



Standard Chartered Bank
(Hong Kong) Limited
Interim Financial Information
Disclosure Statements

For the period ended 30 June 2007

STANDARD CHARTERED BANK (HONG KONG) LIMITED

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STANDARD CHARTERED BANK (HONG KONG) LIMITED

The directors are pleased to announce the unaudited consolidated interim results of Standard Chartered Bank (Hong Kong) Limited (the "Bank") and its subsidiaries for the six months ended 30 June 2007.

2007 First Half Results

Profit before taxation increased by 14 per cent from HK\$3,691 million to HK\$4,210 million. Net interest income grew by 16 per cent to HK\$4,945 million. Net fee and commission income was up 34 per cent on the equivalent period. Total operating income increased by 21 per cent to HK\$7,506 million.

Operating expenses increased by 24 per cent over the corresponding figure in 2006 to HK\$3,221 million. The increase in impairment charge on advances to customers of HK\$146 million was due to higher recoveries in the first half of 2006.

After taking taxation into account, profit after taxation was HK\$3,479 million, an increase of 14 per cent over the HK\$3,054 million recorded in the corresponding period in 2006.

Basis of Preparation

The interim financial information disclosure statements have been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

Statement of compliance

In preparing the interim results for the first half of 2007, the Bank has fully complied with the disclosure standards set out in the "Banking (Disclosure) Rules" and "Guideline on the Application of the Banking (Disclosure) Rules" issued by the Hong Kong Monetary Authority ("HKMA").

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Consolidated Income Statement

<i>Figures in HK\$m</i>		6 months ended 30 June 2007	6 months ended 30 June 2006 (restated)
	<i>Note</i>		
Interest income	1	10,406	9,105
Interest expense	2	(5,461)	(4,851)
Net interest income		4,945	4,254
– Fee and commission income		2,457	1,818
– Fee and commission expense		(516)	(365)
Net fee and commission income	3	1,941	1,453
Net trading income	4	618	467
Net loss from financial instruments designated at fair value		(168)	(34)
Other operating income	5	170	53
		2,561	1,939
Total operating income		7,506	6,193
– Staff costs		(1,693)	(1,311)
– Premises and equipment	6	(429)	(375)
– Others		(1,099)	(909)
Operating expenses		(3,221)	(2,595)
Operating profit before impairment		4,285	3,598
Impairment charge on advances to customers		(31)	115
Impairment charge on financial assets measured at amortised cost		(40)	–
Share of results of an associate		(4)	(22)
Profit before taxation		4,210	3,691
Taxation	7	(731)	(637)
Profit after taxation		3,479	3,054
Attributable to:			
Equity shareholders of the Bank		3,477	3,053
Minority interests		2	1
Profit after taxation		3,479	3,054

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Consolidated Balance Sheet

<i>Figures in HK\$m</i>		At	At
	<i>Note</i>	30 June	31 December
		2007	2006
Assets			
Cash and balances with banks and other financial institutions		11,020	7,809
Placements with banks and other financial institutions	8	53,154	49,122
Hong Kong SAR Government certificates of indebtedness		21,091	20,261
Trading assets		37,726	24,239
Advances to customers	9	189,469	169,569
Amounts due from immediate holding company		28,495	38,099
Amounts due from fellow subsidiaries		17,776	11,941
Investment securities	15	57,538	57,140
Interest in an associate		976	959
Fixed assets	16	3,173	3,250
Goodwill and intangible assets		792	763
Deferred tax assets		31	56
Other assets		11,212	7,834
		432,453	391,042
Liabilities			
Hong Kong SAR currency notes in circulation		21,091	20,261
Deposits and balances of banks and other financial institutions		10,049	7,514
Deposits from customers	18	313,207	288,513
Trading liabilities		26,777	15,854
Financial liabilities designated at fair value through profit or loss	19	7,225	9,514
Debt securities in issue	20	3,368	2,707
Amounts due to immediate holding company		1,527	2,608
Amounts due to fellow subsidiaries		1,702	580
Current tax liabilities		1,006	553
Deferred tax liabilities		78	23
Other liabilities		13,832	9,258
Subordinated liabilities	21	6,131	3,756
		405,993	361,141
Equity			
Share capital		97	3,901
Reserves	22	26,310	25,949
Shareholders' equity		26,407	29,850
Minority interests		53	51
		26,460	29,901
		432,453	391,042

