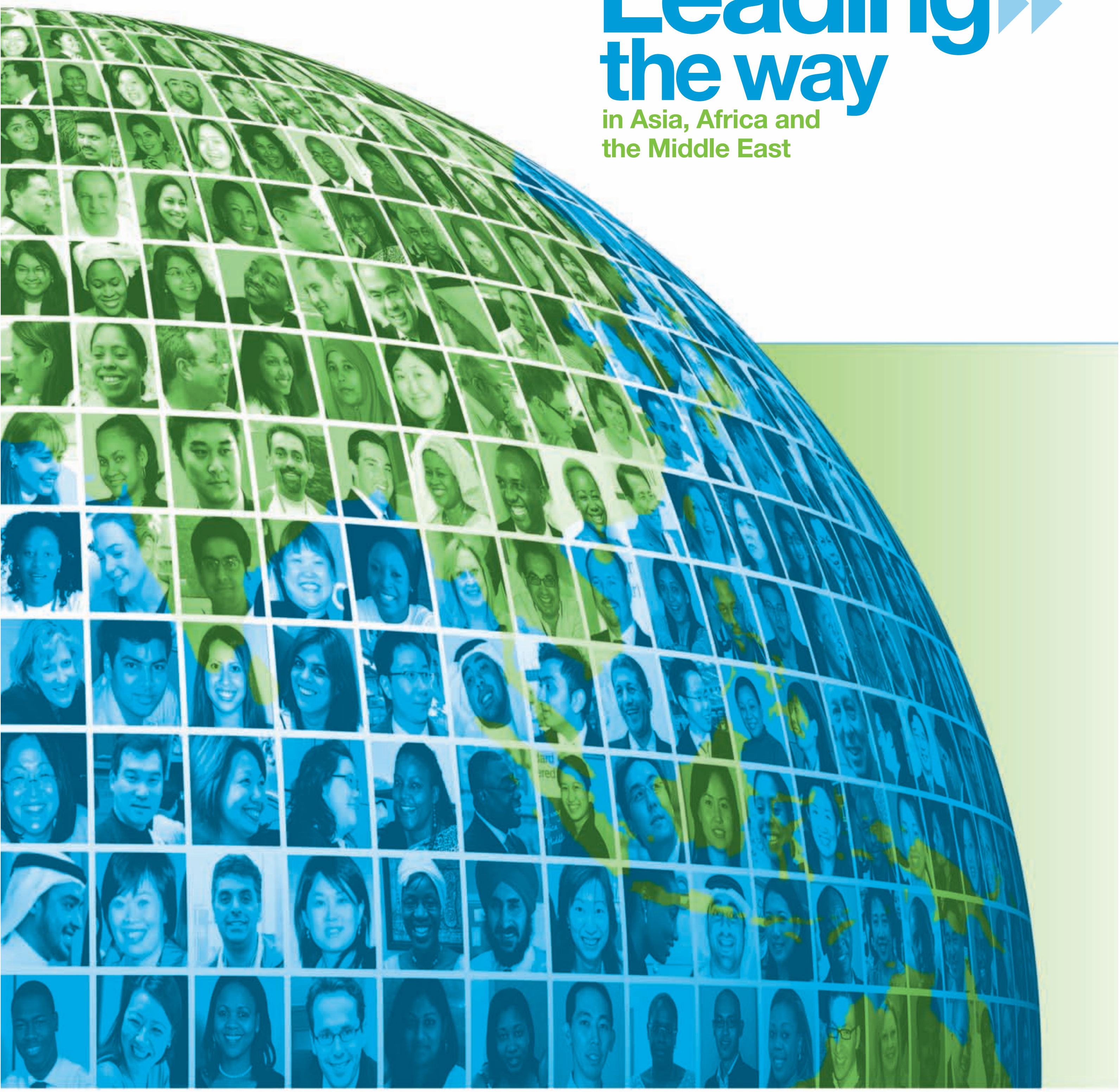
Interim Report 2007

Leading the way
in Asia, Africa and the Middle East



Standard Chartered

SUMMARY OF RESULTS
For six months ended 30 June 2007

	6 months ended 30.06.07 $million	6 months ended 30.06.06 $million	6 months ended 31.12.06 $million
Results			
Operating income	**5,263**	4,112	4,508
Impairment losses on loans and advances	**(361)**	(349)	(280)
Profit before taxation	**1,980**	1,527	1,651
Profit attributable to equity interests	**1,399**	1,103	1,175
Profit attributable to ordinary shareholders*	**1,370**	1,088	1,165
Balance Sheet			
Total assets	**296,826**	238,148	266,049
Total equity	**19,583**	13,850	17,397
Capital base	**24,826**	19,164	21,877
Information per Ordinary Share	Cents	Cents	Cents
Earnings per share – normalised basis**	**100.7**	84.1	87.3
– basic	**98.5**	82.8	86.9
Dividend per share	**23.12**	20.83	50.21
Net asset value per share	**1,250.7**	983.5	1,208.9
Ratios	%	%	%
Return on ordinary shareholders' equity – normalised basis**	**16.7**	17.9	16.2
Cost income ratio – normalised basis**	**54.7**	53.6	56.6
Capital ratios:			
Tier 1 capital	**9.7**	8.4	8.3
Total capital	**15.6**	14.2	14.3

* Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 6 on page 43).

** Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the "Group") excluding items presented in note 7 on page 44.

Throughout this document unless another currency is specified, the word "dollar" or symbol "$" means United States dollar and the word "cents" or symbol "c" means one-hundredth of one United States dollar.

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

Standard Chartered PLC – Stock Code: 2888

Registered Office: 1 Aldermanbury Square, London EC2V 7SB. Telephone +44 (0) 20 7280 7500. Principal place of business in Hong Kong: 32nd Floor, 4-4a Des Voeux Road, Central, Hong Kong. Registered in England No. 966425.

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FINANCIAL HIGHLIGHTS
For six months ended 30 June 2007

Reported Results

Operating income
▲ 28%
$5,263m
H1 2006: $4,112m
H2 2006: $4,508m

Profit attributable to ordinary shareholders*
▲ 26%
$1,370m
H1 2006: $1,088m
H2 2006: $1,165m

Operating profit before tax
▲ 30%
$1,980m
H1 2006: $1,527m
H2 2006: $1,651m

Total assets
▲ 25%
$297bn
H1 2006: $238bn
H2 2006: $266bn

Performance Metrics**

Normalised earnings per share
▲ 19.7%
100.7 cents
H1 2006: 84.1 cents
H2 2006: 87.3 cents

Interim dividend per share
▲ 11%
23.12 cents
H1 2006: 20.83 cents
H2 2006: 50.21 cents

Normalised return on ordinary shareholders' equity
16.7%
H1 2006: 17.9%
H2 2006: 16.2%

Normalised cost income ratio
54.7%
H1 2006: 53.6%
H2 2006: 56.6%

Total capital ratio
15.6%
H1 2006: 14.2%
H2 2006: 14.3%

Significant Achievements

- Record operating profit before taxation of $1,980 million, an increase of 30 per cent on H1 2006
- Two powerful engines of growth: Consumer Banking and Wholesale Banking each contributed over $570 million incremental income in the first half
- Undertaken substantial investments for future growth while delivering excellent earnings per share growth of 19.7 per cent
- Incorporated our business in China
- Launched The Standard Chartered Private Bank in six new markets
- Integrated our new acquisitions in Taiwan and Pakistan ahead of schedule, providing substantial new engines of growth

* Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 6 on page 43).

** Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the "Group") excluding items presented in note 7 on page 44.

Over the last few years we have consistently produced record results while building a strong foundation for growth

"Today we are seeing the rewards of a balanced and diverse business, leading the way in the dynamic markets of Asia, Africa and the Middle East."

Mervyn Davies, CBE, Chairman

Highlights

$5,263m
Operating income

100.7 cents
Normalised earnings per share

23.12 cents
Interim dividend per share

$1,980m
Operating profit before taxation

16.7%
Normalised return on ordinary shareholders' equity

I am pleased to report that Standard Chartered has had an excellent first six months in 2007 driven by strong organic growth in both Consumer Banking and Wholesale Banking.

- Operating profit before taxation is up 30 per cent to $1.98 billion
- Income has increased 28 per cent to $5.26 billion
- Normalised earnings per share ("EPS") growth is 19.7 per cent

The Board has declared an interim dividend of 23.12 cents per share, up 11 per cent.

Over the last few years we have consistently produced record results while building a strong foundation for growth. Today we are seeing the rewards of our balanced and diverse business, leading the way in the dynamic markets of Asia, Africa and the Middle East.

Capturing the Opportunities

These results come from the quality of our people and our disciplined approach to managing our resources over the last few years. In turn they allow us to invest in opportunities that will produce continued strong growth in the years to come.

I see this potential first hand on my travels and no visitor can be left in any doubt about the huge wealth that is being generated in China, India and the Middle East. In other words, in our markets.

This is an historic time for the Group and our management must be bold enough to invest in the growth opportunities. In China, as it opens its market. In India, as its companies explore overseas. In the Middle East, as its economies diversify and in Africa, as it benefits from a rich resource base. And we must also invest in the Group's core infrastructure as we expand at pace.

Balancing the investment for the future with today's shareholder returns is a challenge we, as a public company, must face. I believe these results show that we are getting this balance right.

Governance and Risk

As I travel around and talk to experienced bankers and investment managers, it is quite clear they share our concerns over the level of asset prices, the amount of debt in leveraged deals, loose covenants and the degree to which some people believe this market will last forever.

We know that risks can emerge quickly: the sub-prime lending issue in the US is a classic example of this. We are not exposed to that and, indeed, we are seeing no significant credit deterioration in our markets. However we need to be vigilant and we remain extremely disciplined on our loan and credit standards.

Standard Chartered has high standards of risk management and governance. As we announced a few months ago our Board is being bolstered by the appointments from 1 August of John Peace as Deputy Chairman and Senior Independent Director and Sunil Mittal as a Non-Executive Director. I am also delighted to announce that Gareth Bullock has been appointed Group Executive Director with effect from 6 August. Gareth is a highly experienced banker who has been with the Group for 11 years and is a great addition to the Board. All of these individuals have outstanding business experience and add further depth and diversity to our Board. I am looking forward to working with them.

Summary

We have had an excellent first half performance and are keeping up the pace.

E. Mervyn Davies

Mervyn Davies, CBE
Chairman
7 August 2007

We are extraordinarily well positioned in some of the most exciting markets in the world

> **"We have done what we said we would do and we have made good progress on every part of the agenda for 2007."**
>
> **Peter Sands,** Group Chief Executive

2007 Management Agenda

- **Accelerate organic growth**
- **Deliver growth from our acquisitions**
- **Continuously improve the way we work**
- **Building leadership**
- **Reinforce the brand**

Over the last five years the Group has changed significantly. Then we had just over 500 branches, now we have 1,450. Then we had 28,000 staff, now we have 64,000. Our income growth figure was six per cent to $2.2 billion and our EPS was down 10 per cent to 36.1c. Today's figures are rather different with our income up 28 per cent to over $5 billion and EPS up 19.7 per cent to 100.7c.

My predecessor as Group Chief Executive, Mervyn Davies, gave the Group leadership, direction and a new performance edge. I am proud to have taken on the baton to lead the Group on the next phase of the journey.

My first eight months as Chief Executive have been very busy. I wanted to visit as many of our markets as possible to spend time with our customers, staff and regulators. So far this year I have made twelve country visits in Asia, including four trips to China. I have also been twice to both the Middle East and the US.

It is clear that we are extraordinarily well positioned in some of the most exciting markets in the world. We have wonderful relationships with our customers, who both support and challenge us every day. And we have superbly talented and committed staff. Their professionalism, energy, teamwork and values are inspiring.

At Standard Chartered, the step change in pace is really exciting. We are investing more and growing faster than ever before. We are launching new products, expanding distribution, building new businesses at a new pace.

This acceleration, or change in the "metabolic rate" of the Group, means we can make the most of the many opportunities across our markets.

Of course there are challenges. But many of them are great challenges to have. How to prioritise investment across our many growth opportunities? How to build the infrastructure fast enough to support rapidly growing businesses? How to attract and develop the talent to make it all happen?

We have to be alert to the changes in global financial markets and the broader global economy, anticipating and adapting our approach. But the turbulence in the credit markets is not all bad news. A bit more rationality and more differentiation in credit spreads is a good thing.

We do not believe such events should deter us from investing for growth. In our markets, economic growth is strong, liquidity remains abundant, demand for financial services is growing extremely rapidly. The window of opportunity is now and we are determined to seize it.

This does not mean we will ignore what's going on, or fail to watch out for new problems. But we are convinced that investing for growth in the world's most exciting markets will create huge value for our shareholders.

Performance Highlights

In the first half of 2007 we have made rapid progress against our strategic agenda. We incorporated our business in China and launched Renminbi Consumer Banking; and we integrated our two new acquisitions – in Pakistan and Taiwan – creating new engines of growth; we launched The Standard Chartered Private Bank in six new markets; and we launched our new Islamic Banking brand, Saadiq.

In short, we have done what we said we would do and we have made good progress on every part of the agenda for 2007 that I presented in February.

Let me give a bit more detail on three of these agenda items: accelerating organic growth, delivering on acquisitions and building leadership.

Organic Growth

Nothing demonstrates the change in pace of the Group as powerfully as the pace of underlying income growth. Stripping out the impact of acquisitions, underlying income grew by 13 per cent in 2004, 14 per cent in 2005, and 18 per cent in 2006. The pace has increased to 21 per cent in the first half of 2007 compared to 15 per cent in the first half of 2006.

We accelerated investment in order to boost organic growth, and that is happening. The acceleration is not from just one business, or one geography; we have built multiple engines of growth and we are driving them harder.

Consumer Banking – SME

Five years ago our presence in Small and Medium Enterprise ("SME") banking was very limited – we only offered two SME specific products in three countries. Since then we have rapidly built the business into a new engine of growth for Consumer Banking, expanding our geographic coverage and offering a complete suite of SME specific products and services.

We are constantly innovating and introducing new products and we have built specialist risk capabilities and infrastructure.

Our business is now well positioned to benefit from the growing SME segment and we offer SME banking at over 1,000 of our branches to over half a million customers in 24 markets. In the first half of this year, income grew by 45 per cent.

Wholesale Banking – Client Relationships

In Wholesale Banking it is the increasing depth of our client relationships that drives our income growth.

We have enhanced our client relationship model and invested in broadening our product capabilities. We are deepening our client relationships, cross-selling more, focusing more on strategic and value-added solutions. All of our client segments and products are performing extremely well.

It is always tempting, when talking about Wholesale Banking, to talk about the big, well-known clients and the biggest deals and we have some great stories to tell here. But we are also having great success in the Local Corporates segment. By this we mean local and regional companies, typically with turnover between $25 million and $500 million.

In the first half of 2007, we grew income in this segment by 42 per cent, with an increase of more than 20 per cent in the number of clients. Our performance was particularly strong in India, up 85 per cent, China, up 92 per cent and Korea, up 36 per cent.

We have developed a relationship management model, product set and risk management approach specifically for this segment. It is not lending driven: lending income accounts for only 15 per cent of total income for the segment.

A good example of how we are innovating to build non-lending income streams is Straight2Bank, our integrated electronic delivery channel system. Launched in May, Straight2Bank has already won numerous industry awards and attracted thousands of clients.

Another benefit from our success with Local Corporates is that these clients are also potential customers for our new Private Bank. We are already seeing a good flow of referrals. It is a great example of how well our businesses can work together.

The Private Bank

The launch of The Private Bank was a key milestone in the first half of 2007.

We are now operating in 10 locations across seven markets: Singapore, Hong Kong, Shanghai, Beijing, Seoul, Mumbai, New Delhi, Dubai, London and Jersey. It is very early days yet – most of our offices have been open only a matter of weeks – but we already have 150 relationship managers and we are attracting new customers and up-tiering existing relationships. To start from scratch and launch a sophisticated Private Bank in this many markets simultaneously is an achievement we are proud of.

Whilst we do not underestimate the strength of competition in this space, we have some powerful advantages. Our history and scale in these markets provides a strong foundation. We can offer a distinctive combination of onshore and offshore wealth management services. And we can provide an extremely broad range of products through a truly open architecture approach.

In the second half of 2007 and into 2008 we will continue to expand our geographic coverage, relationship manager team and product capabilities. But the real focus will be on attracting customers and their assets. The Private Bank has the potential to be yet another powerful engine of organic growth.

Islamic Banking

Another source of organic growth is Islamic Banking which we launched in April under the sub-brand "Saadiq", which means "truthful".

We are already very active in Islamic Banking across many of our markets. But with the launch of Saadiq we are making clear the depth of our commitment to Islamic Banking and our determination to be a real leader in this space.

Our dedicated Islamic Banking teams have stepped up the pace in building the business and in product innovation. In the first half of 2007, for example: we launched Islamic credit cards in the UAE, Pakistan and Bangladesh; we opened dedicated Islamic Banking centres in a number of markets; and by the end of June 2007 we were lead arranger for four out of the five local currency sukuk bond issues in Pakistan.

This business is growing extremely rapidly – in both Wholesale and Consumer Banking – and has huge potential for further growth. For example, we do not yet offer such products in India and Africa.

China

In April, we were one of the first foreign banks to incorporate our business in China and later that month we launched Renminbi services for Chinese citizens.

Responding to the demand for a broader array of savings and investment solutions, we have launched 38 new Wealth Management products.

We are on track with our branch expansion, with 30 locations in 15 cities, and still plan to have about 40 locations by year end, subject to the regulatory approvals.

Income and profits are growing rapidly. In the first half of 2007 our China business more than doubled income.

To support such growth we are investing in people and infrastructure. We began the year with about 2,100 staff in China, and expect to end the year with more than 3,500. Two weeks ago I attended the opening of our operations hub in Tianjin. We want to ensure that right from the start we build a scalable, efficient systems and operations infrastructure to support our business as it grows.

We are also making the most of our international network. Helping China's leading corporates as they seek to expand internationally – for example, in Africa – and working with companies from other parts of Asia – such as Korea and Taiwan – as they build their businesses in China.

Standard Chartered is now distinctively placed across Greater China, being strongly positioned in Hong Kong and Taiwan as well as China itself. We are superbly positioned to take advantage of the trade and investment dynamics across the region such as the accelerating convergence of Hong Kong with the rest of the Pearl River Delta and the massive investment flows between Taiwan and the mainland.

Taiwan

We are still at the early stages of realising the opportunity from Hsinchu International Bank in Taiwan. We are making great progress on the integration; we are roughly three months ahead of schedule. On 30 June, with the amalgamation of Hsinchu and our branch, Standard Chartered became the first international bank to gain an island-wide presence, with a network of 86 branches and 377 ATMs.

I was there for the occasion; and the scale of the opportunity and the excitement of our staff, was inspiring.

There is still much to do. We have already renovated four flagship branches and will renovate over 50 more by the end of the year, injecting some $50 million in branch renovation and new ATMs to bring a world class consumer banking experience to Taiwan. We will also add some 250 frontline sales staff to drive new customer acquisition and income growth.

There is a huge opportunity in Taiwan to win market share and grow; and there is a massive opportunity to support Taiwan's trade and investment flows across the rest of our network.

Korea

Korea's performance in the first half of 2007 is disappointing. However, if you look beyond the noise of central cost allocations and fair value adjustment write-backs, the businesses are making good progress. In Wholesale Banking, we have built out the product range and are now getting good traction in developing the client franchise. In Consumer Banking, the regulatory and competitive pressures on the mortgage market – by far the largest part of SC First Bank's business – continue to represent a significant challenge, but the Wealth Management and SME businesses continue to grow rapidly.

This is a very good business. A large platform in a big, growing market. We still have work to do to realise the full potential of SC First Bank and I am confident it will be a powerful engine of sustainable profit growth for the Group.

Building Leadership

To sustain our accelerated organic growth and to ensure we can continue to deliver on our acquisitions, we need to continue to build more and more leadership capacity across the Group. This means making more and better leaders faster and turning managers into true leaders.

To achieve this objective we are doing a lot of different things: increasing international graduate recruitment this year by 27 per cent; more than doubling MBA recruitment; revamping our leadership development programmes; hiring exceptional talent from outside; and ensuring we have a diverse pipeline of leaders that reflect the markets we operate in and the customers we serve.

Standard Chartered is a great place to work. It is incredibly diverse and full of opportunity. It is friendly and supportive but with a real performance edge. It is confident not arrogant and committed to a shared set of values.

Our culture represents a real competitive advantage. It attracts staff, it attracts customers and it enables us to work together across business and geographic boundaries. One of my big challenges as CEO is to make sure that as we grow and develop we do not lose what makes us special.

Continued Investment for Growth

In the second half of 2007 we will continue to deliver against the priorities laid out at the beginning of the year.

To sustain our rapid growth, we will continue to invest in new products, new markets and expanded distribution. Amongst other things we will: extend our Global Markets product range by launching equity derivatives; expand our Principal Finance business; expand our network to about 40 locations in China and add at least 70 branches and over 300 ATMs across other markets; and incorporate our business in Vietnam to enable us to expand and grow there rapidly. We see Vietnam as a market of enormous potential for both businesses.

As we have demonstrated before, we can and will flex the pace of investment to ensure we strike the right balance between delivering performance today and investment for future growth.

We will also continue to ensure we deliver on our acquisitions, realizing the potential of Taiwan and Korea, sustaining the growth momentum in Pakistan and Permata. We will continue to look for new acquisition opportunities, new platforms for growth, new capabilities. But, as always, we will remain very disciplined. We have to be convinced that any potential acquisition is both strategically and financially compelling.

Outlook

Let me give you a sense of the outlook for the Group for 2007. We enter the second six months of 2007 in good shape with great momentum. The businesses are performing strongly and we are clear about our strategy and priorities.

