								
Financial assets held at fair value through profit or loss	3%	173	173	173	2%	54	54	54
Investment securities - available-for-sale	74%	4,962	4,854	4,854	28%	704	548	548
Investment securities - loans and receivables	23%	1,492	1,378	1,423	70%	1,753	1,610	1,606
	100%	6,627	6,405	6,450	100%	2,511	2,212	2,208

	31.12.12			
	Percentage of notional value of portfolio	Notional $million	Carrying value $million	Fair value[1] $million
Residential Mortgage Backed Securities (RMBS)	46%	2,160	2,114	2,120
Collateralised Debt Obligations (CDOs)	5%	260	203	219
Commercial Mortgage Backed Securities (CMBS)	10%	478	355	351
Other Asset Backed Securities (Other ABS)	39%	1,869	1,847	1,861
	100%	4,767	4,519	4,551
Of which included within:				
Financial assets held at fair value through profit or loss	4%	190	191	191
Investment securities - available-for-sale	61%	2,905	2,786	2,786
Investment securities - loans and receivables	35%	1,672	1,542	1,574
	100%	4,767	4,519	4,551

[1] Fair value reflects the value of the entire portfolio, including assets redesignated to loans and receivables

The carrying value of Asset Backed Securities (ABS) represents 1 per cent (30 June 2012: 0.4 per cent; 31 December 2012: 0.7 per cent) of our total assets.

The Group has an existing portfolio of ABS which it reclassified from trading and available-for-sale to loans and receivables with effect from 1 July 2008. No assets have been reclassified since 2008.This portfolio has been gradually managed down since 2010. The carrying value and fair value for this part of the portfolio were $852 million and $896 million respectively as at 30 June 2013. Note 12 to the financial statements provides details of the remaining balance of those assets reclassified in 2008.

The Group has also extended its investment to a limited amount of trading in ABS and has also acquired an additional $2.2 billion of ABS during 2013 for liquidity reasons. This is classified as available-for-sale and primarily related to high quality RMBS and ABS assets with an average credit grade of AAA. The credit quality of the overall asset backed securities portfolio remains strong, with over 91 per cent of the portfolio rated A- or better, and 73 per cent of the portfolio rated as AAA. The portfolio is broadly diversified across asset classes and geographies, with an average credit grade of AA.

The fair value of the entire portfolio is $45 million higher than the carrying value at 30 June 2013 benefiting from redemptions and a recovery in market prices in certain asset classes.

Financial statement impact of asset backed securities

	Available-for-sale $million	Loans and receivables $million	Total $million
Six months to 30 June 2013			
Credit to available-for-sale reserves	**24**	**-**	**24**
Credit to the profit and loss account	**(3)**	**-**	**(3)**
Six months to 30 June 2012			
Credit to available-for-sale reserves	9	-	9
Charge to the profit and loss account	1	-	1
Six months to 31 December 2012			
Charge to available-for-sale reserves	(12)	-	(12)
Charge to the profit and loss account	4	-	4

Selected European country exposures

The following tables on the following page summarise the Group's direct exposure (both on and off balance sheet) to certain specific countries within the eurozone that have been identified on the basis of their higher bond yields, higher sovereign debt to GDP ratio and external credit ratings compared with the rest of the eurozone.

Total gross exposure represents the amount outstanding on the balance sheet (including any accrued interest but before provisions) and positive mark-to-market amounts on derivatives before netting. To the extent gross exposure does not represent the maximum exposure to loss this is disclosed separately. Exposures are assigned to a country based on the country of incorporation of the counterparty as at 30 June 2013.

The Group has no direct sovereign exposure (as defined by the European Banking Authority) to the eurozone countries of Greece, Ireland, Italy, Portugal and Spain (GIIPS) and only $0.5 billion direct sovereign exposure to other eurozone countries. The Group's non-sovereign exposure to GIIPS is $3.9 billion ($2.8 billion after collateral and netting) and $35.5 billion ($19.1 billion after collateral and netting) to the remainder of the eurozone. This exposure primarily consists of balances with corporates. The substantial majority of the Group's total gross GIIPS exposure has a tenor of less than five years, with approximately 30 per cent having a tenor of less than one year. The Group has no direct sovereign exposure and $272 million (30 June 2012: $269 million and 31 December 2012: $263 million) of non-sovereign exposure (after collateral and netting) to Cyprus.

The exit of one or more countries from the eurozone or ultimately its dissolution could potentially lead to significant market dislocation, the extent of which is difficult to predict. Any such exit or dissolution, and the redenomination of formerly euro-denominated rights and obligations in replacement national currencies would cause significant uncertainty in any exiting country, whether sovereign or otherwise. Such events are also likely to be accompanied by the imposition of capital, exchange and similar controls. While the Group has limited eurozone exposure as disclosed above, the Group's earnings could be impacted by the general market disruption if such events should occur. We monitor the situation closely and we have prepared contingency plans to respond to a range of potential scenarios, including the possibility of currency redenomination. Local assets and liability positions are carefully monitored by in-country asset and liability and risk committees with appropriate oversight by GALCO and GRC at the Group level.

Country	30.06.13 Greece $million	Ireland $million	Italy $million	Portugal $million	Spain $million	Total $million
Direct sovereign exposure						-
Banks		752	928	1	233	1,914
Other financial institutions		1,634	6			1,640
Other corporate	23	144	103	18	69	357
Total gross exposure	23	2,530	1,037	19	302	3,911
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	(749)	(28)	-	(165)	(942)
Other financial institutions	-	(122)	(6)	-	-	(128)
Other corporate	(1)	(51)	(1)	-	(3)	(56)
Total collateral/netting	(1)	(922)	(35)	-	(168)	(1,126)
Direct sovereign exposure						-
Banks		3 [1]	900	1	68	972
Other financial institutions		1,512 [2]				1,512
Other corporate	22	93	102	18	66	301
Total net exposure	22	1,608	1,002	19	134	2,785

1 This represents a single exposure, which is fully guaranteed by its US parent company

2 This represents a single exposure which is part of a wider structured finance transaction and is unaffected by Irish economic risk

Country	30.06.12 Greece $million	Ireland $million	Italy $million	Portugal $million	Spain $million	Total $million
Direct sovereign exposure	-	-	-	-	-	-
Banks	2	1,037	690	1	365	2,095
Other financial institutions	-	754	5	-	10	769
Other corporate	37	94	98	21	66	316
Total gross exposure	39	1,885	793	22	441	3,180
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	(1,010)	(36)	-	(172)	(1,218)
Other financial institutions	-	(2)	(5)	-	-	(7)
Other corporate	(5)	(32)	(3)	-	-	(40)
Total collateral/netting	(5)	(1,044)	(44)	-	(172)	(1,265)
Direct sovereign exposure	-	-	-	-	-	-
Banks	2	27 [1]	654	1	193	877
Other financial institutions	-	752 [2]	-	-	10	762
Other corporate	32	62	95	21	66	276
Total net exposure	34	841	749	22	269	1,915

1 This represents a single exposure, which is fully guaranteed by its US parent company

2 This represents a single exposure which is part of a wider structured finance transaction and is unaffected by Irish economic risk

Country	31.12.12 Greece $million	Ireland $million	Italy $million	Portugal $million	Spain $million	Total $million
Direct sovereign exposure	-	-	-	-	-	-
Banks	2	918	600	1	281	1,802
Other financial institutions	-	1,331	9	-	-	1,340
Other corporate	29	173	65	20	74	361
Total gross exposure	31	2,422	674	21	355	3,503
Direct sovereign exposure	-	-	-	-	-	-
Banks	-	(914)	(55)	-	(130)	(1,099)
Other financial institutions	-	(78)	(9)	-	-	(87)
Other corporate	(2)	(39)	-	-	(4)	(45)
Total collateral/netting	(2)	(1,031)	(64)	-	(134)	(1,231)
Direct sovereign exposure	-	-	-	-	-	-
Banks	2	4 [1]	545	1	151	703
Other financial institutions	-	1,253 [2]	-	-	-	1,253
Other corporate	27	134	65	20	70	316
Total net exposure	29	1,391	610	21	221	2,272

[1] This represents a single exposure, which is fully guaranteed by its US parent company

[2] This represents a single exposure which is part of a wider structured finance transaction and is unaffected by Irish economic risk

The Group's exposure to GIIPS at 30 June 2013 is analysed by financial asset as follows:

	30.06.13					
	Greece $million	Ireland $million	Italy $million	Portugal $million	Spain $million	Total $million
Loans and advances						
Loans and receivables	17	52	441	18	30	558
Held at fair value through profit or loss	-	-	11	-	-	11
Total gross loans and advances	17	52	452	18	30	569
Collateral held against loans and advances	(1)	(13)	(9)	-	(3)	(26)
Total net loans and advances	16	39	443	18	27	543
Debt securities						
Trading						
Available-for-sale	-	51	-	-	34	85
Loans and receivables	-	-	-	-	6	6
Total gross debt securities	-	51	-	-	40	91
Collateral held against debt securities	-	-	-	-	-	-
Total net debt securities	-	51	-	-	40	91
Derivatives						
Gross exposure	-	919	27	-	178	1,124
Collateral/netting[1]	-	(907)	(26)	-	(165)	(1,098)
Total derivatives	-	12	1	-	13	26
Contingent liabilities and commitments	6	1,506	558	1	54	2,125
Total net exposure (on and off balance sheet)[1]	22	1,608	1,002	19	134	2,785
Total balance sheet exposure	17	1,022	479	18	248	1,784

[1] Based on ISDA (International Swaps and Derivatives Association) netting

The Group's exposure to GIIPS at 30 June 2012 is analysed by financial asset as follows:

	30.06.12					
	Greece $million	Ireland $million	Italy $million	Portugal $million	Spain $million	Total $million
Loans and advances						
Loans and receivables	25	7	447	21	95	595
Held at fair value through profit or loss	-	-	7	-	-	7
Total gross loans and advances	25	7	454	21	95	602
Collateral held against loans and advances	(5)	-	(3)	-	-	(8)
Total net loans and advances	20	7	451	21	95	594
Debt securities						
Trading						
Available-for-sale	-	60	-	-	75	135
Loans and receivables	-	-	3	-	6	9
Total gross debt securities	-	60	3	-	81	144
Collateral held against debt securities	-	(10)	-	-	-	(10)
Total net debt securities	-	50	3	-	81	134
Derivatives						
Gross exposure	5	1,064	70	-	179	1,318
Collateral/netting[1]	-	(1,033)	(42)	-	(172)	(1,247)
Total derivatives	5	31	28	-	7	71
Contingent liabilities and commitments	9	753	267	1	86	1,116
Total net exposure (on and off balance sheet)[1]	34	841	749	22	269	1,915
Total balance sheet exposure	30	1,131	527	21	355	2,064

1 Based on ISDA (International Swaps and Derivatives Association) netting

The Group's exposure to GIIPS at 31 December 2012 is analysed by financial asset as follows:

	31.12.12					
	Greece $million	Ireland $million	Italy $million	Portugal $million	Spain $million	Total $million
Loans and advances						
Loans and receivables	20	91	301	20	26	458
Held at fair value through profit or loss	-	-	17	-	-	17
Total gross loans and advances	20	91	318	20	26	475
Collateral held against loans and advances	(2)	(38)	(24)	-	(4)	(68)
Total net loans and advances	18	53	294	20	22	407
Debt securities						
Trading						
Designated at fair value	-	-	-	-	41	41
Available-for-sale	-	51	-	-	78	129
Loans and receivables	-	-	-	-	-	-
Total gross debt securities	-	51	-	-	119	170
Collateral held against debt securities	-	-	-	-	-	-
Total net debt securities	-	51	-	-	119	170
Derivatives						
Gross exposure	2	1,025	44	-	137	1,208
Collateral/netting[1]	-	(992)	(39)	-	(132)	(1,163)
Total derivatives	2	33	5	-	5	45
Contingent liabilities and commitments	9	1,254	311	1	75	1,650
Total net exposure (on and off balance sheet)[1]	29	1,391	610	21	221	2,272
Total balance sheet exposure	22	1,167	362	20	282	1,853

[1] Based on ISDA (International Swaps and Derivatives Association) netting

Other selected eurozone countries

A summary analysis of the Group's exposure to France, Germany, the Netherlands and Luxembourg is also provided as these countries are considered to have significant sovereign debt exposure to GIIPS.

	France $million	Germany $million	Netherlands $million	Luxembourg $million	Total $million
Direct sovereign exposure	**69**	**405**	**-**	**-**	**474**
Banks	**3,603**	**3,404**	**1,958**	**972**	**9,937**
Other financial institutions	**155**	**27**	**153**	**142**	**477**
Other corporate	**860**	**750**	**5,769**	**873**	**8,252**
Total net exposure at 30 June 2013	**4,687**	**4,586**	**7,880**	**1,987**	**19,140**
Total net exposure at 30 June 2012	5,329	7,310	8,761	1,828	23,228
Total net exposure at 31 December 2012	3,738	12,809	12,114	2,594	31,255

The Group's lending to these selected eurozone countries primarily takes the form of repurchase agreements, inter-bank loans and bonds. The substantial majority of the Group's total gross exposures to these selected countries have a tenor of less than three years, with more than 61 per cent having a tenor of less than one year. The Group's exposure in Germany is primarily with the central bank.

Other than all these specifically identified countries, the Group's residual net exposure to the eurozone is $2.1 billion, which primarily comprises bonds and export structured financing to banks and corporates.

Country cross-border risk

Country cross-border risk is the risk that we will be unable to obtain payment from our customers or third parties on their contractual obligations as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency.

The GRC is responsible for our country cross-border risk limits and delegates the setting and management of country limits to the Group Country Risk function.

The business and country chief executive officers manage exposures within these limits and policies. Countries designated as higher risk are subject to increased central monitoring.

Cross-border assets comprise loans and advances, interest-bearing deposits with other banks, trade and other bills, acceptances, amounts receivable under finance leases, derivatives, certificates of deposit and other negotiable paper, investment securities and formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency. Cross-border exposure also includes the value of commodity, aircraft and shipping assets owned by the Group that are held in a given country.

The profile of our country cross-border exposures greater than one per cent of total assets as at 30 June 2013, remained consistent with our strategic focus on core franchise countries, and with the scale of the larger markets that we operate in. Changes in the pace of economic activity had an impact on growth of cross-border exposure for certain territories.

Growth of country cross-border exposure to China and Hong Kong reflect the expansion of our corporate client base, increased trade finance activities and transactions with local and foreign banks in Hong Kong.

India remains a core territory for the Group where our competitive advantage positions us to offer US dollar facilities in the domestic market, and for investment and trade flows overseas that may be supported by parent companies in India.

In Korea and Singapore, the reported exposures reflect the Group's increased emphasis on short term trade finance over longer term corporate lending.

The increase in exposure to Brazil is attributable to trade and investment flows with our core markets. The increase in exposure to Australia is primarily attributable to the placement of funds in Australian tradable instruments for balance sheet management purposes.

In line with a change in accounting treatment, the country cross-border exposure to Indonesia arising from Permata, a joint venture in which the Group holds 44.56 per cent, is now counted at the value of the Group's equity in the joint venture. This has reduced the reported exposure value for Indonesia but there is no significant change in the underlying cross-border business activity.

Cross-border exposure to countries in which we do not have a major presence predominantly relates to short-dated money market treasury activities, which can change significantly from period to period. Exposure also represents some global corporate business for customers with interests in our footprint. This explains our significant exposure in the US, Switzerland and France. Growth in US exposure is further driven by surplus liquidity flowing into the US and being placed with the Federal Reserve Bank, other US institutions and in short term US issued instruments.

The table below, which is based on our internal cross-border country risk reporting requirements, shows cross-border exposures that exceed one per cent of total assets.

	30.06.13			30.06.12			31.12.12		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	$million	**$million**	**$million**	$million	$million	$million	$million	$million	$million
China	**31,605**	**13,266**	**44,871**	28,220	12,863	41,083	23,809	11,783	35,592
India	**13,655**	**18,585**	**32,240**	12,018	17,946	29,964	12,230	18,200	30,430
US	**20,672**	**6,421**	**27,093**	19,072	5,813	24,885	22,485	6,730	29,215
Hong Kong	**22,696**	**7,264**	**29,960**	18,494	6,762	25,256	18,096	8,458	26,554
Singapore	**17,354**	**4,958**	**22,312**	14,252	6,509	20,761	16,561	5,508	22,069
United Arab Emirates	**6,156**	**10,842**	**16,998**	6,629	10,468	17,097	6,580	11,293	17,873
Korea	**10,576**	**6,670**	**17,246**	10,322	6,695	17,017	9,696	6,693	16,389
Switzerland	**5,185**	**4,342**	**9,527**	5,343	4,319	9,662	5,050	4,983	10,033
Indonesia[1]	**3,603**	**4,295**	**7,898**	3,419	3,976	7,395	4,094	4,410	8,504
France	**2,210**	**4,983**	**7,193**	1,554	3,744	5,298	721	4,551	5,272
Australia	**1,621**	**5,528**	**7,149**	1,987	2,866	4,853	1,456	4,189	5,645
Brazil	**4,829**	**2,044**	**6,873**	4,318	1,931	6,249	4,157	1,613	5,770

1 Prior periods have been restated to reflect the change in accounting treatment of cross-border exposure to Indonesia arising from Permata

Market risk

We recognise market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. Our exposure to market risk arises principally from customer-driven transactions. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements.

The primary categories of market risk for Standard Chartered are:

- interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options
- currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options
- commodity price risk: arising from changes in commodity prices and commodity option implied volatilities; covering energy, precious metals, base metals and agriculture
- equity price risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

Market risk governance

The GRC approves our market risk appetite taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes.

The Group Market Risk Committee (GMRC), under authority delegated by the GRC, is responsible for setting VaR and stress loss triggers for market risk within our risk appetite. The GMRC is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books of the Group. The trading book is defined as per the PRA Handbook's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU). This is more restrictive than the broader definition within IAS 39 'Financial Instruments: Recognition and Measurement', as the PRA only permits certain types of financial instruments or arrangements to be included within the trading book. Limits by location and portfolio are proposed by the businesses within the terms of agreed policy.

Group Market Risk (GMR) approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the option's value.

Value at Risk

We measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

We apply two VaR methodologies:

- Historical simulation: involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors and from the fourth quarter of 2012 has been extended to cover also the majority of specific (credit spread) risk VaR
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is now applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets

In both methods an historical observation period of one year is chosen and applied.

VaR is calculated as our exposure as at the close of business, generally UK time. Intra-day risk levels may vary from those reported at the end of the day.

Back testing

To assess their predictive power, VaR models are back tested against actual results. In the first half of 2013 there have been no exceptions in the regulatory back testing, and there was none in 2012. This is within the 'green zone' applied internationally to internal models by bank supervisors.

Stress testing

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations.

GMR complements the VaR measurement by weekly stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The GMRC has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The GRC considers the results of stress tests as part of its supervision of risk appetite.

Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. This covers all asset classes in the Financial Markets banking and trading books.

Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Market risk changes

The average levels of Total VaR as well as non-trading VaR in the first half of 2013 have remained at a similar level to the first half of 2012.

The average level of Trading book VaR has dropped by 8 per cent in the first half of 2013 compared to the second half of 2012.

The actual level of Total VaR at the end of the first half of 2013 in June was 34 per cent higher than at the end of the second half of 2012 in December. This was due to the sharp increase in market volatility observed in late May and June, 2013. This entered the one year VaR historical observation period and had an immediate impact on the period-end VaR. This increase was also reflected in the non-trading actual VaR (up 41 per cent) but less so in Trading book actual VaR (up 21 per cent) as trading book positions were reduced.

Daily value at risk (VaR at 97.5%, one day)

	6 months to 30.06.13				6 months to 30.06.12			
Trading and Non-trading	**Average $million**	**High[3] $million**	**Low[3] $million**	**Actual[4] $million**	Average $million	High[3] $million	Low[3] $million	Actual[4] $million
Interest rate risk[1]	**27.3**	**31.6**	**22.1**	**30.5**	26.4	30.0	21.5	26.3
Foreign exchange risk	**4.4**	**7.6**	**3.0**	**3.8**	4.8	7.6	2.3	4.8
Commodity risk	**1.5**	**2.3**	**1.0**	**1.2**	1.8	3.0	1.2	1.5
Equity risk	**15.8**	**18.2**	**13.0**	**14.9**	16.2	18.5	14.0	14.0
Total[2]	**28.7**	**39.6**	**22.1**	**39.6**	28.3	32.0	23.1	28.7

	6 months to 31.12.12			
Trading and Non-trading	Average $million	High[3] $million	Low[3] $million	Actual[4] $million
Interest rate risk[1]	25.1	31.1	20.7	24.4
Foreign exchange risk	4.7	7.7	2.3	4.2
Commodity risk	1.5	3.0	1.0	1.0
Equity risk	15.6	18.5	13.9	16.4
Total[2]	29.3	38.5	22.6	29.5

	6 months to 30.06.13				6 months to 30.06.12			
Trading	**Average $million**	**High[3] $million**	**Low[3] $million**	**Actual[4] $million**	Average $million	High[3] $million	Low[3] $million	Actual[4] $million
Interest rate risk[1]	**9.4**	**11.9**	**6.5**	**8.1**	11.0	14.6	7.8	10.4
Foreign exchange risk	**4.4**	**7.6**	**3.0**	**3.8**	4.8	7.6	2.3	4.8
Commodity risk	**1.5**	**2.3**	**1.0**	**1.2**	1.8	3.0	1.2	1.5
Equity risk	**1.7**	**2.1**	**1.3**	**1.7**	1.7	2.8	1.0	2.7
Total[2]	**10.2**	**13.3**	**8.0**	**9.7**	14.5	20.8	8.3	14.7

	6 months to 31.12.12			
Trading	Average $million	High[3] $million	Low[3] $million	Actual[4] $million
Interest rate risk[1]	9.7	15.7	6.1	8.2
Foreign exchange risk	4.7	7.7	2.3	4.2
Commodity risk	1.5	3.0	1.0	1.0
Equity risk	1.4	2.8	0.6	1.9
Total[2]	11.1	20.8	6.8	8.0

1 Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale
2 The total VaR shown in the tables above is not a sum of the component risks due to offsets between them
3 Highest and lowest VaR for each risk factor are independent and usually occur on different days
4 Actual one day VaR at period end date

Market risk continued

Non-trading	6 months to 30.06.13 Average $million	High[3] $million	Low[3] $million	Actual[4] $million	6 months to 30.06.12 Average $million	High[3] $million	Low[3] $million	Actual[4] $million
Interest rate risk[1]	**24.3**	**27.7**	**20.9**	**26.1**	22.6	26.7	19.7	22.3
Equity risk	**15.3**	**17.6**	**12.4**	**14.5**	17.4	18.0	16.4	16.7
Total[2]	**25.8**	**33.7**	**19.6**	**33.7**	27.7	30.4	25.7	27.6

Non-trading	6 months to 31.12.12 Average $million	High[3] $million	Low[3] $million	Actual[4] $million
Interest rate risk[1]	21.9	24.9	17.8	21.4
Equity risk	16.0	17.4	14.4	16.9
Total[2]	26.5	33.5	21.9	23.9

1 Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale
2 The total VaR shown in the tables above is not a sum of the component risks due to offsets between them
3 Highest and lowest VaR for each risk factor are independent and usually occur on different days
4 Actual one day VaR at period end date

Average daily income earned from market risk related activities[5]

Trading	6 months to 30.06.13 $million	6 months to 30.06.12 $million	6 months to 31.12.12 $million
Interest rate risk	**6.1**	5.7	7.8
Foreign exchange risk	**6.6**	5.9	4.3
Commodity risk	**1.7**	1.7	1.5
Equity risk	**0.5**	0.3	0.4
Total	**14.9**	13.6	14.0
Non-Trading			
Interest rate risk	**3.1**	4.9	2.7
Equity risk	**-**	(0.4)	0.6
Total	**3.1**	4.5	3.3

5 Reflects total product income, which is the sum of client income and own account income

Market risk VaR coverage

Interest rate risk from non-trading book portfolios is transferred to Financial Markets where it is managed by local ALM desks under the supervision of local Asset and Liability Committees (ALCO). ALM deals in the market in approved financial instruments in order to manage the net interest rate risk, subject to approved VaR and risk limits.

VaR and stress tests are therefore applied to these non-trading book exposures (except Group Treasury, see below) in the same way as for the trading book, including available-for-sale securities. Securities classed as loans and receivables or held to maturity are not reflected in VaR or stress tests since they are accounted on an amortised cost basis and are match funded, so market price movements have no effect on either profit and loss or reserves.

Structural foreign exchange currency risks are managed by Group Treasury and are not included within Group VaR. The foreign exchange risk on the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency.

Equity risk relating to non-listed Private Equity and Strategic Investments is not included within the VaR. It is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee. These are included as Level 3 assets as disclosed in note 12 to the financial statements.

Group Treasury market risk

Group Treasury raises debt and equity capital and the proceeds are invested within the Group as capital or placed with ALM. Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements. This risk is measured as the impact on net interest income (NII) of an unexpected and instantaneous adverse parallel shift in rates and is monitored over a rolling one-year time horizon (see table below).

This risk is monitored and controlled by the Group's Capital Management Committee (CMC).

Group Treasury NII sensitivity to parallel shifts in yield curves

	30.06.13 $million	30.06.12 $million	31.12.12 $million
+25 basis points	**32.0**	33.6	33.1
–25 basis points	**(32.0)**	(33.6)	(33.1)

Group Treasury also manages the structural foreign exchange risk that arises from non-US dollar currency net investments in branches and subsidiaries. The impact of foreign exchange movements is taken to reserves which form part of the capital base. The effect of exchange rate movements on the capital ratio is partially mitigated by the fact that both the value of these investments and the risk weighted assets in those currencies follow broadly the same exchange rate movements. With the approval of CMC, Group Treasury may hedge the net investments if it is anticipated that the capital ratio will be materially affected by exchange rate movements. As at 30 June 2013, the Group had taken net investment hedges (using a combination of derivative and non-derivative financial investments) of $1,341 million (30 June 2012: $961 million, 31 December 2012: $971 million) to partly cover its exposure to Korean won.

The table below sets out the principal structural foreign exchange exposures (net of investment hedges) of the Group:

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Hong Kong dollar	**7,207**	6,350	6,619
Korean won	**5,522**	5,728	6,301
Indian rupee	**4,036**	3,621	4,025
Taiwanese dollar	**2,797**	2,811	2,946
Chinese renminbi	**2,943**	2,452	2,245
Singapore dollar	**947**	1,097	1,195
Thai baht	**1,666**	1,532	1,662
UAE dirham	**1,641**	1,685	1,598
Malaysian ringgit	**1,519**	1,262	1,360
Indonesian rupiah	**1,023**	926	1,164
Pakistani rupee	**555**	594	586
Other	**3,803**	3,233	3,648
	33,659	31,291	33,349

An analysis has been performed on these exposures to assess the impact of a one per cent fall in the US dollar exchange rates adjusted to incorporate the impacts of correlations of these currencies to the US dollar. The impact on the positions above would be an increase of $244 million (30 June 2012: $236 million; 31 December 2012: $255 million). Changes in the valuation of these positions are taken to reserves.

Derivatives

Derivatives are contracts with characteristics and value derived from underlying financial instruments, interest and exchange rates or indices. They include futures, forwards, swaps and options transactions. Derivatives are an important risk management tool for banks and their customers because they can be used to manage market price risk. The market risk of derivatives is managed in essentially the same way as other traded products.

Our derivative transactions are principally in instruments where the mark-to-market values are readily determinable by reference to independent prices and valuation quotes.

We enter into derivative contracts in the normal course of business to meet customer requirements and to manage our exposure to fluctuations in market price movements.

Derivatives are initially recognised and subsequently measured at fair value and shown in the balance sheet as separate totals of assets and liabilities. The revaluation gains are recognised in the profit and loss except where cash flow or net investment hedging has been achieved, in which case the effective portion of change in fair value is recognised within other comprehensive income

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to financial institutions and corporate customers. This is covered in more detail in the Credit risk section.

Hedging

Countries within the Group use futures, forwards, swaps and options transactions primarily to mitigate interest and foreign exchange risk arising from their in-country exposures. The Group also uses futures, forwards and options to hedge foreign exchange and interest rate risk.

In accounting terms under IAS 39, hedges are classified into three types: fair value hedges, predominantly where fixed rates of interest or foreign exchange are exchanged for floating rates; cash flow hedges, predominantly where variable rates of interest or foreign exchange are exchanged for fixed rates; and hedges of net investments in overseas operations translated to the parent company’s functional currency, US dollars.

The notional value of interest rate swaps for the purpose of fair value hedging marginally decreased by $0.3 billion at 30 June 2013 compared to 31 December 2012. Fair value hedges largely hedge the interest-rate risk on our debt securities in the UK which form part of the Group’s liquidity buffers and are used to manage fixed rate securities and loan portfolios in our key markets. Currency and interest rate swaps used for cash flow hedging have remained stable since 31 December 2012.

We may also, under certain individually approved circumstances, enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment, and which are accordingly marked to market through the profit and loss account, thereby creating an accounting asymmetry. These are entered into primarily to ensure that residual interest rate and foreign exchange risks are being effectively managed. Current economic hedge relationships include hedging the foreign exchange risk on certain debt issuances and on other monetary instruments held in currencies other than US dollars.

Liquidity risk

Liquidity risk is the risk that we either do not have sufficient financial resources available to meet our obligations as they fall due, or can only access these financial resources at excessive cost.

It is our policy to maintain adequate liquidity at all times, in all geographic locations and for all currencies, and hence to be in a position to meet obligations as they fall due. We manage liquidity risk both on a short-term and structural basis. In the short-term, our focus is on ensuring that the cash flow demands can be met where required. In the medium-term, the focus is on ensuring the balance sheet remains structurally sound and aligned to our strategy.

The GALCO is the responsible governing body that approves our liquidity management policies. The Liquidity Management Committee (LMC) receives authority from the GALCO and is responsible for setting or delegating authority to set liquidity limits and proposing liquidity risk policies. Liquidity in each country is managed by the country ALCO within the pre-defined liquidity limits set by the LMC and in compliance with Group liquidity policies and practices and local regulatory requirements. GMR and Group Treasury propose and oversee the implementation of policies and other controls relating to the above risks.

We seek to manage our liquidity prudently in all geographical locations and for all currencies. Exceptional market events can impact us adversely, thereby affecting our ability to fulfill our obligations as they fall due. The principal uncertainties for liquidity risk are that customers withdraw their deposits at a substantially faster rate than expected, or that asset repayments are not received on the expected maturity date. To mitigate these uncertainties, our customer deposit base is diversified by type and maturity. In addition we have contingency funding plans including a portfolio of liquid assets that can be realised if a liquidity stress occurs, as well as ready access to wholesale funds under normal market conditions.

Policies and procedures

Our policy is to manage liquidity, in each country without presumption of Group support. Each country ALCO is responsible for ensuring that the country is able to meet all of its obligations to make payments as they fall due, and operates within the local regulations and liquidity limits set for the entities operating in that country.

Our liquidity risk management framework requires limits to be set for prudent liquidity management. There are limits on:

- The local and foreign currency cash flow gaps
- The level of external wholesale borrowing to ensure that the size of this funding is proportionate to the local market and our local operations
- The level of borrowing from other countries within the Group to contain the risk of contagion from one country to another
- Commitments, both on and off balance sheet, to ensure there are sufficient funds available in the event of drawdown on these commitments
- The advances to deposits ratio to ensure that commercial advances are funded by stable sources and that customer lending is funded by customer deposits
- The amount of assets that may be funded from other currencies

In addition, we prescribe a liquidity stress scenario that includes accelerated withdrawal of deposits over a period of time. Each country has to ensure that cash inflows exceed outflows under such a scenario.

All limits are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a regular basis by GMR and Finance. Limit excesses are escalated and approved under a delegated authority structure and reviewed by ALCO. Excesses are also reported monthly to the LMC and GALCO which provide further oversight.

We have significant levels of marketable securities, including government securities that can be realised, repurchased or used as collateral in the event of liquidity stress. In addition, a funding crisis response and recovery plan (FCRRP) is maintained by Group Treasury that is reviewed and approved annually. The FCRRP lays out trigger points and actions in the event of a liquidity crisis to ensure that there is an effective response by senior management. A similar plan is maintained within each country.

Impact of Basel III

The Group already meets the Basel III coverage requirements of 100 per cent for both the Net Stable Funding Ratio and the Liquidity Coverage Ratio, well ahead of the required implementation date.

Primary sources of funding

A substantial portion of our assets is funded by customer deposits made up of current and savings accounts and other deposits. Of total customer deposits, 40 per cent is retail deposits, 51 per cent corporate deposits, 9 per cent other (30 June 2012: retail 40 per cent, corporate 52 per cent, other 8 per cent ; 31 December 2012: retail 41 per cent, corporate 51 per cent, other 8 per cent). These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. The ALCO in each country monitors trends in the balance sheet and ensures that any concerns that might impact the stability of these deposits are addressed effectively. The ALCO also reviews balance sheet plans to ensure that projected asset growth is matched by growth in this stable funding base.

We maintain access to wholesale funding markets in all major financial centres and countries in which we operate as well as to commercial paper issuance. This seeks to ensure that we have flexibility around maturity transformation, have market intelligence, maintain stable funding lines and can obtain optimal pricing when we perform our interest rate risk management activities. In the next 12 months approximately $5 billion of the Group's senior and subordinated debt is falling due for repayment either contractually or callable by the Group. Further details of the Group's senior and subordinated debt by geography are provided in note 2 to the financial statements on page 103.

Encumbered assets

Encumbered assets represent those on balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities. Hong Kong government certificates of indebtedness which secure the equivalent amount of Hong Kong currency notes in circulation, and cash collateral pledged against derivatives are included within other assets. Taken together these encumbered assets represent 2.7 per cent (30 June 2012: 2.6 per cent; 31 December 2012: 2.2 per cent) of total assets, continuing the Group's historical low level of encumbrance.

The following table provides a reconciliation of the Group's encumbered assets to total assets.

