STANDARD CHARTERED BANK (TAIWAN) LIMITED
(Formerly Hsinchu International Bank Co., Ltd.)

Financial Statements

June 30, 2008 and 2007
(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Standard Chartered Bank (Taiwan) Limited:

We have audited the accompanying balance sheet of Standard Chartered Bank (Taiwan) Limited (formerly Hsinchu International Bank Co., Ltd.) as of June 30, 2008 and 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the six-month periods ended June 30, 2008 and 2007. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Republic of China generally accepted auditing standards and the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Standard Chartered Bank (Taiwan) Limited as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the six-month periods ended June 30, 2008 and 2007, in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles.

Standard Chartered Bank (Taiwan) Limited has prepared its consolidated financial statements for the Bank and its subsidiaries as of and for the the six-month periods ended June 30, 2008 and 2007, on which we have expressed a standard unqualified review opinion.

KPMG

KPMG
August 5, 2008

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China. The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

Standard Chartered Bank (Taiwan) Limited

Balance Sheets

June 30, 2008 and 2007
(Expressed in thousands of New Taiwan dollars, except for par value)

Code	Assets	2008	2007	Change %
11000	Cash and cash equivalents (note 4)	$ 6,952,830	6,753,799	3
11500	Balance at Central Bank and loans and advances to banks (notes 5 and 24)	67,142,097	78,551,538	(15)
12000	Financial assets held at fair value through profit or loss, net (notes 6, 23, 24 and 25)	26,625,843	20,088,949	33
12500	Bills and bonds purchased under reverse repurchase agreements (note 13)	-	687,487	-
13000	Accounts receivable, net (notes 8, 9 and 21)	28,545,310	29,148,597	(2)
13500	Loans and advances to customers, net (notes 9 and 24)	296,602,107	297,903,573	-
14001	Available-for-sale financial assets (notes 7 and 23)	85,416,798	94,533,826	(10)
15000	Investment in associates under equity method, net (notes 10 and 18)	282,885	483,507	(41)
15500	Other financial assets, net (notes 9, 10, and 18)	252,560	233,529	8
18500	Property and equipment, net (notes 11 and 18)	8,055,073	7,809,017	3
19500	Other assets (notes 12, 18, and 21)	6,614,647	6,196,127	7
	Total Assets	$ 526,490,150	542,389,949	(3)

Code	Liabilities and Stockholders' Equity	2008	2007	Change %
21000	Deposits by Central bank and other banks (note 24)	$ 49,388,196	49,829,621	(1)
22000	Financial liabilities held at fair value through profit or loss (notes 6 and 24)	23,200,898	19,524,250	19
22500	Bills and bonds sold under repurchase agreements (note 13)	1,802,995	5,751,897	(69)
23000	Notes and accounts payable	10,252,543	9,226,954	11
23010	Accounts payable — Related party (notes 20 and 24)	2,523,658	1,200,446	110
23500	Deposits and remittances (notes 14 and 24)	392,157,940	409,516,701	(4)
24000	Financial debentures (notes 15 and 24)	19,356,580	22,800,000	(15)
29500	Other liabilities (notes 19, 24, and 26)	3,523,106	1,565,745	125
	Total liabilities	502,205,916	519,415,614	(3)
	Stockholders' Equity (notes 7, 20, and 22):			
31000	Capital:			
31001	Common stock, par value $10, authorized 2,500,000 thousand shares and issued 2,157,572 thousand shares on June 30, 2008 and 2007	21,575,720	21,575,720	-
31500	Capital surplus	2,904,165	5,049,515	(42)
32000	Retained earnings:			
32003	Special reserve	-	332	-
32011	Accumulated deficits	258,984	(2,853,212)	109
		258,984	(2,852,880)	109
32500	Other adjustments to stockholders' equity:			
32503	Unrealized revaluation increments	381,303	381,303	-
32523	Unrealized gain (loss) on available-for-sale financial assets (note 7)	(676,935)	(1,179,323)	43
32544	Net loss from unrecognized pension cost	(159,003)	-	-
		(454,635)	(798,020)	43
	Total stockholders' equity	24,284,234	22,974,335	-
	Commitments and contingent liabilities (notes 12, 13, 23, 25 and 26)			
	Total Liabilities and Stockholders' Equity	$ 526,490,150	542,389,949	(3)

See accompanying notes to financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Income

For the six-month periods ended June 30, 2008 and 2007
(expressed in thousands of New Taiwan dollars, except for earnings per share)

		2008	2007	Change %
Interest income (notes 6, 16 and 24)	$	9,094,952	6,812,843	33
Less: Interest expense (note 24)		3,721,175	3,210,533	16
Net interest income		5,373,777	3,602,310	49
Other operating income:				
Fees and commission income, net (note 26)		2,624,837	2,101,479	25
Gain on financial instruments held at fair value through profit or loss (note 6 and 25)		603,613	76,224	692
Realized (loss) gain on available-for-sale financial assets (note 7)		(62,522)	192,137	(133)
Investment income from associates under equity method, net (note 10)		88,761	52,814	68
Foreign exchange gain (loss), net		651,391	12,684	5,036
Impairment loss on assets, net (notes 10, 11, 12 and 18)		-	(49,967)	-
Other non-interest income, net (notes 9, 10 and 17)		1,199,235	1,135,560	6
Operating income		10,479,092	7,123,241	47
Bad debt expenses (note 9)		3,677,514	4,297,630	(14)
Operating expenses:				
Personnel costs (notes 19, 20, 24 and 20)		3,078,824	1,816,687	69
Depreciation and amortization expenses (notes 11 and 29)		376,206	288,711	30
General and administrative expenses (note 24)		3,152,568	1,641,917	92
		6,607,598	3,747,315	76
Income (loss) from continuing operations before income tax		193,980	(921,704)	121
Income tax (benefit) expense (note 21)		(65,004)	284,184	(123)
Net income (loss)	$	**258,984**	**(1,205,888)**	**121**

	2008 Before tax	2008 After tax	2007 Before tax	2007 After tax
Basic earnings (deficits) per share (note 22)	$ **0.09**	**0.12**	**(0.56)**	**(0.73)**

See accompanying notes to financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Changes in Stockholders' Equity

For the six-month periods ended June 30, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Accumulated deficits	Other adjustments: Revaluation increments on property and equipment	Other adjustments: Unrealized gain (loss) on available-for-sale financial assets	Other adjustments: Net loss from unrecognized pension costs	Total
Balance as of January 1, 2007	$ 16,545,167	225,000	3,228,441	332	(5,099,895)	381,303	(383,517)	-	14,896,831
Capital increments for the transfer of operations (note 22)	100,000	118,556	-	-	-	-	-	-	218,556
Capital increments from cash (note 22)	4,930,553	4,930,553	-	-	-	-	-	-	9,861,106
Capital surplus and legal reserve for offsetting against accumulated deficits (note 22)	-	(224,130)	(3,228,441)	-	3,452,571	-	-	-	-
Capital surplus recognized as income	-	(464)	-	-	-	-	-	-	(464)
Net loss for the six-month period ended June 30, 2007	-	-	-	-	(1,205,888)	-	-	-	(1,205,888)
Unrealized loss on available-for-sale financial assets (note 7)	-	-	-	-	-	-	(795,806)	-	(795,806)
Balance as of June 30, 2007	$ 21,575,720	5,049,515	-	332	(2,853,212)	381,303	(1,179,323)	-	22,974,335
Balance as of January 1, 2008	$ 21,575,720	5,049,515	-	332	(2,145,681)	381,303	(888,436)	(159,003)	23,813,750
Capital surplus and legal reserve for offsetting against accumulated deficits (note 22)	-	(2,145,350)	-	(332)	2,145,682	-	-	-	-
Net income for the six-month period ended June 30, 2008	-	-	-	-	258,983	-	-	-	258,983
Unrealized gain on available-for-sale financial assets (note 7)	-	-	-	-	-	-	211,501	-	211,501
Balance as of June 30, 2008	$ 21,575,720	2,904,165	-	-	258,984	381,303	(676,935)	(159,003)	24,284,234

See accompanying notes to financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the six-month periods ended June 30, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	2008	2007
Cash flows from operating activities:		
Net income (loss)	$ 258,984	(1,205,888)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Bad debt expenses	3,677,514	4,297,630
Increase in provision for liabilities and charges	16,750	2,123
Depreciation expenses	376,206	285,003
Amortization expenses	-	3,708
Investment income from associates under equity method	(88,761)	(52,814)
Realized loss (gain) on available-for-sale financial assets	62,522	(192,137)
Recognition of unrealized gain from associates	(56)	(49)
Gain on sales of foreclosed assets	-	(225,622)
Fixed assets recognized as expenses	5,411	6,000
Loss on disposal of property and equipment, net	4,594	6,335
Asset impairment losses	-	49,967
Capital surplus recognized as income	-	(464)
Increase in balance at Central Bank and loans and advances to banks	(26,746,112)	(8,975,566)
(Increase) decrease in financial assets held at fair value through profit or loss	(1,159,526)	26,598,083
(Increase) decrease in accounts receivable	(4,999,838)	2,426,324
(Increase) decrease in loans and advances to customers	(10,003,077)	14,072,572
Decrease (increase) in other financial assets	3,085	(194,987)
(Increase) decrease in deferred income tax assets	(154,086)	207,148
Increase in deposits by Central Bank and other banks	23,285,571	183,453
Increase (decrease) in financial liabilities held at fair value through profit or loss	2,869,333	(19,450)
Increase (decrease) in deposits and remittances	11,197,123	(14,545,829)
Increase (decrease) in notes and accounts payable	2,366,563	(59,674)
Gain on disposal of investment	(111,580)	-
Net cash provided by operating activities	860,620	22,665,866
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(67,246,002)	(60,162,733)
Proceeds from disposal of available-for-sale financial assets	60,354,470	37,526,395
Proceeds from liquidating investment under equity method	338,283	-
Acquisition of property and equipment and foreclosed assets	(399,052)	(113,499)
Proceeds from disposal of property and equipment and foreclosed assets	-	221,836
Decrease in other assets	33,412	114,744
Net cash inflow from the transfer of operations (note 29)	-	1,006,506
Acquisition of financial assets carried at cost	(36,172)	-
Proceeds from disposal of financial assets carried at cost	44,740	-
Net cash used in investing activities	(6,910,321)	(21,406,751)
Cash flows from financing activities:		
Increase (decrease) in bills and bonds sold under repurchase agreements	657,003	(12,505,651)
Increase in financial debentures	4,544,680	-
Decrease (increase) in other liabilities	519,066	(144,116)
Capital increments from cash	-	9,861,106
Net cash provided by (used in) financing activities	5,720,749	(2,788,661)
Net decrease in cash and cash equivalents	(328,952)	(1,529,546)
Cash and cash equivalents at beginning of period	7,281,782	8,283,345
Cash and cash equivalents at end of period	$ 6,952,830	6,753,799
Supplemental disclosure of cash flow information:		
Cash payments of interest	$ 3,782,699	3,147,842
Cash payments of income tax	$ 155,403	109,616
Investing activities not affecting cash flows:		
Recognition of unrealized gain (loss) on available-for-sale financial assets	$ 211,501	(795,806)
Adjustments to investment in associates under equity method on dividends declared by associates:		
Cash dividends receivable from associates accounted for under equity method	$ -	252,171

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

June 30, 2008 and 2007

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Organization

Standard Chartered Bank (Taiwan) Limited (the Bank) was established on September 15, 1948, in the Taoyuan, Hsinchu, and Miaoli areas. The original name of the Bank was Hsinchu District's Mutual Loan Inc., which specialized in the mutual loan business, deposits, loans, and payment collection. In compliance with the regulations, the name of the Bank was formally changed into The Small and Medium Business Bank of Hsinchu District in 1978, and the Bank was initially engaged in banking activities.

Pursuant to an approval granted by the Securities and Futures Commission (SFC), which subsequently changed its name to the Securities and Futures Bureau (SFB) on July 1, 2004, the Bank's shares were authorized to be publicly traded beginning March 22, 1983. Additionally, pursuant to approvals granted by the Ministry of Finance (MOF), the Bank established a Trust Department in January 1989 and an International Business Department in March 1993. In 1989 and 1993, the Bank established the securities trading business and the securities broker business, respectively, and both were approved by the Ministry of Finance. On January 16, 1995, the Bank established an Offshore Banking Unit (OBU).

The Bank was approved by the Ministry of Finance to operate as a commercial bank in September 1998 and changed its name to Hsinchu International Bank Co., Ltd. on April 20, 1999.

On September 29, 2006, Standard Chartered Bank U.K. provided a tender offer to acquire the outstanding shares of the Bank. Accordingly, Standard Chartered Bank U.K acquired over 95% of the outstanding common shares during the period between September 29 and December 31, 2006. After completion of the acquisition of shares, the Bank decided to delist its shares, and in accordance with the "Taiwan Stock Exchange Corporation Procedures for Stock Exchange Delisting Application by Listed Companies", it submitted the delisting application, which was approved by the related authorities on January 18, 2007.

On June 30, 2007, the operations of Standard Chartered Bank, Taipei Branch were transferred to the Bank, and the Bank was authorized to be renamed Standard Chartered Bank (Taiwan) Limited on July 2, 2007.

As of June 30, 2008, the number of the Bank's employees was 4,811.

(2) Summary of Significant Accounting Policies

The financial statements are presented in the local currency and in Chinese. These financial statements have been translated into English. The translated information is consistent with the Chinese version financial statements from which it is derived. The English translation of the Chinese version is used in the Republic of China (R.O.C.). If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and R.O.C. generally accepted accounting principles. The financial statements are prepared primarily on a historical cost basis except as otherwise specified in the following accounting policies.

(Continued)

The preparation of financial statements in conformity with related regulations requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Actual results could differ from these estimates.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of preparation of financial statements

The financial statements include the accounts of the head office and branches of the Bank. All intra-office balances and transactions as well as trusted assets, trusted liabilities, and their corresponding interest managed by the Bank have been eliminated for preparation of the financial statements.

The Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for the trusted assets, trusted liabilities, and their corresponding interest managed by the Bank. All the entrusted assets are booked to a memo account.

(b) Foreign currency transactions

Except for accounts in the OBU of the Bank that are denominated in US dollars, accounts in all entities are denominated in New Taiwan dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, while all income and expense accounts denominated in original foreign currencies are translated into New Taiwan dollars at daily closing exchange rates. At the balance sheet date, the financial statement amounts in all foreign currencies are translated into New Taiwan dollars at exchange rates assigned on that date. Differences from translation are recorded as gains or losses for the current period.

(c) Cash and cash equivalents

Cash on hand, notes and checks for clearance, and due from banks are considered as cash and cash equivalents by the Bank.