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

1. Interest income

Interest income in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	6 months ended 30 June 2007	6 months ended 30 June 2006
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Interest income on financial instruments that are not measured at fair value through profit or loss	9,926	8,787
Interest income recognised on impaired financial assets	17	12

2. Interest expense

Interest expense in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	6 months ended 30 June 2007	6 months ended 30 June 2006
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Interest expense on financial instruments that are not measured at fair value through profit or loss	5,196	4,711
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3. Net fee and commission income

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

<i>Figures in HK\$m</i>	6 months ended 30 June 2007	6 months ended 30 June 2006
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Net fee and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at fair value		
– fee and commission income	580	503
– fee and commission expense	166	120

Net fee income from trust and other fiduciary activities where the Bank holds or invests assets on behalf of its customers		
– fee and commission income	210	148
– fee and commission expense	52	38

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

4. Net gain/loss from trading instruments

Net gain/loss from trading instruments in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2007	6 months ended 30 June 2006
Net trading income	618	467
Add: interest income arising from trading assets	480	318
Less: interest expenses arising from trading liabilities	(265)	(140)
	<hr/>	<hr/>
	833	645
	<hr/> <hr/>	<hr/> <hr/>

5. Other operating income

Other operating income in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2007	6 months ended 30 June 2006
Net gain from disposal of available for sale securities	112	17
Net gain on disposal of financial instruments measured at amortised cost	17	–
Net (loss)/gain from the disposal of fixed assets	(6)	9
Others	47	27
	<hr/>	<hr/>
	170	53
	<hr/> <hr/>	<hr/> <hr/>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

6. Premises and equipment

Premises and equipment expenses in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2007	<i>6 months ended 30 June 2006</i>
Premises and equipment expenses excluding depreciation	344	283
Depreciation	85	92
	429	375

7. Taxation

The charge for taxation in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	6 months ended 30 June 2007	<i>6 months ended 30 June 2006</i>
Hong Kong profits tax	692	620
Deferred taxation	39	17
	731	637

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

8. Placements with banks and other financial institutions

<i>Figures in HK\$m</i>	At 30 June 2007	At 31 December 2006
Maturing within one month	29,675	35,823
Maturing between one month and one year	23,479	13,299
	<u>53,154</u>	<u>49,122</u>

9. Advances to customers

<i>Figures in HK\$m</i>	At 30 June 2007	At 31 December 2006
Gross advances to customers	190,656	171,144
Individually assessed impairment allowances	(841)	(1,224)
Collectively assessed impairment allowances	(346)	(351)
	<u>189,469</u>	<u>169,569</u>

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

10. Advances to customers analysed by industry sector and geographical area

Figures in HK\$m

	At 30 June 2007	% of advances covered by collateral or other securities	At 31 December 2006	% of advances covered by collateral or other securities
Gross advances to customers for use in Hong Kong				
<i>Industrial, commercial and financial</i>				
Property development	4,148	43%	3,715	38%
Property investment	16,117	95%	16,685	91%
Financial concerns	14,045	22%	10,691	25%
Stockbrokers	16,439	15%	804	34%
Wholesale and retail trade	5,201	12%	5,655	16%
Manufacturing	7,530	26%	7,168	32%
Transport and transport equipment	2,481	3%	3,853	4%
Others	4,575	33%	6,829	16%
	<u>70,536</u>		<u>55,400</u>	
<i>Individuals</i>				
Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,486	100%	1,852	100%
Advances for the purchase of other residential properties	79,805	99%	79,313	99%
Credit card advances	8,759	–	9,575	–
Others	7,522	4%	6,614	4%
	<u>97,572</u>		<u>97,354</u>	
Total gross advances to customers for use in Hong Kong	168,108		152,754	
Trade finance	15,528	27%	13,949	28%
Trade bills	2,802	–	2,674	–
Gross advances to customers for use outside Hong Kong	4,218	3%	1,767	2%
Gross advances to customers	190,656	61%	171,144	65%

Advances to customers by geographical area are classified according to the location of the counterparties. As at 30 June 2007 and 31 December 2006, over 90 per cent of the Bank's and its subsidiaries' advances to customers were classified under the area of Hong Kong.