	30.06.13			30.06.12		
	Unencumbered assets $million	Encumbered assets $million	Total assets $million	Unencumbered assets $million	Encumbered assets $million	Total assets $million
Cash and balances at central banks	47,958	-	47,958	42,027	-	42,027
Restricted balances at central banks	9,663	-	9,663	8,656	-	8,656
Derivative financial instruments	54,548	-	54,548	52,530	-	52,530
Loans and advances to banks[1]	73,728	1,152	74,880	74,605	-	74,605
Loans and advances to customers[1]	290,246	1,547	291,793	276,411	1,729	278,140
Investment securities[1]	111,684	3,248	114,932	104,083	5,493	109,576
Other assets	26,137	11,904	38,041	21,241	8,926	30,167
Current tax assets	198	-	198	268	-	268
Prepayments and accrued income	2,687	-	2,687	2,688	-	2,688
Interests in associates	1,662	-	1,662	1,408	-	1,408
Goodwill and intangible assets	6,100	-	6,100	7,056	-	7,056
Property, plant and equipment	6,759	-	6,759	5,575	-	5,575
Deferred tax assets	736	-	736	860	-	860
Total	632,106	17,851	649,957	597,408	16,148	613,556

[1] Includes assets held at fair value through profit or loss

	31.12.12		
	Unencumbered assets $million	Encumbered assets $million	Total assets $million
Cash and balances at central banks	50,974	227	51,201
Restricted balances at central banks	9,336	-	9,336
Derivative financial instruments	49,495	-	49,495
Loans and advances to banks[1]	67,848	723	68,571
Loans and advances to customers[1]	282,238	2,378	284,616
Investment securities[1]	118,951	1,598	120,549
Other assets	19,289	9,259	28,548
Current tax assets	215	-	215
Prepayments and accrued income	2,552	-	2,552
Interests in associates	1,527	-	1,527
Goodwill and intangible assets	7,302	-	7,302
Property, plant and equipment	6,620	-	6,620
Deferred tax assets	676	-	676
Total	617,023	14,185	631,208

1 Includes assets held at fair value through profit or loss

In addition to the above the Group received $8,710 million (30 June 2012: $7,681 million; 31 December 2012: $10,517 million) as collateral under reverse repurchase agreements that was eligible for repledging. Of this the Group repledged $1,161 million (30 June 2012: $870 million; 31 December 2012: $1,378 million) under repurchase agreements.

Liquidity metrics

We also monitor key liquidity metrics on a regular basis, both on a country basis and in aggregate across the Group. The key metrics are:

Advances to deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advances to deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Loans and advances to customers[1]	**291,793**	278,140	284,616
Customer accounts[2]	**380,785**	358,646	385,117
Advances to deposits ratio	**76.6%**	77.6%	73.9%

[1] see note 16 to the financial statements on page 135

[2] see note 22 to the financial statements on page 140

Liquid asset ratio

This is the ratio of liquid assets to total assets. The significant level of holdings of liquid assets in the balance sheet reflects the application of our liquidity policies and practices and the holdings of these assets are spread across our geographies.

The following table details the component of liquid assets together with the ratio of liquid assets to total assets.

This ratio improved in the first half of 2013 compared with the second half of 2012 reflecting the increased levels of liquid assets held to meet regulatory liquidity requirements, especially in the UK.

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Cash and balances at central banks	**57,621**	50,683	60,537
Restricted balances	**(9,663)**	(8,656)	(9,336)
Loans and advances to banks - net of impairment	**74,769**	74,462	68,365
Deposits by banks	**(45,390)**	(45,793)	(37,395)
Treasury bills	**25,750**	26,521	29,695
Debt securities	**83,623**	78,273	84,422
of which:			
Issued by governments	**32,755**	28,684	33,688
Issued by banks	**29,464**	31,968	32,261
Issued by corporate and other entities	**21,404**	17,621	18,473
Illiquid securities	**(908)**	(784)	(1,706)
Other encumbered assets	**(1,881)**	(865)	(1,834)
Liquid assets	**183,921**	173,841	192,748
Total assets	**649,957**	613,556	631,208
Liquid assets to total asset ratio (%)	**28.3%**	28.3%	30.5%

Geographic spread of liquid assets

30.06.13	**Hong Kong %**	**Singapore %**	**Korea %**	**Other Asia Pacific %**	**India %**	**Middle East & Other S.Asia %**	**Africa %**	**Americas UK & Europe %**	**Total %**
Liquid assets	**25**	**9**	**7**	**14**	**3**	**5**	**3**	**34**	**100**

30.06.12	Hong Kong %	Singapore %	Korea %	Other Asia Pacific %	India %	Middle East & Other S.Asia %	Africa %	Americas UK & Europe %	Total %
Liquid assets	26	10	9	14	3	5	3	30	100

31.12.12	Hong Kong %	Singapore %	Korea %	Other Asia Pacific %	India %	Middle East & Other S.Asia %	Africa %	Americas UK & Europe %	Total %
Liquid assets	24	10	9	14	3	4	3	33	100

Liquidity management – stress scenarios

The Group conducts a range of liquidity related stress analyses, both for internal and regulatory purposes.

Internally, three stress tests are run routinely: an acute 8-day name specific stress, a 30-day market wide stress and a more chronic 90-day combined name specific and market wide stress.

The 8-day stress is specifically designed to determine a minimum quantity of marketable securities that must be held at all times in all countries. This stress is computed daily, and the minimum marketable securities requirement is observed daily. This is intended to ensure that, in the unlikely event of an acute loss of confidence in the Group or any individual entity within it, there is sufficient time to take corrective action. Every country must pass, on stand-alone basis, with no presumption of Group support.

As at 30 June 2013 all countries passed the stress test.

The Group is also exposed to the risk of market-wide disruption in one or more countries. It is therefore appropriate to test resilience in each country to unexpected local market disruption, for example loss of interbank money or foreign exchange markets. To this end, country ALCOs consider a 30-day market-wide stress.

Finally, a 90-day test is run. These stress tests consider more prolonged stresses that affect markets across a number of the Group's main footprint countries and in which the Group itself may come under some sustained pressure. This pressure may be unwarranted or may be because the Group is inextricably linked with those markets/countries. The stress tests the adequacy of contingency funding arrangements beyond the marketable securities held to cover the 8-day stress, including the portability of funding from one country to support another. These stresses are managed at a Group rather than individual country level.

Liquidity and funding risks are also considered as part of the Group's wider periodic scenario analysis, including reverse stress testing.

In addition, the Group runs a range of stress tests to meet regulatory requirements, as defined by the PRA and local regulators.

Liquidity analysis of the Group's balance sheet

Contractual maturity of assets and liabilities

This table analyses assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cash flow.

Within the tables below cash and balances with central banks, loans and advances to banks, treasury bills and investment securities that are available-for-sale are used by the Group principally for liquidity management purposes.

	30.06.13				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years and undated $million	Total $million
Assets					
Cash and balances at central banks	**47,905**	**-**	**-**	**9,716**	**57,621**
Derivative financial instruments	**13,031**	**14,552**	**18,445**	**8,520**	**54,548**
Loans and advances to banks[1]	**48,844**	**22,981**	**2,900**	**155**	**74,880**
Loans and advances to customers[1]	**98,128**	**48,150**	**67,204**	**78,311**	**291,793**
Investment securities[1]	**18,891**	**35,413**	**46,528**	**14,100**	**114,932**
Other assets	**29,492**	**3,276**	**299**	**23,116**	**56,183**
Total assets	**256,291**	**124,372**	**135,376**	**133,918**	**649,957**
Liabilities					
Deposits by banks[1]	**42,036**	**2,629**	**631**	**94**	**45,390**
Customer accounts[1]	**313,564**	**53,076**	**9,840**	**4,305**	**380,785**
Derivative financial instruments	**13,359**	**14,838**	**17,388**	**8,196**	**53,781**
Senior debt[1]	**2,338**	**2,579**	**13,849**	**2,982**	**21,748**
Other debt securities in issue[1]	**22,191**	**15,481**	**2,799**	**3,305**	**43,776**
Other liabilities	**22,699**	**4,777**	**1,929**	**11,321**	**40,726**
Subordinated liabilities and other borrowed funds	**-**	**927**	**4,614**	**12,852**	**18,393**
Total liabilities	**416,187**	**94,307**	**51,050**	**43,055**	**604,599**
Net liquidity gap	**(159,896)**	**30,065**	**84,326**	**90,863**	**45,358**

1 Amounts include financial instruments held at fair value through profit or loss (see note 12) on page 112

	30.06.12				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years and undated $million	Total $million
Assets					
Cash and balances at central banks	42,027	-	-	8,656	50,683
Derivative financial instruments	11,907	14,777	13,199	12,647	52,530
Loans and advances to banks[1]	50,190	21,417	2,505	493	74,605
Loans and advances to customers[1]	90,111	41,271	68,692	78,066	278,140
Investment securities[1]	21,279	31,423	42,582	14,292	109,576
Other assets	15,572	10,557	152	21,741	48,022
Total assets	231,086	119,445	127,130	135,895	613,556
Liabilities					
Deposits by banks[1]	43,253	2,010	453	77	45,793
Customer accounts[1]	295,030	49,117	7,181	7,318	358,646
Derivative financial instruments	11,215	14,690	12,327	11,912	50,144
Senior debt	1,263	3,950	14,214	2,974	22,401
Other debt securities in issue	22,317	14,531	2,340	823	40,011
Other liabilities	21,281	2,700	655	12,583	37,219
Subordinated liabilities and other borrowed funds	-	614	1,162	14,632	16,408
Total liabilities	394,359	87,612	38,332	50,319	570,622
Net liquidity gap	(163,273)	31,833	88,798	85,576	42,934

1 Amounts include financial instruments held at fair value through profit or loss (see note 12)

	31.12.12				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years and undated $million	Total $million
Assets					
Cash and balances at central banks	51,201	-	-	9,336	60,537
Derivative financial instruments	10,492	9,523	19,034	10,446	49,495
Loans and advances to banks[1]	46,705	18,916	2,760	190	68,571
Loans and advances to customers[1]	89,654	44,293	69,787	80,882	284,616
Investment securities[1]	24,783	34,041	47,270	14,455	120,549
Other assets	22,192	2,780	289	22,179	47,440
Total assets	245,027	109,553	139,140	137,488	631,208
Liabilities					
Deposits by banks[1]	35,410	1,294	597	94	37,395
Customer accounts[1]	314,220	52,972	10,873	7,052	385,117
Derivative financial instruments	10,077	10,150	17,567	9,398	47,192
Senior debt[1]	1,618	2,713	15,539	1,786	21,656
Other debt securities in issue[1]	23,823	9,890	3,147	2,724	39,584
Other liabilities	16,944	5,388	1,604	11,685	35,621
Subordinated liabilities and other borrowed funds	617	944	3,496	13,531	18,588
Total liabilities	402,709	83,351	52,823	46,270	585,153
Net liquidity gap	(157,682)	26,202	86,317	91,218	46,055

1 Amounts include financial instruments held at fair value through profit or loss (see note 12)

Behavioural maturity of financial assets and liabilities

As discussed on pages 76 to 83 the Group seeks to manage its liabilities both on a contractual and behavioural basis primarily by matching the maturity profiles of assets and liabilities. The cash flows presented on page 97 reflect the cash flows which will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short term customer accounts, extend to a longer period than their contractual maturity. The Group's expectation of when such liabilities are likely to become payable is provided in the table below:

	30.06.13				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years and undated $million	Total $million
Loans and advances to customers	76,138	45,635	110,518	59,502	291,793
Loans and advances to banks	49,102	22,501	3,122	155	74,880
Total loans and advances	125,240	68,136	113,640	59,657	366,673
Deposits by banks	41,960	2,630	704	96	45,390
Customer accounts	159,321	60,987	155,761	4,716	380,785
Total deposits	201,281	63,617	156,465	4,812	426,175
Net gap	(76,041)	4,519	(42,825)	54,845	(59,502)

	30.06.12				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years and undated $million	Total $million
Loans and advances to customers	85,383	44,038	85,078	63,641	278,140
Loans and advances to banks	53,591	17,802	2,638	574	74,605
Total loans and advances	138,974	61,840	87,716	64,215	352,745
Deposits by banks	43,041	2,134	527	91	45,793
Customer accounts	138,814	61,810	127,075	30,947	358,646
Total deposits	181,855	63,944	127,602	31,038	404,439
Net gap	(42,881)	(2,104)	(39,886)	33,177	(51,694)

	31.12.12				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years and undated $million	Total $million
Loans and advances to customers	81,318	49,906	88,262	65,130	284,616
Loans and advances to banks	49,391	15,903	3,106	171	68,571
Total loans and advances	130,709	65,809	91,368	65,301	353,187
Deposits by banks	35,265	1,451	607	72	37,395
Customer accounts	161,572	65,092	149,956	8,497	385,117
Total deposits	196,837	66,543	150,563	8,569	422,512
Net gap	(66,128)	(734)	(59,195)	56,732	(69,325)

Operational risk

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. We seek to control operational risks to ensure that operational losses do not cause material damage to the Group's franchise.

Operational risks can arise from all business lines and from all activities carried out by the Group. We seek to systematically identify and manage operational risk by segmenting all the Group's activities into manageable units. Each of these has an owner who is responsible for identifying and managing all the risks that arise from those activities as an integral part of their first line responsibilities. Products and services offered to clients and customers in all our markets are also assessed and authorised in accordance with product governance procedures.

Although operational risk exposures can take many varied forms, we seek to manage them in accordance with standards that drive systematic risk identification, assessment, control and monitoring. These standards are challenged and reviewed regularly to ensure their ongoing effectiveness. To support the systematic identification of material operational risk exposures associated with a given process, we classify them into the following types:

Operational Risk Subtypes

Processing failure	Potential for loss due to failure of an established process or to a process design weakness
External Rules & Regulations	Potential for actual or opportunity loss due to failure to comply with laws or regulations, or as a result of changes in laws or regulations or in their interpretation or application
Liability	Potential for loss or sanction due to a legal claim against any part of the Group or individuals within the Group
Legal enforceability	Potential for loss due to failure to protect legally the Group's interests or from difficulty in enforcing the Group's rights
Damage to assets	Potential for loss or damage to physical assets and other property from natural disaster and other events
Safety and security	Potential for loss or damage to health or safety of staff, customers or third parties arising from internal failures or the effects of external events
Internal crime or dishonesty	Potential for loss due to action by staff that is intended to defraud, misappropriate property or to circumvent the law or company policy
External crime	Potential for loss due to criminal acts by external parties such as fraud, theft and other criminal activity
Model	Potential for loss due to a significant discrepancy between the output of risk measurement models and actual experience

Identified operational risk exposures are rated 'low', 'medium', 'high' or 'very high' in accordance with defined risk assessment criteria. Risks that are outside set materiality thresholds receive a differential level of management attention and are reported to senior management and risk committees up to Board level. Significant external events or internal failures that have occurred are analysed to identify the root cause of any failure for remediation and future mitigation. Actual operational losses are systematically recorded.

In the second line of defence, Group Operational Risk is responsible for setting and maintaining the standards for operational risk management and control. In addition, specialist operational risk control owners have responsibility for the control of operational risk arising from the management of the following activities:

Operational risk control area	
People Management	Recruiting, developing, compensating and managing employees
Technology Management	Developing, maintaining and using information technology, and information security
Vendor Management	Procurement, licensing, outsourcing and supplier management
Property Management	Managing property assets, projects and facilities
Security Management	Protecting the security of staff and customers
Regulatory Compliance	Maintaining relationships with regulators, evidencing compliance with banking and securities regulations and managing regulatory change
Legal processes	Effective documentation of material transactions and other material contractual agreements, controlling the rights pertaining to material assets of the Group, and managing material claims and legal disputes
Accounting & Financial Control	Financial and management accounting, associated reporting and financial control
Tax management	Tax planning, structuring and reporting
Corporate authorities & structure	Maintaining effective corporate legal entity structure and corporate decision making authorities

Each Risk Control Owner (RCO) has second line responsibility for all types of operational risk which may arise within his or her risk control area. RCOs are supported by a specialist control function and are responsible for identifying risks that are material to the Group and for maintaining an effective control environment, across the whole organisation. This includes defining appropriate policies for approval by authorised risk committees, that impose specific controls and constraints on the Group's activities.

The Group Operational Risk Committee, chaired by the GCRO, oversees the management of operational risks across the Group, supported by business, functional, and country-level committees. All operational risk committees operate on the basis of a defined structure of delegated authorities and terms of reference, derived from the GRC.

Reputational risk

Reputational risk is the potential for damage to the Group's franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Group or its actions.

Reputational risk could arise from the failure of the Group to effectively mitigate the risks in its businesses including one or more of country, credit, liquidity, market, regulatory, legal or other operational risk. Damage to the Group's reputation could cause existing clients to reduce or cease to do business with the Group and prospective clients to be reluctant to do business with the Group. All employees are responsible for day to day identification and management of reputational risk. These responsibilities form part of the Group Code of Conduct and are further embedded through values-based performance assessments.

Reputational risk may also arise from a failure to comply with environmental and social standards. Our primary environmental and social impacts arise through our relationship with our clients and customers and the financing decisions we take. We have published a series of position statements covering high impact sectors and key issues. These set out our approach to the provision of financial services to clients who operate in these sectors, and support our internal environmental and social risk assessment process. We have mechanisms in our origination and credit processes to identify and assess environmental and social risks, and a dedicated Sustainable Finance team in Wholesale Banking who review proposed high-risk transactions.

The GRC provides Group-wide oversight on reputational risk, sets policy and monitors material risks. The Group Head of Corporate Affairs is the overall risk control owner for reputational risk. The BVC and BRC provide additional oversight of reputational risk on behalf of the Board.

At the business level, the Wholesale Banking Responsibility and Reputational Risk Committee and the Consumer Banking Reputational Risk Committee have responsibility for managing reputational risk in their respective businesses.

At country level, the Country Head of Corporate Affairs is the risk control owner of reputational risk. It is his or her responsibility to protect our reputation in that market with the support of the country management team. The Head of Corporate Affairs and Country Chief Executive Officer must actively:

- Promote awareness and application of our policies and procedures regarding reputational risk
- Encourage business and functions to take account of our reputation in all decision-making, including dealings with customers and suppliers
- Implement effective in-country reporting systems to ensure they are aware of all potential issues in tandem with respective business committees
- Promote effective, proactive stakeholder management through ongoing engagement.

Pension risk

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension schemes. The risk assessment is focused on our obligations towards our major pension schemes, ensuring that our funding obligation to these schemes is comfortably within our financial capacity. Pension risk is monitored on a quarterly basis, taking account of the actual variations in asset values and updated expectations regarding the progression of the pension fund assets and liabilities.

The Group Pension Risk Committee is the body responsible for governance of pension risk and it receives its authority from GRC.

The following parts of Capital are reviewed by the auditor: from the start of 'Capital management' on page 87 to the end of 'Movement in total capital' on page 89.

Capital management

Our approach to capital management is to maintain a strong capital base to support the development of our business, to meet regulatory capital requirements at all times and to maintain strong credit ratings.

Strategic, business and capital plans are drawn up annually covering a five year horizon and are approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained to support our strategy. Group Treasury is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

The capital plan takes the following into account:

- current regulatory capital requirements and our assessment of future standards
- demand for capital due to business growth forecasts, loan impairment outlook and market shocks or stresses
- forecast demand for capital to support credit ratings and as a signaling tool to the market
- available supply of capital and capital raising options

The Group formulates a capital plan with the help of internal models and other quantitative techniques. The models help to estimate potential future losses arising from credit, market and other risks and using regulatory formulae, the amount of capital required to support them. In addition, the models enable the Group to gain an enhanced understanding of its risk profile, e.g. by identifying potential concentrations and assessing the impact of portfolio management actions. Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events and how these could be mitigated.

We use a capital model to assess the capital demand for material risks, and support this with our internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of our management disciplines.

A strong governance and process framework is embedded in our capital planning and assessment methodology. The key capital management committees are the Capital Management Committee (CMC) and the Group Asset and Liability Committee (GALCO). GALCO approves the capital governance framework and delegates to CMC the approval of capital management policies.

At a country level, capital is monitored by the local Asset and Liability Committee (ALCO). Appropriate policies are in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with local regulatory requirements and statutory and contractual restrictions. There are no current material practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the parent company, Standard Chartered PLC and its subsidiaries when due.

Current compliance with Capital Adequacy Regulations

In light of the uncertain economic environment and continuing uncertainty in the evolving regulatory debate on banks' capital structures, we continue to believe it is appropriate to remain strongly capitalised and well above regulatory requirements.

On 1 April 2013, the UK Financial Services Authority (FSA) ceased to exist. From this date, Standard Chartered PLC has been authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

The capital that we are required to hold by the PRA is determined by our balance sheet, off-balance sheet, counterparty and other risk exposures. Further detail on counterparty and risk exposures is included in the Risk review on pages 26 to 27.

Capital in branches and subsidiaries is maintained on the basis of host regulators' requirements and the Group's assessment of capital requirements under normal and stress conditions. Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios in all our legal entities. These processes are designed to ensure that we have sufficient capital available to meet local regulatory capital requirements at all times.

The table on page 88 summarises the consolidated capital position of the Group.

Basel II

The Group complies with the Basel II framework, which has been implemented in the UK through the PRA and FCA's General Prudential Sourcebook and Prudential Sourcebook for Banks, Building Societies and Investment Firms.

Since 1 January 2008, we have been using the advanced Internal Ratings Based (IRB) approach for the calculation of credit risk capital requirements with the approval of the FSA and latterly the PRA. This approach builds on our risk management practices and is the result of a significant investment in data warehousing and risk models.

We use Value at Risk (VaR) models for the calculation of market risk capital requirements for part of our trading book exposures where permission to use such models has been granted by the FSA. Where our market risk exposures are not approved for inclusion in VaR models, the capital requirements are determined using standard rules provided by the regulator.

We apply The Standardised Approach for determining the capital requirements for operational risk.

Capital base	30.06.13 $million	30.06.12 $million	31.12.12 $million
Shareholders' equity			
Parent company shareholders' equity per balance sheet	**44,768**	42,305	45,362
Preference share classified as equity included in Tier 1 capital	**(1,494)**	(1,494)	(1,495)
	43,274	40,811	43,867
Non-controlling interests			
Non-controlling interests per balance sheet	**590**	629	693
Non-controlling Tier 1 capital included in other Tier 1 capital	**(320)**	(320)	(320)
	270	309	373
Regulatory adjustments			
Unrealised (gains)/losses on available-for-sale debt securities	**(22)**	52	(97)
Unrealised gains on available-for-sale equity securities included in Tier 2	**(362)**	(215)	(490)
Cash flow hedge reserve	**49**	(26)	(81)
Other adjustments[1]	**485**	(34)	(35)
	150	(223)	(703)
Deductions			
Goodwill and other intangible assets	**(6,100)**	(7,067)	(7,312)
50 per cent excess of expected losses [2]	**(930)**	(788)	(966)
50 per cent of tax on expected losses	**234**	209	240
50 per cent of securitisation positions	**(111)**	(114)	(118)
Other regulatory adjustments	**(13)**	(65)	(42)
	(6,920)	(7,825)	(8,198)
Core Tier 1 capital	**36,774**	33,072	35,339
Other Tier 1 Capital			
Preference shares included within shareholders' equity	**1,494**	1,494	1,495
Preference shares included within 'Subordinated debt and other borrowings'	**1,187**	1,196	1,205
Innovative Tier 1 securities (excluding non-controlling Tier 1 capital)	**2,493**	2,519	2,553
Non-controlling Tier 1 Capital	**320**	320	320
	5,494	5,529	5,573
Deductions			
50 per cent of tax on expected losses	**234**	209	240
50 per cent of material holdings	**(502)**	(543)	(552)
	(268)	(334)	(312)
Total Tier 1 capital	**42,000**	38,267	40,600
Tier 2 capital:			
Qualifying subordinated liabilities:[3]			
Subordinated liabilities and other borrowed funds as per balance sheet	**18,393**	16,543	18,799
Preference shares eligible for Tier 1 capital	**(1,187)**	(1,196)	(1,205)
Innovative Tier 1 securities eligible for Tier 1 capital	**(2,493)**	(2,519)	(2,553)
Adjustments relating to fair value hedging and non-eligible securities	**(1,148)**	(1,796)	(2,052)
	13,565	11,032	12,989
Regulatory adjustments			
Reserves arising on revaluation of available-for-sale equities	**362**	215	490
Portfolio impairment provision	**272**	244	248
	634	459	738
Deductions			
50 per cent excess of expected losses[2]	**(930)**	(788)	(966)
50 per cent of material holdings	**(502)**	(543)	(552)
50 per cent of securitisation positions	**(111)**	(114)	(118)
	(1,543)	(1,445)	(1,636)
Total Tier 2 capital	**12,656**	10,046	12,091
Deductions from Tier 1 and Tier 2 capital	**(6)**	(2)	(3)
Total capital base	**54,650**	48,311	52,688

1 Other includes the effect of regulatory consolidation and own credit adjustment

2 Excess of expected losses in respect of advanced IRB portfolios are shown gross of tax benefits

3 Represents perpetual subordinated debt $1,251 million (30 June 2012: $1,501 million, 31 December 2012: $1,314 million) and other eligible subordinated debt $12,314 million (30 June 2012: $9,531 million, 31 December 2012: $11,675 million). Lower Tier 2 instruments due to mature within five years includes amortisation

Movement in total capital

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Opening Core Tier 1 capital:	**35,339**	31,833	33,072
Ordinary shares issued in the period and share premium	**21**	23	36
Profit for the period	**2,236**	2,856	2,031
Dividends, net of scrip	**(1,372)**	(1,096)	(311)
Decrease/(increase) in goodwill and other intangible assets	**1,212**	(6)	(245)
Foreign currency translation differences	**(1,027)**	(212)	725
Decrease/(increase) in unrealised gains on available for sale assets	**203**	(230)	(149)
Movement in eligible other comprehensive income	**(301)**	(25)	331
Net effect of regulatory consolidation and change in non-controlling interests	**613**	-	-
Increase/(decrease) in excess expected loss, net of tax	**30**	(63)	(147)
Decrease/(increase) in securitisation positions	**7**	(8)	(4)
Own credit adjustment, net of tax	**(187)**	-	-
Closing Core Tier 1 capital	**36,774**	33,072	35,339
Opening Other Tier 1 capital	**5,261**	5,179	5,195
(Decrease)/increase in tax benefit of excess expected loss	**(6)**	23	31
Increase/(decrease) in material holdings	**50**	(22)	(9)
Other	**(79)**	15	44
Closing Other Tier 1 capital	**5,226**	5,195	5,261
Opening Tier 2 capital	**12,091**	10,499	10,046
Issuance of subordinated loan capital, net of redemptions and foreign currency translation differences	**576**	(316)	1,957
(Decrease) /increase in revaluation reserve	**(128)**	(26)	275
Increase in portfolio impairment provision	**24**	5	4
Increase/(decrease) in excess expected loss	**36**	(86)	(178)
Increase/(decrease) in material holdings	**50**	(22)	(9)
Decrease/(increase) in securitisation positions	**7**	(8)	(4)
Closing Tier 2 capital	**12,656**	10,046	12,091
Deductions from total capital	**(6)**	(2)	(3)
Closing Total capital	**54,650**	48,311	52,688

Risk weighted assets and capital ratios

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Credit risk	**264,043**	233,170	246,650
Operational risk	**33,289**	30,761	30,761
Market risk	**26,444**	22,387	24,450
Total risk weighted assets	**323,776**	286,318	301,861
Capital ratios			
Core Tier 1 capital	**11.4%**	11.6%	11.7%
Tier 1 capital	**13.0%**	13.4%	13.4%
Total capital ratio	**16.9%**	16.9%	17.4%

Risk weighted assets by business and geography

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Consumer Banking	**85,133**	74,448	80,889
Credit risk	**74,721**	65,040	71,481
Operational risk	**10,412**	9,408	9,408
Wholesale Banking	**238,643**	211,870	220,972
Credit risk	**189,322**	168,130	175,169
Operational risk	**22,877**	21,353	21,353
Market risk	**26,444**	22,387	24,450
Total risk weighted assets	**323,776**	286,318	301,861
Hong Kong	**38,672**	34,347	36,534
Singapore	**47,307**	41,934	45,064
Korea	**24,431**	26,291	26,667
Other Asia Pacific	**63,082**	53,916	52,313
India	**22,592**	21,110	23,145
Middle East & Other S Asia	**33,993**	32,671	33,119
Africa	**21,116**	13,516	19,856
Americas, UK & Europe	**81,750**	70,067	73,527
	332,943	293,852	310,225
Less : Netting balances[1]	**(9,167)**	(7,534)	(8,364)
Total risk weighted assets	**323,776**	286,318	301,861

1 Risk weighted assets by geography are reported gross of any netting benefits

Risk weighted contingent liabilities and commitments[2]

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Contingent liabilities	**15,850**	14,207	14,725
Commitments	**12,211**	11,805	12,640

2 These amounts are included in total risk weighted assets and include amounts relating to the Group's associates and joint ventures

Movement in risk weighted assets

	Wholesale Banking Credit risk $million	Consumer Banking Credit risk $million	Total Credit risk $million	Market risk $million
Opening risk weighted assets at 1 January 2013	**175,169**	**71,481**	**246,650**	**24,450**
Assets growth	**11,193**	**2,162**	**13,355**	**1,994**
Credit migration	**2,450**	**(201)**	**2,249**	**-**
Risk-weighted assets efficiencies	**228**	**414**	**642**	**-**
Model, methodology and policy changes	**3,661**	**3,125**	**6,786**	**-**
Acquisitions and disposals	**-**	**(295)**	**(295)**	**-**
Foreign currency translation differences	**(3,379)**	**(1,965)**	**(5,344)**	**-**
Closing risk weighted assets at 30 June 2013	**189,322**	**74,721**	**264,043**	**26,444**

	Wholesale Banking Credit risk $million	Consumer Banking Credit risk $million	Total Credit risk $million	Market risk $million
Opening risk weighted assets at 1 January 2012	157,538	62,856	220,394	21,354
Assets growth	10,165	1,130	11,295	1,033
Credit migration	1,163	582	1,745	-
Risk-weighted assets efficiencies	526	(1,000)	(474)	-
Model, methodology and policy changes	-	1,405	1,405	-
Acquisitions and disposals	-	-	-	-
Foreign currency translation differences	(1,262)	67	(1,195)	-
Stressed VaR	-	-	-	-
Closing risk weighted assets at 30 June 2012	168,130	65,040	233,170	22,387

	Wholesale Banking Credit risk $million	Consumer Banking Credit risk $million	Total Credit risk $million	Market risk $million
Opening risk weighted assets at 1 July 2012	168,130	65,040	233,170	22,387
Assets growth	71	2,633	2,704	1,865
Credit migration	3,777	582	4,359	-
Risk-weighted assets efficiencies	(3,326)	-	(3,326)	-
Model, methodology and policy changes	5,324	1,308	6,632	(700)
Acquisitions and disposals	-	-	-	-
Foreign currency translation differences	1,193	1,918	3,111	-
Stressed VaR	-	-	-	898
Closing risk weighted assets at 31 December 2012	175,169	71,481	246,650	24,450

Risk weighted assets (RWA) grew by $21.9 billion, or 7 per cent, compared to 31 December 2012, with an increase in Wholesale Banking and Consumer Banking of $17.7 billion and $4.2 billion respectively. Wholesale Banking RWA growth was mainly in Americas, UK & Europe, Other Asia Pacific (Other APR) and Singapore. Consumer Banking RWA growth was mainly in Hong Kong, Americas, UK & Europe and Middle East & Other South Asia. Growth in Other APR was due to the Group now fully consolidating one of its joint ventures for regulatory purposes and this change in methodology increased RWA by $6.9 billion, of which $3.9 billion was in Wholesale Banking (credit risk $3.7 billion, operational risk $0.2 billion) and $3 billion in Consumer Banking (credit risk $2.7 billion, operational risk $0.3 billion).

Wholesale Banking credit risk RWA increased by $14.2 billion, of which $11.2 billion was driven by asset growth in Transaction Banking and Corporate Finance. Credit migration resulting from internal rating downgrades increased RWA by $2.5 billion across Africa, India, Singapore and Hong Kong. These increases were partially offset by foreign currency translation differences, which reduced RWA by $3.4 billion due to the appreciation of the US dollar relative to Asian currencies.

Consumer Banking credit risk RWA increased by $3.2 billion, with $2.3 billion due to asset growth, net of disposals and RWA efficiencies, across SME, Wealth Management and Credit Cards and Personal Loans. Foreign currency translation differences decreased RWA by $2 billion, with a further $0.2 billion reduction resulting from credit migration. Model adjustments increased RWA by $0.4 billion following the introduction of adjustments to retail portfolios in Korea.

At 30 June 2013 our market risk RWA was $26.4 billion (31 December 2012: $24.5 billion). The increase in market risk RWA is mainly due to increased positions held in foreign exchange and structured products. The PRA has granted the Group CAD2 internal model approval covering the majority of interest rate, foreign exchange risk, energy and agricultural trading, as well as market risk arising from precious and base metals trading. Positions outside the CAD2 permission continue to be assessed according to standard PRA rules. Of the total market risk RWA, 29 per cent is subject to CAD2 internal models and 71 per cent is under standard rules.

Operational risk RWA increased by $2.5 billion, or 8 per cent. This is primarily determined by the change in income over a rolling three year time horizon and the growth reflects the strong performance of the Group over that period and the methodology change for Other APR.

Basel III

On 27 June 2013, the final texts of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) which together are referred to as CRD IV were published in the EU Official Journal of the European Parliament. The CRD IV package is the framework for the implementation of the Basel III proposals in the European Union. There are ongoing consultations in Europe on the implementation of CRD IV. The European Banking Authority (EBA) has issued, and will continue to issue, technical standards on the implementation of various aspects of CRD IV over the course of 2013 and 2014. The CRR has direct legal effect in the UK and will, for the most part, apply from 1 January 2014. The CRD will be transposed into UK national law by 31 December 2013 and therefore gives scope for UK national discretions to be applied. The PRA and the FCA are due to issue consultations in relation to the implementation of CRD IV in due course.

The Group remains strongly capitalised with a focus on Core Tier 1 (CT1) and Common Equity Tier 1 (CET1) capital. We expect our CET1 ratio would be around 80 bps lower than our reported Basel II CT1 ratio on a pro forma basis. This is driven by increased regulatory deductions from CET1 and increased RWA, in particular the requirements for Credit Valuation Adjustments (CVA). This estimate is not a capital or RWA forecast as the actual outcome will depend on how the CRD IV rules are finally implemented, the future shape of the Group and the extent to which the PRA gives recognition to the Group's implementation of internal models for the calculation of RWA.

