Interim Report 2008

Leading the way

in Asia, Africa and the Middle East

Standard Chartered

SUMMARY OF RESULTS
For six months ended 30 June 2008

	6 months ended 30.06.08 $million	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Results			
Operating income	6,987	5,263	5,804
Impairment losses on loans and advances	(465)	(361)	(400)
Profit before taxation	2,586	1,980	2,055
Profit attributable to equity interests	1,844	1,399	1,442
Profit attributable to ordinary shareholders	1,785	1,370	1,443
Balance Sheet			
Total assets	396,727	**297,486	**329,838
Total equity	20,905	19,581	21,452
Capital base	30,536	**,†24,774	28,114
Information per Ordinary Share	Cents	Cents	Cents
Earnings per share – normalised basis*	120.4	100.7	96.9
– basic	126.3	98.5	102.6
Dividend per share	25.67	23.12	56.23
Net asset value per share	1,325.7	1,250.7	1,374.2
Ratios	%	%	%
Return on ordinary shareholders' equity – normalised basis*	17.8	16.7	14.8
Cost income ratio – normalised basis*	56.4	54.7	57.3
Capital ratios:			
Tier 1 capital	8.5	†9.7	8.8
Total capital	14.9	†15.6	15.2

* Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 9 on page 51.

** Amounts have been restated as explained in note 34 on page 70.

† On a Basel I basis.

Unless another currency is specified, the word 'dollar' or symbol '$' in this document means United States dollar and the word 'cent' 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'; The Republic of Korea is referred to as Korea or South Korea; 'Middle East and Other South Asia' ('MESA') includes: Pakistan, United Arab Emirates ('UAE'), Bahrain, Jordan, and Bangladesh; and 'Other Asia Pacific' includes: China, Indonesia, Thailand, Taiwan and the Philippines.

Standard Chartered PLC – Stock Code: 02888

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FINANCIAL HIGHLIGHTS
For six months ended 30 June 2008

Reported results

Operating income
▲ 33%
$6,987m
H1 2007: $5,263m
H2 2007: $5,804m

Profit attributable to ordinary shareholders*
▲ 30%
$1,785m
H1 2007: $1,370m
H2 2007: $1,443m

Profit before taxation
▲ 31%
$2,586m
H1 2007: $1,980m
H2 2007: $2,055m

Total assets
▲ 34%
$397bn
H1 2007: $297bn
H2 2007: $330bn

Performance metrics**

Normalised earnings per share
▲ 19.6%
120.4cents
H1 2007: 100.7 cents
H2 2007: 96.9 cents

Interim dividend per share
▲ 11%
25.67cents
H1 2007: 23.12 cents
H2 2007: 56.23 cents

Normalised return on ordinary shareholders' equity
17.8%
H1 2007: 16.7%
H2 2007: 14.8%

Normalised cost income ratio
56.4%
H1 2007: 54.7%
H2 2007: 57.3%

Total capital ratio (Basel II basis)
14.9%
H1 2007: 15.6% (Basel I basis)
H2 2007: 15.2%

Significant achievements

- Record profit before taxation of $2,586 million, an increase of 31 per cent on H1 2007
- Broad and diverse income growth in both Consumer Banking and Wholesale Banking
- Accelerated investments for future growth while delivering excellent earnings per share growth of 19.6 per cent
- Completed the acquisition of American Express Bank
- Maintained strong liquidity and capital positions

* Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 8 on page 50).

** Results on a normalised basis reflect the results of Standard Chartered PLC and its subsidiaries (the 'Group') excluding items presented in note 9 on page 51.

Strong and sustainable business

> "Standard Chartered has again delivered record interim profits and income. These would be great results in any year; this year, they are exceptional."
>
> **Mervyn Davies, CBE,** Chairman

- Profit before taxation rose 31 per cent to $2,586 million
- Income increased 33 per cent to $6,987 million
- Normalised earnings per share rose 19.6 per cent to 120.4 cents

The Board has declared an interim dividend of 25.67 cents per share, up 11 per cent.

Our strategic focus on Asia, Africa and the Middle East, together with strong management discipline, has enabled us to deliver these results against the backdrop of the turmoil engulfing much of the financial markets. Our ongoing investment agenda and the repositioning of both businesses over the last few years have resulted in the excellent growth today. Peter and the management team are to be congratulated for continuing our track record of income and profit growth during these difficult times.

Industry upheaval

I believe the financial services industry is experiencing the greatest upheaval in my career as a banker. The industry as a whole must reflect on what has happened over the last decade and examine the lessons of the last twelve months. There are a couple of areas that concern me most.

It is clear that there has been mispricing of risk; that the market did not understand the value and importance of liquidity; and that some banks did not fully understand some of the instruments they were dealing in. Increased regulation is not the answer. There is now a robust debate playing out on these issues.

We also need to question whether the market has worked in another important area: compensation. The industry should not reward excessive risk taking or reward failure. Boards and remuneration committees will have to reflect in future on whether the risks and rewards are appropriate.

Management strength

In all of this, Standard Chartered is in a good position to take advantage of opportunities to continue building market share and hire top talent. We are doing both. But we will not deviate from our strategy of focusing on organic growth complemented by selective acquisition.

Standard Chartered has in recent years built an enviable depth of management who drive our business forward so effectively. We have a strong and sustainable business, guided by a clear and consistent strategy and clear values. Our long-term view of the opportunities in our markets, and how we should operate and invest in them, has differentiated us and made us resilient in difficult times.

We have shown that our management is disciplined as we build our business in high-growth markets. We have a culture of transparency which enables swift decision-making and we have the capability to pull the right levers as circumstances change.

We have achieved geographic and product diversity. We have maintained strong liquidity and capital positions without changing our strategy or reducing our dividend.

Our sustainable business strategy enables us to engage deeply with our customers, communities, regulators and staff. We now have more than two-and-a-half times as many employees as five years ago and the success of our expansion is underpinned by a focus on managing talent and by our values.

I would like to say thank you again to Sir CK Chow who retired from the Board in May after 10 years of dedicated service as a non-executive director. I am delighted that he remains Chairman of our Hong Kong business. In June, Mike DeNoma stepped down from the Board after a long career with Standard Chartered, during which Consumer Banking grew significantly. We would like to thank him and to welcome Steve Bertamini who has joined the Board as Group Executive Director for Consumer Banking.

Summary

No bank has been completely unaffected by the current turmoil. Whilst a number of large OECD players in particular have been severely affected, every bank should learn from these experiences. Standard Chartered's focus on Asia, Africa and the Middle East, markets that continue to grow, has helped us deliver excellent returns to our shareholders.

My recent travels have convinced me more than ever that there are a large number of high-growth countries in the world that have dramatically changed in the last decade. They will be powerhouses for the world economy. This has huge implications for the OECD, for trade flows and financial institutions. Standard Chartered is well placed to take advantage of this trend.

Standard Chartered's brand is very strong. We have had an excellent first half and we enter the second half in good shape.

E. Mervyn Davies

Mervyn Davies, CBE
Chairman
5 August 2008

Clear and consistent strategy

> "Standard Chartered has never been in better shape. We are highly profitable, well-capitalised, very liquid, attracting talent, deepening client relationships and building the brand."
>
> **Peter Sands,** Group Chief Executive

This is a great set of results. I am very proud of what we have achieved in terms of both financial performance and strategic progress, despite the economic uncertainties. I am enormously appreciative of the professionalism, commitment and teamwork of all the people in Standard Chartered who together have made this happen.

Given the background of market turmoil, our investors and other stakeholders may ask two broad questions. First, why are Standard Chartered's numbers so different from some of its peers? Second, and perhaps more importantly, is this performance sustainable?

Strong foundations

First, why are our numbers so different?

- We have a clear and consistent strategy – to lead the way in Asia, Africa and the Middle East – and we have been very disciplined in sticking to it. We believe in doing business in markets we know intimately, with products we understand fully, with customers with whom we build deep relationships.
- We have never lost sight of the basic foundations of good banking: proactive management of liquidity and capital; an anticipatory approach to risk; disciplined control of costs; a relentless drive to improve operational efficiency and effectiveness; and continuous improvement in customer service.
- Our distinctive culture and values have played a huge role in our success and our resilience. There are three aspects I would like to highlight:
  - We have a culture of open communication and challenge. People probe and challenge assumptions; news travels fast; and people share information and collaborate. That is how we protect the Bank.
  - We learn from mistakes. Every problem – whether ours or others' – is an opportunity to improve and learn.
  - We manage the Bank as "one bank". The last 12 months have proven how dangerous it is to run a bank as a collection of silos. But this must be resisted. At its core, a bank is intrinsically one business, with one balance sheet and one reputation. We run Standard Chartered as one bank.

The first half performance has been outstanding, but how sustainable is this performance? There are two parts to answering this question: the external environment; and the Bank itself.

External environment

Our markets in Asia, Africa and the Middle East are not directly affected by the massive deleveraging and liquidity crunch that we are seeing in the West. The ingredients for these problems – the over-leverage, the skewed funding profiles, the over-complexity – are simply not present to the same extent.

However our markets are being affected by inflation, high energy and commodity prices and the second-order consequences of the slowdown in the West.

First, inflation. Although the scale and nature of the inflation challenge varies dramatically by market, inflation is undoubtedly bad for economic growth, and in that respect will have a negative impact on us. But, in other respects, inflation does not always spell bad news for bankers. Whilst we get hit by rising costs – although in our markets that is far from a new phenomenon – high and frequently changing interest rates can be good for margins.

Much depends on the policy response. Where authorities raise interest rates or the exchange rate to squeeze out inflation, this can often be positive for us. Where they increase reserve ratios or put quantitative curbs on lending, that is more negative. Because of inflation, we expect to see considerable volatility in interest rates and currencies over the next few months. That will underpin trading volumes in FX and rates, as well as demand for derivatives.

Second, high energy and commodity prices. Although these benefit a number of our markets in Africa and the Middle East, they are proving a significant challenge elsewhere. High energy prices, in particular, take money out of people's pockets and slow economic growth. Government subsidy schemes have tempered the impact in many of our markets, but the impact of higher energy prices is clearly now feeding through, particularly in the most exposed economies.

This will have a negative impact on consumer demand and economic growth. How much depends on where energy prices go from here. We anticipate considerable volatility, as demand for energy slows and the markets react to supply risks and constraints. The acquisition of Harrison Lovegrove, the oil and gas advisory boutique, and the investments we have made in developing capabilities in the renewable energy space have positioned us well to be a major player in this increasingly strategic area.

Third, the second-order impact of a slowdown in the West. This will undoubtedly have a negative effect on export-oriented companies and countries. Many can redirect their efforts to meet increasing domestic or intra-regional demand. But some – particularly smaller companies – will find this difficult to do. Consequently, we have been screening our exposures, and where necessary, reshaping the portfolio.

How big an issue this becomes depends on two factors: first, how deep and prolonged the slowdown in the US and Europe becomes; and second, how much the fight against inflation and the impact of high energy prices take the steam out of rapidly increasing domestic demand in markets like China and India. We do not pretend to have a precise answer to these dynamics, but we are monitoring them very carefully.

Growth forecast
While we do expect the economies of Asia, Africa and the Middle East to show slower growth in 2008 and 2009 than in 2007, we forecast rates of growth will be six per cent in the Emirates, more than seven per cent in India and around nine per cent in China and Nigeria next year. These are still very high rates of growth by European or US standards. Our markets have not decoupled, but neither are they in lockstep.

We expect a moderation in Asian growth, rather than an interruption, which will be more marked in some places than others. The economies of Asia, Africa and the Middle East are fundamentally much more resilient than in the late 1990s. Their rapid growth is driven by demographics, urbanisation, industrialisation and the opening up of markets. Large foreign exchange reserves, growing domestic demand and greater trade within Asia and across the trade corridors to the Middle East and Africa give our markets greater strength and momentum.

We are in the right markets at the right time.

Furthermore, as these results demonstrate, we are not yet seeing the impact of these broader economic issues in our numbers. There is no real sign of deterioration in credit quality, in either Wholesale or Consumer Banking, and income momentum remains robust.

Investment
The Bank itself is in great shape – well capitalised, highly liquid and has good momentum.

Yet there are a number of things we can do better, things we can fix or that are work-in-progress. We see these as opportunities.

For example, whilst we are making good progress in getting Korea onto the right performance trajectory, there is still a lot to do. In the second half we will restructure the head office in Seoul, reconfigure part of the branch network and launch our new securities business. Final approval for the securities business was granted just two weeks ago and already we have over 70 people in place. We expect to start trading within weeks, with an initial focus on fixed income.

As another example, the integration of American Express Bank is still very much work-in-progress. This year, as expected, the acquisition will be a drag on our financial performance, given integration costs, but we are ahead of schedule and increasing our synergy targets. The benefits will come through in 2009. Already, this looks like a great deal.

We will continue to invest for growth, despite the uncertainties in the external environment. We know that by doing this we are taking some risk, but this is also how we turn the turmoil to our advantage. We will continue to pace our investment in line with income growth and the overall performance of the business. But we will not lose sight of our strategic priorities, or the opportunities to seize market share.

Wholesale Banking
In Wholesale Banking, we are building a strong Financial Markets business with income up over 50 per cent and a Corporate Advisory team with income up in excess of 130 per cent. We are hiring exceptional talent from the market and investing in systems and control infrastructure. Our deal pipeline looks good.

We are also investing in the technology, operations and sales infrastructure of our core transactional banking businesses – Trade Finance and Cash Management. These, our traditional Wholesale Banking businesses, remain powerful engines of growth. In Trade Finance income grew 40 per cent year-on-year, with income per sales person up 20 per cent and on-line transactions increased 50 per cent.

The underlying driver of income growth in Wholesale Banking across all products remains deeper client relationships. Income from our top 50 clients has increased 50 per cent year-on-year.

Consumer Banking
In Consumer Banking we have continued to invest to build the franchise, despite the pressures on income momentum. This is an example of how we are running the Bank with a one bank perspective. We are using the strength of Wholesale Banking performance to give us the investment headroom in Consumer Banking. We are investing in Consumer Banking businesses that in turn complement and support the momentum of Wholesale Banking.

Private Bank
The Standard Chartered Private Bank is a great example. In the last 15 months, we have gone from having no private bank, to one with over $35 billion in funds under management, over 280 relationship managers and over 19,000 customer accounts. We have only just started, but already we have won Euromoney's award as the "Global Best Private Bank".

The Private Bank is a great business in its own right, but it is also a source of stable liabilities and a powerful way to reinforce and deepen relationships with individuals – individuals who are often the owners and key decision-makers in our Wholesale Banking clients. In fact, we are already seeing a two-way referral flow between the Private Bank and Wholesale Banking.

But building the Private Bank is not a quick or easy task. It takes time and the return on our investment will take time. Yet given the size of the private banking prize in our markets, the way it works for both businesses, and the current disarray of our key competitors, we are continuing to invest in new products, enhanced infrastructure and expanding the number of relationship managers.

China

Another investment priority, but one that also has a relatively long payback period, is China. In the last six months Consumer Banking in China has lost almost $50 million. There is nothing wrong with the intrinsic economics. It is simply that in the last 15 months we have created a significant Renminbi Consumer Banking business and grown to have a total of 46 outlets across 16 cities.

As with the Private Bank, we see Consumer Banking in China as attractive in its own right, but also strategically critical to the overall development of Standard Chartered in China. To achieve our aspirations in Wholesale Banking in China, we will need the network, brand presence and stable deposit base of our consumer franchise. In late July we launched a debit card, which is key to being able to attract the current accounts that will be the foundation of our franchise and overall balance sheet.

China is encountering some economic strains and will have bumps, but it is a huge opportunity. The best way to grasp the opportunity and ride the bumps is to build a balanced business of scale.

Looking at Consumer Banking as a whole over the last three years, we have more than doubled revenues, more than tripled our branch network and more than quadrupled our ATMs. We have seen strong growth in Wealth Management and SME Banking, and have made a good start in creating a customer-centric organisation. I would like to thank Mike DeNoma who has left a great foundation on which to build.

There is more we can and will do to accelerate income momentum and improve productivity. Steve Bertamini has brought a fresh perspective and plenty of new ideas. Under his leadership there will be even greater emphasis on deepening customer relationships, on re-engineering and productivity, on technology-driven innovation and on building a Consumer Banking business that leverages and, in turn, supports our strengths in Wholesale Banking. I am delighted to have him on board.

Outlook

Overall the Bank is in great shape: strongly positioned to weather the economic uncertainties and superbly placed to capture opportunities.

So, in answering the question of what next, there needs to be a balance. We do not underestimate the challenges in the external environment. These are real and significant. We cannot predict precisely how events will unfold and to what extent our markets and the Bank itself will be affected. But as these results demonstrate, our businesses have good momentum and we are pursuing our strategy with strength and confidence.

Our strategy is very clear: to become the world's best international bank, leading the way in Asia, Africa and the Middle East. Despite all the turmoil in financial markets, we are making good progress against our strategic priorities and continue to deliver consistent financial performance.

We enter the second half with clear priorities:

- We must ensure that we continue to navigate our way through the storm successfully, that we avoid basic mistakes and that we remain extraordinarily vigilant and nimble. We are proud of the way the Bank has performed during this extraordinary period so far and we are very focused on continuing to build on our track record of consistent delivery against our financial objectives.
- We need to continue to achieve the right stance on investments and costs and on risk appetite. We must not overreact, but neither can we ignore what is happening around us. We will continue to flex our investment priorities and overall cost base as well as our portfolio and overall risk profile, whilst keeping a firm eye on our strategic priorities.
- We will also continue to take a proactive approach to managing our capital and liquidity position, building on our intrinsic strengths and anticipating changes in the market environment.
- Amidst all the turbulence, we also need to make sure we do not lose sight of some of the longer-term drivers of shareholder value: our commitment to sustainability – to making a difference in the communities in which we live and work; the strength of our talent pipeline – attracting and developing a diverse set of future leaders; and reinforcing the brand – increasingly powerful, yet capable of much more.
- In that vein, I am also very focused on our culture and values: being one bank, celebrating what is distinctive about us; staying focused on our customers and their needs. Our culture and values may be intangible, but I see them as key to our competitive advantage, to our ability to continue to create value for shareholders and to protecting the Bank.

Despite all the turmoil, Standard Chartered has never been in better shape. We are highly profitable, well capitalised, very liquid, attracting talent, deepening client relationships and building the brand. We look ahead sharp-eyed to spot the dangers, but also alert to the opportunities; confident to invest, but also knowing where and how to react as new challenges emerge.

We look ahead, building the world's best international bank, leading the way in Asia, Africa and the Middle East.

Peter Sands
Group Chief Executive
5 August 2008

GROUP SUMMARY

The Group has delivered a very strong performance for the six months ended 30 June 2008. Profit before taxation rose 31 per cent to $2,586 million, with operating income increasing 33 per cent to $6,987 million, when compared against the equivalent period in 2007.

The normalised cost income ratio was 56.4 per cent compared to 54.7 per cent in the first half of 2007. Normalised earnings per share increased by 19.6 per cent to 120.4 cents. Further details of basic and diluted earnings per share are provided in note 9 on page 51.

On 18 September 2007, the Group announced the acquisition of American Express Bank Limited ('AEB') from American Express Company. The transaction was completed on 29 February 2008.

On 11 January 2008, the Group completed the acquisition of a 49 per cent joint venture interest in UTI Securities Limited ('UTI'), an equity brokerage firm in India.

On 11 January 2008, the Group announced the acquisition of a Korean mutual savings bank, Yeahreum Mutual Savings Bank ('Yeahreum'), which was completed on 25 February 2008.

References to underlying income, cost and profit of the Group exclude the post-acquisition impact of the AEB acquisition only. The impact of the acquisitions of Yeahreum, UTI, and those made in the previous year, namely Pembroke, Harrison Lovegrove and A Brain were not material to the Group's results.

Operating income and profit

	6 months ended 30.06.08 AEB $million	6 months ended 30.06.08 Underlying $million	6 months ended 30.06.08 As reported $million	6 months ended 30.06.07 As reported $million	6 months ended 31.12.07 As reported $million
Net interest income	**103**	**3,607**	**3,710**	2,952	3,313
Fees and commissions income, net	**119**	**1,562**	**1,681**	1,228	1,433
Net trading income	**34**	**1,117**	**1,151**	649	612
Other operating income	**9**	**436**	**445**	434	446
	162	**3,115**	**3,277**	2,311	2,491
Operating income	**265**	**6,722**	**6,987**	5,263	5,804
Operating expenses	**(263)**	**(3,637)**	**(3,900)**	(2,918)	(3,297)
Operating profit before impairment losses and taxation	**2**	**3,085**	**3,087**	2,345	2,507
Impairment losses on loans and advances and other credit risk provisions	**(11)**	**(454)**	**(465)**	(361)	(400)
Other impairment	**(5)**	**(21)**	**(26)**	(3)	(54)
(Loss)/profit from associates	**–**	**(10)**	**(10)**	(1)	2
(Loss)/profit before taxation	**(14)**	**2,600**	**2,586**	1,980	2,055

The Group's key markets in Asia continued to enjoy robust economic growth underpinned by resilient domestic demand, increased intra-regional trade flows and strong policy response from government and central banks. The African economies continued to leverage off Asian economic growth and commodity demand, while the Middle East region continued to benefit from the high oil price and ample liquidity.

Operating income grew $1,724 million, or 33 per cent, to $6,987 million. On an underlying basis, operating income grew $1,459 million or 28 per cent, to $6,722 million.

The key markets of the Group continued to perform very well, with strong income and profit contribution from most countries.

In Hong Kong, operating income grew $291 million, or 31 per cent higher, to $1,219 million. Operating profit was 28 per cent higher at $656 million, a record first half. Underlying operating income grew 28 per cent with a very significant increase in Wholesale Banking income across most products and good income growth in Consumer Banking despite compression in deposit and mortgage margins as interest rates fell, and lower unit trust sales affected by weak equity markets during the period.

In India, operating income increased $412 million, or 73 per cent, to $975 million and operating profit grew $286 million, or 89 per cent, to $606 million. This includes a $146 million gain from the sale of the Group's asset management business, which is not allocated to either business. Underlying income and profit grew 72 per cent and 90 per cent respectively with Wholesale Banking delivering an outstanding performance as underlying income grew 53 per cent, with broad based income growth from transaction banking, derivatives sales, corporate finance as well as from higher own account income.

In Singapore, operating income was up 62 per cent, to $646 million, with operating profit increasing 55 per cent to $317 million. Underlying income and profit grew 54 per cent and 55 per cent respectively, with strong contributions from both businesses.

Operating income and profit continued

In Korea, continued progress was made to reposition the business. Operating income grew $66 million, or eight per cent, to $867 million while operating profit increased $14 million, or seven per cent, to $209 million. Strong income growth was achieved in Wholesale Banking, with underlying income growing 38 per cent, driven by increased derivatives and foreign exchange sales and own account trading. Underlying income in Consumer Banking was marginally lower at $605 million.

