



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

For the period ended 30 June 2008

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

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The directors are pleased to announce the unaudited consolidated interim results of Standard Chartered Bank (Hong Kong) Limited (the "Bank") and its subsidiaries for the six months ended 30 June 2008.

### **2008 First Half Results**

Profit before taxation increased by 17 per cent from HK\$4,210 million to HK\$4,924 million. Net interest income grew by 1 per cent to HK\$4,979 million. Net fee and commission income was up 19 per cent on the equivalent period. Total operating income increased by 20 per cent to HK\$8,978 million.

Operating expenses increased by 12 per cent over the corresponding period in 2007 to HK\$3,614 million. The increase in impairment charge on advances to customers of HK\$313 million was due to higher new provisions in the first half of 2008 and non-recurrence of the recoveries in the first half of 2007.

Profit after taxation was HK\$4,103 million, an increase of 18 per cent over HK\$3,479 million recorded in the corresponding period in 2007.

### **Basis of Preparation**

The interim financial information disclosure statements have been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

### **Statement of compliance**

In preparing the interim results for the first half of 2008, 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>	<i>Note</i>	<b>6 months ended 30 June 2008</b>	<b>6 months ended 30 June 2007</b>
Interest income	1	<b>8,056</b>	10,406
Interest expense	2	<b>(3,077)</b>	(5,461)
<b>Net interest income</b>		<b>4,979</b>	4,945
– Fee and commission income		<b>3,094</b>	2,915
– Fee and commission expense		<b>(249)</b>	(516)
Net fee and commission income	3	<b>2,845</b>	2,399
Net trading income	4	<b>1,039</b>	160
Net losses from financial instruments designated at fair value	5	<b>(34)</b>	(168)
Net gains from disposal of available-for-sale securities		<b>66</b>	112
Other operating income	6	<b>83</b>	58
		<b>3,999</b>	2,561
<b>Total operating income</b>		<b>8,978</b>	7,506
– Staff costs		<b>(1,904)</b>	(1,693)
– Premises and equipment	7	<b>(444)</b>	(429)
– Others		<b>(1,266)</b>	(1,099)
<b>Operating expenses</b>		<b>(3,614)</b>	(3,221)
<b>Operating profit before impairment</b>		<b>5,364</b>	4,285
Impairment charge on advances to customers		<b>(344)</b>	(31)
Other impairment charges	8	<b>(20)</b>	(40)
<b>Operating profit after impairment</b>		<b>5,000</b>	4,214
Share of loss of associates		<b>(76)</b>	(4)
<b>Profit before taxation</b>		<b>4,924</b>	4,210
Taxation	9	<b>(821)</b>	(731)
<b>Profit after taxation</b>		<b>4,103</b>	3,479
<b>Attributable to:</b>			
Equity shareholders of the Bank		<b>4,103</b>	3,477
Minority interests		<b>–</b>	2
<b>Profit after taxation</b>		<b>4,103</b>	3,479