Income

Whilst we remain mindful of the changes in the external environment in the past few weeks, we have a high degree of confidence in our ability to continue to deliver high levels of income growth.

- Consumer Banking has a good level of income momentum as the business continues to broaden its income streams.
- In Wholesale Banking, we have strong income momentum across virtually all client segments and product groups, albeit that as in previous years, we expect some impact of seasonality in the second half.

Expenses

- We will continue to accelerate our investment as we seek to capture the opportunities seen in our franchise and to support our growth. For the full year, and for the Group as a whole, we expect the growth in expenses to be broadly in line with the growth in income.

Risk Management

- In Wholesale Banking, we are not as yet seeing any deterioration in our portfolio, but do anticipate a further reduction in recoveries as the stock of impaired assets falls.
- In Consumer Banking, we expect the impairment charge for the full year to reflect the improved environment in Taiwan although this will be balanced by the inclusion of our most recent acquisitions and the effects of the change in the mix and maturity of the portfolio.

In summary, we are doing what we said we would do.

Summary

We have had an excellent first half in 2007 and we have great momentum as we begin the second half. Our investments are delivering and there are many exciting opportunities across our markets.

The world is an uncertain place. There is a lot of volatility in the markets. That makes it all the more important for us to be very clear on our strategy and priorities, to always be looking ahead to what might happen and to know exactly what levers we can pull if we have to respond to changing circumstances.

This combination of strategic clarity and management flexibility is critical to being able to continue to grow at pace, whilst navigating the risks.

The Group is in great shape and we are excited and confident about the future.

Peter Sands
Group Chief Executive
7 August 2007

GROUP SUMMARY

The Group has delivered a very strong performance for the six months ended 30 June 2007. Profit before taxation of $1,980 million was up 30 per cent over the equivalent period in 2006, with operating income up 28 per cent. The normalised cost income ratio was 54.7 per cent compared to 53.6 per cent in 2006 reflecting continued investment in the franchise. Normalised earnings per share increased by 19.7 per cent to 100.7 cents. Refer to note 7 on page 44 for details of basic and diluted earnings per share.

The underlying results of the Group exclude the results of the following: Standard Chartered Bank (Pakistan) Limited, comprising the Standard Chartered Bank branches in Pakistan and Union Bank Limited ("Union"), Hsinchu International Bank ("HIB") and the incremental stake in PT Bank Permata Tbk ("Permata").

Operating income and profit

	6 months ended 30.06.07	6 months ended 30.06.06	6 months ended 31.12.06
	$million	$million	$million
Net interest income	**2,952**	2,510	2,818
Fees and commissions income, net	**1,228**	894	987
Net trading income	**649**	531	389
Other operating income	**434**	177	314
	2,311	1,602	1,690
Operating income	**5,263**	4,112	4,508
Operating expenses	**(2,918)**	(2,225)	(2,571)
Operating profit before impairment losses and taxation	**2,345**	1,887	1,937
Impairment losses on loans and advances and other credit risk provisions	**(361)**	(349)	(280)
Other impairment	**(3)**	(8)	(7)
(Loss)/profit from associates	**(1)**	(3)	1
Profit before taxation	**1,980**	1,527	1,651

Operating income growth was well balanced across client segments, products and geographies. Operating income grew $1,151 million, or 28 per cent, to $5,263 million. Underlying operating income grew 21 per cent.

Net interest income grew $442 million, or 18 per cent, to $2,952 million. On an underlying basis, net interest income grew nine per cent. Net interest margin was 2.5 per cent, in line with the first half of last year.

Non interest income grew $709 million, or 44 per cent, to $2,311 million. On an underlying basis, non interest income grew 38 per cent. Fees and commissions increased by $334 million, or 37 per cent, to $1,228 million. This increase can be attributed to higher transaction volumes in investment services and insurance products, in cash management, securities services and trade, as well as from significantly higher fees earned from increased activities in loan syndications, debt capital markets and from corporate advisory transactions. Net trading income increased by $118 million, or 22 per cent, to $649 million. Client income from interest rates and foreign exchange derivatives sales grew as a result of improved product cross-selling efforts, offset, in part, by lower own account trading income. Other operating income increased $257 million, or 145 per cent, to $434 million, arising from income on structured finance transactions, and gains realised from the sale of private equity investments and other investment securities. Other operating income also included $55 million of recoveries in respect of assets in Korea that had been fair valued at acquisition, compared to $42 million in the first half of 2006 and $64 million in the second half of 2006.

Operating expenses increased $693 million, or 31 per cent, to $2,918 million. Underlying expenses grew 23 per cent. Expenses rose as additional investments were made to improve and extend distribution channels, launch The Private Bank in six new markets, add product capabilities such as commodity derivatives, improve transaction banking infrastructure and enhance regulatory compliance and control systems. Expenses also increased because of higher incentive compensation and personnel costs.

Operating profit before impairment increased $458 million, or 24 per cent, to $2,345 million.

The credit environment remained generally favourable during the period. Impairment losses on loans and advances increased $12 million to $361 million. The underlying impairment losses decreased by $94 million, or 27 per cent, to $253 million. This reflected the improved consumer credit environment in Taiwan where the loan impairment in the branch fell by $179 million. Overall delinquency indicators for the Consumer Banking loan portfolio were in line with expectations. The fall in the loan impairment in Taiwan was partly offset by the recent acquisitions and there was a small increase in Thailand and the UAE as a result of the change in the mix and maturity of the portfolio. In Wholesale Banking, new impairments remained low and recoveries and releases continued to be achieved, albeit at lower levels than last year.

Operating income and profit continued

The Group made a number of acquisitions in the second half of 2006. It has owned Union since 5 September 2006 and HIB since 19 October 2006. On 30 December 2006, the assets and business of Union and the Standard Chartered Bank branches in Pakistan were amalgamated into Standard Chartered Bank (Pakistan) Limited. On 30 June 2007, the assets and business of the Standard Chartered Bank branch in Taiwan were amalgamated into HIB, and the combined entity was renamed Standard Chartered Bank (Taiwan) Limited. On 5 September 2006, the Group acquired an additional stake of 12.96 per cent in Permata.

To facilitate effective review of the Group's results, the table below shows the underlying results of the Group.

	6 months ended 30.06.07	H1 2007 v H1 2006	6 months ended 30.06.06	H1 2007 v H2 2006	6 months ended 31.12.06
	Underlying $million	Increase/(decrease) %	Underlying $million	Increase/(decrease) %	Underlying $million
Net interest income	**2,684**	9	2,452	1	2,658
Fees and commissions income, net	**1,134**	29	880	22	926
Net trading income	**630**	20	523	68	376
Other operating income	**419**	137	177	37	306
	2,183	38	1,580	36	1,608
Operating income	**4,867**	21	4,032	14	4,266
Operating expenses	**(2,692)**	23	(2,188)	10	(2,439)
Operating profit before impairment losses and taxation	**2,175**	18	1,844	19	1,827
Impairment losses on loans and advances and other credit risk provisions	**(253)**	(27)	(347)	3	(245)
Other impairment	**(3)**	(63)	(8)	(57)	(7)
(Loss)/profit from associates	**(1)**	(67)	(3)	(200)	1
Profit before taxation	**1,918**	29	1,486	22	1,576

CONSUMER BANKING

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

6 months ended 30.06.07

	Asia Pacific										
	Hong Kong $million	**Singapore $million**	**Malaysia $million**	**Korea $million**	**Other Asia Pacific $million**	**India $million**	**Middle East & Other S Asia $million**	**Africa $million**	**Americas UK & Group Head Office $million**	**Underlying $million**	**Consumer Banking Total $million**
Operating income	**545**	**206**	**129**	**607**	**564**	**184**	**352**	**140**	**45**	**2,439**	**2,772**
Operating expenses	**(232)**	**(88)**	**(54)**	**(444)**	**(360)**	**(115)**	**(189)**	**(103)**	**(27)**	**(1,426)**	**(1,612)**
Loan impairment	**(30)**	**(8)**	**(23)**	**(46)**	**(172)**	**(29)**	**(56)**	**(8)**	**–**	**(270)**	**(372)**
Operating profit	**283**	**110**	**52**	**117**	**32**	**40**	**107**	**29**	**18**	**743**	**788**

6 months ended 30.06.06

	Asia Pacific										
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Underlying $million	Consumer Banking Total $million
Operating income	505	170	112	530	317	158	238	128	37	2,146	2,195
Operating expenses	(203)	(66)	(49)	(378)	(186)	(90)	(116)	(94)	(28)	(1,186)	(1,210)
Loan impairment	(22)	(16)	(16)	(33)	(275)	(20)	(16)	(9)	2	(402)	(405)
Operating profit	280	88	47	119	(144)	48	106	25	11	558	580

CONSUMER BANKING continued

	6 months ended 31.12.06										
	Asia Pacific										
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Underlying $million	Consumer Banking Total $million
Operating income	514	197	109	616	412	165	307	129	40	2,308	2,489
Operating expenses	(225)	(76)	(52)	(421)	(259)	(111)	(164)	(100)	(23)	(1,321)	(1,431)
Loan impairment	(31)	(20)	(20)	(55)	(115)	(26)	(45)	(3)	(1)	(284)	(316)
Operating profit	258	101	37	140	38	28	98	26	16	703	742

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

	6 months ended 30.06.07	6 months ended 30.06.06	6 months ended 31.12.06
Operating income by product	**Total $million**	Total $million	Total $million
Cards, Personal Loans and Unsecured Lending	**967**	824	975
Wealth Management and Deposits	**1,222**	926	1,012
Mortgages and Auto Finance	**473**	388	392
Other	**110**	57	110
Total operating income	**2,772**	2,195	2,489

Operating income increased $577 million, or 26 per cent, to $2,772 million. Income growth is well diversified with eight markets now contributing $100 million or more in income. Underlying income grew $293 million, or 14 per cent, with strong performances in Singapore, Malaysia, and MESA. In Hong Kong, the income growth has gained momentum with an eight per cent growth compared with four per cent in the first half of last year.

Wealth Management and the SME segment achieved excellent income growth with particularly strong performances in MESA, India, Hong Kong, Singapore and Malaysia. Mortgages and Auto Finance income grew despite strong competition in a number of key markets and rising interest rates.

Operating expenses grew $402 million or 33 per cent to $1,612 million. Underlying expenses were up $240 million, or 20 per cent, as further investments were made to expand sales and distribution platforms geographically, to develop new business segments, to develop and launch new products and to strengthen the systems and control infrastructure. The Private Bank was launched in Singapore, Hong Kong, Shanghai, Beijing, Mumbai, New Delhi, Dubai, London and Jersey during the period. The Group's business in China was incorporated and additional licences to conduct various Renminbi businesses were awarded.

Loan impairment fell $33 million, or eight per cent, to $372 million. Underlying loan impairment losses improved significantly by $132 million to $270 million. The consumer credit environment in Taiwan has improved and impairment trends are now near normal levels. The loan impairment charge in the Taiwan branch decreased by $179 million in the first half. Underlying impairment losses outside Taiwan increased by $47 million, reflecting changes in the mix and maturity of the portfolio as well as a slight deterioration in loan impairment in Thailand and the UAE. In Pakistan, loan impairment was $26 million higher due to the acquisition of Union, while, in Taiwan, the acquisition of HIB added $70 million to the loan impairment charge.

Operating profit improved $208 million, or 36 per cent, to $788 million. Underlying operating profits grew $185 million or 33 per cent, to $743 million.

In Hong Kong, income growth was $40 million, or eight per cent, whilst expenses rose by $29 million, or 14 per cent. Buoyant sales of investment and insurance products, coupled with strong growth in current and savings accounts balances, drove income growth. Income from Wealth Management grew 11 per cent, predominantly in fee income. In the SME segment, the increased sales and marketing activities drove customer acquisition and improved product penetration. The number of new customers grew significantly and volumes in trade and commercial financing grew income in the SME segment by 37 per cent. Mortgage income was marginally lower against a backdrop of intense competition and rising interest rates although market share in mortgages was maintained. Additional investments were made in private banking, adding new branches, marketing campaigns and increasing the sales force during the period. The loan impairment charge increased $8 million as recoveries were lower in this period. Operating profit was up one per cent to $283 million.

In Singapore, income was up 21 per cent to $206 million. Mortgage margin benefited from active re-pricing and the lower interest rate environment in the first half of this year. Deposit balances grew significantly, particularly in current and savings accounts. Higher investment services fees and treasury products contributed to income growth. Expenses grew $22 million, or 33 per cent, to $88 million. Investments were made to expand the sales force, particularly in the SME segment and in private banking. Two new priority banking centres were opened and a customer service centre upgraded. Loan impairment fell 50 per cent to $8 million, as provisions were reduced in line with improved credit experience. Operating profit increased 25 per cent to $110 million.

CONSUMER BANKING continued

In Malaysia, income increased 15 per cent to $129 million. Higher average deposit balances drove income growth with strong volume growth achieved in current and savings accounts, time deposits and structured deposits. Operating expenses increased $5 million or 10 per cent to $54 million. Loan impairment increased by $7 million reflecting a higher portfolio impairment charge. Operating profit increased 11 per cent to $52 million.

In Korea, income grew $77 million, or 15 per cent, to $607 million. Wealth Management and the SME segment achieved over 10 per cent and 40 per cent income growth respectively. Investment and insurance fees were higher. During the period, unprofitable bulk deposit accounts were reduced resulting in lower liability balances. Mortgage income was marginally lower as a result of lending constraints, intense competition and rising interest rates affecting both volumes and margins. Mortgage margins have halved in the last couple of years. The successful exiting of certain accounts in the SME segment and the realisation of collateral resulted in a further $42 million (30 June 2006: $11 million) of recoveries in respect of assets that had been fair valued at acquisition. Expenses grew $66 million, or 17 per cent, to $444 million. Investments have been increased with four additional new branches opened, two branches relocated, 24 branches upgraded, and over 400 ATMs upgraded. During the period, a charge for a voluntary retirement programme was also incurred as part of the productivity improvement plan and there was an increased allocation of corporate overheads. Loan impairment was $13 million higher. Operating profit fell $2 million, or two per cent, to $117 million.

In Other Asia Pacific, income grew $247 million, or 78 per cent, to $564 million. Expenses grew $174 million, or 94 per cent, to $360 million. Underlying income grew $39 million, or 12 per cent with particularly strong income growth in China and Indonesia. Underlying expenses grew $52 million, or 28 per cent. In China, income more than doubled, with the SME segment growing the number of customers, driving asset growth in commercial loans and average deposit balances. Income in the SME segment grew in total by over 80 per cent. Mortgage income grew over 50 per cent, benefiting from wider spreads as well as higher volumes, with growth in mortgage assets of over 30 per cent. Investments were accelerated, in customising retail banking products and services for the local market, in extending branch and ATM distribution infrastructure, in hiring additional sales, and in marketing and support staff. In Taiwan, higher expenses were incurred to integrate HIB and for the amalgamation of the branches. Loan impairment for the period was $103 million lower. Underlying loan impairment fell by $176 million due primarily to the improving credit environment in Taiwan, and lower impairment in the Philippines and Indonesia. Loan impairment in Thailand, however, increased as a result of political uncertainty and increasing consumer debt. Operating profit improved to $32 million.

India's income increased $26 million, or 16 per cent, to $184 million, driven by growth in Wealth Management products and the SME segment. Investment in new products, premises, private banking and hiring of additional sales staff increased expenses by $25 million or 28 per cent. Loan impairment increased $9 million, in part due to volume growth. Operating profit fell $8 million, to $40 million.

Operating income in the MESA region increased by $114 million, or 48 per cent to $352 million. Underlying income grew $38 million or 20 per cent, driven by strong sales performance in the SME segment, with significant growth in trade finance, business instalment loans and cash management balances. Investment services and deposit accounts continued to drive income growth in Wealth Management. Expenses grew by $73 million, or 63 per cent to $189 million. Underlying expenses grew $32 million, or 34 per cent. Investments were targeted at improving infrastructure, expanding distribution channels and increasing the sales force. Higher expenses were also incurred for the integration of the Union acquisition and the amalgamation of the businesses in Pakistan. Loan impairment increased $40 million to $56 million, reflecting higher charge offs in Pakistan following the acquisition, and in the UAE in relation to the credit cards and unsecured lending portfolios. Operating profit increased slightly to $107 million.

In Africa, operating profit grew $4 million, or 16 per cent to $29 million, predominantly due to lower loan impairment. Income growth of nine per cent was negatively impacted by foreign exchange movements in Zambia and Botswana. Double-digit income growth was achieved in Kenya, Ghana and Nigeria. Wealth Management income grew driven by increased product launches and more effective sales penetration, whilst expenses grew 10 per cent with further investments made in increasing staff strength.

The Americas, UK and Group Head Office saw an increase in operating profit of $7 million to $18 million. Income grew $8 million, or 22 per cent, to $45 million, driven primarily by higher deposits balances at better margin.

Product Performance

Credit Cards, Personal Loans and Unsecured Lending grew operating income by $143 million, or 17 per cent, to $967 million. Underlying income grew eight per cent. Asset growth was controlled with stricter credit underwriting and approval policies to ensure the balance between good growth and credit quality was maintained.

Wealth Management grew operating income by $296 million, or 32 per cent, to $1,222 million. Underlying income grew 18 per cent. An improved product range generated higher fee income and the product portfolio mix during the period improved profitability. Current and savings accounts now represent almost half of the deposit base. Consequently, net interest margins improved slightly in the period.

Mortgages and Auto income grew by $85 million, or 22 per cent, to $473 million. Underlying income grew nine per cent. Mortgage outstanding balances were marginally lower as lending constraints in Korea hindered growth. Competitive pricing pressure resulting in high attrition levels posed challenges to growth in other key markets.

WHOLESALE BANKING

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

	6 months ended 30.06.07										
	Asia Pacific										
	Hong Kong $million	**Singapore $million**	**Malaysia $million**	**Korea $million**	**Other Asia Pacific $million**	**India $million**	**Middle East & Other S Asia $million**	**Africa $million**	**Americas UK & Group Head Office $million**	**Underlying $million**	**Wholesale Banking Total $million**
Operating income	**383**	**194**	**80**	**190**	**464**	**379**	**323**	**201**	**273**	**2,424**	**2,487**
Operating expenses	**(166)**	**(99)**	**(35)**	**(116)**	**(199)**	**(96)**	**(139)**	**(115)**	**(333)**	**(1,258)**	**(1,298)**
Loan impairment	**14**	**–**	**–**	**–**	**(7)**	**(3)**	**(2)**	**(3)**	**12**	**17**	**11**
Other impairment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(2)**	**(3)**	**(3)**
Operating profit	**231**	**95**	**45**	**74**	**258**	**280**	**182**	**82**	**(50)**	**1,180**	**1,197**

	6 months ended 30.06.06										
	Asia Pacific										
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Underlying $million	Wholesale Banking Total $million
Operating Income	289	120	76	204	265	222	244	187	310	1,886	1,917
Operating expenses	(141)	(71)	(30)	(82)	(150)	(70)	(109)	(107)	(255)	(1,002)	(1,015)
Loan impairment	30	(3)	4	(7)	(2)	13	2	(8)	27	55	56
Other impairment	–	–	–	–	–	–	–	(6)	(2)	(8)	(8)
Operating profit	178	46	50	115	113	165	137	66	80	931	950

	6 months ended 31.12.06										
	Asia Pacific										
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Underlying $million	Wholesale Banking Total $million
Operating income	307	135	74	176	390	272	281	196	175	1,945	2,006
Operating expenses	(151)	(81)	(33)	(91)	(186)	(104)	(125)	(112)	(253)	(1,114)	(1,136)
Loan impairment	16	–	3	(1)	8	(6)	6	(6)	16	39	36
Other impairment	–	–	–	–	(3)	–	–	(3)	(1)	(7)	(7)
Operating profit	172	54	44	84	209	162	162	75	(63)	863	899

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

	6 months ended 30.06.07	6 months ended 30.06.06	6 months ended 31.12.06
Operating income by product	**Total $million**	Total $million	Total $million
Trade and Lending	**532**	511	495
Global Markets*	**1,346**	925	970
Cash Management and Custody	**609**	481	541
Total operating income	**2,487**	1,917	2,006

* Global markets comprises the following businesses: derivatives and foreign exchange, debt capital markets, corporate finance and Asset and Liability Management ("ALM").

WHOLESALE BANKING continued

Wholesale Banking had a very strong first half with significantly higher business volumes and income momentum. The investments made in a number of businesses and products have driven growth across key geographies. The external environment remained favourable, with new trade flows emerging, a good operating environment and benign credit conditions. Income grew $570 million, or 30 per cent, to $2,487 million. Underlying income grew 29 per cent.

Client revenues grew 30 per cent. Client income represents around four fifths of total income and remains the key driver of growth. The focus in nurturing key client relationships, attracting new clients, improving product cross-sell and investing in higher-value and strategic products have resulted in a very broad based income momentum across all client segments.

Operating expenses grew $283 million, or 28 per cent, to $1,298 million. Underlying expenses grew 26 per cent. Investment was targeted at expanding product capability, upgrading systems infrastructure in transaction banking, expanding client coverage, improving sales incentives, and reinforcing compliance and control.

Operating profit before impairment grew 32 per cent to $1,189 million. Loan impairment net recoveries were $45 million lower at $11 million, reflecting a declining stock of distressed assets. Operating profit grew $247 million, or 26 per cent, to $1,197 million. Underlying profit grew $249 or 27 per cent, to $1,180 million.

In Hong Kong, income grew $94 million, or 33 per cent, to $383 million. Client revenues grew strongly in the Local Corporates and Financial Institutions segments. Global Markets revenue contributed significantly to income growth, with higher foreign exchange and derivatives sales and corporate finance fees, while improved ALM performance drove own account income growth. Income from Cash Management benefited from higher volumes in securities services and the higher average cash balances, marginally offset by a decline in margins. Trade and Lending income was marginally higher. Expenses grew $25 million or 18 per cent, to $166 million with this increase primarily directed towards building the sales force, improving sales incentives and enhancing product capabilities. Loan impairment recoveries were 53 per cent lower at $14 million. Operating profit grew 30 per cent to $231 million.