(d) Reserve against deposits

Reserves against deposits placed with the Central Bank of the Republic of China (CBC) are calculated based on the monthly average balance of the various deposit accounts, using specific reserve ratios promulgated by the CBC. There is no interest offered on the reserve against deposits—checking and foreign currency accounts. Except for the monthly reserve adjustment, deposits and withdrawals from the reserve against deposits—demand account are restricted. The reserve against deposits—settlement account is placed with the CBC for interbank settlement.

(e) Financial assets and liabilities held at fair value through profit or loss

The Bank accounts for financial assets and liabilities in accordance with Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement".

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Financial assets and liabilities held at fair value through profit or loss include debt, equity, and derivative instruments held or issued by the Bank. These financial assets and liabilities can be divided into two categories: 1) financial assets and liabilities held for trading and 2) financial assets and liabilities designated at fair value through profit or loss at inception. A financial asset or liability is classified as held for trading if acquired or issued principally for the purpose of selling or repurchasing in the short term.

Purchases and sales of financial assets and liabilities held at fair value through profit or loss are recognized on the settlement date. When a financial asset or financial liability is recognized initially, the Bank shall measure it at its fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset or liability.

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value. The fair value of an asset is the amount at which the asset could be purchased or sold in a current arm's-length transaction between knowledgeable, willing parties. The best evidence of fair value is quoted prices in an active market. The fair value of listed or Over the Counter (OTC) stocks is the market closing price on the balance sheet date. The market price of open-end funds is the net asset value on the balance sheet date. The fair value of domestic bonds is represented by the OTC's quoted price calculated by using yield to maturity and face value. If a quoted market price is not available, fair value should be estimated using the best information available in the circumstances or estimated using a valuation technique. Estimation of fair value is usually based on recent trading prices of such financial instruments with similar asset class and credit quality, supplemented by related valuation techniques.

The realized and unrealized gain or loss arising from changes in fair value of financial assets and liabilities, including the amortization of premium or discount, is recognized in current net profit or loss. Interest income (expense) and cash dividends received during the holding period are recorded under the account "interest income (expense)" and "gain (loss) on financial instruments held at fair value through profit or loss", respectively. Cash dividends, including dividends declared in the year of investment, are recognized as income on the ex-dividend date or the date that the board declares the cash dividends. Stock dividends are not recognized as income but treated as increases in the number of shares held.

A financial instrument cannot be reclassified from or to the fair value through profit or loss category while it is held or issued.

(f) Available-for-sale financial assets

The Bank adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement" to account for available-for-sale financial assets.

Available-for-sale financial assets include financial assets that are designated as available-for-sale at inception and non-derivative financial assets that are not classified as held-to-maturity financial assets, financial assets held at fair value through profit or loss, loans, or accounts receivable.

The Bank recognizes the purchase or sale of available-for-sale financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset.

Available-for-sale financial assets are subsequently carried at fair value. The best evidence of fair value is quoted prices in an active market. If a quoted market price is not available, fair value should be estimated using the best information available in the circumstances or estimated using a valuation technique. Interest income and cash dividends are recorded under "interest income" and "realized gain on available-for-sale financial assets", respectively. Cash dividends are recognized as revenue on the ex-dividend date or the date that the board declares the cash dividends. However, the dividend amount will be deducted from the investment cost if it is declared prior to the investment. Stock dividends are not recognized as income but treated as increases in the number of shares held. The difference between the fair value and the unamortized cost is the unrealized gain or loss, which is accounted for as an adjustment to stockholders' equity. When available-for-sale financial assets are sold or derecognized, cumulative gains or losses previously recognized in stockholders' equity are recognized in the income statement.

When there is any indication of impairment in the value of available-for-sale financial assets, an impairment loss should be recognized in the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss should be reversed as realized current income. Impairment losses recognized on equity instruments are reversed and recognized as an adjustment to stockholders' equity. The carrying value after the reversal should not exceed the unamortized amount of the assets assuming no impairment loss was recognized in prior periods.

(g) Derecognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired. If substantially all the risks and rewards of ownership of the financial asset have been transferred and the Bank does not retain control of the financial asset, consideration received from transferring the assets should be viewed as a selling price. If a transfer of financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) does not meet the criteria for derecognition, the Bank shall treat this transfer as a borrowing with collateral.

A financial liability (or a part of a financial liability) is derecognized and removed from the balance sheet when the obligation specified in the contract is discharged, cancelled, or expired.

(h) Derivative financial instruments and hedge accounting

Derivative financial instruments are held for trading purposes except those that qualify for hedge accounting. Derivative financial instruments held for trading purposes are for market creation, customer services, proprietary trading, and relevant arbitrage activities.

Derivative financial instruments held for trading purposes are carried at fair value upon initial recognition and in subsequent periods. Changes in fair value are recorded as current profit or loss. The fair value of an asset is the amount at which the asset could be purchased or sold in a current arm's-length transaction between knowledgeable, willing parties. The best evidence of fair value is quoted prices in an active market. If a quoted market price is not available, fair value should be estimated using the best information available in the circumstances or estimated using a valuation technique. Estimation of fair value is usually based on recent trading prices of such financial instruments with similar asset class and credit quality, supplemented by related valuation techniques.

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An embedded derivative that is attached to a financial instrument but contractually transferable independently from the attached instrument should be separated from the host contract and accounted for as a derivative. If an embedded derivative is separated, the host contract shall be accounted for in accordance with SFAS No. 34 based on the type of financial instrument.

Changes in the fair value of hedging instruments that are designated and qualify as fair value hedges are recognized in profit or loss. The gain or loss from changes in the fair value of the hedged items attributable to the hedged risk is recognized in profit or loss.

Derivatives with positive fair value are accounted for as assets, while derivatives with negative fair value are accounted for as liabilities. Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(i) Repurchase and reverse repurchase agreements

Financial instruments sold (purchased) under repurchase or reverse repurchase agreements are stated at acquisition cost. The difference between the contracted sale or repurchase price and acquisition cost is recognized as interest income or interest expense during the holding periods.

(j) Loans and allowance for doubtful accounts

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The term of credit is decided by the length of credit maturity. Credit maturing in not more than one year is called short-term credit; credit maturing in more than one year but not more than seven years is called medium-term credit; and credit maturing in more than seven years is called long-term credit. Loans with collateral, pledged assets, and qualified guarantees to secure credit are secured loans.

Loans are recorded initially at principal and reported at their outstanding balances after netting with any provisions for doubtful accounts. In accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, an allowance for doubtful accounts is determined by evaluating the collectibility of loans and days past due of receivables (including nonperforming loans, overdue receivables, and interest receivable) and of advance accounts. Any non-performing loans or non-accrual loans, after subtracting the estimated recoverable portion, that have one of the following characteristics shall be written off:

i) The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.

ii) The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect from the debtors where there is no financial benefit in execution.

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iii) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank's taking possession of such collateral.

iv) More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the collection efforts have failed.

The write-off of non-performing loans and non-accrual loans shall be authorized by a resolution passed by the board of directors, and the supervisors shall be notified. However, when requested by the Competent Authority or any financial examination agency (organization), loans must be immediately written off, a report must be made to the subsequent board meeting, and the supervisors must be notified for acknowledgement. Collections after write-off are recorded under other non-interest income, net.

Principal or interest overdue over three months is categorized as overdue accounts. If principal or interest of any outstanding loan is overdue for six months, both the principal and accrued interest are reclassified as nonperforming loan. Accrued interest on a nonperforming loan will only be calculated and booked into memo accounts.

In accordance with Ruling Tai-Tsai-Rong No. 88733168, banks should provide 3% of operating revenue as allowance for doubtful accounts to write off overdue loans from July 1, 1999, and for the following four years. Moreover, based on interpretation letter Wa-Chung-One-Yi No. 09200114870, the aforementioned ruling is still valid until the overdue loan ratio is lower than 1%. The aforementioned allowance is recorded under "allowance for doubtful accounts" and "bad debt expenses".

(k) Investment in associates under equity method

Investments in associates are accounted for using the equity method when the Bank holds, directly through the Bank or indirectly through its subsidiaries, 20 percent or more of the voting power of the investee or when the Bank holds less than 20 percent of the voting power but has significant influence over the investee.

Unrealized profits and losses resulting from transactions between the Bank, including its subsidiaries, and an investee shall be eliminated. When the unrealized profits or losses arise from downstream transactions, unrealized gain or loss from transactions and deferred credits for inter-company transactions are adjusted to eliminate the inter-company transaction effects; otherwise, long-term investments under the equity method and related investment gain or loss accounts are adjusted. If the transaction profits or losses arise from depreciated, depleted, or amortized fixed assets, the recognition of such profits and losses shall be spread over the useful lives of such assets; otherwise, the recognition shall be in the year when profits or losses are realized.

If an investee issues new shares and the Bank does not purchase the new shares proportionately, then the investment percentage and the net worth of the investee shall be adjusted. The aforementioned difference shall be recorded by adjusting the capital surplus and the investment in associates under the equity method. If the adjustment stated above is to debit the capital surplus account and the balance of the capital surplus from long-term investments under the equity method is not enough to be offset, then the difference shall be debited to retained earnings.

(Continued)

The Bank obtains control over an investee when it directly or indirectly owns more than one half of the voting power of the investee. The aforementioned investees are accounted for using the equity method. Consolidated financial statements including the aforementioned investees are prepared at the end of each June and December. However, the Bank does not consolidate those investees that can be controlled by but are not material to the Bank, in terms of total assets, revenues and equity.

(l) Other financial assets — financial assets carried at cost

Financial assets carried at cost are equity investment in non-listed companies without significant influence or control. Such financial assets are recorded at cost because the fair values cannot be reliably measured. If there is objective evidence that an impairment loss has been incurred, the impairment loss should be recognized. Such impairment losses are not allowed to reverse.

Cash dividends received from the aforementioned financial assets are recorded under "other non-interest income, net" on the ex-dividend date or the date that the board declares a cash dividend. Nevertheless, dividends received will be deducted from the equity investment if they are declared prior to the acquisition of the investment. Stock dividends are not recognized as income but treated as increases in the number of shares held. If a reliable measure becomes available for the aforementioned financial assets for which such a measure was previously not available, the financial assets should be measured at fair value and reclassified as available-for-sale.

(m) Property and equipment, and related depreciation

Property and equipment are measured at cost of acquisition. Interest expense incurred directly attributable to bringing an asset to the condition necessary for it to be capable of operating, major additions, improvements, and renewals are capitalized, while maintenance and repair costs are expensed when incurred. Except for land, depreciation of property and equipment is calculated using the straight-line method over its estimated useful life. If the estimated useful life has been reached for property and equipment and such assets are still in use, a new useful life is estimated based on the residual value of the asset, and the asset is depreciated thereafter. Gains or losses on the disposal of property and equipment are recorded as other non-interest income or losses.

Except for land, useful lives of property and equipment held by the Bank are as follows:

Buildings	5 to 60 years
Transportation equipment	3 to 5 years
Other equipment	3 to 6 years

(n) Other assets — idle assets

When property and equipment are not used for operations or any other purposes, the Bank should transfer the initial cost, the associated accumulated depreciation, and accumulated impairment of the assets to other assets — idle assets. Idle assets should be depreciated on a straight-line basis over the remaining estimated useful lives of the respective assets.

(o) Other assets — property held for lease

Property held for lease is carried at cost and depreciated over its estimated useful life using the straight-line method.

(Continued)

(p) Other assets — foreclosed assets

Foreclosed assets are carried at the lower of the carrying amount or net realizable value. Foreclosed assets are depreciated on a straight-line basis after being foreclosed for one year.

(q) Asset impairment

The Bank has adopted SFAS No. 35 "Impairment of Assets". In accordance with SFAS No. 35, the Bank assesses at each balance sheet date whether there is any indication that an asset may have been impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset, and recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Bank may reverse an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(r) Deposits by banks, and deposits and remittances

Deposits by banks, deposits and remittances are classed as financial liabilities. Deposits by banks, and deposits and remittances are initially recognized at fair value of consideration received. Deposits by banks, and deposits and remittances are subsequently stated at amortized cost, using the effective interest method, allocating the interest expense over the relevant period.

(s) Financial debentures

The issuance of non-convertible debt instrument is recorded at its fair value using a valuation technique. If the issuing price of such debt instrument is different from its face value, the difference is amortized as interest income or expense by the interest method over the period from the acquisition date to the maturity date.

Due to the inseparability of the debt and conversion option of the convertible bonds issued by the Bank in 2004, total proceeds received have been recorded as a liability.

When the bond holder exercises the conversion option, the convertible bonds should be valued at the fair market price of the common stock at the exercising date. The fair market price of the convertible bonds in excess of the par value of the common stock should be recognized as capital surplus. The unamortized issuing costs should be recorded as a reduction of capital surplus.

The difference between payment and carrying amount of convertible bonds at the early extinguishment date should be recognized as extraordinary losses or gains in the current period, if it is material.

For convertible bonds issued after January 1, 2006, the equity component is determined by the residual amount equal to the fair value of the instrument as a whole after deducting the amount separately determined for the liability component on initial recognition. The fair value of the liability component is determined by measuring the fair value of a similar liability that does not have an associated equity component at the market interest rate. The liability component is subsequently carried at unamortized cost, while changes in fair value of the equity component are not recognized.

(Continued)

(t) Provisions for liabilities and charges

In accordance with the Rules Governing Securities Firms (RGSF), if the profit for trading securities for the Bank's own account exceeds the amount of loss, 10% of the portion in excess on a monthly basis is allocated as a trading loss reserve. The trading loss reserve cannot be used except for the purpose of covering the amount of trading loss in excess of the amount of trading profit. When the accumulated amount of the trading loss reserve reaches NT$200,000, allocation may cease.

The aforementioned provision for (reversal of) trading loss reserve is recorded as "other non-interest income (loss) — trading loss reserve" and "other liabilities — trading loss reserve".

According to the RGSF, 0.0028% of the transaction price of the traded securities (for customers' accounts) must be provided on a monthly basis as reserve for breach of contract losses default reserve. The reserve for breach of contract losses default cannot be used except for the purpose of covering the losses caused by breach of contract in trading on customers' accounts or for a purpose approved by the Securities and Futures Bureau. When the accumulated reserve for breach of contract losses default reserve reaches NT$200,000, allocation will cease.

The aforementioned provision for (reversal of) breach of contract losses default reserve is recorded as "other non-interest income (loss) — breach of contract losses default reserve" and "other liabilities — breach of contract losses default reserve".

Provision for guarantee is the amount of estimated potential losses based on the ending balances of guarantees and acceptances. The aforementioned provision for (reversal of) guarantee is recorded as "allowance — provision for guarantee" and "other liabilities — provision for guarantee".

(u) Pension

The Bank established an employee defined benefit retirement scheme in 1968, which has been revised several times and covers all full-time employees. The scheme provides a lump-sum payment to retired employees based on years of service and the employees' average monthly salary upon the termination of service. According to the scheme, if the qualified employees retired before year 2000, an additional monthly pension payment equivalent to 30% of average monthly salary upon the termination of service was paid until year 2000.