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated Balance Sheet

<i>Figures in HK\$m</i>		<b>At</b>	<b>At</b>
	<i>Note</i>	<b>30 June</b>	<b>31 December</b>
		<b>2008</b>	<b>2007</b>
<b>Assets</b>			
Cash and balances with banks and other financial institutions		<b>8,750</b>	8,216
Placements with banks and other financial institutions	10	<b>84,025</b>	114,724
Hong Kong SAR Government certificates of indebtedness		<b>22,751</b>	22,321
Trading assets		<b>20,928</b>	24,616
Financial assets designated at fair value	11	<b>4,430</b>	2,924
Advances to customers	12	<b>198,885</b>	176,479
Amounts due from immediate holding company		<b>55,885</b>	50,925
Amounts due from fellow subsidiaries		<b>20,656</b>	17,540
Investment securities	18	<b>52,843</b>	49,929
Interest in associates		<b>1,121</b>	1,132
Fixed assets	19	<b>3,155</b>	3,173
Goodwill and intangible assets		<b>794</b>	783
Deferred tax assets		<b>65</b>	43
Other assets		<b>9,845</b>	8,921
		<b>484,133</b>	481,726
<b>Liabilities</b>			
Hong Kong SAR currency notes in circulation		<b>22,751</b>	22,321
Deposits and balances of banks and other financial institutions		<b>11,122</b>	16,037
Deposits from customers	21	<b>363,200</b>	358,584
Trading liabilities		<b>17,860</b>	16,536
Financial liabilities designated at fair value	22	<b>3,134</b>	4,439
Debt securities in issue	23	<b>1,002</b>	2,300
Amounts due to immediate holding company		<b>5,243</b>	7,509
Amounts due to fellow subsidiaries		<b>3,267</b>	1,301
Current tax liabilities		<b>1,077</b>	579
Deferred tax liabilities		<b>49</b>	398
Other liabilities		<b>17,170</b>	15,462
Subordinated liabilities	24	<b>6,184</b>	6,234
		<b>452,059</b>	451,700
<b>Equity</b>			
Share capital		<b>97</b>	97
Reserves	25	<b>31,977</b>	29,929
Shareholders' equity		<b>32,074</b>	30,026
		<b>484,133</b>	481,726

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 1. Interest income

Interest income in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2008</b>	<b>6 months ended 30 June 2007</b>
Interest income on financial assets that are not measured at fair value through profit or loss	<b>7,717</b>	9,909
Interest income recognised on impaired financial assets	<b>15</b>	17

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### 2. Interest expense

Interest expense in the consolidated income statement includes the following:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2008</b>	<b>6 months ended 30 June 2007</b>
Interest expense on financial liabilities that are not measured at fair value through profit or loss	<b>2,955</b>	5,196

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### 3. Net fee and commission income

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

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2008</b>	<b>6 months ended 30 June 2007</b>
Net fee and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at fair value		
– fee and commission income	<b>616</b>	580
– fee and commission expense	<b>125</b>	166
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	<b>223</b>	210
– fee and commission expense	<b>43</b>	52

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 4. Net income from trading instruments

Net income from trading instruments in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2008</b>	<i>6 months ended 30 June 2007</i>
Net trading income	<b>1,039</b>	160
Add: interest income arising from trading assets	<b>254</b>	480
Less: interest expenses arising from trading liabilities	<b>(122)</b>	(265)
	<b>1,171</b>	375

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### 5. Net losses from financial instruments designated at fair value

	<b>6 months ended 30 June 2008</b>	<i>6 months ended 30 June 2007</i>
Net losses shown in the income statement	<b>(34)</b>	(168)
Add: interest income arising from financial assets designated at fair value	<b>85</b>	17
	<b>51</b>	(151)

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 6. Other operating income

Other operating income in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2008</b>	<i>6 months ended 30 June 2007</i>
Dividend income from listed available-for-sale securities	1	1
Dividend income from unlisted available-for-sale securities	9	5
Net (loss)/gain on disposal of financial instruments measured at amortised cost	(12)	17
Net loss on disposal of fixed assets	–	(6)
Others	85	41
	<u>83</u>	<u>58</u>

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### 7. Premises and equipment

Premises and equipment expenses in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2008</b>	<i>6 months ended 30 June 2007</i>
Premises and equipment expenses excluding depreciation	349	344
Depreciation	95	85
	<u>444</u>	<u>429</u>

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 8. Other impairment charges

	<b>6 months ended 30 June 2008</b>	<b>6 months ended 30 June 2007</b>
Impairment charge on other financial assets measured		
at amortised cost	–	40
Provision for contingent liabilities	<u>20</u>	<u>–</u>
	<u>20</u>	<u>40</u>

### 9. Taxation

The charge for taxation in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2008</b>	<b>6 months ended 30 June 2007</b>
Hong Kong profits tax	784	692
Overseas tax	17	–
Deferred taxation	<u>20</u>	<u>39</u>
	<u>821</u>	<u>731</u>