Income in Singapore grew $74 million, or 62 per cent to $194 million. Operating profit grew $49 million, or 107 per cent, to $95 million. Commodity Corporates and Financial Institution segments led the growth in client revenues. Global Markets revenues were driven by derivatives and foreign exchange products together with strong contributions from debt capital markets and corporate finance. Expenses grew $28 million, or 39 per cent, to $99 million reflecting increased recruitment, higher salary and performance related incentives and continued investments in product capabilities.

In Malaysia, income increased $4 million, or five per cent, to $80 million with good growth in Cash Management, corporate finance and foreign exchange sales. Expenses increased $5 million, to $35 million reflecting higher performance related incentives.

Income in Korea fell $14 million, or seven per cent, to $190 million. Expenses grew $34 million, or 41 per cent, to $116 million. During the period, there were $13 million (30 June 2006: $31 million) of recoveries on assets that had been fair valued at acquisition. Expenses have been affected by the increased allocation of corporate centre overheads as well as a voluntary retirement charge.

Other Asia Pacific delivered strong income growth of $199 million, or 75 per cent, to $464 million, with expenses rising 33 per cent, to $199 million. Underlying income grew $184 million, or 69 per cent, to $449 million. Strong income growth was achieved in China across all client segments and most product categories. In Indonesia, income grew over 70 per cent. Underlying expenses grew $32 million, or 21 per cent, primarily in China, reflecting the continued investments in more staff, higher performance related incentives, product development and systems infrastructure. Loan impairment was $5 million higher, mainly due to the absence of the loan impairment releases and recoveries seen in the first half of last year. Operating profit grew $145 million, or 128 per cent, to $258 million.

In India, income grew $157 million, or 71 per cent to $379 million. Operating income was driven by strong foreign exchange income and transaction banking revenues which benefited from increased volumes and better margins in cash management, and higher trade volumes. Increased fee income was also generated from corporate finance and debt capital markets transactions, and private equity gains realised, partly offset by weaker own account trading income. Expenses increased by $26 million, or 37 per cent, with investment in new product specialists and sales staff, improving premises and systems infrastructure. Operating profit increased 70 per cent to $280 million.

Operating income in the MESA region rose $79 million, or 32 per cent, to $323 million. Income grew over 30 per cent in the UAE, Bahrain, Qatar and Jordan. Client revenues increased across most products, notably in interest rate and foreign exchange derivatives sales, debt capital markets and transaction banking. In Bangladesh, income grew over 15 per cent while income in Pakistan grew 55 per cent, reflecting good underlying growth as well as the impact of the Union acquisition. Expenses grew $30 million, or 28 per cent, to $139 million due to higher recruitment levels, premises and infrastructure costs as well as integration costs in Pakistan. Loan impairment was marginally higher. Operating profit grew $45 million, or 33 per cent, to $182 million.

In Africa, income grew $14 million, or seven per cent, to $201 million. Operating income improvements were driven by growth in transaction banking revenues, with average wholesale deposit balances increasing significantly, more than offsetting a small decline in margins. Higher fees were earned on corporate advisory and debt financing transactions. Expenses increased seven per cent to $115 million. Operating profit increased $16 million, or 24 per cent, to $82 million.

Operating income in the Americas, UK and Group Head Office decreased by $37 million, or 12 per cent, to $273 million, primarily due to lower own account trading income. There were no private equity gains realised in the region for this period compared to the first half of last year. Expenses grew by $78 million, or 31 per cent, reflecting continued investment in products and sales staff.

WHOLESALE BANKING continued

Product Performance

Trade and Lending income increased four per cent to $532 million, with underlying income growing one per cent. Trade income grew as volumes increased, driven in part by supply-chain financing and receivables services, partially offsetting the impact of tightening margins. While higher loan origination activities grew lending assets, this asset growth was offset by active loan sales and structured credit transactions to optimise capital deployment. Lending revenues were down three per cent.

Global Markets' income grew 46 per cent to $1,346 million. Underlying income grew 45 per cent. Derivatives and foreign exchange sales and trading grew income by 43 per cent. Client revenues grew 40 per cent on the back of improved product cross-selling efforts and higher client penetration. Own account trading was lower due to subdued market volatility and trading losses in certain markets. Debt capital markets income doubled, on the back of strong loan syndication volumes and higher bond issuance activities. Corporate finance income grew over 60 per cent with several landmark cross-border corporate advisory and project finance transactions completed in the first half. Private equity investments have delivered high return on investments, with a number of realisations during the first half of the year. ALM and fund management income improved 17 per cent over the equivalent period with better trading opportunities present in the local currency markets.

Cash Management and Custody income was up 27 per cent at $609 million. Underlying income grew 25 per cent, as higher transaction volumes drove fee income growth, and higher cash balances in a positive margin environment, increased net interest income. Securities assets under administration grew significantly as higher transaction volumes drove increased income in securities services.

RISK

Risk Management Review

The Group has not experienced evidence of deterioration in the credit environment within its key economies.

The structure and management of the Group's portfolio has been such that the previous low level of provisions has been maintained. Ongoing risk management disciplines are aimed at maintaining the Group's desired portfolio whilst targeting specific customers and markets.

Wholesale Banking continues to operate in a stable credit environment, with high levels of recoveries and low provisions due to proactive management. The portfolio remains well diversified with no material concentrations in key business segments. A strong risk distribution capability has been developed which provides capacity for greater origination and continued growth.

Consumer Banking is achieving the desired asset mix and the debt charge is in line with that planned for the portfolio. Asset growth has been controlled with stricter credit underwriting and approval policies to ensure the balance between good growth and credit quality is maintained.

Work to fully integrate risk controls and processes into recent acquisitions is ongoing and progressing well.

Under Basel II the Group has received approval to adopt the advanced approach to credit risk management from 1 January 2008. This approach builds on the Bank's sophisticated risk management practices and is the result of a significant Group-wide regulatory exercise.

Risk Governance

Through its risk management structure the Group seeks to manage efficiently the core risks: credit, market, country and liquidity risk. These arise directly through the Group's commercial activities whilst compliance and regulatory risk, operational risk and reputational risks are normal consequences of any business undertaking.

The basic principles of risk management followed by the Group include:

- Balancing risk and reward: risk is taken in support of the requirements of the Group's stakeholders. Risk should be taken in support of the Group strategy and within its risk appetite.
- Responsibility: given the Group is in the business of taking risk, it is everyone's responsibility to ensure that risk taking is both disciplined and focused. The Group takes account of its social, environmental and ethical responsibilities 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: the Group looks to anticipate future risks and to maximise awareness of all risk.
- Risk management: the Group aims to have a world class specialist risk function, with strength in depth, experience across risk types and economic scenarios.

Ultimate responsibility for the effective management of risk rests with the Company's Board. Acting within an authority delegated by the Board, the Audit and Risk Committee ("ARC"), whose members are all Non-Executive Directors of the Company, reviews specific risk areas and monitors the activities of the Group Risk Committee ("GRC") and the Group Asset and Liability Committee ("GALCO").

GRC, through authority delegated by the Board, is responsible for credit risk, market risk, operational risk, compliance and regulatory risk, legal risk and reputational risk. GALCO, through authority delegated by the Board, is responsible for liquidity risk, for structural interest rate and foreign exchange exposures, and for capital ratios.

All the Group Executive Directors ("GEDs") of Standard Chartered PLC, members of the Standard Chartered Bank Court and the Group Chief Risk Officer are members of the GRC. This Committee is chaired by the Group Chief Risk Officer. The GRC is responsible for agreeing Group standards for risk measurement and management, and also delegating authorities and responsibilities to risk committees and to the Group and Regional Credit Committees and Risk Officers.

GALCO membership consists of all the GEDs of Standard Chartered PLC and members of the Standard Chartered Bank Court. The committee is chaired by the Group Finance Director. GALCO is responsible for the establishment of, and compliance with, policies relating to balance sheet management including management of the Group's liquidity, capital adequacy and structural foreign exchange risk.

The committee process ensures that standards and policy are cascaded down through the organisation from the Board through the GRC and the GALCO to the functional, regional and country level committees. Key information is communicated through the country, regional and functional committees to Group so as to provide assurance that standards and policies are being followed.

The Group Executive Director with responsibility for Risk ("GED Risk") and the Group Chief Risk Officer manage a risk function which is independent of the businesses, which:

- recommends Group standards and policies for risk measurement and management;
- monitors and reports Group risk exposures for country, credit, market and operational risk;
- approves market risk limits and monitors exposure;
- sets country risk limits and monitors exposure;
- chairs the credit committee and delegates credit authorities;
- validates risk models; and
- recommends risk appetite and strategy.

Risk Governance continued

Individual GEDs and members of the Standard Chartered Bank Court are accountable for risk management in their businesses and support functions, and for countries where they have governance responsibilities. This includes:

- implementing the policies and standards as agreed by the GRC across all business activity;
- managing risk in line with appetite levels agreed by the GRC; and
- developing and maintaining appropriate risk management infrastructure and systems to facilitate compliance with risk policy.

The Group's Risk Management Framework ("RMF") identifies 18 risk types, which are managed by designated Risk Type Owners ("RTOs"), who are all approved persons under the FSA regulatory framework, and who have responsibility for setting minimum standards and governance and implementing governance and assurance processes. The RTOs report up through specialist risk committees to the GRC, or in the case of liquidity risk, to the GALCO.

In support of the RMF the Group uses a set of risk principles, which are sanctioned by the GRC. These comprise a set of statements of intent that describe the risk culture that the Group wishes to sustain. All risk decisions and risk management activity should be in line with, and in the spirit of, the overall risk principles of the Group. The governance process is designed to ensure:

- business activities are controlled on the basis of risk adjusted return;
- risk is managed within agreed parameters with risk quantified wherever possible;
- risk is assessed at the outset and throughout the time that the Group continues to be exposed to it;
- applicable laws, regulations and governance standards in every country in which the Group does business are abided by;
- high and consistent ethical standards are applied to the Group's relationships with its customers, employees and other stakeholders; and
- activities are undertaken in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorisation and approval, recording, safeguarding, reconciliation and valuation.

The GED Risk and the Group Chief Risk Officer, together with Group Internal Audit, provide assurance, independent from the businesses, that risk is being measured and managed in accordance with the Group's standards and policies.

Stress Testing

Objectives and purpose of stress testing

Stress testing and scenario analysis are important components of the Group's risk assessment processes, and are used to assess the financial and management capability of the Group to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental, and social factors which define the context within which the Group operates. It is intended that stress testing and scenario analysis will help to inform senior and middle management with respect to:

- the nature and dynamics of the risk profile;
- the identification of potential future risks;
- the setting of the Group's risk appetite;
- the robustness of risk management systems and controls;
- the adequacy of contingency planning; and
- the effectiveness of risk mitigants.

Stress testing framework

The framework has been designed to satisfy the following requirements:

- identify key risks to the Group's strategy, financial position, and reputation;
- ensure effective governance, processes and systems are in place to coordinate stress testing;
- integrate current stress testing and scenario analysis procedures;
- engage and inform senior management;
- assess the impact on the Group's profitability and business plans;
- enable the Group to set and monitor its risk appetite; and
- satisfy regulatory requirements.

Key to the framework is the formation of a Stress Testing Forum that is a formally constituted body deriving its powers from the GRC. The primary objective of this forum is to identify and assess the extreme but plausible risks to which the Group may be subjected, and to make recommendations to senior management for suitable scenarios.

Group-wide scenario analysis represents a wide ranging assessment of potential impact. Therefore it is coordinated through a Group risk function, which is responsible for consolidating the analysis and highlighting existing mitigants, controls, plans, and procedures to manage the identified risk, as well as any additional management action required.

Risk appetite

Risk appetite is the amount of risk the Group wants to take pursuant to its strategic objectives.

The RMF summarises the Group's risk appetite for each of the identified risk types, as well as the related management standards.

Risk appetite setting is the Group's chosen method of balancing risk and return, recognising a range of possible outcomes, as business plans are implemented. The Group adopts quantitative risk appetite statements where applicable, and aggregates risk appetite across businesses where appropriate.

For example, a formal quantitative statement from the Board communicates the Group's overall credit risk appetite and ensures this is in line with the strategy and the desired risk-reward trade off for the Group.

Risk appetite continued

Where risk appetite statements are qualitative, these are supported with measures that allow business units to judge whether existing and new business and processes fall within the risk appetite.

The annual business planning and performance management process and associated activities ensure the expression of risk appetite remains appropriate, and the GRC supports this work.

Credit Risk

Credit Risk Management

Credit risk is the risk that a counterparty will not settle its obligations in accordance with agreed terms.

Credit exposures include both individual borrowers and groups of connected counterparties, and portfolios in the banking and trading books.

The GRC has clear responsibility for credit risk. Standards are approved by the GRC, which oversees the delegation of credit authorities.

Procedures for managing credit risk are determined at the business levels, with specific policies and procedures being adapted to different risk environment and business goals. Risk officers are located in the businesses to maximise the efficiency of decision making, but have a reporting line which is separate from the business lines into the Group Chief Risk Officer.

The businesses working with the Risk Officer take responsibility for managing pricing for risk, portfolio diversification and overall asset quality within the requirements of Group standards, policies and business strategy.

Where appropriate, derivatives are used to reduce credit risks in the portfolio. Due to the income statement volatility which can result, derivatives are only used in a controlled manner and within a pre-defined volatility expectation.

Wholesale Banking

Within the Wholesale Banking business, a numerical grading system is used for quantifying the risk associated with a counterparty. The grading is based on a probability of default measure, with customers analysed against a range of quantitative and qualitative measures. Expected Loss is used for the further assessment of individual exposures and portfolio analysis. There is a clear segregation of duties with loan applications being prepared separately from the approval chain. Significant exposures are reviewed and approved centrally through a Group or regional level credit committee. These committees are responsible to the GRC.

Consumer Banking

For Consumer Banking, standard credit application forms are generally used, which are processed in central units using largely automated approval processes. Where appropriate to the customer, the product or the market, a manual approval process is in place. As with Wholesale Banking, origination and approval roles are segregated.

Loan Portfolio

Loans and advances to customers have grown by $32.6 billion since 30 June 2006 to $152.8 billion.

Excluding the effect of the HIB and Union acquisitions, growth in the Consumer Banking portfolio has been constrained over the period as growth in secured products has been muted by regulatory and competitive challenges in the mortgage market.

Growth in the Wholesale Banking portfolio was $22.3 billion, or 43 per cent since 30 June 2006. Growth was seen across all industry sectors and geographies, with particularly strong increases in the portfolios in Singapore, Other Asia Pacific, India, and Americas, UK and Head Office. Financing, insurance and business services saw an increase of $7.0 billion, driven by large increases in Hong Kong and Americas, UK and Head Office.

The use of derivatives has partially offset the risks arising from the growth in the balance sheet during the period.

The Wholesale Banking portfolio remains well diversified across both geography and industry, with no significant concentration within the industry classifications of Manufacturing, Financing, insurance and business services, or Commerce.

Loan Portfolio continued

	30.06.07									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Loans to individuals										
Mortgages	11,303	3,570	2,524	23,743	6,030	1,584	537	217	113	49,621
Other	2,132	1,109	807	4,719	4,050	1,108	2,721	593	563	17,802
Small and medium enterprises	1,019	1,537	909	5,437	1,918	637	466	125	–	12,048
Consumer Banking	14,454	6,216	4,240	33,899	11,998	3,329	3,724	935	676	79,471
Agriculture, forestry and fishing	193	22	90	20	115	51	34	204	422	1,151
Construction	75	29	23	268	238	248	395	68	20	1,364
Commerce	1,647	1,519	395	352	1,921	792	2,150	640	1,581	10,997
Electricity, gas and water	196	1	70	95	325	22	323	103	866	2,001
Financing, insurance and business services	4,451	1,227	531	1,182	2,474	461	1,490	189	5,393	17,398
Governments	–	4,131	4,012	11	18	–	20	10	249	8,451
Mining and quarrying	9	28	–	46	183	45	253	61	1,779	2,404
Manufacturing	1,881	579	188	3,757	5,476	1,754	1,757	381	3,752	19,525
Commercial real estate	1,163	681	6	1,015	739	461	2	14	–	4,081
Transport, storage and communication	424	315	145	136	490	155	889	124	1,671	4,349
Other	116	335	7	424	524	6	573	10	84	2,079
Wholesale Banking	10,155	8,867	5,467	7,306	12,503	3,995	7,886	1,804	15,817	73,800
Portfolio impairment provision	(48)	(28)	(28)	(93)	(194)	(36)	(65)	(13)	(7)	(512)
Total loans and advances to customers	24,561	15,055	9,679	41,112	24,307	7,288	11,545	2,726	16,486	152,759
Total loans and advances to banks	7,046	1,736	1,178	1,597	4,743	484	993	288	5,143	23,208

Total loans and advances to customers include $806 million held at fair value through profit or loss. Total loans and advances to banks include $2,100 million held at fair value through profit or loss account.

Loan Portfolio continued

	30.06.06									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Loans to individuals										
Mortgages	11,281	3,903	2,562	23,240	1,096	1,440	159	214	144	44,039
Other	2,132	1,044	725	4,727	3,114	924	2,160	442	148	15,416
Small and medium enterprises	861	1,651	840	4,754	908	389	90	116	–	9,609
Consumer Banking	14,274	6,598	4,127	32,721	5,118	2,753	2,409	772	292	69,064
Agriculture, forestry and fishing	22	24	43	9	96	83	71	150	378	876
Construction	72	33	23	141	85	248	290	48	18	958
Commerce	1,291	1,132	328	278	826	469	1,530	359	1,343	7,556
Electricity, gas and water	347	16	61	50	257	26	228	54	684	1,723
Financing, insurance and business services	2,535	1,460	687	1,748	1,178	466	1,048	119	1,589	10,830
Governments	–	2,625	3,199	15	155	–	84	–	282	6,360
Mining and quarrying	–	–	8	64	244	28	207	104	863	1,518
Manufacturing	1,773	360	402	2,865	3,053	1,310	1,392	491	2,191	13,837
Commercial real estate	1,249	589	7	737	549	238	3	7	7	3,386
Transport, storage and communication	567	243	106	170	231	101	647	138	1,661	3,864
Other	112	115	39	–	13	3	266	24	55	627
Wholesale Banking	7,968	6,597	4,903	6,077	6,687	2,972	5,766	1,494	9,071	51,535
Portfolio impairment Provision	(54)	(26)	(23)	(74)	(198)	(30)	(32)	(10)	(7)	(454)
Total loans and advances to customers	22,188	13,169	9,007	38,724	11,607	5,695	8,143	2,256	9,356	120,145
Total loans and advances to banks	3,131	1,155	153	1,835	3,433	285	1,501	563	5,586	17,642

Total loans and advances to customers include $595 million held at fair value through profit or loss. Total loans and advances to banks include $892 million held at fair value through profit or loss account.

Loan Portfolio continued

	31.12.06*									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	**Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Loans to individuals										
Mortgages	11,245	3,551	2,593	23,954	5,968	1,492	416	239	155	49,613
Other	2,235	1,028	771	4,612	4,523	928	2,650	483	537	17,767
Small and medium enterprises	919	1,548	883	4,907	2,023	567	323	133	–	11,303
Consumer Banking	14,399	6,127	4,247	33,473	12,514	2,987	3,389	855	692	78,683
Agriculture, forestry and fishing	53	13	53	20	108	25	65	159	297	793
Construction	57	29	26	262	181	198	332	78	2	1,165
Commerce	1,986	1,320	331	348	1,407	608	1,995	457	1,269	9,721
Electricity, gas and water	176	17	56	31	314	26	193	80	815	1,708
Financing, insurance and business services	1,817	1,664	724	1,176	1,901	479	1,245	182	3,264	12,452
Governments	–	3,328	3,397	13	20	–	4	–	235	6,997
Mining and quarrying	–	3	–	50	324	32	352	110	1,624	2,495
Manufacturing	2,282	701	228	3,208	4,745	1,435	1,848	406	2,504	17,357
Commercial real estate	819	708	5	849	720	231	27	7	–	3,366
Transport, storage and communication	277	338	149	189	495	249	810	173	1,647	4,327
Other	220	406	9	496	357	5	314	39	115	1,961
Wholesale Banking	7,687	8,527	4,978	6,642	10,572	3,288	7,185	1,691	11,772	62,342
Portfolio impairment provision	(49)	(28)	(26)	(86)	(228)	(33)	(58)	(10)	(6)	(524)
Total loans and advances to customers	22,037	14,626	9,199	40,029	22,858	6,242	10,516	2,536	12,458	140,501
Total loans and advances to banks	6,474	939	161	1,753	4,462	477	1,058	387	5,353	21,064

* Amounts have been restated as explained in note 30 on page 61.

** Restated to present on a consistent basis.

Total loans and advances to customers include $1,194 million held at fair value through profit or loss. Total loans and advances to banks include $1,340 million held at fair value through profit or loss account.

Maturity analysis

Approximately 50 per cent of the Group's loans and advances are short term having a contractual maturity of one year or less. The Wholesale Banking portfolio is predominantly short term, with 77 per cent of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 63 per cent of the portfolio is in the mortgage book, traditionally longer term in nature. Whilst the Other and SME loans in Consumer Banking have short contractual maturities, in the normal course of business they may be renewed and repaid over longer terms.