The Bank adopted the R.O.C. Labor Standards Laws on May 1, 1997, and set up the "Retirement Fund Supervisory Committee", approved by the Social Affairs Authority, on June 3, 1998. The Bank has made monthly deposits to the fund in Bank of Taiwan (formerly the Central Trust of China) since July 1998.

On July 1, 2005, the Labor Pension Act (LPA) became effective. Employees can choose either the retirement plan defined by Labor Standards Law or the retirement plan defined by the LPA (the New Scheme), retaining the years of service before the LPA effective date. Under the defined contribution scheme of the LPA, the Bank has an obligation to contribute no less than 6% of monthly paid salary to the pension accounts in the Labor Insurance Bureau.

The measurement date for the Bank's defined benefit pension scheme and actuarial valuations is the balance sheet date. The Bank accrues a minimum pension liability and recognizes pension costs based on the actuarial valuations when the accumulated benefit obligation exceeds the fair value of plan assets. Current and past service costs, transitional liabilities, and gains or losses on pension plan are amortized over the employees' remaining service periods on a straight-line basis.

(Continued)

A minimum pension liability usually occurs due to the existence of unrecognized past service costs and unrecognized transitional assets or liabilities. If the amount of minimum pension liability does not exceed the sum of unrecognized past service cost and unrecognized transitional assets or liabilities, then the difference would be recognized as deferred pension costs under other assets; otherwise, the difference shall be recognized as net loss from unrecognized pension cost, a reduction of stockholders' equity. Under the defined contribution scheme, the amounts to be contributed for each period shall be recognized as an expense.

(v) Share-based compensation

The Standard Chartered Group set up four share-based compensation schemes. The fair value of share-based awards measured by the goods or services received shall be recognized as an expense at the grant date.

For equity-settled share-based payments, the total amount to be recognized as expenses over the vesting period is determined by the fair value of the equity instruments granted, excluding the impact of any non-market vesting conditions, such as profitability and the index of growth rate. The fair value of equity instruments granted shall be based on market prices, if available, at the date of grant. If the market price is not available, the fair value of the equity instruments granted is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the share-based transactions. During the vesting period, the Bank revises its original estimates of the number of share options that are expected to be exercised. The Bank recognizes the impact of the revision of original estimates, if any, in profit or loss.

(w) Employee bonuses and directors' emoluments

Employee bonuses and directors' emoluments appropriated after January 1, 2008, are accounted for by Interpretation Letter No. Ji-Mi-Zih-0000000052 issued by the Accounting Research and Development Foundation (ARDF). The bank estimates the amount of employee bonuses and directors' emoluments according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

(x) Revenue recognition

Interest income and fees and commissions are recognized on an accrual basis.

(y) Income tax

Estimation of income tax expense is based on the financial income recognized in accordance with financial accounting standards. Due to the differences between the income tax amount in the financial statements and the tax basis of asset and liability accounts, deferred income tax is recognized by taking into account the income tax consequences and enacted tax rates for the periods in which deferred tax liabilities or assets are expected to be settled or realized. The deferred income tax consequences attributable to taxable temporary differences are recognized as deferred tax liabilities. The deferred income tax consequences attributable to deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred tax assets. The probability of realization of a deferred tax asset is evaluated, and a valuation allowance account is recognized accordingly.

(Continued)

The items that are directly debited or credited to stockholders' equity do not affect pretax financial income for the current period but are, according to the tax laws, included in taxable income, affecting current income tax. Items that are directly debited or credited to stockholders' equity are not included in taxable income, but a difference between the tax basis and the book value of the related asset or liability will arise. When the related asset or liability is recovered or settled, a taxable or deductible amount will result. The deferred tax asset or liability is recognized in the current period.

According to the R.O.C. Income Tax Act, an additional income tax at the rate of 10 percent on undistributed surplus earnings is recognized as current income tax expense in the year of the resolution in the shareholders' meeting to distribute earnings.

The Income Basic Tax Act has been announced and became effective on January 1, 2006. The calculation of the Bank's basic income is the sum of the taxable income as defined in accordance with the Income Tax Act and the provisions or tax benefits that are included in the Income Tax Act and other laws. The amount of basic tax of the Bank is the amount of basic income as calculated in accordance with the preceding rules, with a deduction of NT$2,000,000, and then multiplied by the tax rate prescribed by the Executive Yuan. The greater of income basic tax expense or income tax expense is the current tax expense actually paid by the Bank.

(z) Earnings per share of common stock

Earnings per share (EPS) are computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted-average number of issued common shares outstanding during the period. If the number of common shares or potential common shares outstanding increases as result of capitalization of retained earnings, additional paid-in capital, or employees' bonus, or decreases as a result of a reverse capitalization due to losses, the calculation of basic EPS and diluted EPS for all periods presented is adjusted retroactively. If these changes occur after the balance sheet date but before the issuance date of the financial statements, such EPS calculations are also adjusted retroactively. When calculating diluted EPS, the net income (or loss) attributable to common shareholders and the weighted-average number of shares outstanding shall be adjusted for the effects of all dilutive potential common shares.

(3) Changes in Accounting Principle

Starting from January 1, 2008, the Bank adopted R.O.C. SFAS No. 39 "Share-based Payment" and Interpretation Letter No. Ji-Mi-Zih-0000000052 issued by the Accounting Research and Development Foundation (ARDF). The Bank classifies, measures, and discloses a share-based payment transaction, employee profit-sharing, and regular compensation for directors and supervisors in accordance with the aforementioned standards. The change in accounting principle does not have a significant impact on the net income for the six-month period ended June 30, 2008. According to Interpretation Letter No. Ji-Mi-Zih-0000000169 of the ARDF, the basic EPS and diluted EPS shall not be retroactively adjusted if capital increases from employee profit-sharing. If employee profit-sharing is distributed in shares with dilutive potential, such shares should be included in the calculation of diluted EPS.

Starting from January 1, 2007, the Bank adopted R.O.C. SFAS No. 37 "Intangible Assets". In accordance with the aforementioned standard, the Bank revaluated the useful life and amortization method of recognized intangible assets on the date of adopting such accounting principle and decided not to modify any asset's useful life or amortization method.

(Continued)

(4) Cash and Cash Equivalents

As of June 30, 2008 and 2007, cash and cash equivalents were as follows:

		2008	2007
Cash	$	4,416,028	4,600,745
Cash in transit		1,500	-
Negotiable instruments for clearing		38,058	452,438
Deposits with other banks		2,124,410	1,201,101
Deposits with affiliate companies		372,834	499,515
	$	6,952,830	6,753,799

(5) Balance at Central Bank, and Loans and Advances to Banks

As of June 30, 2008 and 2007, the balance at the Central Bank and loans and advances to banks were as follows:

		2008	2007
Balance at Central Bank			
Reserve against deposits—checking account	$	6,332,649	12,438,555
Reserve against deposits—demand account		10,524,952	11,838,526
Reserve against deposits—foreign currency		84,995	1,597,830
Reserve against deposits—settlement accounts		538,046	298,454
		17,480,642	26,173,365
Loans and advances to other banks		31,887,558	49,023,866
Loans and advances to affiliates		17,773,897	3,354,307
		49,661,455	52,378,173
	$	67,142,097	78,551,538

Pursuant to the Banking Law, the "reserves against deposits" are calculated at prescribed rates on the average balances of various deposit accounts and deposited with the Central Bank.

(6) Financial Assets and Liabilities Held at Fair Value through Profit or Loss

As of June 30, 2008 and 2007, financial assets and liabilities held at fair value through profit or loss were as follows:

		2008	2007
Trading financial assets:			
Debt instruments	$	4,003,067	3,562,018
Derivatives		22,622,776	16,526,931
	$	26,625,843	20,088,949

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

		2008	2007
Trading financial liabilities			
Debt instruments	$	-	678,051
Derivatives		23,200,898	18,846,199
	$	23,200,898	19,524,250

For the six-month periods ended June 30, 2008 and 2007, net gain (loss) on financial assets and liabilities held at fair value through profit or loss recognized by the Bank were as follows:

		2008	2007
Net gain (loss) on valuation and disposal of trading financial assets and liabilities:			
Debt instruments	$	179,473	105,128
Derivatives		424,140	(89,742)
		603,613	15,386
Interest income		174,784	14,636
Total	$	778,397	30,022

(7) **Available-for-sale Financial Assets**

As of June 30, 2008 and 2007, available-for-sale financial assets were as follows:

		2008	2007
Debt instruments:			
Treasury bills	$	1,979,862	399,438
Government bonds		10,959,577	12,073,408
Commercial paper		3,219,034	1,686,504
Negotiable certificates of deposit		49,643,086	54,032,698
Financial debentures		8,126,030	10,229,708
Corporate bonds		6,897,385	10,923,060
Subtotal		80,824,974	89,344,816
Beneficiary securities		4,591,824	5,189,010
Total	$	85,416,798	94,533,826
Hedged assets included in the above balance	$	11,827,886	-

(Continued)

For the six-month periods ended June 30, 2008 and 2007, the movements of unrealized gain (loss) on available-for-sale financial assets were as follows:

		2008	2007
Beginning balance	$	(888,436)	(383,517)
Unrealized gain (loss) recognized in the period		148,979	(604,809)
Realized gain (loss) on disposal in the period		(62,522)	190,997
Ending balance	$	**(676,935)**	**(1,179,323)**

In December 2005, the carrying value of $12,005,275 of the mortgage loans was entrusted by the Bank to Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates. Deutsche Bank AG, Taipei Branch issued both an "Investor Certificate" and a "Seller Certificate" amounting to $10,204,484 and $1,800,791, respectively. The duration period of the first beneficiary certificates is from December 20, 2005, to July 20, 2027.

In September 2006, the carrying value of $13,234,322 of the mortgage loans was entrusted by the Bank to Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates. Deutsche Bank AG, Taipei Branch issued both an "Investor Certificate" and a "Seller Certificate" amounting to $10,322,771 and $2,911,551, respectively. The duration period of the second beneficiary certificates is from September 2006 to the trust distribution date in January 2028.

At the first and second issuance of the beneficiary certificates, the Bank held subordinated Seller Certificates of $1,800,791 and $2,911,551, respectively, which were recorded as available-for-sale financial assets with the right to interest in excess of the fixed amount paid to investors. If the debtors fail to repay the entrusted loans, investors and Deutsche Bank AG, Taipei Branch have no right of recourse to the Bank's other assets. The Bank's right to the repayment of the entrusted loans as subordinated Seller Certificates is inferior to the investors', and the value of these subordinated Seller Certificates is affected by the exposure to credit risk, the early repayment rate, and changes in interest rate on those entrusted loans.

(a) As of June 30, 2008 and 2007, key assumptions used in measuring retained interests

	2008	
	First	**Second**
Prepayment rate (annual rate) — assumption (1)	30.00 %	20.00 %
Weighted-average life	1.70 years	2.58 years
Expected default rate (annual rate) — assumption (2)	1.50 %	2.00 %
Discounted rate for residual cash flows	2.60 %	2.60 %

	2007	
	First	**Second**
Prepayment rate (annual rate) — assumption (1)	30.00 %	20.00 %
Weighted-average life	2.41 years	3.80 years
Expected default rate (annual rate) — assumption (2)	1.50 %	1.50 %
Discounted rate for residual cash flows	2.60 %	2.60 %

(Continued)

(b) Sensitivity analysis

As of June 30, 2008 and 2007, if the key economic assumptions as below were adversely changed by 10% and 20%, respectively, the sensitivity of the current fair value of residual cash flows would be as follows:

		2008	
		First	Second
Carrying amount of retained interest	$	1,768,940	2,822,884
Assumption (1) – impact on fair value of 10% adverse change		(2,326)	(10,666)
Assumption (1) – impact on fair value of 20% adverse change		(4,820)	(20,773)
Assumption (2) – Impact on fair value of 10% adverse change		(2,272)	(2,829)
Assumption (2) – Impact on fair value of 20% adverse change		(4,545)	(5,380)

		2007	
		First	Second
Carrying amount of retained interest	$	1,801,308	2,916,264
Assumption (1) – impact on fair value of 10% adverse change		(5,921)	(20,448)
Assumption (1) – impact on fair value of 20% adverse change		(10,943)	(33,073)
Assumption (2) – impact on fair value of 10% adverse change		(8,671)	(7,763)
Assumption (2) – impact on fair value of 20% adverse change		(16,810)	(15,526)

(c) As of June 30, 2008 and 2007, there was no actual default for the securitized mortgage loan; therefore, the expected static pool default rate was equal to expected default rate.

(d) Cash flows

The cash flows received from or paid to securitization trusts for the six-month periods ended June 30, 2008 and 2007, are summarized as follows:

		2008	
		First	Second
Other cash flows received on retained interests	$	48,695	48,546
Servicing fee received		2,500	2,500
Cash received for prepayment for service		326	997
Prepayment for service		258	1,186

		2007 First	2007 Second
Other cash flows received on retained interests	$	41,105	31,676
Servicing fee received		2,500	2,500
Cash received for prepayment for service		709	1,127
Prepayment for service		693	1,156

(8) Accounts Receivable

As of June 30, 2008 and 2007, details of accounts receivable were as follows:

		2008	2007
Accounts receivable	$	5,406,211	3,670,657
Acceptance receivable		476,348	474,206
Tax refund receivable		395,948	277,293
Factoring loan receivable		7,079,136	5,257,219
Interest receivable		1,894,809	2,009,360
Other receivable		1,136,818	527,889
		16,389,270	12,216,624
Credit card receivable, net of allowance for doubtful accounts of $105,633 and $837,320 for the six-month periods ended June 30, 2008 and 2007, respectively		12,156,040	16,931,973
	$	**28,545,310**	**29,148,597**

(9) Loans and Advances to Customers

As of June 30, 2008 and 2007, details of loans and advances to customers were as follows:

		2008	2007
Remittances and discounts for exports	$	461,303	4,962,867
Short-term loans and overdrafts		35,381,619	27,840,598
Short-term secured loans and overdrafts		11,933,149	17,040,228
Medium-term loans		70,963,686	66,036,209
Medium-term secured loans		14,727,317	30,873,401
Long-term loans		4,147,571	10,105,183
Long-term secured loans		155,330,126	139,136,406
Non-performing loans		5,050,268	6,348,430
Subtotal		297,995,039	302,343,322
Less: allowance for doubtful accounts		1,392,932	4,439,749
Total	$	**296,602,107**	**297,903,573**
Hedged assets included in the above balance	$	**1,007,307**	-

(Continued)

Allowance for doubtful accounts is provided by evaluating the risk of nonrecovery of specific outstanding loans, and the risk of nonrecovery is assessed by the probability of default.