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

<i>Figures in HK\$m</i>	<b>At 30 June 2008</b>	<b>At 31 December 2007</b>
Maturing within one month	52,112	89,737
Maturing between one month and one year	31,780	24,869
Maturing between one year to five years	133	107
Maturing after five years	<u>–</u>	<u>11</u>
	<u>84,025</u>	<u>114,724</u>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 11. Financial assets designated at fair value

<i>Figures in HK\$m</i>	<b>At 30 June 2008</b>	<i>At 31 December 2007</i>
Advances to banks	947	–
Advances to customers	2,861	2,901
Debt securities	622	23
	<u>4,430</u>	<u>2,924</u>

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### 12. Advances to customers

<i>Figures in HK\$m</i>	<b>At 30 June 2008</b>	<i>At 31 December 2007</i>
Gross advances to customers	199,984	177,385
Individually assessed impairment allowances	(787)	(578)
Collectively assessed impairment allowances	(312)	(328)
	<u>198,885</u>	<u>176,479</u>

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 13. Advances to customers analysed by industry sector and geographical area

Figures in HK\$m

	At 30 June 2008	% of advances covered by collateral or other securities	At 31 December 2007	% of advances covered by collateral or other securities
<b>Gross advances to customers for use in Hong Kong</b>				
<i>Industrial, commercial and financial</i>				
Property development	2,928	27%	3,612	33%
Property investment	21,913	92%	17,756	92%
Financial concerns	13,098	32%	9,773	40%
Stockbrokers	2,587	9%	1,939	38%
Wholesale and retail trade	5,868	22%	4,214	27%
Manufacturing	11,196	20%	8,369	25%
Transport and transport equipment	1,943	16%	2,047	3%
Recreational activities	196	49%	166	38%
Information technology	806	0%	878	30%
Others	7,267	15%	6,315	17%
	67,802		55,069	
<i>Individuals</i>				
Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,384	100%	1,406	100%
Advances for the purchase of other residential properties	84,399	99%	82,682	99%
Credit card advances	8,363	–	9,003	–
Others	7,966	–	8,219	–
	102,112		101,310	
<b>Total gross advances to customers for use in Hong Kong</b>				
	169,914		156,379	
Trade finance	20,478	29%	15,834	28%
Trade bills	3,788	–	2,852	–
Gross advances to customers for use outside Hong Kong	8,665	9%	5,221	–
	202,845	62%	180,286	67%

The analysis of gross advances to customers by industry sector is based on the categories used by the Hong Kong Monetary Authority and includes advances to customers designated at fair value of HK\$2,861 million (31 December 2007: HK\$2,901 million) (note 11).

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. As at 30 June 2008 and 31 December 2007, over 90 per cent of the Bank's and its subsidiaries' advances to customers were classified under the area of Hong Kong.

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 13. 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 as follows:

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*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 2008

<b>Advances for the purchase of other residential properties</b>	<b>163</b>	<b>34</b>	<b>56</b>	<b>10</b>
<b>Property investment</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>37</b>
<b>Trade finance</b>	<b>412</b>	<b>354</b>	<b>310</b>	<b>35</b>

#### As at 31 December 2007

Advances for the purchase of other residential properties	219	88	74	11
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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 14. Overdue advances to customers

Figures in HK\$m

	At 30 June 2008		At 31 December 2007	
	% of advances to customers		% of advances to customers	
<b>Gross advances to customers which have been overdue with respect to either principal or interest for periods of:</b>				
6 months or less but over 3 months	136	0.1%	176	0.1%
1 year or less but over 6 months	141	0.1%	69	–
Over 1 year	368	0.2%	339	0.2%
	<b>645</b>	<b>0.3%</b>	<b>584</b>	<b>0.3%</b>

Fair value of collateral held  
against the covered portion of  
overdue advances to customers

<b>154</b>	<b>178</b>
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Covered portion of overdue advances

to customers

<b>68</b>	<b>86</b>
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Uncovered portion of overdue advances

to customers

<b>577</b>	<b>498</b>
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The covered portion of overdue advances to customers represents the amount of collateral held against outstanding balances. It does not include any collateral held over and above outstanding exposures.