Income in Other Asia Pacific region grew $227 million, or 22 per cent, to $1,255 million. Operating profit for the region increased 26 per cent, to $353 million. Underlying income and profit grew 21 per cent and 28 per cent respectively. Income in China, which is included in Other APR, grew 24 per cent, to $306 million. There were, however, no private equity gains in the first half of 2008 and consequently operating profit in China fell 53 per cent to $57 million.

In the MESA region, income grew 32 per cent to $888 million, with underlying income up 31 per cent. Income in the UAE and Bahrain grew over 40 per cent. In contrast, income grew six per cent in Pakistan as risk appetite was reduced in the light of a weaker operating environment. Operating profit for the MESA region increased 34 per cent, to $386 million.

In Africa, operating income grew 27 per cent, to $434 million with over 40 per cent income growth achieved in Nigeria, Zambia and Uganda. Operating profit was 41 per cent higher, at $157 million.

Operating income in the Americas, UK & Europe was 34 per cent higher, at $425 million, driven in part of the inclusion of AEB for the first time and strong underlying performance from the Americas. Underlying income in the region overall, however, fell 26 per cent to $235 million as a result of losses incurred in asset backed securities in the UK. Operating loss for the period was $250 million compared with a $32 million loss in the first half of 2007.

Net interest income was up $758 million, or 26 per cent, to $3,710 million. Underlying net interest income grew 22 per cent. The increase in net interest income was predominantly due to higher volumes in transaction banking and cash management services, together with the growth in current and savings accounts balances. Income from Asset and Liability Management ('ALM') benefited from the positions held against a falling interest environment, offsetting the decline in net interest income as deposit margins compressed. Net interest margin was 2.5 per cent, in line with last year.

Non-interest income grew $966 million, or 42 per cent, to $3,277 million with underlying growth of 35 per cent.

Net fees and commissions income increased by $453 million, or 37 per cent, to $1,681 million. On an underlying basis, net fees and commissions income grew 27 per cent. Strong growth in fees from structured deposits, insurance and investment services more than offset a decline in fee income from lower unit trust sales due to weaker equity markets. Increased deal flows drove fee income in corporate finance and advisory, while trade finance, cash management and custody fee income increased due to higher transaction volumes.

Net trading income increased $502 million, or 77 per cent, to $1,151 million. On an underlying basis, net trading income grew 72 per cent. Client related income continued to contribute the vast majority of net trading income. Income from foreign exchange and derivatives trading activities grew significantly as a result of an expansion in product capabilities, improved electronic channel functionality and a continued focus on cross-selling, as well as improved own account trading performance. Income from securities trading was adversely affected by marked-to-market losses incurred in asset backed securities of $80 million. Also included in net trading income was $24 million gain (H1 2007: $22 million loss) arising from the economic hedges of the securitised mortgage portfolios in Korea.

Other operating income increased $11 million, to $445 million. There were lower private equity gains realised during this period and a $49 million writedown on asset backed securities, offset by a $146 million gain from the sale of the Group's India asset management business. This gain has been treated as a corporate item and therefore not allocated to either business. Other operating income also included $47 million (H1 2007: $55 million) of recoveries in respect of assets that had been fair valued at acquisition.

Operating expenses increased $982 million, or 34 per cent, to $3,900 million. Expenses grew mainly due to the increase in staffing levels and higher performance related pay. Staff costs increased 37 per cent, or $701 million, to $2,585 million. Other investments were directed at expanding distribution capabilities, adding over 60 new branches and over 100 new ATMs, and enhancing internet and mobile banking capabilities as well as additional product capability. Expenditure was also incurred to upgrade and expand office premises and to strengthen regulatory compliance and control systems. In addition, expenses of $65 million were incurred relating to the integration of the AEB acquisition. On an underlying basis, operating expenses grew 25 per cent to $3,637 million.

Operating profit before impairment increased $742 million, or 32 per cent, to $3,087 million. The credit environment remained generally favourable during the period, notwithstanding the turbulent financial market conditions. Overall loan impairment charges increased by $104 million, or 29 per cent, to $465 million. On an underlying basis, loan impairment increased 26 per cent. Included in other impairment charges was $18 million relating to the writedown of a listed private equity investment.

CONSUMER BANKING

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

	6 months ended 30.06.08										
	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 & Europe $million**	**Consumer Banking Total $million**	**Underlying $million**
Operating income	**628**	**298**	**133**	**605**	**611**	**249**	**355**	**172**	**126**	**3,177**	**3,042**
Operating expenses	**(275)**	**(134)**	**(61)**	**(437)**	**(439)**	**(157)**	**(215)**	**(119)**	**(124)**	**(1,961)**	**(1,798)**
Loan impairment	**(30)**	**(2)**	**(22)**	**(81)**	**(145)**	**(43)**	**(76)**	**(7)**	**(6)**	**(412)**	**(401)**
Other impairment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**	**–**
Operating profit	**323**	**162**	**50**	**87**	**27**	**49**	**64**	**46**	**(6)**	**802**	**843**

	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 & Europe $million	Consumer Banking Total $million
Operating income	545	206	129	607	564	184	352	140	45	2,772
Operating expenses	(232)	(88)	(54)	(444)	(360)	(115)	(189)	(103)	(27)	(1,612)
Loan impairment	(30)	(8)	(23)	(46)	(172)	(29)	(56)	(8)	–	(372)
Operating profit	283	110	52	117	32	40	107	29	18	788

	6 months ended 31.12.07									
	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 & Europe $million	Consumer Banking Total $million
Operating income	643	265	145	535	603	224	399	170	50	3,034
Operating expenses	(246)	(103)	(62)	(463)	(400)	(153)	(206)	(121)	(27)	(1,781)
Loan impairment	(23)	(7)	(18)	(50)	(136)	(48)	(73)	(9)	–	(364)
Operating profit	374	155	65	22	67	23	120	40	23	889

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

Operating income by product	**6 months ended 30.06.08 $million**	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Cards, Personal Loans and Unsecured Lending	**1,089**	967	1,122
Wealth Management and Deposits	**1,500**	1,222	1,399
Mortgages and Auto Finance	**515**	473	433
Other	**73**	110	80
Total operating income	**3,177**	2,772	3,034

Consumer Banking achieved steady income growth in challenging market conditions as falling interest rates adversely affected deposit margins, while weaker equity markets affected unit trust sales. Operating profit for the period was $802 million. Underlying operating profit grew seven per cent, to $843 million.

Operating income increased by $405 million, or 15 per cent, to $3,177 million, driven by non-interest income which grew $273 million, or 36 per cent, to $1,030 million. Net interest income grew $119 million, or six per cent to $2,178 million despite being adversely affected by the narrowing deposit margins as interest rates fell across most of our markets. Underlying income was up $270 million, or 10 per cent, to $3,042 million.

Operating expenses grew $349 million, or 22 per cent, to $1,961 million. Underlying expenses were up $186 million, or 12 per cent, to $1,798 million. Investments were made to increase the sales force, improve and extend branch distribution, enhance electronic channels such as internet and mobile banking, and in the Private Bank.

Loan impairment increased 11 per cent, or $40 million, to $412 million. On an underlying basis, loan impairment increased eight per cent. Loan impairment as a percentage of average assets remained stable. Strong credit portfolio quality

CONSUMER BANKING continued

in Singapore and Hong Kong, coupled with the corrective actions taken in Thailand and Taiwan, improved loan impairment ratios. However, higher delinquency in the consumer finance and unsecured loans business resulted in higher impairment charges in India whilst the credit environment in Pakistan remained challenging. In Korea, loan impairment increased due to the ageing of the Small and Medium Enterprise ('SME') lending portfolio.

In Hong Kong, income grew 15 per cent, to $628 million. Operating profit was up 14 per cent to $323 million. Fee income grew significantly, driven by higher sales of insurance products, structured notes and premium deposits offset, in part, by lower unit trust sales commission. Net interest income was marginally lower, with higher current and savings accounts balances compensating for the reduction in deposit margins as interest rates fell. Margins on mortgages declined, primarily due to the reduction in Prime-Hibor spreads, in a highly competitive environment. Operating expenses increased 19 per cent to $275 million, with continued investments in expanding the branch network, increasing the sales force and improving systems capabilities.

In Singapore, income was up 45 per cent, to $298 million. Net interest income growth was driven by higher mortgage sales and average deposit balances compensating for a decline in deposit margins. Income also grew in credit cards and personal loans and the SME segment. Fee income growth was driven by structured deposit products and foreign exchange services, compensating for lower income from unit trust sales. Expenses grew $46 million, or 52 per cent, to $134 million. Operating profit increased 47 per cent to $162 million.

In Malaysia, income increased three per cent to $133 million. Mortgage income declined as a result of competitive pressures affecting volume growth and slower unit trust sales. Operating expenses increased 13 per cent, to $61 million due to higher staff, premises and system costs. Operating profit was $2 million lower at $50 million.

In Korea, operating income was $2 million lower at $605 million. Mortgage income was relatively unchanged. Income from insurance and funds sales offset lower interest income from lower deposit volumes. Included in operating income is a release of $12 million (H1 2007: $42 million) fair value provisions and a gain of $12 million (H1 2007: $14 million loss) arising from the economic hedges of the securitised mortgage portfolios. Expenses fell $7 million, to $437 million, due to phasing of investment programmes and tight cost control. Loan impairment was $35 million higher at $81 million, reflecting a focus on higher margin unsecured SME lending and consistent with the ageing of the portfolio. Operating profit fell 26 per cent, to $87 million.

In Other Asia Pacific, income grew eight per cent, to $611 million, which included a release of $21 million fair value provisions relating to Taiwan. Expenses grew 22 per cent, to $439 million, principally due to the continued investments in China. Loan impairment for the region was $27 million lower, at $145 million, due to lower impairment in Taiwan and Thailand. Operating profit for the period was $5 million lower at $27 million.

In China, which is included in Other Asia Pacific, income grew 60 per cent, to $77 million with net interest income growth driven by increased volumes in structured deposits and lending. Continued investments were made in opening new outlets and branches, ATM and technology infrastructure, and to increase sales, marketing and support staff. This high level of investment expenditure resulted in an operating loss for the period of $46 million compared with $4 million loss in the first half of 2007.

In India, income increased 35 per cent to $249 million, while operating expenses increased 37 per cent, to $157 million. Higher average balances on current and savings accounts contributed to an increase in overall net interest income. Investment in staff and premises increased expenses. Loan impairment increased $14 million, due to higher delinquencies in the consumer finance business. Operating profit increased $9 million, to $49 million.

Operating income in the MESA region increased $3 million to $355 million. Income growth in the period was adversely affected by falling deposit margins in line with the declining interest rates in the region, as well as a repositioning of the bancassurance offering in the UAE. Income in Pakistan declined due to a weaker operating environment. Expenses in the MESA region grew by $26 million, or 14 per cent, to $215 million. Investments were targeted at improving premises infrastructure, expanding branch distribution channels, increasing the sales force and to enhance regulatory compliance and control systems. Loan impairment increased $20 million to $76 million, reflecting higher impairment in Pakistan due to deterioration in the credit environment, exacerbated by political uncertainties. Operating profit fell 40 per cent, to $64 million for the region.

In Africa, operating income grew $32 million, or 23 per cent, to $172 million. Operating profit grew 59 per cent, to $46 million. Income growth was broad based, with good income growth in Nigeria, Kenya, Uganda and Zambia, driven by growth in current and savings accounts balances and higher personal loans.

The Americas, UK & Europe saw an increase in operating income of $81 million to $126 million, driven primarily by the inclusion of the results of AEB for the first time. On an underlying basis income grew 20 per cent to $54 million. Operating costs increased significantly as additional investments were made in private banking as well as integration costs associated with the acquisition of AEB. The operating loss for the period was $6 million.

Product Performance

Credit Cards, Personal Loans and Unsecured Lending grew operating income by 13 per cent, to $1,089 million. Underlying income grew 10 per cent. Income grew largely on the back of higher volumes achieved in personal loans and unsecured lending to the SME segment. Also included in income was a $17 million gain in relation to Visa shares.

Wealth Management and Deposits grew operating income by 23 per cent, to $1,500 million. Underlying income grew 14 per cent, to $1,396 million. Increased sales of structured notes, bancassurance and treasury products drove fee income higher, offsetting a decline in fee income from unit trust sales due to weaker equity markets during the period. Net interest income grew as increased income from higher average customer balances offset margin compression.

Mortgages and Auto Finance income grew nine per cent, to $515 million. Underlying income grew nine per cent. Mortgage balances outstanding remained broadly unchanged, reflecting competitive pressures in a number of key markets.

WHOLESALE BANKING

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

	6 months ended 30.06.08										
	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 & Europe $million**	**Wholesale Banking Total $million**	**Underlying $million**
Operating income	**591**	**348**	**145**	**262**	**644**	**580**	**533**	**262**	**299**	**3,664**	**3,534**
Operating expenses	**(223)**	**(190)**	**(43)**	**(131)**	**(285)**	**(165)**	**(207)**	**(155)**	**(540)**	**(1,939)**	**(1,839)**
Loan impairment	**(25)**	**(3)**	**–**	**(9)**	**(16)**	**(4)**	**(4)**	**5**	**3**	**(53)**	**(53)**
Other impairment	**–**	**–**	**–**	**–**	**(18)**	**–**	**–**	**(1)**	**(5)**	**(24)**	**(21)**
Operating profit	**343**	**155**	**102**	**122**	**325**	**411**	**322**	**111**	**(243)**	**1,648**	**1,621**

	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 & Europe $million	Wholesale Banking Total $million
Operating Income	383	194	80	190	464	379	323	201	273	2,487
Operating expenses	(166)	(99)	(35)	(116)	(199)	(96)	(139)	(115)	(333)	(1,298)
Loan impairment	14	–	–	–	(7)	(3)	(2)	(3)	12	11
Other impairment	–	–	–	–	–	–	–	(1)	(2)	(3)
Operating profit	231	95	45	74	258	280	182	82	(50)	1,197

	6 months ended 31.12.07									
	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 & Europe $million	Wholesale Banking Total $million
Operating Income	487	227	104	228	469	520	353	284	84	2,756
Operating expenses	(181)	(140)	(34)	(123)	(246)	(164)	(160)	(129)	(339)	(1,516)
Loan impairment	(11)	(1)	3	2	(3)	(10)	(12)	(7)	3	(36)
Other impairment	–	–	–	–	–	–	–	(1)	(53)	(54)
Operating profit	295	86	73	107	220	346	181	147	(305)	1,150

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

	6 months ended 30.06.08	6 months ended 30.06.07	6 months ended 31.12.07
Operating income by product	**Total $million**	Total $million	Total $million
Trade and Lending	**716**	532	704
Global Markets*	**2,169**	1,346	1,327
Cash Management and Custody	**779**	609	725
Total operating income	**3,664**	2,487	2,756

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

WHOLESALE BANKING continued

Wholesale Banking continued to accelerate income growth, with a strong performance in its client relationship business. Operating profit increased 38 per cent, to $1,648 million. Underlying operating profit increased 35 per cent.

Operating income grew $1,177 million, or 47 per cent, to $3,664 million. Underlying operating income grew 42 per cent. Net interest income was up $639 million, or 72 per cent, to $1,532 million while non-interest income increased $551 million, or 36 per cent, to $2,101 million. Client revenues grew 41 per cent, or 36 per cent on an underlying basis, and represented over 75 per cent of total Wholesale Banking income.

Operating expenses grew 49 per cent, to $1,939 million. Underlying expenses grew 42 per cent. A large proportion of the cost growth was due to higher salary cost, as a result of headcount increases and performance related pay, and increased premises costs.

The relatively benign credit environment persisted throughout the period, notwithstanding the ongoing turbulence in the financial markets. Low individual impairment provisions reflected strong risk management discipline and portfolio quality. Loan impairment recoveries were significantly lower than the first half of 2007, resulting in a net loan impairment charge of $53 million for the period.

In Hong Kong, income grew 54 per cent, to $591 million, driven by growth in client revenues from increased sales in derivative products. Higher cash management income was driven by increased volumes which compensated for margin compression. Higher fees were also earned from corporate finance and capital markets transactions. In addition, improved trading performance and strong gains in ALM drove own account income higher. Expenses grew 34 per cent to $223 million, driven by higher performance related pay, investment in the sales force, and product capabilities. Operating profit grew 48 per cent to $343 million.

Income in Singapore grew 79 per cent, to $348 million. Operating profit grew 63 per cent, to $155 million. Client revenues grew strongly with increased revenues from foreign exchange, interest rate derivative sales and debt capital markets transactions. Own account income was also higher, with strong gains in ALM and fixed income trading, and higher gains from the realisation of private equity investments. Expenses grew 92 per cent to $190 million, reflecting increased recruitment, higher salary and performance related incentives and continued investment in product capabilities.

In Malaysia, income increased 81 per cent, to $145 million. Expenses grew 23 per cent, to $43 million. Client income from foreign exchange and derivatives sales grew strongly and income from own account trading and balance sheet management was also significantly higher. Operating profit increased by $57 million to $102 million.

Income in Korea increased 38 per cent, to $262 million. Higher average cash management balances drove interest income growth while higher non-interest income was achieved from foreign exchange and derivatives sales. During the period, there were $1 million (H1 2007: $13 million) of recoveries on assets that had been fair valued at acquisition, and a $12 million gain (H1 2007: $8 million loss) arising from economic hedges of the securitised mortgage portfolios. Expenses grew 13 per cent, to $131 million. Operating profit for the year was 65 per cent higher, at $122 million.

Other Asia Pacific region delivered income growth of $180 million, or 39 per cent, to $644 million, with expenses rising 43 per cent, to $285 million. Included within this is a release of $12 million fair value provisions relating to Taiwan. Operating profit grew 26 per cent, to $325 million.

In China, which is included in Other Asia Pacific, operating income grew 16 per cent to $229 million. Net interest income grew strongly, driven by higher utilisation of trade and credit facilities in a restrictive regulatory environment. Non interest income was lower, however, as there were no private equity investments realised during this period compared with the same period last year. Further investments made to expand product capabilities and the sales force resulted in expenses increasing 62 per cent to $107 million. Operating profit for the period was 23 per cent lower at $102 million.

In India, income grew 53 per cent, to $580 million. Operating profit increased 47 per cent to $411 million. Income growth was driven principally from client revenues, with the significant increase due to corporate finance and advisory transactions, and higher foreign exchange and derivatives sales. In addition, higher customer balances drove increased cash management and transaction banking income. Own account trading and balance sheet management income was also significantly higher compared to the same period last year. Expenses increased 72 per cent, to $165 million, with increased hiring of product specialists and sales staff, increased performance related incentives, premises improvements and systems infrastructure expenditure.

Operating income in the MESA region rose 65 per cent, to $533 million. Income growth was broad based across the region with most countries generating high growth in operating income and profit. Expenses in the region grew 49 per cent, to $207 million due to higher recruitment levels, premises and infrastructure costs. Operating profit grew 77 per cent, to $322 million.

In Africa, income grew 30 per cent, to $262 million. Operating income was driven by structured trade finance, fixed income sales and debt financing transactions. Expenses increased 35 per cent to $155 million. Operating profit increased 35 per cent, to $111 million.

While operating income in the Americas, UK & Europe was 10 per cent higher at $299 million, principally due to the inclusion of AEB for the first time and strong underlying income growth in the Americas, the underlying income in the UK was adversely affected by a $129 million charge due to marked-to-market losses and writedowns of asset backed securities. As a consequence, the underlying operating income in the Americas, UK & Europe fell 34 per cent to $181 million. Operating expenses grew $207 million, or 62 per cent, to $540 million. Underlying expenses grew $126 million, or 38 per cent, reflecting continued investment in product development, new business initiatives and higher salary cost. Operating loss for the period was $243 million. On an underlying basis operating loss was $277 million.

WHOLESALE BANKING continued

Product Performance

Trade and Lending income increased 35 per cent to $716 million, with underlying income growing 32 per cent. Trade income grew as assets and contingents volumes increased significantly, while margins remained stable.

Global Markets' income grew 61 per cent to $2,169 million. Underlying income grew 59 per cent, led by client revenues which increased significantly on the back of an expanded product offering as well as from higher client penetration in derivatives and foreign exchange sales. Income grew strongly in debt capital markets on the back of loan syndication and bond issuance volumes. Private equity and other principal finance investments continued to be realised during the period albeit at a lower level than in the equivalent period last year, and income from ALM grew strongly due to the favourable positioning, offset in part by losses due to writedowns and trading losses in asset backed securities.

Cash Management and Custody income was up 28 per cent at $779 million. Underlying income grew 14 per cent, as higher transaction volumes drove fee income growth, and higher cash balances increased net interest income, more than offsetting reduced deposit spreads in a lower interest rate environment.

RISK

Risk Management Review

During the first half of 2008 the credit environment in the majority of the Group's core markets remained sound. Notwithstanding the slowdown in some western economies and continued turbulence in certain financial markets, the Group has not seen a material downturn in the markets on which it focuses, although inflation is becoming an increasingly significant issue.

The Wholesale Banking portfolio remains robust, with new provisions relative to aggregate assets continuing at low levels. Recoveries and releases continue to be achieved, albeit at lower levels than in 2007 due to a lower stock of problem accounts after several years of benign credit conditions, and good progress in management of these accounts. Forward credit portfolio quality indicator trends remain broadly stable.

Market dislocation continues to affect the Group's asset backed securities ('ABS') portfolio. Given the increased volatility in the ABS market, a framework has been established to identify ABS assets that are showing signs of stress. The overall quality of the ABS portfolio remains good and has performed in line with expectation. The ABS portfolio represents less than two per cent of total Group assets and has had limited impact on the Group's performance. Details of the ABS portfolio are set out on page 28.

Market risk is tightly controlled using Value at Risk ('VaR') methodologies complemented by stress testing. VaR has increased in 2008 reflecting increased market volatility.

In the first half of 2008, Consumer Banking loan impairment continued to reflect the product mix and maturity profile of the portfolio, and market-specific conditions, rather than global macro economic factors. Hong Kong and Singapore continue to perform strongly. Singapore in particular has shown improvements in delinquency and impairment rates in the first half of this year. However, higher delinquency in the consumer finance and unsecured loans business resulted in higher impairment charges in India. Delinquency rates in Taiwan and Thailand, which had deteriorated in the fourth quarter of 2007, have improved since the start of the year as a result of corrective action taken. Despite the persistence of a challenging credit environment in Pakistan, delinquency rates have marginally improved in the first half of this year.

While asset quality in both businesses remains good in the context of increased uncertainty in the external environment, the Group remains vigilant on credit quality and continues to enforce a disciplined approach to risk management.

As a reflection of market conditions, stress testing activity has increased across a range of product and customer segments at country, business and Group level. The stress testing exercises address different types of risk and cover the impact of possible specific shocks as well as the impact of possible future downturn in macro economic factors.