For the six-month periods ended June 30, 2008 and 2007, the movements of allowance for doubtful accounts were as follows:

		2008	
	Specific provision	**General provision**	**Total**
Beginning balance	$ 1,641,181	611,071	2,252,252
Add: provision for doubtful accounts	2,312,171	1,282,111	3,594,282
Less: write-off	2,699,103	1,648,866	4,347,969
Ending balance	$ 1,254,249	244,316	1,498,565

		2007	
	Specific provision	**General provision**	**Total**
Beginning balance	$ 2,603,204	869,477	3,472,681
Add: provision for doubtful accounts	3,854,789	442,841	4,297,630
provision from transfer of operation from Standard Chartered Bank, Taipei Branch	1,011	868,542	869,553
Less: write-off	2,638,646	313,648	2,952,294
Ending balance	$ 3,820,358	1,867,212	5,687,570

As of June 30, 2008 and 2007, the components of allowance for doubtful accounts were as follows:

	2008	**2007**
Loans and advances to customers (including non-performing loans)	$ 1,392,932	4,439,749
Accounts receivable	105,633	1,235,232
Other financial assets — overdue receivables	-	12,589
Total	$ 1,498,565	5,687,570

For the six-month periods ended June 30, 2008 and 2007, the allowance for doubtful accounts was $3,677,514 and $4,297,630, respectively. The Bank's allowance for doubtful accounts included bad debt expenses derived from loans and advances to customers and provision for guarantee amonted to $3,594,282 and $83,232, respectively, during the six-month period ended June 30, 2008.

The Bank collected $920,177 and $743,404 from written-off loans during the six-month periods ended June 30, 2008 and 2007, respectively. For the six-month periods ended June 30, 2008 and 2007, the amounts of allowance for doubtful accounts generated from 3% of operating revenue were $304,014 and $270,000, respectively.

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Notes to Financial Statements

As of June 30, 2008 and 2007, the amounts of outstanding loans with interest charges suspended amounted to $5,575,061 and $10,681,685, respectively. The amounts of accrued interest derived from the aforementioned loans were $237,504 and $440,321, respectively.

As of June 30, 2008 and 2007, loans and advances to customers classified by geographical region were as follows:

	2008	2007
Domestic	$ 289,934,682	296,470,379
Overseas	8,060,357	5,872,943
Total	$ 297,995,039	302,343,322

As of June 30, 2008 and 2007, loans and advances to customers classified by industry were as follows:

	2008	2007
Manufacturing	$ 49,760,648	51,021,545
Commercial	18,857,862	14,462,196
Construction	2,027,953	4,658,146
Individual	210,658,686	193,522,634
Others	16,689,890	38,678,801
Total	$ 297,995,039	302,343,322

As of June 30, 2008 and 2007, information regarding asset quality of loans and advances to customers was as follows:

(expressed in thousands of New Taiwan dollars, %)

Product			Period: 2008 Overdue loan amount	Loan balance (Note 3)	Overdue ratio	Allowance for bad debts (Note3)	Cover rate
Corporate Banking	Secured		2,840,542	43,860,373	6.48 %	286,813	10.10 %
	Unsecured		262,302	48,552,655	0.54 %	317,496	121.04 %
Consumer Banking	Mortgage		3,095,263	139,058,506	2.23 %	643,746	20.80 %
	Cash card		612	14,281	4.29 %	612	100.00 %
	Credit loan		514,581	37,129,855	1.39 %	143,705	27.93 %
	Others	Secured	9,593	22,529,235	0.04 %	490	5.11 %
		Unsecured	844	6,850,134	0.01 %	70	8.29 %
Total			6,723,737	297,995,039	2.26 %	1,392,932	
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate
Credit card			646,635	12,261,673	5.27 %	105,633	16.34 %
Without-recourse factoring loan receivable			-	7,079,136	- %	-	- %

(Continued)

Product			Overdue loan amount (2007)	Loan balance	Overdue ratio	Allowance for bad debts (Note 1)	Cover rate
Corporate Banking	Secured		4,908,639	45,668,021	10.75 %	1,818,543	37.05 %
	Unsecured		2,437,970	66,211,903	3.68 %	903,214	37.05 %
Consumer Banking (Note 2)	Mortgage		3,128,808	124,329,116	2.52 %	1,172,411	37.47 %
	Cash card		736	33,034	2.23 %	273	37.09 %
	Credit loan		1,033,490	42,589,716	2.43 %	413,008	39.96 %
	Others	Secured	323,746	21,314,990	1.52 %	119,949	37.05 %
		Unsecured	33,362	2,196,542	1.52 %	12,351	37.02 %
Total			11,866,751	302,343,322	3.92 %	4,439,749	
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate
Credit card			1,438,368	17,769,293	8.09 %	837,320	58.21 %
Without-recourse factoring loan receivable			-	5,257,219	- %	-	- %

Note 1: Allowance for bad debts is disclosed in proportion to the ratio of overdue loan amount of each product to total overdue loan.

Note 2: Overdue loan amounts disclosed as others – secured and others – unsecured in consumer banking are calculated in proportion to their outstanding loan balance.

Note 3: Since December 31, 2007, the loan balance has been disclosed by the Standard Chartered Group's business categories.

(10) Investment in Associates under Equity Method and Financial Assets Carried at Cost

	June 30, 2008 Percentage of ownership	Investment cost	Amount	June 30, 2007 Percentage of ownership	Investment cost	Amount
Equity method:						
Hsinchu Futures Co., Ltd.	-	$ -	-	88.57	442,830	255,356
Standard Chartered Life Insurance Agent Co., Ltd.	100.00	21	245,895	100.00	21	115,725
Standard Chartered Taiwan Insurance Agent Co., Ltd.	100.00	368	36,990	100.00	368	16,744
Paradigm Assets Management Co., Ltd.	20.00	98,400	95,747	20.00	98,400	95,682
Subtotal		98,789	378,632		541,619	483,507
Less: accumulated impairment – Paradigm Assets Management Co. Ltd.		-	95,747		-	-
		$ 98,789	282,885		541,619	483,507

	June 30, 2008			June 30, 2007		
	Percentage of ownership	Investment cost	Amount	Percentage of ownership	Investment cost	Amount
Financial assets carried at cost:						
Fubon Securities Finance Co., Ltd.	0.99	$ 38,065	38,065	0.99	38,065	38,065
Taiwan Small and Medium Enterprises Development Corp.	4.84	29,000	29,000	4.84	29,000	29,000
Taiwan Futures Exchange Co., Ltd.	-	-	-	0.51	10,250	10,250
Financial Information Service Co., Ltd.	1.14	45,500	45,500	1.14	45,500	45,500
Taipei Forex Inc.	3.03	6,000	6,000	3.03	6,000	6,000
TSC Bio Venture Management, Inc.	5.00	20,250	20,250	5.00	20,250	20,250
Liyu Venture Investment, Inc.	4.76	15,014	15,014	4.76	21,905	21,905
Windance Co., Ltd.	2.73	188,500	188,500	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000	2.94	50,000	50,000
Yang Guang Asset Management Company	1.36	814	814	1.36	814	814
Wan Chi Co., Ltd.	3.35	2,468	2,468	3.35	2,468	2,468
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277	0.17	9,277	9,277
Taiwan Cooperative Bills Finance Corporation	3.45	36,172	36,172	-	-	-
Subtotal		441,060	441,060		422,029	422,029
Less: accumulated impairment — Windance Co., Ltd.	-	-	188,500	-	-	188,500
		$ 441,060	252,560		422,029	233,529

For the six-month periods ended June 30, 2008 and 2007, the recognized investment income from investment in associates under the equity method was $88,761 and $52,814, respectively.

The shareholders of Hsinchu Futures Co., Ltd., an investee company of the Bank under the equity method, decided to dissolve in December 2007; the liquidation was completed on May 29, 2008. The gain on disposal of investment and return of capital from the aforementioned dissolved investee company were $77,090 and $338,283, respectively. Total assets of Standard Chartered Life Insurance and Standard Chartered Taiwan Insurance, two investees of the Bank under the equity method, only accounted for 0.05% and 0.01% of the Bank's total assets, respectively. Operating income derived from two subsidiaries accounted for 1.99% and 0.23% of net interest income of the Bank, respectively. Therefore, beginning with the consolidated financial statements for 2008, these two subsidiaries will no longer be included in the consolidated financial statements.

For the six-month period ended June 30, 2008, the Bank disposed of the investment in Taiwan Futures Exchange Co., Ltd., classified as financial assets carried at cost. The original investment cost and proceeds from disposal were $10,250 and $44,740, respectively. The gain on disposal of the aforementioned investment was $34,490.

For the six-month periods ended June 30, 2008 and 2007, movements of accumulated impairment of investments in associates under the equity method and financial assets carried at cost were as stated in note 18.

(11) Property and Equipment

As of June 30, 2008 and 2007, details of property and equipment were as follows:

		2008	2007
Cost:			
Land	$	3,226,953	2,999,894
Revaluation increments on land		505,866	505,866
Buildings		3,552,782	3,272,395
Revaluation increments on buildings		10,407	10,407
Transportation equipment		3,684	3,684
Other equipment		5,139,148	4,700,827
Subtotal		12,438,840	11,493,073
Less: accumulated depreciation		4,403,673	3,807,791
Less: accumulated impairments		413,802	-
		7,621,365	7,685,282
Prepayment for equipment		433,708	123,735
	$	8,055,073	7,809,017

For the six-month periods ended June 30, 2008 and 2007, movements of accumulated depreciation were as follows:

		2008	2007
Beginning balance	$	4,083,045	3,646,618
Add: depreciation		359,894	284,696
Less: disposal		189,453	123,523
reclassified		(150,187)	-
Ending balance	$	4,403,673	3,807,791

For the six-month periods ended June 30, 2008 and 2007, movements of accumulated impairment of property and equipment were as stated in note 18.

(12) Other Assets

As of June 30, 2008 and 2007, details of other assets were as follows:

		2008	2007
Deferred income tax assets, net	$	3,383,613	2,235,318
Idle assets, net of accumulated impairment of $18,534 and $17,166 for the six-month periods ended June 30, 2008 and 2007, respectively		151,712	96,419
Assets leased to others, net of accumulated impairment of $50,605 and $2,513 for the six-month periods ended June 30, 2008 and 2007, respectively		1,313,491	1,832,411
Foreclosed assets, net of accumulative impairment of $639,827 and $682,491 for the six-month periods ended June 30, 2008 and 2007, respectively		573,148	533,934
Refundable deposits		649,190	890,987
Deferred pension costs		281,867	-
Prepaid pension		-	165,542
Prepaid expenses		103,059	98,895
Others		158,567	342,621
	$	6,614,647	6,196,127

For the six-month periods ended June 30, 2008 and 2007, movements of accumulated impairment of idle assets, assets leased to others, and foreclosed assets were as stated in note 18.

The Bank leased out its office buildings under operating leases with lease terms ranging from one to five years. As of June 30, 2008, future rental income were as follows:

Period		Amount
2008.07.01~2008.12.31	$	165,284
2009		235,280
2010		145,366
2011		74,994
2012		27,339
2013 and thereafter		20,386
	$	668,649

(Continued)

(13) Bills and Bonds Sold (Purchased) under Repurchase (Reverse Repurchase) Agreements

As of June 30, 2008 and 2007, the fair value of underlying assets of bills and bonds purchased under reverse repurchase agreements was as follows:

		2008	2007
Fair value	$	-	678,051

As of June 30, 2007, settlement dates for bills and bonds purchased under reverse repurchase agreements was July 2, 2007; interest rates of the aforementioned reverse repurchase agreements was from (1.00)% to 1.83%. The contracted prices for the aforementioned reverse repurchase agreements was $687,487.

As of June 30, 2008 and 2007, the fair value of underlying assets of bills and bonds sold under repurchase agreements was as follows:

		2008	2007
Financial assets held at fair value through profit or loss	$	1,435,723	473,677
Available-for-sale financial assets		261,845	5,159,043
	$	1,697,568	5,632,720

As of June 30, 2008 and 2007, settlement dates for bills and bonds sold under repurchase agreements were from July 1 to 23, 2008, and from July 3 to 25, 2007, respectively; interest rates of the aforementioned repurchase agreements ranged from (0.50)% to 1.78% and from 1.25% to 2.05%, respectively. The contracted repurchase prices were $1,803,246 and $5,755,701, respectively.

(14) Deposits and Remittances

As of June 30, 2008 and 2007, deposits and remittances were as follows:

		2008	2007
Checking deposits	$	4,338,297	4,398,883
Demand deposits		89,782,024	82,509,668
Time deposits		34,255,553	79,909,771
Savings deposits		102,807,712	110,446,284
Time savings deposits		160,605,197	132,179,897
Remittances		369,157	72,198
Total	$	392,157,940	409,516,701
Hedged liabilities included in the above balance	$	10,800,000	-

As of June 30, 2008 and 2007, the maturity date for the abovementioned time deposits and time savings deposits was within three years.

(Continued)

(15) Financial Debentures

As of June 30, 2008 and 2007, details of subordinated debentures issued by the Bank were as follows:

Bond	Issue conditions	2008	2007
91-1A	5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	$ 3,300	6,067,400
91-1B	5-year term, interest payable semi-annually, based on the Bank's one-year regular floating rate plus 1.75%; maturity date: July 19, 2007	-	972,600
91-1C	5-year term, interest payable semi-annually, based on the Bank's one-year regular floating rate plus 1.75%; maturity date: July 19, 2007	-	400,000
91-1D	5-year term, interest payable semi-annually, based on the Bank's one-year regular floating rate plus 1.75%; maturity date: July 19, 2007	-	320,000
91-1E	5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	-	240,000
94-1	No maturity date, interest payable semi-annually, based on the average one-year regular floating rate of the largest nine banks plus 1.493%	7,636,700	7,636,700
94-2	No maturity date, interest payable semi-annually, based on the average one-year regular rate of the largest nine banks plus 1.493%	2,363,300	2,363,300
95-1	7-year term, interest payable quarterly, based on the Bank's 90-day commercial paper trading rate plus 0.22%; maturity date: December 27, 2013	4,800,000	4,800,000
97-1	10-year term, interest payable quarterly, annual interest rate for the first 5 years is USD 3M LIBOR, plus 2.185%, and USD 3M LIBOR plus 2.685% for the last 5 years; maturity date: March 11, 2018	4,553,280	-
		$ 19,356,580	22,800,000

The Board of Directors approved the issuance of the first tranche of subordinated debentures of the year 2002 at a total amount of $8,000,000 on April 2, 2002; the MOF then approved this issuance on June 27, 2002, and the related subscription was completed in July 2002. These debentures began to be traded on the over-the-counter market on September 2, 2002.

(Continued)

The Board of Directors approved the issuance of the cumulative subordinated debentures without maturity dates at a total amount of $10,000,000 on October 26, 2004. The FSC then approved the issuance on January 3, 2005, and the related subscription was completed on January 28, 2005. These debentures began to be traded on the over-the-counter market on April 6, 2005.