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10. Advances to customers analysed by industry sector and geographical area (cont'd)

The amount of impaired and overdue advances to customers and individually and collectively assessed impairment allowances for industry sectors which constitute not less than 10% of the Bank's and its subsidiaries' total advances to customers are shown as follows:

Figures in HK\$m

	<i>Impaired advances to customers</i>	<i>Overdue advances to customers</i>	<i>Individually assessed impairment allowances</i>	<i>Collectively assessed impairment allowances</i>
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As at 30 June 2007

Advances for the

purchase of other

residential properties

245

68

10

15

As at 31 December 2006

Advances for the purchase

of other residential properties

318

111

21

17

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

12. Rescheduled advances to customers

	At 30 June 2007		At 31 December 2006	
	HK\$m	% of advances	HK\$m	% of advances
Rescheduled advances to customers	356	0.2%	443	0.3%

Rescheduled advances are those advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Bank. The rescheduled advances are stated net of any advances that have subsequently become overdue for over 3 months and reported as overdue advances in note 11.

As at 30 June 2007 and 31 December 2006, there were no rescheduled advances to banks and other financial institutions.

13. Impaired advances to customers

<i>Figures in HK\$m</i>	At 30 June 2007	At 31 December 2006
Gross impaired advances to customers	1,373	1,892
Individually assessed impairment allowances	(841)	(1,224)
	<u>532</u>	<u>668</u>
Gross impaired advances to customers as a % of gross advances to customers	<u>0.72%</u>	<u>1.11%</u>
Current market value of collateral held against the covered portion of impaired advances to customers	<u>287</u>	<u>367</u>
Covered portion of impaired advances to customers	205	286
Uncovered portion of impaired advances to customers	<u>1,168</u>	<u>1,606</u>

The covered portion of impaired advances to customers represents the amount of collateral held against outstanding balances. It does not include any collateral held over and above outstanding exposures.

An allowance for impairment is established if there is objective evidence that the Bank and its subsidiaries will not be able to collect all amounts due according to the original contractual terms of the loan. The amount of the loan is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The individually assessed impairment allowances are made after taking into account the value of collateral in respect of such advances.

As at 30 June 2007 and 31 December 2006, there were no advances to banks which were classified as impaired advances.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

14. Repossessed assets

<i>Figures in HK\$m</i>	At 30 June 2007	<i>At 31 December 2006</i>
Repossessed assets	<u>13</u>	<u>61</u>

Assets acquired in exchange for the release in full or in part of the obligations of the borrowers due to restructuring or the inability of borrowers to repay, continue to be recorded as "Advances to customers" in the balance sheet at the lower of fair value (less costs to sell) and the carrying amount of the loan (net of any impairment allowances), until the assets are realised.

15. Investment securities

<i>Figures in HK\$m</i>	At 30 June 2007	<i>At 31 December 2006</i>
Available-for-sale securities		
Certificates of deposit held	419	307
Other available-for-sale securities	<u>56,518</u>	<u>56,833</u>
	56,937	57,140
Loans and receivables	<u>601</u>	<u>–</u>
	<u>57,538</u>	<u>57,140</u>

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Additional Information

16. Fixed assets

<i>Figures in HK\$m</i>	<i>Buildings and leasehold land held for own use</i>	<i>Equipment, furniture & fixtures</i>	<i>Sub-total</i>	<i>Investment properties</i>	<i>Total</i>
<i>Cost:</i>					
At 1 January 2007	2,431	469	2,900	886	3,786
Additions	27	17	44	–	44
Disposals	(38)	(58)	(96)	–	(96)
Reclassifications	236	6	242	(242)	–
	<u>2,656</u>	<u>434</u>	<u>3,090</u>	<u>644</u>	<u>3,734</u>
At 30 June 2007	<u>2,656</u>	<u>434</u>	<u>3,090</u>	<u>644</u>	<u>3,734</u>
<i>Accumulated depreciation:</i>					
At 1 January 2007	247	268	515	21	536
Charge for the period	44	35	79	6	85
Written back on disposals	(3)	(57)	(60)	–	(60)
Reclassifications	12	–	12	(12)	–
	<u>300</u>	<u>246</u>	<u>546</u>	<u>15</u>	<u>561</u>
At 30 June 2007	<u>300</u>	<u>246</u>	<u>546</u>	<u>15</u>	<u>561</u>
<i>Net book value:</i>					
At 30 June 2007	<u>2,356</u>	<u>188</u>	<u>2,544</u>	<u>629</u>	<u>3,173</u>
At 31 December 2006	<u>2,184</u>	<u>201</u>	<u>2,385</u>	<u>865</u>	<u>3,250</u>