The Group's Additional Capital Disclosures as at 30 June 2013 provide further information on the CRD IV capital position and leverage ratio and can be found at www.standardchartered.com

Condensed consolidated interim income statement

For the six months ended 30 June 2013

	Notes	6 months ended 30.06.13 $million	6 months ended 30.06.12[1] $million	6 months ended 31.12.12[1] $million
Interest income		**8,914**	8,884	8,943
Interest expense		**(3,316)**	(3,510)	(3,536)
Net interest income		**5,598**	5,374	5,407
Fees and commission income		**2,338**	2,208	2,367
Fees and commission expense		**(243)**	(255)	(241)
Net trading income	3	**1,685**	1,560	1,179
Other operating income	4	**610**	484	700
Non-interest income		**4,390**	3,997	4,005
Operating income		**9,988**	9,371	9,412
Staff costs	5	**(3,397)**	(3,306)	(3,186)
Premises costs	5	**(426)**	(413)	(450)
General administrative expenses	5	**(860)**	(841)	(1,866)
Depreciation and amortisation	6	**(351)**	(319)	(341)
Operating expenses		**(5,034)**	(4,879)	(5,843)
Operating profit before impairment losses and taxation		**4,954**	4,492	3,569
Impairment losses on loans and advances and other credit risk provisions	7	**(730)**	(575)	(621)
Other impairment				
Goodwill impairment	8	**(1,000)**	-	-
Other	8	**(11)**	(74)	(122)
Profit from associates and joint ventures		**112**	93	89
Profit before taxation		**3,325**	3,936	2,915
Taxation	9	**(1,089)**	(1,036)	(830)
Profit for the period		**2,236**	2,900	2,085
Profit attributable to:				
Non-controlling interests	28	**55**	44	54
Parent company shareholders		**2,181**	2,856	2,031
Profit for the period		**2,236**	2,900	2,085
		cents	cents	cents
Earnings per share:				
Basic earnings per ordinary share	11	**88.1**	117.6	82.3
Diluted earnings per ordinary share	11	**87.3**	116.5	81.4
Dividends per ordinary share:				
Interim dividend declared	10	**28.80**	-	-
Interim dividend paid	10	**-**	27.23	-
Final dividend paid	10	**-**	-	56.77
		$million	$million	$million
Total dividend:				
Total interim dividend payable[2]		**696**	-	-
Total interim dividend (paid 11 October 2012)		**-**	650	-
Total final dividend (paid 14 May 2013)		**-**	-	1,366

1 Amounts have been restated as explained in note 32

2 Dividend declared/payable represents the interim dividend as declared by the Board of Directors on 6 August 2013 and is expected to be paid on 17 October 2013. This dividend does not represent a liability to the Group at 30 June 2013 and is a non-adjusting event as defined by IAS 10 'Events after the reporting period'

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June 2013

	Notes	6 months ended 30.06.13 $million	6 months ended 30.06.12 [1] $million	6 months ended 31.12.12 [1] $million
Profit for the period		**2,236**	2,900	2,085
Other comprehensive income:				
Items that will not be reclassified to Income statement:				
Actuarial gains/(losses) on retirement benefit obligations	26	**44**	(76)	-
Items that may be reclassified subsequently to Income statement:				
Exchange differences on translation of foreign operations:				
Net (losses)/gains taken to equity		**(1,112)**	(220)	788
Net gains/(losses) on net investment hedges		**81**	(4)	(69)
Share of other comprehensive income from associates and joint ventures		**(3)**	1	3
Available-for-sale investments:				
Net valuation (losses)/gains taken to equity		**(115)**	317	737
Reclassified to income statement		**(210)**	(147)	(189)
Cash flow hedges:				
Net (losses)/gains taken to equity		**(161)**	44	89
Reclassified to income statement		**(2)**	-	(20)
Taxation relating to components of other comprehensive income		**64**	(47)	(85)
Other comprehensive income for the period, net of taxation		**(1,414)**	(132)	1,254
Total comprehensive income for the period		**822**	2,768	3,339
Total comprehensive income attributable to:				
Non-controlling interests	28	**39**	1	83
Parent company shareholders		**783**	2,767	3,256
		822	2,768	3,339

1 Amounts have been restated as explained in note 32

Standard Chartered PLC

Condensed consolidated interim balance sheet

As at 30 June 2013

	Notes	30.06.13 $million	30.06.12[1] $million	31.12.12[1] $million
Assets				
Cash and balances at central banks	12, 30	**57,621**	50,683	60,537
Financial assets held at fair value through profit or loss	12, 13	**28,135**	27,743	27,076
Derivative financial instruments	12, 14	**54,548**	52,530	49,495
Loans and advances to banks	12, 15	**73,305**	73,930	67,797
Loans and advances to customers	12, 16	**285,353**	272,453	279,638
Investment securities	12, 17	**94,812**	88,195	99,225
Other assets	12, 18	**38,041**	30,167	28,548
Current tax assets		**198**	268	215
Prepayments and accrued income		**2,687**	2,688	2,552
Interests in associates and joint ventures		**1,662**	1,408	1,527
Goodwill and intangible assets	20	**6,100**	7,056	7,302
Property, plant and equipment		**6,759**	5,575	6,620
Deferred tax assets		**736**	860	676
Total assets		**649,957**	613,556	631,208
Liabilities				
Deposits by banks	12, 21	**45,012**	44,754	36,427
Customer accounts	12, 22	**371,314**	350,248	372,874
Financial liabilities held at fair value through profit or loss	12, 13	**22,456**	19,067	23,064
Derivative financial instruments	12, 14	**53,781**	50,144	47,192
Debt securities in issue	12, 23	**58,690**	57,814	55,979
Other liabilities	12, 24	**28,719**	25,942	24,285
Current tax liabilities		**1,286**	1,186	1,066
Accruals and deferred income		**4,212**	4,171	4,811
Subordinated liabilities and other borrowed funds	12, 25	**18,393**	16,408	18,588
Deferred tax liabilities		**178**	144	161
Provisions for liabilities and charges		**147**	165	215
Retirement benefit obligations	26	**411**	579	491
Total liabilities		**604,599**	570,622	585,153
Equity				
Share capital	27	**1,212**	1,196	1,207
Reserves		**43,556**	41,109	44,155
Total parent company shareholders' equity		**44,768**	42,305	45,362
Non-controlling interests	28	**590**	629	693
Total equity		**45,358**	42,934	46,055
Total equity and liabilities		**649,957**	613,556	631,208

1 Amounts have been restated as explained in note 32

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2013

	Share capital $million	Share premium account $million	Capital and capital redemption reserve[1] $million	Merger reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders equity $million	Non-controlling interests $million	Total $million
At 1 January 2012	1,192	5,432	18	12,421	(109)	(13)	(1,394)	23,167	40,714	661	41,375
Profit for the period	-	-	-	-	-	-	-	2,856	2,856	44	2,900
Other comprehensive income	-	-	-	-	147	39	(215)	(60) [2]	(89)	(43)	(132)
Distributions	-	-	-	-	-	-	-	-	-	(33)	(33)
Shares issued, net of expenses	1	22	-	-	-	-	-	-	23	-	23
Net own shares adjustment	-	-	-	-	-	-	-	(284)	(284)	-	(284)
Share option expense, net of taxation	-	-	-	-	-	-	-	181	181	-	181
Capitalised on scrip dividend	3	(3)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(1,096)	(1,096)	-	(1,096)
At 30 June 2012	1,196	5,451	18	12,421	38	26	(1,609)	24,764	42,305	629	42,934
Profit for the period	-	-	-	-	-	-	-	2,031	2,031	54	2,085
Other comprehensive income	-	-	-	-	440	55	724	6 [2]	1,225	29	1,254
Distributions	-	-	-	-	-	-	-	-	-	(27)	(27)
Shares issued, net of expenses	1	35	-	-	-	-	-	-	36	-	36
Net own shares adjustment	-	-	-	-	-	-	-	(102)	(102)	-	(102)
Share option expense, net of taxation	-	-	-	-	-	-	-	178	178	-	178
Capitalised on scrip dividend	10	(10)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(311)	(311)	-	(311)
Other increases	-	-	-	-	-	-	-	-	-	8	8
At 31 December 2012	**1,207**	**5,476**	**18**	**12,421**	**478**	**81**	**(885)**	**26,566**	**45,362**	**693**	**46,055**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,181**	**2,181**	**55**	**2,236**
Other comprehensive income	**-**	**-**	**-**	**-**	**(277)**	**(132)**	**(1,023)**	**34** [2]	**(1,398)**	**(16)**	**(1,414)**
Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(142)**	**(142)**
Shares issued, net of expenses	**4**	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**21**	**-**	**21**
Net own shares adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(129)**	**(129)**	**-**	**(129)**
Share option expense, net of taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**103**	**103**	**-**	**103**
Capitalised on scrip dividend	**1**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends, net of scrip	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,372)**	**(1,372)**	**-**	**(1,372)**
At 30 June 2013	**1,212**	**5,492**	**18**	**12,421**	**201**	**(51)**	**(1,908)**	**27,383**	**44,768**	**590**	**45,358**

1 Includes capital reserve of $5 million and capital redemption reserve of $13 million

2 For the period ended 30 June 2013, comprises actuarial gain, net of taxation and non-controlling interests of $37 million (30 June 2012: loss of $61 million and 31 December 2012: gain of $3 million) and share of comprehensive income from associates and joint ventures of $(3) million (30 June 2012: $1 million and 31 December 2012: $3 million)

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2013

	Notes	6 months ended 30.06.13 $million	6 months ended 30.06.12 [1] $million	6 months ended 31.12.12 [1] $million
Cash flows from operating activities				
Profit before taxation		**3,325**	3,936	2,915
Adjustments for:				
Non-cash items and other adjustments included within income statement	29	**2,079**	1,101	1,320
Change in operating assets	29	**(35,808)**	(3,340)	(5,069)
Change in operating liabilities	29	**26,942**	13,187	5,783
Contributions to defined benefit schemes		**(77)**	(45)	(158)
UK and overseas taxes paid		**(836)**	(961)	(806)
Net cash (used in)/from operating activities		**(4,375)**	13,878	3,985
Net cash flows from investing activities				
Purchase of property, plant and equipment		**(89)**	(73)	(89)
Disposal of property, plant and equipment		**54**	179	16
Acquisition of investment in subsidiaries, associates and joint ventures, net of cash acquired		**-**	(4)	(59)
Purchase of investment securities		**(72,839)**	(70,657)	(86,226)
Disposal and maturity of investment securities		**74,828**	67,564	77,763
Dividends received from investment in subsidiaries, associates and joint ventures		**4**	13	1
Net cash from/(used in) investing activities		**1,958**	(2,978)	(8,594)
Net cash flows from financing activities				
Issue of ordinary and preference share capital, net of expenses		**21**	23	36
Purchase of own shares		**(154)**	(316)	(109)
Exercise of share options through ESOP		**25**	32	7
Interest paid on subordinated liabilities		**(492)**	(503)	(486)
Gross proceeds from issue of subordinated liabilities		**2,750**	1,051	2,339
Repayment of subordinated liabilities		**(1,689)**	(1,303)	(398)
Interest paid on senior debts		**(500)**	(540)	(327)
Gross proceeds from issue of senior debts		**4,252**	11,924	(471)
Repayment of senior debts		**(2,406)**	(6,122)	184
Dividends paid to non-controlling interests and preference shareholders, net of scrip		**(192)**	(84)	(77)
Dividends paid to ordinary shareholders, net of scrip		**(1,322)**	(1,045)	(261)
Net cash from financing activities		**293**	3,117	437
Net (decrease)/increase in cash and cash equivalents		**(2,124)**	14,017	(4,172)
Cash and cash equivalents at beginning of the period		**79,518**	69,566	83,282
Effect of exchange rate movements on cash and cash equivalents		**(903)**	(301)	408
Cash and cash equivalents at end of the period	30	**76,491**	83,282	79,518

1 Amounts have been restated as explained in note 32

1. Basis of preparation

The Group condensed consolidated interim financial statements consolidate those of Standard Chartered PLC (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates and jointly controlled entities.

These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at, and for, the year ended 31 December 2012, which were prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the EU.

The following parts of the Risk review form part of these interim financial statements: from the start of the "Risk management" section on page 22 to the end of the "Liquidity risk" section on page 83, with the exception of the "Asset backed securities" and "The impact of Basel III" sections on page 63, 64 and 76.

These interim financial statements were approved by the Board of Directors on 6 August 2013.

Except as noted below, the accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for, the year ended 31 December 2012. The following accounting standards and amendments have been endorsed by the EU.

Accounting standards adopted for reporting periods beginning 1 January 2013

On 1 January 2013, the Group adopted IFRS 13 *Fair Value Measurement*, which consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. IFRS 13 is required to be applied prospectively. The most significant impact of applying IFRS 13 is the mandatory requirement for the fair value of derivative liabilities and other liabilities held at fair value through profit or loss to take into account an adjustment for an entity's own credit risk and enhanced disclosure of valuation techniques and details on significant unobservable inputs for level 3 financial instruments. The adjustment for own credit risk is recognised as part of Net trading income (see note 3), and the approach for determining these fair values, along with the enhanced disclosures, are set out in note 12.

On 1 January 2013, the group adopted IAS 19 *Employee Benefits* (Revised), which introduces significant changes in the measurement, presentation and disclosure of defined benefit plans. The most significant impact on the Group as a result of these revisions comes in the form of the rate used to discount the plan assets. Where this rate has historically (until 31 December 2012) been based on the expected return on each class of pension assets, from 1 January 2013, IAS 19 requires assets to be measured based on an AA rated corporate bond yield, which aligns to the rate at which the liability is discounted. IAS 19 also makes changes to termination benefits as well as enhancing disclosure requirements and is required to be applied retrospectively. The effect of these changes on total operating expenses and pre-tax profit is not material.

On 1 January 2013 the Group early adopted IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, IAS 28 Investments in Associates and Joint Ventures. Though the EU has endorsed these standards for application from 1 January 2014, which is one year later than the mandatory adoption date required by the IASB of 1 January 2013, the EU has permitted early adoption from 1 January 2013.

IFRS 10 and 11, IAS 27 and 28 require retrospective application while IFRS 12 is applied prospectively. IFRS 10 replaces the current guidance on consolidation in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Special Purpose Entities*. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 has not had a material impact on the Group.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. It requires all joint ventures to be equity accounted thereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept of jointly controlled assets. As a result, the Group's joint venture investment in PT Bank Permata Tbk (Permata) which was proportionately consolidated until 31 December 2012, is from 1 January 2013 being accounted for using the equity method as mandated under IFRS 11. The impact of this change is provided in note 32.

IFRS 12 prescribes additional disclosures around significant judgements and assumptions made in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interests in unconsolidated structured entities. The Group will present these disclosures, where appropriate, in the 2013 Annual Report and Accounts.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at, and for, the year ended 31 December 2012.

A summary of the Group's significant accounting policies will be included in the 2013 Annual Report and Accounts.

2. Segmental Information

The Group is organised on a worldwide basis for management and reporting purposes into two main business segments: Consumer Banking and Wholesale Banking. The products offered by these segments are summarised under 'Income by product' below. The businesses' focus is on broadening and deepening the relationship with clients and customers, rather than maximising a particular product line. Hence the Group evaluates segmental performance based on overall profit or loss before taxation (excluding corporate items not allocated) and not individual product profitability. Product revenue information is used as a way of assessing client and customer needs and trends in the market place. The strategies adopted by Consumer Banking and Wholesale Banking need to be adapted to local market and regulatory requirements, which is the responsibility of country management teams. While not the primary driver of the business, country performance is an important part of the Group's matrix structure and is also used to evaluate performance and reward staff. Corporate items not allocated are not aggregated into the businesses because of the one-off nature of these items.

The Group's entity-wide disclosure which includes profit before tax, net interest margin and structure of the Group's deposits comprises geographic areas, classified by the location of the customer, except for Financial Market products which are classified by the location of the dealer.

Transactions between the business segments and geographic areas are carried out on an arms length basis. Apart from the entities that have been acquired in the last two years, Group central expenses have been distributed between the business segments and geographic areas in proportion to their direct costs, and the benefit of the Group's capital has been distributed between segments in proportion to their average risk weighted assets. In the year in which an acquisition is made, the Group does not charge or allocate the benefit of the Group's capital. The distribution of central expenses is phased in over two years, based on the estimate of central management costs associated with the acquisition.

By class of business

	30.06.13					30.06.12 [2]				
	Consumer Banking $million	Wholesale Banking[3] $million	Total reportable segments $million	Corporate items not allocated[4] $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Total reportable segments $million	Corporate items not allocated $million	Total $million
Internal income	10	(10)	-	-	-	(24)	24	-	-	-
Net interest income	2,476	3,122	5,598	-	5,598	2,348	3,026	5,374	-	5,374
Non-interest income	1,197	3,193	4,390	-	4,390	1,105	2,892	3,997	-	3,997
Operating income	3,683	6,305	9,988	-	9,988	3,429	5,942	9,371	-	9,371
Operating expenses	(2,340)	(2,694)	(5,034)	-	(5,034)	(2,246)	(2,633)	(4,879)	-	(4,879)
Operating profit before impairment losses and taxation	1,343	3,611	4,954	-	4,954	1,183	3,309	4,492	-	4,492
Impairment losses on loans and advances and other credit risk provisions	(506)	(224)	(730)	-	(730)	(290)	(285)	(575)	-	(575)
Other impairment	-	(11)	(11)	(1,000)	(1,011)	(9)	(65)	(74)	-	(74)
Profit from associates and joint ventures	21	91	112	-	112	24	69	93	-	93
Profit before taxation	858	3,467	4,325	(1,000)	3,325	908	3,028	3,936	-	3,936
Total assets employed	136,598	506,325	642,923	7,034	649,957	132,246	473,126	605,372	8,184	613,556
Total liabilities employed	182,364	420,771	603,135	1,464	604,599	172,905	396,387	569,292	1,330	570,622
Other segment items:										
Capital expenditure[1]	121	571	692	-	692	71	806	877	-	877
Depreciation	62	151	213	-	213	77	119	196	-	196
Interests in associates and joint ventures	512	1,150	1,662	-	1,662	474	934	1,408	-	1,408
Amortisation of intangible assets	41	97	138	-	138	26	97	123	-	123

1 Includes capital expenditure in Wholesale Banking of $434 million in respect of operating lease assets (30 June 2012: $684 million)

2 Amounts have been restated as explained in note 32

3 Wholesale Banking non-interest income includes Own credit adjustment (OCA) of $237 million

4 Relates to goodwill impairment charge on Korea business

2. Segmental Information continued

	31.12.12 [3]				
	Consumer Banking	Wholesale Banking	Total reportable segments	Corporate items not allocated[2]	Total
	$million	$million	$million	$million	$million
Internal income	8	(8)	-	-	-
Net interest income	2,432	2,975	5,407	-	5,407
Non-interest income	1,152	2,763	3,915	90	4,005
Operating income	3,592	5,730	9,322	90	9,412
Operating expenses	(2,350)	(3,319)	(5,669)	(174)	(5,843)
Operating profit/(loss) before impairment losses and taxation	1,242	2,411	3,653	(84)	3,569
Impairment losses on loans and advances and other credit risk provisions	(384)	(237)	(621)	-	(621)
Other impairment	(36)	(86)	(122)	-	(122)
Profit from associates and joint ventures	19	70	89	-	89
Profit/(loss) before taxation	841	2,158	2,999	(84)	2,915
Total assets employed	138,632	484,383	623,015	8,193	631,208
Total liabilities employed	186,327	397,599	583,926	1,227	585,153
Other segment items:					
Capital expenditure[1]	139	1,236	1,375	-	1,375
Depreciation	70	140	210	-	210
Interests in associates and joint ventures	492	1,035	1,527	-	1,527
Amortisation of intangible assets	55	76	131	-	131

1 Includes capital expenditure in Wholesale Banking of $1,104 million in respect of operating lease assets

2 Relates to profits realised from repurchase of subordinated liabilities and UK bank levy

3 Amounts have been restated as explained in note 32

The following table details entity-wide operating income by product:

	6 months ended 30.06.13	6 months ended 30.06.12	6 months ended 31.12.12
	$million	$million	$million
Consumer Banking			
Cards, Personal Loans and Unsecured Lending	**1,411**	1,278	1,390
Wealth Management	**686**	636	632
Deposits	**714**	765	761
Mortgages and Auto Finance	**727**	614	684
Other	**145**	136	125
	3,683	3,429	3,592
Wholesale Banking			
Lending and Portfolio Management	**400**	421	416
Transaction Banking			
Trade	**932**	945	970
Cash Management and Custody	**814**	880	841
	1,746	1,825	1,811
Global Markets			
Financial Markets[1]	**2,344**	1,989	1,668
Asset and Liability Management	**410**	484	353
Corporate Finance	**1,238**	991	1,231
Principal Finance	**167**	232	251
	4,159	3,696	3,503
	6,305	5,942	5,730

1 Includes $237 million (June and December 2012: $nil) benefit relating to Own credit adjustment (OCA)

2. Segmental Information continued

Entity-wide information

By geography

The Group manages its reportable business segments on a global basis. The operations are based in eight main geographic areas. The UK is the home country of the Company.

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe[1] $million	Total $million
Internal income	53	(55)	(34)	84	59	36	63	(206)	-
Net interest income	839	587	642	1,119	511	583	489	828	5,598
Fees and commissions income, net	453	291	133	335	143	245	201	294	2,095
Net trading income	444	233	60	249	94	230	99	276	1,685
- Underlying	442	169	58	215	94	230	99	141	1,448
- Own credit adjustment	2	64	2	34	-	-	-	135	237
Other operating income	142	131	99	(22)	120	49	1	90	610
Operating income	1,931	1,187	900	1,765	927	1,143	853	1,282	9,988
Operating expenses	(826)	(614)	(549)	(1,049)	(364)	(554)	(421)	(657)	(5,034)
Operating profit before impairment losses and taxation	1,105	573	351	716	563	589	432	625	4,954
Impairment losses on loans and advances and other credit risk provisions	(70)	(39)	(193)	(190)	(113)	(38)	(75)	(12)	(730)
Other impairment	(2)	10	(1,019)	(1)	-	-	-	1	(1,011)
Profit from associates and joint ventures	-	-	-	111	-	-	-	1	112
Profit before taxation	1,033	544	(861)	636	450	551	357	615	3,325
Capital expenditure[2]	448	143	9	29	10	15	19	19	692

1 Americas UK & Europe includes operating income of $701 million in respect of the UK, the Company's country of domicile

2 Includes capital expenditure in Hong Kong of $434 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe[1] $million	Total $million
Internal income	47	(72)	(44)	34	58	45	12	(80)	-
Net interest income	817	647	720	1,087	464	559	447	633	5,374
Fees and commissions income, net	390	264	96	345	153	231	183	291	1,953
Net trading income	364	258	80	288	108	250	69	143	1,560
Other operating income	70	65	98	78	7	40	24	102	484
Operating income	1,688	1,162	950	1,832	790	1,125	735	1,089	9,371
Operating expenses	(766)	(588)	(530)	(1,052)	(383)	(559)	(399)	(602)	(4,879)
Operating profit before impairment losses and taxation	922	574	420	780	407	566	336	487	4,492
Impairment losses on loans and advances and other credit risk provisions	(44)	(26)	(117)	(104)	(105)	(162)	(11)	(6)	(575)
Other impairment	(8)	(2)	-	(30)	9	(26)	-	(17)	(74)
Profit from associates and joint ventures	-	-	-	93	-	-	-	-	93
Profit before taxation	870	546	303	739	311	378	325	464	3,936
Capital expenditure [2]	708	91	12	28	11	14	10	3	877

1 Americas UK & Europe includes operating income of $536 million in respect of the UK, the Company's country of domicile

2 Includes capital expenditure in Hong Kong of $684 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

2. Segmental Information continued

Entity-wide information continued

By geography continued

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe[1] $million	Total $million
Internal income	64	(35)	(41)	59	71	39	48	(205)	-
Net interest income	747	604	701	1,081	456	584	470	764	5,407
Fees and commissions income, net	440	287	114	332	151	240	233	329	2,126
Net trading income	289	119	67	287	49	198	88	82	1,179
Other operating income	120	66	61	81	68	48	19	237	700
Operating income	1,660	1,041	902	1,840	795	1,109	858	1,207	9,412
Operating expenses	(806)	(581)	(551)	(1,206)	(370)	(541)	(385)	(1,403)	(5,843)
Operating profit before impairment losses and taxation	854	460	351	634	425	568	473	(196)	3,569
Impairment losses on loans and advances and other credit risk provisions	(65)	(40)	(132)	(117)	(60)	(154)	(27)	(26)	(621)
Other impairment	1	-	(8)	(127)	-	(6)	-	18	(122)
Profit from associates and joint ventures	-	-	-	88	-	-	-	1	89
Profit before taxation	790	420	211	478	365	408	446	(203)	2,915
Capital expenditure [2]	1,120	156	11	35	16	5	27	5	1,375

1 Americas UK & Europe includes operating income of $651 million in respect of the UK, the Company's country of domicile

2 Includes capital expenditure in Hong Kong of $1,104 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

Net interest margin and yield

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Net interest margin (%)	**2.2**	2.3	2.2
Net interest yield (%)	**2.1**	2.2	2.1
Average interest-earning assets	**512,250**	470,746	496,100
Average interest-bearing liabilities	**477,113**	440,946	472,876

Net interest margin by geography

	30.06.13									
	Hong Kong $million	**Singapore $million**	**Korea $million**	**Other Asia Pacific $million**	**India $million**	**Middle East & Other S Asia $million**	**Africa $million**	**Americas UK & Europe[1] $million**	**Intra-group/ tax assets $million**	**Total $million**
Total assets employed	**140,628**	**108,411**	**56,477**	**113,175**	**36,407**	**46,929**	**23,589**	**187,029**	**(62,688)**	**649,957**
Of which: Loans to customers	**57,645**	**55,334**	**31,681**	**56,597**	**23,748**	**25,683**	**12,600**	**28,505**	**-**	**291,793**
Average interest-earning assets	**111,048**	**84,890**	**50,153**	**100,579**	**31,137**	**38,372**	**21,131**	**124,249**	**(49,309)**	**512,250**
Net interest income	**911**	**533**	**609**	**1,185**	**570**	**621**	**554**	**615**	**-**	**5,598**
Net interest margin (%)	**1.7**	**1.3**	**2.4**	**2.4**	**3.7**	**3.3**	**5.3**	**1.0**	**-**	**2.2**

1 Americas UK & Europe includes total assets employed of $117,153 million in respect of the UK, the Company's country of domicile

2. Segmental Information continued

	30.06.12									
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe[1] $million	Intra-group/ tax assets $million	Total $million
Total assets employed	126,287	97,056	62,026	112,351	39,838	49,064	22,743	170,086	(65,895)	613,556
Of which: Loans to customers	52,254	49,262	37,743	51,874	23,453	24,724	12,121	26,709		278,140
Average interest-earning assets	103,384	73,209	54,381	95,410	29,703	36,184	16,331	114,011	(51,867)	470,746
Net interest income	883	572	674	1,107	523	602	458	555	-	5,374
Net interest margin (%)	1.7	1.6	2.5	2.3	3.5	3.3	5.6	1.0	-	2.3

1 Americas UK & Europe includes total assets employed of $106,009 million in respect of the UK, the Company's country of domicile

	31.12.12									
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe[1] $million	Intra-group/ tax assets $million	Total $million
Total assets employed	130,601	107,973	62,903	112,476	36,935	46,219	20,890	179,516	(66,305)	631,208
Of which: Loans to customers	53,330	51,318	36,165	54,730	23,994	25,200	11,304	28,575		284,616
Average interest-earning assets	109,727	79,324	53,760	105,234	29,791	37,662	20,209	113,332	(52,939)	496,100
Net interest income	832	572	661	1,125	527	628	519	543	-	5,407
Net interest margin (%)	1.5	1.4	2.4	2.1	3.5	3.3	5.1	1.0	-	2.2

1 Americas UK & Europe includes total assets employed of $108,775 million in respect of the UK, the Company's country of domicile

The following tables set out the structure of the Group's deposits by principal geographic areas.

	30.06.13								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Non-interest bearing current and demand accounts	9,278	7,495	63	3,568	2,332	9,575	3,626	7,927	43,864
Interest bearing current accounts and savings deposits	55,767	32,741	17,927	26,108	1,904	4,786	3,101	29,697	172,031
Time deposits	37,982	35,413	13,705	38,245	6,646	11,971	4,149	55,136	203,247
Other deposits	1,165	158	565	938	1,714	360	169	1,964	7,033
Total	104,192	75,807	32,260	68,859	12,596	26,692	11,045	94,724	426,175
Deposits by banks	3,788	2,505	2,493	7,197	475	1,535	611	26,786	45,390
Customer accounts	100,404	73,302	29,767	61,662	12,121	25,157	10,434	67,938	380,785
	104,192	75,807	32,260	68,859	12,596	26,692	11,045	94,724	426,175
Debt securities in issue:									
Senior debt	408	-	3,625	2,034	-	69	6	15,606	21,748
Other debt securities	1,921	2,822	3,719	4,177	75	-	242	30,820	43,776
Subordinated liabilities and other borrowed funds	1,396	-	586	1,184	500	535	146	14,046	18,393
Total	107,917	78,629	40,190	76,254	13,171	27,296	11,439	155,196	510,092

2. Segmental Information continued

	30.06.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Non-interest bearing current and demand accounts	8,130	7,962	61	4,457	2,413	9,103	4,034	3,890	40,050
Interest bearing current accounts and savings deposits	46,770	26,339	18,493	28,127	2,264	3,906	2,445	30,922	159,266
Time deposits	38,657	33,328	18,730	36,891	7,091	12,204	3,266	46,765	196,932
Other deposits	209	379	611	2,985	1,081	365	133	2,428	8,191
Total	93,766	68,008	37,895	72,460	12,849	25,578	9,878	84,005	404,439
Deposits by banks	1,676	1,975	1,551	9,979	303	2,065	478	27,766	45,793
Customer accounts	92,090	66,033	36,344	62,481	12,546	23,513	9,400	56,239	358,646
	93,766	68,008	37,895	72,460	12,849	25,578	9,878	84,005	404,439
Debt securities in issue:									
Senior debt	324	-	7,752	1,439	-	62	7	12,817	22,401
Other debt securities	1,437	675	332	4,965	161	-	282	32,159	40,011
Subordinated liabilities and other borrowed funds	1,455	-	814	1,177	501	542	233	11,686	16,408
Total	96,982	68,683	46,793	80,041	13,511	26,182	10,400	140,667	483,259

	31.12.12								
	Hong Kong $million	Singapore $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Europe $million	Total $million
Non-interest bearing current and demand accounts	8,178	9,260	49	3,529	2,691	9,223	4,380	4,920	42,230
Interest bearing current accounts and savings deposits	56,261	28,978	21,368	30,481	2,224	4,159	2,392	27,240	173,103
Time deposits	35,224	37,968	16,989	38,596	7,380	12,367	3,318	49,281	201,123
Other deposits	199	242	595	915	1,636	455	163	1,851	6,056
Total	99,862	76,448	39,001	73,521	13,931	26,204	10,253	83,292	422,512
Deposits by banks	1,585	2,005	1,769	5,628	441	1,934	540	23,493	37,395
Customer accounts	98,277	74,443	37,232	67,893	13,490	24,270	9,713	59,799	385,117
	99,862	76,448	39,001	73,521	13,931	26,204	10,253	83,292	422,512
Debt securities in issue:									
Senior debt	1,291	-	4,038	1,485	-	69	6	14,767	21,656
Other debt securities	5	1,903	1,999	3,617	47	-	294	31,719	39,584
Subordinated liabilities and other borrowed funds	1,454	-	871	349	-	29	62	15,823	18,588
Total	102,612	78,351	45,909	78,972	13,978	26,302	10,615	145,601	502,340

2. Segmental Information continued

Entity-wide information

By region

30.06.13	China $million	Malaysia $million	Indonesia $million	Taiwan $million	Thailand $million	Other $million	Other Asia Pacific $million
Operating income[1]	453	358	221	282	210	241	1,765
Operating expenses	(383)	(173)	(118)	(175)	(94)	(106)	(1,049)
Loan impairment	(27)	(57)	(26)	(30)	(38)	(12)	(190)
Other impairment	6	-	-	2	-	(9)	(1)
Profit from associates and joint ventures	73	-	37	-	-	1	111
Profit before taxation	122	128	114	79	78	115	636
Total assets employed	31,517	18,790	8,087	23,924	10,198	20,659	113,175
Loans to customers	16,293	13,045	4,804	12,473	4,528	5,454	56,597
Deposits by banks	1,772	665	340	988	999	2,433	7,197
Customer accounts	18,520	11,379	2,482	17,135	4,188	7,958	61,662
Debt securities in issue	815	860	-	1,813	132	2,591	6,211

[1] Operating income includes OCA of $5 million in China, $21 million in Thailand and $8 million in Malaysia

30.06.12	China $million	Malaysia $million	Indonesia $million	Taiwan $million	Thailand $million	Other $million	Other Asia Pacific $million
Operating income	494	370	279	282	180	227	1,832
Operating expenses	(366)	(162)	(109)	(176)	(98)	(141)	(1,052)
Loan impairment	(13)	(33)	(30)	-	(19)	(9)	(104)
Other impairment	(29)	-	-	(1)	-	-	(30)
Profit from associates and joint ventures	41	-	37	-	-	15	93
Profit before taxation	127	175	177	105	63	92	739
Total assets employed	29,631	17,388	8,498	24,400	9,263	23,171	112,351
Loans to customers	14,002	11,721	5,145	13,110	3,605	4,291	51,874
Deposits by banks	2,941	925	455	565	1,624	3,469	9,979
Customer accounts	18,808	11,478	2,564	17,995	3,755	7,881	62,481
Debt securities in issue	-	595	-	1,786	388	3,635	6,404

31.12.12	China $million	Malaysia $million	Indonesia $million	Taiwan $million	Thailand $million	Other $million	Other Asia Pacific $million
Operating income	505	373	246	285	211	220	1,840
Operating expenses	(392)	(176)	(114)	(190)	(94)	(240)	(1,206)
Loan impairment	(25)	(35)	(25)	(4)	(18)	(10)	(117)
Other impairment	(15)	-	-	-	-	(112)	(127)
Profit from associates and joint ventures	55	-	29	-	-	4	88
Profit before taxation	128	162	136	91	99	(138)	478
Total assets employed	29,710	18,665	8,761	25,831	9,417	20,092	112,476
Loans to customers	14,353	12,110	5,163	13,609	4,691	4,804	54,730
Deposits by banks	1,690	948	192	251	849	1,698	5,628
Customer accounts	20,536	11,753	2,691	20,014	4,390	8,509	67,893
Debt securities in issue	-	944	-	1,971	177	2,010	5,102

2. Segmental Information continued

Entity-wide information continued

By region continued

	30.06.13				
	UAE	Pakistan	Bangladesh	Other	Middle East & Other S Asia
	$million	$million	$million	$million	$million
Operating income	631	129	140	243	1,143
Operating expenses	(290)	(84)	(44)	(136)	(554)
Loan impairment	(17)	(13)	(4)	(4)	(38)
Other impairment	-	-	-	-	-
Profit before taxation	324	32	92	103	551
Total assets employed	25,738	4,371	3,432	13,388	46,929
Loans to customers	14,657	1,641	1,932	7,453	25,683
Deposits by banks	1,142	210	17	166	1,535
Customer accounts	15,571	2,942	2,107	4,537	25,157
Debt securities in issue	-	69	-	-	69

	30.06.12				
	UAE	Pakistan	Bangladesh	Other	Middle East & Other S Asia
	$million	$million	$million	$million	$million
Operating income	627	142	109	247	1,125
Operating expenses	(290)	(89)	(41)	(139)	(559)
Loan impairment	(129)	(24)	(5)	(4)	(162)
Other impairment	-	-	-	(26)	(26)
Profit before taxation	208	29	63	78	378
Total assets employed	28,156	4,059	2,671	14,178	49,064
Loans to customers	14,110	1,731	1,744	7,139	24,724
Deposits by banks	1,678	146	8	233	2,065
Customer accounts	14,906	2,694	1,684	4,229	23,513
Debt securities in issue	-	62	-	-	62

	31.12.12				
	UAE	Pakistan	Bangladesh	Other	Middle East & Other S Asia
	$million	$million	$million	$million	$million
Operating income	603	149	116	241	1,109
Operating expenses	(279)	(85)	(46)	(131)	(541)
Loan impairment	(101)	(22)	(2)	(29)	(154)
Other impairment	-	(4)	-	(2)	(6)
Profit before taxation	223	38	68	79	408
Total assets employed	26,306	4,284	3,105	12,524	46,219
Loans to customers	14,366	1,758	1,802	7,274	25,200
Deposits by banks	1,527	247	10	150	1,934
Customer accounts	15,453	2,797	1,935	4,085	24,270
Debt securities in issue	-	69	-	-	69

3. Net trading income

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Gains less losses on instruments held for trading:			
Foreign currency[1]	**660**	1,045	800
Trading securities	**(512)**	421	309
Interest rate derivatives	**586**	2	178
Credit and other derivatives	**714**	40	(193)
	1,448	1,508	1,094
Gains less losses from fair value hedging:			
Gains less losses from fair value hedged items	**806**	(31)	41
Gains less losses from fair value hedged instruments	**(819)**	31	(44)
	(13)	-	(3)
Gains less losses on instruments designated at fair value:			
Financial assets designated at fair value through profit or loss	**47**	115	114
Financial liabilities designated at fair value through profit or loss	**163**	(128)	(128)
Own credit adjustment (OCA)	**237**	-	-
Derivatives managed with financial instruments designated at fair value through profit or loss	**(197)**	65	102
	250	52	88
	1,685	1,560	1,179

1 Includes foreign currency gains and losses arising on the translation of foreign currency monetary assets and liabilities

Gains less losses on instruments held for trading is presented by product type. Gains or losses on certain trading securities are offset by gains or losses within interest rate derivatives and credit and other derivatives.