The Board of Directors approved the issuance of the first tranche of subordinated debentures of the year 2006 at a total amount of $4,800,000 on November 20, 2006. The FSC then approved the issuance on December 4, 2006. These debentures began to be traded on the over-the-counter market on December 27, 2006.

The Board of Directors approved the issuance for the first tranche of subordinated debentures of the year 2008 at a total amount of $4,553,280 (USD150,000 equivalent) on November 27, 2007. the FSC then approved the issuance on February 29, 2008. These debentures began to be traded on the over-the-counter market on March 12, 2008.

(16) Interest Income

For the six-month periods ended June 30, 2008 and 2007, details of interest income were as follows:

	2008	2007
Interbank transactions	$ 1,228,671	327,309
Loans and advances to customers	6,174,013	5,684,166
Credit cards	657,935	129,607
Financial assets held at fair value through profit or loss	1,034,333	671,761
Total	$ 9,094,952	6,812,843

(17) Other Non-interest Income (Loss)

For the six-month periods ended June 30, 2008 and 2007, details of non-interest income (loss) were as follows:

	2008	2007
Securities brokerage commissions	$ 121,739	135,433
Rental income	39,967	47,169
(Loss) gain on disposal of property and equipment and foreclosed assets	(4,594)	219,287
Collection of written-off accounts receivable and loans	920,177	743,404
Dividend income of investments carried at cost	-	2,340
Gain on disposal of investments	111,580	-
Others	10,366	(12,073)
Total	$ 1,199,235	1,135,560

(Continued)

(18) Asset Impairment

For the six-month periods ended June 30, 2008 and 2007, impairment losses recognized and the movements of accumulated impairment losses for assets held by the Bank were as follows:

	2008			
	Opening balance	Impairment loss (reversal)	Reclassification	Ending balance
Investment in associates under equity method	$ 95,747	-	-	95,747
Financial assets carried at cost	188,500	-	-	188,500
Property and equipment	464,495	-	(50,693)	413,802
Idle assets	18,446	-	88	18,534
Assets leased to others	-	-	50,605	50,605
Foreclosed assets	639,827	-	-	639,827
	$ 1,407,015	-	-	1,407,015

	2007			
	Opening balance	Impairment loss (reversal)	Reclassification	Ending balance
Available-for-sale financial assets	$ -	49,967	-	49,967
Financial assets carried at cost	188,500	-	-	188,500
Idle assets	17,166	-	-	17,166
Assets leased to others	2,513	-	-	2,513
Foreclosed assets	1,007,635	(325,144)	-	682,491
	$ 1,215,814	(275,177)	-	940,637

(19) Pension

For the six-month periods ended June 30, 2008 and 2007, the related pension assets, costs, and accrued liabilities of the Bank were as follows:

	2008	2007
Fair value of pension assets at end of period	$ 1,923,581	1,708,287
Pension cost:		
Defined benefit pension scheme	140,335	81,216
Defined contribution pension scheme	74,882	35,763
Accrued pension liabilities	451,428	97,668

For the six-month period ended June 30, 2008, net pension costs and accrued pension liabilities at end of period for employees assigned from foreign affiliates were $7,952 and $9,061, respectively.

(Continued)

(20) Share-Based Payments

Standard Chartered PLC Group (the SC PLC Group) has established four main share-based payment schemes for its directors and employees. As of June 30, 2008, share-based payment schemes adopted by the Bank were as follows:

(a) International sharesave schemes

According to the International Sharesave Schemes ("ISS"), employees have the opportunity of adhering to a three-year or five-year share-saving contract. Within six months after the vesting period of a three-year or five-year contracted term, employees are entitled to exercise their share options, purchasing common shares in SC PLC. The discount on the price of shares that employees are entitled to purchase is up to 20 percent of the price of shares sold on open markets on the settlement date. There is no performance condition having to be satisfied for the employees to become entitled to receive share-based awards.

The option movement of ISS was as follows:

	2008
Outstanding at January 1, 2008	615,481
Less: exercised	4,990
lapsed	32,571
Outstanding at June 30, 2008	577,920

For the six-month period ended June 30, 2008, the cost of the ISS charged to current profits or losses was $10,475, recognized as operating expenses.

The valuation of share options is performed using a Binomial option pricing model.

(b) Restricted share scheme

The SC PLC Group established the Restricted Share Scheme ("RSS") to reward and retain employees who have good performance and high potential. SC PLC Group grants RSS awards only at the time of hiring, and there are no performance conditions that must be met. The RSS scheme is only provided for employees and not executive directors. Two years after the grant date, 50 percent of share-based awards is vested to the employees who are entitled to exercise the RSS. The remaining balance is vested to the aforementioned employees within three years. The share-based awards can be exercised within seven years after the grant date. The value of share-based awards granted to certain employees in any year cannot exceed two times the base salary of those employees.

(Continued)

The option movement of RSS was as follows:

	2008
Outstanding at January 1, 2008	54,192
Add: granted	30,816
Less: exercised	3,257
lapsed	2,643
Outstanding at June 30, 2008	**79,108**

For the six-month period ended June 30, 2008, the cost of RSS charged to current profits or losses was $5,484, recognized as operating expenses.

Under the RSS scheme, the fair value of share-based awards is based on the market value after deducting the adjustment of share dividends during the vesting period.

(c) Executive share option scheme

The Executive Share Option Scheme ("ESOS") is designed to improve the Bank's international competitiveness and reward executive directors and their senior management teams for delivering long-term performance. A vesting EPS performance condition must be achieved before executive directors and management are entitled to exercise the share options.

Executives who are entitled to purchase common shares of SC PLC have to exercise the share option between the third and tenth year after the date of grant. The exercise price per share is the market price of that share on the grant date. The share options can be exercised only when certain performance conditions are satisfied. The option movement of the ESOS was as follows:

	2008
Outstanding at January 1, 2008	5,257
Add: granted	-
Less: exercised	-
lapsed	-
Outstanding at June 30, 2008	**5,257**

For the six-month period ended June 30, 2008, the cost of the ESOS charged to current profits or losses was $129, recognized as operating expenses.

The valuation of share options is performed using a binomial option pricing model. As of June 30, 2008, there were no such share-based awards granted.

(Continued)

(d) Performance share plan

The Performance Share Plan ("PSP") is designed to be an intrinsic part of total remuneration for the SC PLC Group's executive directors and for a small number of the SC PLC Group's most senior executives. It is an incentive plan focusing on improving long-term competitiveness and encouraging executives to achieve and then exceed the long-term performance goals of the SC PLC Group. The directors are granted an opportunity to purchase shares at nil-price if they still remain employed by the SC PLC Group. The aforementioned directors are allowed to exercise share options between the third and tenth year after the grant date. The SC PLC Group has established policies allowing qualifying employees, under limited certain circumstances, to exercise share options in advance.

The option movement of PSP was as follows:

	2008
Outstanding at January 1, 2008	36,065
Add: granted	39,121
Less: exercised	10,195
lapsed	8,350
Outstanding at June 30, 2008	**56,641**

For the six-month period ended June 30, 2008, the cost of the PSP charged to current profits or losses was $2,932, recognized as operating expenses.

Under the ESOS scheme, the fair value of share-based awards is based on the market value after deducting the adjustment of share dividends during the vesting period.

(21) Income Tax

The Bank is subject to ROC income tax at a maximum rate of 25%. Starting January 1, 2006, the Bank adopted the ROC "Income Basic Tax Act". The income tax (benefit) expense for the six-month periods ended June 30, 2008 and 2007, were as follows:

		2008	2007
Current income tax expense	$	89,082	77,036
Deferred income tax (benefit) expense		(154,086)	207,148
Income tax expense (benefit) expense	$	**(65,004)**	**284,184**

The differences between the "expected" income tax at statutory income tax rates and the income tax (benefit) expense as reported in the accompanying financial statements for the six-month periods ended June 30, 2008 and 2007, were as follows:

		2008	2007
Income tax at statutory rate	$	48,495	(230,426)
Adjustment:			
Non-deductible tax expense on overseas income		-	342
Tax-exempt OBU income		(41,298)	(8,740)
Tax-exempt income from securities trading		(41,747)	(90,030)
Net unrealized gain on valuation of trading financial assets and liabilities		(7,309)	26,659
Adjustments for separately taxed interest income		(40,727)	(16,681)
Recognition of investment income under equity method		(22,190)	(14,969)
Recognition of liquidation income under equity method		(30,535)	-
Expiration of loss carryforwards		-	521,415
Overestimation (underestimation) of prior years' loss carryforwards		964,835	(1,069)
Investment tax credit—employee training costs		(4,353)	(1,808)
Allowance for doubtful accounts		(849,883)	-
Other reconciling items		22,265	5,910
Overestimation of prior year's income tax		(38,230)	-
Valuation allowance		-	93,581
Adjustments on prior years' income tax		(24,327)	-
Income tax (benefit) expense	$	**(65,004)**	**284,184**

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the six-month periods ended June 30, 2008 and 2007, the components of deferred income tax (benefit) expense were as follows:

		2008	2007
Recognition of investment loss (gain) under equity method	$	14,870	(1,766)
Allowance for doubtful accounts in excess of limit		-	(400,065)
Deferred revenue		(146,550)	-
Provision for guarantee		(20,808)	-
Provision for reserve for default losses and transaction losses		(6,520)	(963)
Depreciation expenses of fixed assets		(26,218)	-
Gain on reversal of impairment losses		-	81,286
Pension costs in excess of limit		(9,069)	(314)
Realized gain on inter-affiliate transactions		14	12
Expiration of loss carryforwards		-	521,415
Unrealized interest income on financial assets		20,496	-
Overestimation (underestimation) of prior years' loss carryforwards		964,835	(1,069)
Increase in loss carryforwards		(952,736)	(83,161)
Investment tax credit—employee training cost		(4,353)	(1,808)
Others		11,953	-
Valuation allowance		-	93,581
Deferred income tax (benefit) expense	$	**(154,086)**	**207,148**

Deferred income tax assets held by the Bank that were provided by the transfer of operations from Standard Chartered Bank, Taipei Branch on June 30, 2007, were as listed below:

		June 30, 2007
Allowance for doubtful accounts in excess of limit	$	265,969
Unrealized interest income on financial assets		722,428
Others		27,119
	$	**1,015,516**

As of June 30, 2008 and 2007, the deferred income tax assets were as follows:

		2008	2007
Deferred income tax assets	$	3,848,581	3,370,139
Valuation allowance—deferred income tax assets		(464,968)	(1,134,821)
Deferred income tax assets, net	$	**3,383,613**	**2,235,318**

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of June 30, 2008 and 2007, details of the temporary differences, loss carryforwards, and tax credits and their respective income tax effect were as follows:

	2008		2007	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Investment loss recognized under equity method	$ -	-	62,110	16,330
Allowance for doubtful accounts in excess of limit	-	-	3,086,572	771,643
Reserve for trading losses and default losses	93,424	23,356	62,233	15,558
Asset impairment losses	1,256,009	314,002	702,171	175,543
Pension costs in excess of limit	176,100	44,025	1,257	314
Depreciation expenses of fixed assets	104,871	26,218	-	-
Unrealized gain on inter-affiliate transaction	6,020	1,505	6,118	1,530
Loss carryforwards	10,001,224	2,500,306	6,522,924	1,630,731
Investment tax credit—employee training costs	16,461	16,461	8,943	8,943
Deferred revenue	882,376	220,594	-	-
Provision for guarantee	83,232	20,808	-	-
Unrealized interest income on financial assets	2,725,223	681,306	2,889,712	722,428
Others	-	-	108,476	27,119
		$ 3,848,581		3,370,139

As of June 30, 2008 and 2007, the components of tax refund receivable recorded under accounts receivable were as follows:

	2008	2007
Current income tax	$ 89,082	77,036
Withheld income tax	(85,134)	(32,580)
Income tax receivable from prior years	(310,815)	(244,713)
Underestimation of prior year's income tax	(7,618)	-
Adjustments on prior years' income tax	24,327	-
Separate taxation	(105,790)	(76,694)
Non-deductible tax on overseas income	-	(342)
	$ (395,948)	(277,293)

(Continued)

In accordance with the R.O.C. Income Tax Act, assessed net losses can be carried forward for five consecutive years to reduce taxable income. As of June 30, 2008, the amount of losses and the year of expiry were as follows:

Year incurred	**Amount**	**Year of expiry**
2006 (reported)	$ 6,190,278	2011
2008 (estimated)	3,810,946	2013
	$ 10,001,224	

Pursuant to the R.O.C. Statute for Upgrading Industries, the Bank's unused investment tax credit—employee training cost as of June 30, 2008, was as follows:

Year incurred	**Amount**	**Year of expiry**
2006 (reported)	$ 7,136	2010
2007 (reported)	4,972	2011
2008 (estimated)	4,353	2012
	$ 16,461	

Except for the year 2003, the Bank's income tax returns have been examined by the tax authority for all years through 2004.

The balance of the imputation credit account (ICA) as of June 30, 2008 and 2007, was as follows:

	2008	**2007**
ICA	$ 181,603	139,107

The accumulated deficits on June 30, 2007, were all generated after 1998.

(22) Stockholders' Equity

(a) Common stock

On May 29, 2008, the shareholders approved the reduction of the accumulated deficits by offsetting against appropriated special reserve and capital surplus of $332 and $2,145,350, respectively.

On June 8, 2007, the board of directors approved an increase in capital by issuance of 10,000 thousand shares to specified persons via private placement to take over the operation of Standard Chartered Bank, Taipei Branch. The aforementioned capital increase was approved by the FSC on June 14, 2007. The designation date for the capital increase was June 30, 2007, and the related registration has been completed.

On June 8, 2007, the board of directors approved an increase in capital by issuance of 493,055 thousand shares at $20 per share via private placement to specified persons. The aforementioned capital increase was approved by the FSC on June 27, 2007. The board of directors had authorized the chairman to set June 30, 2007, as the base date for the capital increase.

(Continued)

On May 21, 2007, the shareholders approved the reduction of the accumulated deficits by offsetting against legal reserve and capital surplus of $3,228,441 and $224,130, respectively.

(b) Capital surplus

The R.O.C. Company Act requires capital surplus to be used to offset an accumulated deficit before being realized and transferred to capital, with distribution of cash dividends being restricted. The aforementioned realized capital surplus includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank. The amount of capital surplus capitalized each year may not exceed a certain percentage of the Bank's issued share capital. Capitalization of paid-in capital in excess of par value is limited to once a year and cannot be made in the same year that the excess is generated.