The collateral held in respect of the overdue advances consists of cash, properties and securities.

Individually assessed impairment

allowances against overdue advances

to customers

<b>451</b>	<b>389</b>
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As at 30 June 2008 and 31 December 2007, there were no overdue advances to banks and other financial institutions.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 15. Rescheduled advances to customers

	<i>At</i> <b>30 June</b> <b>2008</b>		<i>At</i> <b>31 December</b> <b>2007</b>	
	<b>HK\$m</b>	<b>% of advances</b>	<b>HK\$m</b>	<b>% of advances</b>
Rescheduled advances to customers	<b>452</b>	<b>0.2%</b>	498	0.3%

Rescheduled advances are those advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrowers, or the inability of the borrowers to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Bank. The rescheduled advances to customers are stated net of any advances that have subsequently become overdue for over 3 months and reported as overdue advances in note 14.

As at 30 June 2008 and 31 December 2007, there were no rescheduled advances to banks and other financial institutions.

### 16. Impaired advances to customers

*Figures in HK\$m*

	<i>At</i> <b>30 June</b> <b>2008</b>	<i>At</i> <b>31 December</b> <b>2007</b>
Gross impaired advances to customers	<b>1,353</b>	1,166
Impairment charges – individually assessed	<b>(787)</b>	(578)
	<b>566</b>	588
Gross impaired advances to customers as a % of gross advances to customers	<b>0.68%</b>	0.66%
Fair value of collateral held against the covered portion of impaired advances to customers	<b>125</b>	317
Covered portion of impaired advances to customers	<b>117</b>	240
Uncovered portion of impaired advances to customers	<b>1,236</b>	926

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 2008 and 31 December 2007, there were no advances to banks which were classified as impaired advances.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 17. Repossessed assets

<i>Figures in HK\$m</i>	<i>At 30 June 2008</i>	<i>At 31 December 2007</i>
Repossessed assets	<u>5</u>	<u>7</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.

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### 18. Investment securities

<i>Figures in HK\$m</i>	<i>At 30 June 2008</i>	<i>At 31 December 2007</i>
Available-for-sale securities		
Certificates of deposit held	1,783	960
Other available-for-sale securities	<u>49,441</u>	<u>48,346</u>
	51,224	49,306
Loans and receivables	<u>1,619</u>	<u>623</u>
	<u>52,843</u>	<u>49,929</u>

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 19. Fixed assets

<i>Figures in HK\$m</i>	<i>Buildings and leasehold land held for own use</i>	<i>Equipment, furniture &amp; fixtures</i>	<i>Sub-total</i>	<i>Investment properties</i>	<i>Total</i>
<i>Cost:</i>					
At 1 January 2008	2,665	524	3,189	644	3,833
Additions	14	63	77	–	77
Disposals	(10)	(83)	(93)	–	(93)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2008	<u>2,669</u>	<u>504</u>	<u>3,173</u>	<u>644</u>	<u>3,817</u>
<i>Accumulated depreciation:</i>					
At 1 January 2008	327	312	639	21	660
Charge for the period	44	44	88	7	95
Written back on disposals	(10)	(83)	(93)	–	(93)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2008	<u>361</u>	<u>273</u>	<u>634</u>	<u>28</u>	<u>662</u>
<i>Net book value:</i>					
At 30 June 2008	<u>2,308</u>	<u>231</u>	<u>2,539</u>	<u>616</u>	<u>3,155</u>
At 31 December 2007	<u>2,338</u>	<u>212</u>	<u>2,550</u>	<u>623</u>	<u>3,173</u>

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#### 20. Investments in subsidiaries

The principal subsidiary of the Bank is Standard Chartered APR Limited.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 21. Deposits from customers

<i>Figures in HK\$m</i>	<i>At 30 June 2008</i>	<i>At 31 December 2007</i>
Current accounts	32,812	40,332
Savings accounts	154,097	158,843
Time, call and notice deposits	176,291	159,409
	<u>363,200</u>	<u>358,584</u>