4. Other operating income

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Other operating income includes:			
Gains less losses on disposal of financial instruments:			
Available-for-sale	**210**	147	189
Loans and receivables	**5**	2	35
Dividend income	**64**	36	56
Gains arising on repurchase of subordinated liabilities	**-**	-	90
Gains arising on assets fair valued at acquisition	**1**	2	1
Rental income from operating lease assets	**239**	166	181
Gain on disposal of property, plant and equipment	**31**	89	11
Gain on arising on sale of business	**-**	-	15

5. Operating expenses

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Staff costs:			
Wages and salaries	**2,574**	2,552	2,325
Social security costs	**84**	78	70
Other pension costs	**168**	148	151
Share based payment costs	**154**	173	201
Other staff costs	**417**	355	439
	3,397	3,306	3,186

Variable compensation is included within wages and salaries. Other staff costs include training and travel costs.

5. Operating expenses continued

The following tables summarise the number of employees within the Group :

	Consumer Banking	Wholesale Banking	Support Services	Total
At 30 June 2013	**53,596**	**20,050**	**14,544**	**88,190**
Average for the six months ended 30 June 2013	**54,872**	**19,986**	**14,332**	**89,190**
At 30 June 2012	54,219	19,586	13,113	86,918
Average for the six months ended 30 June 2012	54,438	19,601	12,851	86,890
At 31 December 2012	55,237	19,752	14,069	89,058
Average for the six months ended 31 December 2012	54,650	19,565	13,354	87,569

	6 months ended		
	30.06.13 $million	30.06.12 $million	31.12.12 $million
Premises and equipment expenses:			
Rental of premises	**220**	225	207
Other premises and equipment costs	**193**	176	230
Rental of computers and equipment	**13**	12	13
	426	413	450
General administrative expenses:			
UK bank levy	**-**	-	174
Settlements with US authorities	**-**	-	667
Other general administrative expenses	**860**	841	1,025
	860	841	1,866

The UK bank levy is applied on the chargeable equities and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting.

The rate of the levy for 2013 is 0.13 per cent for chargeable short-term liabilities, with a lower rate of 0.065 per cent generally applied to chargeable equity and long-term liabilities (i.e. liabilities with a remaining maturity greater than one year). The rate for 2014 has been increased to 0.142 per cent for qualifying liabilities, with a long-term rate of 0.071 per cent.

Under current accounting requirements, the UK bank levy is only recognised in the financial statements on 31 December each year. The Group estimates that the liability in respect of 2013 would be between $280 million and $310 million. If the UK bank levy had been included in these interim financial statements, based on the estimated year end liabilities the impact would be as follows:

	30.06.13 (Excluding UK bank Levy)	UK bank Levy Impact	30.06.13 (Including UK bank Levy)
Profit before tax ($million)	**3,325**	**(148)**	**3,177**
Normalised earnings per share (cents)	**121.9**	**(6.1)**	**115.8**
Normalised return on equity (per cent)	**13.3**	**(0.7)**	**12.6**

6. Depreciation and amortisation

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Premises	**54**	63	63
Equipment:			
Operating lease assets	**100**	66	82
Others	**59**	67	65
Intangibles:			
Software	**108**	92	97
Acquired on business combinations	**30**	31	34
	351	319	341

7. Impairment losses on loans and advances and other credit risk provisions

The following table reconciles the charge for impairment provisions on loans and advances to the total impairment charge and other credit risk provision:

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Net charge against profit on loans and advances:			
Individual impairment charge	**692**	619	611
Portfolio impairment charge/(release)	**34**	(40)	5
	726	579	616
Provisions related to credit commitments	**-**	-	5
Impairment charges/(releases) relating to debt securities classified as loans and receivables	**4**	(4)	-
	730	575	621

An analysis of impairment provisions by geography and business is set out within the Risk review on pages 34 to 58.

8. Other impairment

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Impairment losses on available-for-sale financial assets:			
- Asset backed securities	**(1)**	1	(4)
- Other debt securities	**2**	(15)	(1)
- Equity shares	**39**	51	83
	40	37	78
Impairment of investment in associates	**-**	10	60
Impairment of goodwill	**1,000**	-	-
Other	**-**	27	9
	1,040	74	147
Recovery of impairment on disposal of equity instruments[1]	**(29)**	-	(25)
	1,011	74	122

[1] Relates to equity shares sold during the period which had impairment provisions raised against them in previous periods

9. Taxation

Analysis of taxation charge in the period:	**6 months ended 30.06.13 $million**	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
The charge for taxation based upon the profits for the period comprises:			
Current tax:			
United Kingdom corporation tax at 23.25 per cent (30 June 2012 and 31 December 2012: 24.5 per cent):			
Current tax on income for the period	**136**	98	12
Adjustments in respect of prior periods (including double taxation relief)	**(2)**	(1)	11
Double taxation relief	**(5)**	(5)	(4)
Foreign tax:			
Current tax on income for the period	**961**	944	743
Adjustments in respect of prior periods	**-**	63	(67)
	1,090	1,099	695
Deferred tax:			
Origination of temporary differences	**(11)**	15	49
Adjustments in respect of prior periods	**10**	(78)	86
	(1)	(63)	135
Tax on profits on ordinary activities	**1,089**	1,036	830
Effective tax rate	**32.8%**	26.3%	28.5%

The UK corporation tax rate was reduced from 24 per cent to 23 per cent with an effective date of 1 April 2013, giving a blended 23.25 per cent for the full calendar year.

9. Taxation continued

Foreign taxation includes current taxation on Hong Kong profits of $134 million (30 June 2012: $108 million, 31 December 2012: $81 million) provided at a rate of 16.5 per cent (30 June 2012 and 31 December 2012: 16.5 per cent) on the profits assessable in Hong Kong.

Deferred taxation includes origination/(reversal) of temporary differences on Hong Kong profits of $(2) million (30 June 2012: $(2) million, 31 December 2012: $5 million) provided at a rate of 16.5 per cent (30 June 2012 and 31 December 2012: 16.5 per cent) on the profits assessable to Hong Kong.

10. Dividends

Ordinary equity shares	30.06.13		30.06.12		31.12.12	
	cents per share	$million	cents per share	$million	cents per share	$million
2012/2011 Final dividend declared and paid during the period[1]	**56.77**	**1,366**	51.25	1,216	-	-
2012 Interim dividend declared and paid during the period[1]	**-**	**-**	-	-	27.23	650
	56.77	**1,366**	51.25	1,216	27.23	650

1 The amounts are gross of scrip adjustments

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2013 and 2012. Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2012 interim dividend of 27.23 cents per ordinary share ($650 million) was paid to eligible shareholders on 11 October 2012 and the final dividend of 56.77 cents per ordinary share ($1,366 million) was paid to eligible shareholders on 14 May 2013.

2013 recommended interim dividend

The 2013 interim dividend of 28.80 cents per share ($696 million) will be paid in either pounds sterling, Hong Kong dollars or US dollars on 17 October 2013 to shareholders on the UK register of members at the close of business in the UK (10:00 pm London time) on 16 August 2013, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 19 August 2013. The 2013 interim dividend will be paid in Indian rupees on 17 October 2013 to Indian Depository Receipt holders on the Indian register at the close of business in India on 16 August 2013.

It is intended that shareholders on the UK register and Hong Kong branch register will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 6 September 2013. Indian Depository Receipt holders will receive their dividend in Indian rupees only.

Preference shares

		30.06.13 $million	30.06.12 $million	31.12.12 $million
Non-cumulative irredeemable preference shares:	7 3/8 per cent preference shares of £1 each[1]	**6**	6	5
	8 1/4 per cent preference shares of £1 each[1]	**6**	6	7
Non-cumulative redeemable preference shares:	8.125 per cent preference shares of $5 each[1]	**38**	38	37
	7.014 per cent preference shares of $5 each[2]	**26**	26	27
	6.409 per cent preference shares of $5 each[2]	**24**	24	24

1 Dividends on these preference shares are treated as interest expense and accrued accordingly

2 Dividends on those preference shares classified as equity are recorded in the period in which they are declared

11. Earnings per ordinary share

	6 months ended 30.06.13			6 months ended 30.06.12		
	Profit[1]	Weighted average number of shares	Per share amount	Profit[1]	Weighted average number of shares	Per share amount
	$million	('000)	cents	$million	('000)	cents
Basic earnings per ordinary share	**2,131**	**2,418,845**	**88.1**	2,806	2,386,841	117.6
Effect of dilutive potential ordinary shares:						
Options[2]		**22,637**			21,116	
Diluted earnings per ordinary share	**2,131**	**2,441,482**	**87.3**	2,806	2,407,957	116.5

11. Earnings per ordinary share continued

	6 months ended 31.12.12		
	Profit[1]	Weighted average number of shares	Per share amount
	$million	('000)	cents
Basic earnings per ordinary share	1,980	2,406,844	82.3
Effect of dilutive potential ordinary shares:			
Options[2]		25,344	
Diluted earnings per ordinary share	1,980	2,432,188	81.4

There were no ordinary shares issued after the balance sheet date that would have significantly affected the number of ordinary shares used in the above calculation had they been issued prior to the end of the balance sheet date.
The Group measures earnings per share on a normalised basis. This differs from earnings defined in IAS 33 *Earnings per share* (IAS 33). The table below provides a reconciliation.

	6 months ended		
	30.06.13	30.06.12	31.12.12
	$million	$million	$million
Profit attributable to ordinary shareholders	**2,131**	2,806	1,980
Normalised income items			
- Fair value gains on own credit adjustment	**(237)**	-	-
- Gain on disposal of property	**(20)**	(74)	(17)
- Gain on sale of business	**-**	(2)	(13)
- Gain on repurchase of subordinated liabilities	**-**	-	(90)
Normalised expense items			
- Amortisation of intangible assets arising on business combinations	**30**	32	37
- Settlements with US authorities	**-**	-	667
Impairment of associates	**-**	10	60
Impairment of goodwill (see note 20)	**1,000**	-	-
Tax on normalised items [3]	**45**	10	(8)
Normalised earnings	**2,949**	2,782	2,616
Normalised basic earnings per ordinary share (cents)	**121.9**	116.6	108.7
Normalised diluted earnings per ordinary share (cents)	**120.8**	115.5	107.6

1 The profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 10)
2 The impact of anti-dilutive options has been excluded from this amount as required by IAS 33
3 No tax is included in respect of the impairment of goodwill as no tax relief is available

	6 months ended		
	30.06.13	30.06.12	31.12.12
	$million	$million	$million
Operating Income	**9,988**	9,371	9,412
Normalised income items	**(257)**	(76)	(120)
Normalised Income	**9,731**	9,295	9.292
Operating expenses	**(5,034)**	(4,879)	(5,843)
Normalised Expense items	**30**	32	704
Normalised expenses	**(5,004)**	(4,847)	(5,139)
Normalised cost income ratio	**51.4%**	52.1%	55.3%

12. Financial instruments

Classification

Financial assets are classified between four measurement categories: held at fair value through profit or loss (comprising trading and designated), available-for-sale, loans and receivables and held-to-maturity; and two measurement categories for financial liabilities: held at fair value through profit or loss (comprising trading and designated) and amortised cost. Instruments are classified in the balance sheet in accordance with their legal form, except for instruments that are held for trading purposes and those that the Group has designated to hold at fair value through the profit and loss account. The latter are combined on the face of the balance sheet and disclosed as financial assets or liabilities held at fair value through profit or loss.

The Group's classification of its principal financial assets and liabilities is summarised in the table below.

	Assets at fair value				Assets at amortised cost		
Assets	Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Loans and receivables $million	Non-financial assets $million	Total $million
Cash and balances at central banks	-	-	-	-	57,621	-	57,621
Financial assets held at fair value through profit or loss							
Loans and advances to banks[1]	1,278	-	297	-	-	-	1,575
Loans and advances to customers[1]	6,257	-	183	-	-	-	6,440
Treasury bills and other eligible bills	3,380	-	-	-	-	-	3,380
Debt securities	13,516	-	368	-	-	-	13,884
Equity shares	2,316	-	540	-	-	-	2,856
	26,747	-	1,388	-	-	-	28,135
Derivative financial instruments	53,114	1,434	-	-	-	-	54,548
Loans and advances to banks[1]	-	-	-	-	73,305	-	73,305
Loans and advances to customers[1]	-	-	-	-	285,353	-	285,353
Investment securities							
Treasury bills and other eligible bills	-	-	-	22,370	-	-	22,370
Debt securities	-	-	-	65,793	3,946	-	69,739
Equity shares	-	-	-	2,703	-	-	2,703
	-	-	-	90,866	3,946	-	94,812
Other assets	-	-	-	-	30,123	7,918	38,041
Total at 30 June 2013	79,861	1,434	1,388	90,866	450,348	7,918	631,815
Cash and balances at central banks	-	-	-	-	50,683	-	50,683
Financial assets held at fair value through profit or loss							
Loans and advances to banks[1]	566	-	109	-	-	-	675
Loans and advances to customers[1]	5,434	-	253	-	-	-	5,687
Treasury bills and other eligible bills	4,542	-	-	-	-	-	4,542
Debt securities	14,487	-	327	-	-	-	14,814
Equity shares	1,404	-	621	-	-	-	2,025
	26,433	-	1,310	-	-	-	27,743
Derivative financial instruments	50,692	1,838	-	-	-	-	52,530
Loans and advances to banks[1]	-	-	-	-	73,930	-	73,930
Loans and advances to customers[1]	-	-	-	-	272,453	-	272,453
Investment securities							
Treasury bills and other eligible bills	-	-	-	21,979	-	-	21,979
Debt securities	-	-	-	58,655	4,804	-	63,459
Equity shares	-	-	-	2,757	-	-	2,757
	-	-	-	83,391	4,804	-	88,195
Other assets	-	-	-	-	22,518	7,649	30,167
Total at 30 June 2012	77,125	1,838	1,310	83,391	424,388	7,649	595,701

[1] Further analysed in Risk review on pages 19 to 83

12. Financial instruments continued

Classification continued

Assets	Assets at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Assets at amortised cost: Loans and receivables $million	Non-financial assets $million	Total $million
Cash and balances at central banks	-	-	-	-	60,537	-	60,537
Financial assets held at fair value through profit or loss							
Loans and advances to banks[1]	677	-	97	-	-	-	774
Loans and advances to customers[1]	4,793	-	185	-	-	-	4,978
Treasury bills and other eligible bills	2,955	-	-	-	-	-	2,955
Debt securities	14,882	-	333	-	-	-	15,215
Equity shares	2,140	-	1,014	-	-	-	3,154
	25,447	-	1,629	-	-	-	27,076
Derivative financial instruments	47,133	2,362	-	-	-	-	49,495
Loans and advances to banks[1]	-	-	-	-	67,797	-	67,797
Loans and advances to customers[1]	-	-	-	-	279,638	-	279,638
Investment securities							
Treasury bills and other eligible bills	-	-	-	26,740	-	-	26,740
Debt securities	-	-	-	65,356	3,851	-	69,207
Equity shares	-	-	-	3,278	-	-	3,278
	-	-	-	95,374	3,851	-	99,225
Other assets	-	-	-	-	21,406	7,142	28,548
Total at 31 December 2012	72,580	2,362	1,629	95,374	433,229	7,142	612,316

1 Further analysed in Risk review on pages 19 to 83

Liabilities	Liabilities at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss						
Deposits by banks	-	-	378	-	-	378
Customer accounts	-	-	9,471	-	-	9,471
Debt securities in issue	-	-	6,834	-	-	6,834
Short positions	5,773	-	-	-	-	5,773
	5,773	-	16,683	-	-	22,456
Derivative financial instruments	52,757	1,024	-	-	-	53,781
Deposits by banks	-	-	-	45,012	-	45,012
Customer accounts	-	-	-	371,314	-	371,314
Debt securities in issue	-	-	-	58,690	-	58,690
Other liabilities	-	-	-	23,526	5,193	28,719
Subordinated liabilities and other borrowed funds	-	-	-	18,393	-	18,393
Total at 30 June 2013	58,530	1,024	16,683	516,935	5,193	598,365

12. Financial instruments continued

Classification continued

Liabilities	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss[1]						
Deposits by banks	-	-	1,039	-	-	1,039
Customer accounts	-	-	8,398	-	-	8,398
Debt securities in issue	-	-	4,598	-	-	4,598
Short positions	5,032	-	-	-	-	5,032
	5,032	-	14,035	-	-	19,067
Derivative financial instruments	48,931	1,213	-	-	-	50,144
Deposits by banks	-	-	-	44,754	-	44,754
Customer accounts	-	-	-	350,248	-	350,248
Debt securities in issue	-	-	-	57,814	-	57,814
Other liabilities	-	-	-	21,010	4,932	25,942
Subordinated liabilities and other borrowed funds	-	-	-	16,408	-	16,408
Total at 30 June 2012	53,963	1,213	14,035	490,234	4,932	564,377

1 Amounts have been restated as explained in note 32

Liabilities	Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss[1]						
Deposits by banks	-	-	968	-	-	968
Customer accounts	-	-	12,243	-	-	12,243
Debt securities in issue	-	-	5,261	-	-	5,261
Short positions	4,592	-	-	-	-	4,592
	4,592	-	18,472	-	-	23,064
Derivative financial instruments	46,459	733	-	-	-	47,192
Deposits by banks	-	-	-	36,427	-	36,427
Customer accounts	-	-	-	372,874	-	372,874
Debt securities in issue	-	-	-	55,979	-	55,979
Other liabilities	-	-	-	19,547	4,738	24,285
Subordinated liabilities and other borrowed funds	-	-	-	18,588	-	18,588
Total at 31 December 2012	51,051	733	18,472	503,415	4,738	578,409

1 Amounts have been restated as explained in note 32

Valuation of financial instruments

Valuation of financial assets and liabilities held at fair value are subject to a review independent of the Business by Valuation Control. Valuation Control is primarily responsible for calculating valuation adjustments and performing independent price verification. With a reporting line to the Group Finance Director, Valuation Control performs price testing by comparing external and independent market data (e.g. consensus data, traded prices and broker quotes) against internal data. Financial instruments held at fair value in the balance sheet have been classified into a three level valuation hierarchy (see below for how each level is defined and the types of instruments included within them) that reflects the significance of the observability of the inputs used in fair value measurement. The Group uses the portfolio exemption in IFRS 13 to measure the fair value of a group of financial assets and financial liabilities.

A Product Valuation Committee (PVC) exists for each asset class where there is a material valuation risk. The committees meet monthly and comprise of representatives from Group Market Risk, Product Control, Valuation Control and the Business. The committees are responsible for reviewing the results of the valuation control process. The committees report to the Financial Markets Valuation Committee which is a sub-committee of the Group Market Risk Committee.

Use of third party information

Valuation Control performs a semi-annual review of the suitability of the market data used for price testing. The market data used for price testing may include those sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. The market data used should be representative of the market as much as possible, which can evolve over time as markets and financial instruments develop. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

12. Financial instruments continued

For instruments classified as level 2 or level 3 fair value adjustments are also made to system valuations to arrive at fair value in accordance with accounting requirements. The main adjustments are described below:

Bid Offer Valuation Adjustments
Where market parameters are marked on a mid market basis in the revaluation systems, a bid offer valuation adjustment is required to quantify the expected cost of neutralising the Business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the bucketing of risk by strike and tenor based on the hedging strategy. Where long positions are marked to bid and short positions marked to offer in the systems, e.g. for cash securities, no bid offer valuation adjustments are required.

Credit Adjustments
The Group makes a credit adjustment (CA) against derivative products. CA is an estimate of the adjustment to fair value to account for the possibility that the counterparty may default and the Group would not receive the full market value of the transactions. AIRB models are used to calculate the PD and LGD which, together with the results of the exposure simulation engine, generates a view of expected losses. The Group assesses actual losses against the provisions incurred against expected losses on a portfolio basis. Collateral positions are taken in to account for the calculation of CA.

In addition to periodic reassessment of the counterparties, credit exposures and external trends which may impact risk management outcomes are closely monitored. Accounts or portfolios are placed on early alert when they display signs of weakness or financial deterioration. Some examples of such signs of weakness are decline in the customer's position within the industry, a breach of covenants, or non-performance of an obligation, or there are issues relating to ownership or management.

The CA is not significant in the context of the overall fair value of these financial instruments.

Own Credit Adjustments
With the adoption of IFRS 13, the Group calculates own credit adjustments to reflect changes in its own credit standing. The Group's own credit adjustments are calculated on its derivative liabilities and issued debt designated at fair value, including structured notes. The Group's own credit adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's own credit adjustments will reverse over time as its liabilities mature.

For derivative liabilities, an own credit adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on internally assessed credit ratings and market standard recovery levels. The expected exposure is modelled based on simulation methodology and is generated through simulation of underlying risk factors over the life of the deal booked against the particular counterparty. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements. The methodology used to determine an own credit adjustment on derivative liabilities is consistent with the methodology used to determine counterparty credit adjustment (CA) on derivative assets.

For issued debt and structured notes designated at fair value, an own credit adjustment is determined by discounting the contractual cash flows using a yield curve adjusted for market observed secondary senior debt issuance spreads above average interbank rates.

Model Valuation Adjustments
Certain models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model, amongst other reasons.

Day One Profit and Loss
A financial instrument is initially recognized at fair value, which is generally its transaction price. In cases where the value obtained from the relevant valuation model differs from the transaction price, we record the asset or liability based on our valuation model, but do not recognize that initial difference in profit and loss unless the valuation model used is widely accepted and all inputs to the model are observable.

Funding Adjustments
Funding valuation adjustments account for the additional costs of funding in the valuation of funded derivative transactions. Examples of funded derivative transactions are prepaid swaps or funded loans in the form of a derivative.

In total, the Group has made $372 million (30 June 2012: $349 million, 31 December 2012: $349 million) of valuation adjustments in determining fair value for financial assets and financial liabilities.

Valuation adjustments	**30.06.13**	30.06.12	31.12.12
Bid offer	**81**	90	80
Credit[1]	**135**	149	133
Model	**16**	13	10
Funding	**63**	60	73
Others (including Day 1)	**77**	37	53
Total	**372**	349	349

1 includes own credit adjustments on derivatives in H1 2013

12. Financial instruments continued

Valuation hierarchy

The valuation hierarchy and the types of instruments classified into each level within that hierarchy are set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Directly or indirectly observable inputs other than unadjusted quoted prices included within level 1 that are observable	Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs)
Types of financial assets:	Actively traded government and other securities Listed equities Listed derivative instruments Investments in publicly traded mutual funds with listed market prices	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives Asset backed securities	Asset backed securities Private equity investments Highly structured OTC derivatives with unobservable inputs Illiquid or highly structured corporate bonds with unobservable inputs Illiquid loans and advances
Types of financial liabilities:	Listed derivative instruments	OTC derivatives Structured deposits Credit structured debt securities in issue	Highly structured OTC derivatives with unobservable inputs. Illiquid or highly structured debt securities in issue with unobservable inputs

Level 1 portfolio
Level 1 assets and liabilities are typically exchange traded positions and some government bonds traded in active markets. These positions are valued using unadjusted quoted prices in active markets.

Level 2 portfolio
Where instruments are not quoted in an active market the Group utilises a number of valuation techniques to determine fair value. These valuation techniques include discounted cash flow analysis models, option pricing models, simulation models and other standard models commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, such as discount rates, default rates, credit spreads and option volatilities. These inputs need to be directly or indirectly observable in order to be classified as Level 2.

In line with changes in market practice, certain interest rate swaps have been subject to overnight index swap (OIS) rate discounting since 2011. The factors to be considered for the selection of such interest rate swaps include the currency in which the swaps are traded, counterparties with credit support annex agreement and the form of the collateral posted by the counterparties.

Level 3 portfolio
Level 3 assets and liabilities are valued using techniques similar to those outlined for Level 2, except that if the instrument has one or more inputs that are unobservable and significant to the fair value measurement of the instrument in its entirety, it will be classified as Level 3. Page 123 to 124 set out the significant unobservable inputs used to measure level 3 instruments.

At 30 June 2013 level 3 assets with a fair value of $4,081 million (30 June 2012: $3,581 million, 31 December 2012: $5,109 million) and level 3 liabilities with a fair value of $673 million (30 June 2012: $387 million, 31 December 2012: $677 million) were held in respect of which there was no observable market data. For these instruments, a sensitivity analysis is presented on page 125 in respect of reasonably possible changes to the valuation assumptions.

The primary products classified as Level 3 are as follows:

Loan and advances
These include loans in the global syndications underwriting book which are not syndicated yet. These loans are generally bilateral in nature and their valuation is primarily based on recent trades or proxies, i.e. comparable loans with similar credit grade, sector etc. Where there are no recent transactions and reliable comparable loans to proxy from, the valuation of these loans is based on unobservable inputs resulting in them being classified as level 3.

Debt securities - Asset backed securities
Due to the lack of liquidity in the market and the prolonged period of time under which many securities have not traded, obtaining external prices is not a strong enough measure to determine whether an asset has an observable price or not. Therefore, once external pricing has been verified, an assessment is made whether each security is traded with significant liquidity based on its credit rating and sector. If a security is of low credit rating and/or is traded in a less liquid sector, it will be classified as Level 3. Where third party pricing is not available, the valuation of the security will be estimated from market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings. These securities are also classified as Level 3.

12. Financial instruments continued

Other debt securities

These debt securities include certain convertible bonds, corporate bonds, credit and equity structured notes where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product. Debt securities are valued using available prices provided through pricing vendors, brokers or trading activities. Where such liquid external prices are not available, valuation of these cash securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

Equity shares - private equity

Private equity investments are generally valued based on earning multiples – Price-to-Earnings (P/E) or Enterprise Value to Earning Before Income Tax, Depreciation and Amortisation (EV/EBITDA) ratios – of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. In circumstances where an investment doesn't have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternate valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or level 3 inputs, may be applied. Even though earning multiples for the comparable listed companies can be sourced from third party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, OTC prices) are classified as Level 3 on the grounds that the valuation methods involve judgments ranging from determining comparable companies to discount rates where the discounted cash flow method is applied.

Derivatives

These trading derivatives are classified as Level 3 if there are parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. These unobservable correlation parameters could only be implied from the market, through methods such as historical analysis and comparison to historical levels or benchmark data.

Debt securities in issue

These debt securities relate to credit structured notes issued by the Group where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product. Debt securities are valued using available prices provided through pricing vendors, brokers or trading activities. Where such liquid external prices are not available, valuation of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

12. Financial instruments continued

Valuation hierarchy continued

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 30 June 2013, 30 June 2012 and 31 December 2012.

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	297	1,278	-	1,575
Loans and advances to customers	136	5,804	500	6,440
Treasury bills and other eligible bills	3,225	155	-	3,380
Debt securities	6,928	6,799	157	13,884
Of which:				
Government bonds	6,720	1,434	3	8,157
Issued by corporates other than financial institutions	136	3,307	154	3,597
Issued by financial institutions	72	2,058	-	2,130
Equity shares	2,133	-	723	2,856
Derivative financial instruments	463	53,451	634	54,548
Of which:				
Foreign exchange	130	33,787	387	34,304
Interest rate	-	16,093	38	16,131
Commodity	331	2,502	-	2,833
Credit	-	872	13	885
Equity and stock index	2	197	196	395
Investment securities				
Treasury bills and other eligible bills	16,553	5,789	28	22,370
Debt securities	21,684	43,525	584	65,793
Of which:				
Government bonds	13,282	5,551	66	18,899
Issued by corporates other than financial institutions	5,075	8,157	476	13,708
Issued by financial institutions	3,327	29,817	42	33,186
Equity shares	1,239	9	1,455	2,703
At 30 June 2013	52,658	116,810	4,081	173,549

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	378	-	378
Customer accounts	-	9,471	-	9,471
Debt securities in issue	-	6,579	255	6,834
Short positions	5,197	576	-	5,773
Derivative financial instruments	652	52,711	418	53,781
Of which:				
Foreign exchange	244	33,865	326	34,435
Interest rate	-	15,516	25	15,541
Commodity	405	1,690	-	2,095
Credit	-	1,178	14	1,192
Equity and stock index	3	462	53	518
Total at 30 June 2013	5,849	69,715	673	76,237

There are no significant transfers of financial assets and liabilities measured at fair value between level 1 and level 2 during the period.

12. Financial instruments continued

Valuation hierarchy continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	101	574	-	675
Loans and advances to customers	-	5,687	-	5,687
Treasury bills and other eligible bills	4,163	379	-	4,542
Debt securities	7,660	6,954	200	14,814
Of which:				
Government bonds	7,067	248	-	7,315
Issued by corporates other than financial institutions	279	3,902	198	4,379
Issued by financial institutions	314	2,804	2	3,120
Equity shares	1,364	6	655	2,025
Derivative financial instruments	1,258	50,935	337	52,530
Of which:				
Foreign exchange	141	24,936	41	25,118
Interest rate	801	20,888	177	21,866
Commodity	288	3,747	-	4,035
Credit	-	1,159	3	1,162
Equity and stock index	28	205	116	349
Investment securities				
Treasury bills and other eligible bills	18,841	3,051	87	21,979
Debt securities	17,601	40,376	678	58,655
Of which:				
Government bonds	9,582	2,079	40	11,701
Issued by corporates other than financial institutions	4,088	4,443	564	9,095
Issued by financial institutions	3,931	33,854	74	37,859
Equity shares	1,129	4	1,624	2,757
Total at 30 June 2012	52,117	107,966	3,581	163,664

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	34	1,005	-	1,039
Customer accounts	-	8,398	-	8,398
Debt securities in issue	-	4,501	97	4,598
Short positions	4,249	783	-	5,032
Derivative financial instruments	1,446	48,408	290	50,144
Of which:				
Foreign exchange	186	24,570	59	24,815
Interest rate	850	19,259	184	20,293
Commodity	369	3,043	-	3,412
Credit	-	1,136	8	1,144
Equity and stock index	41	400	39	480
Total at 30 June 2012	5,729	63,095	387	69,211

There are no significant transfers of financial assets and liabilities measured at fair value between level 1 and level 2 during the period.

12. Financial instruments continued

Valuation hierarchy continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	97	677	-	774
Loans and advances to customers	-	4,068	910	4,978
Treasury bills and other eligible bills	2,812	143	-	2,955
Debt securities	8,523	6,516	176	15,215
Of which:				
Government bonds	8,286	1,482	4	9,772
Issued by corporates other than financial institutions	132	2,683	172	2,987
Issued by financial institutions	105	2,351	-	2,456
Equity shares	2,029	-	1,125	3,154
Derivative financial instruments	260	48,749	486	49,495
Of which:				
Foreign exchange	41	25,125	401	25,567
Interest rate	-	20,364	9	20,373
Commodity	219	2,151	-	2,370
Credit	-	824	6	830
Equity and stock index	-	285	70	355
Investment securities				
Treasury bills and other eligible bills	22,781	3,901	58	26,740
Debt securities	20,771	44,189	396	65,356
Of which:				
Government bonds	11,809	3,419	87	15,315
Issued by corporates other than financial institutions	4,516	7,853	266	12,635
Issued by financial institutions	4,446	32,917	43	37,406
Equity shares	1,307	13	1,958	3,278
Total at 31 December 2012	58,580	108,256	5,109	171,945

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	968	-	968
Customer accounts	68	12,175	-	12,243
Debt securities in issue	-	5,147	114	5,261
Short positions	4,320	272	-	4,592
Derivative financial instruments	383	46,246	563	47,192
Of which:				
Foreign exchange	72	24,584	411	25,067
Interest rate	-	19,106	33	19,139
Commodity	311	1,173	-	1,484
Credit	-	1,120	10	1,130
Equity and stock index	-	263	109	372
Total at 31 December 2012	4,771	64,808	677	70,256

There are no significant transfers of financial assets and liabilities measured at fair value between level 1 and level 2 during the period.

12. Financial instruments continued

Level 3 movement tables - Financial assets

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Treasury Bills $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 January 2013	910	176	1,125	486	58	396	1,958	5,109
Total gains/(losses) recognised in income statement	-	4	(14)	80	-	-	59	129
Total (losses) recognised in other comprehensive income	-	-	-	-	-	(34)	(134)	(168)
Purchases	-	1	64	68	15	232	3	383
Sales	-	(23)	(451)	(2)	-	(40)	(408)	(924)
Settlements	(83)	(2)	-	(34)	-	(87)	(4)	(210)
Transfers out	(327)	-	(1)	(1)	(45)	(19)	(19)	(412)
Transfers in	-	1	-	37	-	136	-	174
At 30 June 2013	500	157	723	634	28	584	1,455	4,081
Total (losses)/gains recognised in the income statement relating to assets held at 30 June 2013	-	-	(74)	114	-	-	-	40

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Treasury Bills $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 January 2012	-	293	566	276	49	745	1,418	3,347
Total (losses)/gains recognised in income statement	-	(2)	125	(14)	(2)	27	(15)	119
Total (losses) recognised in other comprehensive income	-	-	-	-	-	(30)	(52)	(82)
Purchases[1]	-	12	28	137	40	123	298	638
Sales[1]	-	-	(64)	(12)	-	(141)	(8)	(225)
Settlements	-	(70)	-	(47)	-	(12)	(8)	(137)
Transfers out	-	(83)	-	(5)	-	(36)	(14)	(138)
Transfers in	-	50	-	2	-	2	5	59
At 30 June 2012	-	200	655	337	87	678	1,624	3,581
Total gains/(losses) recognised in the income statement relating to assets held at 30 June 2012	-	-	122	(7)	-	-	-	115

[1] Certain amounts have been reclassified.