As of June 30, 2008 and 2007, details of capital surplus were as follows:

		2008	2007
Paid-in capital in excess of par value	$	2,903,759	5,049,109
Others		406	406
	$	2,904,165	5,049,515

(c) Legal reserve and special reserve

Whenever the Bank generates a profit, the profit should first be used to pay income tax in accordance with the law and to appropriate 30 percent of net profit as legal reserve. Until the amount of the legal reserve has reached the total amount of capital, the amount of profit distributed as cash may not exceed 15 percent of total capital. The aforementioned rule is not required to be complied with if the amount of legal reserve is equal to the total amount of capital. In addition to the legal reserve, a special reserve can be appropriated and approved by the stockholders' meeting.

(d) Dividend policy and earnings distribution

Whenever the Bank generates a profit, 30 percent of its net income is appropriated as legal reserve after the deduction of income tax. Any special reserve would be set aside if necessary for the Bank's ongoing operations. The remaining balance, if any, is distributed as follows:

1.Shareholders' dividends and bonuses: 95%

2.Employee bonuses:5%

The appropriation of the aforementioned special reserve is requested by relevant acts, or is proposed by the Board of Directors, depending on the needs for business operations. The Board of Directors can propose to the Annual Shareholder's Meeting for a resolution regarding the proportion of employee bonuses should be distributed, if necessary. The amount of bonuses distributed to employees who remain employed at end of year is also resolved by the Board of Directors.

(e) Weighted-average number of common shares outstanding

As of June 30, 2008 and 2007, the weighted-average number of common shares outstanding was 2,157,572 thousand shares and 1,654,517 thousand shares, respectively.

(Continued)

(23) Disclosure of Financial Instruments

(a) Fair value of financial assets

The following methods and assumptions were used to estimate the fair value of financial instruments:

i) The book values of financial instruments which have a short maturity period will be considered their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, balance at Central Bank and loans to banks, accounts receivable, refundable deposits recorded as other assets, deposits by Central Bank and other banks, bills and bonds sold under repurchase agreements, payables, and guarantee deposits.

ii) The fair values of financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets are the quoted market prices if the instruments are actively traded in the market. If a quoted market price is unavailable, the fair value is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques adopted by the Bank are identical to those adopted by other market participants.

iii) The interest on loans and advances to customers is based on floating rates. Therefore, the book value is equal to the fair value.

iv) Other financial assets held by the Bank include unlisted equity shares over which the Bank is unable to exercise significant influence and derivatives that are linked to or deemed to be settled by the aforementioned shares. In accordance with the guidelines for preparation of financial statements by public banks, the aforementioned financial assets shall be evaluated at cost.

v) Most deposits and remittances mature in less than one year, and therefore the book value is equal to the fair value. The fair value of deposits with maturity over one year is the net present value of future cash flows.

vi) The subordinated debentures are financial liabilities with floating interest rates, and therefore their fair value is equal to their carrying value.

vii) When derivatives and structured notes lack quoted market prices in active markets, the Black-Scholes model is applied to calculate the fair value of option contracts; forward contracts are evaluated individually using the rates quoted from the FBS system to discount their future cash flows to present values; interest rate swap and cross-currency swap contracts are evaluated individually using quotes from counterparties or from the Reuters system to discount their future cash flows to present value.

(Continued)

As of June 30, 2008 and 2007, the fair values of the Bank's financial assets and liabilities evaluated using valuation techniques were as listed below:

Accounts		2008	2007
Financial assets held at fair value through profit or loss—derivatives	$	22,622,776	16,526,931
Available-for-sale financial assets—beneficiary certificates		4,591,824	5,189,010
Financial liabilities held at fair value through profit or loss —derivatives		23,200,898	18,846,199

For the six-month periods ended June 30, 2008 and 2007, the Bank recognized losses and gains amounting to $1,262,637 and $28,904, respectively, from the changes in fair value of financial instruments that were evaluated by using valuation techniques.

(b) As of June 30, 2008 and 2007, outstanding derivative contracts held by the Bank were as listed below:

	June 30, 2008		
		Fair value	
	Notional amount	Gain (assets)	Loss (liabilities)
Option contracts	$ 103,731,005	1,536,521	1,536,521
Forward contracts	358,165,787	2,806,979	3,347,382
Cross-currency swaps	223,092,853	6,375,771	7,125,033
Interest rate swaps	1,078,726,698	7,252,938	8,639,474
Interest rate linked deposits	166,215,138	4,620,500	2,522,420
Commodity swaps	-	30,067	30,068
	$ 1,929,931,481	22,622,776	23,200,898

	June 30, 2007		
		Fair value	
	Notional amount	Gain (assets)	Loss (liabilities)
Call option contracts	$ 607,849	125,454	-
Put option contracts	592,383	-	125,749
Forward contracts	3,544,489	8,338,389	8,857,129
Non-principal delivery forward contracts	1,146,775	3,639	-
Interest rate swaps	7,224,798	6,223,272	4,423,950
Cross-currency swaps	339,700	1,836,177	5,439,371
	$ 13,455,994	16,526,931	18,846,199

(c) Financial risk management and risk information

i) Market risk

The Bank has been applying value at risk to assess the market risk of financial instruments. When negative changes in market factors arise, the value at risk states the potential losses at certain holding periods and reliance levels. The Bank estimated its value at risk for each held or issued financial instrument based on the fluctuation of the related historical price during the 250 trading days in a year.

The table below lists the market risk of financial instruments of the Bank as of June 30, 2008 and 2007. Market risk represents potential losses that the Bank may suffer in one day when unfavorable changes occur that go against the Bank's position at a 99% confidence level under a certain price probability distribution. Market risk factors include foreign exchange rates and interest rates, and the aforementioned market risk did not include an assessment for positions held by the Bank that were provided by transfer of operations from Standard Chartered Bank, Taipei Branch. Starting July 1, 2007, the interest rate risk and the exchange rate risk have been assessed at a 97.5% confidence level under the aforementioned probability distribution.

		2008			2007		
Type of market risk		**Semi-annual average**	**Maximum**	**Minimum**	**Semi-annual average**	**Maximum**	**Minimum**
Exchange rate	$	4,755	8,135	1,609	59,524	116,257	30,727
Interest rate		53,710	59,249	44,315	42,824	118,145	11,244

ii) Credit risk

Potential losses on financial instruments held or issued by the Bank may arise due to nonfulfillment of contractual obligations by the counterparties. When placing loans, loan commitments, or loan guarantees, the Bank conducts its credit assessment with professional care. As of June 30, 2008 and 2007, the percentage of loans with collateral was 61.11% and 62%, respectively. The collateral obtained from loans, commitments, and guarantees consisted of cash and cash equivalents, inventories, marketable securities, and other assets. When counterparties breach agreements/contracts, the Bank has rights over the collateral, which can mitigate the credit risk. However, when disclosing the amount of maximum credit risk exposure, the fair values of collateral are ignored. No additional disclosure was provided for financial assets associated with credit risks since their book values, net of corresponding valuation allowance, reflect their credit exposures.

As of June 30, 2008 and 2007, the maximum credit risk exposure of the Bank's loans and advances to customers in the event of other parties failing to perform their obligations was as summarized below by industry category.

Industry		2008	2007
Manufacturing	$	49,760,648	51,021,545
Commercial		18,857,862	14,462,196
Construction		2,027,953	4,658,146
Individual		210,658,686	193,522,634
Others		16,689,890	38,678,801
	$	297,995,039	302,343,322

The amount of the abovementioned credit risk was assessed based on the financial instruments with positive fair value at the balance sheet date and contracts with off-balance-sheet commitments and guarantees. Concentration of credit risk refers to the significant risks from all financial instruments, regardless of whether the risks are from an individual counterparty or group of counterparties. Group concentration of credit risk exists if a number of counterparties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank maintains trading positions in a number of markets and with a variety of counterparties or obligors.

As of June 30, 2008 and 2007, the 10 group companies with the largest outstanding loans were as follows:

Unit: thousand dollars, %

June 30, 2008			
Rank	Group Company	Outstanding loan	% of net assets
1	Chi Mei Group	4,750,211	19.56 %
2	AUO Group	2,688,394	11.07 %
3	Pou Chen Group	2,497,097	10.28 %
4	AIG INC Group	2,221,656	9.15 %
5	Swire Group	1,836,984	7.56 %
6	Chipmos Group	1,645,520	6.78 %
7	Walsin Lihwa Group	1,529,843	6.30 %
8	Powerchip Group	1,455,964	6.00 %
9	Formosa Chemicals Group	1,388,223	5.72 %
10	Eastern Multimedia Group	1,230,653	5.07 %

(Continued)

June 30, 2007			
Rank	**Group Company**	**Outstanding loan**	**% of net assets**
1	Chi Mei Group	5,498,526	24.00 %
2	AUO Group	4,258,071	19.00 %
3	CPC Corporation	3,009,405	13.00 %
4	Formosa Plastics Group	2,918,737	13.00 %
5	Pou Chen Group	2,913,093	13.00 %
6	Ta-Tung Group	2,513,740	11.00 %
7	Ta-Yuani Group	2,327,069	10.00 %
8	Chinatrust Group	2,293,708	10.00 %
9	LIMAX Computer Group	2,105,265	9.00 %
10	ChiMOS Technologies Group	1,690,361	7.00 %

(Note) The above-listed group companies are disclosed in accordance with the group definition found in the Sixth Article of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Potential losses are assessed equal to the contractual amounts when the counterparties are unable to perform their contractual obligations and the related collateral is significantly devaluated.

iii) Liquidity risk

As of June 30, 2008 and 2007, the liquidity reserve ratio was 21.84% and 21.87%, respectively; the Bank has enough operating capital to fulfill all contractual obligations, and therefore the probability of loss due to liquidity risk is remote. Liquidity risk of derivative instruments held by the Bank is low except for interest rate swaps, which had a leverage effect. Therefore, there is no significant liquidity risk.

One of the most important aspects of the Bank's management is to match its assets and liabilities with related interest rates and durations. Due to varieties and uncertainties of contractual terms, the interest rates and maturity dates of assets and liabilities may not be matched, which may cause considerable impact on the liquidity profile of the Bank. As of June 30, 2008 and 2007, the liquidity of the Bank was as assessed below by groups of interest-earning assets and interest-bearing liabilities over various duration periods from the balance sheet date to an individual contract's maturity.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Unit: thousand dollars

Assets	June 30, 2008 Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	$ 6,952,830	-	-	-	6,952,830
Balance at Central Bank and loans and advances to banks	40,274,736	26,867,361	-	-	67,142,097
Loans and advances to customers	34,422,482	22,460,465	27,207,039	211,504,814	295,594,800
Financial assets held at fair value through profit or loss, net	948,491	1,055,351	16,500,824	8,121,177	26,625,843
Available-for-sale financial assets, net	39,527,076	20,332,357	13,729,479	-	73,588,912
Other assets	-	-	-	43,750,475	43,750,475
Hedged items	-	730,640	7,262,732	4,841,821	12,835,193
Total assets	$ 122,125,615	71,446,174	64,700,074	268,218,287	526,490,150
Liabilities					
Deposits by Central Bank and other banks	$ 41,834,184	-	257,776	7,296,236	49,388,196
Deposits and remittances	233,859,051	5,462,155	38,425	141,998,309	381,357,940
Financial debentures	3	-	-	19,356,577	19,356,580
Financial liabilities held at fair value through profit or loss, net	-	-	-	23,200,898	23,200,898
Other liabilities	-	-	-	18,102,302	18,102,302
Hedged items	-	10,800,000	-	-	10,800,000
Total liabilities	$ 275,693,238	16,262,155	296,201	209,954,322	502,205,916
Spread	$(153,567,623)	55,184,019	64,403,873	58,263,965	24,284,234

Assets	June 30, 2007 Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Loans and advances to banks	$ 48,942,029	81,837	-	-	49,023,866
Loans and advances to customers (note 1)	38,437,052	38,213,484	87,620,972	131,723,384	295,994,892
Financial assets held at fair value through profit or loss-bills and bonds	3,872,795	1,215,065	12,513,832	2,487,257	20,088,949
Available-for-sale financial assets – bonds	30,766,776	27,839,192	20,984,269	14,943,589	94,533,826
	$ 122,018,652	67,349,578	121,119,073	149,154,230	459,641,533
Liabilities					
Deposits by Central Bank and other banks	$ 1,644,878	-	-	-	1,644,878
Time deposits (notes 2 and 3)	88,947,666	113,706,017	8,435,984	1,000,000	212,089,667
Financial debentures	-	-	8,000,000	14,800,000	22,800,000
Loans from Central Bank and other banks	24,628,515	-	-	-	24,628,515
	$ 115,221,059	113,706,017	16,435,984	15,800,000	261,163,060

Note 1: Non-performing loans are excluded.

Note 2: Time deposits include time deposits and savings deposits.

Note 3: Negotiable certificates of deposit are excluded.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Duration analyses of assets and liabilities in statutory form were as follows:

June 30, 2008

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	$ 633,467,223	110,551,926	53,677,211	66,713,416	83,999,730	318,524,940
Capital used	692,656,148	109,824,080	82,040,448	85,471,082	124,224,083	291,096,455
Spread	(59,188,925)	727,846	(28,363,237)	(18,757,666)	(40,224,353)	27,428,485

June 30, 2008

(expressed in thousands of US dollars)

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 180 to 1 year	Over 1 year
Capital provided	$ 40,964,574	3,735,827	2,187,189	1,781,189	1,067,352	32,193,017
Capital used	53,804,307	4,782,220	1,680,798	1,183,480	955,842	45,201,967
Spread	(12,839,039)	(1,046,393)	507,085	597,709	111,510	(13,008,950)

June 30, 2007

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	$ 726,279,888	139,127,164	49,503,402	34,898,687	50,102,819	452,647,816
Capital used	790,690,967	157,432,975	69,673,112	88,349,981	124,462,545	350,772,354
Spread	(64,411,079)	(18,305,811)	(20,169,710)	(53,451,294)	(74,359,726)	101,875,462

June 30, 2007

(expressed in thousands of US dollars)

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	$ 10,820,788	5,378,352	1,292,198	696,782	570,772	2,882,684
Capital used	12,257,376	5,217,648	1,463,786	588,414	893,047	4,094,481
Spread	(1,436,588)	160,704	(171,588)	108,368	(322,275)	(1,211,797)

iv) Cash flow risk and fair value risk from changes in interest rate

Future cash flow from the assets and liabilities with floating interest rates held by the Bank may fluctuate due to the changes in market interest rates. In order to mitigate the risk, the Bank has entered into interest rate swap contracts after related assessments.