### 22. Financial liabilities designated at fair value

<i>Figures in HK\$m</i>	<i>At 30 June 2008</i>	<i>At 31 December 2007</i>
Structured customer deposits	3,071	3,301
Debt securities in issue	63	1,138
	<u>3,134</u>	<u>4,439</u>

### 23. Debt securities in issue

<i>Figures in HK\$m</i>	<i>At 30 June 2008</i>	<i>At 31 December 2007</i>
Certificates of deposit, measured at amortised cost	90	1,408
Other debt securities, measured at amortised cost	912	892
	<u>1,002</u>	<u>2,300</u>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 24. Subordinated liabilities

<i>Figures in HK\$m</i>	<b>At 30 June 2008</b>	<b>At 31 December 2007</b>
HK\$670 million		
Floating Rate Step-Up Notes 2014 <sup>(1)</sup>	<b>591</b>	670
HK\$500 million 3.5%		
Fixed/Floating Rate Step-Up Notes 2014 <sup>(2)</sup>	<b>495</b>	496
US\$350 million 4.375%		
Fixed/Floating Rate Step-Up Notes 2014 <sup>(3)</sup>	<b>2,755</b>	2,735
US\$300 million		
Floating Rate Step-Up Notes 2017 <sup>(4)</sup>	<b>2,343</b>	2,333
	<b>6,184</b>	6,234

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 on 4 December 2009. 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 on 4 December 2009. 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 on 4 December 2009. 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 on 13 April 2012. Thereafter, it will be reset to three-month US dollar LIBOR plus 0.75 per cent, payable quarterly.

### 25. Reserves

<i>Figures in HK\$m</i>	<b>At 30 June 2008</b>	<b>At 31 December 2007</b>
Share premium	<b>12,477</b>	12,477
Capital redemption reserve	<b>3,804</b>	3,804
Cash flow hedge reserve	<b>43</b>	36
Available-for-sale investment reserve	<b>183</b>	985
Pension reserve	<b>(22)</b>	141
Foreign exchange reserve	<b>169</b>	104
Retained earnings	<b>15,323</b>	12,382
	<b>31,977</b>	29,929

During the period ended 30 June 2008, the directors had declared and paid a special dividend of HK\$0.60 per each "A" and "B" ordinary share totalling HK\$1,162 million.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 25. Reserves (cont'd)

For the six months ended 30 June 2008, a loss of HK\$1,009 million (30 June 2007: a gain of HK\$217 million) was recognized directly in the available-for-sale investment 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 2008, an amount of HK\$948 million (31 December 2007: HK\$914 million) has been reserved for this purpose.

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### 26. Off-balance sheet exposures

Figures in HK\$m

	<b>At 30 June 2008</b>	<b>At 31 December 2007</b>
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#### a) Contingent liabilities and commitments

##### Contractual or notional amounts

Direct credit substitutes	<b>28,069</b>	12,219
Transaction-related contingencies	<b>15,843</b>	11,400
Trade-related contingencies	<b>25,985</b>	18,720
Forward asset purchases	<b>30</b>	144
Forward forward deposits placed	<b>18,312</b>	597
Other commitments		
which are not unconditionally cancellable:		
with original maturity of not more than one year	<b>3,505</b>	2,206
with original maturity of more than one year	<b>16,968</b>	10,816
which are unconditionally cancellable	<b>167,801</b>	177,487
	<b>276,513</b>	233,589
Credit risk weighted amount	<b>42,140</b>	19,124

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

In 2007, the Bank used the basic approach to calculate its credit risk for non-securitization exposures. In 2008, the Bank has used the advanced internal ratings-based approach and standardized approach to calculate its credit risk for non-securitization exposures. As there are significant differences between the approaches to calculate credit risk, the credit risk weighted amounts for 2008 and 2007 are not directly comparable.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 26. Off-balance sheet exposures (cont'd)

Figures in HK\$m

	<b>At 30 June 2008</b>	<i>At 31 December 2007</i>
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#### b) Derivatives

##### Notional amounts

Exchange rate contracts	873,150	792,815
Interest rate contracts	53,014	39,739
Others	591	144
	<b>926,755</b>	<b>832,698</b>