The Group's liquidity remains strong. Liquidity continues to be deployed to support growth opportunities in our chosen markets and to strengthen relationships with key clients.

The Group has begun the process of implementing its risk controls framework and processes into AEB which was acquired in February and this is progressing to plan.

Since 1 January 2008 the Group has been using the advanced Internal Ratings Based ('IRB') approaches under Basel II to calculate credit risk capital for the vast majority of its assets globally, for the purposes of reporting to the Financial Services Authority ('FSA') in the United Kingdom. Although the FSA's approval covers the Group's global operations, in several jurisdictions the Group was required to apply separately to adopt advanced IRB approaches for local reporting. Wherever we have chosen to do this to date, the application has been successful. The Group continues to work closely with other regulators and anticipates making further IRB applications to local regulators as and when permitted and where it is considered appropriate to do so.

Having invested considerable effort preparing for the introduction of the Basel II capital adequacy framework by refining analytical tools, ensuring data quality, improving our data infrastructure and strengthening certain processes, the Group is now leveraging these enhanced capabilities and the resultant management information to further inform the Group's business, risk and capital management decisions.

Principal risks and uncertainties

The key risks and uncertainties faced by the Group in the second half of this year are set out below. However, this should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that may be experienced.

Macro economic conditions

The Group operates in over 70 geographic markets and is affected by the prevailing economic conditions in each. Macro economic factors that have an impact on personal expenditure and consumption, demand for business products and services, the debt service burden of consumers or businesses, and the general availability of credit, will influence the Group's customers and, by extension, the Group's performance.

One of the principal uncertainties is the extent to which the economic slowdown currently being experienced in certain western markets may feed through to the Group's major markets, and the timing of that impact. The linkages between economic activity in different markets are complex and depend not only on direct drivers such as the balance of trade and investment between countries, but also on domestic monetary, fiscal, and other policy responses to address macro economic conditions.

Consequently, during the second half of this year, one uncertainty for the corporate sectors in Wholesale Banking and the SME segment in Consumer Banking will be the extent to which exports are impacted by a slowdown in other economies, particularly in the US and Europe. Similarly, there will be uncertainty about domestic demand, which is a function of a number of factors including consumer and business confidence.

A key uncertainty for the Group relates to the way in which inflationary pressures, which are seen to be emerging in several countries, are managed. These inflationary pressures are exacerbated in some countries by the reduction or removal of fuel price subsidies and the impact of significant rises in the price of certain foodstuffs. In addition to the impact that price rises have directly, any monetary policy response designed to manage inflation through increasing interest rates is likely to lead to a deterioration in household and business finances that, if significant, could affect customers' ability to repay.

Principal risks and uncertainties continued

Property prices have been largely stable in the Group's major markets. However any weakening of property or equity markets will have a negative impact on collateral valuations.

History has shown that other statutory and regulatory actions, such as changes to bankruptcy laws can also affect the willingness of customers to repay.

Diversification mitigates risks

The Group's geographic and business diversification will help to mitigate any impact on revenues, or of increased loan impairment, that may stem from a slowdown in any one market. No single country accounts for more than 20 per cent of total loans and advances to customers. There are also no unduly significant concentrations across industries amongst the corporate customer base.

Financial markets dislocation

Additional volatility, and further dislocation affecting certain financial markets and asset classes, are factors that may also impact performance over the second half of the year. These factors may have an impact on the mark-to-market valuations of assets in the Group's available-for-sale and trading portfolios, whilst any further deterioration in the performance of the assets underlying the Group's ABS portfolio could lead to additional permanent impairment. However, the ABS portfolio accounts for less than two per cent of Group assets.

The availability of liquidity to financial institution counterparties and clients continues to represent a risk in the second half of the year. Availability is a product of the underlying strength and performance of each institution and, just as importantly, the market perception of that institution at any given point in time. It remains possible that certain institutions will experience tighter liquidity conditions or problems in the second half. The Group continues to monitor the performance of its financial institutions clients and counterparties closely and to take action to mitigate risks as appropriate.

Exchange rates

Changes in exchange rates affects, among other things, the value of the Group's assets and liabilities denominated in foreign currencies and also the earnings reported by the Group's non-US dollar denominated branches and subsidiaries. The Group has, in particular, experienced significant movements in exchange rates in some of its key markets over the past 18 months and expects to continue to be exposed to such fluctuations over the next six months. The table below sets out the period end and average currency exchange rates per US dollar for India, Korea and Singapore for the periods at and to 30 June 2008, 31 December 2007 and 30 June 2007:

	Six months ended 30.06.08	Six months ended 31.12.07	Six months ended 30.06.07
Indian rupee			
Average	**40.71**	39.76	42.40
Period end	**42.98**	39.39	40.70
Korean won			
Average	**986.65**	922.83	933.66
Period end	**1,045.96**	936.31	924.01
Singapore dollar			
Average	**1.39**	1.48	1.53
Period end	**1.36**	1.44	1.53

Risk Governance

Through its risk management framework the Group seeks to efficiently manage credit, market, country and liquidity risk, which arise directly through the Group's commercial activities, as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking.

As part of this framework, the Group uses a set of principles that describe the risk management culture it wishes to sustain. All risk decisions and risk management activity should be in line with, and in the spirit of, the risk principles of the Group. The 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, in line with the Group's strategy and within its risk appetite;
- Responsibility: given the Group is in the business of taking risk, it is everyone's responsibility to seek 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 seeks to ensure awareness of all risks;
- Competitive advantage: the Group seeks competitive advantage through efficient and effective risk management and control.

Ultimate responsibility for the effective management of risk rests with the Board of Standard Chartered PLC. 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').

The Board's remit for management of credit risk, country risk, market risk, operational risk, regulatory risk and reputational risk is delegated to GRC.

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.

GALCO, through authority delegated by the Board, is responsible for the maintenance of capital ratios and 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 rate risk.

GALCO membership consists of all the GEDs of Standard Chartered PLC and members of Standard Chartered Bank Court. The committee is chaired by the Group Finance Director.

The committee governance structure seeks to ensure that risk management standards and policies are cascaded down through the organisation from the Board through the GRC and the GALCO to functional, regional and country level committees. Information is communicated through the country,

Risk Governance continued
regional and functional committees to the Group level committees, which seeks to ensure that key risk issues are addressed at the appropriate level and 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 origination and sales functions of the businesses. The Risk function performs the following core activities:

- informs and challenges business strategy, material discussions and processes to encourage rigour, quality, optimisation and transparency in relation to risk efficiency;
- independently controls the risk management processes which seeks to ensure discipline and consistency with risk standards, policy and risk appetite;
- advises on risk management frameworks, the structuring of products and transactions, and on the assessment and measurement of risk;
- facilitates and manages risk processes which seeks to ensure operational efficiency, effectiveness and best practice; and
- communicates with stakeholders to demonstrate compliance with requirements in relation to risk management.

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 activities;
- 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 policies.

The Group's Risk Management Framework ('RMF') identifies the risk types, each of which is managed by a designated Risk Type Owner ('RTO'). The RTOs, who are all approved persons under the FSA regulatory framework, have responsibility for establishing minimum standards and governance and for implementing governance and assurance processes. The RTOs report up through specialist risk committees to the GRC or GALCO.

The GED Risk and the Group Chief Risk Officer, together with Director, People, Property and Assurance and 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.

Risk Appetite
Risk appetite is an expression of the amount of risk the Group is prepared to take in pursuit of its strategic objectives. The Group's risk appetite takes into account earnings volatility and concentration risk.

The Group has defined its risk appetite in the context of three key criteria: the overall capacity to take risk; balancing the expectations of all key stakeholders; and support for the Group's credit rating.

In assessing risk appetite, the Group uses a range of inputs including nominal limits, capital ratios, profitability, return on equity, portfolio credit risk profile and market risk VaR, through which senior management monitor the Group's risk profile. In addition to financial measures of risk, the Group also controls risk through concentration caps and underwriting policies. Measures vary by country, business and product area.

The GRC aims to ensure that the Group's risk profile is consistent with the Group's risk appetite.

Stress Testing
Stress testing and scenario analysis 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.

The Group has a stress testing framework designed to:

- enable the Group to set and monitor its risk appetite;
- identify key risks to the Group's strategy and financial position;
- examine the nature and dynamics of the risk profile and assess the impact of stresses on the Group's profitability and business plans;
- seek to ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing;
- inform senior management; and
- satisfy regulatory requirements.

A stress testing forum is led by the Risk function with participation from the businesses, Finance and Group Treasury. Its primary objective is to seek to ensure the Group understands the earnings volatility and capital implications of given stress scenarios. A key responsibility is to generate and consider pertinent and plausible scenarios that have the potential to adversely affect the Group.

Credit Risk
Credit Risk Management
Credit risk is the risk that a counterparty to a financial contract will cause a financial loss for the Group by failing to discharge its obligation.

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

The Group Chief Credit Officer ('GCCO') is the RTO for credit risk. There are Chief Risk Officers for both the Consumer and Wholesale Banking businesses, who have their primary reporting line into the Group Chief Risk Officer. This ensures the independence of the Risk function from the origination and sales functions.

The standards and Group-wide credit policies recommended by the GCCO are considered and approved by the GRC, which also oversees the delegation of credit authorities.

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

Credit Risk continued

Risk Mitigation

Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees and letters of credit. The Group also enters into collateralised reverse repurchase agreements. Risk mitigation policies control the approval of collateral types.

Collateral is valued in accordance with the Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back-tested at least annually.

Concentration Risk

Credit concentration risk at a portfolio level in Wholesale Banking is managed through the Credit Issues Forum, which is chaired by the Wholesale Banking Chief Risk Officer and comprises members of senior management from the Risk function and the business. At a counterparty level, concentration risk is managed within the credit sanctioning process through the use of Credit Reference Levels that are set as a guideline of our preferred degree of concentration at various credit grades. Various concentration dimensions are assessed including industry sector, geographic spread, credit rating, customer segment and exposure to single counterparties or groups of related counterparties.

Credit concentration risk in Consumer Banking is managed within exposure limits set for each product segment in each country. These limits are reviewed at least annually and are approved by the responsible business and risk officers in accordance with their delegated authority level.

Derivatives

The credit risk arising from derivatives is managed as part of the overall lending limits to banks and customers. The amount of credit risk to the Group is the current positive fair value of the underlying contract together with potential exposures from future market movements. The Group further limits its exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by International Accounting Standard ('IAS') 32, 'Financial Instruments: Presentation and Disclosure', exposures are not presented net in the financial statements as in the ordinary course of business they are not intended to be settled net.

Where appropriate, derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility, derivatives are only used in a controlled manner and within a pre-defined volatility expectation.

Securities

Within Wholesale Banking, the Underwriting Committee approves the portfolio limits and parameters by business units for the underwriting and purchase of all pre-defined securities assets to be held for sale. The Underwriting Committee is established under the authority of the GRC. The business operates within set limits, which include country, single issuer, holding period and credit grade limits. The Underwriting Committee approves underwriting applications. Day to day credit risk management activities are carried out by Markets & Institution Risk Management ('MIRM') whose activities include oversight and approval of temporary excesses within the levels as delegated by the Underwriting Committee. Issuer risk monitoring is performed by Group Market Risk, whilst the counterparty pre-settlement and settlement risk arising on the sale and purchase of securities is monitored by MIRM. The price risk in respect of these assets is controlled by the Market Risk function.

Wholesale Banking Credit Risk

Credit risk is managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators and the approvers in the Risk function.

An alphanumeric 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. The numeric grades run from 1 to 14. Counterparties with lower numeric credit grades are assessed as being less likely to default. An A to C scale is assigned to the original numeric rating scale, to enable more granular mapping of the probability of default, which results in more refined risk assessment, risk control and pricing. A counterparty with an A suffix has a lower probability of default than a counterparty with a C suffix. Credit grades 1A to credit grade 12C are assigned to performing customers while credit grades 13 and 14 are assigned to non-performing (or defaulted) customers.

There is no direct relationship between the Group's internal credit grades and those used by external rating agencies. The Group's credit grades are not intended to replicate external credit grades, although as the factors used to grade a borrower are often similar, a borrower rated poorly by an external rating agency is typically rated in the lower rank of the Group's internal credit grades.

In addition to nominal aggregate exposure, Loss Given Default is used in the assessment of individual exposures and for portfolio analysis. Loss Given Default is the Group's estimate of the amount that can be lost in the event of default of a counterparty. It is used in the delegation of credit approval authority and must be calculated for every transaction that the Group considers in order to determine the appropriate level of approval. Significant exposures are reviewed and approved centrally through a Group or regional level credit committee. These committees derive their authority from GRC.

To assist risk officers in monitoring the portfolio, various internal risk management reports are available on a regular basis, providing individual counterparty, counterparty group and portfolio exposure information, credit grade migration information, the status of accounts showing signs of weakness or financial deterioration and updates on credit markets. IRB portfolio metrics are widely used.

Consumer Banking Credit Risk

Credit risk in Consumer Banking is also managed through a framework of policies and procedures. Credit origination uses standard application forms, 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.

Consumer Banking Credit Risk continued

To aid credit managers in portfolio management, regular internal risk management reports contain information on key environmental and economic trends across major portfolios and countries, portfolio delinquency and loan impairment performance, as well as IRB portfolio metrics including migration across credit grades and other trends.

Credit grades within Consumer Banking are based on a probability of default calculated using advanced IRB models.

For portfolios where such models have not yet been developed, the probability of default is calculated using portfolio delinquency flow rates. An alphanumeric grading system identical to that of the Wholesale Banking business is used as an index of portfolio quality.

The SME business is managed within Consumer Banking in two distinct segments: Small Businesses ('SB'), and Medium Enterprises ('ME'), differentiated by the annual turnover of the counterparty.

Credit risk management for the SB portfolio follows the standard management model of Consumer Banking as described above. Credit risk management for the ME portfolio largely follows the Wholesale Banking management model, the key difference being counterparty risk grading. In particular, the credit rating scale for the ME portfolio runs from credit grade 7 to 14 of the Wholesale Banking credit rating scale, with clients rated 7 being the least likely to default. All other aspects of the grading system for the ME portfolio are similar to that of Wholesale Banking.

Loan Portfolio

Loans and advances to customers have grown by $24.5 billion since June 2007 to $177.2 billion.

The total Consumer Banking portfolio has grown by $4.9 billion since June 2007. The majority of the growth is attributable to the acquisition of the American Express Private Banking business, which has increased Other Loans to individuals by $3.8 billion. Overall mortgage growth was largely flat. Sizeable increases in Hong Kong, Singapore, and Other Asia Pacific were offset by a decrease in the size of the Korean portfolio, where currency depreciation was a contributor to the decrease.

Growth in the Wholesale Banking customer portfolio was $19.6 billion, or 27 per cent, since June 2007. Growth was spread across all regions, but Other Asia Pacific, driven by China, has continued to grow particularly strongly in most industries. The growth in Americas, UK & Europe is driven by an increase in credit facilities extended to customers to support the business they do elsewhere in the Group's network.

Loans and advances to banks have grown by $30 billion since June 2007, or 129 per cent. This reflects both the Group's strong liquidity position, with much of that liquidity placed with high quality bank counterparties, and the acquisition of AEB and its substantial financial institutions business.

Single borrower concentration risk is mitigated by active distribution of assets to banks and institutional investors, which has remained resilient despite generally lower levels of risk appetite across these markets. The Group achieves additional risk distribution through credit default swaps and synthetic risk transfer structures.

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.

	30.06.08									
	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 & Europe $million	Total $million
Loans to individuals										
Mortgages	12,306	5,420	2,367	19,596	7,228	1,539	679	224	220	49,579
Other	2,246	1,797	1,082	4,455	3,788	1,144	2,846	659	4,215	22,232
Small and medium enterprises	1,286	1,790	802	4,869	1,872	1,079	750	167	3	12,618
Consumer Banking	15,838	9,007	4,251	28,920	12,888	3,762	4,275	1,050	4,438	84,429
Agriculture, forestry and fishing	28	43	51	26	255	63	95	345	704	1,610
Construction	138	41	31	271	333	298	704	47	105	1,968
Commerce	2,168	3,397	445	468	3,521	904	3,938	861	2,671	18,373
Electricity, gas and water	292	35	66	181	435	42	355	199	1,093	2,698
Financing, insurance and business services	3,311	2,522	538	538	2,466	801	1,856	335	7,282	19,649
Governments	1	862	4,114	–	15	–	262	39	516	5,809
Mining and quarrying	–	162	18	28	186	105	271	92	4,411	5,273
Manufacturing	2,787	1,301	507	3,259	7,596	2,239	1,704	421	4,706	24,520
Commercial real estate	1,244	1,196	3	915	1,204	384	53	6	512	5,517
Transport, storage and communication	373	293	196	320	721	188	899	251	2,320	5,561
Other	132	406	8	280	551	12	821	95	103	2,408
Wholesale Banking	10,474	10,258	5,977	6,286	17,283	5,036	10,958	2,691	24,423	93,386
Portfolio impairment provision	(45)	(44)	(29)	(90)	(194)	(60)	(73)	(19)	(41)	(595)
Total loans and advances to customers	26,267	19,221	10,199	35,116	29,977	8,738	15,160	3,722	28,820	177,220
Total loans and advances to banks	11,728	4,689	844	3,312	5,133	376	2,839	560	23,745	53,226

Total loans and advances to customers include $2,485 million held at fair value through profit or loss. Total loans and advances to banks include $4,051 million held at fair value through profit or loss account.

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 & Europe $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	4,088	1,108	2,720	593	563	17,839
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	12,036	3,329	3,723	935	676	79,508
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	5,450	1,754	1,757	381	3,752	19,499
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	12,477	3,995	7,886	1,804	15,817	73,774
Portfolio impairment Provision	(48)	(28)	(28)	(93)	(212)	(36)	(65)	(13)	(7)	(530)
Total loans and advances to customers	24,561	15,055	9,679	41,112	24,301	7,288	11,544	2,726	16,486	152,752
Total loans and advances to banks	7,046	1,736	1,178	1,597	4,743	484	993	288	5,143	23,208

* Amounts have been restated as explained in note 34 on page 70.

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

	31.12.07									
	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 & Europe $million	Total $million
Loans to individuals										
Mortgages	11,845	4,615	2,441	22,634	6,333	1,638	493	254	120	50,373
Other	2,288	1,396	1,002	4,712	3,929	1,208	2,829	615	170	18,149
Small and medium enterprises	1,188	1,687	828	5,937	2,375	920	660	143	2	13,740
Consumer Banking	15,321	7,698	4,271	33,283	12,637	3,766	3,982	1,012	292	82,262
Agriculture, forestry and fishing	16	163	102	26	186	51	193	335	529	1,601
Construction	111	35	38	204	246	225	487	48	27	1,421
Commerce	1,865	2,094	369	434	2,510	722	2,430	703	1,758	12,885
Electricity, gas and water	550	76	45	176	352	9	411	277	883	2,779
Financing, insurance and business services	2,129	1,858	606	910	2,276	566	1,517	227	4,540	14,629
Governments	–	3,220	3,941	8	26	–	341	8	265	7,809
Mining and quarrying	–	31	8	93	159	65	238	138	2,722	3,454
Manufacturing	1,908	701	453	3,533	5,896	1,789	1,524	374	3,727	19,905
Commercial real estate	1,050	675	3	1,094	995	364	99	8	10	4,298
Transport, storage and communication	313	323	209	124	680	137	709	196	1,660	4,351
Other	148	338	7	424	268	18	796	22	102	2,123
Wholesale Banking	8,090	9,514	5,781	7,026	13,594	3,946	8,745	2,336	16,223	75,255
Portfolio impairment provision	(47)	(40)	(25)	(80)	(182)	(56)	(81)	(18)	(6)	(535)
Total loans and advances to customers	23,364	17,172	10,027	40,229	26,049	7,656	12,646	3,330	16,509	156,982
Total loans and advances to banks	15,156	2,531	928	1,504	4,866	552	1,406	371	10,365	37,679

Total loans and advances to customers include $2,716 million held at fair value through profit or loss. Total loans and advances to banks include $2,314 million held at fair value through profit or loss account.

Maturity analysis

Approximately 54 per cent of the Group's loans and advances to customers are short term, having a contractual maturity of one year or less. The Wholesale Banking portfolio is predominantly short term, with 78 per cent of loans and advances having a contractual maturity of one year or less. In Consumer Banking, 59 per cent of the portfolio is in the mortgage book, traditionally longer term in nature and well secured. Whilst the Other and SME loans in Consumer Banking have short contractual maturities, typically they may be renewed and repaid over longer terms in the normal course of business.

	30.06.08			
	One year or less $million	**One to five years $million**	**Over five years $million**	**Total $million**
Consumer Banking				
Mortgages	**2,948**	**7,609**	**39,022**	**49,579**
Other	**12,517**	**7,715**	**2,000**	**22,232**
SME	**7,256**	**3,198**	**2,164**	**12,618**
Total	**22,721**	**18,522**	**43,186**	**84,429**
Wholesale Banking	**73,183**	**15,078**	**5,125**	**93,386**
Portfolio impairment provision				**(595)**
Loans and advances to customers	**95,904**	**33,600**	**48,311**	**177,220**

	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	6,904	1,848	17,839
SME	6,944	3,059	2,045	12,048
Total	19,243	18,359	41,906	79,508
Wholesale Banking	57,054	11,319	5,401	73,774
Portfolio impairment provision				(530)
Loans and advances to customers	76,297	29,678	47,307	152,752

* Amounts have been restated as explained in note 34 on page 70.

	31.12.07			
	One year or less $million	One to five years $million	Over five years $million	Total $million
Consumer Banking				
Mortgages	3,490	8,027	38,856	50,373
Other	8,941	7,325	1,883	18,149
SME	8,028	3,494	2,218	13,740
Total	20,459	18,846	42,957	82,262
Wholesale Banking	59,419	11,075	4,761	75,255
Portfolio impairment provision				(535)
Loans and advances to customers	79,878	29,921	47,718	156,982

Problem Credit Management and Provisioning
Consumer Banking

Within Consumer Banking, an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes, the Group follows industry standards, measuring delinquency as of 30, 60, 90, 120, and 150 days past due. Accounts that are overdue by more than 30 days are closely monitored and subject to specific collections processes.

The process used for raising provisions is dependent on the product. For mortgages, individual impairment provisions ('IIP') 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 which includes the realisation of collateral. For other secured loans (where the collateral value is typically realised in less than 12 months), loan impairment is calculated using the forced sale value of the collateral without further discounting. For unsecured products, individual provisions 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 loans for which payments are current and loans overdue for less than 150 days.

The PIP is set with reference to past experience using a 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. These include flow rates across all delinquency buckets, portfolio loss severity, collections and recovery performance trends.

The procedures for managing problem credit in the SME segment of Consumer Banking are broadly similar to those adopted in Wholesale Banking, described on page 23.