As of June 30, 2008 and 2007, the Bank presumed that the expected re-pricing dates and maturity dates were not affected by contractual terms. The interest rate risks listed below are stated based on the book value of financial assets and liabilities held by the Bank and classified based on the earlier of the maturity date or re-pricing date.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Unit: thousand dollars

	June 30, 2008								
Assets	Within 1 month	1~3 months	3 months ~ 1 year	1~2 years	2~3 years	3~4 years	Over 5 years	Non-interest	Total
Cash and cash equivalents	$ 6,952,830	-	-	-	-	-	-	-	6,952,830
Balance at Central Bank and loans and advances to banks	24,631,366	15,643,370	26,867,361	-	-	-	-	-	67,142,097
Loans and advances to customers	22,870,415	11,552,067	22,460,465	6,599,044	13,908,691	6,699,304	211,504,814	-	295,594,800
Financial assets held at fair value through profit or loss, net	-	948,491	1,055,351	1,768,021	5,326,165	9,406,638	8,121,177	-	26,625,843
Available-for-sale financial assets, net	-	39,527,076	20,332,357	1,768,021	5,326,165	6,635,293	-	-	73,588,912
Other assets	-	-	-	-	-	-	-	43,750,475	43,750,475
Hedged item	-	-	730,640	302,614	4,841,821	2,118,297	4,841,821	-	12,835,193
Total assets	$ 54,454,611	67,671,004	71,446,174	10,437,700	29,402,842	24,859,532	224,467,812	43,750,475	526,490,150
Liabilities									
Deposits by Central bank and other banks	$ 38,333,477	3,500,707	-	257,776	-	-	7,296,236	-	49,388,196
Deposits and remittances	223,270,359	10,588,692	5,462,155	8,000	30,425	-	141,998,309	-	381,357,940
Financial debentures	3	-	-	-	-	-	19,356,577	-	19,356,580
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	-	-	23,200,898	23,200,898
Other liabilities	-	-	-	-	-	-	-	18,102,302	18,102,302
Hedged item	-	-	10,800,000	-	-	-	-	-	10,800,000
Total liabilities	$ 261,603,839	14,089,399	16,262,155	265,776	30,425	-	168,651,122	41,303,200	502,205,916
Sensitivity gap	$(207,149,228)	53,581,605	55,184,019	10,171,924	29,372,417	24,859,532	55,816,690	2,447,275	24,284,234

Unit: thousand dollars

	June 30, 2007							
Assets	Within 1 month	1~3 months	3 months ~ 1 year	1~2 years	2~3 years	3~4 years	Over 5 years	Total
Loans and advances to customers								
Medium-term loan	$ -	-	315,000	2,568,320	526,000	-	-	3,409,320
Sensitivity gap	$ -	-	315,000	2,568,320	526,000	-	-	3,409,320

(Continued)

Ratios of interest-rate-sensitive assets to liabilities and interest-rate-sensitive spreads to net equity disclosed in statutory form were as follows:

June 30, 2008

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 284,637,876	15,257,476	17,653,224	61,730,585	379,279,161
Interest-rate-sensitive liabilities	110,904,912	154,959,177	51,595,959	38,551,520	356,011,568
Interest-rate-sensitive spread	173,732,964	(139,701,701)	(33,942,735)	23,179,065	23,267,593
Interest-rate-sensitive equity, net					24,284,234
Ratio of interest-rate-sensitive assets to liabilities (%)					108.11
Ratio of interest-rate-sensitive spread to net equity (%)					118.86

June 30, 2008

(expressed in thousands of US dollars)

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 1,652,573	605,527	161,804	159,177	2,579,081
Interest-rate-sensitive liabilities	2,800,541	39,002	27,568	150,687	3,017,798
Interest-rate-sensitive spread	(1,147,968)	566,525	134,236	8,490	(438,717)
Interest-rate-sensitive equity, net					21,094
Ratio of interest-rate-sensitive assets to liabilities (%)					85.46
Ratio of interest-rate-sensitive spread to net equity (%)					(2,079.82)

June 30, 2007

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 312,286,000	10,613,000	14,984,000	51,996,000	389,879,000
Interest-rate-sensitive liabilities	181,335,000	185,225,000	42,874,000	4,736,000	414,170,000
Interest-rate-sensitive spread	130,951,000	(174,612,000)	(27,890,000)	47,260,000	(24,291,000)
Interest-rate-sensitive equity, net					22,974,335
Ratio of interest-rate-sensitive assets to liabilities (%)					94.14
Ratio of interest-rate-sensitive spread to net equity (%)					(105.73)

June 30, 2007

(expressed in thousands of US dollars)

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	$ 4,481,673	1,276,221	651,375	627,263	7,036,532
Interest-rate-sensitive liabilities	4,289,547	1,364,183	523,452	697,627	6,874,809
Interest-rate-sensitive spread	192,126	(87,962)	127,923	(70,364)	161,723
Interest-rate-sensitive equity, net					198,985
Ratio of interest-rate-sensitive assets to liabilities (%)					102.35
Ratio of interest-rate-sensitive spread to net equity (%)					81.27

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

v) Information on interest-bearing assets and liabilities:

		June 30, 2008	
		Average amount	Average %
Assets:			
Balance at Central Bank	$	11,159,832	1.28
Loans and advances to banks (including loans to banks, deposits with affiliate companies and advances to affiliate companies)		41,990,175	5.85
Loans and advances to customers		309,857,248	4.46
Financial assets held at fair value through profit or loss		6,453,206	2.41
Available-for-sale financial assets		79,629,655	2.40
Liabilities:			
Deposits by Central Bank and other banks (including deposits by affiliate companies)		31,964,752	5.27
Demand deposits		208,825,296	0.41
Time deposits		171,501,605	2.42
Negotiable certificates of deposit		1,958,665	2.01
Financial debentures		19,316,765	3.48

		June 30, 2007	
		Average amount	Average %
Assets:			
Balance at Central Bank	$	14,664,368	0.73
Loans and advances to banks		51,428,244	3.87
Financial assets at fair value through profit or loss		30,369,544	1.36
Loans and advances to customers		319,857,853	2.65
Available-for-sale financial assets		64,028,126	2.05
Liabilities:			
Deposits by Central Bank and other banks		30,990,475	4.92
Demand deposits		171,390,218	0.20
Demand deposits – foreign currency		15,968,683	0.70
Time deposits		202,513,072	1.10
Time deposits – foreign currency		18,492,302	3.54
Negotiable certificates of deposit		2,222,338	1.73
Financial debentures		20,400,000	1.98

(Continued)

vi) Operational risk

Operational risk can be defined as the risk of monetary losses resulting from inadequate or failed internal processes, people, and systems or from external events. The Bank implements monitoring systems for operational risk exposures and losses for major business lines. Risk management policies and procedures for controlling or mitigating operational risk are in place and enforced through regular internal auditing.

vii) Legal risk

Legal risk arises from the possibility that an entity may not be able to follow regulations issued by the government and may not be able to enforce a contract against another party. Legal risk arises from possible risk of loss due to an unenforceable contract or an "ultra vires" act of a counterparty. Legal risk involves the potential illegality of the contract, as well as the possibility that the other party entered into the contract without proper authority. The legal affairs department of the Bank is responsible for providing professional legal consulting and review services for internal regulations and all trading contracts, and making sure that the Bank follows the financial regulations and operational regulations.

(d) Fair value hedge

A fair value hedge is the hedging of the exposure to changes in fair value of recognized fixed-rate assets or liabilities that are attributable to particular interest risks that could affect profit or loss. As of June 30, 2008, the hedged items and the fair value of the corresponding hedging instruments were as follows:

Hedged items			**Fair value of hedging instruments**	
Hedged object		**June 30, 2008**	**Contract type**	**June 30, 2008**
Loan and advances to customers	$	(873)	Interest rate swaps	899
Available-for-sale financial assets:				
Bonds		(30,295)	Interest rate swaps	30,212
Time deposits－NTD		8,820	Interest rate swaps	(8,750)
	$	(22,348)		22,361

For the six-month period ended June 30, 2008, loss on changes in fair value of hedged items recognized in the current period amounted to $22,826.

(Continued)

(24) Related-party transactions

(a) Name and relationship of related party

Name	Relationship
Standard Chartered Bank Ltd. (SCB)	The Bank's parent company
Hsinchu Futures Co., Ltd. (Hsinchu Futures)	Investee under equity method
Standard Chartered Life Insurance Agent Co., Ltd. (former Hsinchu Insurance Agent Ltd.; renamed in November 2007)	Investee under equity method
Standard Chartered Taiwan Insurance Agent Co., Ltd. (former Chuchian Insurance Agent Ltd.; renamed in November 2007)	Investee under equity method
Standard Chartered Bank Taipei Branch (SCB Taipei)	Affiliate
Standard Chartered Bank New York (SCB New York)	Affiliate
Standard Chartered Bank London (SCB London)	Affiliate
Standard Chartered Bank Tokyo (SCB Tokyo)	Affiliate
Standard Chartered Bank Hong Kong (SCB HK)	Affiliate
Standard Chartered Bank Singapore (SCB Singapore)	Affiliate
Standard Chartered Bank Dubai (SCB Dubai)	Affiliate
Standard Chartered Bank India (SCB India)	Affiliate
AMEX Bank Ltd. Taipei (AEB Taipei)	Affiliate
Standard Chartered Bank Shanghai (SCB Shanghai)	Affiliate
Standard Chartered Bank Malaysia (SCB Malaysia)	Affiliate
Scope International Private Ltd.	Affiliate
Others	Deemed related parties in accordance with SFAS No. 6, "Related Party Disclosures"

(Continued)

(b) Significant transactions with related parties

i) Deposits

As of June 30, 2008 and 2007, deposits provided by related parties were as summarized below:

2008

Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 1,068,480	0.27	0.00~8.00

2007

Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 1,002,197	0.24	0.00~8.00

Except for the 8% interest rate on employee savings accounts, the interest rates and other terms offered to the above related parties were the same as the terms offered to the general public.

For the six-month periods ended June 30, 2008 and 2007, interest expenses on the above deposits were $9,424 and $5,321, respectively.

ii) Loans

For the six-month periods ended June 30, 2008 and 2007, loans to related parties were as summarized below:

2008							
				Repayment			
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	On-time	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee credit loan	33	17,711	10,398	10,398	-	Unsecured credit	None
Mortgage	45	140,584	122,902	122,902	-	House	None
Others loan	1	1,542	1,542	1,542	-	Overdraft on the comprehensive deposits	None

Unit: thousand dollars

2007							
				Repayment			
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	On-time	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee credit loan	42	37,248	25,506	25,506	-	House, unsecured credit	None
Mortgage	48	105,300	91,337	91,337	-	House	None

(Continued)

For the six-month periods ended June 30, 2008 and 2007, interest income resulting from the above loans was $1,986 and $1,483, respectively.

iii) Deposits with affiliates

For the six-month periods ended June 30, 2008 and 2007, deposits with affiliates and related interest income were as follows:

		2008	
	Balance	Interest rate	Interest income
SCB New York	$ 286,808	4.00~4.75	12,269
SCB HK	65,588	-	-
SCB London	1,618	-	-
SCB Tokyo	6,474	-	-
Others	12,346	-	-
	$ 372,834		12,269

		2007	
	Balance	Interest rate	Interest income
SCB New York	$ 182,009	3.78~3.87	7,771
SCB London	100,380	4.25~6.25	-
SCB Tokyo	104,111	-	-
Others	113,015	-	-
	$ 499,515		7,771

iv) Loans and advances to affiliates

For the six-month periods ended June 30, 2008 and 2007, loans and advances to affiliates and related interest income were as follows:

		2008	
	Balance	Interest rate	Interest income
SCB London	$ 7,977,297	2.87~5.84	121,661
SCB Taipei	3,194,613	2.07~2.68	11,657
SCB Tokyo	288,600	0.5	27,976
SCB Singapore	2,326,536	2.80~8.95	76,358
SCB Dubai	2,731,968	3.13~3.25	15,881
AEB Taipei	1,226,820	0.58~3.80	4,294
Others	28,063	-	-
	$ 17,773,897		257,827

(Continued)

		2007	
	Balance	**Interest rate**	**Interest income**
SCB London	$ 1,454,676	2.20~6.00	-
SCB Tokyo	1,899,631	5.46	-
	$ 3,354,307		-

As of June 30, 2008, the interest receivable from loans and advances to affiliates amounted to $151,511.

v) Deposits by affiliates

For the six-month periods ended June 30, 2008 and 2007, deposits by affiliates and related interest income were as follows:

		2008	
	Balance	**Interest rate**	**Interest expense**
SCB London	$ 14,439,064	2.58~4.76	85,361
SCB Taipei	1,541,976	2.12	6,445
SCB Dubai	11,231,424	2.67~3.25	15,727
SCB Tokyo	3,035,520	3.5	64,403
SCB HK	6,071,040	3.1	72,658
Others	129,533	-	1,076
	$ 36,448,557		245,670

		2007	
	Balance	**Interest rate**	**Interest expense**
SCB London	$ 3,698,735	5.3	-
SCB Tokyo	8,236,465	5.39~5.32	-
Others	237,456	0.00~5.59	-
	$ 12,172,656		-

As of June 30, 2008, the accrued interest expense from deposits by affiliates amounted to $58,474.