	30.06.07			
	One year or less $million	**One to five years $million**	**Over five years $million**	**Total $million**
Consumer Banking				
Mortgages	**3,212**	**8,396**	**38,013**	**49,621**
Other	**9,087**	**6,867**	**1,848**	**17,802**
SME	**6,944**	**3,059**	**2,045**	**12,048**
Total	**19,243**	**18,322**	**41,906**	**79,471**
Wholesale Banking	**57,080**	**11,319**	**5,401**	**73,800**
Portfolio impairment provision				**(512)**
Loans and advances to customers	**76,323**	**29,641**	**47,307**	**152,759**

	30.06.06			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Consumer Banking				
Mortgages	3,513	9,201	31,325	44,039
Other	8,527	5,882	1,007	15,416
SME	5,827	2,038	1,744	9,609
Total	17,867	17,121	34,076	69,064
Wholesale Banking	40,942	7,443	3,150	51,535
Portfolio impairment provision				(454)
Loans and advances to customers	58,809	24,564	37,226	120,145

	31.12.06*			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Consumer Banking				
Mortgages	4,378	8,729	36,506	49,613
Other	9,141	6,393	2,233	17,767
SME	6,299	2,812	2,192	11,303
Total	19,818	17,934	40,931	78,683
Wholesale Banking	48,569	9,211	4,562	62,342
Portfolio impairment provision				(524)
Loans and advances to customers	68,387	27,145	45,493	140,501

* Amounts have been restated as explained in note 30 on page 61.

Problem Credit Management and Provisioning

Consumer Banking

An account is considered to be in default when payment is not received on the due date. Accounts that are overdue by more than 30 days are considered delinquent. These accounts are closely monitored and subject to a collections process. An account is considered non-performing if it is 90 days past due or an individual impairment provision ("IIP") is held against it.

The process used for raising provisions is dependent on the product. For mortgages, IIPs are generally raised at 150 days past due based on the difference between the outstanding amount of the loan and the present value of the estimated future cash flows. Loan impairment for other secured loans utilises the forced sale value of the collateral without discounting if the collateral can be realised within 12 months. For unsecured products, IIP are raised for the entire outstanding amount at 150 days past due. For all products there are certain accounts, such as cases involving bankruptcy, fraud and death, where the loss recognition process is accelerated.

A portfolio impairment provision ("PIP") is held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in the loan portfolio.

PIP covers both performing loans and loans overdue for less than 150 days. The provision is set with reference to past experience using flow rate methodology, as well as taking account of judgemental factors such as the economic and business environment in core markets, and the trends in a range of portfolio indicators.

The cover ratio reflects the extent to which the gross non-performing loans are covered by the individual and portfolio impairment provisions. The balance of non-performing loans uncovered by the individual impairment provisions reflects the level of collateral held and/or the estimated net value of any recoveries.

The table below sets out the total non-performing portfolios in Consumer Banking. The decrease in non-performing loans in Korea is primarily as a result of the successful exiting of SME accounts and the realisation of collateral.

The following tables set out the total non-performing portfolio in Consumer Banking:

	30.06.07									
	Asia Pacific									
	Hong Kong $million	**Singapore $million**	**Malaysia $million**	**Korea $million**	**Other Asia Pacific $million**	**India $million**	**Middle East & Other S Asia $million**	**Africa $million**	**Americas UK & Group Head Office $million**	**Total $million**
Loans and advances Gross non-performing	**65**	**87**	**211**	**372**	**562**	**56**	**112**	**32**	**21**	**1,518**
Individual impairment provision	**(27)**	**(32)**	**(69)**	**(171)**	**(349)**	**(18)**	**(81)**	**(12)**	**(2)**	**(761)**
Non-performing loans net of individual impairment provision	**38**	**55**	**142**	**201**	**213**	**38**	**31**	**20**	**19**	**757**
Portfolio impairment provision										**(408)**
Net non-performing loans and advances										**349**
Cover ratio										**77%**

	30.06.06									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Loans and advances Gross non-performing	102	113	186	683	157	48	26	17	20	1,352
Individual impairment provision	(27)	(33)	(67)	(287)	(94)	(14)	(18)	(11)	–	(551)
Non-performing loans net of individual impairment provision	75	80	119	396	63	34	8	6	20	801
Portfolio impairment provision										(362)
Net non-performing loans and advances										439
Cover ratio										68%

Consumer Banking continued

	31.12.06*									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Loans and advances Gross non-performing	80	100	202	531	695	48	98	24	5	1,783
Individual impairment provision	(29)	(38)	(67)	(239)	(422)	(17)	(64)	(10)	(3)	(889)
Non-performing loans net of individual impairment provision	51	62	135	292	273	31	34	14	2	894
Portfolio impairment provision										(428)
Net non-performing loans and advances										466
Cover ratio										74%

* Amounts have been restated as explained in note 30 on page 61.

Wholesale Banking

In Wholesale Banking, accounts or portfolios are placed on Early Alert when they display signs of weakness. Such accounts and portfolios are subject to a dedicated process with oversight involving senior Risk Officers and Group Special Asset Management ("GSAM"). Account plans are re-evaluated and remedial actions are agreed and monitored until complete. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exit of the account or immediate movement of the account into the control of GSAM, the specialist recovery unit.

Loans are designated as impaired and considered non-performing where recognised weakness indicates that full payment of either interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more overdue. Impaired accounts are managed by GSAM, which is managed separately from the main businesses of the Group. Where any amount is considered uncollectable, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows. In any decision relating to the raising of provisions, the Group attempts 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 an element of an account against which an impairment provision has been raised, then that amount will be written off.

A portfolio impairment provision 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, the portfolio impairment provision is set with reference to past experience using loss rates, and judgemental factors such as the economic environment and the trends in key portfolio indicators.

The cover ratio reflects the extent to which gross non-performing loans are covered by individual and portfolio impairment provisions. At 88 per cent, the Wholesale Banking non-performing portfolio is well covered. The balance uncovered by individual impairment provision represents the value of collateral held and/or the Group's estimate of the net value of any work-out strategy.

Wholesale Banking continued

The following tables set out the total non-performing portfolio in Wholesale Banking:

	30.06.07									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Loans and advances Gross non-performing	**112**	**33**	**28**	**38**	**372**	**27**	**114**	**102**	**128**	**954**
Individual impairment provision	**(83)**	**(26)**	**(24)**	**(32)**	**(276)**	**(23)**	**(108)**	**(50)**	**(116)**	**(738)**
Non-performing loans and advances net of individual impairment provision	**29**	**7**	**4**	**6**	**96**	**4**	**6**	**52**	**12**	**216**
Portfolio impairment provision										**(105)**
Net non-performing loans and advances										**111**
Cover ratio										**88%**

	30.06.06									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Loans and advances Gross non-performing	295	113	32	125	117	28	45	97	219	1,071
Individual impairment provision	(176)	(85)	(31)	(45)	(104)	(23)	(30)	(57)	(204)	(755)
Non-performing loans and advances net of individual impairment provision	119	28	1	80	13	5	15	40	15	316
Portfolio impairment provision										(93)
Net non-performing loans and advances										223
Cover ratio										79%

	31.12.06*									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Loans and advances Gross non-performing	167	69	29	110	406	24	121	100	152	1,178
Individual impairment provision	(130)	(46)	(25)	(46)	(215)	(22)	(111)	(58)	(151)	(804)
Non-performing loans and advances net of individual impairment provision	37	23	4	64	191	2	10	42	1	374
Portfolio impairment provision										(97)
Net non-performing loans and advances										277
Cover ratio										76%

* Amounts have been restated as explained in note 30 on page 61.

Wholesale Banking continued

30.06.07

	Asia Pacific									
	Hong Kong $million	**Singapore $million**	**Malaysia $million**	**Korea $million**	**Other Asia Pacific $million**	**India $million**	**Middle East & Other S Asia $million**	**Africa $million**	**Americas UK & Group Head Office $million**	**Total $million**
Gross impairment charge	**7**	**3**	**1**	**2**	**7**	**7**	**5**	**4**	**2**	**38**
Recoveries/provisions no longer required	**(21)**	**(3)**	**(1)**	**(3)**	**(1)**	**(4)**	**(4)**	**(4)**	**(14)**	**(55)**
Net individual impairment charge/(credit)	**(14)**	**–**	**–**	**(1)**	**6**	**3**	**1**	**–**	**(12)**	**(17)**
Portfolio impairment provision										**6**
Net impairment credit										**(11)**

30.06.06

	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Gross impairment charge	5	7	1	5	2	1	–	13	2	36
Recoveries/provisions no longer required	(29)	(4)	(4)	–	(3)	(15)	(6)	(4)	(30)	(95)
Net individual impairment charge/(credit)	(24)	3	(3)	5	(1)	(14)	(6)	9	(28)	(59)
Portfolio impairment provision										3
Net impairment credit										(56)

31.12.06

	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Gross impairment charge	9	2	1	2	1	8	10	6	5	44
Recoveries/provisions no longer required	(21)	(2)	(4)	(3)	(8)	(4)	(12)	(2)	(19)	(75)
Net individual impairment charge/(credit)	(12)	–	(3)	(1)	(7)	4	(2)	4	(14)	(31)
Portfolio impairment provision										(5)
Net impairment credit										(36)

Movement in Group Individual Impairment Provision

The following tables set out the movements in the Group's total individual impairment provisions against loans and advances:

	30.06.07									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Provisions held at 1 January 2007	**159**	**84**	**92**	**285**	**637**	**39**	**175**	**68**	**154**	**1,693**
Exchange translation differences	**–**	**–**	**2**	**1**	**1**	**3**	**1**	**2**	**–**	**10**
Amounts written off	**(73)**	**(36)**	**(27)**	**(60)**	**(213)**	**(36)**	**(53)**	**(12)**	**(24)**	**(534)**
Recoveries of acquisition fair values	**–**	**–**	**–**	**(55)**	**–**	**–**	**–**	**–**	**–**	**(55)**
Recoveries of amounts previously written off	**15**	**6**	**7**	**–**	**7**	**9**	**10**	**–**	**1**	**55**
Discount unwind	**(2)**	**(4)**	**(2)**	**(13)**	**(12)**	**(1)**	**–**	**–**	**–**	**(34)**
Other	**–**	**–**	**–**	**(2)**	**(6)**	**(2)**	**3**	**–**	**–**	**(7)**
New provisions	**52**	**30**	**48**	**58**	**251**	**45**	**80**	**11**	**1**	**576**
Recoveries/provisions no longer required	**(41)**	**(22)**	**(27)**	**(11)**	**(40)**	**(16)**	**(27)**	**(7)**	**(14)**	**(205)**
Net charge against/(credit) to profit	**11**	**8**	**21**	**47**	**211**	**29**	**53**	**4**	**(13)**	**371**
Provisions held at 30 June 2007	**110**	**58**	**93**	**203**	**625**	**41**	**189**	**62**	**118**	**1,499**

	30.06.06									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $ million	Americas UK & Group Head Office $million	Total $million
Provisions held at 1 January 2006	279	140	96	361	179	40	64	60	167	1,386
Exchange translation differences	–	5	3	23	6	(1)	(1)	(1)	6	40
Amounts written off	(37)	(51)	(24)	(21)	(185)	(33)	(33)	(6)	(4)	(394)
Recoveries of acquisition fair values	–	–	–	(42)	–	–	–	–	–	(42)
Recoveries of amounts previously written off	30	4	6	–	9	9	6	–	1	65
Discount unwind	(2)	(1)	(2)	(18)	–	–	–	(1)	(1)	(25)
Other	(63)	–	–	–	–	1	–	–	65	3
New provisions	59	36	49	48	203	37	27	25	2	486
Recoveries/provisions no longer required	(63)	(15)	(30)	(19)	(14)	(16)	(15)	(9)	(32)	(213)
Net charge against/(credit) to profit	(4)	21	19	29	189	21	12	16	(30)	273
Provisions held at 30 June 2006	203	118	98	332	198	37	48	68	204	1,306

	31.12.06*									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $ million	Americas UK & Group Head Office $million	Total $million
Provisions held at 1 July 2006	203	118	98	332	198	37	48	68	204	1,306
Exchange translation differences	–	2	3	6	2	2	(1)	–	3	17
Amounts written off	(82)	(57)	(27)	(43)	(218)	(31)	(55)	(11)	(44)	(568)
Recoveries of acquisition fair values	–	–	–	(64)	–	–	–	–	–	(64)
Recoveries of amounts previously written off	19	4	5	8	9	8	6	2	2	63
Acquisitions	–	–	–	–	475	–	143	–	–	618
Discount unwind	–	(1)	(2)	(14)	(7)	(1)	–	(1)	(1)	(27)
Other	–	–	–	14	1	–	–	–	2	17
New provisions	67	35	45	83	200	39	52	19	7	547
Recoveries/provisions no longer required	(48)	(17)	(30)	(37)	(23)	(15)	(18)	(9)	(19)	(216)
Net charge against/(credit) to profit	19	18	15	46	177	24	34	10	(12)	331
Provisions held at 31 December 2006	159	84	92	285	637	39	175	68	154	1,693

* Amounts have been restated as explained in note 30 on page 61.

Country Risk

Country Risk is the risk that a counterparty is unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

The GRC approves country risk and delegates the setting and management of country limits to the Deputy Group Chief Risk Officer.

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, certificates of deposit, and other negotiable paper and investment securities, where the counterparty is resident in a country other than that where the cross border assets are recorded. Cross border assets also include exposures to local residents denominated in currencies other than the local currency.

Cross border exposure to countries in which the Group does not have a significant presence is predominantly in relation to money market and global corporate activity. The business is originated in the Group's key markets, but is conducted with counterparties domiciled in the country against which the exposure is reported.

The following table, based on the Bank of England Cross Border Reporting ("CE") guidelines, shows the Group's cross border assets including acceptances where they exceed one per cent of the Group's total assets.

	30.06.07				30.06.06			
	Public sector $million	**Banks $million**	**Other $million**	**Total $million**	Public sector $million	Banks $million	Other $million	Total $million
Hong Kong	**5**	**739**	**5,424**	**6,168**	1	480	3,846	4,327
USA	**1,839**	**1,496**	**2,770**	**6,105**	881	540	2,673	4,094
India	**5**	**1,570**	**3,596**	**5,171**	2	1,028	1,652	2,682
Korea	**6**	**1,209**	**4,020**	**5,235**	14	1,500	2,854	4,368
Singapore	**–**	**1,012**	**2,923**	**3,935**	–	716	2,132	2,848
Australia	**–**	**–**	**–**	**–**	–	2,667	259	2,926
France	**–**	**–**	**–**	**–**	137	2,530	214	2,881
China	**–**	**–**	**–**	**–**	57	1,073	1,322	2,452

	31.12.06			
	Public sector $million	Banks $million	Other $million	Total $million
Hong Kong	4	576	4,531	5,111
USA	1,194	1,027	2,895	5,116
India	3	1,335	2,585	3,923
Korea	8	1,029	3,439	4,476
Singapore	–	584	3,471	4,055
Australia	–	2,794	258	3,052
France	62	3,591	167	3,820
China	94	1,055	1,571	2,720
Dubai	–	1,504	1,413	2,917

Market Risk

The Group recognises market risk as the exposure created by potential changes in market prices and rates. The Group is exposed to market risk arising principally from customer driven transactions.

Market risk is governed by the GRC, which agrees policies and levels of risk appetite in terms of Value at Risk ("VaR"). The Group Market Risk Committee ("GMRC") provides market risk oversight and guidance on policy setting. Policies cover both trading and non-trading books of the Group. The trading book is defined as per the FSA Handbook BIPRU. 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 currency concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. Option risks are controlled through revaluation limits on currency and volatility shifts, limits on volatility risk by currency pair and other variables that determine the options' value.

VaR models are back tested against actual results to ensure pre-determined levels of accuracy are maintained. GMR complements the VaR measurement by regularly stress testing market risk exposures to highlight 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. Ad hoc scenarios are also prepared reflecting specific market conditions. A consistent stress testing methodology is applied to trading and non-trading books.

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

The stress test methodology assumes that management action would be limited during a stress event, reflecting the decrease in liquidity that often occurs.

Value at Risk

The Group uses historic simulation to measure VaR on all market risk related activities.

The total VaR for trading and non-trading books combined at 30 June 2007 was $10.0 million (30 June 2006: $9.7 million, 31 December 2006: $10.3 million), with a maximum exposure of $14.0 million.

Interest rate related VaR was $9.5 million (30 June 2006: $9.2 million, 31 December 2006: $9.3 million) and foreign exchange related VaR was $2.2 million (30 June 2006: $2.9 million, 31 December 2006: $1.5 million).

The average total VaR for trading and non-trading books during the first half of 2007 was $10.3 million (30 June 2006: $10.7 million, 31 December 2006: $10.6 million).

VaR for interest rate risk in the non-trading books of the Group totalled $7.9 million at 30 June 2007 (30 June 2006: $8.4 million, 31 December 2006: $8.0 million).

The Group has no significant trading exposure to equity or commodity price risk.

The average daily income earned from market risk related activities during the six months to 30 June 2007 was $7.0 million, compared with $5.5 million during the six months to 30 June 2006.

Foreign Exchange Exposure

The Group's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures and structural currency exposures in net investments in non-US dollar units.

Foreign exchange trading exposures are principally derived from customer driven transactions. The average daily income from foreign exchange trading businesses during the six months ended 30 June 2007 was $3.0 million (30 June 2006: $2.6 million).

Interest Rate Exposure

The Group's interest rate exposures arise from trading and non-trading activities.

Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities.

The average daily income from interest rate trading businesses during the six months to 30 June 2007 was $4.0 million (30 June 2006: $2.9 million).

Derivatives

Derivatives are contracts whose characteristics and value derive from underlying financial instruments, interest and exchange rates or indices. They include futures, forwards, swaps and options transactions in the foreign exchange, credit and interest rate markets. Derivatives are an important risk management tool for banks and their customers because they can be used to manage the risk of price, interest rate and exchange rate movements.

The Group's derivative transactions are principally in instruments where the mark-to-market values are readily determinable by reference to independent prices and valuation quotes or by using standard industry pricing models.

The Group enters into derivative contracts in the normal course of business to meet customer requirements and to manage its own exposure to fluctuations in interest, credit and exchange rates.

Derivatives are carried at fair value and shown in the balance sheet as separate totals of assets and liabilities. Recognition of fair value gains and losses depends on whether the derivatives are classified as trading or for hedging purposes.

The Group applies a future exposure methodology to manage counterparty credit exposure associated with derivative transactions.

Hedging

In accounting terms, hedges are classified into three types: fair value hedges, where fixed rates of interest or foreign exchange are exchanged for floating rates; cash flow hedges, 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 Group uses futures, forwards, swaps and options transactions in the foreign exchange and interest rate markets to hedge risk.

The Group occasionally hedges the value of its foreign currency denominated investments in subsidiaries and branches. Hedges may be taken where there is a risk of a significant exchange rate movement but, in general, management believes that the Group's reserves are sufficient to absorb any foreseeable adverse currency depreciation.

The effect of exchange rate movements on the capital risk asset ratio is mitigated by the fact that both the net asset value of these investments and the risk weighted value of assets and contingent liabilities follow substantially the same exchange rate movements.

Liquidity Risk

The Group defines liquidity risk as the risk that the bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost.

It is the policy of the Group to maintain adequate liquidity at all times, in all geographical locations and for all currencies. Hence the Group aims to be in a position to meet all obligations, to repay depositors, to fulfil commitments to lend and to meet any other commitments.

Liquidity risk management is governed by GALCO, which is chaired by the Group Finance Director. GALCO is responsible for both statutory and prudential liquidity. These responsibilities are managed through the provision of authorities, policies and procedures that are co-ordinated by the Liquidity Management Committee ("LMC") with country Asset and Liability Committees ("ALCO").

Due to the diversified nature of the Group's business, the Group's policy is that liquidity is more effectively managed locally, in-country. Each ALCO is responsible for ensuring that the country is self-sufficient and is able to meet all its obligations to make payments as they fall due. The ALCO has primary responsibility for compliance with regulations and Group policy and maintaining a country liquidity crisis contingency plan.

A substantial portion of the Group's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency.

The Group also maintains significant levels of marketable securities either for compliance with local statutory requirements or as prudential investments of surplus funds.

The GALCO also oversees the structural foreign exchange and interest rate exposures that arise within the Group. These responsibilities are managed through the provision of authorities, policies and procedures that are co-ordinated by the Capital Management Committee. Policies and guidelines for the maintenance of capital ratio levels are approved by GALCO. Compliance with Group ratios is monitored centrally by Group Corporate Treasury, while local requirements are monitored by the local ALCO.

Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people, and systems, or from external events. The Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control, and report such risks.

The Group Operational Risk Committee ("GORC") has been established to supervise and direct the management of operational risks across the Group. GORC is also responsible for ensuring adequate and appropriate policies and procedures are in place for the identification, assessment, monitoring, control and reporting of operational risks.

A Group operational risk function, independent from the businesses is responsible for establishing and maintaining the overall operational risk framework, and for monitoring the Group's key operational risk exposures. This unit is supported by Wholesale Banking and Consumer Banking Operational Risk units. These units are responsible for ensuring compliance with policies and procedures in the business, monitoring key operational risk exposures, and the provision of guidance to the respective business areas on operational risk.

Compliance with operational risk policies and procedures is the responsibility of all managers. Every country operates a Country Operational Risk Group ("CORG"). The CORG has in-country governance responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

Compliance and Regulatory Risk

Compliance and Regulatory risk includes the risk of non-compliance with regulatory requirements in a country in which the Group operates. The Group Compliance and Regulatory Risk function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

Legal Risk

Legal risk is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or other loss for the Group, failure to protect the title to and ability to control the rights to assets of the Group (including intellectual property rights), changes in the law, or jurisdictional risk. The Group manages legal risk through the Group Legal Risk Committee, Legal Risk policies and procedures and effective use of its internal and external lawyers.

Reputational Risk

Reputational risk is any material adverse effect on the relations between the Group and any one of its significant stakeholders. It is Group policy that the protection of the Bank's reputation should take priority over all activities including revenue generation at all times.

Reputational risk is not a primary risk, but will arise from the failure to effectively mitigate one or more of country, credit, liquidity, market, legal and regulatory and operational risk.