Non-performing loans are loans past due by more than 90 days or have an individual impairment provision raised against them. The cover ratio reflects the extent to which the gross non-performing loans are covered by the individual and portfolio impairment provisions.

The tables below set out the total non-performing loans in Consumer Banking.

	30.06.08									
	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 & Europe $million**	**Total $million**
Loans and advances Gross non-performing	**63**	**58**	**169**	**309**	**475**	**56**	**145**	**41**	**5**	**1,321**
Individual impairment provision	**(25)**	**(22)**	**(41)**	**(95)**	**(292)**	**(18)**	**(74)**	**(12)**	**–**	**(579)**
Non-performing loans net of individual impairment provision	**38**	**36**	**128**	**214**	**183**	**38**	**71**	**29**	**5**	**742**
Portfolio impairment provision										**(449)**
Net non-performing loans and advances										**293**
Cover ratio										**78%**

	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 & Europe $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)	(311)	(18)	(82)	(12)	(2)	(724)
Non-performing loans net of individual impairment provision	38	55	142	201	251	38	30	20	19	794
Portfolio impairment provision										(428)
Net non-performing loans and advances										366
Cover ratio*										76%

* Individual impairment provisions relating to the finalisation of acquisition fair values have been included in the restatements explained in note 34 on page 70.

Consumer Banking continued

	31.12.07									
	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 & Europe $million	Total $million
Loans and advances										
Gross non-performing	65	61	166	336	475	56	126	38	1	1,324
Individual impairment provision	(24)	(26)	(38)	(125)	(329)	(19)	(75)	(18)	(1)	(655)
Non-performing loans net of individual impairment provision	41	35	128	211	146	37	51	20	–	669
Portfolio impairment provision										(412)
Net non-performing loans and advances										257
Cover ratio										81%

Wholesale Banking

In Wholesale Banking, accounts or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration, for example where there is a rapid decline in the client's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management.

Such accounts and portfolios are subject to a dedicated process with oversight involving senior officers from the Risk function and Group Special Asset Management ('GSAM'), the specialist recovery unit. Account plans are re-evaluated and remedial actions are agreed and monitored. 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.

Loans are classified as impaired and considered non-performing where analysis and review indicates that full payment of either interest or principal is questionable, or as soon as payment of interest or principal is 90 days overdue. Impaired accounts are managed by GSAM which is independent of 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.

Future cash flows are estimated by taking into account the individual circumstances of each customer and can arise from operations, sales of assets or subsidiaries, realisation of collateral or payments under guarantees. Cash flows from all available sources are considered. 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 exposure against which an impairment provision has been raised, then that amount will be written off.

As with Consumer Banking, a PIP is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. In Wholesale Banking, the PIP 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 84 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.

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

Wholesale Banking continued

	30.06.08									
	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 & Europe $million**	**Total $million**
Loans and advances Gross non-performing	**110**	**12**	**22**	**27**	**325**	**23**	**148**	**92**	**210**	**969**
Individual impairment provision	**(78)**	**(10)**	**(20)**	**(12)**	**(264)**	**(20)**	**(106)**	**(51)**	**(91)**	**(652)**
Non-performing loans net of individual impairment provision	**32**	**2**	**2**	**15**	**61**	**3**	**42**	**41**	**119**	**317**
Portfolio impairment provision										**(164)**
Net non-performing loans and advances										**153**
Cover ratio										**84%**

	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 & Europe $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)	(302)	(23)	(108)	(50)	(116)	(764)
Non-performing loans net of individual impairment provision	29	7	4	6	70	4	6	52	12	190
Portfolio impairment provision										(103)
Net non-performing loans and advances										87
Cover ratio*										91%

* Individual impairment provisions relating to the finalisation of acquisition fair values have been included in the restatements explained in note 34 on page 70.

	31.12.07									
	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 & Europe $million	Total $million
Loans and advances Gross non-performing	92	26	23	47	358	27	147	79	193	992
Individual impairment provision	(50)	(18)	(21)	(12)	(235)	(25)	(122)	(48)	(87)	(618)
Non-performing loans net of individual impairment provision	42	8	2	35	123	2	25	31	106	374
Portfolio impairment provision										(124)
Net non-performing loans and advances										250
Cover ratio										75%

Wholesale Banking continued

	30.06.08									
	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 & Europe $million	Total $million
Gross impairment charge	**26**	**–**	**–**	**7**	**17**	**3**	**4**	**2**	**3**	**62**
Recoveries/provisions no longer required	**(1)**	**(2)**	**(1)**	**–**	**(5)**	**(4)**	**(3)**	**(3)**	**(13)**	**(32)**
Net individual impairment charge/(credit)	**25**	**(2)**	**(1)**	**7**	**12**	**(1)**	**1**	**(1)**	**(10)**	**30**
Portfolio impairment provision										**22**
Net impairment charge										**52**

	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 & Europe $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)

	31.12.07									
	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 & Europe $million	Total $million
Gross impairment charge	15	4	–	3	4	6	13	11	–	56
Recoveries/provisions no longer required	(4)	(6)	(3)	–	(4)	(3)	(7)	(10)	(3)	(40)
Net individual impairment charge/(credit)	11	(2)	(3)	3	–	3	6	1	(3)	16
Portfolio impairment provision										20
Net impairment charge										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:

	30.06.08									
	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 & Europe $million	Total $million
Provisions held at 1 January 2008	**74**	**44**	**59**	**137**	**564**	**44**	**197**	**66**	**88**	**1,273**
Exchange translation differences	**–**	**2**	**1**	**(14)**	**30**	**(4)**	**(12)**	**(3)**	**–**	**–**
Amounts written off	**(43)**	**(20)**	**(26)**	**(94)**	**(179)**	**(55)**	**(96)**	**(4)**	**(11)**	**(528)**
Acquisitions	**–**	**–**	**–**	**8**	**–**	**–**	**–**	**–**	**14**	**22**
Recoveries of acquisition fair values	**–**	**–**	**–**	**(13)**	**(32)**	**–**	**(2)**	**–**	**–**	**(47)**
Recoveries of amounts previously written off	**17**	**7**	**9**	**2**	**32**	**11**	**13**	**–**	**1**	**92**
Discount unwind	**(2)**	**(1)**	**(1)**	**(4)**	**(13)**	**–**	**(1)**	**(1)**	**(1)**	**(24)**
Other	**–**	**–**	**–**	**1**	**–**	**(1)**	**(1)**	**–**	**–**	**(1)**
New provisions	**78**	**15**	**44**	**89**	**202**	**60**	**101**	**15**	**14**	**618**
Recoveries/provisions no longer required	**(21)**	**(15)**	**(25)**	**(5)**	**(47)**	**(17)**	**(19)**	**(10)**	**(15)**	**(174)**
Net charge against/(credit) to profit	**57**	**–**	**19**	**84**	**155**	**43**	**82**	**5**	**(1)**	**444**
Provisions held at 30 June 2008	**103**	**32**	**61**	**107**	**557**	**38**	**180**	**63**	**90**	**1,231**

	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 & Europe $million	Total $million
Provisions held at 1 January 2007	159	84	92	285	625	39	176	68	154	1,682
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	613	41	190	62	118	1,488

* Amounts have been restated as explained in note 34 on page 70.

	31.12.07									
	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 & Europe $million	Total $million
Provisions held at 1 July 2007	110	58	93	203	613	41	190	62	118	1,488
Exchange translation differences	–	2	3	(2)	5	2	(4)	3	1	10
Amounts written off	(88)	(26)	(65)	(68)	(255)	(48)	(62)	(7)	(30)	(649)
Recoveries of acquisition fair values	–	–	–	(43)	–	–	–	–	–	(43)
Recoveries of amounts previously written off	19	6	9	–	35	10	2	1	2	84
Discount unwind	(2)	–	(2)	(8)	(16)	–	(1)	(2)	(1)	(32)
Other	–	–	–	2	8	3	4	–	–	17
New provisions	61	22	61	61	233	53	90	24	1	606
Recoveries/provisions no longer required	(26)	(18)	(40)	(8)	(59)	(17)	(22)	(15)	(3)	(208)
Net charge against/(credit) to profit	35	4	21	53	174	36	68	9	(2)	398
Provisions held at 31 December 2007	74	44	59	137	564	44	197	66	88	1,273

Total exposures to Asset Backed Securities

The Group had the following exposures to asset backed securities:

	30.06.08			31.12.07		
	Percentage of Portfolio	**Notional $million**	**Carrying values $million**	Percentage of Portfolio	Notional $million	Carrying values $million
Residential Mortgage Backed Securities ('RMBS')						
- US Alt-A	**2%**	**89**	**59**	2%	96	88
- US Prime	**–**	**2**	**2**	–	2	2
- Other	**28%**	**1,562**	**1,499**	31%	1,825	1,798
Collateralised Debt Obligations ('CDOs')						
- Asset Backed Securities	**5%**	**264**	**79**	5%	291	126
- Other CDOs	**7%**	**394**	**335**	7%	418	392
Commercial Mortgage Backed Securities ('CMBS')						
- US CMBS	**3%**	**150**	**132**	3%	159	154
- Other	**16%**	**904**	**796**	17%	980	939
Other Asset Backed Securities ('Other ABS')	**39%**	**2,221**	**2,059**	35%	2,085	2,015
	100%	**5,586**	**4,961**	100%	5,856	5,514

The net exposure to asset backed securities represents 1.3 per cent (31 December 2007: 1.7 per cent) of the Group's total assets.

The credit quality of the asset backed securities portfolio remains strong. With the exception of those securities which have been subject to an impairment charge, 97 per cent of the overall portfolio is rated A, or better, and 74 per cent of the overall portfolio is rated as AAA. The portfolio is broadly diversified across asset classes and geographies, and there is no direct exposure to the US sub-prime market.

30 per cent of the overall portfolio is invested in RMBS, with a weighted average credit rating of AAA. 60 per cent of the residential mortgage exposures were originated in 2005 or earlier.

12 per cent of the overall portfolio is in CDOs. This includes $264 million of exposures to Mezzanine and High Grade CDOs, of which $214 million have been impaired. The remainder of the CDOs have a weighted average credit rating of AAA.

19 per cent of the overall portfolio is in CMBS, of which $150 million is in respect of US CMBS with a weighted average credit grade of AAA. The weighted average credit rating of the Other CMBS is AA+.

39 per cent of the overall portfolio is in Other ABS, which includes securities backed by credit card receivables, bank collateralised loan obligations, future flows and student loans, with a weighted credit rating of AA.

Writedowns of Asset Backed Securities

	Trading $million	**Available-for-sale $million**	**Total $million**
30 June 2008:			
Charge to available-for-sale reserves	**–**	**(186)**	**(186)**
Charge to the profit and loss account	**(80)**	**(50)**	**(130)**
31 December 2007:			
Charge to available-for-sale reserves	–	(83)	(83)
Charge to the profit and loss account	(44)	*(122)	(166)

* Excludes $116 million loss incurred on the exchange of capital notes held in Whistlejacket.

Country Risk

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

The GRC is responsible for the Group's country risk limits and delegates the setting and management of the country limits to the Deputy Group Chief Risk Officer and Group Country Risk department.

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 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 predominantly relate to money market transactions with bank counterparties and transactions for global corporate clients. This business is originated in the Group's key markets, but is conducted with counterparties domiciled in the country against which the exposure is reported.

Cross border exposure to several of the Group's key markets has risen significantly since June 2007. This reflects the continued growth in the Group's core countries and the execution of underlying business strategies in those countries. With the surge in oil and other commodity prices there has been increased demand, in both volume and quantum, for core trade products from commodity companies in several Asian countries. The growth in the Group's Corporate Finance and Project Finance activities across several geographies has also contributed to the increased exposures. The Group continues to be very active in the money market and fixed income markets and the acquisition of AEB has contributed to the increased outstanding exposure positions in many core markets.

The following table, based on the Group's internal country risk reporting requirements, shows cross border outstandings where they exceed one per cent of the Group's total assets.

	30.06.08			30.06.07			31.12.07		
	One year or less $million	**Over one year $million**	**Total $million**	One year or less $million	Over one year $million	Total $million	One year or less $million	Over one year $million	Total $million
USA	**11,200**	**5,527**	**16,727**	8,141	3,449	11,590	8,622	5,835	14,457
Korea	**10,666**	**5,408**	**16,074**	6,557	3,085	9,642	6,617	4,299	10,916
India	**10,562**	**4,874**	**15,436**	5,827	2,673	8,500	6,228	3,667	9,895
Singapore	**11,999**	**2,482**	**14,481**	5,014	1,537	6,551	5,490	1,700	7,190
Hong Kong	**9,282**	**4,065**	**13,347**	5,986	2,101	8,087	7,681	3,043	10,724
UAE	**7,764**	**3,185**	**10,949**	3,828	1,624	5,452	4,600	3,004	7,604
China	**6,326**	**2,568**	**8,894**	2,787	1,398	4,185	3,634	2,041	5,675
France	**3,702**	**1,408**	**5,110**	1,028	669	1,697	2,142	1,001	3,143
Japan	**3,157**	**1,336**	**4,493**	1,679	767	2,446	1,262	1,086	2,348
Malaysia	**2,998**	**1,047**	**4,045**	1,499	993	2,492	1,901	1,052	2,953

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. The objective of the Group's market risk policies and processes is to obtain the best balance of risk and return while meeting customers' requirements.

Market risk is governed by the GRC, which agrees policies and levels of risk appetite in terms of 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, Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). This is more restrictive than the broader definition within IAS 39, 'Financial Instruments: Recognition and Measurement', as the FSA only permits certain types of financial instruments or arrangements to be included within the trading book. Limits by location and portfolio are proposed by the businesses within the terms of agreed policy.

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

Value at Risk

The Group measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology.

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 Group uses historic simulation as its VaR methodology with an observation period of one year. Historic simulation 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 including the possibility that the historical data may not be the best proxy for future price movements.

VaR models are back tested against actual results to ensure pre-determined levels of statistical accuracy are maintained.

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

GMR, therefore, 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 testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in liquidity that often occurs.

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.

Trading, non-trading and total VaR has continued to increase due to the increased market volatility experienced since the onset of the sub-prime credit crisis in August 2007. This volatility surfaced in the US sub-prime mortgage market and spilled over into wider global markets. The one year observation period applied for VaR has increasingly reflected this period of higher market volatility.

The acquisition of AEB in 2008 has increased VaR by $3.1 million as at 30 June 2008.

From 30 June 2008, the VaR reflects adjustments made for the inclusion of credit spread VaR arising from non-trading book activity and the exclusion of structural debt capital issuance positions.

Market Risk continued

Trading and Non-trading (VaR at 97.5%, 1 day)

	30.06.08				30.06.07			
Daily value at risk	**Average $million**	**High $million**	**Low $million**	**Actual^ $million**	Average $million	High $million	Low $million	Actual^ $million
Interest rate risk*	**23.9**	**33.3**	**16.3**	**28.0**	10.0	14.0	7.0	9.5
Foreign exchange risk	**5.6**	**8.4**	**3.3**	**5.0**	2.5	3.6	1.7	2.1
Commodity risk	**1.2**	**2.8**	**0.6**	**1.5**	–	–	–	–
Equity risk	**1.3**	**1.9**	**0.8**	**1.9**	–	–	–	–
Total**	**28.0**	**38.3**	**17.8**	**33.6**	10.3	14.0	n/a	10.0

	31.12.07			
Daily value at risk	Average $million	High $million	Low $million	Actual^ $million
Interest rate risk*	14.4	19.6	7.5	17.1
Foreign exchange risk	3.8	7.2	1.7	4.4
Commodity risk	0.6	3.5	0.2	0.6
Equity risk	0.6	1.9	–	1.4
Total**	15.4	20.0	8.4	18.6

Trading (VaR at 97.5%, 1 day)

	30.06.08				30.06.07			
Daily value at risk	**Average $million**	**High $million**	**Low $million**	**Actual^ $million**	Average $million	High $million	Low $million	Actual^ $million
Interest rate risk*	**12.6**	**16.0**	**9.9**	**12.0**	4.6	6.6	2.8	4.1
Foreign exchange risk	**5.6**	**8.4**	**3.3**	**5.0**	2.5	3.6	1.7	2.2
Commodity risk	**1.2**	**2.8**	**0.6**	**1.5**	–	–	–	–
Equity risk	**1.3**	**1.9**	**0.8**	**1.9**	–	–	–	–
Total**	**14.6**	**20.6**	**10.0**	**12.8**	5.5	8.2	3.5	5.7

	31.12.07			
Daily value at risk	Average $million	High $million	Low $million	Actual^ $million
Interest rate risk*	7.9	11.9	3.7	11.0
Foreign exchange risk	3.8	7.2	1.7	4.4
Commodity risk	0.6	3.5	0.2	0.6
Equity risk	0.6	1.9	–	1.4
Total**	8.6	12.5	4.5	12.5

* Interest rate risk VaR includes credit spread risk.

** The total VaR shown in the tables above is not a sum of the component risks due to offsets between them.

^ This represents the actual one day VaR as at the period end.

The highest and lowest VaR are independent and could have occurred on different days.

The average daily income earned from market risk related activities is as follows:

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Interest rate risk	**3.0**	2.5	2.1
Foreign exchange risk	**6.4**	2.9	3.1
Commodity risk	**0.3**	0.1	0.2
Equity risk	**0.1**	–	–
Total	**9.8**	5.5	5.4

Market Risk continued

Non-trading (VaR at 97.5%, 1 day)

	30.06.08				30.06.07			
Daily value at risk	**Average $million**	**High $million**	**Low $million**	**Actual^ $million**	Average $million	High $million	Low $million	Actual^ $million
Interest rate risk	**14.2**	**21.9**	**10.6**	**21.9**	9.3	10.5	7.9	9.2

	31.12.07			
Daily value at risk	Average $million	High $million	Low $million	Actual^ $million
Interest rate risk	11.0	16.8	6.9	14.7

^ This represents the actual one day VaR as at the period end.

The average daily income earned from non-trading market risk related activities is as follows:

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Interest rate risk	**3.8**	2.0	1.5

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

VaR and stress tests are applied to non-trading book interest rate exposure in the same way as for the trading book.

Foreign exchange risk on the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency.

Structural foreign exchange risks are not included within the VaR and arise from net investments in non-US dollar currency entities. These are managed separately by Group Treasury with oversight from Group Capital Management Committee.

Equity risk relating to private equity investments is not included within the VaR and is separately managed through delegated limits for both investment and divestment, and is also subject to regular review by an investment committee.

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. Derivatives are an important risk management tool for banks and their customers because they can be used to manage market price risk. The market risk of all products, including derivatives, is managed in essentially the same way as described above.

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 market price 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.

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 held for hedging purposes.

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

Hedging

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

The 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.

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

The Group may also, under certain individually approved circumstances, enter into 'economic hedges' which do not qualify for IAS 39 hedge accounting treatment, and which are marked to market through the profit and loss account creating an accounting asymmetry. These are entered into primarily to ensure that residual interest rate and foreign exchange risks are being effectively managed.

Liquidity Risk

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

It is the policy of the Group to maintain adequate liquidity at all times, in all geographic locations and for all currencies, and hence to be in a position to meet all obligations as they fall due. The Group manages liquidity risk both on a short term and medium term basis. In the short term, the focus is on ensuring that the cash flow demands can be met through asset maturities, supported by customer deposits and wholesale raisings where required.

GALCO is the responsible governing body that approves the Group's liquidity management policies. The Liquidity Management Committee ('LMC') receives authority from GALCO and is responsible for setting liquidity limits, proposing liquidity risk policies and practices, assisting in cross-business and cross-geography liquidity discussions and helping establish country balance sheet targets. Liquidity in each country is managed by the Country ALCO within the pre-defined liquidity limits set by the LMC and in compliance with Group liquidity policies and local regulatory requirements.

Policies and procedures

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 by operating within the liquidity limits set for the country.

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

- the mismatch in local and foreign currency behavioural cash flows;
- the level of wholesale borrowing to ensure that the size of this funding is proportional to the local market and the Group's local operations;
- commitments, both on and off balance sheet, to ensure there are sufficient funds available in the event of drawdown on these commitments;
- the advances to deposits ratio to ensure that commercial advances are funded by stable sources;
- the amount of medium term funding to support the asset portfolio; and
- the amount of local currency funding sourced from foreign currency sources.

In addition, the Group prescribes a liquidity stress scenario that assumes accelerated withdrawal of deposits over a period of time. Each country has to ensure that cash inflows exceed outflows under such a scenario.

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

In addition, regular reports to the ALCO include the following:

- information on the concentration and profile of debt maturities; and
- depositor concentration report to monitor reliance on large individual depositors.

The Group has significant levels of marketable securities, principally government securities and bank paper, which can be realised in the event that there is a need for liquidity in a crisis. In addition, each country and the Group maintain a liquidity crisis management plan which is reviewed and approved annually. The liquidity crisis management plan lays out trigger points and actions in the event of a liquidity crisis to ensure that there is an effective response by senior management in case of such an event.

Primary sources of funding

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. Country ALCO monitors trends in the balance sheet and ensures that any concerns that might impact the stability of these deposits are addressed effectively. ALCO also reviews balance sheet plans to ensure that asset growth plans are matched by growth in the stable funding base.

The Group maintains access to the inter-bank wholesale funding markets in all major financial centres and countries in which it operates. This seeks to ensure that the Group has flexibility around maturity transformation, has market intelligence, maintains stable funding lines and is a price maker when it performs its interest rate risk management activities.

Liquid assets to total assets ratio

The holdings of liquid assets in the balance sheet reflect the prudent approach that is inherent in the Group's liquidity policies and practices. Whilst liquidity is managed in-country, compliance with these policies and practices results in substantial holdings of liquid assets as a Group. The following shows the ratio of liquid assets to total assets:

	30.06.08 %	30.06.07 %	31.12.07 %
Liquid assets* to total assets ratio	**22.8**	21.9	23.9

* Liquid assets is the total of Cash (less restricted balances), net interbank, Treasury Bills and Debt securities less the asset backed securities portfolio.

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') supervises and directs 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.

Group Operational Risk is responsible for setting the Operational Risk policy, defining standards for measurement and for Operational Risk capital calculation. A Group Operational Risk Assurance function, independent from the businesses, is responsible for deploying and assuring the operational risk management framework, and for monitoring the Group's key operational risk exposures. This unit is supported by units within the Wholesale Banking and Consumer Banking businesses that have responsibility for ensuring compliance with policies and procedures in the business and monitoring key operational risk exposures.

Regulatory Risk

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.

Reputational Risk

Reputational risk is the risk of failure to meet the standards of performance or behaviours expected by stakeholders in the way in which business is conducted. It is Group policy that, at all times, the protection of the Group's reputation should take priority over all other activities, including revenue generation.