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Treasury bills $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 July 2012	-	200	655	337	87	678	1,624	3,581
Total gains/(losses) recognised in income statement	-	11	188	(34)	2	21	2	190
Total (losses)/gains recognised in other comprehensive income	-	-	-	-	-	(26)	185	159
Purchases	-	10	282	199	2	11	227	731
Sales	-	(5)	-	(1)	-	(58)	(63)	(127)
Settlements	(27)	(27)	-	(13)	-	(5)	(15)	(87)
Transfers out	-	(13)	-	(2)	(33)	(225)	(2)	(275)
Transfers in	937	-	-	-	-	-	-	937
At 31 December 2012	910	176	1,125	486	58	396	1,958	5,109
Total (losses)/gains recognised in the income statement relating to assets held at 31 December 2012	-	(10)	73	(23)	-	-	-	40

Transfers in during the periods primarily relate to markets for certain financial instruments becoming illiquid or where the valuation parameters became unobservable during the period.

Transfers out during the periods primarily relate to certain financial instruments where the valuation parameters became observable during the period.

12. Financial instruments continued

Level 3 movement tables – Financial liabilities

Liabilities	30.06.13 Debt securities in issue $million	30.06.13 Derivative financial instruments $million	30.06.13 Total $million	30.06.12 Debt securities in issue $million	30.06.12 Derivative financial instruments $million	30.06.12 Total $million
At 1 January	114	563	677	172	184	356
Total (gains)/losses recognised in income statement	(39)	(53)	(92)	(3)	13	10
Issues	320	6	326	6	111	117
Settlements	(134)	(86)	(220)	(51)	(17)	(68)
Transfers out	(12)	(33)	(45)	(27)	(1)	(28)
Transfers in	6	21	27	-	-	-
At 30 June	255	418	673	97	290	387
Total (gains)/losses recognised in the income statement relating to liabilities held at the end of the period	(16)	6	(10)	5	4	9

Liabilities	31.12.12 Debt securities in issue $million	31.12.12 Derivative financial instruments $million	31.12.12 Total $million
At 1 July	97	290	387
Total (gains)/losses recognised in income statement	(40)	67	27
Issues	44	213	257
Settlements	23	(8)	15
Transfers out	(10)	1	(9)
At 31 December	114	563	677
Total (gains)/losses recognised in the income statement relating to liabilities held at the end of the period	(2)	40	38

Transfers in during the periods primarily relate to certain financial instruments which parameters became unobservable during the period.

12. Financial instruments continued

The following tables present the Group's primary level 3 financial instruments which are held at the fair value. The table also present the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, the range of values for those inputs and the weighted average of those inputs:

	Value at 30 June 2013					
Instrument	Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to customers	**500**	**-**	Comparable pricing	Yield	14.0% to 17.3%	14.2%
Debt securities	**573**	**-**	Comparable pricing	Yield	0.0% to 27.0%	8.4%
			Discounted cash flows	Credit correlation	55.0% to 88.0%	81.5%
			Internal pricing model	Equity correlation	30.0% to 99.0%	N/A
Asset backed securities	**102**	**-**	Discounted cash flows	Yield	2.5% to 6.0%	4.6%
Government bonds	**66**	**-**	Comparable pricing	Yield	2.7% to 6.5%	4.4%
Treasury bills	**28**	**-**	Comparable pricing	Yield	2.5% to 12%	6.8%
Debt securities in issue	**-**	**255**	Discounted cash flows	Credit correlation	55.0% to 88.0%	81.5%
			Internal pricing model	Equity correlation	30.0% to 99.0%	N/A
Derivative financial instruments of which						
Foreign exchange	**387**	**326**	Option pricing model	Foreign exchange volatility	0.2% to 4.8%	1.1%
				Foreign exchange correlation	-67.0% to 94.0%	78.6%
Interest rate	**38**	**25**	Discounted cash flows	Interest rate curves	0.1% to 16.1%	4.5%
			Spread option model	Interest rate correlation	97.9% to 98.3%	98.1%
Credit	**13**	**14**	Discounted cash flows	Credit correlation	55.0% to 88.0%	81.5%
			Discounted cash flows	Credit spreads	0.9% to 56.0%	1.1%
			Option pricing model	Bond price volatility	16.0% to 25.0%	20.6%
Equity	**196**	**53**	Comparable pricing	Yield	3.5% to 4.2%	3.5%
			Internal pricing model	Equity correlation	30.0% to 99.0%	N/A
Equity shares (includes private equity investments)	**2,178**	**-**	Comparable pricing	EV/EBITDA multiples	5.8x to 13.6x	9.3x
				P/B multiples	1.3x	1.3x
				P/E multiples	6.9x to 20.4x	14.1x
				Liquidity discount	10.0% to 30.0%	15.6%
Total	**4,081**	**673**				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's level 3 financial instruments as at 30 June 2013. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's level 3 financial instruments

2 Weighted average for non-derivative financial instruments have been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

12. Financial instruments continued

The following section describes the significant unobservable inputs identified in the valuation technique table.

Comparable pricing
Comparable pricing refers to the method where valuation is done by calculating an implied yield from the price of a similar comparable observable instrument. The comparable instrument for a private equity investment is a comparable listed company. The comparable instrument in case of bonds is a similar comparable but observable bond.

This may involve adjusting the yield to derive a value for the unobservable instrument.

EV/EBITDA Ratio multiples
This is the ratio of Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiple in isolation will result in a favourable movement in the fair value of the unlisted firm.

P/E and P/B multiples
Price Earnings multiple is the ratio of the Market Capitalisation to the Net Income. Price to Book multiple is the ratio of the Market Capitalisation to the Book Value. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple or P/B multiple in isolation will result in a favourable movement in the fair value of the unlisted firm.

Yield
Yield is the interest rate that is used to discount the future cash-flows in a discounted cash-flow model.

Correlation
Correlation is the measure of how movement in one variable influences the movement in another variable. Credit correlation generally refers to the factor that describes the relationship between the probability of individual entities to default on obligations and the joint probability of multiple entities to default on obligations. Similarly, equity correlation is the correlation between two equity instruments. An interest rate correlation refers to the correlation between two swap rates. FX correlation represents the correlation between two different exchange rates.

Liquidity Discount
A liquidity discount is primarily applied to unlisted firms to reflect the fact that these stocks are not actively traded. An increase in liquidity discount in isolation will result in unfavourable movement in the fair value of the unlisted firm.

Volatility
Volatility represents an estimate of how much a particular instrument, parameter or Index will change in value over time. Volatilities are generally implied from the observed option prices. For certain instruments, volatility may change with strike and maturity profile of the option.

Credit Spreads
Credit Spreads represent the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument.

12. Financial instruments continued

Sensitivities in respect of the fair values of level 3 assets and liabilities

	Held at fair value through profit or loss			Available-for-sale		
	Net exposure $million	Favourable Changes $million	Unfavourable Changes $million	Net exposure $million	Favourable Changes $million	Unfavourable Changes $million
Financial instruments held at fair value through profit or loss						
Debt securities	**157**	**160**	**154**	**-**	**-**	**-**
Equity shares	**723**	**796**	**650**	**-**	**-**	**-**
Loan and advances	**500**	**511**	**489**	**-**	**-**	**-**
Derivative financial instruments	**216**	**276**	**164**	**-**	**-**	**-**
Debt securities in issue	**(255)**	**(255)**	**(255)**	**-**	**-**	**-**
Investment securities						
Treasury bills and other eligible bills	**-**	**-**	**-**	**28**	**28**	**28**
Debt securities	**-**	**-**	**-**	**584**	**587**	**579**
Equity shares	**-**	**-**	**-**	**1,455**	**1,628**	**1,282**
At 30 June 2013	**1,341**	**1,488**	**1,202**	**2,067**	**2,243**	**1,889**
Financial instruments held at fair value through profit or loss						
Debt securities	200	204	196	-	-	-
Equity shares	655	721	589	-	-	-
Loan and advances	-	-	-	-	-	-
Derivative financial instruments	47	47	47	-	-	-
Debt securities in issue	(97)	(89)	(105)	-	-	-
Investment securities						
Treasury bills and other eligible bills	-	-	-	87	87	87
Debt securities	-	-	-	678	727	630
Equity shares	-	-	-	1,624	1,777	1,471
At 30 June 2012	805	883	727	2,389	2,591	2,188
Financial instruments held at fair value through profit or loss						
Debt securities	176	180	171	-	-	-
Equity shares	1,125	1,237	1,013	-	-	-
Loan and advances	910	924	896	-	-	-
Derivative financial instruments	(77)	2	(154)	-	-	-
Debt securities in issue	(114)	(114)	(114)	-	-	-
Investment securities						
Treasury bills and other eligible bills	-	-	-	58	58	58
Debt securities	-	-	-	396	401	385
Equity shares	-	-	-	1,958	2,167	1,759
At 31 December 2012	2,020	2,229	1,812	2,412	2,626	2,202

12. Financial instruments continued

Where the fair value of financial instruments are measured using valuation techniques that incorporate one or more significant inputs which are based on unobservable market data, we apply a 10 per cent increase or decrease on the values of these unobservable parameter inputs, to generate a range of reasonably possible alternative valuations in accordance with the requirements of IFRS 7. The percentage shift is determined by statistical analyses performed on a set of reference prices, which included certain equity indices, credit indices and volatility indices, based on the composition of our Level 3 assets. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This Level 3 sensitivity analysis assumes a one way market move and does not consider offsets for hedges.

As of 30 June 2013, these reasonably possible alternatives could have increased fair values of financial instruments held at fair value through profit or loss by $147 million (30 June 2012: $78 million, 31 December 2012: $209 million) and available-for-sale by $176 million (30 June 2012: $202 million, 31 December 2012: $214 million) or decreased fair values of financial instruments held at fair value through profit or loss by $(139) million (30 June 2012: $(78) million, 31 December 2012: $(208) million) and available-for-sale by $(178) million (30 June 2012: $(201) million, 31 December 2012: $(210) million).

Valuation of financial instruments measured at amortised cost on a recurring basis

The valuation techniques used to establish the Group's fair values are consistent with those used to calculate the fair values of financial instruments carried at fair value. The fair values calculated are for disclosure purposes only and do not have any impact on the Group's reported financial performance or position. The fair values calculated by the Group may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument. Resultantly given that certain categories of financial instruments are not traded there is a significant level of management judgement involved in calculating the fair values.

The following sets out the Group's basis of establishing fair values of financial assets and liabilities carried at amortised cost.

Cash and balances at central banks

The fair value of cash and balances at central banks is their carrying amounts.

Loans and advances to banks and customers

For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar credit risk and remaining maturity.

The Group's loans and advances to customers portfolio is well diversified by geography and industry. Approximately one-third of the portfolio reprices within one month, and approximately half reprices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and, where appropriate, credit spreads. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material.

Investment securities

For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using inputs proxied from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or inputs proxied from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relate to asset backed securities. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows. The Group has a wide range of individual investments within the unlisted debt securities portfolio. Given the number of instruments involved, providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material.

Deposits and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity. Following the adoption of IFRS 13 the Group also adjusts the fair value of deposits and borrowings for own credit adjustment using the principles described above.

Debt securities in issue, subordinated liabilities and other borrowed funds

The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity.

12. Financial instruments continued

Instruments carried at amortised cost

The following tables show the classification and the Group's estimate of fair values for those financial instruments carried at amortised cost into the valuation hierarchy set out above as at 30 June 2013, 30 June 2012 and 31 December 2012.

	30.06.13		30.06.12	
	Carrying value $million	Fair value $million	Carrying value $million	Fair value $million
Assets				
Cash and balances at central banks	57,621	57,621	50,683	50,683
Loans and advances to banks	73,305	73,201	73,930	73,941
Loans and advances to customers	285,353	284,803	272,453	272,474
Investment securities	3,946	3,625	4,804	4,737
Other assets	30,123	30,123	22,518	22,518
At 30 June	450,348	449,373	424,388	424,353
Liabilities				
Deposits by banks	45,012	45,011	44,754	44,649
Customer accounts	371,314	370,709	350,248	349,302
Debt securities in issue	58,690	58,820	57,814	58,306
Subordinated liabilities and other borrowed funds	18,393	18,116	16,408	16,853
Other liabilities	23,526	23,526	21,010	21,010
At 30 June	516,935	516,182	490,234	490,120

	31.12.12	
	Carrying value $million	Fair value $million
Assets		
Cash and balances at central banks	60,537	60,537
Loans and advances to banks	67,797	67,761
Loans and advances to customers	279,638	278,672
Investment securities	3,851	3,803
Other assets	21,406	21,406
At 31 December 2012	433,229	432,179
Liabilities		
Deposits by banks	36,427	35,961
Customer accounts	372,874	371,702
Debt securities in issue	55,979	56,469
Subordinated liabilities and other borrowed funds	18,588	19,773
Other liabilities	19,547	19,547
At 31 December 2012	503,415	503,452

12. Financial instruments continued

Reclassification of financial assets

In 2008 the Group reclassified certain non-derivative financial assets classified as held for trading into the available-for-sale (AFS) category as these were no longer considered to be held for the purpose of selling or repurchasing in the near term. At the time of transfer, the Group identified the rare circumstances permitting such a transfer as the impact of the credit crisis in financial markets, particularly from the beginning of 2008, which significantly impacted the liquidity in certain markets. The Group also reclassified certain eligible financial assets from trading and available-for-sale categories to loans and receivables where the Group had the intent and ability to hold the reclassified assets for the foreseeable future or until maturity. There have been no reclassifications since 2008.

The following tables provide details of the remaining balances of assets reclassified during 2008:

			If assets had not been reclassified, fair value gains from 1 January 2013 to 30 June 2013 that would have been recognised within				
For assets reclassified:	**Carrying amount at 30 June 2013 $million**	**Fair value at 30 June 2013 $million**	**Income $million**	**AFS reserve $million**	**Income recognised in income statement $million**	**Effective interest rate at date of reclassification %**	**Estimated amounts of expected cash flows $million**
From trading to AFS	**98**	**98**	**24** [1]	**-**	**2**	**6.2**	**187**
From trading to loans and receivables	**273**	**240**	**22**	**-**	**4**	**6.2**	**297**
From AFS to loans and receivables	**558**	**592**	**-**	**19**	**11**	**5.4**	**714**
	929	**930**	**46**	**19**	**17**		
Of which asset backed securities:							
reclassified to AFS	**82**	**82**	**11** [1]	**-**	**2**		
reclassified to loans and receivables	**796**	**817**	**9**	**19**	**14**		

[1] Post reclassification, the gain is recognised within the available-for-sale reserve

			If assets had not been reclassified, fair value gains from 1 January 2012 to 30 June 2012 that would have been recognised within				
For assets reclassified:	Carrying amount at 30 June 2012 $million	Fair value at 30 June 2012 $million	Income $million	AFS reserve $million	Income recognised in income statement $million	Effective interest rate at date of reclassification %	Estimated amounts of expected cash flows $million
From trading to AFS	123	123	1 [1]	-	8	4.9	238
From trading to loans and receivables	623	584	20	-	17	5.4	711
From AFS to loans and receivables	751	712	-	18	15	5.5	958
	1,497	1,419	21	18	40		
Of which asset backed securities:							
reclassified to AFS	76	76	1 [1]	-	6		
reclassified to loans and receivables	1,073	998	10	18	26		

[1] Post reclassification, the gain is recognised within the available-for-sale reserve

			If assets had not been reclassified, fair value gains from 1 July 2012 to 31 December 2012 that would have been recognised within				
For assets reclassified:	Carrying amount at 31 December 2012 $million	Fair value at 31 December 2012 $million	Income $million	AFS reserve $million	Income recognised in income statement $million	Effective interest rate at date of reclassification %	Estimated amounts of expected cash flows $million
From trading to AFS	85	85	4 [1]	-	2	4.1	195
From trading to loans and receivables	550	532	14	-	11	5.0	609
From AFS to loans and receivables	673	661	-	27	11	5.3	826
	1,308	1,278	18	27	24		
Of which asset backed securities:							
reclassified to AFS	81	81	4 [1]	-	2		
reclassified to loans and receivables	924	896	58	27	17		

[1] Post reclassification, the gain is recognised within the available-for-sale reserve

12. Financial instruments continued

Transfers of financial assets

Transfers where financial assets are not derecognised

Repurchase (repo) transactions

The Group enters into collateralised repos which typically entitle the Group's counterparties to have recourse to assets similar to those provided as collateral in the event of a default. Securities sold subject to repos continue to be recognised on the balance sheet as the Group retains substantially the associated risk and rewards of the securities. The counterparty liability is included in deposits by banks or customer accounts, as appropriate.

The table below sets out the financial assets provided by the Group as collateral for repurchase transactions:

Collateral pledged against repurchase agreements	Fair value through profit and loss $million	Available for sale $million	Loans and receivables $million	Total $million
On balance sheet				
Treasury bills and other eligible bills	**18**	**815**	**-**	**833**
Debt securities	**215**	**2,200**	**-**	**2,415**
Loan and advances to banks and customers	**-**	**-**	**1,665**	**1,665**
Repledged collateral received	**291**	**-**	**870**	**1,161**
At 30 June 2013	**524**	**3,015**	**2,535**	**6,074**

Balance sheet liabilities - Repurchase agreements	
Deposits by banks	**2,989**
Customer accounts	**1,407**
At 30 June 2013	**4,396**

Collateral pledged against repurchase agreements	Fair value through profit and loss $million	Available for sale $million	Loans and receivables $million	Total $million
On balance sheet				
Treasury bills and other eligible bills	137	492	-	629
Debt securities	936	3,928	-	4,864
Loan and advances to banks and customers	-	-	15	15
Repledged collateral received	100	-	770	870
At 30 June 2012	1,173	4,420	785	6,378

Balance sheet liabilities - Repurchase agreements	
Deposits by banks	3,430
Customer accounts	1,966
At 30 June 2012	5,396

Collateral pledged against repurchase agreements	Fair value through profit and loss $million	Available for sale $million	Loans and receivables $million	Total $million
On balance sheet				
Treasury bills and other eligible bills	62	424	-	486
Debt securities	522	590	-	1,112
Loan and advances to banks and customers	-	-	1,780	1,780
Off balance sheet				
Repledged collateral received	97	-	1,281	1,378
At 31 December 2012	681	1,014	3,061	4,756

Balance sheet liabilities - Repurchase agreements	
Deposits by banks	1,338
Customer accounts	1,917
At 31 December 2012	3,255

12. Financial instruments continued

Repurchase and reverse repurchase agreements

The Group also undertakes reverse repurchase (reverse repo) lending agreements with counterparties typically financial institutions in exchange for collateral. Reverse repo agreements entitle the Group to have recourse to assets similar to those received as collateral in the event of a default. In addition the Group also obtains collateral on terms that permit the Group to repledge or resell the collateral to others. The Group does not recognise the securities bought under reverse repos as collateral on its balance sheet as the Group is not substantially entitled to the risks and rewards associated with those assets and instead recognises the lending as loans and advances to banks or customers, as appropriate. The Group's reverse repos at 30 June 2013, 30 June 2012 and 31 December 2012 are set out in the table below:

Balance sheet assets - Reverse repurchase agreements

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Loans and advances to banks	**6,304**	5,505	7,759
Loans and advances to customers	**3,637**	2,977	2,900
	9,941	8,482	10,659

Under reverse repurchase and securities borrowing arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Securities and collateral which can be repledged or sold (at fair value)	**8,710**	7,681	10,517
Thereof repledged/transferred to others for financing activities, to satisfy commitments under short sale transactions or liabilities under sale and repurchase agreements (at fair value)	**1,161**	870	1,378

Securitisation transactions

The Group has also entered into a number of securitisation transactions where the underlying loans and advances have been transferred to special purpose entities (SPEs) that are fully consolidated by the Group. As a result, the Group continues to recognise the assets on its balance sheet, together with the associated liability instruments issued by the special purpose entities. The holders of the liability instruments have recourse only to the assets transferred to the SPE. Further details of SPE in note 33.

The following table sets out the carrying value and fair value of the assets transferred and the carrying value and fair value of the associated liabilities at 30 June 2013, 30 June 2012 and 31 December 2012 respectively.

	30.06.13		30.06.12		31.12.12	
	Carrying value $million	Fair value $million	Carrying value $million	Fair value $million	Carrying value $million	Fair value $million
Loan and advances to customers	**1,034**	**1,032**	1,714	1,712	1,321	1,319
Securitisation liability	**833**	**833**	1,530	1,530	1,093	1,093
Net	**201**	**199**	184	182	228	226

The Group did not undertake any transactions that required the recognition of an asset representing continuing involvement in financial assets.

13. Financial instruments held at fair value through profit or loss

Financial assets held at fair value through profit or loss

Financial assets held at fair value through profit or loss comprise assets held for trading and those financial assets designated as being held at fair value through profit or loss. For certain loans and advances and debt securities with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. Derivatives are recorded at fair value whereas loans and advances are usually recorded at amortised cost. To significantly reduce the accounting mismatch between fair value and amortised cost, these loans and advances and debt securities have been designated at fair value through profit or loss. The Group ensures the criteria under IAS 39 are met by matching the principal terms of interest rate swaps to the corresponding loans and debt securities.

Debt securities, equity shares and treasury bills held at fair value through profit or loss

	30.06.13			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	8,455			
Other public sector securities	80			
	8,535			
Issued by banks:				
Certificates of deposit	164			
Other debt securities	547			
	711			
Issued by corporate entities and other issuers:				
Other debt securities	4,638			
Total debt securities	13,884			
Of which:				
Listed on a recognised UK exchange	320	23	-	343
Listed elsewhere	8,871	2,110	1,474	12,455
Unlisted	4,693	723	1,906	7,322
	13,884	2,856	3,380	20,120
Market value of listed securities	9,191	2,133	1,474	12,798

	30.06.12			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	8,064			
Other public sector securities	98			
	8,162			
Issued by banks:				
Certificates of deposit	188			
Other debt securities	2,217			
	2,405			
Issued by corporate entities and other issuers:				
Other debt securities	4,247			
Total debt securities	14,814			
Of which:				
Listed on a recognised UK exchange	444	24	-	468
Listed elsewhere	8,930	1,346	1,776	12,052
Unlisted	5,440	655	2,766	8,861
	14,814	2,025	4,542	21,381
Market value of listed securities	9,374	1,370	1,776	12,520

13. Financial instruments held at fair value through profit or loss continued

Debt securities, equity shares and treasury bills held at fair value through profit or loss continued

	31.12.12			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	10,174			
Other public sector securities	131			
	10,305			
Issued by banks:				
Certificates of deposit	255			
Other debt securities	1,723			
	1,978			
Issued by corporate entities and other issuers:				
Other debt securities	2,932			
Total debt securities	15,215			
Of which:				
Listed on a recognised UK exchange	467	23	-	490
Listed elsewhere	9,086	2,081	949	12,116
Unlisted	5,662	1,050	2,006	8,718
	15,215	3,154	2,955	21,324
Market value of listed securities	9,553	2,104	949	12,606

Financial liabilities held at fair value through profit or loss

The Group designates certain financial liabilities at fair value through profit or loss where either the liabilities:

- have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered into with the intention of significantly reducing interest rate risk; or
- are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- have been acquired to fund trading asset portfolios or assets, or where the assets and liabilities are managed, and performance evaluated, on a fair value basis for a documented risk management or investment strategy.

Derivatives are recorded at fair value whereas non-trading financial liabilities (unless designated at fair value) are recorded at amortised cost. Designation of certain liabilities at fair value through profit or loss significantly reduces the accounting mismatch between fair value and amortised cost expense recognition (a criterion of IAS 39). The Group ensures the criteria under IAS 39 are met by matching the principal terms of derivatives to the corresponding liabilities, either individually or on a portfolio basis.

14. Derivative financial instruments

The tables below analyse the notional principal amounts and the positive and negative fair values of the Group's derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

Total derivatives	30.06.13 Notional principal amounts $million	30.06.13 Assets $million	30.06.13 Liabilities $million	30.06.12 Notional principal amounts $million	30.06.12 Assets $million	30.06.12 Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**1,358,712**	**17,260**	**17,543**	1,294,950	14,606	13,752
Currency swaps and options	**1,067,827**	**17,044**	**16,892**	995,628	10,512	11,063
Exchange traded futures and options	**8,747**	**-**	**-**	486	-	-
	2,435,286	**34,304**	**34,435**	2,291,064	25,118	24,815
Interest rate derivative contracts:						
Swaps	**1,438,134**	**15,176**	**14,840**	2,009,285	20,261	18,665
Forward rate agreements and options	**85,468**	**955**	**701**	185,122	803	775
Exchange traded futures and options	**1,046,902**	**-**	**-**	462,089	802	853
	2,570,504	**16,131**	**15,541**	2,656,496	21,866	20,293
Credit derivative contracts	**57,696**	**885**	**1,192**	67,194	1,162	1,144
Equity and stock index options	**16,753**	**395**	**518**	14,361	349	480
Commodity derivative contracts	**163,113**	**2,833**	**2,095**	77,094	4,035	3,412
Total derivatives	**5,243,352**	**54,548**	**53,781**	5,106,209	52,530	50,144

Total derivatives	31.12.12 Notional principal amounts $million	31.12.12 Assets $million	31.12.12 Liabilities $million
Foreign exchange derivative contracts:			
Forward foreign exchange contracts	1,220,806	11,635	12,697
Currency swaps and options	853,460	13,932	12,370
Exchange traded futures and options	8,772	-	-
	2,083,038	25,567	25,067
Interest rate derivative contracts:			
Swaps	1,463,777	19,107	18,343
Forward rate agreements and options	145,020	1,266	796
Exchange traded futures and options	306,054	-	-
	1,914,851	20,373	19,139
Credit derivative contracts	61,186	830	1,130
Equity and stock index options	12,223	355	372
Commodity derivative contracts	138,642	2,370	1,484
Total derivatives	4,209,940	49,495	47,192

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net. Details of the amounts available for offset can be found in the Risk review on page 26.

The Derivatives and Hedging sections of the Risk review on page 75 explain the Group's risk management of derivative contracts and application of hedging.

14. Derivative financial instruments continued

Derivatives held for hedging

Hedge accounting is applied to derivatives and hedged items when the criteria under IAS 39 have been met. The tables below list the types of derivatives that the Group holds for hedge accounting.

	30.06.13			30.06.12 [1]		
	Notional principal amounts	**Assets**	**Liabilities**	Notional principal amounts	Assets	Liabilities
	$million	**$million**	**$million**	$million	$million	$million
Derivatives designated as fair value hedges:						
Interest rate swaps	**35,639**	**857**	**498**	35,082	1,150	722
Forward foreign exchange contracts	**369**	**-**	**6**	1,269	4	22
Currency swaps	**18,436**	**482**	**409**	14,699	607	381
	54,444	**1,339**	**913**	51,050	1,761	1,125
Derivatives designated as cash flow hedges:						
Interest rate swaps	**16,504**	**21**	**25**	18,589	40	16
Forward foreign exchange contracts	**3,636**	**1**	**78**	2,483	12	27
Currency swaps	**7,106**	**16**	**8**	6,865	25	30
	27,246	**38**	**111**	27,937	77	73
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**1,042**	**57**	**-**	661	-	15
Total derivatives held for hedging	**82,732**	**1,434**	**1,024**	79,648	1,838	1,213

	31.12.12 [1]		
	Notional principal amounts	Assets	Liabilities
	$million	$million	$million
Derivatives designated as fair value hedges:			
Interest rate swaps	35,896	1,111	524
Forward foreign exchange contracts	427	-	9
Currency swaps	18,396	1,143	117
	54,719	2,254	650
Derivatives designated as cash flow hedges:			
Interest rate swaps	17,033	33	17
Forward foreign exchange contracts	2,066	52	1
Currency swaps	8,955	23	13
	28,054	108	31
Derivatives designated as net investment hedges:			
Forward foreign exchange contracts	671	-	52
Total derivatives held for hedging	83,444	2,362	733

[1] The split within fair value hedges and cash flow hedges has been reclassified for prior periods.

15. Loans and advances to banks

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Loans and advances to banks	74,982	74,694	68,676
Individual impairment provision	(100)	(87)	(103)
Portfolio impairment provision	(2)	(2)	(2)
	74,880	74,605	68,571
Of which: loans and advances held at fair value through profit or loss (note 12)	(1,575)	(675)	(774)
	73,305	73,930	67,797

Analysis of loans and advances to banks by geography as set out in the Risk review on page 28.

16. Loans and advances to customers

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Loans and advances to customers	294,963	280,996	287,668
Individual impairment provision	(2,433)	(2,154)	(2,330)
Portfolio impairment provision	(737)	(702)	(722)
	291,793	278,140	284,616
Of which: loans and advances held at fair value through profit or loss (note 12)	(6,440)	(5,687)	(4,978)
	285,353	272,453	279,638

The Group has outstanding residential mortgages and loans to Korea residents of $13.7 billion (30 June 2012: $19.4 billion, 31 December 2012: $16.7 billion) and Hong Kong residents of $22.7 billion (30 June 2012: $19.5 billion, 31 December 2012: $21.4 billion).

Analysis of loans and advances to customers by geography and business and related impairment provisions as set out within the Risk review on pages 27 to 60.

17. Investment securities

	30.06.13				
	Debt securities				
	Available-for-sale $million	Loans and receivables $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:					
Government securities	24,300	-			
Other public sector securities	543	-			
	24,843	-			
Issued by banks:					
Certificates of deposit	5,510	-			
Other debt securities	23,193	50			
	28,703	50			
Issued by corporate entities and other issuers:					
Other debt securities	12,247	3,896			
Total debt securities	65,793	3,946			
Of which:					
Listed on a recognised UK exchange	4,978	181 [1]	67	-	5,226
Listed elsewhere	24,556	385 [1]	1,164	9,786	35,891
Unlisted	36,259	3,380	1,472	12,584	53,695
	65,793	3,946	2,703	22,370	94,812
Market value of listed securities	29,534	580	1,231	9,786	41,131

[1] These debt securities listed or registered on a recognised UK exchange or elsewhere are thinly traded or the market for these securities is illiquid

There are no debt securities classified as held-to-maturity.

17. Investment securities continued

	30.06.12				
	Debt securities				
	Available-for-sale $million	Loans and receivables $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:					
Government securities	20,158	389			
Other public sector securities	992	-			
	21,150	389			
Issued by banks:					
Certificates of deposit	5,145	-			
Other debt securities	23,243	1,175			
	28,388	1,175			
Issued by corporate entities and other issuers :					
Other debt securities	9,117	3,240			
Total debt securities	58,655	4,804			
Of which:					
Listed on a recognised UK exchange	6,034	237 [1]	54	-	6,325
Listed elsewhere	16,227	848 [1]	878	7,205	25,158
Unlisted	36,394	3,719	1,825	14,774	56,712
	58,655	4,804	2,757	21,979	88,195
Market value of listed securities	22,261	1,017	932	7,205	31,415

[1] These debt securities listed or registered on a recognised UK exchange or elsewhere are thinly traded or the market for these securities is illiquid

There are no debt securities classified as held-to-maturity.

	31.12.12				
	Debt securities				
	Available-for-sale $million	Loans and receivables $million	Equity shares $million	Treasury bills $million	Total $million
Issued by public bodies:					
Government securities	23,059	390			
Other public sector securities	1,229	-			
	24,288	390			
Issued by banks:					
Certificates of deposit	5,974	-			
Other debt securities	24,195	114			
	30,169	114			
Issued by corporate entities and other issuers:					
Other debt securities	10,899	3,347			
Total debt securities	65,356	3,851			
Of which:					
Listed on a recognised UK exchange	6,858	173 [1]	70	-	7,101
Listed elsewhere	22,816	878 [1]	1,104	13,039	37,837
Unlisted	35,682	2,800	2,104	13,701	54,287
	65,356	3,851	3,278	26,740	99,225
Market value of listed securities	29,674	1,006	1,174	13,039	44,893

[1] These debt securities listed or registered on a recognised UK exchange or elsewhere are thinly traded or the market for these securities is illiquid

There are no debt securities classified as held-to-maturity.

17. Investment securities continued

The change in the carrying amount of investment securities comprised:

	30.06.13				30.06.12			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
Balances held at 1 January	**69,207**	**3,278**	**26,740**	**99,225**	60,975	2,543	21,428	84,946
Exchange translation differences	**(1,554)**	**(16)**	**(859)**	**(2,429)**	(195)	(2)	(122)	(319)
Additions	**52,917**	**82**	**19,840**	**72,839**	51,205	413	19,039	70,657
Maturities and disposals	**(50,832)**	**(498)**	**(23,498)**	**(74,828)**	(48,934)	(42)	(18,588)	(67,564)
Impairment, net of recoveries on disposal	**(5)**	**(10)**	**1**	**(14)**	18	(51)	-	(33)
Changes in fair value (including the effect of fair value hedging)	**18**	**(133)**	**(6)**	**(121)**	412	(104)	18	326
Amortisation of discounts and premiums	**(12)**	**-**	**152**	**140**	(22)	-	204	182
Balances held at 30 June	**69,739**	**2,703**	**22,370**	**94,812**	63,459	2,757	21,979	88,195

	31.12.12			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
Balances held at 1 July	63,459	2,757	21,979	88,195
Exchange translation differences	873	16	749	1,638
Additions	60,117	370	25,739	86,226
Maturities and disposals	(55,624)	(175)	(21,964)	(77,763)
Impairment, net of recoveries on disposal	6	(58)	-	(52)
Changes in fair value (including the effect of fair value hedging)	315	368	38	721
Amortisation of discounts and premiums	61	-	199	260
Balances held at 31 December	69,207	3,278	26,740	99,225

The analysis of unamortised premiums and unamortised discounts on debt securities and income on equity shares held for investment purposes is provided below:

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Debt securities:			
Unamortised premiums	**589**	496	607
Unamortised discounts	**229**	480	443
Income from listed equity shares	**47**	18	36
Income from unlisted equity shares	**17**	18	20

18. Other assets

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Financial assets held at amortised cost (note 12)			
Hong Kong SAR Government certificates of indebtedness (note 24)	**4,341**	4,142	4,191
Cash collateral	**7,563**	4,784	5,068
Acceptances and endorsements	**5,320**	5,215	4,957
Unsettled trades and other financial assets	**12,899**	8,377	7,190
	30,123	22,518	21,406
Non-financial assets			
Commodities	**4,516**	5,571	5,574
Other assets	**3,402**	2,078	1,568
Total other assets	**38,041**	30,167	28,548

The Hong Kong SAR Government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued (note 24).