17. Investments in subsidiaries

The principal subsidiaries of the Bank are: C.E.C. Finance Limited and Standard Chartered APR Limited.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

18. Deposits from customers

<i>Figures in HK\$m</i>	<i>At 30 June 2007</i>	<i>At 31 December 2006</i>
Current accounts	28,471	23,763
Savings accounts	129,458	126,820
Time, call and notice deposits	155,278	137,930
	<u>313,207</u>	<u>288,513</u>

19. Financial liabilities designated at fair value through profit or loss

<i>Figures in HK\$m</i>	<i>At 30 June 2007</i>	<i>At 31 December 2006</i>
Structured customer deposits	5,931	8,137
Debt securities in issue	160	247
Certificates of deposit in issue	1,134	1,130
	<u>7,225</u>	<u>9,514</u>

20. Debt securities in issue

<i>Figures in HK\$m</i>	<i>At 30 June 2007</i>	<i>At 31 December 2006</i>
Certificates of deposit, measured at amortised cost	2,495	2,707
Other debt securities, measured at amortised cost	873	–
	<u>3,368</u>	<u>2,707</u>

In June 2007, the Bank issued US\$200 million fixed rate notes which have a maturity of ten years to a fellow subsidiary. The Bank has subsequently bought back part of these notes.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

21. Subordinated liabilities

<i>Figures in HK\$m</i>	At 30 June 2007	<i>At 31 December 2006</i>
HK\$670 million		
Floating Rate Step-Up Notes 2014 ⁽¹⁾	670	624
HK\$500 million 3.5%		
Fixed/Floating Rate Step-Up Notes 2014 ⁽²⁾	479	489
US\$350 million 4.375%		
Fixed/Floating Rate Step-Up Notes 2014 ⁽³⁾	2,647	2,643
US\$300 million		
Floating Rate Step-Up Notes 2017 ⁽⁴⁾	2,335	–
	6,131	3,756

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

- (1) Interest rate at three month HIBOR plus 0.37 per cent, payable quarterly, to the call option date. Thereafter, it will be reset to three-month HIBOR plus 0.87 per cent, payable quarterly.
- (2) Interest rate at 3.5 per cent per annum, payable semi-annually, to the call option date. Thereafter, it will be reset to three-month HIBOR plus 0.87 per cent, payable quarterly.
- (3) Interest rate at 4.375 per cent per annum, payable semi-annually, to the call option date. Thereafter, it will be reset to three-month US dollar LIBOR plus 0.86 per cent, payable quarterly.
- (4) Interest rate at three-month US dollar LIBOR plus 0.25 per cent, payable quarterly, to the call option date. Thereafter, it will be reset to three-month US dollar LIBOR plus 0.75 per cent, payable quarterly.

22. Reserves

<i>Figures in HK\$m</i>	At 30 June 2007	<i>At 31 December 2006</i>
Share premium	12,477	12,477
Capital redemption reserve	3,804	–
Cash flow hedge reserve	(34)	(4)
Available-for-sale securities revaluation reserve	158	97
Pension reserve	179	130
Foreign exchange reserve	55	34
Retained earnings	9,671	13,215
	26,310	25,949

During the six months ended 30 June 2007, the Bank repurchased 3,800 million of its own non-cumulative preference shares and 74 million of its ordinary "A" shares at a total consideration of HK\$7,021 million. A capital redemption reserve of HK\$3,804 million was recorded and the premium paid on the repurchase of the shares of HK\$7,021 million was charged to retained earnings.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

22. Reserves (cont'd)

For the six months ended 30 June 2007, a gain of HK\$217 million (30 June 2006: a loss of HK\$37 million) was recognized directly in the available-for-sale securities revaluation reserve representing the change in fair value of the available-for-sale securities.