It may also arise from the failure to comply with Social, Environmental and Ethical standards. All staff are responsible for day to day identification and management of reputational risk.

From an organisational perspective the Group manages reputational risk through the Group Reputational Risk and Responsibility Committee ("GRRRC") and Country Management Committees. Wholesale Banking has a specialised Responsibility and Reputational Risk Committee which reviews individual transactions. In Consumer Banking, potential reputational risks resulting from transactions or products are reviewed by the Product and Reputational Risk Committee. Issues are then escalated to the GRRRC.

A critical element of the role of the GRRRC is to act as a radar for the Group in relation to the identification of emerging or thematic risks. The GRRRC also ensures that effective risk monitoring is in place for Reputational Risk and reviews mitigation plans for significant risks.

At a country level, the Country CEO is responsible for the Group's reputation in their market. The Country CEO and their Management Committee must actively:

- promote awareness and application of the Group's policy and procedures regarding reputational risk;
- encourage business and functions to take account of the Group's reputation in all decision making, including dealings with customers and suppliers;
- implement effective functioning of the in country reporting system to ensure their management committee is alerted of all potential issues; and
- promote effective, proactive stakeholder management.

Monitoring

Group Internal Audit is a separate function that reports to the Group Chief Executive and the Audit and Risk Committee. Group Internal Audit provides independent confirmation that Group and business standards, policies and procedures are being complied with. Where necessary, corrective action is recommended.

CAPITAL

The GALCO targets Tier 1 and Total capital ratios within a range of 7-9 per cent and 12-14 per cent respectively. The ratios at 30 June 2007 are higher than this range. This reflects the strong pace of organic growth and the deployment of capital across the Group.

	30.06.07 $million	30.06.06 $million	31.12.06* $million
Tier 1 capital			
Called up ordinary share capital and preference shares	**8,544**	6,067	7,771
Eligible reserves	**10,367**	7,510	8,937
Minority interests	**227**	165	211
Innovative Tier 1 securities	**2,303**	2,186	2,262
Less: Restriction on innovative Tier 1 securities	**–**	(492)	(343)
Goodwill and other intangible assets	**(6,217)**	(4,459)	(6,179)
Unconsolidated associated companies	**253**	226	229
Other regulatory adjustments	**(2)**	90	(94)
Total Tier 1 capital	**15,475**	11,293	12,794
Tier 2 capital			
Eligible revaluation reserves	**522**	191	509
Portfolio impairment provision	**513**	455	525
Qualifying subordinated liabilities:			
Perpetual subordinated debt	**3,415**	3,260	3,368
Other eligible subordinated debt	**6,382**	4,325	5,387
Less: Amortisation of qualifying subordinated liabilities	**(863)**	(496)	(518)
Restricted innovative Tier 1 securities	**–**	492	343
Total Tier 2 capital	**9,969**	8,227	9,614
Investments in other banks	**(148)**	(149)	(211)
Other deductions	**(470)**	(207)	(320)
Total capital base	**24,826**	19,164	21,877
Banking book			
Risk weighted assets	**123,007**	104,466	120,028
Risk weighted contingents	**22,003**	21,477	21,106
	145,010	125,943	141,134
Trading book			
Market risks	**7,820**	4,249	5,834
Counterparty/settlement risks	**6,416**	4,906	6,475
Total risk weighted assets and contingents	**159,246**	135,098	153,443
Capital ratios			
Tier 1 capital	**9.7%**	8.4%	8.3%
Total capital	**15.6%**	14.2%	14.3%

* Amounts have been restated as explained in note 30 on page 61.

Condensed Consolidated Interim Income Statement
For the six months ended 30 June 2007

	Notes	**6 months ended 30.06.07 $million**	6 months ended 30.06.06 $million	6 months ended 31.12.06 $million
Interest income		7,473	5,970	7,017
Interest expense		(4,521)	(3,460)	(4,199)
Net interest income		2,952	2,510	2,818
Fees and commission income		1,478	1,103	1,172
Fees and commission expense		(250)	(209)	(185)
Net trading income	3	649	531	389
Other operating income	4	434	177	314
		2,311	1,602	1,690
Operating income		5,263	4,112	4,508
Staff costs		(1,884)	(1,381)	(1,532)
Premises costs		(274)	(206)	(238)
General administrative expenses		(610)	(519)	(652)
Depreciation and amortisation		(150)	(119)	(149)
Operating expenses		(2,918)	(2,225)	(2,571)
Operating profit before impairment losses and taxation		2,345	1,887	1,937
Impairment losses on loans and advances and other credit risk provisions	11	(361)	(349)	(280)
Other impairment		(3)	(8)	(7)
(Loss)/profit from associates		(1)	(3)	1
Profit before taxation		1,980	1,527	1,651
Taxation	5	(533)	(395)	(429)
Profit for the period		1,447	1,132	1,222
Profit attributable to:				
Minority interests	22	48	29	47
Parent company's shareholders		1,399	1,103	1,175
Profit for the period		1,447	1,132	1,222
Earnings per share:				
Basic earnings per ordinary share	7	98.5c	82.8c	86.9c
Diluted earnings per ordinary share	7	97.1c	82.2c	86.0c
Dividends per ordinary share:				
Interim dividend declared	6	23.12c	–	–
Interim dividend paid	6	–	20.83c	–
Final dividend paid	6	–	–	50.21c
Total interim dividend payable		$324m	–	–
Total interim dividend (paid 11 October 2006)		–	$277m	–
Total final dividend (paid 11 May 2007)		–	–	$695m

Condensed Consolidated Interim Balance Sheet
As at 30 June 2007

	Notes	**30.06.07 $million**	30.06.06 $million	31.12.06* $million
Assets				
Cash and balances at central banks		8,991	11,813	7,698
Financial assets held at fair value through profit or loss	9	19,344	13,082	15,715
Derivative financial instruments	10	18,441	12,721	13,154
Loans and advances to banks	11	21,108	16,750	19,724
Loans and advances to customers	11	151,953	119,550	139,307
Investment securities	13	52,230	46,037	49,497
Interests in associates		257	206	218
Goodwill and intangible assets		6,217	4,459	6,179
Property, plant and equipment		2,302	1,767	2,169
Deferred tax assets		522	492	519
Other assets		11,890	7,653	8,601
Prepayments and accrued income		3,571	3,618	3,268
Total assets		296,826	238,148	266,049
Liabilities				
Deposits by banks	14	26,846	21,994	26,233
Customer accounts	15	160,242	130,176	147,382
Financial liabilities held at fair value through profit or loss	8	13,117	8,420	9,969
Derivative financial instruments	10	19,235	13,390	13,703
Debt securities in issue	16	27,254	24,953	23,514
Current tax liabilities		131	410	68
Other liabilities	17	13,733	11,198	11,357
Accruals and deferred income		3,008	2,430	3,210
Provisions for liabilities and charges		42	56	45
Retirement benefit obligations	18	356	466	472
Subordinated liabilities and other borrowed funds	19	13,279	10,805	12,699
Total liabilities		277,243	224,298	248,652
Equity				
Share capital	20	701	667	692
Reserves	21	18,324	12,683	16,161
Total parent company shareholders' equity		19,025	13,350	16,853
Minority interests	22	558	500	544
Total equity		19,583	13,850	17,397
Total equity and liabilities		296,826	238,148	266,049

* Amounts have been restated as explained in note 30 on page 61.

Condensed Consolidated Interim Statement of Recognised Income and Expense
For the six months ended 30 June 2007

	Notes	6 months ended 30.0607 $million	6 months ended 30.06.06 $million	6 months ended 31.12.06 $million
Exchange differences on translation of foreign operations		257	364	306
Actuarial gains on retirement benefits		149	68	36
Available-for-sale investments:				
Valuation gains taken to equity		197	134	548
Transferred to income on disposal/redemption		(227)	(52)	(138)
Cash flow hedges:				
Gains taken to equity		6	45	34
(Gains)/losses transferred to income for the period		(28)	6	14
Taxation on items recognised directly in equity		(38)	(56)	(75)
Other		7	3	4
Net income recognised in equity		323	512	729
Profit for the period		1,447	1,132	1,222
Total recognised income and expense for the period		1,770	1,644	1,951

Attributable to:				
Parent company's shareholders	21	1,681	1,615	1,869
Minority interests	22	89	29	82
		1,770	1,644	1,951

Condensed Consolidated Interim Cash Flow Statement
For the six months ended 30 June 2007

	6 months ended 30.06.07 $million	6 months ended 30.06.06 $million	6 months ended 31.12.06 $million
Cash flow from operating activities			
Profit before taxation	1,980	1,527	1,651
Adjustment for items not involving cash flow or shown separately:			
Depreciation and amortisation	150	119	149
Gain on disposal of property, plant and equipment	(1)	(2)	(14)
Gain on disposal of investment securities	(229)	(52)	(138)
Movement in fair value hedges on available-for-sale assets	(18)	(3)	(2)
Amortisation of discounts and premiums of investment securities	(163)	(21)	(236)
Impairment losses	361	349	280
Other impairment	3	8	7
Assets written off, net of recoveries	(534)	(371)	(569)
(Decrease)/increase in accruals and deferred income	(228)	47	739
(Increase)/decrease in prepayments and accrued income	(2,068)	(1,282)	381
Net increase/(decrease) in derivatives mark-to-market adjustment	263	152	(107)
Interest accrued on subordinated loan capital	375	285	358
UK and overseas taxes paid	(521)	(369)	(534)
Net increase in trading treasury bills and other eligible bills	(27)	(460)	(184)
Net increase in loans and advances to banks and customers	(11,049)	(4,328)	(7,336)
Net increase in deposits from banks, customer accounts and debt securities in issue	17,477	10,019	6,895
Net increase in trading debt securities and equity shares	(2,179)	(2,127)	(1,488)
Net increase/(decrease) in other accounts	(17)	(251)	5,330
Net cash from operating activities	3,575	3,240	5,182
Net cash flows from investing activities			
Purchase of property, plant and equipment	(203)	(112)	(133)
Acquisition of investment in subsidiaries, net of cash acquired	(24)	–	(937)
Acquisition of treasury bills and other eligible bills	(10,175)	(12,201)	(11,175)
Acquisition of debt securities	(25,241)	(24,471)	(22,940)
Acquisition of equity shares	(215)	(109)	(219)
Disposal of property, plant and equipment	14	1	39
Disposal and maturity of treasury bills and other eligible bills	10,648	10,853	11,797
Disposal and maturity of debt securities	22,708	18,872	22,037
Disposal of equity shares	281	46	291
Net cash used in investing activities	(2,207)	(7,121)	(1,240)
Net cash flows from financing activities			
Issue of ordinary share capital and preference shares	811	3	1,993
Purchase of own shares	(10)	(9)	–
Net inflow from exercise of share options	21	105	53
Interest paid on subordinated loan capital	(475)	(374)	(188)
Gross proceeds from issue of subordinated loan capital	904	550	1,041
Repayment of subordinated loan capital	(149)	(340)	(50)
Dividends and payments to minority interests and preference shareholders	(61)	(43)	(37)
Dividends paid to ordinary shareholders	(344)	(343)	(153)
Net cash from/(used in) financing activities	697	(451)	2,659
Net increase/(decrease) in cash and cash equivalents	2,065	(4,332)	6,601
Cash and cash equivalents at beginning of period	38,161	35,226	31,387
Effect of exchange rate changes on cash and cash equivalents	81	493	173
Cash and cash equivalents at end of period (note 23)	40,307	31,387	38,161

1. Basis of preparation

The Group condensed interim financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"), equity account the Group's interest in associates and proportionately consolidate interests in jointly controlled entities.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the 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 2006.

These condensed consolidated interim financial statements were approved by the Board of Directors on 7 August 2007.

Except as noted below, the accounting polices applied by the Group in these condensed consolidated 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 2006.

On 1 January 2007 the Group retrospectively adopted:
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies";
- IFRIC 8 "Scope of IFRS2";
- IFRIC 9 "Reassessment of Embedded Derivatives"; and
- IFRIC 10 "Interim Financial Reporting and Impairment" none of which had a material impact on the Group's consolidated financial statements.

The Group has also adopted IFRS 7 "Financial Instruments: Disclosure" and Amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures" from 1 January 2007 and will present the disclosures required therein in the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

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 polices and key sources of uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2006.

The balance sheet as at 31 December 2006 has been restated as explained in note 30 on page 61, to reflect the revised fair values of assets and liabilities acquired on the acquisitions of Union and HIB.

2. Segmental Information

The Group is organised on a worldwide basis into two main business segments: Wholesale Banking and Consumer Banking. The types of products and services within these segments are set out in the Financial Review. The Group's secondary reporting format comprises geographical segments.

By Class of Business

	30.06.07				30.06.06			
	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
Internal income	**(44)**	**44**	**–**	**–**	(12)	12	–	–
Net interest income	**2,059**	**893**	**–**	**2,952**	1,665	845	–	2,510
Other income	**757**	**1,550**	**4**	**2,311**	542	1,060	–	1,602
Operating income	**2,772**	**2,487**	**4**	**5,263**	2,195	1,917	–	4,112
Operating expenses	**(1,612)**	**(1,298)**	**(8)**	**(2,918)**	(1,210)	(1,015)	–	(2,225)
Operating profit before impairment losses and taxation	**1,160**	**1,189**	**(4)**	**2,345**	985	902	–	1,887
Impairment (losses)/releases on loans and advances and other credit risk provisions	**(372)**	**11**	**–**	**(361)**	(405)	56	–	(349)
Other impairment	**–**	**(3)**	**–**	**(3)**	–	(8)	–	(8)
Loss from associates	**–**	**–**	**(1)**	**(1)**	–	–	(3)	(3)
Profit before taxation	**788**	**1,197**	**(5)**	**1,980**	580	950	(3)	1,527
Total assets employed	**87,297**	**209,007**	***522**	**296,826**	73,008	164,648	*492	238,148
Total liabilities employed	**108,742**	**168,370**	***131**	**277,243**	88,214	135,674	*410	224,298
Total risk weighted assets and contingents	**60,495**	**98,751**	**–**	**159,246**	55,037	80,061	–	135,098
Other segment items:								
Capital expenditure	**146**	**106**	**–**	**252**	120	47	–	167
Depreciation	**61**	**21**	**–**	**82**	45	15	–	60
Amortisation of intangible assets	**40**	**28**	**–**	**68**	25	34	–	59

* As required by IAS 14, tax balances are not allocated.

2. Segmental Information continued

	31.12.06			
	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million
Internal income	(63)	63	–	–
Net interest income	1,880	938	–	2,818
Other income	672	1,005	13	1,690
Operating income	2,489	2,006	13	4,508
Operating expenses	(1,431)	(1,136)	(4)	(2,571)
Operating profit before impairment losses and taxation	1,058	870	9	1,937
Impairment (losses)/releases on loans and advances and other credit risk provisions	(316)	36	–	(280)
Other impairment	–	(7)	–	(7)
Profit from associates	–	–	1	1
Profit before taxation	742	899	10	1,651
Total assets employed**	87,789	177,741	*519	266,049
Total liabilities employed	107,141	141,443	*68	248,652
Total risk weighted assets and contingents	60,380	93,063	–	153,443
Other segment items:				
Capital expenditure	89	103	–	192
Depreciation	55	20	–	75
Amortisation of intangible assets	27	47	–	74

* As required by IAS 14, tax balances are not allocated.

** Amounts have been restated as explained in note 30 on page 61. In addition, certain assets have been reallocated between Consumer Banking and Wholesale Banking to present on a consistent basis.

2. Segmental Information continued

By geographic segment

The Group manages its business segments on a global basis. The operations are based in nine main geographical areas. The UK is the home country of the parent.

	30.06.07									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	**Other Asia Pacific $million	India $million	***Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Internal income	(58)	34	11	2	20	10	(7)	(5)	(7)	–
Net interest income	602	120	107	627	478	276	416	208	118	2,952
Fees and commissions income, net	241	104	46	83	220	166	204	89	75	1,228
Net trading income	97	62	28	30	159	65	64	49	95	649
Other operating income	46	80	17	59	151	46	(2)	–	37	434
Operating income	928	400	209	801	1,028	563	675	341	318	5,263
Operating expenses	(398)	(187)	(89)	(560)	(567)	(211)	(328)	(218)	(360)	(2,918)
Operating profit before impairment losses and taxation	530	213	120	241	461	352	347	123	(42)	2,345
Impairment (losses)/releases on loans and advances and other credit risk provisions	(16)	(8)	(23)	(46)	(179)	(32)	(58)	(11)	12	(361)
Other impairment	–	–	–	–	–	–	–	(1)	(2)	(3)
Loss from associates	–	–	–	–	(1)	–	–	–	–	(1)
Profit before taxation	514	205	97	195	281	320	289	111	(32)	1,980
Loans and advances to customers – average	22,834	14,442	9,154	40,925	19,757	7,270	10,528	2,234	14,127	141,271
Net interest margins (%)	2.2	1.2	1.9	2.1	2.7	3.7	4.9	5.7	0.3	2.5
Loans and advances to customers – period end	24,561	15,055	9,679	41,112	24,307	7,288	11,545	2,726	16,486	152,759
Loans and advances to banks – period end	7,046	1,736	1,178	1,597	4,743	484	993	288	5,143	23,208
Total assets employed*	55,173	30,274	14,626	67,928	50,755	22,188	20,697	8,508	71,197	341,346
Total risk weighted assets and contingents	22,253	12,642	5,066	36,735	26,143	11,316	14,038	3,616	31,509	163,318
Capital expenditure	15	40	5	23	44	90	25	8	2	252

* Total assets employed includes intra-group items of $45,042 million and excludes deferred tax assets of $522 million.

** Other Asia Pacific includes HIB Operating income of $196 million; Operating expenses of $119 million; and Profit before taxation of $7 million.

*** Middle East & Other S. Asia includes Pakistan Operating income of $173 million; Operating expenses of $87 million; and Profit before taxation of $51 million.

2. Segmental Information continued

	30.06.06									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	**Other Asia Pacific $million	India $million	***Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Internal income	(13)	1	1	26	5	(4)	(2)	(7)	(7)	–
Net interest income	542	164	122	522	354	210	287	196	113	2,510
Fees and commissions income, net	198	78	23	68	130	101	141	77	78	894
Net trading income	57	32	33	51	83	59	53	47	116	531
Other operating income	10	15	9	67	10	14	3	2	47	177
Operating income	794	290	188	734	582	380	482	315	347	4,112
Operating expenses	(344)	(137)	(79)	(460)	(336)	(160)	(225)	(201)	(283)	(2,225)
Operating profit before impairment losses and taxation	450	153	109	274	246	220	257	114	64	1,887
Impairment/(losses) releases on loans and advances and other credit risk provisions	8	(19)	(12)	(40)	(277)	(7)	(14)	(17)	29	(349)
Other impairment	–	–	–	–	–	–	–	(6)	(2)	(8)
Loss from associates	–	–	–	–	(3)	–	–	–	–	(3)
Operating profit before taxation	458	134	97	234	(34)	213	243	91	91	1,527
Loans and advances to customers – average	22,925	12,434	8,389	38,616	11,898	5,647	8,237	2,319	9,881	120,346
Net interest margins (%)	2.3	1.2	2.2	1.8	2.8	3.6	3.5	6.6	0.4	2.5
Loans and advances to customers – period end	22,188	13,169	9,007	38,724	11,704	5,695	8,143	2,256	9,259	120,145
Loans and advances to banks – period end	3,131	1,155	153	1,835	3,433	285	1,501	563	5,586	17,642
Total assets employed*	45,103	27,546	11,690	65,927	28,425	13,227	14,406	6,957	63,432	276,713
Total risk weighted assets and contingents	21,938	13,912	5,503	34,610	16,386	7,549	11,782	2,955	23,328	137,963
Capital expenditure	72	23	1	8	11	7	13	4	28	167

* Total assets employed includes intra-group items of $39,057 million and excludes deferred tax assets of $492 million.

** Other Asia Pacific includes HIB Operating income of $nil million; Operating expenses of $nil million; and Profit before taxation of $nil million.

*** Middle East & Other S. Asia includes Pakistan Operating income of $80 million; Operating expenses of $37 million and Profit before taxation of $41 million.

2. **Segmental Information** continued

	31.12.06									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	**Other Asia Pacific $million	India $million	***Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Internal income	(1)	2	(3)	24	12	(13)	(5)	(3)	(13)	–
Net interest income	573	181	120	575	434	235	373	200	127	2,818
Fees and commissions income, net	208	81	27	84	172	103	155	83	74	987
Net trading income	17	24	27	13	83	42	62	44	77	389
Other operating income	24	44	12	92	101	70	3	1	(33)	314
Operating income	821	332	183	788	802	437	588	325	232	4,508
Operating expenses	(376)	(157)	(85)	(512)	(449)	(215)	(289)	(212)	(276)	(2,571)
Operating profit before impairment losses and taxation	445	175	98	276	353	222	299	113	(44)	1,937
Impairment (losses)/releases on loans and advances and other credit risk provisions	(15)	(20)	(17)	(56)	(107)	(32)	(39)	(9)	15	(280)
Other impairment	–	–	–	–	(3)	–	–	(3)	(1)	(7)
Loss from associates	–	–	–	–	(1)	–	–	–	2	1
Operating profit before taxation	430	155	81	220	242	190	260	101	(28)	1,651
Loans and advances to customers – average	22,859	12,976	8,671	38,986	12,261	5,876	9,531	2,397	10,415	123,972
Net interest margins (%)	2.3	1.3	2.1	1.9	3.0	3.4	3.8	5.7	0.3	2.5
Loans and advances to customers – period end#	22,037	14,626	9,199	40,029	22,858	6,242	10,516	2,536	12,458	140,501
Loans and advances to banks – period end	6,474	939	161	1,753	4,462	477	1,058	387	5,353	21,064
Total assets employed *	49,831	25,393	11,846	64,159	46,898	14,382	18,109	7,792	65,904	304,314
Total risk weighted assets and contingents	23,784	13,681	5,315	35,330	24,876	8,450	13,572	3,287	28,282	156,577
Capital expenditure	6	42	2	27	38	15	24	9	29	192

Amounts have been restated as explained in note 30 on page 61.