19. Business Combinations

2013 acquisitions

No acquisitions were made in this period.

2012 acquisitions

On 4 November 2012, the Group completed the acquisition of 100 percent of the issued and paid up share capital of Credit Agricole Yatirim Bankasi Turk A.S. (CAYBT), a wholly-owned subsidiary of Credit Agricole Corporate and Investment Bank, for a consideration of $63 million, recognising goodwill of $26 million. The net assets acquired primarily comprised balances held with central banks. The goodwill acquired largely represents intangibles that are not separately recognised, and primarily relates to the associated banking licence.

Goodwill arising on the acquisitions is attributable to the synergies expected to arise from their integration with the Group, the skilled workforce acquired and the distribution networks. The primary reason for these acquisitions is to enhance capability and broaden product offering to customers.

20. Goodwill and intangible assets

	30.06.13				30.06.12			
	Goodwill	Acquired intangibles	Software	Total	Goodwill	Acquired intangibles	Software	Total
	$million	$million	$million	$million	$million	$million	$million	$million
Cost at 30 June	6,326	650	976	7,952	6,348	646	821	7,815
Provision for amortisation	-	(499)	(353)	(852)	-	(437)	(322)	(759)
Impairment charge	(1,000)	-	-	(1,000)	-	-	-	-
Cost/ net book value at 30 June	5,326	151	623	6,100	6,348	209	499	7,056

	31.12.12			
	Goodwill	Acquired intangibles	Software	Total
	$million	$million	$million	$million
Cost at 31 December	6,535	658	923	8,116
Provision for amortisation	-	(481)	(333)	(814)
Impairment charge	-	-	-	-
Cost/ net book value at 31 December	6,535	177	590	7,302

The Group performs an annual goodwill impairment review in September, and at each reporting date, to assess whether the carrying value of goodwill is impaired. For the purposes of impairment testing, goodwill is allocated at the date of acquisition to a cash-generating unit (CGU). Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amounts for all CGUs were measured based on value-in-use. The key assumptions used in determining the recoverable amounts are set out in note 25 of the Group's 2012 Annual Report and Accounts.

The Group performed an impairment assessment on the level of goodwill assigned to the Korea CGU subsequent to its annual testing as a result of its consideration of reduced expectations for future cash flows and fluctuations in the discount rate. The Group's determination of value-in-use was based on using a pre-tax discount rate of 17 per cent, a steady long term forecast GDP growth rate of 3.9 per cent, and management approved forecasts up to 2017. Based on this analysis, the carrying amount was assessed as exceeding the recoverable value by $1 billion which has been recognised as an impairment charge. At 30 June 2013, the carrying value of the remaining goodwill assigned to the Korea CGU is $734 million.

The results of our impairment review on goodwill allocated to other CGU's did not indicate any goodwill impairment at 30 June 2013.

21. Deposits by banks

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Deposits by banks	**45,012**	44,754	36,427
Deposits by banks included within:			
Financial liabilities held at fair value through profit or loss (note 12)	**378**	1,039	968
Total deposits by bank	**45,390**	45,793	37,395

22. Customer accounts

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Customer accounts	**371,314**	350,248	372,874
Customer accounts included within:			
Financial liabilities held at fair value through profit or loss (note 12)	**9,471**	8,398	12,243
Total customer accounts	**380,785**	358,646	385,117

23. Debt securities in issue

	30.06.13			30.06.12		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	**22,097**	**36,593**	**58,690**	22,526	35,288	57,814
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 12)	**156**	**6,678**	**6,834**	165	4,433	4,598
Total debt securities in issue	**22,253**	**43,271**	**65,524**	22,691	39,721	62,412

	31.12.12		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	16,982	38,997	55,979
Debt securities in issue included within:			
Financial liabilities held at fair value through profit or loss (note 12)	165	5,096	5,261
Total debt securities in issue	17,147	44,093	61,240

24. Other liabilities

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Financial liabilities held at amortised cost (note 12)			
Notes in circulation	**4,341**	4,142	4,191
Acceptances and endorsements	**5,269**	5,269	4,900
Cash collateral	**3,241**	3,132	3,245
Unsettled trades and other financial liabilities	**10,675**	8,467	7,211
	23,526	21,010	19,547
Non-financial liabilities			
Cash-settled share based payments	**74**	65	84
Other liabilities	**5,119**	4,867	4,654
Total other liabilities	**28,719**	25,942	24,285

Hong Kong currency notes in circulation of $4,341 million (30 June 2012: $4,142 million, 31 December 2012: $4,191 million) which are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 18).

25. Subordinated liabilities and other borrowed funds

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Subordinated liabilities and other borrowed funds	**18,393**	16,408	18,588

	30.06.13				30.06.12			
	USD $million	GBP $million	Euro $million	Others $million	USD $million	GBP $million	Euro $million	Others $million
Fixed rate subordinated debt	**9,766**	**3,709**	**2,577**	**2,018**	5,344	4,101	1,632	1,881
Floating rate subordinated debt	**238**	**46**	**-**	**39**	1,331	609	858	652
Total	**10,004**	**3,755**	**2,577**	**2,057**	6,675	4,710	2,490	2,533

	31.12.12			
	USD $million	GBP $million	Euro $million	Others $million
Fixed rate subordinated debt	7,512	4,638	2,706	2,400
Floating rate subordinated debt	338	50	890	54
Total	7,850	4,688	3,596	2,454

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.

Issuances

On 11 January 2013, Standard Chartered PLC (the Company) issued $2 billion 3.95 per cent fixed interest rate notes due January 2023.

On 11 January 2013, Standard Chartered PLC (the Company) issued $500 million 5.3 per cent fixed interest rate notes due January 2043. On 17 January 2013, the Company issued a further $250 million 5.3 per cent fixed interest rate notes due January 2043 which were consolidated and form a single series with the existing $500 million 5.3 per cent fixed interest rate notes due January 2043 issued on 11 January 2013.

Redemptions

On 15 January 2013, Standard Chartered Bank (Botswana) Limited exercised its right to redeem its BWP75 million floating rate subordinated notes in full on the first optional call date.

On 25 January 2013, Standard Chartered Bank exercised the right to redeem its £300 million 6.0 per cent fixed rate subordinated notes in full on the first optional call date.

On 29 January 2013, Standard Chartered (Pakistan) Limited redeemed its PKR1 billion floating rate note on maturity.

On 28 March 2013, Standard Chartered Bank exercised its right to redeem its $100 million floating rate subordinated notes in full on the first optional call date.

On 28 March 2013, Standard Chartered Bank exercised the right to redeem its €675 million floating rate subordinated notes in full on the first optional call date.

On 25 April 2013, Standard Chartered Bank Korea Limited exercised its right to redeem its KRW260 billion 6.08 per cent subordinated debt in full on the first optional call date.

Note that the following subordinated notes issued by PT Bank Permata Tbk (Permata) are no longer disclosed as part of the Group consolidated accounts due to IFRS 11 'Joint Arrangements' which requires all joint ventures to be equity accounted:

- $22 million 9.75 per cent fixed to floating interest rate note 2021(callable and floating rate from 2016)
- IDR 700 billion 8.9 per cent subordinated notes 2019
- IDR 1,750 billion 11 per cent subordinated notes 2018
- IDR 1,800 billion 9.4 per cent subordinated notes 2019

26. Retirement benefit obligations

Retirement benefit obligations comprise:

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Total market value of assets	**2,302**	2,195	2,366
Present value of the scheme liabilities	**(2,696)**	(2,758)	(2,836)
Defined benefit schemes obligation	**(394)**	(563)	(470)
Defined contribution schemes obligation	**(17)**	(16)	(21)
Total obligation	**(411)**	(579)	(491)

Retirement benefit charge comprises:

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Defined benefit schemes	**58**	53	43
Defined contribution schemes	**110**	95	108
Charge against profit	**168**	148	151

The pension cost for defined benefit schemes was:

	6 months ended 30.06.13 $million	6 months ended 30.06.12 $million	6 months ended 31.12.12 $million
Current service cost	**50**	50	50
Past service cost	**-**	2	1
Gain on settlements and curtailments	**-**	-	(6)
Interest income on pension scheme assets	**(46)**	(56)	(56)
Interest on pension scheme liabilities	**54**	57	54
Total charge to profit before deduction of tax	**58**	53	43
Gain on assets in excess of expected return	**(11)**	(18)	(57)
Experience (gain)/loss on liabilities	**(33)**	94	57
Total (gain)/loss recognised directly in statement of comprehensive income before tax	**(44)**	76	-
Deferred taxation	**6**	(17)	3
Total (gains)/loss after tax	**(38)**	59	3

27. Share capital, reserves and own shares

	Number of ordinary shares millions	Ordinary share capital $million	Preference share capital $million	Total $million
At 1 January 2012	2,384	1,192	-	1,192
Capitalised on scrip dividend	6	3	-	3
Shares issued	2	1	-	1
At 30 June 2012	2,392	1,196	-	1,196
Capitalised on scrip dividend	19	10	-	10
Shares issued	2	1	-	1
At 31 December 2012	**2,413**	**1,207**	**-**	**1,207**
Capitalised on scrip dividend	**2**	**1**	**-**	**1**
Shares issued	**9**	**4**	**-**	**4**
At 30 June 2013	**2,424**	**1,212**	**-**	**1,212**

2013

On 13 May 2013, the Company issued 1,727,682 new ordinary shares instead of the 2012 final dividend.

During the period 8,762,558 shares were issued under employee share plans at prices between nil and 1,463 pence.

2012

On 14 May 2012, the Company issued 6,961,782 new ordinary shares instead of the 2011 final dividend and on 11 October 2012 the Company issued 18,454,741 new ordinary shares instead of the 2012 interim dividend.

During the year 3,559,652 new ordinary shares were issued under employee share plans at prices between nil and 1,463 pence.

27. Share Capital, reserves and own shares continued

Own shares

Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust (the 1995 Trust), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes, and of the Standard Chartered 2004 Employee Benefit Trust (the 2004 Trust) which is an employee benefit trust used in conjunction with the Group's deferred bonus plan. The trustee has agreed to satisfy a number of awards made under the employee share schemes and the deferred bonus plan through the relevant employee benefit trust. As part of these arrangements Group companies fund the trusts, from time to time, to enable the trustee to acquire shares to satisfy these awards. All shares have been acquired through the London Stock Exchange.

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the company listed on The Stock Exchange of Hong Kong Limited during the period. Details of the shares purchased and held by the trusts are set out below.

	1995 Trust			2004 Trust			Total		
Number of shares	**30.06.13**	30.06.12	31.12.12	**30.06.13**	30.06.12	31.12.12	**30.06.13**	30.06.12	31.12.12
Shares purchased during period	**4,855,145**	11,384,974	4,599,083	**790,829**	977,761 [1]	-	**5,645,974**	12,362,735	4,599,083
Market value of shares purchased ($million)	**133**	291	95	**21**	25	-	**154**	316	95
Shares held at end of period	**5,866,347**	4,974,712	6,809,269 [2]	141,160	211,415	211,415	**6,007,507**	5,186,127	7,020,684 [2]
Maximum number of shares held during period							**7,278,439**	18,321,546	7,593,625

[1] The acquisition of shares in the period to 30 June 2012 was overstated by 4,472 shares in the 2012 accounts and has therefore been restated

[2] The closing balance at 31 December 2012 was understated by 894 shares in the 2012 accounts and has therefore been restated

28. Non-controlling interests

	$300m 7.267% Hybrid Tier 1 Securities $million	Other non-controlling interests $million	Total $million
At 1 January 2012	320	341	661
Expenses in equity attributable to non-controlling interests	-	(43)	(43)
Other profits attributable to non-controlling interests	11	33	44
Comprehensive income for the period	11	(10)	1
Distributions	(11)	(22)	(33)
At 30 June 2012	320	309	629
Income in equity attributable to non-controlling interests	-	29	29
Other profits attributable to non-controlling interests	11	43	54
Comprehensive income for the period	11	72	83
Distributions	(11)	(16)	(27)
Other increases	-	8	8
At 31 December 2012	**320**	**373**	**693**
Expense in equity attributable to non-controlling interests	**-**	**(16)**	**(16)**
Other profits attributable to non-controlling interests	**11**	**44**	**55**
Comprehensive income for the period	**11**	**28**	**39**
Distributions and disposals	**(11)**	**(131)**	**(142)**
At 30 June 2013	**320**	**270**	**590**

29. Cash flow statement

Adjustment for non-cash items and other adjustments included within the income statement

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Amortisation of discounts and premiums of investment securities	**(140)**	(182)	(260)
Interest expense on subordinated liabilities	**330**	272	297
Interest expense on senior debt liabilities	**217**	178	240
Other non-cash items (including own credit adjustment)	**(161)**	15	105
Pension costs for defined benefit schemes	**58**	53	43
Share based payment costs	**108**	173	201
UK bank levy	**-**	-	10
Impairment losses on loans and advances and other credit risk provisions	**730**	575	621
Other impairment	**1,011**	74	122
Profit from associates and joint ventures	**(74)**	(57)	(59)
	2,079	1,101	1,320

Change in operating assets

	30.06.13 $million	30.06.12 $million	31.12.12 $million
(Increase)/decrease in derivative financial instruments	**(5,858)**	15,179	3,505
Decrease/(increase) in debt securities, treasury bills and equity shares held at fair value through profit or loss	**547**	1,024	(4,101)
Net increase in loans and advances to banks and customers	**(19,520)**	(16,437)	(4,488)
(Increase)/decrease in prepayments and accrued income	**(188)**	(213)	174
Increase in other assets	**(10,789)**	(2,893)	(159)
	(35,808)	(3,340)	(5,069)

Change in operating liabilities

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Increase/(decrease) in derivative financial instruments	**7,430**	(15,562)	(3,406)
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	**16,243**	26,471	11,355
(Decrease)/increase in accruals and deferred income	**(504)**	(436)	549
Increase/(decrease) in other liabilities	**3,773**	2,714	(2,715)
	26,942	13,187	5,783

30. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months maturity from the date of acquisition, including: treasury bills and other eligible bills, loans and advances to banks, and short-term government securities. The following balances with less than three months maturity from the date of acquisition have been identified by the Group as being cash and cash equivalents. Restricted balances comprise minimum balances required to be held at central banks.

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Cash and balances at central banks	**57,621**	50,683	60,537
Less restricted balances	**(9,663)**	(8,656)	(9,336)
Treasury bills and other eligible bills	**1,331**	4,952	3,101
Loans and advances to banks	**24,551**	32,549	23,909
Trading securities	**2,651**	3,754	1,307
	76,491	83,282	79,518

31. Contingent liabilities and commitments

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	30.06.13 $million	30.06.12 $million	31.12.12 $million
Contingent liabilities			
Guarantees and irrevocable letters of credit	**38,061**	27,302	34,258
Other contingent liabilities	**9,533**	16,257	10,035
	47,594	43,559	44,293
Commitments			
Documentary credits and short term trade-related transactions	**8,171**	8,614	7,610
Forward asset purchases and forward deposits placed	**852**	1,068	711
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	**43,894**	30,381	39,294
Less than one year	**15,941**	20,946	17,353
Unconditionally cancellable	**116,441**	98,062	110,138
	185,299	159,071	175,106

The Group receives legal claims against it in a number of jurisdictions arising in the normal course of business. The Group considers none of these matters as material either individually or in aggregate. Where appropriate the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

The Group seeks to comply with all applicable laws and regulations, but may be subject to regulatory actions and investigations across our markets, the outcome of which are generally difficult to predict and can be material to the Group.

32. Restatement of prior periods

The Group has introduced the following changes in its financial statements and has re-presented prior period balances on a similar basis to enhance the comparability of information presented.

Restatements impacting 30 June 2012 and 31 December 2012

- **Mandatory application of IFRS 11 Joint Arrangements as discussed in Note 1**

  The Group's investment in Permata has been presented using the equity method of accounting, applied on a retrospective basis. There is no impact on the profit for the period or Shareholders' equity, however, profit before taxation is lower as a result of profits from joint ventures been reported on a net of tax basis (see pages 146 to 154).

- **Allocation of associates and joint ventures to Consumer Banking and Wholesale Banking**

  The Group's profits and interests in associates are allocated to Consumer Banking and Wholesale Banking. The associates balances were previously reported as corporate items not allocated. Joint venture balances were previously allocated to Consumer Banking and Wholesale Banking on a line by line basis and has been presented within the line following adoption of IFRS 11 (see pages 153 and 154).

  Goodwill and intangible assets previously allocated to Consumer Banking and Wholesale Banking is now reported as Corporate items not allocated. (see pages 153 and 154)

- **Reclassification of liabilities due to operational improvements**

  The Group has reclassified certain liabilities measured at fair value, these liabilities were previously reported as trading but now classified as fair value through profit and loss (see page 155).

Restatements impacting 30 June 2012

- **Netting due to enhancements to system capabilities and operational improvements**

  These included the gross up of loans and advances to customers (Mortgages) and customer deposit accounts (Interest-bearing current accounts) that were previously recorded net, and the netting of certain Interest rate derivatives which were previously shown gross. These changes impact the Group's balance sheet only, which has been re-presented (see pages 149, 151, 154 and 155).

- **Changes to the Group's entity-wide geographic disclosures**

  This is to reflect the transfer of Mauritius from Other Asia Pacific to Africa. Segmental information disclosed in Note 2 in addition to information on loans and advances disclosed as part of the Risk review has also been re-presented where applicable for this restatement (see pages 154 and 155).

The impact of the above restatements on the primary statements is set out on pages 146 to 152.

Income statement

	Notes	As reported 6 months to 30.06.12 $million	Permata restatement $million	Restated 6 months to 30.06.12 $million
Interest income		9,092	(208)	8,884
Interest expense		(3,609)	99	(3,510)
Net interest income		5,483	(109)	5,374
Fees and commission income		2,229	(21)	2,208
Fees and commission expense		(255)	-	(255)
Net trading income	3	1,565	(5)	1,560
Other operating income	4	489	(5)	484
Non-interest income		4,028	(31)	3,997
Operating income		9,511	(140)	9,371
Staff costs	5	(3,353)	47	(3,306)
Premises costs	5	(423)	10	(413)
General administrative expenses	5	(863)	22	(841)
Depreciation and amortisation	6	(324)	5	(319)
Operating expenses		(4,963)	84	(4,879)
Operating profit before impairment losses and taxation		4,548	(56)	4,492
Impairment losses on loans and advances and other credit risk provisions	7	(583)	8	(575)
Other impairment	8	(74)	-	(74)
Profit from associates and joint ventures		57	36	93
Profit before taxation		3,948	(12)	3,936
Taxation	9	(1,048)	12	(1,036)
Profit for the period		2,900	-	2,900

32. Restatement of prior periods continued

Income statement

	Notes	As reported 6 months to 31.12.12 $million	Permata restatement $million	Restated 6 months to 31.12.12 $million
Interest income		9,166	(223)	8,943
Interest expense		(3,639)	103	(3,536)
Net interest income		5,527	(120)	5,407
Fees and commission income		2,389	(22)	2,367
Fees and commission expense		(242)	1	(241)
Net trading income	3	1,183	(4)	1,179
Other operating income	4	703	(3)	700
Non-interest income		4,033	(28)	4,005
Operating income		9,560	(148)	9,412
Staff costs	5	(3,231)	45	(3,186)
Premises costs	5	(463)	13	(450)
General administrative expenses	5	(1,895)	29	(1,866)
Depreciation and amortisation	6	(344)	3	(341)
Operating expenses		(5,933)	90	(5,843)
Operating profit before impairment losses and taxation		3,627	(58)	3,569
Impairment losses on loans and advances and other credit risk provisions	7	(638)	17	(621)
Other impairment	8	(120)	(2)	(122)
Profit from associates and joint ventures		59	30	89
Profit before taxation		2,928	(13)	2,915
Taxation	9	(843)	13	(830)
Profit for the period		2,085	-	2,085

32. Restatement of prior periods continued

Statement of other comprehensive income

	Notes	As reported 6 months ended 30.06.12 $million	Permata restatement $million	Restated 6 months ended 30.06.12 $million
Profit for the period		2,900	-	2,900
Other comprehensive income:				
Items that will not be reclassified to Income statement:				
Actuarial losses on retirement benefit obligations	26	(76)	-	(76)
Items that may be reclassified subsequently to Income statement:				
Exchange differences on translation of foreign operations:				
Net losses taken to equity		(217)	(3)	(220)
Net losses on net investment hedges		(4)	-	(4)
Reclassified to income statement on change of control				
Share of other comprehensive income from associates and joint ventures		(1)	2	1
Available-for-sale investments:				
Net valuation gains taken to equity		318	(1)	317
Reclassified to income statement		(150)	3	(147)
Cash flow hedges:				
Net gains taken to equity		44	-	44
Taxation relating to components of other comprehensive income		(46)	(1)	(47)
Other comprehensive income for the period, net of taxation		(132)	-	(132)
Total comprehensive income for the period		2,768	-	2,768

	Notes	6 months ended 31.12.12 $million	Permata restatement $million	Restated 6 months ended 31.12.12 $million
Profit for the period		2,085	-	2,085
Other comprehensive income:				
Items that will not be reclassified to Income statement:				
Actuarial gains on retirement benefit obligations	26	-	-	-
Items that may be reclassified subsequently to Income statement:				
Exchange differences on translation of foreign operations:				
Net gains taken to equity		792	(4)	788
Net losses on net investment hedges		(69)	-	(69)
Reclassified to income statement on change of control				
Share of other comprehensive income from associates and joint ventures		(1)	4	3
Available-for-sale investments:				
Net valuation gains taken to equity		738	(1)	737
Reclassified to income statement		(189)	-	(189)
Cash flow hedges:				
Net gains taken to equity		89	-	89
Reclassified to income statement		(20)	-	(20)
Taxation relating to components of other comprehensive income		(86)	1	(85)
Other comprehensive income for the period, net of taxation		1,254	-	1,254
Total comprehensive income for the period		3,339	-	3,339

32. Restatement of prior periods continued

Balance sheet

	Notes	As reported 30.06.12 $million	Permata restatement $million	Netting restatement $million	Restated 30.06.12 $million
Assets					
Cash and balances at central banks	12, 30	51,111	(428)	-	50,683
Financial assets held at fair value through profit or loss	12, 13	27,769	(26)	-	27,743
Derivative financial instruments	12, 14	61,775	(2)	(9,243)	52,530
Loans and advances to banks	12, 15	74,167	(237)	-	73,930
Loans and advances to customers	12, 16	273,366	(3,930)	3,017	272,453
Investment securities	12, 17	88,341	(146)	-	88,195
Other assets	12, 18	30,434	(267)	-	30,167
Current tax assets		268	-	-	268
Prepayments and accrued income		2,714	(26)	-	2,688
Interests in associates and joint ventures		939	469	-	1,408
Goodwill and intangible assets	20	7,067	(11)	-	7,056
Property, plant and equipment		5,601	(26)	-	5,575
Deferred tax assets		879	(19)	-	860
Total assets		624,431	(4,649)	(6,226)	613,556
Liabilities					
Deposits by banks	12, 21	44,838	(84)	-	44,754
Customer accounts	12, 22	351,381	(4,150)	3,017	350,248
Financial liabilities held at fair value through profit or loss	12, 13	19,067	-	-	19,067
Derivative financial instruments	12, 14	59,389	(2)	(9,243)	50,144
Debt securities in issue	12, 23	57,814	-	-	57,814
Other liabilities	12, 24	26,154	(212)	-	25,942
Current tax liabilities		1,196	(10)	-	1,186
Accruals and deferred income		4,215	(44)	-	4,171
Subordinated liabilities and other borrowed funds	12, 25	16,543	(135)	-	16,408
Deferred tax liabilities		144	-	-	144
Provisions for liabilities and charges		165	-	-	165
Retirement benefit obligations	26	591	(12)	-	579
Total liabilities		581,497	(4,649)	(6,226)	570,622
Equity					
Share capital	27	1,196	-	-	1,196
Reserves		41,109	-	-	41,109
Total parent company shareholders' equity		42,305	-	-	42,305
Non-controlling interests	28	629	-	-	629
Total equity		42,934	-	-	42,934
Total equity and liabilities		624,431	(4,649)	(6,226)	613,556

32. Restatement of prior periods continued

Balance sheet

	Notes	As reported 31.12.12 $million	Permata restatement $million	Restated 31.12.12 $million
Assets				
Cash and balances at central banks	12, 30	61,043	(506)	60,537
Financial assets held at fair value through profit or loss	12, 13	27,084	(8)	27,076
Derivative financial instruments	12, 14	49,496	(1)	49,495
Loans and advances to banks	12, 15	68,381	(584)	67,797
Loans and advances to customers	12, 16	283,885	(4,247)	279,638
Investment securities	12, 17	99,413	(188)	99,225
Other assets	12, 18	28,818	(270)	28,548
Current tax assets		215	-	215
Prepayments and accrued income		2,581	(29)	2,552
Interests in associates and joint ventures		953	574	1,527
Goodwill and intangible assets	20	7,312	(10)	7,302
Property, plant and equipment		6,646	(26)	6,620
Deferred tax assets		691	(15)	676
Total assets		636,518	(5,310)	631,208
Liabilities				
Deposits by banks	12, 21	36,477	(50)	36,427
Customer accounts	12, 22	377,639	(4,765)	372,874
Financial liabilities held at fair value through profit or loss	12, 13	23,064	-	23,064
Derivative financial instruments	12, 14	47,192	-	47,192
Debt securities in issue	12, 23	55,979	-	55,979
Other liabilities	12, 24	24,504	(219)	24,285
Current tax liabilities		1,069	(3)	1,066
Accruals and deferred income		4,860	(49)	4,811
Subordinated liabilities and other borrowed funds	12, 25	18,799	(211)	18,588
Deferred tax liabilities		161	-	161
Provisions for liabilities and charges		215	-	215
Retirement benefit obligations	26	504	(13)	491
Total liabilities		590,463	(5,310)	585,153
Equity				
Share capital	27	1,207	-	1,207
Reserves		44,155	-	44,155
Total parent company shareholders' equity		45,362	-	45,362
Non-controlling interests	28	693	-	693
Total equity		46,055	-	46,055
Total equity and liabilities		636,518	(5,310)	631,208

32. Restatement of prior periods continued

Cash flow statement

	Notes	As reported 30.06.12 $million	Permata restatement $million	Netting restatement $million	Restated 30.06.12 $million
Cash flows from operating activities					
Profit before taxation		3,948	(12)	-	3,936
Adjustments for:					
Non-cash items and other adjustments included within income statement	29	1,117	(16)	-	1,101
Change in operating assets	29	(10,521)	955	6,226	(3,340)
Change in operating liabilities	29	19,787	(374)	(6,226)	13,187
Contributions to defined benefit schemes		(46)	1	-	(45)
UK and overseas taxes paid		(971)	10	-	(961)
Net cash from operating activities		13,314	564	-	13,878
Net cash flows from investing activities					
Purchase of property, plant and equipment		(72)	(1)	-	(73)
Disposal of property, plant and equipment		179	-	-	179
Acquisition of investment in subsidiaries, associates and joint ventures, net of cash acquired		(4)	-	-	(4)
Purchase of investment securities		(70,779)	122	-	(70,657)
Disposal and maturity of investment securities		67,872	(308)	-	67,564
Dividends received from investment in subsidiaries, associates and joint ventures		13	-	-	13
Net cash used in investing activities		(2,791)	(187)	-	(2,978)
Net cash flows from financing activities					
Issue of ordinary and preference share capital, net of expenses		23	-	-	23
Purchase of own shares		(316)	-	-	(316)
Exercise of share options through ESOP		32	-	-	32
Interest paid on subordinated liabilities		(503)	-	-	(503)
Gross proceeds from issue of subordinated liabilities		1,085	(34)	-	1,051
Repayment of subordinated liabilities		(1,303)	-	-	(1,303)
Interest paid on senior debts		(540)	-	-	(540)
Gross proceeds from issue of senior debts		11,924	-	-	11,924
Repayment of senior debts		(6,122)	-	-	(6,122)
Dividends paid to non-controlling interests and preference shareholders, net of scrip		(84)	-	-	(84)
Dividends paid to ordinary shareholders, net of scrip		(1,045)	-	-	(1,045)
Net cash from financing activities		3,151	(34)	-	3,117
Net increase in cash and cash equivalents		13,674	343	-	14,017
Cash and cash equivalents at beginning of the period		70,450	(884)	-	69,566
Effect of exchange rate movements on cash and cash equivalents		(319)	18	-	(301)
Cash and cash equivalents at end of the period	30	83,805	(523)	-	83,282

32. Restatement of prior periods continued

Cash flow statement

	Notes	As reported 31.12.12 $million	Permata restatement $million	Restated 31.12.12 $million
Cash flows from operating activities				
Profit before taxation		2,928	(13)	2,915
Adjustments for:				
Non-cash items and other adjustments included within income statement	29	1,348	(28)	1,320
Change in operating assets	29	(5,361)	292	(5,069)
Change in operating liabilities	29	6,629	(846)	5,783
Contributions to defined benefit schemes		(158)	-	(158)
UK and overseas taxes paid		(820)	14	(806)
Net cash from operating activities		4,566	(581)	3,985
Net cash flows from investing activities				
Purchase of property, plant and equipment		(96)	7	(89)
Disposal of property, plant and equipment		16	-	16
Acquisition of investment in subsidiaries, associates and joint ventures, net of cash acquired		(59)	-	(59)
Purchase of investment securities		(86,546)	320	(86,226)
Disposal and maturity of investment securities		78,033	(270)	77,763
Dividends received from investment in subsidiaries, associates and joint ventures		1	-	1
Net cash used in investing activities		(8,651)	57	(8,594)
Net cash flows from financing activities				
Issue of ordinary and preference share capital, net of expenses		36	-	36
Purchase of own shares		(109)	-	(109)
Exercise of share options through ESOP		7	-	7
Interest paid on subordinated liabilities		(368)	(118)	(486)
Gross proceeds from issue of subordinated liabilities		2,305	34	2,339
Repayment of subordinated liabilities		(398)	-	(398)
Interest paid on senior debts		(327)	-	(327)
Gross proceeds from issue of senior debts		(471)	-	(471)
Repayment of senior debts		184	-	184
Dividends paid to non-controlling interests and preference shareholders, net of scrip		(77)	-	(77)
Dividends paid to ordinary shareholders, net of scrip		(261)	-	(261)
Net cash from financing activities		521	(84)	437
Net decrease in cash and cash equivalents		(3,564)	(608)	(4,172)
Cash and cash equivalents at beginning of the period		83,805	(523)	83,282
Effect of exchange rate movements on cash and cash equivalents		359	49	408
Cash and cash equivalents at end of the period	30	80,600	(1,082)	79,518

32. Restatement of prior periods continued

Restatement by class of business

The Group's profits and interests in associates are allocated to Consumer Banking and Wholesale Banking. The associates balances were previously reported as corporate items not allocated. Joint venture balances were previously allocated to Consumer Banking and Wholesale Banking on a line by line basis and has been presented within the line following adoption of IFRS 11.

	As reported 6 months to 30.06.12				restatement 6 months to 30.06.12				Restated 6 months to 30.06.12			
	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million
Operating income	3,515	5,996	-	9,511	(86)	(54)	-	(140)	3,429	5,942	-	9,371
Operating expenses	(2,307)	(2,656)	-	(4,963)	61	23	-	84	(2,246)	(2,633)	-	(4,879)
Operating profit before impairment losses and taxation	1,208	3,340	-	4,548	(25)	(31)	-	(56)	1,183	3,309	-	4,492
Impairment losses on loans and advances and other credit risk provisions	(300)	(283)	-	(583)	10	(2)	-	8	(290)	(285)	-	(575)
Other impairment	(9)	(65)	-	(74)	-	-	-	-	(9)	(65)	-	(74)
Profit from associates and joint ventures	-	-	57	57	24	69	(57)	36	24	69	-	93
Profit before taxation	899	2,992	57	3,948	9	36	(57)	(12)	908	3,028	-	3,936
Total assets employed	133,629	488,716	2,086	624,431	(1,383)	(15,590)	6,098	(10,875)	132,246	473,126	8,184	613,556
Total liabilities employed	172,766	407,391	1,340	581,497	139	(11,004)	(10)	(10,875)	172,905	396,387	1,330	570,622

	6 months to 31.12.12				restatement 6 months to 31.12.12				Restated 6 months to 31.12.12			
	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total reportable segments $million
Operating income	3,687	5,783	90	9,560	(95)	(53)	-	(148)	3,592	5,730	90	9,412
Operating expenses	(2,416)	(3,343)	(174)	(5,933)	66	24	-	90	(2,350)	(3,319)	(174)	(5,843)
Operating profit before impairment losses and taxation	1,271	2,440	(84)	3,627	(29)	(29)	-	(58)	1,242	2,411	(84)	3,569
Impairment losses on loans and advances and other credit risk provisions	(397)	(241)	-	(638)	13	4	-	17	(384)	(237)	-	(621)
Other impairment	5	(55)	(70)	(120)	(41)	(31)	70	(2)	(36)	(86)	-	(122)
Profit from associates and joint ventures	-	-	59	59	19	70	(59)	30	19	70	-	89
Profit before taxation	879	2,144	(95)	2,928	(38)	14	11	(13)	841	2,158	(84)	2,915
Total assets employed	143,250	491,409	1,859	636,518	(4,618)	(7,026)	6,334	(5,310)	138,632	484,383	8,193	631,208
Total liabilities employed	189,779	399,454	1,230	590,463	(3,452)	(1,855)	(3)	(5,310)	186,327	397,599	1,227	585,153

32. Restatement of prior periods continued

Entity-wide information

Other Asia Pacific region

	6 months to 30.06.12				6 months to 31.12.12		
	As reported	Permata restatement	Mauritius restatements	Restated		Permata restatement	Restated
	$million	$million	$million	$million	$million	$million	$million
Operating income	1,993	(140)	(21)	1,832	1,988	(148)	1,840
Operating expenses	(1,143)	84	7	(1,052)	(1,296)	90	(1,206)
Loan impairment	(112)	8	-	(104)	(134)	17	(117)
Other impairment	(30)	-	-	(30)	(125)	(2)	(127)
Profit from associates and joint ventures	57	36	-	93	58	30	88
Profit before taxation	765	(12)	(14)	739	491	(13)	478

Africa region

	Africa region		
	As reported at 30 June 2012	Mauritius restatement	As restated at 30 June 2012
	$million	$million	$million
Operating income	714	21	735
Operating expenses	(392)	(7)	(399)
Loan impairment	(11)	-	(11)
Profit before tax	311	14	325

By geography

	Hong Kong	Singapore	Other Asia Pacific	India	Africa	Americas UK & Europe
	$million	$million	$million	$million	$million	$million
Loans and advances to customers						
As reported at 30 June 2012	51,788	47,981	54,855	23,160	12,093	-
Mortgage restatement	466	1,281	977	293	-	-
Mauritius geographic change	-	-	(28)	-	28	-
Permata restatement	-	-	(3,930)	-	-	-
Restated at 30 June 2012	52,254	49,262	51,874	23,453	12,121	-
Total assets employed						
As reported at 30 June 2012	125,821	95,775	118,997	39,545	19,826	179,272
Mortgage restatement	466	1,281	977	293	-	-
Derivatives restatement	-	-	-	-	-	(9,243)
Mauritius geographic change	-	-	(2,917)	-	2,917	-
Permata restatement	-	-	(4,706)	-	-	57
Restated at 30 June 2012	126,287	97,056	112,351	39,838	22,743	170,086
Customer accounts (Current accounts)						
As reported at 30 June 2012	91,624	64,752	66,196	12,253	8,858	-
Deposit restatement	466	1,281	977	293	-	-
Mauritius geographic change	-	-	(542)	-	542	-
Permata restatement	-	-	(4,150)	-	-	-
Restated at 30 June 2012	92,090	66,033	62,481	12,546	9,400	-
Deposit by banks						
As reported at 30 June 2012	-	-	10,083	-	458	-
Mauritius geographic change	-	-	(20)	-	20	-
Permata restatement	-	-	(84)	-	-	-
Restated at 30 June 2012	-	-	9,979	-	478	-

32. Restatement of prior periods continued

Loans and advances to customers - Risk review disclosure

	Hong Kong $million	Singapore $million	Other Asia Pacific $million	India $million	Africa $million
As reported at June 2012	51,484	53,584	50,656	11,001	6,427
Mortgage restatement	466	1,281	977	293	-
Mauritius segmental change	-	-	(1,018)	-	1,018
Permata restatements	-	-	(3,930)	-	-
Restated at 30 June 2012	51,950	54,865	46,685	11,294	7,445

Reclassification of financial liabilities

	As reported at 30 June 2012			Restatements			Restated at 30 June 2012		
	Trading $million	Designated at fair value through profit or loss $million	Total $million	Trading $million	Designated at fair value through profit or loss $million	Total $million	Trading $million	Designated at fair value through profit or loss $million	Total $million
Deposits by banks	965	74	1,039	(965)	965	-	-	1,039	1,039
Customer accounts	3,189	5,209	8,398	(3,189)	3,189	-	-	8,398	8,398
Debt securities in issue	3,059	1,539	4,598	(3,059)	3,059	-	-	4,598	4,598
Total	7,213	6,822	14,035	(7,213)	7,213	-	-	14,035	14,035

	As reported at 31 December 2012			Restatements			Restated at 31 December 2012		
	Trading $million	Designated at fair value through profit or loss $million	Total $million	Trading $million	Designated at fair value through profit or loss $million	Total $million	Trading $million	Designated at fair value through profit or loss $million	Total $million
Deposits by banks	933	35	968	(933)	933	-	-	968	968
Customer accounts	4,858	7,385	12,243	(4,858)	4,858	-	-	12,243	12,243
Debt securities in issue	3,902	1,359	5,261	(3,902)	3,902	-	-	5,261	5,261
Total	9,693	8,779	18,472	(9,693)	9,693	-	-	18,472	18,472

33. Special purpose entities

The Group uses Special Purpose Entities (SPEs) in the normal course of business across a variety of activities. SPEs are established for specific limited purposes and take a number of legal forms. The main types of activities for which the Group utilises SPEs cover synthetic credit default swaps for portfolio management purposes, managed investment funds (including specialised principal finance funds), asset and other structured finance transactions.