Reputational risk will arise from the failure to effectively mitigate one or more of country, credit, liquidity, market, 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 Reputational Risk and Responsibility 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 alert the Group to emerging or thematic risks. The GRRRC also seeks to ensure that effective risk monitoring is in place for Reputational Risk and reviews mitigation plans for significant risks. The GRRRC reports the most significant reputational risks to the GRC.

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 in-country reporting systems to ensure they are aware of all potential issues; and
- promote effective, proactive stakeholder management.

Monitoring

Group Internal Audit is a separate Group function that reports to the Group Chief Executive and the ARC. 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

Capital management

The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic business and capital plans are drawn up annually covering a three year horizon and approved by the Board. The plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support the strategy. This is integrated with the Group's annual planning process that takes into consideration business growth assumptions across products and geographies and the related impact on capital.

The capital plan takes the following into account:

- regulatory capital requirements;
- forecast demand for capital to support the credit ratings;
- increases in demand for capital due to business growth, market shocks or stresses;
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital model is a key part of the Group's management disciplines.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Group's Board. The ARC reviews specific risk areas and reviews the issues discussed at the key capital management committees. The GALCO has set internal triggers and target ranges for capital management and oversees adherence with these.

Current compliance with Capital Adequacy Regulations

The Group's lead supervisor is the FSA. The capital that the Group is required to hold by the FSA is determined by its balance sheet, off-balance sheet and market risk positions, weighted according to the type of counterparty instrument and collateral held. Further detail on counterparty and market risk positions is included in the Risk Review on pages 30 to 32.

Local capital is maintained on the basis of the host regulator's requirements. Processes are in place to ensure compliance with local regulatory ratios in all Group entities. The Group has put in place processes and controls in place to monitor and manage capital adequacy, and no breaches were reported during the year.

The table on page 36 summarises the capital position of the Group. The principal forms of capital are included in the following items on the consolidated balance sheet: share capital and reserves (called-up ordinary share capital and preference shares, and eligible reserves), subordinated liabilities (innovative Tier 1 securities and qualifying subordinated liabilities), and loans to banks and customers (portfolio impairment provision).

Movement in capital

On a Basel II basis, total capital has increased by $2,422 million to $30,536 million compared to 31 December 2007. The increase has been driven primarily by increased ordinary and preference share capital, up by $702 million largely from a $675 million preference share issue during the period, and an increase in qualifying subordinated liabilities, net of amortisation and related deductions, of $1,923 million, offset by increases in goodwill of $364 million, following the acquisition of AEB, and other deductions.

Basel II

The Basel Committee on Banking Supervision published a framework for the International Convergence of Capital Measurement and Capital Standards (commonly referred to as 'Basel II'), which replaced the original 1988 Basel I Accord. Basel II is structured around three 'pillars':

- Pillar 1 sets out minimum regulatory capital requirements – the minimum amount of regulatory capital banks must hold against the risks they assume;
- Pillar 2 sets out the key principles for the supervisory review of a bank's risk management framework and its capital adequacy. It sets out specific oversight responsibilities for the Board and senior management, thus reinforcing principles of internal control and other corporate governance practices; and
- Pillar 3 aims to bolster market discipline through enhanced disclosure by banks.

Basel II provides three approaches of increasing sophistication for the calculation of credit risk capital; the Standardised Approach, the Foundation Internal Ratings Based Approach and the Advanced Internal Ratings Based Approach. Basel II also introduces capital requirements for operational risk for the first time.

The EU Capital Requirements Directive ('CRD') is the means by which Basel II has been implemented in the EU. Member States were required to bring implementing provisions into force by 1 January 2007. In the case of the provisions relating to the advanced approaches for credit risk and operational risk, implementation commenced from 1 January 2008. In the UK the CRD is implemented by the FSA through its General Prudential Sourcebook ('GENPRU') and its Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

From 1 January 2008, the Group has been using the Advanced Internal Ratings Based approach for the measurement of credit risk capital. This approach builds on the Group's risk management practices and is the result of a significant investment in data warehouse and risk models.

The Group applies a VaR model for the measurement of market risk capital in accordance with the scope of the permission to use such a model granted by the FSA. Where the Group's market risk exposures are not approved for inclusion in its VaR model, capital requirements are based on standard rules provided by the regulator which are less risk sensitive.

For the first time the Group will also be required to calculate a new capital charge to cover operational risk. The Group will apply the Standardised Approach for determining the capital requirements for operational risk.

During the initial years of Basel II implementation, the minimum capital requirements must not be less than 90 per cent of the Basel I capital requirements in 2008 reducing to 80 per cent in 2009.

The GALCO targets Tier 1 and Total capital ratios within a range of 7-9 per cent and 12-14 per cent respectively.

	Basel II		Basel I	
	30.06.08 $million	31.12.07 $million	31.12.07* $million	30.06.07* $million
Tier 1 capital				
Called up ordinary share capital and preference shares	**9,617**	8,915	8,915	8,544
Eligible reserves	**11,767**	11,382	11,382	10,367
Minority interests	**264**	271	271	225
Innovative Tier 1 securities	**2,392**	2,338	2,338	2,303
Less: restriction on Innovative Tier 1 securities	**–**	–	–	(7)
Less: excess expected losses (50 per cent allocated to Tier 1)	**(69)**	(161)	–	–
Goodwill and other intangible assets	**(6,738)**	(6,374)	(6,374)	(6,285)
Unconsolidated associated companies	–	–	283	253
Other regulatory adjustments	**112**	(17)	(19)	(2)
Total Tier 1 capital	**17,345**	16,354	16,796	15,398
Tier 2 capital				
Eligible revaluation reserves	**275**	927	927	522
Portfolio impairment provision	**178**	153	536	531
Less: excess expected losses (50 per cent allocated to Tier 2)	**(69)**	(161)	–	–
Qualifying subordinated liabilities:				
Perpetual subordinated debt	**3,397**	3,394	3,394	3,415
Other eligible subordinated debt	**11,788**	8,764	8,764	6,382
Less: amortisation of qualifying subordinated liabilities	**(1,230)**	(1,037)	(1,037)	(863)
Restricted Innovative Tier 1 securities	**–**	–	–	7
Restriction on Tier 2 capital	**(1,886)**	–	–	–
Total Tier 2 capital	**12,453**	12,040	12,584	9,994
Investments in other banks	**(144)**	(136)	(136)	(148)
Other deductions	**(93)**	(144)	(511)	(470)
Total deductions from Tier 1 and Tier 2 capital	**(237)**	(280)	(647)	(618)
Tier 3 capital				
Restricted Tier 2 capital	**1,886**	–	–	–
Deductions	**(911)**	–	–	–
Total Tier 3 capital	**975**	–	–	–
Total capital base	**30,536**	28,114	28,733	24,774
Risk weighted assets				
Credit risk	**173,831**	162,995	163,437	151,426
Operational risk	**18,340**	13,963	–	–
Market risk	**12,190**	8,396	8,396	7,820
Total risk weighted assets	**204,361**	185,354	171,833	159,246

* Amounts have been restated as explained in note 34 on page 70.

	Basel II		Basel I	
	30.06.08 $million	31.12.07 $million	31.12.07* $million	30.06.07* $million
Capital ratios				
Core Tier 1 capital	**6.1%**	6.6%	7.2%	6.9%
Tier 1 capital	**8.5%**	8.8%	9.8%	9.7%
Total capital ratio	**14.9%**	15.2%	16.7%	15.6%
Core Tier 1 capital				
Total Tier 1 capital	**17,345**	16,354	16,796	15,398
Less:				
Innovative Tier 1 securities	**(2,392)**	(2,338)	(2,338)	(2,303)
Preference shares	**(2,511)**	(1,847)	(1,848)	(1,853)
Other deductions	**–**	–	(282)	(246)
Total core Tier 1	**12,442**	12,169	12,328	10,996

* Amounts have been restated as explained in note 34 on page 70.

The FSA permits the inclusion of profits in Tier 1 capital to the extent that they have been verified by the external auditors. Tier 1 capital as disclosed includes profits which have been verified in accordance with the FSA's General Prudential Source book subsequent to 30 June 2008.

Condensed Consolidated Interim Income Statement
For the six months ended 30 June 2008

	Notes	**6 months ended 30.06.08 $million**	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Interest income		**8,276**	7,473	8,703
Interest expense		**(4,566)**	(4,521)	(5,390)
Net interest income		**3,710**	2,952	3,313
Fees and commission income		**1,955**	1,478	1,711
Fees and commission expense		**(274)**	(250)	(278)
Net trading income	3	**1,151**	649	612
Other operating income	4	**445**	434	446
		3,277	2,311	2,491
Operating income		**6,987**	5,263	5,804
Staff costs		**(2,585)**	(1,884)	(2,065)
Premises costs		**(347)**	(274)	(318)
General administrative expenses		**(767)**	(610)	(719)
Depreciation and amortisation	5	**(201)**	(150)	(195)
Operating expenses		**(3,900)**	(2,918)	(3,297)
Operating profit before impairment losses and taxation		**3,087**	2,345	2,507
Impairment losses on loans and advances and other credit risk provisions	13	**(465)**	(361)	(400)
Other impairment	6	**(26)**	(3)	(54)
(Loss)/profit from associates		**(10)**	(1)	2
Profit before taxation		**2,586**	1,980	2,055
Taxation	7	**(698)**	(533)	(513)
Profit for the period		**1,888**	1,447	1,542

	Notes	**6 months ended 30.06.08 $million**	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Profit attributable to:				
Minority interests	27	**44**	48	100
Parent company shareholders		**1,844**	1,399	1,442
Profit for the period		**1,888**	1,447	1,542
Earnings per share:				
Basic earnings per ordinary share	9	**126.3c**	98.5c	102.6c
Diluted earnings per ordinary share	9	**124.9c**	97.1c	101.4c
Dividends per ordinary share (cents):				
Interim dividend declared	8	**25.67**	–	–
Interim dividend paid	8	**–**	23.12	–
Final dividend paid	8	**–**	–	56.23
Total dividend ($million):				
Total interim dividend payable		**364**	–	–
Total interim dividend (paid 11 October 2007)		**–**	324	–
Total final dividend (paid 11 May 2008)		**–**	–	793

Condensed Consolidated Interim Balance Sheet
As at 30 June 2008

	Notes	**30.06.08 $million**	30.06.07* $million	31.12.07* $million
Assets				
Cash and balances at central banks	28	**10,471**	8,991	10,175
Financial assets held at fair value through profit or loss	11	**23,070**	19,344	22,958
Derivative financial instruments	12	**42,838**	18,441	26,204
Loans and advances to banks	13	**49,175**	21,108	35,365
Loans and advances to customers	13	**174,735**	151,946	154,266
Investment securities	15	**64,259**	52,230	55,274
Interests in associates		**271**	257	269
Goodwill and intangible assets		**6,738**	6,285	6,374
Property, plant and equipment		**3,488**	2,301	2,892
Deferred tax assets	16	**563**	515	560
Current tax assets		**735**	607	633
Other assets		**15,917**	11,890	11,011
Prepayments and accrued income		**4,467**	3,571	3,857
Total assets		**396,727**	297,486	329,838
Liabilities				
Deposits by banks	18	**38,389**	26,846	25,880
Customer accounts	19	**205,539**	160,242	179,760
Financial liabilities held at fair value through profit or loss	20	**14,650**	13,117	14,250
Derivative financial instruments	12	**42,161**	19,235	26,270
Debt securities in issue	21	**32,511**	27,254	27,137
Current tax liabilities		**733**	738	818
Other liabilities	22	**18,903**	13,707	14,742
Accruals and deferred income		**3,635**	3,008	3,429
Provisions for liabilities and charges		**68**	42	38
Retirement benefit obligations	23	**488**	437	322
Subordinated liabilities and other borrowed funds	24	**18,745**	13,279	15,740
Total liabilities		**375,822**	277,905	308,386
Equity				
Share capital	25	**711**	701	705
Reserves	26	**19,601**	18,324	20,146
Total parent company shareholders' equity		**20,312**	19,025	20,851
Minority interests	27	**593**	556	601
Total equity		**20,905**	19,581	21,452
Total equity and liabilities		**396,727**	297,486	329,838

* Amounts have been restated as explained in note 34.

Condensed Consolidated Interim Statement of Recognised Income and Expense
For the six months ended 30 June 2008

	Notes	**6 months ended 30.06.08 $million**	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Exchange differences on translation of foreign operations:				
Net (losses)/gains taken to equity		**(779)**	257	158
Transferred to income on repatriation of branch capital		**–**	–	(109)
Actuarial (losses)/gains on retirement benefit obligations	23	**(122)**	149	88
Available-for-sale investments:				
Net valuation (losses)/gains taken to equity		**(946)**	197	478
Transferred to income for the period		**(105)**	(227)	(25)
Cash flow hedges:				
Net (losses)/gains taken to equity		**(22)**	6	51
Net gains transferred to income for the period		**(38)**	(28)	(30)
Taxation on items recognised directly in equity		**143**	(38)	(61)
Other		**–**	7	(7)
Net (expense)/income recognised in equity		**(1,869)**	323	543
Profit for the period		**1,888**	1,447	1,542
Total recognised income and expense for the period		**19**	1,770	2,085

Attributable to:				
Minority interests	27	**(14)**	89	107
Parent company shareholders	26	**33**	1,681	1,978
		19	1,770	2,085

Condensed Consolidated Interim Cash Flow Statement
For the six months ended 30 June 2008

Cash flow from operating activities	6 months ended 30.06.08 $million	*6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Profit before taxation	**2,586**	1,980	2,055
Adjustment for items not involving cash flow or shown separately:			
Depreciation and amortisation	**201**	150	195
Gain on disposal of property, plant and equipment	**(2)**	(1)	–
Gain on disposal of investment securities and loans and receivable financial assets	**(154)**	(229)	(113)
Gain arising on Visa Inc. shares	**(17)**	–	(107)
Writedowns relating to asset backed securities	**49**	–	87
Pension cost for defined benefit schemes	**53**	56	54
Movement in fair value hedges on available-for-sale assets and cash flow hedges	**65**	(18)	(3)
Amortisation of discounts and premiums of investment securities	**139**	(163)	(96)
Impairment losses on loans and advances and other credit risk provisions	**465**	361	400
Other impairment	**26**	3	54
Profit on sale of businesses	**146**	–	18
Recoveries of acquisition fair values and discount unwind	**(71)**	(89)	(75)
	900	70	414
Net (decrease)/increase in derivative financial instruments	**(796)**	263	(729)
Net decrease/(increase) in debt securities, treasury bills and equity shares held at fair value through profit or loss	**1,352**	(2,206)	(1,485)
Net increase in loans and advances to banks and customers	**(21,237)**	(11,049)	(3,934)
(Increase)/decrease in prepayments and accrued income	**(646)**	(2,068)	1,549
Net increase in deposits from banks and customers and debt securities in issue	**33,719**	17,477	18,658
Increase/(decrease) in accruals and deferred income	**195**	(228)	517
Net increase/(decrease) in other accounts	**1,547**	(518)	(1,380)
	14,134	1,671	13,196
Interest expense on subordinated liabilities	**587**	375	436
Net return from defined benefit schemes	**6**	–	16
UK and overseas taxes paid	**(735)**	(521)	(576)
Net cash from operating activities	**17,478**	3,575	15,541
Net cash flows from investing activities			
Purchase of property, plant and equipment	**(185)**	(203)	(268)
Purchase of assets leased to customers under operating leases	**(605)**	–	–
Disposal of property, plant and equipment	**14**	14	8
Acquisition of investment in subsidiaries and joint ventures, net of cash acquired	**6,131**	(24)	(61)
Disposal of investment in subsidiaries	**159**	–	–
Acquisition of investment securities	**(53,974)**	(35,631)	(42,661)
Disposal and maturity of investment securities	**45,423**	33,637	40,820
Net cash used in investing activities	**(3,037)**	(2,207)	(2,162)
Net cash flows from financing activities			
Issue of ordinary and preference share capital	**33**	811	50
Purchase of own shares	**(64)**	(10)	(5)
Exercise of share options through ESOP	**8**	21	18
Interest paid on subordinated liabilities	**(348)**	(475)	(262)
Gross proceeds from issue of subordinated liabilities	**3,421**	904	2,147
Repayment of subordinated liabilities	**(348)**	(149)	(356)
Dividends paid to minority interests and preference shareholders	**(153)**	(61)	(87)
Dividends paid to ordinary shareholders	**(526)**	(344)	(229)
Net cash from financing activities	**2,023**	697	1,276
Net increase in cash and cash equivalents	**16,464**	2,065	14,655
Cash and cash equivalents at beginning of period	**55,338**	38,161	40,307
Effect of exchange rate movements on cash and cash equivalents	**249**	81	376
Cash and cash equivalents at end of period (note 28)	**72,051**	40,307	55,338

* Amounts have been re-presented as explained in note 34.

1. Basis of preparation

The Group condensed consolidated interim financial statements ('interim financial statements') consolidate those of Standard Chartered PLC (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 interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the FSA and with IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU'). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007, which were prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretation Committee ('IFRIC') interpretations.

These interim financial statements were approved by the Board of Directors on 5 August 2008.

Except as noted below, the accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 December 2007.

On 1 January, the Group retrospectively adopted IFRIC 11 'IFRS 2: Group and Treasury Share Transactions' which did not have an impact on the Group's interim financial statements.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2007.

The balance sheets at 30 June 2007 and 31 December 2007 have been restated as follows: (a) to reflect the revised fair values on the acquisition of Union Bank ('Union') and Hsinchu International Bank ('HIB'), and Pembroke and Harrison Lovegrove respectively; and (b) to reflect the re-presentation of current tax balances. The cash flow statement for the six months ended 30 June 2007 has also been re-presented. Details of these restatements are set out in note 34.

A summary of the Group's significant accounting policies will be included in the 2008 Annual Report.

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 geographic segments, classified by the location of the customer.

By Class of Business

	30.06.08				30.06.07			
	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	**(31)**	**31**	**–**	**–**	(44)	44	–	–
Net interest income	**2,178**	**1,532**	**–**	**3,710**	2,059	893	–	2,952
Other income	**1,030**	**2,101**	**146**	**3,277**	757	1,550	4	2,311
Operating income	**3,177**	**3,664**	**146**	**6,987**	2,772	2,487	4	5,263
Operating expenses	**(1,961)**	**(1,939)**	**–**	**(3,900)**	(1,612)	(1,298)	(8)	(2,918)
Operating profit before impairment losses and taxation	**1,216**	**1,725**	**146**	**3,087**	1,160	1,189	(4)	2,345
Impairment (losses)/releases on loans and advances and other credit risk provisions	**(412)**	**(53)**	**–**	**(465)**	(372)	11	–	(361)
Other impairment	**(2)**	**(24)**	**–**	**(26)**	–	(3)	–	(3)
Loss from associates	**–**	**–**	**(10)**	**(10)**	–	–	(1)	(1)
Profit before taxation	**802**	**1,648**	**136**	**2,586**	788	1,197	(5)	1,980
Total assets employed**	**91,443**	**303,986**	***1,298**	**396,727**	87,314	209,050	*1,122	297,486
Total liabilities employed**	**122,827**	**252,262**	***733**	**375,822**	108,761	168,406	*738	277,905
Total risk weighted assets and contingents (Basel I)	**–**	**–**	**–**	**–**	60,495	98,751	–	159,246
Total risk weighted assets (Basel II)†	**56,552**	**147,809**	**–**	**204,361**	–	–	–	–
Other segment items:								
Capital expenditure††	**157**	**742**	**–**	**899**	146	106	–	252
Depreciation	**74**	**36**	**–**	**110**	61	21	–	82
Amortisation of intangible assets	**36**	**55**	**–**	**91**	40	28	–	68

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

** Amounts have been restated as explained in note 34.

† Comparatives have not been included as at 30 June 2007 for risk weighted assets under Basel II as only Advanced IRB portfolios were available during parallel running in 2007.

†† Includes capital expenditure in Wholesale Banking of $605 million in respect of operating lease assets (30 June 2007 and 31 December 2007: $nil million).

2. **Segmental Information** continued

	31.12.07			
	Consumer Banking $million	Wholesale Banking $million	Corporate items not allocated $million	Total $million
Internal income	(33)	33	–	–
Net interest income	2,135	1,178	–	3,313
Other income	932	1,545	14	2,491
Operating income	3,034	2,756	14	5,804
Operating expenses	(1,781)	(1,516)	–	(3,297)
Operating profit before impairment losses and taxation	1,253	1,240	14	2,507
Impairment (losses)/releases on loans and advances and other credit risk provisions	(364)	(36)	–	(400)
Other impairment	–	(54)	–	(54)
Profit from associates	–	–	2	2
Profit before taxation	889	1,150	16	2,055
Total assets employed**	90,237	238,408	*1,193	329,838
Total liabilities employed	120,279	187,289	*818	308,386
Total risk weighted assets and contingents (Basel I)	63,516	108,317	–	171,833
Total risk weighted assets (Basel II)	53,636	131,718	–	185,354
Other segment items:				
Capital expenditure	272	102	–	374
Depreciation	75	25	–	100
Amortisation of intangible assets	28	67	–	95

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

** Amounts have been restated as explained in note 34.

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.

	30.06.08									
	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 & Europe $million	Total $million
Internal income	8	55	(2)	(54)	11	6	9	–	(33)	–
Net interest income	642	179	134	690	663	370	488	247	297	3,710
Fees and commissions income, net	297	135	30	114	254	276	251	108	216	1,681
Net trading income	230	133	107	93	280	163	139	78	(72)	1,151
Other operating income	42	144	9	24	47	160	1	1	17	445
Operating income	1,219	646	278	867	1,255	975	888	434	425	6,987
Operating expenses	(498)	(324)	(104)	(568)	(724)	(322)	(422)	(274)	(664)	(3,900)
Operating profit before impairment losses and taxation	721	322	174	299	531	653	466	160	(239)	3,087
Impairment losses on loans and advances and other credit risk provisions	(55)	(5)	(22)	(90)	(161)	(47)	(80)	(2)	(3)	(465)
Other impairment	–	–	–	–	(18)	–	–	(1)	(7)	(26)
(Loss)/profit from associates	(10)	–	–	–	1	–	–	–	(1)	(10)
Profit/(loss) before taxation	656	317	152	209	353	606	386	157	(250)	2,586
Loans and advances to customers – average	25,344	18,997	10,573	37,973	28,911	8,711	14,938	2,475	28,998	176,920
Net interest margins (%)	2.3	1.6	1.8	2.3	2.6	3.9	3.3	4.8	0.1	2.5
Loans and advances to customers – period end	26,267	19,221	10,199	35,116	29,977	8,738	15,160	3,722	28,820	177,220
Loans and advances to banks – period end	11,728	4,689	844	3,312	5,133	376	2,839	560	23,745	53,226
Total assets employed*	62,720	51,626	16,320	73,258	64,675	32,080	37,943	12,504	124,877	476,003
Total risk weighted assets (Basel II)	21,261	15,402	7,479	31,823	36,058	20,204	22,588	7,475	49,806	212,096
Capital expenditure†	13	59	4	11	100	19	23	19	651	899

* Total assets employed includes intra-group items of $80,574 million and excludes tax assets of $1,298 million.