* Total assets employed includes intra-group items of $38,784 million and excludes deferred tax assets of $519 million.

** Other Asia Pacific includes HIB Operating income of $80 million; Operating expenses of $47 million; and Profit before taxation of $27 million.

*** Middle East & Other S. Asia includes Pakistan Operating income of $145 million; Operating expenses of $74 million; and Profit before taxation of $46 million.

Apart from the entities that have been acquired in the last two years, Group central expenses have been distributed between segments 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 and allocate the benefit of the Group's capital. The distribution of central expenses is phased in over two years, based on an estimate of central management costs associated with the acquisition.

Assets held at the centre have been distributed between geographic segments in proportion to their total assets employed.

Total risk weighted assets and contingents include $4,072 million (30 June 2006: $2,865 million 31 December 2006: $3,134 million) of balances which are netted in calculating capital ratios.

Capital expenditure comprises additions to property and equipment and intangibles, including additions resulting from acquisitions.

2. Segmental Information continued

The following tables set out the structure of the Group's deposits by principal geographic region and business where it operates at 30 June 2007, 30 June 2006 and 31 December 2006.

By geographic segment

	30.06.07									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Non interest bearing current and demand accounts	**4,188**	**2,106**	**536**	**210**	**2,508**	**2,394**	**4,158**	**1,686**	**504**	**18,290**
Interest bearing current and demand accounts	**16,878**	**4,249**	**1,367**	**14,084**	**8,692**	**4**	**1,292**	**1,532**	**6,748**	**54,846**
Savings deposits	**12**	**3,446**	**962**	**15**	**7,148**	**1,640**	**2,117**	**791**	**–**	**16,131**
Time deposits	**21,075**	**8,318**	**6,917**	**14,437**	**18,064**	**4,566**	**6,689**	**1,506**	**15,476**	**97,048**
Other deposits	**22**	**94**	**254**	**704**	**1,063**	**648**	**909**	**62**	**921**	**4,677**
Total	**42,175**	**18,213**	**10,036**	**29,450**	**37,475**	**9,252**	**15,165**	**5,577**	**23,649**	**190,992**
Deposits by banks	**986**	**575**	**1,630**	**7,299**	**6,908**	**1,088**	**1,675**	**293**	**8,409**	**28,863**
Customer accounts	**41,189**	**17,638**	**8,406**	**22,151**	**30,567**	**8,164**	**13,490**	**5,284**	**15,240**	**162,129**
	42,175	**18,213**	**10,036**	**29,450**	**37,475**	**9,252**	**15,165**	**5,577**	**23,649**	**190,992**
Debt securities in issue	**726**	**1,834**	**1,039**	**20,166**	**2,099**	**1,457**	**18**	**193**	**4,287**	**31,819**
Total	**42,901**	**20,047**	**11,075**	**49,616**	**39,574**	**10,709**	**15,183**	**5,770**	**27,936**	**222,811**

	30.06.06									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Non interest bearing current and demand accounts	2,804	796	1,277	191	2,718	1,689	3,394	1,602	445	14,916
Interest bearing current and demand accounts	14,056	3,531	195	15,762	4,109	19	1,224	1,275	5,322	45,493
Savings deposits	8	1,617	493	13	2,991	1,334	1,433	389	–	8,278
Time deposits	19,633	9,881	5,026	16,632	9,267	3,780	5,588	1,517	11,361	82,685
Other deposits	31	78	829	691	788	464	366	51	937	4,235
Total	36,532	15,903	7,820	33,289	19,873	7,286	12,005	4,834	18,065	155,607
Deposits by banks	669	1,796	861	6,257	4,807	1,281	1,676	362	6,015	23,724
Customer accounts	35,863	14,107	6,959	27,032	15,066	6,005	10,329	4,472	12,050	131,883
	36,532	15,903	7,820	33,289	19,873	7,286	12,005	4,834	18,065	155,607
Debt securities in issue	585	1,395	918	20,151	721	802	–	127	2,487	27,186
Total	37,117	17,298	8,738	53,440	20,594	8,088	12,005	4,961	20,552	182,793

2. Segmental Information continued

	31.12.06									
	Asia Pacific									
	Hong Kong $million	Singapore $million	Malaysia $million	Korea $million	Other Asia Pacific $million	India $million	Middle East & Other S Asia $million	Africa $million	Americas UK & Group Head Office $million	Total $million
Non interest bearing current and demand accounts	3,320	1,722	1,435	163	2,123	2,082	3,654	1,649	894	17,042
Interest bearing current and demand accounts	16,894	2,964	261	15,263	5,456	5	1,300	1,136	5,529	48,808
Savings deposits	10	1,857	741	11	11,089	1,451	1,685	449	–	17,293
Time deposits	18,961	9,754	5,211	16,682	12,293	4,073	6,901	1,575	13,574	89,024
Other deposits	14	7	750	1,756	1,507	241	568	140	260	5,243
Total	39,199	16,304	8,398	33,875	32,468	7,852	14,108	4,949	20,257	177,410
Deposits by banks	734	1,276	597	9,297	5,869	871	1,968	323	7,187	28,122
Customer accounts	38,465	15,028	7,801	24,578	26,599	6,981	12,140	4,626	13,070	149,288
	39,199	16,304	8,398	33,875	32,468	7,852	14,108	4,949	20,257	177,410
Debt securities in issue	627	1,087	992	17,561	1,597	932	12	171	3,820	26,799
Total	39,826	17,391	9,390	51,436	34,065	8,784	14,120	5,120	24,077	204,209

3. Net Trading Income

	6 months ended 30.06.07 $million	6 months ended 30.06.06 $million	6 months ended 31.12.06 $million
Gains less losses on foreign currency	**444**	311	334
Gains less losses on trading securities	**135**	19	90
Other trading profits/(losses)	**70**	201	(35)
	649	531	389

4. Other Operating Income

	6 months ended 30.06.07 $million	6 months ended 30.06.06 $million	6 months ended 31.12.06 $million
Other operating income includes:			
Gains less losses on disposal of financial assets not held at fair value through profit or loss	**229**	52	138
Dividend income	**116**	33	44
Gains arising on assets fair valued at acquisition	**55**	42	64
Gains on effective part disposal of Pakistan branches	**–**	–	17

5. Taxation

Analysis of taxation charge in the period:

	6 months ended 30.06.07 $million	6 months ended 30.06.06 $million	6 months ended 31.12.06 $million
The charge for taxation based upon the profits for the period comprises:			
United Kingdom corporation tax at 30 per cent (30 June 2006, 31 December 2006: 30 per cent):			
Current tax on income for the period	**161**	93	136
Adjustments in respect of prior periods	**35**	(114)	(130)
Double taxation relief	**(161)**	(88)	(120)
Foreign tax:			
Current tax on income for the period	**549**	505	363
Adjustments in respect of prior periods	**28**	41	(8)
Total current tax	**612**	437	241
Deferred tax:			
Origination/reversal of temporary differences	**(79)**	(42)	188
Tax on profits on ordinary activities	**533**	395	429
Effective tax rate	**26.9%**	25.9%	25.9%

Overseas taxation includes taxation on Hong Kong profits of $93 million (30 June 2006: $115 million, 31 December 2006: $51 million) provided at a rate of 17.5 per cent (30 June 2006: 17.5 per cent, 31 December 2006: 17.5 per cent) on the profits assessable in Hong Kong.

6. Dividends

Ordinary equity shares

Dividends are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. The 2006 interim dividend of 20.83 cents per ordinary share was paid to eligible shareholders on 11 October 2006 and the final dividend of 50.21 cents per ordinary share was paid to eligible shareholders on 11 May 2007.

The 2007 interim dividend of 23.12 cents per ordinary share will be paid in either sterling, Hong Kong dollars or US dollars on 10 October 2007 to shareholders on the UK register of members at the close of business on 17 August 2007 and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00am Hong Kong time) on 17 August 2007.

It is intended that shareholders will be able to elect to receive ordinary shares credited as fully paid instead of all or part of the interim cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 3 September 2007.

Preference Shares	6 months ended 30.06.07 $million	6 months ended 30.06.06 $million	6 months ended 31.12.06 $million
Non-cumulative irredeemable preference shares:			
$7^{3}/_{8}$ per cent preference shares of £1 each*	**7**	7	7
$8^{1}/_{4}$ per cent preference shares of £1 each*	**8**	7	8
Non-cumulative redeemable preference shares:			
8.9 per cent preference shares of $5 each	**–**	15	7
6.409 per cent preference shares of $5 each	**24**	–	3
7.014 per cent preference shares of $5 each	**5**	–	–

* Instruments classified as liabilities with dividends recorded as interest expense.

7. Earnings per Ordinary Share

	30.06.07			30.06.06			31.12.06		
	Profit* $million	**Weighted average number of shares ('000)**	**Per share amount cents**	Profit* $million	Weighted average number of shares ('000)	Per share amount cents	Profit* $million	Weighted average number of shares ('000)	Per share amount cents
Basic earnings per ordinary share	**1,370**	**1,391,128**	**98.5**	1,088	1,314,467	82.8	1,165	1,340,556	86.9
Effect of dilutive potential ordinary shares:									
Options	**–**	**19,136**		–	9,666		–	14,338	
Diluted earnings per share	**1,370**	**1,410,264**	**97.1**	1,088	1,324,133	82.2	1,165	1,354,894	86.0

Normalised earnings per ordinary share

The Group measures earnings per share on a normalised basis. This differs from earnings defined in IAS 33 "Earnings per share". The table below provides a reconciliation.

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Profit attributable to ordinary shareholders*	**1,370**	1,088	1,165
Amortisation of intangible assets arising on business combinations	**35**	20	32
Profit on sale of property, plant and equipment	**–**	–	(16)
Premium and costs paid on repurchase of subordinated debt	**–**	4	–
Gain on effective part disposal of Pakistan branches	**–**	–	(17)
Profit on sale of subsidiary	**(4)**	–	–
Incorporation costs in China	**8**	–	4
Tax on normalised items	**(8)**	(7)	2
Normalised earnings	**1,401**	1,105	1,170
Normalised earnings per ordinary share (cents)	**100.7**	84.1	87.3

* The profit amounts represent the profit attributable to ordinary shareholders, i.e. after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 6 on page 43).

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 calculations had they been issued prior to the end of the balance sheet period.

8. Financial Instruments Classification Summary

Financial instruments are classified between four recognition principles: at fair value through profit or loss (comprising trading and designated), available-for-sale, held-to-maturity and loans and receivables. The face of the balance sheet combines financial instruments that are held at their fair value through profit or loss and subdivided between those assets and liabilities held for trading purposes and those that the Group has elected to hold at fair value.

The Group's classification of its principal financial assets and liabilities (excluding derivatives) is summarised below:

	Trading $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Loans and receivables $million	Held-to-maturity $million	Total $million
Loans and advances to banks	**2,100**	**–**	**–**	**21,108**	**–**	**23,208**
Loans and advances to customers	**474**	**332**	**–**	**151,953**	**–**	**152,759**
Treasury bills and other eligible bills	**3,693**	**493**	**12,254**	**–**	**–**	**16,440**
Debt securities	**11,356**	**512**	**35,478**	**2,729**	**108**	**50,183**
Equity shares	**384**	**–**	**1,661**	**–**	**–**	**2,045**
Total assets at 30 June 2007	**18,007**	**1,337**	**49,393**	**175,790**	**108**	**244,635**
Loans and advances to banks	892	–	99	16,651	–	17,642
Loans and advances to customers	435	160	129	119,421	–	120,145
Treasury bills and other eligible bills	2,861	637	11,966	–	–	15,464
Debt securities	7,626	315	31,010	1,788	164	40,903
Equity shares	74	82	1,109	–	–	1,265
Total assets at 30 June 2006	11,888	1,194	44,313	137,860	164	195,419
Loans and advances to banks	1,340	–	–	19,724	–	21,064
Loans and advances to customers	1,000	194	–	139,307	–	140,501
Treasury bills and other eligible bills	2,722	696	12,522	–	–	15,940
Debt securities	8,906	695	32,711	2,649	137	45,098
Equity shares	162	–	1,478	–	–	1,640
Total assets at 31 December 2006*	14,130	1,585	46,711	161,680	137	224,243

* Amounts have been restated as explained in note 30 on page 61.

	Trading $million	Designated at fair value through profit or loss $million	Amortised cost $million	Total $million
Deposits by banks	**1,747**	**270**	**26,846**	**28,863**
Customer accounts	**857**	**1,030**	**160,242**	**162,129**
Debt securities in issue	**2,153**	**2,412**	**27,254**	**31,819**
Short positions	**4,648**	**–**	**–**	**4,648**
Total liabilities at 30 June 2007	**9,405**	**3,712**	**214,342**	**227,459**
Deposits by banks	1,473	257	21,994	23,724
Customer accounts	593	1,114	130,176	131,883
Debt securities in issue	1,623	610	24,953	27,186
Short positions	2,750	–	–	2,750
Total liabilities at 30 June 2006	6,439	1,981	177,123	185,543
Deposits by banks	1,286	603	26,233	28,122
Customer accounts	485	1,421	147,382	149,288
Debt securities in issue	1,514	1,771	23,514	26,799
Short positions	2,889	–	–	2,889
Total liabilities at 31 December 2006	6,174	3,795	197,129	207,098

9. Financial Assets Held at Fair Value through Profit or Loss

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Loans and advances to banks	**2,100**	892	1,340
Loans and advances to customers	**806**	595	1,194
Treasury bills and other eligible bills	**4,186**	3,498	3,418
Debt securities	**11,868**	7,941	9,601
Equity shares	**384**	156	162
	19,344	13,082	15,715

Debt securities

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Issued by public bodies:			
Government securities	**3,199**	2,326	2,321
Other public sector securities	**105**	–	45
	3,304	2,326	2,366
Issued by banks:			
Certificates of deposit	**1,090**	605	405
Other debt securities	**2,366**	1,992	2,082
	3,456	2,597	2,487
Issued by corporate entities and other issuers:			
Other debt securities	**5,108**	3,018	4,748
Total debt securities	**11,868**	7,941	9,601
Of which:			
Listed on a recognised UK exchange	**505**	1,241	418
Listed elsewhere	**5,799**	2,284	2,819
Unlisted	**5,564**	4,416	6,364
	11,868	7,941	9,601
Equity securities			
Listed	**24**	20	36
Unlisted	**360**	136	126
	384	156	162

10. Derivative Financial Instruments

Derivatives are financial instruments that derive their value from changes in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk, and indices. The types of derivatives used by the Group are set out below.

These 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.

	30.06.07			30.06.06		
Total derivatives	**Notional principal amounts $million**	**Assets $million**	**Liabilities $million**	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**651,300**	**6,644**	**6,868**	456,951	6,027	7,348
Currency swaps and options	**423,855**	**5,514**	**5,707**	259,787	2,290	1,408
	1,075,155	**12,158**	**12,575**	716,738	8,317	8,756
Interest rate derivative contracts:						
Swaps	**847,451**	**5,642**	**5,915**	592,685	4,084	4,279
Forward rate agreements and options	**114,477**	**197**	**295**	69,436	138	216
Exchange traded futures and options	**389,400**	**109**	**106**	204,409	78	49
	1,351,328	**5,948**	**6,316**	866,530	4,300	4,544
Equity and stock index options	**787**	**22**	**67**	356	4	3
Credit derivatives	**32,880**	**60**	**55**	18,039	43	45
Commodity derivative contracts	**2,869**	**253**	**222**	5,020	57	42
Total derivatives	**2,463,019**	**18,441**	**19,235**	1,606,683	12,721	13,390
Effect of netting		**(8,802)**			*(6,367)	
Net credit risk on derivatives		**9,639**			6,354	

	31.12.06		
Total derivatives	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:			
Forward foreign exchange contracts	434,569	3,805	4,165
Currency swaps and options	295,845	4,698	4,793
	730,414	8,503	8,958
Interest rate derivative contracts:			
Swaps	653,283	4,353	4,348
Forward rate agreements and options	94,244	138	195
Exchange traded futures and options	260,182	42	47
	1,007,709	4,533	4,590
Equity and stock index options	699	18	44
Credit derivatives	22,195	49	70
Commodity derivative contracts	2,469	51	41
Total derivatives	1,763,486	13,154	13,703
Effect of netting		(6,425)	
Net credit risk on derivatives		6,729	

* Restated to present on a consistent basis.

$16,651 million (30 June 2006: $13,585 million, 31 December 2006: $17,087 million) of the notional principal amounts of derivatives used by the Group are held for fair value or cash flow hedging purposes.

11. Loans and Advances

	30.06.07		30.06.06		31.12.06*	
	Loans to banks $million	**Loans to customers $million**	Loans to banks $million	Loans to customers $million	Loans to banks $million	Loans to customers $million
Loans and advances	**23,212**	**154,767**	17,654	121,894	21,074	142,709
Individual impairment provision	**(3)**	**(1,496)**	(11)	(1,295)	(9)	(1,684)
Portfolio impairment provision	**(1)**	**(512)**	(1)	(454)	(1)	(524)
	23,208	**152,759**	17,642	120,145	21,064	140,501
Of which: loans and advances held at fair value through profit or loss	**(2,100)**	**(806)**	(892)	(595)	(1,340)	(1,194)
	21,108	**151,953**	16,750	119,550	19,724	139,307

* Amounts have been restated as explained in note 30 on page 61.

The Group's exposure to credit risk is concentrated in Hong Kong, Korea and the Asia Pacific region. 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 has outstanding mortgage loans to Hong Kong residents of approximately $11.3 billion (30 June 2006: $11.3 billion, 31 December 2006: $11.2 billion), and Korea residents of approximately $23.7 billion (30 June 2006: $23.2 billion, 31 December 2006: $24.0 billion).

	30.06.07 $million	30.06.06 $million	31.12.06* $million
Provisions held at beginning of period	**2,218**	1,754	1,761
Exchange translation differences	**15**	49	25
Acquisitions	**–**	–	736
Amounts written off	**(534)**	(394)	(568)
Recoveries of acquisition fair values	**(55)**	(42)	(64)
Recoveries of amounts previously written off	**55**	65	63
Discount unwind	**(34)**	(25)	(27)
Other	**(6)**	(5)	17
New provisions	**636**	597	534
Recoveries/provisions no longer required	**(283)**	(238)	(259)
Net charge against profit**	**353**	359	275
Provisions held at end of period***	**2,012**	1,761	2,218

* Amounts have been restated as explained in note 30 on page 61.

** The net charge of $353 million (30 June 2006: $359 million, 31 December 2006: $275 million) comprises $371 million (30 June 2006: $273 million, 31 December 2006: $331 million) individual impairment charge and of $18 million (30 June 2006: charge of $86 million, 31 December 2006: release of $56 million) portfolio impairment release. The charge excludes provision releases for credit commitments and other provisions of $nil million for the six months ended 30 June 2007 (30 June 2006: $10 million, 31 December 2006: $1 million) and impairment charges of $8 million (30 June 2006: $nil million, 31 December 2006: $6 million) relating to debt securities classified as loans and receivables (note 8 on page 45). The total impairment charge on loans and advances and other credit risk provisions is $361 million (30 June 2006: $349 million, 31 December 2006: $280 million).

*** The provision of $2,012 million (30 June 2006: $1,761 million, 31 December 2006: $2,218 million) held at 30 June 2007 comprises $1,499 million (30 June 2006: $1,306 million, 31 December 2006: $1,693 million) individual impairment provision and $513 million (30 June 2006: $455 million, 31 December 2006: $525 million) portfolio impairment provision.

12. Non-Performing Loans and Advances

	30.06.07 $million	30.06.06 $million	31.12.06* $million
Non-performing loans and advances	**2,472**	2,423	2,961
Impairment provisions	**(2,012)**	(1,761)	(2,218)
	460	662	743

* Amounts have been restated as explained in note 30 on page 61.

Net non-performing loans and advances comprises loans and advances to banks $3 million (30 June 2006: $8 million, 31 December 2006: $9 million) and loans and advances to customers $457 million (30 June 2006: $654 million, 31 December 2006: $734 million).

Impairment provisions cover 81 per cent of non-performing lending to customers (30 June 2006: 73 per cent, 31 December 2006: 75 per cent). The impairment provisions above include $513 million (30 June 2006: $455 million, 31 December 2006: $525 million) of portfolio impairment provisions.