SPEs are only consolidated when the Group has control of the SPE. Control is deemed to exist when the Group is exposed to, or has rights to, variable returns from its involvement with the SPE and has the ability to affect those returns through its power over the SPE. The assessment of power is based on the practical ability to direct the relevant activities of the SPE unilaterally for the Group's own benefit and is subject to reassessment if and when one or more of the elements of control change.

Most of the Group's consolidated SPEs are in respect of the Group's securitised portfolios of residential mortgages (see page 63 of the Risk review).

The total assets of unconsolidated SPEs in which the Group has an interest are set out below:

	30.06.13		30.06.12		31.12.12	
	Total assets	Maximum exposure	Total assets	Maximum exposure	Total assets	Maximum exposure
	$million	$million	$million	$million	$million	$million
Portfolio management vehicles	**1,263**	**45**	1,328	133	1,267	44
Principal Finance Funds[1]	**739**	**177**	758	152	766	181
Structured Finance	**450**	**102**	244	20	464	103
Total	**2,452**	**324**	2,330	305	2,497	328

[1] Committed capital for these funds is $375 million (30 June 2012: $225 million and 31 December 2012: $375 million) of which $45 million (30 June 2012: $144 million and 31 December 2012: $145 million) have been drawn down net of provisions for impairment of $33 million (30 June 2012: $nil million and 31 December 2012: $33 million). During 2013 liquidation proceedings were initiated for a particular fund reducing the Group's committed capital

For the purposes of portfolio management, the Group has entered into synthetic credit default swaps with note-issuing SPEs. The referenced assets remain on the Group's balance sheet as all the credit risk is not transferred to these SPEs. The Group's exposure arises from (a) the capitalised start-up costs in respect of the swap vehicles and (b) interest in the first loss notes and investment in a minimal portion of the mezzanine and senior rated notes issued by the note issuing SPEs. The proceeds of the notes issuance are typically invested in AAA-rated Government securities, which are used to collateralise the SPE's swap obligations to the Group, and to repay the principal to investors at maturity. The SPEs reimburse the Group on actual losses incurred, through the realisation of the collateral security. Correspondingly, the SPEs write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All the funding is committed for the life of these vehicles and hence the Group has no indirect exposure in respect of the vehicles' liquidity position.

In the synthetic securitisation tranches such as those used for portfolio management, the underlying assets are not transferred into the associated SPE. Since the Group continues to own or hold all of the risks and returns relating to these assets and the credit protection afforded by the synthetic securitisation only serves to protect the Group against losses upon the occurrence of certain credit events, the assets are not de-recognised from the Group balance sheet. The assets will be fully de-recognised from the Group balance sheet if all the risks and returns relating to the assets have been transferred to the relevant SPE, and this typically entails a true sale of the assets to the SPE. Alternatively, the assets can be partially de-recognised from the Group balance sheet if a significant portion of risks and returns relating to the assets are transferred to the SPE and only a portion of the assets that commensurate with the retained risk and return of the assets is recognised on the Group balance sheet.

The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure and real estate.

Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more SPEs, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return. The transactions largely relate to the provision of ship finance.

The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the SPEs have Standard Chartered branding.

34. Related party transactions

Directors, connected persons or officers

There were no material transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the 'Hong Kong Listing Rules').

Associates

The Group has loans and advances to China Bohai Bank of $16 million at 30 June 2013 (30 June 2012: $214 million; 31 December 2012: $32 million) and amounts payable of $14 million (30 June 2012: $9 million; 31 December 2012: $16 million).

Except as disclosed, the Group did not have any other amounts due to or from associate investments.

Joint ventures

The Group has loans and advances to PT Bank Permata Tbk totalling $23 million at 30 June 2013 (30 June 2012: $4 million; 31 December 2012: $18 million), and deposits of $61 million (30 June 2012: $26 million; 31 December 2012: $23 million).

The Group has an investment in subordinated debt issued by PT Bank Permata Tbk of $128 million (30 June 2012: $137 million and 31 December 2012: $128 million).

35. Post balance sheet events

On 20 March 2013, the UK government announced a further reduction in the main rate of UK corporation tax rate of one percent with effect from 1 April 2015, in addition to the stepped reductions as previously announced. The combined effect of the reductions is to lower the main rate of UK corporation tax to 23 per cent in 2013-14, 21 per cent in 2014-15 and 20 per cent in 2015-16.

At 30 June 2013, only the tax rate change for 2013-14 to 23 percent had been substantively enacted. The rate changes for both 2014-15 and 2015-16 were contained within the UK Finance Act 2013 which was substantively enacted on 2 July 2013 and enacted on 17 July 2013. Accordingly these changes have not been reflected in this half year report. Had these changes been substantively enacted at the balance sheet date, the Group estimates that the UK deferred tax assets for the current period would have reduced by $26 million.

36. Statutory accounts

The information in this half year report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This document was approved by the Board on 6 August 2013. The statutory accounts for the year ended 31 December 2012 have been reported by the Company's auditors and delivered to the Registrar of Companies in England and Wales. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

37. Corporate governance

The directors confirm that, throughout the period, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit Committee. The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Hong Kong Listing Rules and that the directors of the Company have complied with this code of conduct throughout the period.

38. UK and Hong Kong accounting requirements

As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between EU endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards. EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the EU.

Standard Chartered PLC – Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Richard Meddings

R H Meddings
Group Finance Director

6 August 2013

Independent review report by KPMG Audit Plc to Standard Chartered PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 set out on pages 93 to 157, which comprises the condensed consolidated interim balance sheet, the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

John Hughes
for and on behalf of KPMG Audit Plc
Chartered Accountants
London
6 August 2013

A. Remuneration

Performance and reward philosophy and principles

Our performance, reward and benefits arrangements support and drives our business strategy and reinforce our values in the context of a clearly articulated risk appetite and a One Bank framework, under which we apply a consistent approach to reward for all employees. Our distinctive culture is underpinned by the importance we place on our values as part of compensation decision-making. We believe that performance and related reward outcomes should be a consequence of 'what' an employee has achieved as well as 'how' they have achieved it.

Our approach:

- Supports a strong performance-oriented culture, ensuring that individual reward and incentives are aligned with: (i) the performance and behaviour of the individual (ii) the performance of the business; and (iii) the interests of shareholders
- Ensures a competitive reward package that reflects our international nature and enable us to attract, retain and motivate our employees
- Reflects the fact that many of our employees bring international experience and expertise, and that we recruit from a global marketplace
- Encourages an appropriate mix of fixed and variable compensation based on (i) the individual's accountability and (ii) the individual's and their business' risk profile

The Remuneration Committee has oversight of all performance and reward policies for Standard Chartered employees. It is responsible for setting the principles and governance framework for all compensation decisions.

Employees have the opportunity to receive an element of performance-related compensation subject to their contractual entitlement. Typically the higher the total compensation, the greater the proportion delivered in variable form (either through a cash award, deferred shares/cash and/or performance shares).

B. Group Share Plans

2011 Standard Chartered Share Plan (the 2011 Plan)

Approved by shareholders in May 2011 this is the Group's main share plan, applicable to all employees with the flexibility to provide a variety of award types. The 2011 Plan is designed to deliver performance shares, deferred awards and restricted shares, giving us sufficient flexibility to meet the challenges of the changing regulatory and competitive environment. Discretionary share awards are a key part of both executive directors' and senior management's variable compensation and their significance as a proportion of potential total remuneration is one of the strongest indicators of our commitment to pay for sustainable performance ensuring there is an appropriate return for the risk taken and that the measure is aligned with the Group's risk appetite.

Performance shares are subject to a combination of three performance measures, Total Shareholder Return (TSR), Earnings Per Share (EPS) and Return on Risk Weighted Assets. The weighting between the three elements is split equally, one third of the award depending on each measure, assessed independently. Performance share awards for executive directors are currently subject to an annual limit of 400 per cent of base salary in face value terms and delivered as nil cost options.

Deferred awards are used to deliver the deferred portion of annual performance awards, in line with both market practice and the requirements of the PRA. These awards are subject to a three year deferral period, vesting equally one third on each of the first, second and third anniversaries. These awards are not subject to an annual limit to ensure that regulatory requirements relating to deferral levels can be met and in line with market practice of our competitors. Deferred awards will not be subject to any further performance criteria, although the Group's claw-back policy will apply.

Restricted share awards which are made outside of the annual performance process, as additional incentive or retention mechanisms, are provided as restricted shares under the 2011 Plan. These awards vest in equal instalments on the second and the third anniversaries of the award date. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance conditions.

The remaining life of the plan during which new awards can be made is eight years.

2000 Executive Share Option Scheme (2000 ESOS) – now closed to new grants

The Group previously operated the 2000 ESOS for executive directors and selected senior managers and there remain outstanding vested awards. Executive share options to purchase ordinary shares in Standard Chartered PLC were exercisable after the third, but before the tenth, anniversary of the date of grant subject to EPS performance criteria being satisfied. The exercise price per share is the share price at the date of grant.

2001 Performance Share Plan (2001 PSP) – now closed to new grants

The Group's previous plan for delivering performance shares was the 2001 PSP and there remain outstanding vested and unvested awards. Under the 2001 PSP half the award is dependent upon TSR performance and the balance is subject to a target of defined EPS growth. Both measures use the same three-year period and are assessed independently.

1997/2006 Restricted Share Scheme (2006 RSS)/ 2007 Supplementary Restricted Share Scheme (2007 SRSS)

The Group's previous plans for delivering restricted shares were the 2006 RSS and 2007 SRSS both now replaced by the 2011 Plan. There remain unvested and vested awards outstanding under these plans. Awards were generally in the form of nil cost options and do not have any performance conditions. Generally deferred restricted share awards vest equally over three years and for non-deferred awards half vests two years after the date of grant and the balance after three years. No further awards will be granted under the 2006 RSS and 2007 SRSS.

2004 Deferred Bonus Plan (DBP)
Under the DBP, shares are conditionally awarded as part of certain executive directors' annual performance award. Awards under the DBP are made in very limited circumstances to a small number of employees. Further details are contained in the 2012 Directors' remuneration report. The remaining life of the plan is one year.

All Employee Sharesave Plan (Sharesave)
Under the Sharesave plans, employees have the choice of opening a savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the Sharesave plans. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries the Group offers an equivalent cash-based plan to its employees. The remaining life of the Sharesave plans is one year.

A new sharesave scheme, the Standard Chartered 2013 Sharesave Plan was approved by Shareholders at the AGM in May 2013 and new sharesave invitations will be made under this plan from September 2013.

Valuation of options
Details of the valuation models used in determining the fair values of options granted under the Group's share plans are detailed in the Group's 2012 Annual Report and Accounts.

Reconciliation of option movements for the 6 months to 30 June 2013

	2011 Plan [1]									
	Performance Shares	Deferred / Restricted shares	PSP [1]	RSS [1]	SRSS [1]	DBP [1,2]	ESOS	Weighted average exercise price (£)	Sharesave	Weighted average exercise price (£)
Outstanding at 1 January	9,075,667	10,598,950	2,221,257	16,685,298	2,870,847	70,255	351,044	7.46	14,076,948	11.59
Granted	4,528,078[3]	7,943,387[4]	-	258,870[5]	-	-	-	-	-	-
Lapsed	(123,420)	(160,230)	(72,916)	(208,899)	(5,889)	-	(22,610)	5.82	(674,987)	11.40
Exercised	-	(2,545,939)	(1,399,182)	(7,981,324)	(1,334,979)	(70,255)	(215,754)	7.41	(914,801)	10.97
Outstanding at 30 June	**13,480,325**	**15,836,168**	**749,159**	**8,753,945**	**1,529,979**	**-**	**112,680**	**7.90**	**12,487,160**	**11.65**
Exercisable at 30 June	-	929,800	697,088	5,721,609	1,111,715	-	112,680	7.90	-	-
Range of exercise prices (£)	-	-	-	-	-	-	7.89 to 8.08	-	-	-
Intrinsic value of vested but not exercised options ($million)	-	1.1	1.4	10.5	2.4	-	0.1	-	-	-
Weighted average contractual remaining life (years)	-	5.65	5.38	3.78	3.29	-	0.69	-	-	-
Weighted average share price for options exercised during the period (£)	-	17.15	16.65	17.44	17.47	16.12	17.35	-	17.08	-

Notes:

1 Employees do not contribute towards the cost of these awards
2 The opening figure at 1 January 2013 has been restated
3 4,506,380 granted on 11 March 2013 and 21,698 granted on 19 June 2013
4 7,478,046 granted on 11 March 2013, 301,575 granted on 13 March 2013, 159,388 granted on 19 June 2013, 4,310 granted on 20 June 2013 and 68 granted on 22 June 2013
5 Granted on 10 March 2013 and relates to notional dividend applied to unvested portion of awards

C. Directors' interests in ordinary shares [1,2,3]

	At 1 January 2013 total interests	Personal interests	Family interests	At 30 June 2013 total interests
Chairman :				
Sir John Peace	7,543	**7,543**	-	**7,543**
Executive directors :				
P A Sands	213,852	**224,661**	-	**224,661**
R H Meddings	121,552	**68,188**	60,776	**128,964**
A M G Rees	138,951	**169,835**	-	**169,835**
S P Bertamini	123,980	**123,980**	-	**123,980**
J S Bindra [4]	168,142	**178,776**	-	**178,776**
V Shankar	151,598	**150,539**	-	**150,539**
Independent non-executive directors :				
O P Bhatt	2,000	**2,000**	-	**2,000**
Dr K M Campbell [5]	-	**-**	-	**-**
Dr L C Y Cheung	2,000	**2,000**	-	**2,000**
R Delbridge [6]	12,035	**12,798**	-	**12,798**
J F T Dundas	3,141	**3,141**	-	**3,141**
M Ewing	2,000	**2,037**	-	**2,037**
V F Gooding [6]	4,820	**5,903**	-	**5,903**
Dr Han Seung-Soo KBE	2,413	**2,465**	-	**2,465**
S J Lowth	8,083	**9,262**	-	**9,262**
R H P Markham	4,248	**4,339**	-	**4,339**
R Markland	3,848	**3,931**	-	**3,931**
J G H Paynter	10,000	**10,000**	-	**10,000**
P D Skinner	16,005	**16,005**	-	**16,005**
O H J Stocken	17,915	**17,915**	-	**17,915**
Dr L H Thunell	6,200	**6,335**	-	**6,335**

Notes:

1 The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares

2 No director had an interest in the Company's preference shares or loan stock, nor the shares or loan stocks of any subsidiary or associated undertaking of the Group

3 No director had any corporate interests in the Company's ordinary shares

4 153,000 of these shares are subject to a charge from 28 December 2011

5 Kurt Campbell joined the Board on 18 June 2013 and held no shares as of reporting date

6 Richard Delbridge and Val Gooding stepped down from the Board on 1 May 2013. Their total interests represent their holding as at 1 May 2013

2004 Deferred Bonus Plan ("DBP")

Director	Shares held in trust at 1 January 2013	Shares awarded during the period[1]	Shares awarded in respect of notional dividend	Awards exercised in the period	Shares held in trust at 30 June 2013
A M G Rees	70,255	-	-	70,255	-

Notes:

1 Mike Rees was granted a final award under the DBP in March 2012 in line with the arrangements put in place to deliver the outstanding deferred elements of his 2009 Annual Performance Award (APA)

2 Under the 2004 DBP, shares were conditionally awarded as part of the executive director's deferred element of their APA. The shares are held in an employee benefit trust and vest one year after the date of acquisition

Share awards

Sharesave

Director	Plan	Grant date	As at 1 January 2013	Exercise Price (Pence)	Exercised	Lapsed	As at 30 June 2013	Period of exercise
P A Sands	Sharesave	26-Sep-07	1,601	1,048	1,601	–	**–**	2012-2013
P A Sands	Sharesave	01-Oct-12	789	1,140	-	-	**789**	2015-2016
S P Bertamini	Sharesave	09-Oct-09	1,405	1,104	–	–	**1,405**	2014-2015
J S Bindra	Sharesave	09-Oct-09	1,407	1,104	–	–	**1,407**	2014-2015
R H Meddings	Sharesave	04 Oct-10	614	1,463	–	–	**614**	2013-2014

Other share awards

Director	Plan	Grant date	As at 1 January 2013	Awarded during the period	Exercised	Lapsed	As at 30 June 2013	Period of exercise
Sir John Peace	RSS	28-Sep-09	43,105	-	-	-	**43,105**	2011-2016
	RSS	21-Sep-10	21,552	-	-	-	**21,552**	2012-2017
	RSA	22-Jun-11	14,863	-	-	-	**14,863**	2013-2018
	RSA	20-Sep-11	18,491	-	-	-	**18,491**	2013-2018
	RSA	13-Mar-12	15,974	-	-	-	**15,974**	2014-2019
	RSA	21-Dec-12	15,782	-	-	-	**15,782**	2014-2019
	RSA(1)	11-Mar-13	-	13,888	-	-	**13,888**	2015-2020
P A Sands	PSP(2)	11-Mar-10	193,875	-	182,572	11,303	-	2013-2020
	PSA	06-May-11	211,526	-	-	-	**211,526**	2014-2021
	PSA	13-Mar-12	239,127	-	-	-	**239,127**	2015-2022
	PSA	11-Mar-13	-	186,329	-	-	**186,329**	2016-2023
	Deferred RSS	11-Mar-10	30,850	-	30,850	-	-	2012-2017
	Deferred RSS(3)	10-Mar-11	53,052	1,767	27,405	-	**27,414**	2012-2018
	Deferred RSA(4)	13-Mar-12	86,580	2,883	29,818	-	**59,645**	2013-2019
	Deferred RSA(1)	11-Mar-13	-	67,399	-	-	**67,399**	2014-2020
S P Bertamini	PSP(2)	11-Mar-10	104,393	-	98,306	6,087	-	2013-2020
	PSA	06-May-11	113,427	-	-	-	**113,427**	2014-2021
	PSA	13-Mar-12	127,809	-	-	-	**127,809**	2015-2022
	PSA	11-Mar-13	-	104,308	-	-	**104,308**	2016-2023
	Deferred RSS	11-Mar-10	13,497	-	13,497	-	-	2012-2017
	Deferred RSS(3)	10-Mar-11	25,767	858	13,311	-	**13,314**	2012-2018
	Deferred RSA(4)	13-Mar-12	47,000	1,565	16,187	-	**32,378**	2013-2019
	Deferred RSA(1)	11-Mar-13	-	37,444	-	-	**37,444**	2014-2020
J S Bindra	PSP(2)	11-Mar-10	89,480	-	84,263	5,217	-	2013-2020
	PSA	06-May-11	101,164	-	-	-	**101,164**	2014-2021
	PSA	13-Mar-12	119,563	-	-	-	**119,563**	2015-2022
	PSA	11-Mar-13	-	100,742	-	-	**100,742**	2016-2023
	Deferred RSS	11-Mar-10	13,497	-	13,497	-	-	2012-2017
	Deferred RSS(3)	10-Mar-11	25,767	858	13,311	-	**13,314**	2012-2018
	Deferred RSA(4)	13-Mar-12	44,527	1,483	15,334	-	**30,676**	2013-2019
	Deferred RSA(1)	11-Mar-13	-	37,444	-	-	**37,444**	2014-2020
R H Meddings	PSP(2)	11-Mar-10	119,307	-	112,351	6,956	-	2013-2020
	PSA	06-May-11	144,083	-	-	-	**144,083**	2014-2021
	PSA	13-Mar-12	162,854	-	-	-	**162,854**	2015-2022
	PSA	11-Mar-13	-	126,775	-	-	**126,775**	2016-2023
	Deferred RSS	11-Mar-10	21,210	-	21,210	-	-	2012-2017
	Deferred RSS(3)	10-Mar-11	36,379	1,211	18,792	-	**18,798**	2012-2018
	Deferred RSA(4)	13-Mar-12	59,369	1,977	20,446	-	**40,900**	2013-2019
	Deferred RSA(1)	11-Mar-13	-	46,216	-	-	**46,216**	2014-2020

Other share awards continued

Director	Plan	Grant date	As at 1 January 2013	Awarded during the period	Exercised	Lapsed	As at 30 June 2013	Period of exercise
A M G Rees	PSP[2]	11-Mar-10	143,169	-	134,822	8,347	-	2013-2020
	PSA	06-May-11	168,608	-	-	-	168,608	2014-2021
	PSA	13-Mar-12	192,745	-	-	-	192,745	2015-2022
	PSA	11-Mar-13	-	150,489	-	-	150,489	2016-2023
	Deferred RSS	11-Mar-10	35,792	-	35,792	-	-	2012-2017
	Deferred RSS[3]	10-Mar-11	166,734	5,552	86,130	-	86,156	2012-2018
	Deferred RSA[4]	13-Mar-12	247,373	8,238	85,195	-	170,416	2013-2019
	Deferred RSA[1]	11-Mar-13	-	192,570	-	-	192,570	2014-2020
V Shankar	PSP[2]	11-Mar-10	59,653	-	56,175	3,478	-	2013-2020
	PSA	06-May-11	76,640	-	-	-	76,640	2014-2021
	PSA	13-Mar-12	92,764	-	-	-	92,764	2015-2022
	PSA	11-Mar-13	-	106,983	-	-	106,983	2016-2023
	Deferred RSS	11-Mar-10	18,743	-	18,743	-	-	2012-2017
	Deferred RSS[3,5]	10-Mar-11	60,630	2,019	31,320	-	31,329	2012-2018
	Deferred SRSS	11-Mar-10	41,511	-	41,511	-	-	2012-2017
	Deferred RSA[4]	13-Mar-12	79,159	2,636	27,262	-	54,533	2013-2019
	Deferred RSA[1]	11-Mar-13	-	41,723	-	-	41,723	2014-2020

Notes:

1 Market value on date of award (11 March 2013) was 1,822 pence

2 The performance conditions attached to these awards have been partially met and the awards can be exercised, in part, from 11 March 2013. The number of shares lapsed indicates the portion of the award which did not satisfy the performance conditions

3 Notional dividend awarded 10 March 2013, market value on date of award was 1,800 pence

4 Notional dividend awarded 13 March 2013, market value on date of award was 1,721 pence

5 The closing balance for this award in the 2012 accounts was overstated by 13 shares and the opening balance for 2013 has therefore been restated

D. Share price information

The middle market price of an ordinary share at the close of business on 28 June 2013 was 1,427 pence. The share price range during the first half of 2013 was 1,395 pence to 1,837.50 pence (based on the closing middle market prices).

E. Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO).

As a result of this exemption, shareholders no longer have an obligation under the SFO to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

F. Code for Financial Reporting Disclosure

The British Bankers' Association Code for Financial Reporting Disclosure sets out five disclosure principles together with supporting guidance. The principles are that UK banks will: provide high quality, meaningful and decision useful disclosures; review and enhance their financial instrument disclosures for key areas of interest; assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited. The Group's interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with the Code's principles.

G. Shareholder information

2013 interim dividend	
Ex-dividend date	14 August 2013*
Record date for dividend	16 August 2013*
Dividend payment date	17 October 2013

2013 final dividend	(provisional only)
Results and dividend announcement date	5 March 2014
Preference shares	**Next half-yearly dividend**
7 3/8 per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2013
8 ¼ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2013
6.409 per cent Non-Cumulative preference shares of $5 each	30 July 2013
7.014 per cent Non-Cumulative preference shares of $5 each	30 July 2013
8.125 per cent Non-Cumulative preference shares of $5 each	27 November 2013

* For shareholders on the Hong Kong branch register the ex-dividend date was 15 August 2013 and the record date was 19 August 2013. The dates changed due to issuance of typhoon signal no.8 on 14 August 2013 in accordance with Practice Note 8 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Previous dividend payments (not adjusted for rights issue)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under the share dividend scheme
Interim 2002	15 October 2002	14.10c/9.023p	£6.537/$10.215
Final 2002	13 May 2003	32.9c/20.692p/ HK$2.566	£6.884/$10.946
Interim 2003	10 October 2003	15.51c/9.3625p/HK$1.205	£8.597/$14.242
Final 2003	14 May 2004	36.49c/20.5277p/HK$2.8448	£8.905/$15.830
Interim 2004	8 October 2004	17.06c/9.4851p/HK$1.3303	£9.546/$17.16958
Final 2004	13 May 2005	40.44c/21.145p/HK$3.15156	£9.384/$17.947
Interim 2005	14 October 2005	18.94c/10.7437p/HK$1.46911	£11.878/$21.3578
Final 2005	12 May 2006	45.06c/24.9055p/HK$3.49343	£14.2760/$24.77885
Interim 2006	11 October 2006	20.83c/11.14409p/HK$1.622699	£13.2360/$25.03589
Final 2006	11 May 2007	50.21c/25.17397p/HK$3.926106	£14.2140/$27.42591
Interim 2007	10 October 2007	23.12c/11.39043p/HK$1.794713	£15.2560/$30.17637
Final 2007	16 May 2008	56.23c/28.33485p/HK$4.380092	£16.2420/$32.78447
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124*	£17.394/$27.190
Final 2010	11 May 2011	46.45c/28.2725p/HK$3.623404/INR1.9975170*	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125*	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015*	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950*	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575*	£17.40/$26.28792

* The INR dividend is per Indian Depository Receipt

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and you will still receive your dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information please visit our website at: http://investors.standardchartered.com/mypage.cfm or contact the shareholder helpline on 0870 702 0138.

Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. Further information can be obtained from the Company's Registrars or from ShareGift on 020 7930 3737 or from www.sharegift.org. There is no implication for Capital Gains Tax (no gain no loss) when you donate shares to charity and UK tax payers may be able to claim income tax relief on the value of their donation.

Bankers' Automated Clearing System (BACS)
Dividends can be paid straight into your bank or building society account. Please register online at www.investorcentre.co.uk contact our registrar for a mandate form.

Registrars and shareholder enquiries
If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ. There is a shareholder helpline on 0870 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. You can check your shareholding at: www.computershare.com/hk/investors

Chinese translation
If you would like a Chinese version of this Half year report, please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本半年報告之中文譯本可向香港中央證劵登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心17M樓。
Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If you hold Indian Depository Receipts and you have enquiries, please contact Karvy Computershare Private Limited, 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 001, India.

If there is a dispute between any translation and the English version of this Half year report, the English text shall prevail.

Taxation
Information on taxation applying to dividends paid to you if you are a shareholder in the United Kingdom, Hong Kong and the United States will be sent to you with your dividend documents.

H. Convenience translation of selected financial statements into Indian Rupees

In compliance with clause 37(3) of Indian Depository Receipts Listing agreement, the condensed interim financial statements on pages 93 to 97 are presented in Indian rupees (INR) using a US dollar / Indian rupee exchange rate of 59.6995 as at 30 June 2013 as published by Reserve Bank of India. Amounts have been translated using the said exchange rate including totals and sub-totals and any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Condensed consolidated interim income statement (Translated to INR)

For the six months ended 30 June 2013

	6 months ended 30.06.13 Rs. million	6 months ended 30.06.12 Rs. million	6 months ended 31.12.12 Rs. million
Interest income	**532,161**	530,370	533,893
Interest expense	**(197,964)**	(209,545)	(211,097)
Net interest income	**334,198**	320,825	322,795
Fees and commission income	**139,577**	131,816	141,309
Fees and commission expense	**(14,507)**	(15,223)	(14,388)
Net trading income	**100,594**	93,131	70,386
Other operating income	**36,417**	28,895	41,790
Non-interest income	**262,081**	238,619	239,096
Operating income	**596,279**	559,444	561,892
Staff costs	**(202,799)**	(197,367)	(190,203)
Premises costs	**(25,432)**	(24,656)	(26,865)
General administrative expenses	**(51,342)**	(50,207)	(111,399)
Depreciation and amortisation	**(20,955)**	(19,044)	(20,358)
Operating expenses	**(300,527)**	(291,274)	(348,824)
Operating profit before impairment losses and taxation	**295,751**	268,170	213,068
Impairment losses on loans and advances and other credit risk provisions	**(43,581)**	(34,327)	(37,073)
Other impairment			
Goodwill impairment	**(59,700)**	-	-
Other	**(657)**	(4,418)	(7,283)
Profit from associates and joint ventures	**6,686**	5,552	5,313
Profit before taxation	**198,501**	234,977	174,024
Taxation	**(65,013)**	(61,849)	(49,551)
Profit for the period	**133,488**	173,129	124,473
Profit attributable to:			
Non-controlling interests	**3,283**	2,627	3,224
Parent company shareholders	**130,205**	170,502	121,250
Profit for the period	**133,488**	173,129	124,473
	Rupees	Rupees	Rupees
Earnings per share:			
Basic earnings per ordinary share	**52.6**	70.2	49.1
Diluted earnings per ordinary share	**52.1**	69.5	48.6
Dividends per ordinary share:			
Interim dividend declared	**17.19**	-	-
Interim dividend paid	**-**	16.26	-
Final dividend paid	**-**	-	33.89
	Rs. million	Rs. million	Rs. million
Total dividend:			
Total interim dividend payable	**41,551**	-	-
Total interim dividend (paid 11 October 2012)	**-**	38,805	-
Total final dividend (paid 14 May 2013)	**-**	-	81,550

Condensed consolidated interim statement of comprehensive income (Translated to INR)

For the six months ended 30 June 2013

	6 months ended 30.06.13 Rs.million	6 months ended 30.06.12 Rs.million	6 months ended 31.12.12 Rs.million
Profit for the period	**133,488**	173,129	124,473
Other comprehensive income :			
Items that will not be reclassified to Income statement:			
Actuarial gains/(losses) on retirement benefit obligations	**2,627**	(4,537)	-
Items that may be reclassified subsequently to Income statement:			
Exchange differences on translation of foreign operations:			
Net (losses)/gains taken to equity	**(66,386)**	(13,134)	47,043
Net gains/(losses) on net investment hedges	**4,836**	(239)	(4,119)
Share of other comprehensive income from associates	**(179)**	60	179
Available-for-sale investments:			
Net valuation (losses)/gains taken to equity	**(6,865)**	18,925	43,999
Reclassified to income statement	**(12,537)**	(8,776)	(11,283)
Cash flow hedges:			
Net (losses)/gains taken to equity	**(9,612)**	2,627	5,313
Reclassified to income statement	**(119)**	-	(1,194)
Taxation relating to components of other comprehensive income	**3,821**	(2,806)	(5,074)
Other comprehensive income for the period, net of taxation	**(84,415)**	(7,880)	74,863
Total comprehensive income for the period	**49,073**	165,248	199,337
Total comprehensive income attributable to:			
Non-controlling interests	**2,328**	60	4,955
Parent company shareholders	**46,745**	165,189	194,382
	49,073	165,248	199,337

Condensed consolidated interim balance sheet (Translated to INR)