† Includes capital expenditure in Americas, UK & Europe of $605 million in respect of operating lease assets (30 June 2007 and 31 December 2007: $nil million).

2. Segmental Information 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 & Europe $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/(loss) 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	24,301	7,288	11,544	2,726	16,486	152,752
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*,#	55,183	30,280	14,629	67,940	50,764	22,192	20,701	8,510	71,207	341,406
Total risk weighted assets and contingents (Basel I)†	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 tax assets of $1,122 million.

Amounts have been restated as explained in note 34.

† Comparative numbers for Basel II risk weighted assets have not been included as it is not considered practicable to restate the data on this basis.

2. Segmental Information continued

	31.12.07									
	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 & Europe $million	Total $million
Internal income	(23)	85	–	(60)	(4)	13	(8)	25	(28)	–
Net interest income	686	62	118	662	640	332	457	236	120	3,313
Fees and commissions income, net	298	129	37	144	246	187	232	105	55	1,433
Net trading income	83	18	35	(102)	171	80	36	72	219	612
Other operating income	96	198	60	119	20	133	36	16	(232)	446
Operating income	1,140	492	250	763	1,073	745	753	454	134	5,804
Operating expenses	(427)	(243)	(96)	(586)	(646)	(317)	(366)	(250)	(366)	(3,297)
Operating profit before impairment losses and taxation	713	249	154	177	427	428	387	204	(232)	2,507
Impairment (losses)/releases on loans and advances and other credit risk provisions	(34)	(8)	(15)	(48)	(139)	(58)	(85)	(16)	3	(400)
Other impairment	–	–	–	–	–	–	–	(1)	(53)	(54)
Profit/(loss) from associates	–	–	–	–	3	–	–	–	(1)	2
Profit/(loss) before taxation	679	241	139	129	291	370	302	187	(283)	2,055
Loans and advances to customers – average	23,712	14,897	9,518	41,962	23,545	7,611	10,679	2,437	17,059	151,420
Net interest margins (%)	2.4	0.8	1.7	2.1	2.9	4.9	3.3	5.6	0.1	2.5
Loans and advances to customers – period end	23,364	17,172	10,027	40,229	26,049	7,656	12,646	3,330	16,509	156,982
Loans and advances to banks – period end	15,156	2,531	928	1,504	4,866	552	1,406	371	10,365	37,679
Total assets employed*,#	61,348	39,362	14,613	67,244	55,890	23,210	28,616	11,133	85,891	387,307
Total risk weighted assets and contingents (Basel 1)†	25,330	15,008	5,324	37,167	26,024	12,377	16,104	3,927	37,524	178,785
Capital expenditure	24	91	4	30	72	48	63	37	5	374

* Total assets employed includes intra-group items of $58,662 million and excludes tax assets of $1,193 million.
# Amounts have been restated as explained in note 34.
† Comparative numbers for Basel II risk weighted assets have not been included as it is not considered practicable to restate the data on this basis.

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 or 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.

In 2008, corporate items not allocated to businesses relate to profits on disposal of businesses and losses from associates.

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 $7,735 million (30 June 2007: $4,072 million, 31 December 2007: $6,952 million) of balances which are netted in calculating capital ratios.

Capital expenditure comprises additions to property and equipment, and software related intangibles, including any post-acquisition additions made by acquired entities.

2. **Segmental Information** continued

The following tables set out the structure of the Group's deposits by principal geographic areas as at 30 June 2008, 30 June 2007 and 31 December 2007.

By geographic segment

	30.06.08									
	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 & Europe $million**	**Total $million**
Non interest bearing current and demand accounts	**4,059**	**3,137**	**879**	**121**	**2,060**	**2,729**	**5,631**	**2,154**	**3,267**	**24,037**
Interest bearing current accounts and savings deposits	**20,704**	**9,415**	**2,585**	**11,860**	**17,295**	**1,945**	**3,820**	**2,867**	**18,671**	**89,162**
Time deposits	**23,743**	**14,821**	**6,496**	**13,971**	**25,080**	**4,482**	**11,310**	**1,425**	**29,971**	**131,299**
Other deposits	**30**	**92**	**184**	**673**	**483**	**519**	**771**	**415**	**3,567**	**6,734**
Total	**48,536**	**27,465**	**10,144**	**26,625**	**44,918**	**9,675**	**21,532**	**6,861**	**55,476**	**251,232**
Deposits by banks	**838**	**5,367**	**924**	**7,266**	**7,924**	**182**	**2,348**	**598**	**15,025**	**40,472**
Customer accounts	**47,698**	**22,098**	**9,220**	**19,359**	**36,994**	**9,493**	**19,184**	**6,263**	**40,451**	**210,760**
	48,536	**27,465**	**10,144**	**26,625**	**44,918**	**9,675**	**21,532**	**6,861**	**55,476**	**251,232**
Debt securities in issue	**120**	**1,698**	**1,257**	**18,749**	**1,924**	**1,357**	**27**	**65**	**11,166**	**36,363**
Total	**48,656**	**29,163**	**11,401**	**45,374**	**46,842**	**11,032**	**21,559**	**6,926**	**66,642**	**287,595**

	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 & Europe $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 accounts and savings deposits	16,890	7,695	2,329	14,099	15,840	1,644	3,409	2,323	6,748	70,977
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

2. **Segmental Information** continued

	31.12.07									
	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 & Europe $million	Total $million
Non interest bearing current and demand accounts	3,838	2,310	639	91	1,818	2,569	2,915	1,768	1,189	17,137
Interest bearing current accounts and savings deposits	22,971	8,062	2,598	13,287	18,658	1,843	5,600	2,784	7,730	83,533
Time deposits	21,734	10,892	6,608	12,172	19,529	4,757	6,929	1,380	20,912	104,913
Other deposits	32	20	208	1,223	815	317	593	452	1,938	5,598
Total	48,575	21,284	10,053	26,773	40,820	9,486	16,037	6,384	31,769	211,181
Deposits by banks	1,128	1,548	883	6,964	5,464	585	2,039	568	9,406	28,585
Customer accounts	47,447	19,736	9,170	19,809	35,356	8,901	13,998	5,816	22,363	182,596
	48,575	21,284	10,053	26,773	40,820	9,486	16,037	6,384	31,769	211,181
Debt securities in issue	545	2,065	792	19,701	2,830	1,556	22	141	4,501	32,153
Total	49,120	23,349	10,845	46,474	43,650	11,042	16,059	6,525	36,270	243,334

3. Net Trading Income

	6 months ended 30.06.08 $million	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Gains less losses on instruments held for trading:			
Foreign currency	**1,076**	444	418
Trading securities	**(10)**	135	(33)
Interest rate derivatives	**61**	124	133
Credit and other derivatives	**72**	(57)	96
Gains less losses from fair value hedged items and hedging instruments	**(16)**	(1)	(2)
Gains less losses on instruments designated at fair value:			
Financial assets designated at fair value through profit or loss	**14**	2	42
Financial liabilities designated at fair value through profit or loss	**(52)**	4	(41)
Derivatives managed with financial instruments designated at fair value through profit or loss	**6**	(2)	(1)
	1,151	649	612

4. Other Operating Income

	6 months ended 30.06.08 $million	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Other operating income includes:			
Gains less losses on available-for-sale financial assets:			
On disposal	**154**	229	110
Writedowns on asset backed securities	**(49)**	–	(87)
Gains less losses on disposal of loan and receivable financial assets	**–**	2	1
Dividend income	**85**	116	163
Gains arising on assets fair valued at acquisition	**47**	55	43
Gains arising on Visa Inc. shares	**17**	–	107
Income on repatriation of branch capital	**–**	–	109
Profit on part disposal of merchant acquiring business	**–**	–	15
Profit on sale of businesses	**146**	–	3

Profit on sale of businesses in the six months ended 30 June 2008 represents the gain on sale of the Group's Indian asset management business.

5. Depreciation and Amortisation

	6 months ended 30.06.08 $million	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Premises	**44**	33	45
Equipment	**66**	49	55
Intangibles:			
Software	**50**	33	53
Acquired on business combinations	**41**	35	42
	201	150	195

6. Other Impairment

	6 months ended 30.06.08 $million	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Intangible assets	**–**	–	17
Impairment losses on available-for-sale financial assets	**19**	3	37
Other	**7**	–	–
	26	3	54

Impairment of intangible assets consists of the write-off of a customer relationship asset relating to Whistlejacket Capital Limited ('Whistlejacket'), a structured investment vehicle previously sponsored by the Group. Impairment losses on available-for-sale financial assets includes $1 million (30 June 2007: $nil million, 31 December 2007: $35 million) impairment on asset backed securities and $18 million in relation to impairment of equity investments (30 June 2007: $nil million, 31 December 2007: $nil million).

7. Taxation

Analysis of taxation charge in the period:

	6 months ended 30.06.08 $million	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
The charge for taxation based upon the profits for the period comprises:			
United Kingdom corporation tax at 28.5 per cent (30 June 2007 and 31 December 2007: 30 per cent):			
Current tax on income for the period	**240**	161	224
Adjustments in respect of prior periods (including double taxation relief)	**(81)**	*35	(53)
Double taxation relief	**(240)**	(161)	(224)
Foreign tax:			
Current tax on income for the period	**720**	549	709
Adjustments in respect of prior periods	**(117)**	*28	(15)
Total current tax	**522**	612	641
Deferred tax:			
Origination/(reversal) of temporary differences	**57**	(6)	(161)
Adjustments in respect of prior periods	**119**	*(73)	33
Total deferred tax	**176**	(79)	(128)
Tax on profits on ordinary activities	**698**	533	513
Effective tax rate	**27.0%**	26.9%	25.0%

* Re-presented to identify separately all adjustment in respect of prior periods for United Kingdom, and foreign and deferred taxation.

Overseas taxation includes taxation on Hong Kong profits of $104 million (30 June 2007: $93 million, 31 December 2007: $102 million) provided at a rate of 16.5 per cent (30 June 2007: 17.5 per cent, 31 December 2007: 17.5 per cent) on the profits assessable in Hong Kong. With effect from 1 April 2008, the United Kingdom corporation tax rate was reduced from 30 per cent to 28 per cent. This gives a blended 28.5 per cent for the full calendar year.

8. Dividends

Dividends on ordinary equity and redeemable preference shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. The 2007 interim dividend of 23.12 cents per ordinary share was paid to eligible shareholders on 10 October 2007 and the final dividend of 56.23 cents per ordinary share was paid to eligible shareholders on 16 May 2008.

The 2008 interim dividend of 25.67 cents per ordinary share will be paid in either sterling, Hong Kong dollars or US dollars on 9 October 2008 to shareholders on the UK register of members at the close of business on 15 August 2008 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 15 August 2008.

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 1 September 2008.

	6 months ended 30.06.08		6 months ended 30.06.07		6 months ended 31.12.07	
Ordinary Equity Shares	**Cents per share**	**$million**	Cents per share	$million	Cents per share	$million
Final dividend declared and paid during the period	**56.23**	**793**	50.21	695	–	–
Interim dividend declared and paid during the period	**–**	**–**	–	–	23.12	324

Preference Shares	6 months ended 30.06.08 $million	6 months ended 30.06.07 $million	6 months ended 31.12.07 $million
Non-cumulative irredeemable preference shares:			
7 3/8 per cent preference shares of £1 each*	**7**	7	8
8 1/4 per cent preference shares of £1 each*	**8**	8	8
Non-cumulative redeemable preference shares:			
8.125 per cent preference shares of $5 each*	**5**	–	–
7.014 per cent preference shares of $5 each	**35**	5	†(5)
6.409 per cent preference shares of $5 each	**24**	24	4

* Instruments classified as liabilities with dividends recorded as interest expense and accrued accordingly.

† As the first dividend payment on these shares was not declared until 30 January 2008 (and consequently recognised in the six months to 30 June 2008), the $5 million dividend recognised in the six months to 30 June 2007 was reversed in the six months to 31 December 2007. 30 June 2007 has not been restated for this reversal as the amount is not considered to be material.

9. Earnings per Ordinary Share

	30.06.08			30.06.07			31.12.07		
	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	**1,785**	**1,413,387**	**126.3**	1,370	1,391,128	98.5	1,443	1,407,087	102.6
Effect of dilutive potential ordinary shares:									
Options		**15,909**	**–**	–	19,136	–	–	16,638	–
Diluted earnings per share	**1,785**	**1,429,296**	**124.9**	1,370	1,410,264	97.1	1,443	1,423,725	101.4

There were no ordinary shares issued after the balance sheet date that would have significantly affected the number of ordinary shares used in the above calculations had they been issued prior to the end of the balance sheet period.

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.

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Profit attributable to ordinary shareholders*	**1,785**	1,370	1,443
Amortisation of intangible assets arising on business combinations	**41**	35	42
Profit on sale of property, plant and equipment	**(2)**	–	(1)
Foreign exchange gain on repatriation of branch capital	**–**	–	(109)
Profit on part disposal of merchant acquiring business	**–**	–	(15)
Profit on sale of businesses	**(146)**	(4)	1
Pre-incorporation costs in China	**–**	8	–
Impairment of customer relationship intangible	**–**	–	17
Tax on normalised items	**24**	(8)	(15)
Normalised earnings	**1,702**	1,401	1,363
Normalised earnings per ordinary share (cents)	**120.4**	100.7	96.9
Normalised diluted earnings per share (cents)	**119.1**	97.1	95.8

* The profit amounts represent the profit attributable to ordinary shareholders and is therefore after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares (see note 8).

10. Financial Instruments Classification Summary

Financial instruments are classified between five recognition principles: held at fair value through profit or loss (comprising trading and designated), available-for-sale, held-to-maturity, loans and receivables, and for financial liabilities, amortised cost. Instruments that are held for trading purposes and those that the Group has elected to hold at fair value are combined on the face of the balance sheet and disclosed as financial assets or liabilities held at fair value through profit or loss.

The Group's classification of its principal financial assets and liabilities (excluding derivatives which are classified as trading and are disclosed in note 12) is summarised below. Cash and balances at central banks of $10,471 million (30 June 2007: $8,991 million, 31 December 2007: $10,175 million) are deemed to be held at amortised cost.

	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	**3,610**	**441**	**–**	**49,175**	**–**	**53,226**
Loans and advances to customers	**1,734**	**751**	**–**	**174,735**	**–**	**177,220**
Treasury bills and other eligible bills	**3,321**	**597**	**14,226**	**–**	**–**	**18,144**
Debt securities	**11,706**	**428**	**44,107**	**3,837**	**46**	**60,124**
Equity shares	**199**	**283**	**2,043**	**–**	**–**	**2,525**
Total financial assets at 30 June 2008	**20,570**	**2,500**	**60,376**	**227,747**	**46**	**311,239**
Loans and advances to banks	2,100	–	–	21,108	–	23,208
Loans and advances to customers	474	332	–	151,946	–	152,752
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 financial assets at 30 June 2007*	18,007	1,337	49,393	175,783	108	244,628
Loans and advances to banks	2,314	–	–	35,365	–	37,679
Loans and advances to customers	1,978	738	–	154,266	–	156,982
Treasury bills and other eligible bills	2,942	453	11,667	–	–	15,062
Debt securities	13,829	334	38,098	2,719	100	55,080
Equity shares	108	262	2,690	–	–	3,060
Total financial assets at 31 December 2007	21,171	1,787	52,455	192,350	100	267,863

* Amounts have been restated as explained in note 34.

	Trading $million	Designated at fair value through profit or loss $million	Amortised cost $million	Total $million
Deposits by banks	**2,000**	**83**	**38,389**	**40,472**
Customer accounts	**2,385**	**2,836**	**205,539**	**210,760**
Debt securities in issue	**2,119**	**1,733**	**32,511**	**36,363**
Short positions	**3,494**	**–**	**–**	**3,494**
Total financial liabilities at 30 June 2008	**9,998**	**4,652**	**276,439**	**291,089**
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 financial liabilities at 30 June 2007	9,405	3,712	214,342	227,459
Deposits by banks	2,532	173	25,880	28,585
Customer accounts	772	2,064	179,760	182,596
Debt securities in issue	2,665	2,351	27,137	32,153
Short positions	3,693	–	–	3,693
Total financial liabilities at 31 December 2007	9,662	4,588	232,777	247,027

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

For certain loans and advances and debt securities with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. Derivatives are recorded at fair value whereas loans and advances are usually recorded at amortised cost. To significantly reduce the accounting mismatch between fair value and amortised cost, these loans and advances and debt securities have been designated at fair value through profit or loss. The Group ensures the criteria under IAS 39 are met by matching the principal terms of interest rate swaps to the corresponding loans and debt securities.

The changes in fair value of both the underlying loans and advances and debt securities and interest rate swaps are monitored in a similar manner to trading book portfolios.

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Loans and advances to banks	**4,051**	2,100	2,314
Loans and advances to customers	**2,485**	806	2,716
Treasury bills and other eligible bills	**3,918**	4,186	3,395
Debt securities	**12,134**	11,868	14,163
Equity shares	**482**	384	370
	23,070	19,344	22,958

Debt securities

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Issued by public bodies:			
Government securities	**6,240**	3,199	5,344
Other public sector securities	**17**	105	30
	6,257	3,304	5,374
Issued by banks:			
Certificates of deposit	**380**	1,090	479
Other debt securities	**1,494**	2,366	2,672
	1,874	3,456	3,151
Issued by corporate entities and other issuers:			
Other debt securities	**4,003**	5,108	5,638
Total debt securities	**12,134**	11,868	14,163
Of which:			
Listed on a recognised UK exchange	**505**	505	536
Listed elsewhere	**4,405**	5,799	5,641
Unlisted	**7,224**	5,564	7,986
	12,134	11,868	14,163
Equity securities			
Listed	**196**	24	3
Unlisted	**286**	360	367
	482	384	370

12. Derivative Financial Instruments

Derivatives are financial instruments that derive their value 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.

All derivatives are classified as trading and recognised and subsequently measured at fair value, with all revaluation gains recognised in the income statement (except where cash flow hedging has been achieved, in which case the effective portion of changes in fair value go through reserves).

These tables 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.

The Group limits its exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are not presented net in these accounts as in the ordinary course of business they are not intended to be settled net. Amounts available for offset are $25,558 million (30 June 2007: $8,802 million, 31 December 2007: $17,282 million).

	30.06.08			30.06.07		
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	**1,295,242**	**13,377**	**12,834**	651,300	6,644	6,868
Currency swaps and options	**646,226**	**12,514**	**11,544**	423,855	5,514	5,707
Exchange traded futures and options	**39**	**–**	**–**	–	–	–
	1,941,507	**25,891**	**24,378**	1,075,155	12,158	12,575
Interest rate derivative contracts:						
Swaps	**1,108,571**	**14,143**	**14,704**	847,451	5,642	5,915
Forward rate agreements and options	**159,802**	**686**	**851**	114,477	197	295
Exchange traded futures and options	**353,814**	**250**	**204**	389,400	109	106
	1,622,187	**15,079**	**15,759**	1,351,328	5,948	6,316
Credit derivatives	**24,764**	**372**	**700**	32,880	60	55
Equity and stock index options	**867**	**62**	**91**	787	22	67
Commodity derivative contracts	**15,614**	**1,434**	**1,233**	2,869	253	222
Total derivatives	**3,604,939**	**42,838**	**42,161**	2,463,019	18,441	19,235

12. Derivative Financial Instruments continued

Total derivatives	31.12.07 Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:			
Forward foreign exchange contracts	775,663	7,376	7,852
Currency swaps and options	512,833	8,955	8,516
	1,288,496	16,331	16,368
Interest rate derivative contracts:			
Swaps	979,727	8,473	8,365
Forward rate agreements and options	166,563	556	745
Exchange traded futures and options	322,520	336	282
	1,468,810	9,365	9,392
Credit derivatives	21,035	165	160
Equity and stock index options	1,057	58	106
Commodity derivative contracts	16,971	285	244
Total derivatives	2,796,369	26,204	26,270

The Group uses derivatives primarily to mitigate interest rate and foreign exchange risk. Hedge accounting is applied to derivatives designated as hedging instruments and hedged items when the criteria under IAS 39 have been met. The table below lists the types of derivatives that the Group holds for hedge accounting.

Derivatives used for hedging	**30.06.08 Notional principal amounts $million**	**Assets $million**	**Liabilities $million**	30.06.07 Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:						
Swaps	**19,218**	**345**	**534**	9,917	119	353
	19,218	**345**	**534**	9,917	119	353
Derivatives designated as cash flow hedges:						
Swaps	**6,516**	**25**	**53**	5,669	15	32
Forward foreign exchange contracts	**1,905**	**34**	**22**	1,065	50	1
	8,421	**59**	**75**	6,734	65	33
Total derivatives held for hedging	**27,639**	**404**	**609**	16,651	184	386

Derivatives used for hedging	31.12.07 Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:			
Swaps	13,392	352	161
	13,392	352	161
Derivatives designated as cash flow hedges:			
Swaps	5,120	35	13
Forward foreign exchange contracts	1,414	37	19
	6,534	72	32
Total derivatives held for hedging	19,926	424	193

13. Loans and Advances

	30.06.08		30.06.07*		31.12.07	
	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	**53,246**	**179,044**	23,212	154,767	37,682	158,788
Individual impairment provision	**(2)**	**(1,229)**	(3)	(1,485)	(2)	(1,271)
Portfolio impairment provision	**(18)**	**(595)**	(1)	(530)	(1)	(535)
	53,226	**177,220**	23,208	152,752	37,679	156,982
Of which: loans and advances held at fair value through profit or loss	**(4,051)**	**(2,485)**	(2,100)	(806)	(2,314)	(2,716)
	49,175	**174,735**	21,108	151,946	35,365	154,266

* Amounts have been restated as explained in note 34.

The Group's exposure to credit risk is concentrated in Hong Kong, Korea, Singapore and the Other 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 residential mortgage loans to Korea residents of $19.6 billion (30 June 2007: $23.7 billion, 31 December 2007: $22.6 billion) and Hong Kong residents of approximately $12.3 billion (30 June 2007: $11.3 billion, 31 December 2007: $11.8 billion).

The following table shows the movement in impairment provisions for 2008 and 2007:

	30.06.08 $million	30.06.07* $million	31.12.07 $million
Provisions held at beginning of period	**1,809**	2,225	2,019
Exchange translation differences	**(10)**	15	13
Acquisitions	**89**	–	–
Amounts written off	**(528)**	(534)	(649)
Recoveries of acquisition fair values	**(47)**	(55)	(43)
Recoveries of amounts previously written off	**92**	55	84
Discount unwind	**(24)**	(34)	(32)
Other	**1**	(6)	16
New provisions	**691**	636	716
Recoveries/provisions no longer required	**(229)**	(283)	(315)
Net charge against profit	**462**	353	401
Provisions held at end of period	**1,844**	2,019	1,809

* Amounts have been restated as explained in note 34.