13. Investment Securities

	30.06.07					
	Debt Securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity securities $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	**108**	**13,311**	**–**			
Other public sector securities	**–**	**1,558**	**–**			
	108	**14,869**	**–**			
Issued by banks:						
Certificates of deposit	**–**	**7,046**	**2,396**			
Other debt securities	**–**	**10,350**	**18**			
	–	**17,396**	**2,414**			
Issued by corporate entities and other issuers:						
Other debt securities	**–**	**3,213**	**315**			
Total debt securities	**108**	**35,478**	**2,729**			
Listed on a recognised UK exchange	**–**	**3,654**	**–**	**22**	**–**	**3,676**
Listed elsewhere	**84**	**14,265**	**111**	**1,202**	**6,145**	**21,807**
Unlisted	**24**	**17,559**	**2,618**	**437**	**6,109**	**26,747**
	108	**35,478**	**2,729**	**1,661**	**12,254**	**52,230**
Market value of listed securities	**84**	**17,919**	**106**	**1,224**	**6,145**	**25,478**

13. Investment Securities continued

	30.06.06					
	Debt Securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity securities $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	164	10,237	–			
Other public sector securities	–	1,366	–			
	164	11,603	–			
Issued by banks:						
Certificates of deposit	–	7,682	1,423			
Other debt securities	–	8,467	8			
	–	16,149	1,431			
Issued by corporate entities and other issuers:						
Other debt securities	–	3,258	357			
Total debt securities	164	31,010	1,788			
Listed on a recognised UK exchange	–	5,702	7	21	–	5,730
Listed elsewhere	134	10,170	–	424	7,452	18,180
Unlisted	30	15,138	1,781	664	4,514	22,127
	164	31,010	1,788	1,109	11,966	46,037
Market value of listed securities	134	15,872	7	445	7,452	23,910

	31.12.06*					
	Debt Securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity securities $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	137	10,379	–			
Other public sector securities	–	1,403	–			
	137	11,782	–			
Issued by banks:						
Certificates of deposit	–	8,433	2,280			
Other debt securities	–	9,505	178			
	–	17,938	2,458			
Issued by corporate entities and other issuers:						
Other debt securities	–	2,991	191			
Total debt securities	137	32,711	2,649			
Listed on a recognised UK exchange	–	6,679	–	38	–	6,717
Listed elsewhere	113	10,183	132	795	7,027	18,250
Unlisted	24	15,849	2,517	645	5,495	24,530
	137	32,711	2,649	1,478	12,522	49,497
Market value of listed securities	109	16,862	130	833	7,027	24,961

* Amounts have been restated as explained in note 30 on page 61.

13. Investment Securities continued

The change in the carrying amount of investment securities comprised:

	30.06.07 $million	30.06.06 $million	31.12.06* $million
Opening	**49,497**	37,863	46,037
Exchange translation differences	**374**	1,009	477
Acquisitions	**–**	–	2,018
Additions	**35,631**	36,781	34,334
Maturities and disposals	**(33,637)**	(29,771)	(34,125)
Impairments	**(13)**	–	(26)
Changes in fair value (including the effect of fair value hedging)	**215**	134	546
Amortisation of discounts and premiums	**163**	21	236
Closing	**52,230**	46,037	49,497

* Amounts have been restated as explained in note 30 on page 61.

At 30 June 2007, unamortised premiums on debt securities held for investment purposes amounted to $68 million (30 June 2006: $134 million, 31 December 2006: $39 million) and unamortised discounts amounted to $152 million (30 June 2006: $110 million, 31 December 2006: $112 million).

Income from listed equity shares amounted to $5 million (30 June 2006: $2 million, 31 December 2006: $2 million) and income from unlisted equity shares amounted to $111 million (30 June 2006: $31 million, 31 December 2006: $42 million).

14. Deposits by Banks

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Deposits by banks	**26,846**	21,994	26,233
Deposits by banks included within:			
Financial liabilities held at fair value through profit or loss (note 8 on page 45)	**2,017**	1,730	1,889
	28,863	23,724	28,122

15. Customer Accounts

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Customer accounts	**160,242**	130,176	147,382
Customer accounts included within:			
Financial liabilities held at fair value through profit or loss (note 8 on page 45)	**1,887**	1,707	1,906
	162,129	131,883	149,288

16. Debt Securities in Issue

	30.06.07			30.06.06		
	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	**8,242**	**19,012**	**27,254**	12,522	12,431	24,953
Debt securities in issue within:						
Financial liabilities held at fair value through profit or loss (note 8 on page 45)	**1,373**	**3,192**	**4,565**	326	1,907	2,233
	9,615	**22,204**	**31,819**	12,848	14,338	27,186

16. Debt Securities in Issue continued

	31.12.06		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	10,939	12,575	23,514
Debt securities in issue within:			
Financial liabilities held at fair value through profit or loss (note 8 on page 45)	1,154	2,131	3,285
	12,093	14,706	26,799

17. Other Liabilities

Other liabilities include Hong Kong currency notes in circulation of $2,697 million (30 June 2006: $2,558 million, 31 December 2006: $2,605 million) which are secured by Hong Kong SAR Government certificates of indebtedness of the same amount included in other assets.

18. Retirement Benefit Obligations

Retirement benefit obligations comprise:

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Total market value of assets	**2,405**	2,036	2,339
Present value of the schemes' liabilities	**(2,746)**	(2,493)	(2,799)
Defined benefit schemes obligation	**(341)**	(457)	(460)
Defined contribution schemes	**(15)**	(9)	(12)
Net book amount	**(356)**	(466)	(472)

Retirement benefit charge comprises:

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Defined benefit schemes	**56**	43	53
Defined contribution schemes	**41**	32	38
	97	75	91

18. Retirement Benefit Obligations continued

The pension cost for defined benefit schemes was:

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Current service cost	**52**	41	39
Past service cost	**–**	9	–
Gain/(loss) on settlement and curtailments	**–**	(8)	9
Expected return on pension scheme assets	**(34)**	57	(117)
Interest on pension scheme liabilities	**38**	(56)	122
Total charge to profit before deduction of taxation	**56**	43	53
Actual less expected return on assets	**–**	25	(75)
Experience (gain)/loss on liabilities	**(149)**	(93)	39
Gain recognised in Statement of Recognised Income and Expense before taxation	**(149)**	(68)	(36)
Deferred taxation	**48**	20	18
Gain after taxation	**(101)**	(48)	(18)

19. Subordinated Liabilities and Other Borrowed Funds

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Subordinated liabilities and other borrowed funds	**13,279**	10,805	12,699

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 instruments in certain circumstances set out in the contractual agreements.

Of the total subordinated loan capital and other borrowings, $7,072 million is at fixed interest rates (30 June 2006: $5,949 million, 31 December 2006: $6,737 million).

On 12 April 2007, Standard Chartered Bank (Hong Kong) Limited issued Lower Tier 2 Capital in the form of $300 million Floating Rate Notes, which have a maturity of 10 years, with an issuer's call option after five years.

On 26 April 2007, the Group issued £300 million 6 per cent Lower Tier 2 Step-up Dated Subordinated notes, which have a maturity of 11 years, with an issuer's call option after six years.

20. Share Capital

	Number of ordinary shares (millions)	Ordinary share capital $million	Preference share capital $million	Total $million
At 1 January 2006	1,316	658	2	660
Capitalised on scrip dividend	10	5	–	5
Shares issued, net of expenses	4	2	–	2
At 30 June 2006	1,330	665	2	667
Capitalised on scrip dividend	5	2	–	2
Shares repurchased	–	–	(2)	(2)
Shares issued, net of expenses	49	25	–	25
At 31 December 2006	**1,384**	**692**	**–**	**692**
Capitalised on scrip dividend	**13**	**6**	**–**	**6**
Shares issued, net of expenses	**5**	**3**	**–**	**3**
At 30 June 2007	**1,402**	**701**	**–**	**701**

On 10 May 2007, the Company issued 12,765,274 new ordinary shares instead of the 2006 final cash dividend.

On 24 May 2007, the Company issued 7,500 non-cumulative redeemable preference shares of $5 each at a placing price of $100,000 each. The shares are redeemable at the option of the Company and have discretionary coupon payments and are accordingly classified as equity as required by IAS 32. The shares were issued to fund the continuing business of the Group.

21. Reserves

	Share premium account $million	Capital reserve $million	Capital redemption reserve $million	Merger reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Total $million
At 1 January 2006	3,034	5	11	1,944	23	(20)	6	6,219	11,222
Recognised income and expense	–	–	–	–	68	38	364	1,145	1,615
Capitalised on scrip dividend	(5)	–	–	–	–	–	–	–	(5)
Shares issued, net of expenses	80	–	–		–	–	–	–	80
Net own shares adjustment	–	–	–	–	–	–	–	96	96
Share option expense and related taxation	–	–	–	–	–	–	–	32	32
Dividends, net of scrip	–	–	–	–	–	–	–	(357)	(357)
At 30 June 2006	3,109	5	11	1,944	91	18	370	7,135	12,683
Recognised income and expense	–	–	–	–	319	33	308	1,209	1,869
Capitalised on scrip dividend	(2)	–	–	–	–	–	–	–	(2)
Shares issued, net of expenses	758	–	–	1,205	–	–	–	–	1,963
Shares repurchased	(326)	–	2	–	–	–	–	(2)	(326)
Net own shares adjustment	–	–	–	–	–	–	–	53	53
Share option expense and related taxation	–	–	–	–	–	–	–	83	83
Dividends, net of scrip	–	–	–	–	–	–	–	(162)	(162)
At 31 December 2006	**3,539**	**5**	**13**	**3,149**	**410**	**51**	**678**	**8,316**	**16,161**
Recognised income and expense	**–**	**–**	**–**	**–**	**(67)**	**(13)**	**254**	**1,507**	**1,681**
Capitalised on scrip dividend	**(6)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**
Shares issued, net of expenses	**808**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**808**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**	**11**
Share option expense and related taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**42**	**42**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(373)**	**(373)**
At 30 June 2007	**4,341**	**5**	**13**	**3,149**	**343**	**38**	**932**	**9,503**	**18,324**

21. Reserves continued

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 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, from time to time, the trusts to enable the trustee to acquire shares to satisfy these awards. All shares have been acquired through the London Stock Exchange.

The 1995 trust has not acquired any shares in the period ended 30 June 2007 (30 June 2006: nil, 31 December 2006: nil). At 30 June 2007, the 1995 trust held 162,071 (30 June 2006: 5,104,262, 31 December 2006: 2,148,874) Standard Chartered PLC shares, of which 162,071 (30 June 2006: 5,104,262, 31 December 2006: 2,148,874) have vested unconditionally. The shares are held in a pool for the benefit of participants under the Group's Restricted Share Scheme, Performance Share Plan and Executive Shares Option Schemes. These shares were fully funded by the Group.

For the period ended 30 June 2007, the 2004 trust has acquired, at market value, 351,340 (30 June 2006: 321,242, 31 December 2006: nil) Standard Chartered PLC shares for an aggregate price of $10 million (30 June 2006: $9 million, 31 December 2006: $nil million). These shares are held in a pool for the benefit of participants under the Group's deferred bonus plan. The purchase of these shares has been fully funded by the Group. At 30 June 2007, the 2004 trust held 377,270 (30 June 2006: 311,575, 31 December 2006: 311,157) Standard Chartered PLC shares, of which none (30 June 2006: none, 31 December 2006: none) have vested unconditionally.

Except as disclosed above, neither the Company nor any of its subsidiaries has bought, sold or redeemed any security of the company listed on The Stock Exchange of Hong Kong Limited during the period ended 30 June 2007.

22. Minority Interests

	$300m 7.267% Hybrid Tier 1 Securities $million	Other minority interests $million	Total $million
At 1 January 2006	336	115	451
Additions	–	50	50
Recognised income and expense	10	19	29
Distributions	(11)	(17)	(28)
Reductions	–	(2)	(2)
At 30 June 2006	335	165	500
Arising on acquisitions	–	(33)	(33)
Recognised income and expense	9	73	82
Distributions	(11)	(16)	(27)
Other increases	–	22	22
At 31 December 2006	**333**	**211**	**544**
Recognised income and expense	**9**	**80**	**89**
Distributions	**(11)**	**(50)**	**(61)**
Reductions	**–**	**(14)**	**(14)**
At 30 June 2007	**331**	**227**	**558**

23. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises of the following balances with less than three months maturity from the date of acquisition. Restricted balances comprise minimum balances to be held at central banks.

	30.06.07 $million	30.06.06 $million	31.12.06 $million
Cash and balances with central banks	**8,991**	11,813	7,698
Less restricted balances	**(4,694)**	(7,194)	(3,958)
Treasury bills and other eligible bills	**7,028**	6,222	6,233
Loans and advances to banks	**18,291**	12,627	16,084
Debt securities	**10,691**	7,919	12,104
Total	**40,307**	31,387	38,161

24. Net Interest Margin and Interest Spread

	30.06.07 %	30.06.06 %	31.12.06 %
Net interest margin	**2.5**	2.5	2.5
Interest spread	**2.1**	2.0	2.1

	$million	$million	$million
Average interest earning assets	**238,879**	203,539	211,486
Average interest bearing liabilities	**216,773**	179,200	188,715

25. Remuneration

The Group employed 63,762 staff at 30 June 2007 (30 June 2006: 49,255, 31 December 2006: 59,205).

Within the authority delegated by the Board of Directors, the Board Remuneration Committee is involved in determining the remuneration policy of the Group and specifically for agreeing the individual remuneration packages for executive directors and other highly remunerated individuals. No executive directors are involved in deciding their own remuneration. The Group's remuneration policy is to:

- Support a strong performance-oriented culture and ensure that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible, the Group as a whole and the interests of the shareholders; and
- Maintain competitive awards that reflect the international nature of the Group and enable it to attract and retain talented employees of the highest quality internationally.

The success of the Group depends upon the performance and commitment of talented employees. In terms of applying this policy:

- Base salaries are set at the median of the Group's key international competitors; and
- Annual bonus awards are made wholly on the basis of Group and individual performance and also an individual's adherence to the Group's values.

The Group believes strongly in encouraging employee share ownership at all levels in the organisation. The Group operates certain discretionary share plans, which are designed to provide competitive long-term incentives. Of these plans, the Performance Share Plan and the Executive Share Option Scheme are only exercisable upon the achievement of specific performance criteria. In addition, the Group operates two all-employee sharesave schemes in which 32 per cent of employees participate.

26. Contingent Liabilities and Commitments

The table below shows the contract or underlying principal amounts, credit equivalent amounts and risk weighted 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.

The credit equivalent and risk weighted amounts have been calculated in accordance with the Financial Services Authority guidelines implementing the Basel I Accord on capital adequacy, after taking account of collateral and guarantees received.

	30.06.07			30.06.06		
	Contract or underlying principal amount $million	**Credit equivalent amount $million**	**Risk weighted amount $million**	Contract or underlying principal amount $million	Credit equivalent amount $million	Risk weighted amount $million
Contingent liabilities*:						
Guarantees and irrevocable letters of credit	**22,777**	**14,745**	**11,137**	13,561	10,320	7,641
Other contingent liabilities	**8,692**	**7,225**	**5,305**	12,621	8,732	6,515
	31,469	**21,970**	**16,442**	26,182	19,052	14,156
Commitments*:						
Documentary credits and short term trade-related transactions	**5,212**	**1,042**	**817**	5,613	1,123	929
Forward asset purchases and forward deposits placed	**–**	**–**	**–**	42	42	8
Undrawn formal standby facilities, credit lines and other commitments to lend:						
One year and over	**15,552**	**7,776**	**6,562**	13,091	6,545	4,081
Less than one year	**22,785**	**–**	**–**	17,073	–	–
Unconditionally cancellable	**33,588**	**–**	**–**	31,429	–	–
	77,137	**8,818**	**7,379**	67,248	7,710	5,018

* Includes amounts relating to the Group's share of its joint ventures.

	31.12.06		
	Contract or underlying principal amount $million	Credit equivalent amount $million	Risk weighted amount $million
Contingent liabilities*:			
Guarantees and irrevocable letters of credit	18,344	12,784	9,398
Other contingent liabilities	9,046	7,139	5,418
	27,390	19,923	14,816
Commitments*:			
Documentary credits and short term trade-related transactions	5,029	1,006	845
Forward asset purchases and forward deposits placed	31	31	10
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	14,083	7,042	3,693
Less than one year	20,543	–	–
Unconditionally cancellable	29,858	–	–
	69,544	8,079	4,548

* Includes amounts relating to the Group's share of its joint ventures.

27. Liquidity Risk

This table analyses assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The analysis gives contractual maturities of balance sheet amounts and does not reflect actual repayments or cash flow.

The Risk Review on pages 14 to 30 explains the Group's risk management with respect to asset and liability management.

	30.06.07				
	Three months or less $million	**Between three months and one year $million**	**Between one year and five years $million**	**More than five years $million**	**Total $million**
Assets					
Cash and balances at central banks	**4,297**	**–**	**–**	**4,694**	**8,991**
Derivative financial instruments	**3,688**	**6,270**	**6,148**	**2,335**	**18,441**
Loans and advances to banks*	**18,671**	**3,329**	**1,137**	**71**	**23,208**
Loans and advances to customers*	**49,117**	**26,694**	**29,641**	**47,307**	**152,759**
Investment securities*	**18,376**	**22,288**	**18,138**	**9,866**	**68,668**
Other assets	**4,868**	**300**	**552**	**19,039**	**24,759**
Total assets	**99,017**	**58,881**	**55,616**	**83,312**	**296,826**
Liabilities					
Deposits by banks*	**24,937**	**3,596**	**318**	**12**	**28,863**
Customer accounts*	**138,620**	**17,532**	**4,290**	**1,687**	**162,129**
Derivative financial instruments	**4,584**	**6,206**	**6,260**	**2,185**	**19,235**
Debt securities in issue*	**10,664**	**11,535**	**8,785**	**835**	**31,819**
Other liabilities*	**7,647**	**1,022**	**355**	**12,894**	**21,918**
Subordinated liabilities and other borrowed funds	**352**	**519**	**4,591**	**7,817**	**13,279**
Total liabilities	**186,804**	**40,410**	**24,599**	**25,430**	**277,243**
Net liquidity gap	**(87,787)**	**18,471**	**31,017**	**57,882**	**19,583**

* Amounts include financial instruments held at fair value through profit or loss (see note 8 on page 45).

	30.06.06				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million	Total $million
Total assets	98,675	41,231	45,280	52,962	238,148
Total liabilities	156,760	27,331	20,070	20,137	224,298
Net liquidity gap	(58,085)	13,900	25,210	32,825	13,850

	31.12.06**				
	Three months or less $million	Between three months and one year $million	Between one year and five years $million	More than five years $million	Total $million
Total assets	87,353	50,723	54,360	73,613	266,049
Total liabilities	163,580	37,939	19,418	27,715	248,652
Net liquidity gap	(76,227)	12,784	34,942	45,898	17,397

** Amounts have been restated as explained in note 30 on page 61.

28. Market Risk

Trading book

	6 months ended 30.06.07				6 months ended 30.06.06			
	Average $million	**High $million**	**Low $million**	**Actual $million**	Average $million	High $million	Low $million	Actual $million
Daily value at risk:								
Interest rate risk	**4.6**	**6.6**	**2.8**	**4.1**	3.4	4.5	2.5	4.0
Foreign exchange risk	**2.5**	**3.6**	**1.7**	**2.1**	2.7	4.1	1.4	2.9
Total	**5.5**	**8.2**	**3.5**	**5.7**	4.4	5.5	3.1	4.2

	6 months ended 31.12.06			
	Average $million	High $million	Low $million	Actual $million
Daily value at risk:				
Interest rate risk	3.5	5.3	2.5	3.9
Foreign exchange risk	2.6	4.1	1.4	1.5
Total	4.3	5.6	3.1	4.0

This note should be read in conjunction with the market risk section of the Risk Review on pages 28 and 29 which explains the Group's market risk management and is incorporated in these financial statements accordingly.

The Group measures the risk of losses arising from future potential adverse movements in interest and exchange rates, prices and volatilities using a VaR methodology. The Group uses historic simulation to measure VaR on all market risk related activities.

The total Group Trading book VaR shown in the table above is not a sum of the interest rate and exchange rate risks due to offset. The highest and lowest VaR are independent and could have occurred on different days.

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.

The historic simulation method is used with an observation period of one year and involves the revaluation of all unmatured contracts to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio.

The Group recognises that there are limitations to the VaR methodology. These limitations include the fact that the historical data may not be the best proxy for future price movements, either because the observation period does not include representative price movements or, in some cases, because of incomplete market data.

The Group performs regular back-testing, where actual profits and losses are compared with VaR estimates to track the statistical validity of the VaR Model.

VaR is calculated as the Group's exposure as at the close of business, London time. Intra-day risk levels may vary from those reported at the end of the day.

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. To manage the risk arising from events, which the VaR methodology does not capture, the Group regularly stress tests its main market risk exposures. Stress testing involves valuing portfolios at prices, which assume extreme changes in risk factors beyond the range of normal experience. Positions that would give rise to potentially significant losses under a low probability stress event are reviewed by the GRC.

29. Business Combinations

On 5 September 2006, the Group acquired 95.4 per cent of the share capital of Union, following which on 30 December 2006, the business and assets of the Standard Chartered Bank branch in Pakistan was transferred into a new entity, Standard Chartered (Pakistan) Limited, generating additional goodwill of $17 million and increasing the Group's shareholding to 99 per cent.

On 19 October the Group acquired a controlling interest of 95.4 per cent of the share capital of HIB. Subsequent to this, the Group acquired a further 0.8 per cent of HIB through share purchase to take its overall share to 96.2 per cent at 31 December 2006. During the six months to 30 June 2007, the Group acquired the remaining minority of HIB for a consideration of $43 million and generated additional goodwill of $33 million.

Details of the net assets acquired for Union and HIB are set out below as restated for the revision of certain fair value adjustments (see note 30 on page 61).

	Union		HIB	
	Fair value* $million	Acquiree's carrying amount $million	Fair value* $million	Acquiree's carrying amount $million
Cash and balances at central banks	148	148	481	481
Financial assets held at fair value through profit or loss	–	–	563	563
Loans and advances to banks	104	104	440	440
Loans and advances to customers	1,119	1,206	9,231	9,352
Investment securities	404	411	1,614	1,609
Intangibles other than goodwill	55	3	122	–
Property, plant and equipment	45	28	287	307
Deferred tax assets	43	1	122	140
Other assets	48	61	212	213
Total assets	1,966	1,962	13,072	13,105
Deposits by banks	425	425	988	988
Customer accounts	1,320	1,309	10,709	10,709
Debt securities in issue	–	–	532	532
Other liabilities	97	96	62	57
Subordinated liabilities and other borrowed funds	40	41	545	545
Total liabilities	1,882	1,871	12,836	12,831
Minority interest	7	7	10	10
Net assets acquired	77	84	226	264
Purchase consideration settled in cash	489		1,201	
Cash and cash equivalents in subsidiary acquired	(164)		(589)	
Cash outflow on acquisition	325		612	
Total purchase consideration	489		1,201	
Fair value of net assets acquired	77		226	
Goodwill	412		975	
Intangible assets acquired:				
Brand names	6		24	
Customer relationships	13		43	
Core deposits	33		55	
Capitalised software	3		–	
Total	55		122	
Contribution from acquisition to 31.12.06:				
Operating income	51		80	
Profit before taxation	7		27	

* Amounts have been restated as explained in note 30 on page 61.