As at 30 June 2013

	30.06.13 Rs.million	30.06.12 Rs.million	31.12.12 Rs.million
Assets			
Cash and balances at central banks	**3,439,945**	3,025,750	3,614,029
Financial assets held at fair value through profit or loss	**1,679,645**	1,656,243	1,616,424
Derivative financial instruments	**3,256,488**	3,136,015	2,954,827
Loans and advances to banks	**4,376,272**	4,413,584	4,047,447
Loans and advances to customers	**17,035,431**	16,265,308	16,694,249
Investment securities	**5,660,229**	5,265,197	5,923,683
Other assets	**2,271,029**	1,800,955	1,704,301
Current tax assets	**11,821**	15,999	12,835
Prepayments and accrued income	**160,413**	160,472	152,353
Interests in associates and joint ventures	**99,221**	84,057	91,161
Goodwill and intangible assets	**364,167**	421,240	435,926
Property, plant and equipment	**403,509**	332,825	395,211
Deferred tax assets	**43,939**	51,342	40,357
Total assets	**38,802,108**	36,628,986	37,682,802
Liabilities			
Deposits by banks	**2,687,194**	2,671,791	2,174,674
Customer accounts	**22,167,260**	20,909,630	22,260,391
Financial liabilities held at fair value through profit or loss	**1,340,612**	1,138,290	1,376,909
Derivative financial instruments	**3,210,699**	2,993,572	2,817,339
Debt securities in issue	**3,503,764**	3,451,467	3,341,918
Other liabilities	**1,714,510**	1,548,724	1,449,802
Current tax liabilities	**76,774**	70,804	63,640
Accruals and deferred income	**251,454**	249,007	287,214
Subordinated liabilities and other borrowed funds	**1,098,053**	979,549	1,109,694
Deferred tax liabilities	**10,627**	8,597	9,612
Provisions for liabilities and charges	**8,776**	9,850	12,835
Retirement benefit obligations	**24,536**	34,566	29,312
Total liabilities	**36,094,258**	34,065,848	34,933,342
Equity			
Share capital	**72,356**	71,401	72,057
Reserves	**2,600,271**	2,454,187	2,636,031
Total parent company shareholders' equity	**2,672,627**	2,525,587	2,708,089
Non-controlling interests	**35,223**	37,551	41,372
Total equity	**2,707,850**	2,563,138	2,749,460
Total equity and liabilities	**38,802,108**	36,628,986	37,682,802

Condensed consolidated interim statement of changes in equity (Translated to INR)

For the six months ended 30 June 2013

	Share capital	Share premium account	Capital and Capital redemption reserve[1]	Merger reserve	Available -for-sale reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Parent company shareholders equity	Non-controlling interests	Total
	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million
At 1 January 2012	71,162	324,288	1,075	741,527	(6,507)	(776)	(83,221)	1,383,058	2,430,605	39,461	2,470,067
Profit for the period	-	-	-	-	-	-	-	170,502	170,502	2,627	173,129
Other comprehensive income	-	-	-	-	8,776	2,328	(12,835)	(3,582)[2]	(5,313)	(2,567)	(7,880)
Distributions	-	-	-	-	-	-	-	-	-	(1,970)	(1,970)
Shares issued, net of expenses	60	1,313	-	-	-	-	-	-	1,373	-	1,373
Net own shares adjustment	-	-	-	-	-	-	-	(16,955)	(16,955)	-	(16,955)
Share option expense, net of taxation	-	-	-	-	-	-	-	10,806	10,806	-	10,806
Capitalised on scrip dividend	179	(179)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(65,431)	(65,431)	-	(65,431)
At 30 June 2012	71,401	325,422	1,075	741,527	2,269	1,552	(96,056)	1,478,398	2,525,587	37,551	2,563,138
Profit for the period	-	-	-	-	-	-	-	121,250	121,250	3,224	124,473
Other comprehensive income	-	-	-	-	26,268	3,283	43,222	358[2]	73,132	1,731	74,863
Distributions	-	-	-	-	-	-	-	-	-	(1,612)	(1,612)
Shares issued, net of expenses	60	2,089	-	-	-	-	-	-	2,149	-	2,149
Net own shares adjustment	-	-	-	-	-	-	-	(6,089)	(6,089)	-	(6,089)
Share option expense, net of taxation	-	-	-	-	-	-	-	10,627	10,627	-	10,627
Capitalised on scrip dividend	597	(597)	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(18,567)	(18,567)	-	(18,567)
Other increases	-	-	-	-	-	-	-	-	-	478	478
At 31 December 2012	**72,057**	**326,914**	**1,075**	**741,527**	**28,536**	**4,836**	**(52,834)**	**1,585,977**	**2,708,089**	**41,372**	**2,749,460**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**130,205**	**130,205**	**3,283**	**133,488**
Other comprehensive income	**-**	**-**	**-**	**-**	**(16,537)**	**(7,880)**	**(61,073)**	**2,030**[2]	**(83,460)**	**(955)**	**(84,415)**
Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,477)**	**(8,477)**
Shares issued, net of expenses	**239**	**1,015**	**-**	**-**	**-**	**-**	**-**	**-**	**1,254**	**-**	**1,254**
Net own shares adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,701)**	**(7,701)**	**-**	**(7,701)**
Share option expense, net of taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,149**	**6,149**	**-**	**6,149**
Capitalised on scrip dividend	**60**	**(60)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends, net of scrip	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(81,908)**	**(81,908)**	**-**	**(81,908)**
At 30 June 2013	**72,356**	**327,870**	**1,075**	**741,527**	**12,000**	**(3,045)**	**(113,907)**	**1,634,751**	**2,672,627**	**35,223**	**2,707,850**

1 Includes capital reserve of Rs.298 million and capital redemption reserve of Rs.776 million

2 For the period ended 30 June 2013, comprises actuarial losses, net of taxation and non-controlling interests of Rs.2,209million (30 June 2012: losses of Rs.3,642 million and 31 December 2012: gains of Rs.179 million) and share of comprehensive income from associates of Rs.(179) million (30 June 2012: Rs.60 million and 31 December 2012: Rs.179 million)

Condensed consolidated interim cash flow statement (Translated to INR)

For the six months ended 30 June 2013

	6 months ended 30.06.13 Rs.million	6 months ended 30.06.12 Rs.million	6 months ended 31.12.12 Rs.million
Cash flows from operating activities			
Profit before taxation	**198,501**	234,977	174,024
Adjustments for:			
Non-cash items and other adjustments included within income statement	**124,115**	65,729	78,803
Change in operating assets	**(2,137,720)**	(199,396)	(302,617)
Change in operating liabilities	**1,608,424**	787,257	345,242
Contributions to defined benefit schemes	**(4,597)**	(2,686)	(9,433)
UK and overseas taxes paid, net of refund	**(49,909)**	(57,371)	(48,118)
Net cash (used in)/from operating activities	**(261,185)**	828,510	237,903
Net cash flows from investing activities			
Purchase of property, plant and equipment	**(5,313)**	(4,358)	(5,313)
Disposal of property, plant and equipment	**3,224**	10,686	955
Acquisition of investment in subsidiaries and associates, net of cash acquired	**-**	(239)	(3,522)
Purchase of investment securities	**(4,348,452)**	(4,218,188)	(5,147,649)
Disposal and maturity of investment securities	**4,467,194**	4,033,537	4,642,412
Dividends received from investment in associates and joint ventures	**239**	776	60
Net cash from/(used in) investing activities	**116,892**	(177,785)	(513,058)
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	**1,254**	1,373	2,149
Purchase of own shares	**(9,194)**	(18,865)	(6,507)
Exercise of share options through ESOP	**1,492**	1,910	418
Interest paid on subordinated liabilities	**(29,372)**	(30,029)	(29,014)
Gross proceeds from issue of subordinated liabilities	**164,174**	62,744	139,637
Repayment of subordinated liabilities	**(100,832)**	(77,788)	(23,760)
Interest paid on senior debts	**(29,850)**	(32,238)	(19,522)
Gross proceeds from issue of senior debts	**253,842**	711,857	(28,118)
Repayment of senior debts	**(143,637)**	(365,480)	10,985
Dividends paid to non-controlling interests and preference shareholders, net of scrip	**(11,462)**	(5,015)	(4,597)
Dividends paid to ordinary shareholders, net of scrip	**(78,923)**	(62,386)	(15,582)
Net cash from financing activities	**17,492**	186,083	26,089
Net (decrease)/increase in cash and cash equivalents	**(126,802)**	836,808	(249,066)
Cash and cash equivalents at beginning of the period	**4,747,185**	4,153,055	4,971,894
Effect of exchange rate movements on cash and cash equivalents	**(53,909)**	(17,970)	24,357
Cash and cash equivalents at end of the period	**4,566,474**	4,971,894	4,747,185

I. Summary of significant differences between Indian GAAP and IFRS

The consolidated financial statements of the Group for the period ended 30 June 2013 with comparatives as at 30 June 2012 and 31 December 2012 are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

IFRS differs in certain significant respects from Indian Generally Accepted Accounting Principles (GAAP). Such differences involve methods for measuring the amounts shown in the financial statements of the Group, as well as additional disclosures required by Indian GAAP.

Set out below are descriptions of certain accounting differences between IFRS and Indian GAAP that could have a significant effect on profit attributable to parent company shareholders for the period ended 30 June 2013, 31 December 2012 and 30 June 2012 and total parent company shareholders' equity as at the same date. This section does not provide a comprehensive analysis of such differences. In particular, this description considers only those Indian GAAP pronouncements for which adoption or application is required in financial statements for period ended on or prior to 30 June 2013. The Group has not quantified the effect of differences between IFRS and Indian GAAP, nor prepared consolidated financial statements under Indian GAAP, nor undertaken a reconciliation of IFRS and Indian GAAP financial statements. Had the Group undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences may have come to its attention which are not identified below. Accordingly, the Group does not provide any assurance that the differences identified below represent all the principal differences between IFRS and Indian GAAP relating to the Group. Furthermore, no attempt has been made to identify future differences between IFRS and Indian GAAP. In making an investment decision, potential investors should consult their own professional advisers for an understanding of the differences between IFRS and Indian GAAP and how those differences may have affected the financial results of the Group. The summary does not purport to be complete and is subject and qualified in its entirety by reference to the pronouncements of the International Accounting Standards Board (IASB), together with the pronouncements of the Indian accounting profession.

Changes in accounting policy

IFRS (IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

Changes in accounting policy are applied retrospectively. Comparatives are restated and the effect of period(s) not presented is adjusted against opening retained earnings of the earliest year presented. Policy changes made on the adoption of a new standard are made in accordance with that standard's transitional provisions.

Indian GAAP (AS 5 Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies)

The cumulative amount of the change is included in the income statement for the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact disclosed.

Where a change in accounting policy has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such an amount is not ascertainable this fact should be indicated.

Functional and presentation currency

IFRS (IAS 21 The Effects of Changes in Foreign Exchange Rates)

An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency.

Assets and liabilities are translated at the closing rate at the date of that statement of financial position. Income statement items are translated at the exchange rate at the date of transaction or at average rates. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group is US dollars.

Indian GAAP (AS 11 The Effects of Changes in Foreign Exchange Rates)

There is no concept of functional or presentation currency. Entities in India have to prepare their financial statements in Indian rupees.

Consolidation

IFRS (IFRS 10 Consolidation of Financial Statements)

Entities are consolidated when the Group has the power to govern the financial and operating policies so as to obtain benefits. Control is presumed to exist when the Group owns more than one half of an entity's voting power. Currently potential voting rights should also be taken into consideration when determining whether control exists.

Indian GAAP (AS 21 Consolidated Financial Statements)

Similar to IFRS, except that potential voting rights are not considered in determining control.

Consolidation of Special Purpose Entities

IFRS (IFRS 10 Consolidation of Financial Statements)

Under IFRS 10 Consolidated Financial Statements, an SPV should be consolidated when the substance of the relationship between an enterprise and the SPV indicates that the SPV is controlled by that entity.

Indian GAAP (AS 21 Consolidated Financial Statements)

No specific guidance.

I. Summary of significant differences between Indian GAAP and IFRS continued

Business combinations

IFRS (IFRS 3 Business Combinations)

All business combinations are treated as acquisitions. Assets, liabilities and contingent liabilities acquired are measured at their fair values. Pooling of interest method is prohibited.

For acquisitions occurring on or after 1 January 2004, IFRS 3 'Business Combinations' (IFRS 3) requires that, when assessing the value of the assets of an acquired entity, certain identifiable intangible assets must be recognised and if considered to have a finite life, amortised through the income statement over an appropriate period. As the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, no intangible assets, other than goodwill, were recognised on acquisitions prior to that date.

Adjustments to provisional fair values are permitted provided those adjustments are made within 12 months from the date of acquisition, with a corresponding adjustment to goodwill.

After re-assessment of respective fair values of net assets acquired, any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised immediately in the income statement.

Where less than 100 per cent of an entity is acquired, non-controlling interests are stated at their proportion of the fair value of the identifiable net assets and contingent liabilities acquired.

Indian GAAP (AS 14 Accounting for Amalgamations)

Treatment of a business combination depends on whether the acquired entity is held as a subsidiary, whether it is an amalgamation or whether it is an acquisition of a business.

For an entity acquired and held as a subsidiary, the business combination is accounted for as an acquisition. The assets and liabilities acquired are incorporated at their existing carrying amounts.

For an amalgamation of an entity, either pooling of interests or acquisition accounting may be used. The assets and liabilities amalgamated are incorporated at their existing carrying amounts or, alternatively, if acquisition accounting is adopted, the consideration can be allocated to individual identifiable assets (which may include intangible assets) and liabilities on the basis of their fair values.

Adjustments to the value of acquired or amalgamated balances are not permitted after initial recognition.

Any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised as capital reserve, which is neither amortised nor available for distribution to shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation.

Minority interests arising on the acquisition of a subsidiary are recognised at their share of the historical book value.

Goodwill

IFRS (IFRS 3 Business Combinations and IAS 38 Intangible Assets)

IFRS 3 requires that goodwill arising on all acquisitions by the Group and associated undertakings is capitalised but not amortised and is subject to an annual review for impairment. Under the transitional provisions of IFRS 1, the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, the date of transition to IFRS. Accordingly, goodwill previously written off to reserves, as permitted under UK GAAP until the implementation of FRS 10 'Goodwill and intangible assets' in 1998, has not been reinstated nor will it be written back on disposal.

Amortisation of goodwill that has been charged up to 31 December 2003 has not been reversed and the deemed carrying value of the goodwill on transition to IFRS is equal to the net book value as at 31 December 2003.

Goodwill is tested annually for impairment. Any impairment losses recognised may not be reversed in subsequent accounting periods.

Indian GAAP (AS 14 Accounting for Amalgamations and AS 26 Intangible Assets)

Goodwill arising for amalgamations is capitalised and amortised over useful life not exceeding five years, unless a longer period can be justified.

For goodwill arising on acquisition of a subsidiary or a business, there is no specific guidance – in practice there is either no amortisation or amortisation not exceeding 10 years.

Goodwill is reviewed for impairment whenever an indicator of impairment exists. Impairment losses recognised may be reversed under exceptional circumstances only in subsequent accounting periods through the income statement.

Acquired and internally generated intangible assets

IFRS (IAS 38 Intangible Assets)

Intangible assets are recognised if the specific criteria are met. Assets with a finite useful life are amortised on a systematic basis over their useful life. An asset with an indefinite useful life and which is not yet available for use should be tested for impairment annually.

Indian GAAP (AS 26 Intangible Assets)

Intangible assets are capitalised if specific criteria are met and are amortised over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortised over a period exceeding 10 years should be reviewed at least at each financial year-end even if there is no indication that the asset is impaired.

I. Summary of significant differences between Indian GAAP and IFRS continued

Property, plant and equipment

IFRS (IAS 16 Property, Plant and Equipment, IAS 23 Borrowing Costs and IAS 39 Financial instruments – recognition and measurement)

Fixed assets are recorded at cost or revalued amounts. Under the transition rules of IFRS 1, the Group elected to freeze the value of all its properties held for its own use at their 1 January 2004 valuations, their 'deemed cost' under IFRS. They will not be revalued in the future.

Foreign exchange gains or losses relating to the procurement of property, plant and equipment, under very restrictive conditions, can be capitalised as part of the asset.

Depreciation is recorded over the asset's estimated useful life. The residual value and the useful life of an asset and the depreciation method shall be reviewed at least at each financial year-end.

The Group has the option to capitalise borrowing costs incurred during the period that the asset is getting ready for its intended use.

Indian GAAP (AS 10 Fixed Assets, AS 16 Borrowing Cost and AS 6 Depreciation Accounting)

Fixed assets are recorded at historical costs or revalued amounts.

Relevant borrowing costs are capitalised if certain criteria in AS-16 are met and depreciation is recorded over the asset's useful life. Schedule XIV of the Companies Act and Banking Regulations prescribe minimum rates of depreciation and these are typically used as the basis for determining useful life.

Recognition and measurement of financial instruments

IFRS (IAS 39 Financial Instruments: Recognition and Measurement)

IAS 39 requires all financial instruments to be initially measured at their fair value, which is usually to be the transaction price. In those cases where the initial fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised to the income statement until the inputs become observable, the transaction matures or is terminated.

At the time of initial recognition, IAS 39 requires all financial assets to be classified as either:

- held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss
- available for-sale at fair value, with unrealised gains and losses reflected in shareholders' equity, and recycled to the income statement when the asset is sold or is impaired
- held-to-maturity at amortised cost, where there is the intent and the ability to hold them to maturity
- as loans and receivables at amortised cost

At the time of initial recognition, IAS 39 requires all financial liabilities to be classified as either:

- held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss
- at amortised cost

A financial asset or financial liability, other than one held for trading, can be designated as being held at fair value through profit or loss if it meets the criteria set out below:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis
- a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis
- assets or liabilities include embedded derivatives and such derivatives are not recognised separately

The designation of a financial instrument as held at fair value through profit or loss is irrevocable in respect of the financial instruments to which it relates. Subsequent to initial recognition instruments cannot be classified into or out of this category.

Changes in the fair value of available for sale financial assets resulting from movements in foreign currency exchange rates are included in the income statement as exchange differences. Foreign currency exchange movements for available for sale equity securities is recognised in reserves.

For banks, there is guidance on measurement and accounting of IRS and FRA entered onto for hedging purposes.

Indian GAAP (AS 13 Investments)

AS 13 requires Investments to be categorised as follows:

- Current investments, which are those readily realisable and intended to be held for less than one year, are carried at the lower of cost and fair value, with changes in fair value taken directly to profit or loss
- Long term investments, which are those investments not classified as current, are carried at cost unless there is a permanent diminution in value, in which case a provision for diminution is required to be made by the entity

For investments, Reserve Banking India regulations require similar classifications to IFRS, but the classification criteria and measurement requirements differ from those set out in IFRS.

Financial liabilities are usually carried at cost. There is no ability to designate instruments at fair value.

AS 30 provides guidance on classification criteria and measurement requirements, however this is not mandatory.

I. Summary of significant differences between Indian GAAP and IFRS continued

IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
IAS 39 requires that all derivatives be recognised on balance sheet at fair value. Changes in the fair value of derivatives that are not hedges are reported in the income statement. Changes in the fair value of derivatives that are designated as hedges are either offset against the change in fair value of the hedged asset or liability through earnings or recognised directly in equity until the hedged item is recognised in earnings, depending on the nature of the hedge. The ineffective portion of the hedge's change in fair value is immediately recognised in earnings. A derivative may only be classified as a hedge if an entity meets stringent qualifying criteria in respect of documentation and hedge effectiveness.

IAS 39 requires the separation of derivatives embedded in a financial instrument if it is not deemed to be closely related to the economic characteristics of the underlying host instrument.

Indian GAAP
Foreign exchange contracts held for trading or speculative purposes are carried at fair value, with gains and losses recognised in the income statement.

In the absence of specific guidance, equity options are carried at the lower of cost or market value.

There is no specific guidance on hedge accounting since Accounting Standard 30 is not mandatory. However, requirements of AS 30 with respect to hedge accounting are largely similar to that of IAS 39.

Disclosure of Notional

IFRS
A structured trade is a combination of individual trades. For IFRS reporting, notional value for structured trade is highest notional value amongst its individual trades as at Balance Sheet date.

Indian GAAP
Notional value for structured trade is cumulative notional values of all trades which makes a structured trade.

Impairment of financial assets
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment.

Assets held at amortised cost
If objective evidence of impairment exists, an assessment is made to determine what, if any, impairment loss should be recognised. The impairment loss is the difference between the asset's carrying amount and its estimated recoverable amount.

The recoverable amount is determined based on the present value of expected future cash flows, discounted at the instrument's original effective interest rate, either individually or collectively. Individually assessed assets for which there is no objective evidence of impairment are collectively assessed for impairment.

Available-for-sale assets
If objective evidence of impairment exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognised impairment) is removed from equity and recognised in the income statement.

Market recoveries leading to a reversal of an impairment provision for available-for-sale debt securities are recognised in the income statement. Impairment losses for equity instruments classified as available-for-sale are not permitted to be reversed through profit or loss.

Indian GAAP (AS 13 Investments)
Long-term investments are written down when there is a decline in fair value which is deemed to be other than temporary. Impairments may be reversed through the income statement in subsequent periods if the investment rises in value, or the reasons for the impairment no longer exist.

Derecognition of financial assets
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
A financial asset is derecognised if substantially all the risks and rewards of ownership have been transferred. If substantially all the risks and rewards have not been transferred, the asset will continue to be recognised to the extent of any continuing involvement.

Indian GAAP (RBI Guidelines on Securitisation of Standard Assets)
There is limited guidance on derecognition of financial assets. Securitised financial assets can only be derecognised if the originator has surrendered control over the assets. Control is not surrendered where the securitised assets are not beyond the reach of the creditors of the originator or where the transferee does not have the right to pledge, sell, transfer or exchange the securitised asset for its own benefit, or where there is an option entitles the originator to repurchase the financial assets transferred under a securitisation transaction from the transferee.

I. Summary of significant differences between Indian GAAP and IFRS continued

Liabilities and equity

IFRS (IAS 39 Financial Instruments: Recognition and Measurement)

A financial instrument is classified as a liability where there is a contractual obligation to deliver either cash or another financial asset to the holder of that instrument, regardless of the manner in which the contractual obligation will be settled.

Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Indian GAAP

Classification is based on the legal form rather than substance.

Provisions for liabilities and charges

IFRS (IAS 37 Provisions, Contingents Liabilities and Contingent Assets)

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, discounted using a pre-tax market discount rate if the effect is material.

Indian GAAP (AS 29 Provisions, Contingents Liabilities and Contingent Assets)

Provisions are recognised and measured on a similar basis to IFRS, except that discounting is not permitted.

Pension obligations

IFRS (IAS 19 Employee Benefits)

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on high quality corporate bonds of a currency and term consistent with the currency and term of the post employment benefit obligations.

Actuarial gains or losses are recognised in “Other Comprehensive Income” (retained earnings).

Under the transitional provisions of IFRS 1 ‘First time adoption of International Financial Reporting Standards’ (IFRS 1) and in accordance with IAS 19, the Group elected to record all actuarial gains and losses on the pension surplus or deficit in the year in which they occur within the ‘Consolidated statement of comprehensive income’.

Indian GAAP (AS 15 Employee Benefits)

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on government bonds.

Actuarial gains or losses are recognised immediately in the statement of income.

In respect of termination benefits, the revised AS 15 (2005) specifically contains a transitional provision providing that where expenditure on termination benefits is incurred on or before 31 March 2009, the entities can choose to follow the accounting policy of deferring such expenditure over its pay-back period. However, any expenditure deferred cannot be carried forward to accounting periods commencing on or after 1 April, 2010. Therefore any expenditure deferred should be written off over the shorter of (a) the pay-back period or (b) the period from the date expenditure on termination benefits is incurred to 1 April, 2010.

Share based compensation

IFRS

IFRS 2 ‘Share based payment’ requires that all share-based payments are accounted for using a fair value method.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For equity-settled awards, the total amount to be expensed over the vesting period must be determined by reference to the fair value of the options granted (determined using an option pricing model), excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions must be included in assumptions about the number of options that are expected to become exercisable.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards must be revalued at each balance sheet date on an intrinsic value basis (being the difference between the market price of the share at the measurement date and the exercise price) with any changes in fair value charged or credited to staff costs in the income statement.

Deferred tax is recognised based on the intrinsic value of the award and is recorded in the income statement if the tax deduction is less than or equal to the cumulative share-based compensation expense or equity if the tax deduction exceeds the cumulative expense.

I. Summary of significant differences between Indian GAAP and IFRS continued

Indian GAAP

Entities may either follow the intrinsic value method or the fair value method for determining the costs of benefits arising from share based compensation plans. Although the fair value approach is recommended, entities may use the intrinsic value method and provide fair value disclosures.

Deferred tax is not recognised as it is not considered to represent a timing difference.

Entities are also permitted the option of recognising the related compensation cost over the service period for the entire award (that is, over the service period of the last separately vesting portion of the award), provided that the amount of compensation cost recognised at any date at least equals the fair value of the vested portion of the award at that date.

Deferred Taxation

IFRS

Deferred tax is determined based on temporary differences, being the difference between the carrying amount and tax base of assets and liabilities, subject to certain exceptions.

Deferred tax assets are recognised if it is probable (more likely than not) that sufficient future taxable profits will be available to utilise to deferred tax assets.

Indian GAAP

Deferred tax is determined based on timing differences, being the difference between accounting income and taxable income for a period that is capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Interest income and expense

IFRS (IAS 18 Revenue)

Interest income and expense is recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Indian GAAP (AS 9 Revenue Recognition)

In the absence of a specific effective interest rate requirement, premiums and discounts are usually amortised on a straight line basis over the term of the instrument.

Dividends

IFRS

Dividends to holders of equity instruments, when proposed or declared after the balance sheet date, should not be recognised as a liability on the balance sheet date. A company however is required to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue.

Indian GAAP

Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.

Advances-to-deposits ratio	The ratio of total loans and advances to customers relative to total customer deposits. A low advances-to-deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
Asset Backed Securities (ABS)	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of **Collateralised Debt Obligations (CDOs)**, the reference pool may be ABS.
Advanced Internal Rating Based (AIRB) approach	The AIRB approach under the **Basel II** framework is used to calculate credit risk capital based on the Group's own estimates of certain parameters.
ASEAN	Association of South East Asian Nations (ASEAN) which includes the Group's operation in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
Attributable profit to ordinary shareholders	Profit for the year after non-controlling interests and the declaration of dividends on preference shares classified as equity.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
Basel III	In December 2010, the BCBS issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. The new requirements are being phased in from 1 January 2013 with full implementation by 31 December 2019.
Basis point (bps)	One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent. Used in quoting movements in interest rates or yields on securities.
CAD2	An amendment to Capital Adequacy Directive that gives national regulators the discretion to permit firms to use their own value at risk model for calculating capital requirements subject to certain criteria.
Collateralised Debt Obligations (CDOs)	Securities issued by a third party which reference **ABS** and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.
Collateralised Loan Obligation (CLO)	A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).
Collectively assessed loan impairment provisions	Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified at the balance sheet date. Typically assets within the Consumer Banking business are assessed on a portfolio basis.
Commercial Mortgage Backed Securities (CMBS)	Securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Commercial Paper (CP)	An unsecured promissory note issued to finance short-term credit needs. It specifies the face amount paid to investors on the maturity date.
Commercial real estate	Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.
Constant currency	Constant currency change is derived by applying a simple translation of the previous period functional currency number in each entity using the current average and period end US dollar exchange rates to the income statement and balance sheet respectively.
Contractual maturity	Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.
Core Tier 1 Capital	Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus non-controlling interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the UK's Financial Services Authority (FSA).
Core Tier 1 Capital ratio	**Core Tier 1 capital** as a percentage of risk weighted assets.
Cost to income ratio	Represents the proportion of total operating expenses to total operating income.
Cover ratio	Represents the extent to which **non-performing loans** are covered by **impairment allowances**.
Covered bonds	Debt securities backed by a portfolio of mortgages that are segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds.
Credit Conversion Factor (CCF)	CCF is an internally modelled parameter based on historical experience to determine the amount that is expected to be further drawn down from the undrawn portion in a committed facility.
Credit Default Swaps (CDSs)	A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit institutions	An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.
Credit risk spread	The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.
Credit valuation adjustments (CVA)	An adjustment to fair value primarily in respect of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the transactions.
Customer deposits	Money deposited by all individuals and companies which are not credit institutions including securities sold under Repo. Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.
Debt restructuring	This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.
Debt securities	Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.
Debt securities in issue	Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.
Delinquency	A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. **Loans and advances** are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.
Deposits by banks	Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under Repo.
Dividend per share	Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.
Effective tax rate (ETR)	The tax on profits on ordinary activities as a percentage of profit on ordinary activities before taxation.
Expected loss (EL)	The Group measure of anticipated loss for exposures captured under an internal ratings based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on **Probability of Default (PD), Loss Given Default (LGD)** and **Exposure at Default (EAD)**, with a one-year time horizon.
Exposures	Credit exposures represent the amount lent to a customer, together with an undrawn commitments.
Exposure at default (EAD)	The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.
Eurozone	Represents the 17 European Union countries that have adopted the euro as their common currency. The 17 countries are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.
Forbearance	Arrangements initiated by customers, the Group or third parties to assist customers in financial difficulty where the Group agrees to accept less than the contractual amount due where financial distress would otherwise prevent satisfactory repayment within the original terms and conditions of the contract. Such arrangements include extended payment terms, a reduction in interest or principal repayments, approved external debt management plans, debt consolidations, the deferral of foreclosures, and loan restructurings. Forborne loans are a subset of impaired loans and are included within the definition of renegotiated loans.
Foundation Internal Ratings Based Approach	A method of calculating credit risk capital requirements using internal **PD** models but with supervisory estimates of **LGD** and conversion factors for the calculation of **EAD**.
Funded/unfunded exposures	**Exposures** where the notional amount of the transaction is funded or unfunded. Represents exposures where there is a commitment to provide future funding is made but funds have been released / not released.
Guaranteed mortgages	Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.
Impaired loans	Loans where individual identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.
Impairment allowances	Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Individually assessed loan impairment provisions	Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group. Typically assets within the Wholesale Banking business of the Group are assessed individually.
Innovative Tier 1 Capital	Innovative Tier 1 capital consists of instruments which incorporate certain features, the effect of which is to weaken (but only marginally) the key characteristics of **Tier 1 capital** (that is, fully subordinated, perpetual and non-cumulative). Innovative Tier 1 capital is subject to a limit of 15 per cent of total Tier 1 capital.
Internal Ratings Based (IRB) approach	The IRB approach is used to calculate risk weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.
Investment grade	A **debt security**, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.
Jaws	The rate of income growth less the rate of expense growth, expressed as positive jaws when income growth exceeds expense growth (and vice versa for negative jaws).
Leveraged finance	Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt : EBITDA (earnings before interest tax, depreciation and amortisation)) typically arising from private equity sponsor led acquisitions of the businesses concerned.
Liquidity and credit enhancements	Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing **commercial paper.**
Liquid asset buffer	These assets include high quality government or central bank securities, certain deposits with central banks and securities issued by designated multilateral development banks to meet the PRA's requirement for liquidity.
Liquid asset ratio	Ratio of total liquid assets to total assets. Liquid assets comprise cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.
Loans and advances	This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a home loan.
Loans to banks	Amounts loaned to credit institutions including securities bought under Reverse repo.
Loans to individuals	Money loaned to individuals rather than institutions. The loans may be for car or home purchases, medical care, home repair, holidays, and other consumer uses.
Loan-to-value ratio	The loan-to-value ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.
Loans past due	Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.
Loss given default (LGD)	LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.
Master netting agreement	An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.
Mezzanine capital	Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.
Mortgage Backed Securities (MBS)	Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Mortgage related assets	Assets which are referenced to underlying mortgages.
Medium term notes (MTNs)	Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.
Net asset value per share	Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net interest income	The difference between interest received on assets and interest paid on liabilities.
Net interest margin	The margin is expressed as net interest income divided by average interest earning assets.
Net interest yield	Interest income divided by average interest earning assets less interest expense divided by average interest bearing liabilities.

Non-performing loans	A non performing loan is any loan that is more than 90 days past due or is otherwise individually impaired, other than a loan which is: – **renegotiated** before 90 days past due, and on which no default in interest payments or loss of principal is expected – **renegotiated** at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected
Normalised earnings	**Profit attributable to ordinary shareholders** adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.
Over the counter (OTC) derivatives	A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.
Pre-provision profit	Operating profit before impairment losses and taxation.
Private equity investments	Equity securities in operating companies *generally* not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.
Probability of default (PD)	PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.
Profit attributable to ordinary shareholders	Profit for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.
Renegotiated loans	**Loans and advances** are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. Such assets will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset and are defined as forborne loans. In other cases, renegotiation may lead to a new agreement, which would be treated as a new loan.
Repo/Reverse repo	A repurchase agreement or repo is a short term funding agreements which allow a borrower to sell a financial asset, such as **ABS** or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.
Residential mortgage	A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a Home loan.
Residential Mortgage Backed Securities (RMBS)	Securities that represent interests in a group of **residential mortgages.** Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Return on equity	Represents the ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders equity for the reporting period.
Risk weighted assets	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.
Seasoning	The emergence of credit loss patterns in portfolio over time.
Secured (fully and partially)	A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.
Securitisation	Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to a **special purpose entity (SPE)** who then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.
Senior debt	Senior debt, frequently issued in the form of senior notes, is debt that takes priority over other unsecured or otherwise more "junior" debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure after subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.

Sovereign exposures — **Exposures** to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned. Sovereign exposures as defined by the European Banking Authority includes only exposures to central governments.

Special purpose entities (SPEs) — SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities.

Transactions with SPEs take a number of forms, including:

- The provision of financing to fund asset purchases, or commitments to provide finance for future purchases
- Derivative transactions to provide investors in the SPE with a specified exposure
- The provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties
- Direct investment in the notes issued by SPEs

Standardised approach — In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Stressed value at risk — A regulatory market risk measure based on potential market movements for a continuous one-year period of stress for a trading portfolio.

Structured finance /notes — A structured note is an investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Subordinated liabilities — Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

Sub-prime — Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.

Tangible net asset value per share — Ratio of parent shareholders' equity less preference shares classified as equity and goodwill and intangible assets to the number of ordinary shares outstanding at the end of the reporting period.

Tier 1 capital — Tier 1 capital comprises **Core Tier 1 capital** plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions.

Tier 1 capital ratio — **Tier 1 capital** as a percentage of risk weighted assets.

Tier 2 capital — Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.

UK bank levy — A levy that applies to certain UK banks and the UK operations of foreign banks from 1 January 2011. The levy is payable each year based on a percentage of the chargeable liabilities of the Group as at 31 December.

Value at Risk (VaR) — Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.

Working profit — Operating profit before impairment losses and taxation.

Write Downs — After an advance has been identified as impaired and is subject to an **impairment allowance**, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write downs will occur when and to the extent that, the whole or part of a debt is considered irrecoverable.

Standard Chartered PLC – Financial calendar

Financial Calendar

Ex-dividend date	14 August 2013*
Record date	16 August 2013*
Payment date – interim dividend on ordinary shares	17 October 2013

* For shareholders on the Hong Kong branch register the ex-dividend date was 15 August 2013 and the record date was 19 August 2013. The dates changed due to issuance of typhoon signal no.8 on 14 August 2013 in accordance with Practice Note 8 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

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The following information for the Half Year Results 2013 is available on our website:

Video interviews with Peter Sands, Group Chief Executive and Richard Meddings, Group Finance Director

Analyst presentation in pdf format

Webcast of the live analyst presentation in London with Q&A

Podcast of the analyst presentation

Images of our Board of directors and senior management are available for the media at http://www.standardchartered.com/en/about-us/our-people/index.html

Information regarding the Group's commitment to Sustainability is available at http://www.standardchartered.com/sustainability

Forward looking statements

It is possible that this document could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Disclaimer

The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") and may not be offered, sold or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. No public offering of the Placing Shares will be made in the United States.

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