The HKMA requires the Bank to maintain a minimum level of impairment allowances which is in excess of the impairment allowances required under Hong Kong Financial Reporting Standards. Of the retained earnings as at 30 June 2007, an amount of HK\$639 million (31 December 2006: HK\$552 million) has been reserved for this purpose.

23. Off-balance sheet exposures

Figures in HK\$m

	At 30 June 2007	At 31 December 2006 (restated)
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a) Contingent liabilities and commitments

Contractual or notional amounts

Direct credit substitutes	19,801	28,153
Transaction-related contingencies	10,050	8,104
Trade-related contingencies	19,985	15,324
Forward asset purchases	66	12
Forward forward deposits placed	1,012	679
Other commitments		
which are not unconditionally cancellable:		
with original maturity of not more than one year	5,342	4,285
with original maturity of more than one year	9,437	10,330
which are unconditionally cancellable	130,850	127,169
	<u>196,543</u>	<u>194,056</u>
Credit risk weighted amount	<u>22,429</u>	<u>26,234</u>

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

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Additional Information

23. Off-balance sheet exposures (cont'd)

Figures in HK\$m

At
30 June
2007

At
31 December
2006

b) Derivatives

Notional amounts

Exchange rate contracts	760,151	459,390
Interest rate contracts	66,950	48,608
Others	189	135
	827,290	508,133

The above derivatives transactions are undertaken by the Bank and its subsidiaries in the foreign exchange, interest rate and equity markets. The notional amounts of these instruments indicate the volume of transactions outstanding and do not represent amounts at risk.

Fair values and credit risk weighted amounts of derivatives

Figures in HK\$m

At 30 June 2007

At 31 December 2006

	Fair value assets	Fair value liabilities	Credit risk weighted amount	Fair value assets	Fair value liabilities	Credit risk weighted amount (restated)
Exchange rate contracts	4,580	4,508	6,443	3,680	3,649	1,818
Interest rate contracts	186	325	297	355	444	385
Others	19	12	9	1	1	9
	4,785	4,845	6,749	4,036	4,094	2,212

Credit risk weighted amount refers to the amount as computed in accordance with the Banking (Capital) Rules issued by the HKMA which became effective on 1 January 2007. The corresponding amounts as at 31 December 2006 have been recalculated in accordance with the Banking (Capital) Rules. The amount calculated is dependent upon the status of the counterparty and maturity characteristics of each type of contract.

The fair values and credit risk weighted amounts of the above derivative exposures do not take into account the effects of bilateral netting arrangements.

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24. Cross border claims

Cross border claims are on-balance sheet exposures to counterparties based on the location of those counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate cross border claims are shown as follows:

Figures in HK\$m

	<i>Banks and Other Financial Institutions</i>	<i>Public Sector Entities</i>	<i>Others</i>	<i>Total</i>
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As at 30 June 2007

Western Europe

– United Kingdom	44,833	–	1,911	46,744
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As at 31 December 2006

Western Europe

– United Kingdom	43,750	–	2,528	46,278
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STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

25. Non-bank Mainland China exposure

Figures in HK\$m

	<i>On-balance sheet exposure</i>	<i>Off-balance sheet exposure</i>	<i>Total</i>	<i>Individually assessed impairment allowances</i>
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As at 30 June 2007

Mainland China entities	5,680	6,671	12,351	126
Companies and individuals outside				
Mainland China where the credit is granted for use in Mainland China	2,830	15,370	18,200	3
Other counterparties where the exposure is considered by the Bank to be non-bank				
Mainland China exposure	35	140	175	–

As at 31 December 2006

Mainland China entities	2,051	4,868	6,919	129
Companies and individuals outside				
Mainland China where the credit is granted for use in Mainland China	2,792	11,250	14,042	3
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	58	84	142	20

The off-balance sheet exposure represents the amount at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contract amounts do not represent expected future cash flows.