Goodwill arising on the acquisitions of Union and HIB is attributable to the significant synergies expected to arise from their development within the Group and to those intangibles which are not recognised separately, such as the branch networks and, for HIB, a workforce in place with Mandarin speaking capabilities.

30. Restatement of prior periods

In the consolidated financial statements as at 31 December 2006, the fair value amounts in relation to the acquisitions of Union and HIB contained some provisional balances. During the period to 30 June 2007, certain of these balances have been revised. In accordance with IFRS 3 "Business Combinations", the adjustments to the provisional balances have been made as at the date of acquisition and the 2006 balance sheet amounts restated, with a corresponding adjustment to goodwill, increasing goodwill on acquisition relating to Union and HIB respectively by $6 million to $412 million and by $27 million to $975 million. The adjustments primarily relate to a reassessment of the value of certain loan assets and investment debt securities, together with a reduction in deferred tax assets following a reassessment of their recoverability. The income statement for 2006 has not been restated, because any effect is not material.

	As reported at 31.12.06 $million	Adjustment to Union $million	Adjustment to HIB $million	Restated at 31.12.06 $million
Loans and advances to customers	139,330	(9)	(14)	139,307
Investment securities	49,487	–	10	49,497
Goodwill and intangible assets	6,146	6	27	6,179
Property, plant and equipment	2,168	–	1	2,169
Deferred tax assets	538	3	(22)	519
Other liabilities	11,355	–	2	11,357

Union forms part of the Middle East and Other South Asia geographic segment and HIB forms part of the Other Asia Pacific geographic segment.

31. Related Party Transactions

Joint ventures

At 30 June 2007 the Group had loans and advances to Permata totalling $7 million (30 June 2006: $6 million, 31 December 2006: $8 million), and deposits of $1 million (30 June 2006: nil, 31 December 2006: nil).

Associates

At 30 June 2007 the Group had no loans to China Bohai Bank Limited (30 June 2006: $5 million, 31 December 2006: $54 million).

On 9 February 2007 the Group acquired a 30 per cent holding in MCashback Limited for $36 million.

32. Statutory Accounts

The information in this interim statement is unaudited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. This document was approved by the Board on 7 August 2007. The comparative figures for the financial year ended 31 December 2006 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. 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 237(2) or (3) of the Companies Act 1985.

33. Corporate Governance

The directors confirm that, throughout the period, the Company has complied with the code provisions set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit and Risk Committee.

The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than required by Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange, and that the directors of the Company have complied with this code of conduct throughout the period.

Independent Review Report by KPMG Audit Plc to Standard Chartered PLC

Introduction

We have been engaged by the Company to review the financial information set out on pages 32 to 61 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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 Listing Rules of the Financial Services Authority. 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 interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

KPMG Audit Plc
Chartered Accountants
London
7 August 2007

Share Awards

1994 Executive Share Option Scheme

As at 1 January 2007, there were options outstanding over 359,207 ordinary shares under the scheme granted between April 1997 and August 1999, with a weighted average exercise price of £8.18. During the first half of the year there were no lapses and options over 212,401 ordinary shares were exercised at various prices from £8.08 to £8.88. The weighted average closing share price on the day before the dates of exercises during the period was £15.72. There were no options granted under this scheme during the first half of the year.

As at 30 June 2007, there were options outstanding over 146,806 ordinary shares, with a weighted average exercise price of £7.95, which may be exercised on various dates up to 2009 under the rules of the scheme.

1997 Restricted Share Scheme

Awards made under this scheme are nil cost options. As at 1 January 2007, there were awards outstanding over 6,088,594 ordinary shares granted between February 2000 and March 2006. During the first half of the year, awards over 1,402,232 ordinary shares were exercised and awards over 115,464 ordinary shares lapsed. The weighted average closing share price on the day before the dates of exercises during the period was £14.92. There were no options granted under this scheme during the first half of the year.

As at 30 June 2007, there were awards outstanding over 4,570,898 ordinary shares.

2006 Restricted Share Scheme

Awards made under this scheme are nil cost options. As at 1 January 2007, there were awards outstanding over 209,792 ordinary shares granted between May and September 2006.

The following awards were granted under the Scheme:

Date award made	Number of shares awarded	Exercise period	Share price at Grant date	Fair value of Equity Settled Awards
12 March 2007	2,140,975	2009 – 2014	£14.51	£13.36

During the first half of the year, awards over 313 ordinary shares were exercised and awards over 34,461 lapsed. The weighted average closing share price on the day before the date of exercise was £14.98.

As at 30 June 2007, there were awards outstanding over 2,315,993 ordinary shares.

2006 Supplementary Restricted Share Scheme

This is a new plan introduced to supplement the 2006 Restricted Share Scheme. Awards made under this scheme are nil cost options.

The following awards were granted under the Scheme:

Date award made	Number of shares awarded	Exercise period	Share price at Grant date	Fair value of Equity Settled Awards
12 March 2007	9,946	2009 – 2014	£14.51	£13.36

During the first half of the year, no options lapsed and none were exercised.

As at 30 June 2007, there were awards outstanding over 9,946 ordinary shares.

2000 Executive Share Option Scheme

As at 1 January 2007, there were options outstanding over 14,974,196 ordinary shares under the scheme granted between June 2000 and June 2005, with a weighted average exercise price of £8.37. During the first half of the year, options over 64,569 ordinary shares lapsed, with exercise prices of between £9.355 and £10.395, and 4,587,176 ordinary share options were exercised at various prices from £6.905 to £10.395. The weighted average closing share price on the day before the dates of exercises during the period was £15.42. There were no options granted under this scheme during the first half of the year.

The exercise of options granted during the year will be linked to performance criteria.

As at 30 June 2007, there were options outstanding over 10,322,451 ordinary shares, with a weighted average exercise price of £8.30, which may be exercised at various dates up to 2015 under the rules of the scheme.

Share Awards continued

2001 Performance Share Plan

At 1 January 2007, there were awards outstanding over 4,976,599 ordinary shares under the scheme granted between June 2001 and September 2006.

The following awards were granted under the Plan:

Date award made	Number of shares awarded	Exercise period	Share price at Grant date	Fair value of Equity Settled Awards
12 March 2007	2,327,585	2010 – 2017	£14.51	TSR £2.90
				EPS £6.68

The awards granted under the 2001 Performance Share Plan are nil cost options. The exercise of awards granted during the year will be linked to performance criteria. During the first half of the year awards over 987,253 ordinary shares were exercised and awards over 30,068 ordinary shares lapsed. The weighted average closing share price on the day before the dates of exercises during the period was £14.92.

At 30 June 2007, there were awards outstanding over 6,286,863 ordinary shares.

Savings Related Share Option Schemes

UK Scheme

At 1 January 2007, there were options outstanding over 1,070,168 ordinary shares under the schemes granted between September 2000 and September 2006, with a weighted average exercise price of £8.43. During the first half of the year, options were exercised over 22,327 ordinary shares at prices from £5.595 to £10.64 and 39,129 options lapsed, with exercise prices of between £5.595 and £10.64. The weighted average closing share price on the day before the dates of exercises during the period was £15.10. No options were granted under the schemes during the first of the year.

At 30 June 2007, there were options outstanding over 1,008,712 ordinary shares, with a weighted average exercise price of £8.46, which may be exercised at various dates up to 2012 under the rules of the schemes.

International Schemes

At 1 January 2007, there were 11,629,527 options outstanding under the schemes granted between October 1999 and September 2006, with a weighted average exercise price of £9.40. During the first half of the year, options were exercised over 127,632 ordinary shares at prices from £5.595 to £10.64 and 698,843 options lapsed, with exercise prices of between £5.595 and £10.64. The weighted average closing share price on the day before the dates of exercises during the period was £14.96. No options were granted under the schemes during the first half of the year.

At 30 June 2006, there were options outstanding over 10,803,052 ordinary shares, with a weighted average exercise price of £9.52, which may be exercised on various dates up to 2012 under the rules of the schemes.

Valuation of options

Details of the valuation models used in determining the fair values of options granted are detailed in the Group's 2006 Annual Report and Accounts.

Directors' interests in Ordinary Shares

Director	At 1 January 2007 Total interests	Personal interests	Family interests	At 30 June 2007 Total interests
E M Davies	200,419	28,807	81,193	110,000
P A Sands	30,641	47,713	–	47,713
Sir CK Chow	15,664	15,664	–	15,664
M B DeNoma	159,715	159,715	–	159,715
J F T Dundas	2,100	2,100	–	2,100
V F Gooding	2,049	2,045	–	2,045
R H P Markham	2,364	2,407	–	2,407
R Markland	2,139	2,178	–	2,178
R H Meddings	111,291	151,154	–	151,154
K S Nargolwala	147,340	284,438	–	284,438
P D Skinner	3,206	3,264	–	3,264
O H J Stocken	10,000	10,000	–	10,000
Lord Turner	2,016	5,053	–	5,053

Notes

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.

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.

No director had any corporate interests in the Company's ordinary shares.

2004 Deferred Bonus Plan

Director	Shares held in Trust at 1 January 2007	Shares awarded during the Period (a)	Shares awarded in respect of notional dividend	Shares vested during the Period	Shares held in Trust at 30 June 2007
E M Davies	34,884	37,859	305	35,189	37,859
P A Sands	22,893	24,845	200	23,093	24,845
M B DeNoma	17,442	17,746	152	17,594	17,746
R H Meddings	16,897	18,693	148	17,045	18,693
K S Nargolwala	17,442	19,360	152	17,594	19,360

Notes

(a) Market value on date of awards (6 March 2007) was 1394.66p.

2004 Deferred Bonus Plan (the "DBP"). Under the DBP, shares are conditionally awarded instead of all or part of the director's annual cash bonus. The shares are held in an employee benefit trust and automatically vest one year after the date of acquisition. No exercise is necessary. A notional dividend accrues on the shares held in the trust. The dividend is delivered in the form of shares and is released on vesting.

Long Term Incentives – Share Options

Director	Scheme	At 1 January 2007	Granted	Exercised	Lapsed	At 30 June 2007	Weighted average exercise price (pence)	Period of Exercise
E M Davies	2000 Scheme	877,853	–	720,168(a)	–	157,685	970.28	2008 – 2015
	Sharesave	2,957	–	–	–	2,957	559.50	2007 – 2008
	1994 Scheme	72,365	–	72,365(a)	–	–	–	–
P A Sands	2000 Scheme	598,417	–	3,481(b)	–	594,936	835.38	2007 – 2015
	Sharesave	2,957	–	–	–	2,957	559.50	2007 – 2008
M B DeNoma	2000 Scheme	149,624	–	85,515(b)	–	64,109	971.00	2008 – 2015
R H Meddings	2000 Scheme	140,267	–	–	–	140,267	954.43	2007 – 2015
	Sharesave	878	–	–	–	878	1064.00	2009 - 2010
K S Nargolwala	2000 Scheme	149,624	–	85,515(c)	–	64,109	971.00	2008 – 2015

Notes

(a) Market value on date of exercise (4 May 2007) 1550.60p.

(b) Market value on date of exercise (6 March 2007) 1394.66p.

(c) Market value on date of exercise (20 June 2007) 1657p.

(d) All of the options in the above table have exercise prices that are lower than the market price on 30 June 2007 (1630p).

2000 Executive Share Option Scheme (the "2000 Scheme")

Executive share options are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is at least the share price at the date of grant and options can normally only be exercised if an EPS linked performance condition is satisfied. For awards granted in 2005, there is a sliding scale EPS performance condition. EPS must increase by a minimum of 15 per cent over the performance period for partial vesting, and by 30 per cent for full vesting.

Sharesave

Sharesave comprises all employee share schemes in which staff across the Group, including the executive directors, are eligible to participate. There are two schemes - the UK Sharesave Scheme and the International Sharesave Scheme.

Under Sharesave participants have a choice of opening a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, participants may purchase ordinary shares in the Company. The price at which they may purchase shares is typically at a 20 per cent discount to the share price at the date of invitation. There are no performance conditions attached to awards under the Sharesave schemes.

1994 Executive Share Option Scheme (the "1994 Scheme") (closed)

No awards have been made under the 1994 Scheme since August 1999 as it was replaced by the 2000 Scheme.

Executive share options to purchase ordinary shares in the Company are exercisable after the third, but before the tenth anniversary of the date of grant. The exercise price is the share price at the date of grant and options can only be exercised if EPS increases by at least 15 per cent over three consecutive years.

Further details of the share schemes mentioned above, can be found in the Company's 2006 Report and Accounts, which is available on the Company's website:

http://investors.standardchartered.com

Long Term Incentives – Shares

Director	Scheme	At 1 January 2007	Granted	Exercised	Lapsed	At 30 June 2007	Period of vesting
E M Davies	Performance Share Plan	69,481	–	69,481(b)	–	–	–
	Performance Share Plan	70,575	–	–	–	70,575	2007 – 2014
	Performance Share Plan	154,479	–	–	–	154,479	2008 – 2015
	Performance Share Plan	111,498	–	–	–	111,498	2009 – 2016
	Performance Share Plan	82,191	–	–	–	82,191	2009 – 2016
	Performance Share Plan	-	179,186(a)	–	–	179,186	2010 – 2017
P A Sands	Restricted Share Scheme	52,216	–	–	–	52,216	2007 – 2009
	Performance Share Plan	48,102	–	–	–	48,102	2007 – 2014
	Performance Share Plan	36,644	–	–	–	36,644	2007 – 2014
	Performance Share Plan	97,837	–	–	–	97,837	2008 – 2015
	Performance Share Plan	73,170	–	–	–	73,170	2009 – 2016
	Performance Share Plan	35,958	–	–	–	35,958	2009 – 2016
	Performance Share Plan	-	142,143(a)	–	–	142,143	2010 – 2017
M B DeNoma	Performance Share Plan	42,757	–	42,757(c)	–	–	–
	Performance Share Plan	21,715	–	21,715(d)	–	–	–
	Performance Share Plan	74,794	–	–	–	74,794	2008 – 2015
	Performance Share Plan	59,930	–	–	–	59,930	2009 – 2016
	Performance Share Plan	22,089	–	–	–	22,089	2009 – 2016
	Performance Share Plan	-	84,424(a)	–	–	84,424	2010 – 2017
R H Meddings	Performance Share Plan	37,413	–	37,413(d)	–	–	–
	Performance Share Plan	9,500	–	9,500(d)	–	–	–
	Performance Share Plan	74,794	–	–	–	74,794	2008 – 2015
	Performance Share Plan	59,930	–	–	–	59,930	2009 – 2016
	Performance Share Plan	22,089	–	–	–	22,089	2009 – 2016
	Performance Share Plan	-	87,870(a)	–	–	87,870	2010 – 2017
K S Nargolwala	Performance Share Plan	55,032	–	55,032(c)	–	–	–
	Performance Share Plan	42,757	–	42,757(c)	–	–	–
	Performance Share Plan	21,715	–	21,715(d)	–	–	–
	Performance Share Plan	74,794	–	–	–	74,794	2008 – 2015
	Performance Share Plan	59,930	–	–	–	59,930	2009 – 2016
	Performance Share Plan	29,452	–	–	–	29,452	2009 – 2016
	Performance Share Plan	–	97,605(a)	–	–	97,605	2010 – 2017

Notes

(a) Market value on date of award (12 March 2007) was 1451p.

(b) Market value on date of exercise (4 May 2007) was 1550.60p.

(c) Market value on date of exercise (6 March 2007) was 1394.66p.

(d) Market value on date of exercise (20 June 2007) was 1657p.

2001 Performance Share Plan (the "Plan")

Under the Plan awards of nil price options to acquire shares are granted to the director and will normally be exercised between three and ten years after the date of grant.

Before any award can be exercised under the Plan, certain performance conditions need to be met. The performance conditions are set at the time of the award. 50 per cent of each award is subject to the satisfaction of a relative total shareholder return performance target. The remaining 50 per cent of the award is subject to the satisfaction of an EPS performance target. Further details of the performance conditions can be found in the Company's 2006 Report and Accounts, which is available on the Company's website:
http://investors.standardchartered.com

1997 Restricted Share Scheme (the "Restricted Share Scheme")

The awards under the Restricted Share Scheme are nil cost options and are not normally granted to executive directors except upon their appointment. Fifty per cent of the award vests two years after the date of grant and the remainder after three years. There are no performance conditions attached to awards under the Restricted Share Scheme.

Further details of the share schemes mentioned above, can be found in the Company's 2006 Report and Accounts, which is available on the Company's website:
http://investors.standardchartered.com

Share price information

The middle market price of an ordinary share at the close of business on 30 June 2007 was 1630 pence. The share price range during the first half of 2007 was 1366 pence to 1727 pence (based on the closing middle market prices).

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 Hong Kong Stock Exchange any disclosure of interests made in the UK.

Dividend and interest payment dates

2007 Interim dividend

Ex dividend date	15 August 2007
Record date for dividend	17 August 2007
Dividend payment date	10 October 2007

2007 Final dividend	**(provisional only)**
Results and dividend announced	26 February 2008

Preference shares	**Next half- yearly dividend**
7 ⅜ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2007
8 ¼ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2007
6.409 per cent Non-Cumulative preference shares of $5 each	30 July 2007
7.014 per cent Non-Cumulative preference shares of $5 each	First semi-annual dividend to be paid on 30 January 2008

Previous dividend payments

Dividend and financial year	Payment date	Cash dividend per ordinary share	Cost of one new ordinary share under the share dividend scheme
Final 1998	28 May 1999	14.50p	889.5p
Interim 1999	15 October 1999	6.75p	860.8p
Final 1999	26 May 2000	16.10p	797.9p
Interim 2000	13 October 2000	7.425p	974.3p
Final 2000	25 May 2001	17.71p	No offer
Interim 2001	12 October 2001	12.82c/8.6856p	No offer
Final 2001	17 May 2002	29.10c/19.91p	£8.43/$12.32
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	£14.276/$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

ShareCare

ShareCare is available to shareholders on the United Kingdom share register who have a United Kingdom address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares can 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 contact the shareholder helpline on 0870 702 0138.

Bankers' Automated Clearing System ("BACS")

Dividends can be paid straight into your bank or building society account. Please 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 PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH. 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, Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queens Road East, Hong Kong. You can check your shareholding at:

www.computershare.com

Chinese translation

If you would like a Chinese version of this Interim Report please contact: Computershare Hong Kong Investor Services Limited at Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queens Road East, Hong Kong.

中期報告之中文譯本可向香港中央證券登記有限公司索取，地址：香港皇后大道東183號合和中心18樓1806-1807室。

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 there is a dispute between any translation and the English version of this Interim 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.

Financial Calendar

Ex-dividend date	15 August 2007
Record date	17 August 2007
Expected posting to shareholders of 2007 Interim Report	3 September 2007
Payment date – interim dividend on ordinary shares	10 October 2007

Copies of this statement are available from:

Investor Relations, Standard Chartered PLC, 1 Aldermanbury Square, London, EC2V 7SB or from our website on http://investors.standardchartered.com

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The following information is available on our website

- *A live webcast of the interim results analyst presentation*
- *The archived webcast and Q/A session of analyst presentation in London*
- *Interviews with Peter Sands, Group Chief Executive and Richard Meddings, Group Finance Director*
- *Slides for the Group's presentations*

Images of Standard Chartered are available for the media at
http://www.standardchartered.com/global/mc/plib/directors_p01.html
Information regarding the Group's commitment to Sustainability is available at
http://www.standardchartered.com/sustainability
The 2007 Interim Report will be made available on the website of the Stock Exchange of Hong Kong Limited and on our website:
http://investors.standardchartered.com *as soon as is practicable.*

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.

STANDARD CHARTERED PLC - INDEX

Go online

www.standardchartered.com
For information on the Group

Our website contains comprehensive information on Standard Chartered. Log on to find out more about our innovative product offerings and financial solutions. You will also have access to our Media Centre where you will find our latest and archived press releases as well as a photo library.

www.investors.standardchartered.com
For investor information

You will find detailed information on our corporate governance practices, current debt ratings and recent press releases on this section of our website. Here is also where the online version of our Annual Report and Accounts and Annual Review can be found.

www.standardchartered.com/sustainability
For information on building a sustainable business

We have just re-launched the sustainability section of our website. On this site you will find details of our approach to building a sustainable business, policies and procedures and progress against our priorities.

www.standardchartered.com/sustainability/ourpeople
For our approach to people management

To find out more about our approach to people management and career opportunities at Standard Chartered, please log onto our People section. The information here includes Diversity and Inclusion, employee engagement and how we develop, reward and recognise our employees.

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Diversity & Inclusion

At Standard Chartered, Diversity & Inclusion (D&I) lies at the heart of our values and is a distinctive part of our brand. As one of the world's most international banks, we employ over 60,000 people, representing more than 100 nationalities worldwide.

Given our geographic diversity and growth ambitions, we are committed to attracting, developing and engaging the very best talent. With tougher competition across our markets, D&I can give us a distinctive advantage over our competitors. We strive to become the world's best international bank, by offering new ideas, different perspectives and anticipating changing expectations.

From locally-driven D&I councils to global D&I forums, we have made significant progress. The strength of our diversity has helped us achieve great results and we are confident that our focused attention on D&I will continue to deliver benefits to our people, our customers, our shareholders and to the communities in which we operate.

To find out more about Diversity & Inclusion visit
www.standardchartered.com/sustainability/greatplace_home

Here you will find information on Diversity & Inclusion, employee engagement and how we develop, reward and recognise our employees.