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

<i>Figures in HK\$m</i>	<i>At 30 June 2008</i>			<i>At 31 December 2007</i>		
	<i>Fair value assets</i>	<i>Fair value liabilities</i>	<i>Credit risk weighted amount</i>	<i>Fair value assets</i>	<i>Fair value liabilities</i>	<i>Credit risk weighted amount</i>
Exchange rate contracts	1,593	1,386	805	2,141	1,744	4,449
Interest rate contracts	617	429	70	170	168	255
Others	1	2	–	3	5	–
	<b>2,211</b>	<b>1,817</b>	<b>875</b>	<b>2,314</b>	<b>1,917</b>	<b>4,704</b>

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 fair values and credit risk weighted amounts of the above derivative exposures do not take into account the effects of bilateral netting arrangements and accordingly these amounts are shown on a gross basis.

In 2007, the Bank used the basic approach to calculate its credit risk for non-securitization exposures. In 2008, the Bank has used the advanced internal ratings-based approach and standardized approach to calculate its credit risk for non-securitization exposures. As there are significant differences between the approaches to calculate credit risk, the credit risk weighted amounts for 2008 and 2007 are not directly comparable.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 27. 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:

<i>Figures in HK\$m</i>	<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 2008

##### Asia Pacific excluding Hong Kong

– Mainland China	13,479	–	7,085	20,564
– South Korea	14,144	–	6,356	20,500
– Others	19,842	–	10,375	30,217
	<u>47,465</u>	<u>–</u>	<u>23,816</u>	<u>71,281</u>

##### Western Europe

– United Kingdom	72,357	–	7,145	79,502
– Others	27,820	–	4,365	32,185
	<u>100,177</u>	<u>–</u>	<u>11,510</u>	<u>111,687</u>

#### As at 31 December 2007

Asia Pacific excluding Hong Kong	<u>30,862</u>	<u>–</u>	<u>10,080</u>	<u>40,942</u>
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##### Western Europe

– United Kingdom	80,564	–	3,196	83,760
– Others	49,990	518	1,947	52,455
	<u>130,554</u>	<u>518</u>	<u>5,143</u>	<u>136,215</u>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 28. Non-bank Mainland China exposure

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*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>
<b>As at 30 June 2008</b>				
Mainland China entities	6,730	11,387	18,117	122
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	4,906	18,417	23,323	4
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	39	63	102	–

As at 31 December 2007

Mainland China entities	2,850	6,431	9,281	122
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	3,050	14,862	17,912	3
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	14	102	116	–

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 contractual amounts do not represent expected future cash flows.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 29. Currency risk

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

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<i>Figures in HK\$m</i>	<i>At 30 June 2008</i>	<i>At 31 December 2007</i>
<b>US dollar exposure</b>		
Spot assets	160,131	158,055
Spot liabilities	(126,981)	(124,741)
Forward purchases	247,990	229,941
Forward sales	(282,149)	(263,945)
	<hr/>	<hr/>
Net short non-structural position	(1,009)	(690)
	<hr/> <hr/>	<hr/> <hr/>
<b>Japanese yen exposure</b>		
Spot assets	2,306	2,831
Spot liabilities	(2,552)	(5,991)
Forward purchases	2,199	15,981
Forward sales	(2,146)	(12,776)
	<hr/>	<hr/>
Net (short) / long non-structural position	(193)	45
	<hr/> <hr/>	<hr/> <hr/>
<b>Swiss francs exposure</b>		
Spot assets	1,297	933
Spot liabilities	(1,771)	(1,814)
Forward purchases	2,002	1,697
Forward sales	(1,687)	(885)
	<hr/>	<hr/>
Net short non-structural position	(159)	(69)
	<hr/> <hr/>	<hr/> <hr/>
<b>New Zealand dollar exposure</b>		
Spot assets	4,119	1,592
Spot liabilities	(3,939)	(1,706)
Forward purchases	1,531	857
Forward sales	(1,450)	(682)
	<hr/>	<hr/>
Net long non-structural position	261	61
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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 29. Currency risk (cont'd)