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

26. Currency risk

The Bank had the following net non-structural foreign currency exposures which exceeded 10% of the net non-structural foreign currency exposure in all currencies:

<i>Figures in HK\$m</i>	At 30 June 2007	<i>At 31 December 2006</i>
United States dollars		
Spot assets	109,660	122,020
Spot liabilities	(106,084)	(92,110)
Forward purchases	253,522	257,586
Forward sales	(255,980)	(287,725)
Net long / (short) non-structural position	<u>1,118</u>	<u>(229)</u>
New Zealand dollars		
Spot assets	2,639	2,644
Spot liabilities	(1,177)	(1,465)
Forward purchases	4,130	3,656
Forward sales	(5,726)	(4,774)
Net (short) / long non-structural position	<u>(134)</u>	<u>61</u>

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Additional Information

26. Currency risk (cont'd)

The Bank had the following net structural foreign currency exposures which exceeded 10% of the net structural foreign currency exposure in all currencies:

<i>Figures in HK\$m</i>	At 30 June 2007	At 31 December 2006
Chinese Renminbi	<u>1,025</u>	<u>995</u>
United Arab Emirates Dirham	<u>493</u>	<u>498</u>
Vietnamese Dong	<u>240</u>	<u>238</u>

27. Capital adequacy ratios

	At 30 June 2007	At 31 December 2006 (restated)
Capital adequacy ratio	12.1%	13.8%
Core capital ratio	9.6%	12.0%

The consolidated capital adequacy and core capital ratios were calculated in accordance with the Banking (Capital) Rules issued by the HKMA, which became effective on 1 January 2007.

The basis of consolidation for calculation of the capital ratios under the Capital Rules includes the major subsidiaries set out in note 17 but excludes certain subsidiaries including SCL Consulting (Shanghai) Company Limited, Standard Chartered Corporate Advisory (Beijing) Company Limited, SCOPE International (China) Company Limited and Standard Chartered Investment Services Limited. The investment cost of these subsidiaries are therefore deducted from capital.

The capital ratios as at 31 December 2006 have been recalculated in accordance with the Capital Rules.

The Bank uses the basic approach and standardized (securitization) approach to calculate its credit risk for non-securitization exposures and credit risk for securitization exposures respectively.

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

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Additional Information

28. Components of capital base

The capital base used in the calculation of the above capital adequacy ratio on the consolidated basis of the Bank and certain of its subsidiaries and reported to the HKMA is analysed as follows:

<i>Figures in HK\$m</i>	At 30 June 2007	<i>At 31 December 2006 (restated)</i>
Core capital:		
Paid up ordinary share capital	97	101
Irredeemable non-cumulative preference shares	–	3,800
Share premium	12,477	12,477
Reserves	9,637	6,758
Current year profit	3,459	6,070
Minority interests	53	51
Deduct:		
Goodwill	(611)	(611)
Other intangible assets	(181)	(127)
Deferred tax assets	(31)	(56)
	<u>24,900</u>	<u>28,463</u>
Deductions from core capital	(807)	(761)
Core capital after deductions	<u>24,093</u>	<u>27,702</u>
Supplementary capital:		
Available-for-sale securities revaluation reserve and others	99	55
Regulatory reserve	639	552
Collective impairment allowances for impaired assets	346	351
Term subordinated debt	6,131	3,756
	<u>7,215</u>	<u>4,714</u>
Deductions from supplementary capital	(807)	(761)
Supplementary capital after deductions	<u>6,408</u>	<u>3,953</u>
Total capital base before deductions	32,115	33,177
Deductions from total capital base	<u>(1,614)</u>	<u>(1,522)</u>
Total capital base	30,501	31,655

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Additional Information

29. Liquidity ratio

	6 months ended 30 June 2007	<i>6 months ended 30 June 2006</i>
Average liquidity ratio for the period	43.2%	42.0%

The liquidity ratio is computed on an unconsolidated basis and in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

30. Comparative figures

Certain comparative figures have been restated to comply with the current period presentation.

By order of the Board



Lai Wing Nga
Company Secretary

Hong Kong
7 August 2007