Of which:	**30.06.08 $million**	30.06.07 $million	31.12.07 $million
Individual impairment provision	**1,231**	1,488	1,273
Portfolio impairment provision	**613**	531	536
Provisions held at end of period	**1,844**	2,019	1,809

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Net charge/(release) against profit:			
Individual impairment charge	**444**	371	398
Portfolio impairment charge/(release)	**18**	(18)	3
	462	353	401
Provisions/(releases) related to credit commitments	**4**	–	(3)
Impairment (releases)/charges relating to debt securities classified as loans	**(1)**	8	2
Total impairment charge and other credit risk provisions	**465**	361	400

14. Non-Performing Loans and Advances

	30.06.08 $million	30.06.07* $million	31.12.07 $million
Non-performing loans and advances	**2,290**	2,472	2,316
Impairment provisions	**(1,844)**	(2,019)	(1,809)
	446	453	507

* Amounts have been restated as explained in note 34.

Net non-performing loans and advances comprises loans and advances to banks $7 million (30 June 2007: $3 million, 31 December 2007: $10 million) and loans and advances to customers $439 million (30 June 2007: $450 million, 31 December 2007: $497 million).

Impairment provisions cover 81 per cent of non-performing lending to customers (30 June 2007: 82 per cent, 31 December 2007: 78 per cent). The impairment provisions above include $613 million (30 June 2007: $513 million, 31 December 2007: $536 million) of portfolio impairment provisions.

15. Investment Securities

	30.06.08					
	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	**46**	**13,963**	**–**			
Other public sector securities	**–**	**1,079**	**–**			
	46	**15,042**	**–**			
Issued by banks:						
Certificates of deposit	**–**	**8,175**	**2,998**			
Other debt securities	**–**	**14,785**	**411**			
	–	**22,960**	**3,409**			
Issued by corporate entities and other issuers:						
Other debt securities	**–**	**6,105**	**428**			
Total debt securities	**46**	**44,107**	**3,837**			
Listed on a recognised UK exchange	**–**	**2,613**	**–**	**41**	**–**	**2,654**
Listed elsewhere	**44**	**18,494**	**82**	**1,071**	**5,185**	**24,876**
Unlisted	**2**	**23,000**	**3,755**	**931**	**9,041**	**36,729**
	46	**44,107**	**3,837**	**2,043**	**14,226**	**64,259**
Market value of listed securities	**44**	**21,107**	**82**	**1,112**	**5,185**	**27,530**

15. Investment Securities continued

30.06.07	Debt Securities Held-to-maturity $million	Debt Securities 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

31.12.07	Debt Securities Held-to-maturity $million	Debt Securities Available-for-sale $million	Loans and receivables $million	Equity securities $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	100	12,658	–			
Other public sector securities	–	1,008	–			
	100	13,666	–			
Issued by banks:						
Certificates of deposit	–	6,248	2,175			
Other debt securities	–	12,904	18			
	–	19,152	2,193			
Issued by corporate entities and other issuers:						
Other debt securities	–	5,280	526			
Total debt securities	100	38,098	2,719			
Listed on a recognised UK exchange	–	3,663	–	58	–	3,721
Listed elsewhere	77	16,060	–	1,842	6,346	24,325
Unlisted	23	18,375	2,719	790	5,321	27,228
	100	38,098	2,719	2,690	11,667	55,274
Market value of listed securities	75	19,723	–	1,900	6,346	28,044

15. Investment Securities continued

The change in the carrying amount of investment securities comprised:

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Opening	**55,274**	49,497	52,230
Exchange translation differences	**(1,113)**	374	663
Acquisitions	**2,721**	–	–
Additions	**53,974**	35,631	42,661
Maturities and disposals	**(45,423)**	(33,637)	(40,820)
Impairments	**(19)**	(13)	(37)
Changes in fair value (including the effect of fair value hedging)	**(1,016)**	215	481
Amortisation of discounts and premiums	**(139)**	163	96
Closing	**64,259**	52,230	55,274

Treasury bills and other eligible bills include $747 million (30 June 2007: $442 million, 31 December 2007: $492 million) of bills sold subject to sale and repurchase transactions. Debt securities include $1,948 million (30 June 2007: $2,253 million, 31 December 2007: $1,958 million) of securities sold subject to sale and repurchase transactions.

At 30 June 2008, unamortised (discount)/premiums on debt securities held for investment purposes amounted to $40 million (30 June 2007: $68 million, 31 December 2007: $46 million) and unamortised discounts amounted to $344 million (30 June 2007: $152 million, 31 December 2007: $186 million).

Income from listed equity shares amounted to $12 million (30 June 2007: $5 million, 31 December 2007: $4 million) and income from unlisted equity shares amounted to $73 million (30 June 2007: $111 million, 31 December 2007: $159 million).

16. Deferred Taxation

Deferred taxation comprises assets and liabilities as follows:

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Asset	**656**	559	593
Liability	**(93)**	(44)	(33)
Total	**563**	515	560

17. Business Combinations

2008 acquisitions

On 25 February 2008, the Group acquired 100 per cent of the share capital of Yeahreum Mutual Savings Bank (‘Yeahreum’), a Korean banking company.

On 29 February 2008, the Group acquired 100 per cent of the share capital of American Express Bank Limited (‘AEB’), a financial services company. The Group also entered into a put and call option agreement, exercisable 18 months from the acquisition of AEB, to purchase 100 per cent of American Express International Deposit Corporation at a purchase price equivalent to its net asset value at the time of exercise.

If the acquisitions had occurred on 1 January 2008, the operating income of the Group would have been approximately $7,114 million and profit before taxation would have been approximately $2,589 million.

During 2008, the Group acquired the remaining 20 per cent minority of A Brain for a consideration of $8 million and generated additional goodwill of $5 million.

17. Business Combinations continued

The assets and liabilities arising from the acquisitions were as follows:

	AEB		Yeahreum	
	Fair value $million	Acquiree's carrying amount $million	Fair value $million	Acquiree's carrying amount $million
Cash and balances at central banks*	1,041	1,041	29	29
Derivative financial instruments	511	511	–	–
Loans and advances to banks	7,330	7,349	619	619
Loans and advances to customers	4,750	4,750	110	121
Investment securities	2,711	2,711	8	8
Intangibles other than goodwill	112	4	–	–
Property, plant and equipment	30	34	–	–
Deferred tax assets	36	14	4	–
Other assets	516	544	12	12
Total assets	17,037	16,958	782	789
Derivative financial instruments	514	514	–	–
Deposits by banks	5,519	5,519	–	–
Customer accounts	8,393	8,393	740	740
Other liabilities	1,822	1,813	–	–
Provisions for liabilities and charges	24	16	23	23
Retirement benefit obligations	46	46	–	–
Subordinated liabilities and other borrowed funds	190	190	–	–
Total liabilities	16,508	16,491	763	763
Net assets acquired	529	467	19	26
Purchase consideration settled in cash	(821)		(161)	
Cash and cash equivalents in subsidiary acquired	6,700		449	
Cash inflow on acquisition	5,879		288	
Purchase consideration:				
- cash paid	796		160	
- direct costs relating to the acquisition	25		1	
Total purchase consideration	821		161	
Fair value of net assets acquired	(529)		(19)	
Goodwill	292		142	
Intangible assets acquired:				
Customer relationships	95		–	
Core deposits	9		–	
Capitalised software	8		–	
Total	112		–	
Contribution from acquisition to 30.06.08:				
Operating income	265		1	
Loss before taxation	(14)		(4)	

* Cash and balances at central banks include amounts subject to regulatory restrictions.

The fair value amounts contain some provisional balances which will be finalised within 12 months of the acquisition date. Goodwill arising on the acquisitions of AEB and Yeahreum 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 distribution network and acquired workforce.

17. Business Combinations continued

2007 acquisitions

On 5 October 2007, the Group acquired 100 per cent of the share capital of Pembroke Group Limited ('Pembroke'), an aircraft leasing, financing and management company. On 3 December 2007, the Group acquired 100 per cent of the share capital of Harrison Lovegrove & Co. Limited ('Harrison Lovegrove'), an oil and gas advisory boutique company. On 5 December 2007, the Group acquired 80 per cent of A Brain, a Korean fund administration company. None of these acquisitions were individually material.

The assets and liabilities arising from the acquisitions were as follows:

	Fair value* $million	Acquiree's carrying amount $million
Cash and balances at central banks	66	66
Loans and advances to customers	2	2
Intangibles other than goodwill	63	–
Property, plant and equipment	194	152
Deferred tax assets	5	10
Other assets	28	28
Total assets	358	258
Other liabilities	162	162
Total liabilities	162	162
Minority interest	3	–
Net assets acquired	193	96
Purchase consideration settled in cash	(151)	
Cash and cash equivalents in subsidiary acquired	66	
Cash outflow on acquisition	(85)	
Total purchase consideration†	224	
Fair value of net assets acquired	(193)	
Goodwill	31	
Intangible assets acquired:		
Brand names	6	
Customer relationships	55	
Capitalised software	2	
Total	63	

* Restated as explained in note 34.

† Includes cash paid $151 million; loan notes issued $5 million; deferred consideration $65 million; and costs $3 million.

The fair value amounts contain some provisional balances which will be finalised within 12 months of the acquisition date. Goodwill arising on these acquisitions is attributable to the synergies expected to arise and to the value of the workforce in place which is not recognised separately.

18. Deposits by Banks

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Deposits by banks	**38,389**	26,846	25,880
Deposits by banks included within:			
Financial liabilities held at fair value through profit or loss (note 20)	**2,083**	2,017	2,705
	40,472	28,863	28,585

19. Customer Accounts

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Customer accounts	**205,539**	160,242	179,760
Customer accounts included within:			
Financial liabilities held at fair value through profit or loss (note 20)	**5,221**	1,887	2,836
	210,760	162,129	182,596

20. Financial Liabilities Held at Fair Value through Profit or Loss

	30.06.08			30.06.07		
	Trading $million	**Designated at fair value through profit or loss $million**	**Total $million**	Trading $million	Designated at fair value through profit or loss $million	Total $million
Deposits by banks	**2,000**	**83**	**2,083**	1,747	270	2,017
Customer accounts	**2,385**	**2,836**	**5,221**	857	1,030	1,887
Debt securities in issue	**2,119**	**1,733**	**3,852**	2,153	2,412	4,565
Short positions	**3,494**	**–**	**3,494**	4,648	–	4,648
	9,998	**4,652**	**14,650**	9,405	3,712	13,117

	31.12.07		
	Trading $million	Designated at fair value through profit or loss $million	Total $million
Deposits by banks	2,532	173	2,705
Customer accounts	772	2,064	2,836
Debt securities in issue	2,665	2,351	5,016
Short positions	3,693	–	3,693
	9,662	4,588	14,250

21. Debt Securities in Issue

	30.06.08			30.06.07		
	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	**17,505**	**15,006**	**32,511**	8,242	19,012	27,254
Debt securities in issue within:						
Financial liabilities held at fair value through profit or loss (note 20)	**507**	**3,345**	**3,852**	1,373	3,192	4,565
	18,012	**18,351**	**36,363**	9,615	22,204	31,819

	31.12.07		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	8,502	18,635	27,137
Debt securities in issue within:			
Financial liabilities held at fair value through profit or loss (note 20)	951	4,065	5,016
	9,453	22,700	32,153

22. Other Liabilities

Other liabilities include Hong Kong currency notes in circulation of $2,918 million (30 June 2007: $2,697 million, 31 December 2007: $2,862 million) which are secured by the government of Hong Kong certificates of indebtedness of the same amount included in other assets.

23. Retirement Benefit Obligations

Retirement benefit obligations comprise:

	30.06.08 $million	30.06.07* $million	31.12.07 $million
Total market value of assets	**2,424**	2,405	2,488
Present value of the schemes' liabilities	**(2,905)**	(2,827)	(2,801)
Defined benefit schemes obligation	**(481)**	(422)	(313)
Defined contribution schemes	**(7)**	(15)	(9)
Net book amount	**(488)**	(437)	(322)

* Amounts have been restated as explained in note 34.

Retirement benefit charge comprises:

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Defined benefit schemes	**53**	56	54
Defined contribution schemes	**55**	41	62
	108	97	116

The pension cost for defined benefit schemes was:

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Current service cost	**48**	52	43
Past service cost	**–**	–	7
Loss on settlement and curtailments	**–**	–	(3)
Expected return on pension scheme assets	**(70)**	(34)	(98)
Interest on pension scheme liabilities	**75**	38	105
Total charge to profit before deduction of taxation	**53**	56	54
Actual less expected return on assets	**122**	–	(30)
Experience loss/(gain) on liabilities	**–**	(149)	(58)
Loss/(gain) recognised in Statement of Recognised Income and Expense before taxation	**122**	(149)	(88)
Deferred taxation	**(33)**	48	23
Loss/(gain) after taxation	**89**	(101)	(65)

24. Subordinated Liabilities and Other Borrowed Funds

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Subordinated liabilities and other borrowed funds	**18,745**	13,279	15,740

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.

Of total subordinated liabilities and other borrowings, $12,489 million is at fixed interest rates (30 June 2007: $7,072 million, 31 December 2007: $10,166 million).

On 19 March 2008, Standard Chartered First Bank Korea Limited ('SCFB') issued KRW90 billion Lower Tier 2 Notes with a coupon of 6.05 per cent maturing March 2018.

On 2 April 2008 and 18 April 2008 Standard Chartered Bank issued two tranches of Lower Tier 2 Notes for GBP500 million and GBP200 million respectively, with a maturity date of April 2018, and a coupon of 7.75 percent. The Notes were consolidated and formed a single series with effect from 29 May 2008.

On 10 April 2008 and 18 April 2008, Standard Chartered Bank issued two tranches of Lower Tier 2 Notes for SGD200 million and SGD250 million respectively, with a coupon of 5.25 per cent. The Notes have a maturity date of April 2023, and an issuer's call option in April 2018. The Notes were consolidated and form a single series with effect from 18 April 2008.

On 18 April 2008, Standard Chartered Bank issued EUR400 million Lower Tier 2 Notes, due 2018, with a coupon of 5.875 per cent, as a tap on the EUR700 million Lower Tier 2 Notes issued in September 2007. The two issues were consolidated and formed a single series with effect from 29 May 2008.

On 18 April 2008, Standard Chartered Bank issued JPY10 billion Lower Tier 2 Fixed Rate Notes, due 2023 with an issuer's call option after 10 years, with a coupon of 3.35 per cent.

On 25 May 2008, SCFB issued KRW260 billion Lower Tier 2 Fixed Rate Notes, due 2018 with an issuer's call option after five years, with a coupon of 6.08 per cent.

On 27 May 2008, the Company issued $675 million non-cumulative redeemable preference shares with a coupon of 8.125 per cent and with an issuer's call option in November 2013.

25. Share Capital

	Number of ordinary shares (millions)	Ordinary share capital $million	Preference share capital $million	Total $million
At 1 January 2007	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
Capitalised on scrip dividend	3	2	–	2
Shares issued, net of expenses	5	2	–	2
At 31 December 2007	**1,410**	**705**	**–**	**705**
Capitalised on scrip dividend	**8**	**4**	**–**	**4**
Shares issued, net of expenses	**4**	**2**	**–**	**2**
At 30 June 2008	**1,422**	**711**	**–**	**711**

On 16 May 2008, the Company issued 8,142,490 new ordinary shares instead of the 2007 final dividend.

During the period, 4,287,769 ordinary shares were issued under the employee share plans at prices between nil and 1243 pence.

26. 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 2007	3,865	5	13	3,149	410	51	678	7,990	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*	4,667	5	13	3,149	343	38	932	9,177	18,324
Recognised income and expense	–	–	–	–	407	19	49	1,503	1,978
Capitalised on scrip dividend	(2)	–		–	–	–	–	–	(2)
Shares issued, net of expenses	48	–	–	–	–	–	–	–	48
Net own shares adjustment	–	–	–	–	–	–	–	13	13
Share option expense and related taxation	–	–	–	–	–	–	–	13	13
Dividends, net of scrip	–	–	–	–	–	–	–	(228)	(228)
At 31 December 2007	**4,713**	**5**	**13**	**3,149**	**750**	**57**	**981**	**10,478**	**20,146**
Recognised income and expense	**–**	**–**	**–**	**–**	**(906)**	**(44)**	**(769)**	**1,752**	**33**
Capitalised on scrip dividend	**(4)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**
Shares issued, net of expenses	**31**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(56)**	**(56)**
Share option expense and related taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**37**	**37**
Dividends, net of scrip	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(586)**	**(586)**
At 30 June 2008	**4,740**	**5**	**13**	**3,149**	**(156)**	**13**	**212**	**11,625**	**19,601**

* The premium paid on the 8.9 per cent non-cumulative preference shares redeemed in 2006 was reclassified as a deduction from retained earnings rather than a deduction from the share premium account. Subsequently it has been deemed not appropriate to apply the relief given in section 160(2) of the Companies Act 1985 that allows a premium payable on redemption to be paid out of the proceeds of a fresh issue of shares made for the purpose of the redemption. This is because the fresh issue of shares contemplated for the redemption was not complete at the date of the redemption.

Transaction costs relating to share issues deducted from reserves account total $nil million (30 June 2007: $5 million, 31 December 2007: $nil million).

26. Reserves continued

Shares of the Group held for the beneficiaries of the Group's share based payment schemes

Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust ('the 1995 trust'), which is an employee benefit trust used in conjunction with some of the Group's employee share schemes, and of the Standard Chartered 2004 Employee Benefit Trust ('the 2004 trust') which is an employee benefit trust used in conjunction with the Group's deferred bonus plan. The trustee has agreed to satisfy a number of awards made under the employee share schemes and the deferred bonus plan through the relevant employee benefit trust. As part of these arrangements, Group companies fully fund the trust, from time to time, to enable the trustee to acquire shares of the Company to satisfy these awards. All shares have been acquired through the London Stock Exchange. Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the Company listed on The Stock Exchange of Hong Kong Limited during the period ended 30 June 2008. Details of the shares purchased and held by the trusts are set out below:

	1995 trust			2004 trust			Total		
	30.06.08	30.06.07	31.12.07	**30.06.08**	30.06.07	31.12.07	**30.06.08**	30.06.07	31.12.07
Shares purchased	**1,650,000**	–	190,600	**307,849**	351,340	–	**1,957,849**	351,340	190,600
Market price ($m)	**54**	–	5	**10**	10	–	**64**	10	5
Shares held at end of period	**1,846,267**	162,071	261,495	**361,859**	377,270	377,270	**2,208,126**	539,341	638,765
Maximum number of shares held during the period							**2,575,901**	2,526,144	2,526,144

27. Minority Interests

	$300m 7.267% Hybrid Tier 1 Securities $million	Other minority interests $million	Total $million
At 1 January 2007	333	209	542
Income in equity attributable to minority interests	–	41	41
Other profits attributable to minority interests	9	39	48
Recognised income and expense	9	80	89
Distributions	(11)	(50)	(61)
Other decreases	–	(14)	(14)
At 30 June 2007*	331	225	556
Arising on acquisitions	–	3	3
Income in equity attributable to minority interests	–	7	7
Other profits attributable to minority interests	10	90	100
Recognised income and expense	10	97	107
Distributions	(11)	(48)	(59)
Other decreases	–	(6)	(6)
At 31 December 2007	**330**	**271**	**601**
Expenses in equity attributable to minority interests	**–**	**(58)**	**(58)**
Other profits attributable to minority interests	**9**	**35**	**44**
Recognised income and expense	**9**	**(23)**	**(14)**
Distributions	**(10)**	**(84)**	**(94)**
Other increases	**–**	**100**	**100**
At 30 June 2008	**329**	**264**	**593**

* Amounts have been restated as explained in note 34.

28. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise 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.

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Cash and balances with central banks	**10,471**	8,991	10,175
Less restricted balances	**(6,064)**	(4,694)	(4,846)
Treasury bills and other eligible bills	**9,273**	7,028	6,203
Loans and advances to banks	**43,665**	18,291	32,464
Trading securities	**14,706**	10,691	11,342
Total	**72,051**	40,307	55,338

29. Net Interest Margin and Interest Spread

	30.06.08 %	30.06.07 %	31.12.07 %
Net interest margin	**2.5**	2.5	2.5
Interest spread	**2.2**	2.1	1.9

	$million	$million	$million
Average interest earning assets	**297,126**	238,879	253,219
Average interest bearing liabilities	**270,998**	216,773	219,191

30. Remuneration

The Group employed 74,565 staff at 30 June 2008 (30 June 2007: 63,762, 31 December 2007: 69,612).

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 rewards 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 pre-determined performance criteria. In addition, the Group operates two all-employee sharesave schemes in which 37 per cent (30 June 2007: 32 per cent, 31 December 2007: 42 per cent) of employees participate.

31. Contingent Liabilities and Commitments

The table below shows the contract or underlying principal 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.

	30.06.08 $million	30.06.07 $million	31.12.07 $million
Contingent liabilities*:			
Guarantees and irrevocable letters of credit	**29,471**	22,777	25,681
Other contingent liabilities	**11,727**	8,692	8,038
	41,198	31,469	33,719
Commitments*:			
Documentary credits and short term trade-related transactions	**10,204**	5,212	6,504
Forward asset purchases and forward deposits placed	**1,769**	–	64
Undrawn formal standby facilities, credit lines and other commitments to lend:			
One year and over	**16,014**	15,552	13,888
Less than one year	**16,656**	22,785	18,260
Unconditionally cancellable	**38,038**	33,588	45,279
	82,681	77,137	83,995
Risk weighted amount:			
Contingent liabilities	**18,443**	† 16,442	† 16,385
Commitments	**10,288**	† 7,379	† 7,194

* Includes amounts relating to the Group's share of its joint ventures.
† On a Basel I basis.

32. Liquidity Risk

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

The Risk Review section explains the Group's risk management with respect to asset and liability management.

	30.06.08				
	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	**4,407**	**–**	**–**	**6,064**	**10,471**
Derivative financial instruments	**8,650**	**13,071**	**16,851**	**4,266**	**42,838**
Loans and advances to banks*	**43,665**	**6,596**	**2,703**	**262**	**53,226**
Loans and advances to customers*	**64,221**	**31,086**	**33,602**	**48,311**	**177,220**
Investment securities*	**24,752**	**22,601**	**21,060**	**12,380**	**80,793**
Other assets	**3,280**	**1,296**	**190**	**27,413**	**32,179**
Total assets	**148,975**	**74,650**	**74,406**	**98,696**	**396,727**
Liabilities					
Deposits by banks*	**35,565**	**3,955**	**677**	**275**	**40,472**
Customer accounts*	**183,073**	**16,961**	**4,278**	**6,448**	**210,760**
Derivative financial instruments	**8,052**	**9,863**	**12,340**	**11,906**	**42,161**
Debt securities in issue*	**15,516**	**12,084**	**7,432**	**1,331**	**36,363**
Other liabilities*	**10,418**	**1,344**	**365**	**15,194**	**27,321**
Subordinated liabilities and other borrowed funds	**97**	**191**	**2,661**	**15,796**	**18,745**
Total liabilities	**252,721**	**44,398**	**27,753**	**50,950**	**375,822**
Net liquidity gap	**(103,746)**	**30,252**	**46,653**	**47,746**	**20,905**

* Amounts include financial instruments held at fair value through profit or loss (see note 11 and note 20).