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

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<i>Figures in HK\$m</i>	<i>At 30 June 2008</i>	<i>At 31 December 2007</i>
Chinese Renminbi	<u>960</u>	<u>960</u>
United Arab Emirates Dirham	<u>483</u>	<u>488</u>
Vietnamese Dong	<u>1,167</u>	<u>1,324</u>

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#### 30. Capital adequacy ratios

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	<i>At 30 June 2008</i>	<i>At 31 December 2007</i>
Capital adequacy ratio	<b>14.4%</b>	13.2%
Core capital ratio	<b>12.9%</b>	10.5%

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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 principal subsidiary set out in note 20 but excludes certain subsidiaries including SCL Consulting (Shanghai) Company Limited, Standard Chartered Corporate Advisory Company Limited, SCOPE International (China) Company Limited and Standard Chartered Investment Services Limited. The investment cost of these subsidiaries is therefore deducted from capital.

The Bank used the advanced internal ratings-based approach and standardized approach to calculate its credit risk for non-securitization exposures. The Bank adopts the internal ratings-based (securitization) approach to calculate its credit risk for securitization exposures.

For the calculation of its capital charge for market risk, the Bank used 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.

For the capital ratios as at 31 December 2007, the Bank used the basic approach and standardized (securitization) approach to calculate its credit risk for non-securitization exposures and credit risk for securitization exposures respectively. As there are significant differences between the approaches to calculate credit risk in 2008 and 2007, the capital adequacy ratios are not directly comparable.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 31. 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>	<i>At 30 June 2008</i>	<i>At 31 December 2007</i>
<b>Core capital:</b>		
Paid up ordinary share capital	97	97
Share premium	12,477	12,477
Reserves	14,222	8,157
Current year profit	4,181	7,425
Deduct:		
Goodwill	(611)	(611)
Other intangible assets	(183)	(172)
Deferred tax assets	(65)	(43)
	<u>30,118</u>	<u>27,330</u>
Deductions from core capital	<u>(3,104)</u>	<u>(1,536)</u>
Core capital after deductions	<u><u>27,014</u></u>	<u><u>25,794</u></u>
<b>Supplementary capital:</b>		
Available-for-sale investment reserve and others	31	627
Regulatory reserve	32	914
Collective impairment allowances for impaired assets	37	328
Term subordinated debt	6,184	6,234
	<u>6,284</u>	<u>8,103</u>
Deductions from supplementary capital	<u>(3,104)</u>	<u>(1,536)</u>
Supplementary capital after deductions	<u><u>3,180</u></u>	<u><u>6,567</u></u>
<b>Total capital base before deductions</b>	<b>36,402</b>	<b>35,433</b>
Deductions from total capital base	<u><u>(6,208)</u></u>	<u><u>(3,072)</u></u>
<b>Total capital base</b>	<b><u><u>30,194</u></u></b>	<b><u><u>32,361</u></u></b>

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 32. Liquidity ratio

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	<b>6 months ended 30 June 2008</b>	<i>6 months ended 30 June 2007</i>
Average liquidity ratio for the period	<b>37.6%</b>	43.2%

The average liquidity ratio is computed as the simple average of each calendar month's average ratio and is in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

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### 33. Post Balance Sheet Event

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As at 30 June 2008, Standard Chartered Bank (Hong Kong) Group had an equity investment of HKD539 million in Asia Commercial Joint Stock Bank, which represented a shareholding of 8.84%. The equity shares are accounted for as available-for-sale equities. On 2 July 2008, the Group acquired a further 6.16% stake in the company for HKD1,055 million (VND2,269 billion) to bring the total shareholding to 15%. Going forward, the total 15% shareholding in Asia Commercial Joint Stock Bank will be accounted for as an associate as the Group is able to exercise significant influence over the company's management, financial and operating policies.

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### 34. Comparative figures

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

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By order of the Board



Lai Wing Nga  
Company Secretary

Hong Kong  
5 August 2008