	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
Total assets	99,017	59,488	55,602	83,379	297,486
Total liabilities	186,804	41,019	24,571	25,511	277,905
Net liquidity gap	(87,787)	18,469	31,031	57,868	19,581

* Amounts have been restated as explained in note 34.

	31.12.07*				
	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
Total assets	120,693	61,283	61,286	86,576	329,838
Total liabilities	213,756	38,764	27,241	28,625	308,386
Net liquidity gap	(93,063)	22,519	34,045	57,951	21,452

* Amounts have been restated as explained in note 34.

33. Fair Value of Financial Assets and Liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value.

	30.06.08		30.06.07		31.12.07	
	Book amount $million	**Fair value $million**	Book amount $million	Fair value $million	Book amount $million	Fair value $million
Assets						
Cash and balances at central banks	**10,471**	**10,471**	8,991	8,991	10,175	10,175
Loans and advances to banks	**49,175**	**48,722**	21,108	20,019	35,365	35,316
Loans and advances to customers	**174,735**	**174,483**	151,946	150,750	154,266	153,828
Investment securities	**3,883**	**3,882**	2,837	2,801	2,819	2,779
Liabilities						
Deposits by banks	**38,389**	**38,382**	26,846	26,533	25,880	25,844
Customer accounts	**205,539**	**205,277**	160,242	160,459	179,760	179,694
Debt securities in issue	**32,511**	**32,243**	27,254	26,585	27,137	27,072
Subordinated liabilities and other borrowed funds	**18,745**	**18,107**	13,279	13,073	15,740	15,029

34. Restatement of prior periods

Acquisitions

In accordance with IFRS 3 'Business Combinations', any subsequent revisions to provisional fair value balances within the first 12 months of an acquisition are made as at the date of acquisition, with a corresponding adjustment to goodwill.

In the consolidated balance sheet as at 30 June 2007, the fair value amounts in relation to the acquisitions of Union and HIB contained some provisional balances. During the year to 31 December 2007, certain of these balances were revised, increasing goodwill on acquisition relating to Union and HIB by $2 million to $414 million and by $66 million to $1,041 million respectively. The adjustments primarily related to a reassessment of the value of certain loan assets, investment debt securities and retirement benefit obligations, together with associated deferred tax. The income statement for 30 June 2007 has not been restated, because any effect is immaterial.

	As reported at 30.06.07 $million	Adjustment to Union $million	Adjustment to HIB $million	Reclassification $million	Restated at 30.06.07 $million
Loans and advances to customers	151,953	(1)	(6)	–	151,946
Goodwill and intangible assets	6,217	2	66	–	6,285
Property, plant and equipment	2,302	(1)	–	–	2,301
Deferred tax assets	522	–	29	(36)	515
Retirement benefit obligations	356	–	89	(8)	437
Other liabilities	13,733	–	2	(28)	13,707
Minority interests	558	–	(2)	–	556

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

In the consolidated balance sheet as at 31 December 2007, the fair value amounts in relation to the acquisitions of Pembroke, Harrison Lovegrove and A Brain contained some provisional balances. During the six months to 30 June 2008, certain of these balances were revised, reducing goodwill on these acquisitions by $6 million to $31 million. The income statement for the six months to 31 December 2007 has not been restated, because any effect is immaterial.

	As reported at 31.12.07 $million	Adjustment $million	Restated at 31.12.07 $million
Goodwill and intangible assets	6,380	(6)	6,374
Property, plant and equipment	2,887	5	2,892
Deferred tax	559	1	560

34. Restatement of prior periods continued

Other balance sheet adjustments

A re-presentation was made within the Group's balance sheets at 30 June 2007 and 31 December 2007 in respect of the current tax creditor to show the current tax asset and current tax liability separately. Details of the re-presentation are set out below:

	As reported at 30.06.07 $million	Re-presentation $million	Restated at 30.06.07 $million	As reported at 31.12.07 $million	Re-presentation $million	Restated at 31.12.07 $million
Current tax assets	–	607	607	–	633	633
Current tax liabilities	131	607	738	185	633	818

Cash flow statement

In the cash flow statement for the period ended 30 June 2007, there has been a reclassification within cash flow from operating activities of $445 million between other accounts and amounts written off, net of recoveries. The remaining balance of $89 million represents the non-cash income statement items relating to recoveries of acquisition fair values and discount unwind and has been re-named accordingly. The net increase in cash and cash equivalents in the cash flow statement has been unaffected by this reclassification.

35. Special Purpose Entities

The Group uses Special Purpose Entities ('SPEs') in the normal course of business across a variety of activities. SPEs are established for specific limited purposes and take a number of legal forms. The main types of activities for which the Group utilises SPEs cover securitisations, managed investment funds (including specialised principal finance funds) and structured finance. SPEs are consolidated into the Group's financial statements where the Group bears the majority of the residual risk or reward. Most of the Group's consolidated SPEs are in respect of the Group's securitised portfolios of residential mortgages.

The total assets of unconsolidated SPEs in which the Group has an interest are $3,237 million (31 December 2007: $3,044 million; 30 June 2007: $2,195 million) and the Group's total exposure is $324 million (31 December 2007: $442 million; 30 June 2007: $399 million).

Since December 2007, the Group has had no capital investment in Whistlejacket Capital Limited, a structured investment vehicle ('SIV') previously sponsored by the Group, which entered into administration on 11 February 2008. Other than the relationship it had with Whistlejacket, the Group has no exposures or commitments to SIVs or SIV-lites.

The Group has entered into synthetic loan and trade receivable securitisations where the assets referenced remain on the Group's balance sheet. The Group's exposure arises from its interest in the first loss notes issued by the note issuing SPEs, which are collateralised by AAA-rated Government securities, together with capitalised start-up costs in respect of the securitisations. The total asset value of these unconsolidated SPEs is $1,279 million (31 December 2007: $1,279 million; 30 June 2007: $802 million) and the Group's total exposure is $155 million (31 December 2007: $176 million; 30 June 2007: $48 million). All the funding is committed for the life of these vehicles and hence the Group has no indirect exposure in respect of the vehicles' liquidity position.

The remainder of the Group's exposure represents committed or invested capital in unleveraged investment funds. In particular, the Group has an investment of $76 million (31 December 2007: $251 million; 30 June 2007: $351 million) in Standard Chartered Global Liquidity Funds p.l.c. ('SCGLF'), which is an open-ended investment company domiciled in Ireland. SCGLF had a single sub-fund, the US Dollar Liquidity Fund, with total assets of $463 million (31 December 2007: $1,325 million; 30 June 2007: $1,103 million) which closed on 7 July 2008. Standard Chartered Bank was the Investment Manager and Distributor of the fund. At 30 June 2008, the size of other investment funds (the management of which was acquired with AEB) was $905 million and the Group's investment was $41 million.

The Group has some reputational risk in respect of certain securitisation and investment funds either because the Group is the arranger and lead manager or because the SPEs contain Standard Chartered branding.

36. Related Party Transactions

Mr Sunil Mittal, appointed as an independent non-executive director of Standard Chartered PLC with effect from 1 August 2007 is Chairman and Group CEO of the Bharti Enterprises Group. Due to his significant voting power in the Bharti Enterprises Group, it is a related party of Standard Chartered PLC. As at 30 June 2008, and in the normal course of business, the Group has loans to the Bharti Enterprises Group of $41 million (31 December 2007: $123 million), guarantees of $44 million (31 December 2007: $47 million), and foreign exchange deals with a notional value of $68 million (31 December 2007: $52 million).

Other than as disclosed there has been no significant change in related party transactions of directors as previously disclosed in the Group's 2007 Annual Report and Accounts.

Joint ventures
The Group has loans and advances to PT Bank Permata Tbk totalling $2 million at 30 June 2008 (31 December 2007: $4 million), and deposits of $2 million at 30 June 2008 (31 December 2007: $7 million).

On 11 January 2008 the Group acquired a 49 per cent stake in UTI Securities Limited for $38 million and has loans and advances to UTI Securities Limited at 30 June 2008 totalling $nil million and deposits of $13 million.

Associates
The Group has loans to Merchant Solutions Limited of $61 million (31 December 2007 and 30 June 2007: $nil million). Except as disclosed, as at 30 June 2008, 31 December 2007 and 30 June 2007 the Group did not have any amounts due to or from associate investments.

Other entities
The Group sponsors a number of investment funds, the investment in which is shown in note 35, to which it charges a management fee in accordance with normal terms.

37. Post Balance Sheet Events

The substantive conditions for the Group's purchase of an additional investment in Asia Commercial Bank were met on 2 July 2008, from which point the investment will be equity accounted in the Group's financial statements as it is considered to be an associate. The Group completed this transaction on 24 July 2008.

38. 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 5 August 2008. The comparative figures for the financial year ended 31 December 2007 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.

39. Corporate Governance

The directors confirm that, throughout the period, the Company has complied with the provisions of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange Limited ('HK Listing Rules'). 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.

STANDARD CHARTERED PLC – STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union ('EU') and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

(a) an indication of important events that have occurred during the first six months and their impact on the condensed Interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) material related party transactions in the first six months ended 30 June 2008 and any material changes in the related party transactions described in the last annual report of the Group.

By order of the Board

R H Meddings
Group Finance Director
5 August 2008

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 38 to 72 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 Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). 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 DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements in this half-yearly financial report has been prepared with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Review work performed

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review 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

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material aspects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants
London
5 August 2008

Share Awards

1994 Executive Share Option Scheme ('1994 ESOS')

No share awards were granted during 2008.

A reconciliation of option movements over the period to 30 June 2008 is shown below:

	2008 No. of shares	2008 Weighted average exercise price
Outstanding at 1 January	10,806	£6.20
Lapsed	–	–
Exercised	(10,806)	£6.20
Outstanding at 30 June	–	–
Exercisable at 30 June	–	–

The weighted average share price at the time the options were exercised during the current period was £17.32.

2000 Executive Share Option Scheme ('2000 ESOS')

No share awards were granted during 2008.

A reconciliation of option movements over the period to 30 June 2008 is shown below:

	2008 No. of shares	2008 Weighted average exercise price
Outstanding at 1 January	8,575,209	£8.28
Lapsed	–	–
Exercised	(1,750,337)	£8.57
Outstanding at 30 June	6,824,872	£8.20
Exercisable at 30 June	6,824,872	£8.20

Range of exercise price for options outstanding	2008 Weighted average exercise price	2008 Weighted average remaining contractual life
£6.905/£10.395	£8.20	4.5 years

The weighted average share price at the time the options were exercised during the current period was £17.71.

2001 Performance Share Plan ('2001 PSP')

A reconciliation of option movements over the period to 30 June 2008 is shown below:

	2008 No. of shares	2008 Weighted average exercise price
Outstanding at 1 January	5,885,597	–
Granted	2,459,155	–
Lapsed	(30,253)	–
Exercised	(866,260)	–
Outstanding at 30 June	7,448,239	–
Exercisable at 30 June	726,556	–

Range of exercise price for options outstanding	2008 Weighted average exercise price	2008 Weighted average remaining contractual life
n/a	–	8.6 years

The weighted average share price at the time the options were exercised during the current period was £16.70.

1997/2006 Restricted Share Scheme ('1997/2006 RSS')

A reconciliation of option movements over the period to 30 June 2008 is shown below:

	2008	
	No. of shares	Weighted average exercise price
Outstanding at 1 January	6,275,898	–
Granted	1,869,632	–
Lapsed	(92,080)	–
Exercised	(1,266,460)	–
Outstanding at 30 June	6,786,990	–
Exercisable at 30 June	1,808,889	–

	2008	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life
n/a	–	5.3 years

The weighted average share price at the time the options were exercised during the current period was £17.09.

2006 Supplementary Restricted Share Scheme ('2006 SRSS')

A reconciliation of option movements over the period to 30 June 2008 is shown below:

	2008	
	No. of shares	Weighted average exercise price
Outstanding at 1 January	187,602	–
Granted	1,641,869	–
Lapsed	(8,156)	–
Exercised	–	–
Outstanding at 30 June	1,821,315	–
Exercisable at 30 June	–	–

	2008	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life
n/a	–	6.6 years

There are no vested 2006 SRSS awards as at 30 June 2008.

1994/1996 UK and International Sharesave Scheme

A reconciliation of option movements over the period to 30 June 2008 is shown below:

	2008	
	No. of shares	Weighted average exercise price
Outstanding at 1 January	561,107	£5.82
Lapsed	(227,009)	£5.62
Exercised	(76,288)	£5.60
Outstanding at 30 June	257,810	£6.41
Exercisable at 30 June	150,084	–

	2008	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life
£6.41/£6.84	£6.41	–

The weighted average share price at the time the options were exercised during the current period was £17.80 for 1994 UK Sharesave schemes and £17.35 for 1996 International Sharesave schemes.

2004 UK and International Sharesave Schemes

A reconciliation of option movements over the period to 30 June 2008 is shown below:

	2008	
	No. of shares	Weighted average exercise price
Outstanding at 1 January	14,266,731	£10.91
Lapsed	(457,459)	£11.18
Exercised	(229,201)	£7.60
Outstanding at 30 June	13,580,071	£10.96
Exercisable at 30 June	–	–

	2008	
Range of exercise price for options outstanding	Weighted average exercise price	Weighted average remaining contractual life
£7.43/£12.43	£10.96	1.57 years

The weighted average share price at the time the options were exercised during the current period was £17.68 for the UK Sharesave scheme and £17.59 for the International Sharesave scheme.

2004 Deferred Bonus Plan

A reconciliation of share movements over the period to 30 June 2008 is shown below:

	2008
	No. of Shares
Outstanding at 1 January	351,340
Shares vested	(297,330)
Shares awarded	307,849
Shares lapsed	–
Outstanding at 30 June	361,859

Notes:

a) Market value of shares on date of awards (6 March) was £16.43.

b) The shares vest one year after the date of award.

Valuation of options

Details of the valuation models used in determining the fair values of options granted are detailed in the Group's 2007 Annual Report and Accounts.

Directors' interests in Ordinary Shares

Director	At 1 January 2008* Total interests	Personal interests	Family interests	At 30 June 2008** Total interests
E M Davies	24,957	2,000	22,957	24,957
P A Sands	50,670	81,402	–	81,402
S P Bertamini [(c)]	2,000	2,000	–	2,000
G R Bullock	88,837	133,603	–	133,603
Sir CK Chow [(d)]	15,664	15,664	–	15,664
M B DeNoma [(e)]	139,715	108,888	–	108,888
J F T Dundas	2,100	2,100	–	2,100
V F Gooding	2,045	2,045	–	2,045
R H P Markham	2,425	2,467	–	2,467
R Markland	2,194	2,232	–	2,232
R H Meddings	152,312	154,925	–	154,925
S B Mittal	2,000	2,000	–	2,000
J W Peace	5,000	5,000	–	5,000
P D Skinner	3,289	3,345	–	3,345
O H J Stocken	10,000	10,000	–	10,000
Lord Turner	5,092	5,179	–	5,179

Notes

(a) 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.

(b) 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.

(c) Appointed to the Board with effect from 1 June 2008.

(d) Resigned from the Board with effect from 7 May 2008.

(e) Resigned from the Board with effect from 1 June 2008.

2004 Deferred Bonus Plan

Director	Shares held in trust at 1 January 2008*	Shares awarded during the period (a)	Shares awarded in respect of notional dividend	Shares vested vested during the period (a)	Shares held in trust at 30 June 2008**
E M Davies	37,859	–	290	38,149	–
P A Sands	24,845	29,998	190	25,035	29,998
S P Bertamini	n/a	–	–	–	–
G R Bullock	14,789	15,599	113	14,902	15,599
M B DeNoma	17,746	16,499	135	17,881	16,499
R H Meddings	18,693	20,398	143	18,836	20,398

* or at date of appointment to the Board, if later.

** or date of resignation from Board if earlier.

Notes

(a) Market value on date of awards/vesting (6 March 2008) was 1643 pence.

(b) Under the 2004 Deferred Bonus Plan (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	Grant date	As at 1 January 2008*	Exercise price (pence)	Exercised	Lapsed	At 30 June 2008**	Period of exercise
E M Davies	2000 ESOS	4 March 2004	3,206	935.5	–	–	3,206	2008-2014
	2000 ESOS	9 March 2005	154,479	971	154,479[(b)]	–	–	–
P A Sands	2000 ESOS	20 May 2002	205,384	861.8	–	–	205,384	2008-2012
	2000 ESOS	5 March 2003	195,510	690.5	–	–	195,510	2008-2013
	2000 ESOS	4 March 2004	96,205	935.5	–	–	96,205	2008-2014
	2000 ESOS	9 March 2005	97,837	971	–	–	97,837	2008-2015
	Sharesave	26 September 2007	1,351	1,243	–	–	1,351	2012-2013
S P Bertamini	n/a	–	–	–	–	–	–	–
G R Bullock	2000 ESOS	4 March 2004	64,136	935.5	64,136[(b)]	–	–	–
	2000 ESOS	9 March 2005	50,205	971	50,205[(b)]	–	–	–
	Sharesave	8 September 2003	2,472	641	–	–	2,472	2008-2009
M B DeNoma	2000 ESOS	9 March 2005	64,109	971	64,109[(a)]	–	–	–
R H Meddings	2000 ESOS	4 March 2004	65,473	935.5	–	–	65,473	2008-2014
	2000 ESOS	9 March 2005	74,794	971	74,794[(b)]	–	–	–
	Sharesave	8 September 2006	878	1,064	–	–	878	2009-2010

* or at date of appointment to the Board or date of grant, if later.
** or date of resignation from Board if earlier.

Notes

(a) Market value on date of exercise (10 March 2008) was 1602.569 pence.
(b) Market value on date of exercise (8 May 2008) was 1842.02 pence.

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 2007 Report and Accounts, which is available on the Company's website:

http://investors.standardchartered.com

Long Term Incentives – Shares

Director	Scheme	Grant date	As at 1 January 2008*	Exercised	Lapsed	As at 30 June 2008**	Period of exercise
E M Davies	PSP	9 March 2005	154,479	154,479[c]	–	–	–
	PSP	14 March 2006	111,498	–	–	111,498	2009-2016
	PSP	11 May 2006	82,191	–	–	82,191	2009-2016
	PSP	12 March 2007	179,186	–	–	179,186	2010-2017
P A Sands	RSS	20 May 2002	52,216	52,216[c]	–	–	–
	PSP	4 March 2004	48,102	48,102[c]	–	–	–
	PSP	9 June 2004	36,644	–	–	36,644	2008-2014
	PSP	9 March 2005	97,837	–	–	97,837	2008-2015
	PSP	14 March 2006	73,170	–	–	73,170	2009-2016
	PSP	11 May 2006	35,958	–	–	35,958	2009-2016
	PSP	12 March 2007	142,143	–	–	142,143	2010-2017
	PSP	11 March 2008[a]	161,737	–	–	161,737	2011-2018
S P Bertamini	n/a	–	–	–	–	–	–
G R Bullock	PSP	9 March 2005	58,573	58,573[b]	–	–	–
	PSP	14 March 2006	48,780	–	–	48,780	2009-2016
	PSP	11 May 2006	17,979	–	–	17,979	2009-2016
	PSP	12 March 2007	81,495	–	–	81,495	2010-2017
	PSP	11 March 2008[a]	95,117	–	–	95,117	2011-2018
M B DeNoma	PSP	9 March 2005	74,794	74,794[b]	–	–	–
	PSP	14 March 2006	59,930	–	–	59,930	2009-2016
	PSP	11 May 2006	22,089	–	–	22,089	2009-2016
	PSP	12 March 2007	84,424	–	–	84,424	2010-2017
	PSP	11 March 2008[a]	83,025	–	–	83,025	2011-2018
R H Meddings	PSP	9 March 2005	74,794	74,794[c]	–	–	–
	PSP	14 March 2006	59,930	–	–	59,930	2009-2016
	PSP	11 May 2006	22,089	–	–	22,089	2009-2016
	PSP	12 March 2007	87,870	–	–	87,870	2010-2017
	PSP	11 March 2008[a]	109,981	–	–	109,981	2011-2018

* or at date of appointment to the Board or date of grant if later.

** or date of resignation from the Board, if earlier.

Notes

(a) Market value on date of award (11 March 2008) was 1623 pence.

(b) Market value on date of exercise (10 March 2008) was 1602.569 pence.

(c) Market value on date of exercise (8 May 2008) was 1842.02 pence.

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 2007 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. 50 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 2007 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 2008 was 1430 pence. The share price range during the first half of 2008 was 1430 pence to 1884 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

2008 Interim dividend	
Ex dividend date	13 August 2008
Record date for dividend	15 August 2008
Dividend payment date	9 October 2008

2008 Final dividend	**(provisional only)**
Results and dividend announced	3 March 2009

Preference shares	**Next half- yearly dividend**
7 3/8 per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2008
8 ¼ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2008
6.409 per cent Non-Cumulative preference shares of $5 each	30 July 2008
7.014 per cent Non-Cumulative preference shares of $5 each	30 July 2008
8.125 per cent Non-Cumulative preference shares of $5 each	First semi-annual dividend to be paid on 27 November 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
Interim 2007	10 October 2007	23.12c/11.39043p/HK$1.794713	£15.2560/$30.17637
Final 2007	16 May 2008	56.23c/28.33485p/HK$4.380092	£16.2420/$32.78447

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 6AE. 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, Wan Chai, 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, Wan Chai, 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：香港灣仔皇后大道東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	13 August 2008
Record date	15 August 2008
Expected posting to shareholders of 2008 Interim Report	1 September 2008
Payment date – interim dividend on ordinary shares	9 October 2008

Copies of this statement are available from:

Investor Relations, Standard Chartered PLC, 1 Basinghall Avenue, London, EC2V 5DD or from our website on http://investors.standardchartered.com

The following information is available on our website

- *Interim results video interview with Peter Sands, Group Chief Executive and Richard Meddings, Group Finance Director*
- *Interim results presentation in pdf format*
- *A live webcast of the interim results analyst presentation*
- *The archived podcast, webcast and Q/A session of analyst presentation in London*

Information regarding the Group's commitment to Sustainability is available at *http://www.standardchartered.com/sustainability*

Forward looking statements

It is possible that this document could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

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