(Continued)

vi) Derivative transactions

As of June 30, 2008, derivatives transactions engaged in with affiliated parties were as follows:

			2008			
Name	Contracts	Contract duration period	Notional	Unrealized effect in current period	Balance sheet Account	Balance
SCB London	Forward contracts	2008.7.1~ 2012.4.26	$ 42,544,690	(1,082,794)	Financial assets held at fair value through profit or loss	227,756
					Financial liabilities held at fair value through profit or loss	(1,310,550)
	Cross-currency swaps	2008.7.14~ 2012.10.3	98,550,692	(1,668,473)	Financial assets held at fair value through profit or loss	3,507,433
					Financial liabilities held at fair value through profit or loss	(5,175,906)
	Commodity swaps	2008.7.7~ 2009.5.26	-	29,477	Financial assets held at fair value through profit or loss	29,772
					Financial liabilities held at fair value through profit or loss	(295)
	Interest rate linked deposits	2008.7.1~ 2013.4.24	131,308,537	(609,268)	Financial assets held at fair value through profit or loss	1,742,916
					Financial liabilities held at fair value through profit or loss	(2,352,184)
	Interest rate swaps	2008.7.2~ 2012.11.23	179,652,288	(1,315,410)	Financial assets held at fair value through profit or loss	1,754,906
					Financial liabilities held at fair value through profit or loss	(3,070,316)
	Option contracts	2008.7.1~ 2010.10.14	78,585,421	(707,332)	Financial assets held at fair value through profit or loss	652,258
					Financial liabilities held at fair value through profit or loss	(1,359,590)
SCB Tokyo	Forward contracts	2008.7.1	2,325	6,618	Financial assets held at fair value through profit or loss	6,618
SCB India	Interest rate swaps	2009.6.8	212,486	2,667	Financial assets held at fair value through profit or loss	2,667
AEB Taipei	Cross-currency swaps	2009.11.3	165,850	13,445	Financial assets held at fair value through profit or loss	13,445
	Interest rate swaps	2009.6.29~ 2009.11.9	650,000	(2,624)	Financial assets held at fair value through profit or loss	558
					Financial liabilities held at fair value through profit or loss	(3,182)
	Interest rate linked deposits	2008.7.1~ 2008.7.28	849,903	1,236	Financial assets held at fair value through profit or loss	1,473
					Financial liabilities held at fair value through profit or loss	(237)
SCB Singapore	Forward contracts	2008.7.1~ 2008.11.14	35,730,401	167,518	Financial assets held at fair value through profit or loss	442,163
					Financial liabilities held at fair value through profit or loss	(274,645)

(Continued)

vii) For the six-month periods ended June 30, 2008 and 2007, the fair value of financial debentures acquired from affiliates were as follows:

Name		Fair Value 2008	2007
SCB HK	$	3,457,457	3,659,397

viii) As of June 30, 2008 and 2007, financial debenture payables deriving from the issuance of financial debenture to affiliates were as follows:

Name	Bond (note)		June 30, 2008	June 30, 2007
SCB	95-1	$	4,800,000	4,800,000
SCB HK	97-1		4,553,280	-

(note) The issue conditions and details of financial debentures were as stated in note 15.

ix) In December 2004, the Bank sold the land and building located at No. 1-23 and No. 1-49, Dongmen Sec. 2, Hsinchu City, to Hsinchu Insurance Agent Co., Ltd. The contracted selling price was $42,500, and the gain on disposal, net of book value and the related expenses, was $23,130. The Bank transferred the ownership in January 2005. As of June 30, 2008, and 2007 unrealized gains from affiliated-company transactions amounted to $22,858 and $22,930, recorded as other liabilities.

x) As of June 30, 2008 and 2007, administration fee payable to SCB amounted to $2,377,779 and $1,089,602, respectively, recorded as accounts payable—related party.

xi) As of June 30, 2008 and 2007, accounts payable to SCB for share-based payment scheme costs amounted to $145,879 and $110,864, respectively, recorded under accounts payable—related party.

xii) For the six-month period ended June 30, 2008, expenses resulting from operating activities with affiliates were as follows:

		2008
Personnel costs:		
SCB New York	$	6,404
SCB London		26,735
SCB HK		12,440
SCB Singapore		13,237
SCB Shanghai		3,022
SCB Malaysia		230
	$	62,068
Information technology service fees:		
Scope International Private Ltd.	$	21,443
SCB London		9,465
SCB HK		5,480
SCB Singapore		4,228
Others		1,004
	$	41,620

The aforementioned expenses were paid as of June 30, 2008.

(25) Pledged Assets

Pledged assets	Pledged for		Book value June 30, 2008	Book value June 30, 2007
Time deposits and bonds (recorded as available-for-sale financial assets as of June 30, 2008 and 2007)	Provisional seizure	$	461,394	638,380
	Securitization of mortgage loans		738,158	740,048
		$	1,199,552	1,378,428

Fair values of underlying assets of bills and bonds sold under repurchase agreements are disclosed at note 13.

(Continued)

Refundable security deposits regulated by relevant bank operation regulations:

Security deposits	Purpose	Book value June 30, 2008	Book value June 30, 2007
Bonds (recorded as available-for-sale financial assets as of June 30, 2008 and 2007)	Reserve for trust business	$ 49,509	96,642
	Security deposits for bill trading operations	-	97,553
	Security deposits for futures trading	19,090	57,254
	Security deposits for security brokerage	249,406	209,931
	Security deposits for bond trading	-	187,514
		318,005	648,894
Time deposits (recorded as refundable deposits as of June 30, 2008 and 2007)	Clearing account reserve	110,400	-
	Security deposits for bond trading	10,000	-
	Security deposits for bill trading operations	100,000	-
	Security deposits for bond underwriting	40,000	-
		260,400	-
Total		$ 578,405	648,894

(a) Reserves for trust business are provided by deposits that the Bank provided the Central Bank of China for its trust custodian business.

(b) Assets pledged for provisional seizure are provided by collateral placed with the court in order to execute the Bank's right over debtors' properties.

(c) Security deposits for bill trading are provided by deposits placed in the Central Bank of China for the Bank's bill trading business.

(d) Security deposits for bond trading are provided by deposits placed in the OTC for the Bank's government bond trading business. Furthermore, reserve for trading losses has been set to conform with securities regulations.

(Continued)

(26) Commitments and Contingent Liabilities

(a) Significant service agreements

The Bank entered into a bancassurance agreement with PCA Life Assurance Co., Ltd. (PCA) to promote and sell approved insurance policies in October 2007. Pursuant to the agreement, during the contracted period from October 2007 to September 2015, the Bank should establish a sales team for PCA life insurance products, maintain a customer database, and exclusively sell such life insurance products underwritten by PCA through the distribution networks in Taiwan. In consideration of the exclusive distribution arrangement, PCA shall pay to the Bank a facilitation fee of US$32,000 thousand. For the six-month period ended June 30, 2008, the second installment of US$21,000 thousand had been received by the Bank. The amount of NT$61,052 was recognized as fee income for the six-month period ended June 30, 2008, and the remaining amount was recorded as deferred revenue.

(b) Significant purchase agreements

As of June 30, 2008 and 2007, the Bank had construction agreements for expansion and renovation of buildings amounting to $590,405 and $170,359, respectively. The unpaid amounts of those agreements was $155,605 and $46,624, respectively.

(c) Operating leases

The Bank has entered into certain operating leases for its branches. As of June 30, 2008, estimated minimum future lease payments were as follows:

Fiscal year	Amount
2008.07.01~2008.12.31	$ 165,284
2009	235,280
2010	145,366
2011	74,994
2012 and thereafter	47,726
	$ 668,650

(Continued)

(d) Others

		June 30, 2008	June 30, 2007
Consignment collection for others	$	19,218,460	25,138,981
Traveller's checks held on consignment for sale		64,963	86,638
Securities and goods under custody and other trust assets		961,723,199	21,236,963
Trust assets		174,428,238	148,946,977
	$	**1,155,434,860**	**195,409,559**
Unused lines of credit	$	**15,536,546**	**75,724,368**
Other guarantees	$	**15,216,577**	**17,479,692**
Letters of credit issued	$	**9,708,809**	**8,293,972**
Securities sold under repurchase agreements	$	**3,725,282**	**3,747,179**
Securities purchased under reverse repurchase agreements	$	**-**	**2,061,438**

(e) As of and for the six-month periods ended June 30, 2008 and 2007, disclosures required by Article 17 of the Trust Enterprise Law on trust balance sheets and trust assets were as follows:

Trust Balance Sheet

June 30, 2008

Trust assets			Trust liabilities		
Bank deposits	$	22,115	Accounts payable	$	23
Short-term investments		167,712,576	Taxes payables		5
Accounts receivable		49	Payables on securities under custody		6,693,498
Securities under custody		6,693,498	Trust capital		167,734,712
Total trust assets	$	**174,428,238**	Total trust liabilities	$	**174,428,238**

Trust Balance Sheet

June 30, 2007

Trust assets			Trust liabilities		
Bank deposits	$	-	Trust capital－pecuniary trust	$	146,636,540
Short-term investments		148,946,977	Trust capital－securities trust		2,310,437
Total trust assets	$	**148,946,977**	Total trust liabilities	$	**148,946,977**

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Trust Income Statement

		2008	2007
Trust revenues:			
Interest revenue	$	119	67
Cash dividends－common stock		1,232	1,448
Realized gain on investments		240	-
Unrealized gain on investments		(19,394)	88,185
Exchange gain		-	39
		(17,803)	89,739
Trust expenses:			
Management expenses		169	73
Fees and commissions		91	164
Construction expenses		-	115,260
Realized loss on investments		38	-
Unrealized loss on investments －mutual fund		37,619	847
Income tax expense on principal		7	-
Exchange loss		1,711	40
		39,635	116,384
Net loss before income tax		(57,438)	(26,645)
Income tax expense		-	4
Net loss after income tax	$	(57,438)	(26,649)

Schedule of investment for trust business

June 30, 2008

Invested items		Amount
Bank deposits	$	22,115
Short-term investments:		
Bonds		62,009,156
Common shares		3,065,758
Mutual funds		102,637,662
Securities under custody		6,693,498
Accounts receivable		49
	$	174,428,238

(Continued)

Schedule of investment for trust business

June 30, 2007

Investment items	Amount
Short-term investments:	
Mutual funds	$ 133,930,877
Securities	15,016,100
	$ 148,946,977

Foreign currency pecuniary trust business engaged in by the Offshore Banking Unit (OBU) as of June 30, 2008 and 2007, was included in the trust balance sheet and schedule of investment for trust business.

(27) Significant Disaster Loss: none.

(28) Subsequent Events

Standard Chartered Bank PLC acquired 100% of the outstanding common shares of American Express Bank Limited in February 2008. In conformity with Jin-Kuan-Yin No. 0974003110, the assets, liabilities, and operations of American Express Bank Taipei Branch were transferred to the Bank on August 1, 2008. The Bank will pay cash consideration equal to $631,441 to complete the transaction. After the completion of the amalgamation, the Bank and American Express Bank Taipei Branch expect that the combined company's profitability and operating revenue will be improved through complementary services, integration of resources, and innovative products. The aforementioned advantages gained from the business combination will have a positive impact on the Bank's book value per share and earnings per share.

(29) Others

(a) Summary of personnel costs and depreciation, depletion and amortization expenses

A summary of personnel costs and depreciation, depletion and amortization expenses for the six-month periods ended June 30, 2008 and 2007, is as follows:

Function / Account	2008			2007		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs:						
Salaries	-	2,591,115	2,591,115	-	1,559,063	1,559,063
Labor and health insurance	-	148,187	148,187	-	85,089	85,089
Pension	-	223,169	223,169	-	116,979	116,979
Other employment	-	116,353	116,353	-	55,556	55,556
Depreciation	-	376,206	376,206	-	285,003	285,003
Depletion	-	-	-	-	-	-
Amortization	-	-	-	-	3,708	3,708

(Continued)

(b) Reclassification

For the six-month period ended June 30, 2008, certain amounts have been reclassified and presented to conform to the financial statements for the six-month period ended June 30, 2007. The financial statements are not significantly affected by such reclassifications.

(c) Net cash equivalents provided by the transfer of operations from Standard Chartered Bank, Taipei Branch on June 30, 2007, were as listed below:

	June 30, 2007
Assets	$ (131,461,429)
Liabilities	132,249,379
Common stock	100,000
Capital surplus	118,556
Net cash inflow provided by the transfer of operations	1,006,506

(d) Disclosures in accordance with SFAS No. 28 are as follows:

i) Major foreign currency positions

June 30, 2008			June 30, 2007		
Currency	Original currency	NTD equivalent	Currency	Original currency	NTD equivalent
USD	892,710	27,098,380	USD	144,289	4,725,849
EUR	202,898	9,738,909	JPY	8,587,188	2,277,342
RMB	1,493,551	6,476,039	AUD	22,694	631,563
JPY	13,006,196	3,753,027	HKD	98,621	413,166
GBP	17,811	1,078,747	NZD	8,090	204,664

ii) Profitability

Unit: %

Items		2008	2007
Return on assets (note 1)	Before income tax	0.04	(0.19)
	After income tax	0.05	(0.25)
Return on net equity (note 2)	Before income tax	0.81	(4.87)
	After income tax	1.08	(6.37)
Net profit ratio (note 3)		2.47	(16.93)

Note 1: Return on assets = net loss before / after tax ÷ average assets

Note 2: Return on net equity = net loss before / after tax ÷ average net assets

Note 3: Net profit ratio = net loss after tax ÷ operating income

(Continued)

(v) Capital adequacy

Capital adequacy ratios of the Bank are disclosed below:

Item		**Period-end**	**June 30, 2008**	**December 31, 2007**	**June 30, 2007**
Self-owned capital	Tier 1 Capital		17,234,128	19,530,549	22,715,555
	Tier 2 Capital		17,234,128	13,571,961	13,142,659
	Tier 3 Capital		-	-	-
	Capital		34,468,256	33,102,510	35,858,214
Risk-weighted assets	Credit risk	Standardized approach	325,126,540	314,828,550	321,919,363
		Internal-rating-based approach	-	-	-
		Secularizations	-	-	-
	Operational risk	Basic indicator approach	34,207,575	33,091,135	33,091,135
		Standardized approach / alternative approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	34,353,271	33,635,550	34,408,725
		Internal model approach	-	-	-
	Risk-weighted assets		393,687,386	381,555,235	389,419,223
Capital adequacy ratio			8.76 %	8.68 %	9.21 %
Tier 1 capital / risk-weighted assets			4.38 %	5.12 %	5.83 %
Tier 2 capital / risk-weighted assets			4.38 %	3.56 %	3.37 %
Tier 3 capital / risk-weighted assets			- %	- %	- %
Common stock / total assets			4.10 %	4.49 %	3.98 %

(Continued)

Capital adequacy ratios of the Bank and its subsidiaries are disclosed below:

Item		Period-end	June 30, 2008	December 31, 2007	June 30, 2007 (note 1)
Self-owned capital	Tier 1 Capital		17,234,128	19,791,914	22,942,421
	Tier 2 Capital		17,234,128	13,799,619	13,336,571
	Tier 3 Capital		-	-	-
	Capital		34,468,256	33,591,533	36,278,992
Risk-weighted assets	Credit risk	Standardized approach	325,126,540	314,924,477	322,195,559
		Internal-rating-based approach	-	-	-
		Secularizations	-	-	-
	Operational risk	Basic indicator approach	34,207,575	33,275,474	33,275,474
		Standardized approach / alternative approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	34,353,271	33,673,677	34,408,725
		Internal model approach	-	-	-
	Risk-weighted assets		393,687,386	381,873,628	389,879,758
Capital adequacy ratio			8.76 %	8.80 %	9.31 %
Tier 1 capital / risk-weighted assets			4.38 %	5.18 %	5.88 %
Tier 2 capital / risk-weighted assets			4.38 %	3.61 %	3.42 %
Tier 3 capital / risk-weighted assets			- %	- %	- %
Common stock / total assets			4.10 %	4.49 %	3.98 %

(Note 1) In accordance with the modified Regulations Governing the Capital Adequacy Ratio of Banks announced by the FSC on November 9, 2004, the Bank shall report its consolidated capital adequacy ratio along with its own capital adequacy ratio to the competent authority within two months after each year-end. The aforementioned regulations were modified and announced on January 4, 2007, by the FSC, and the frequency of the report was modified as within two months after each half-year end.

(30) Other Disclosure Items

(a) Related information on material transaction items:

i) Information regarding long-term equity investment for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

ii) Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

iii) Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

iv) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: none.

v) Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

vi) Information regarding selling non-performing loans: none.

vii) Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: none.

viii) Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: none.

(b) Information on long-term equity investments:

i) Information on investees' name, location, etc.:

Name of investee	Investee location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares	Percentage	
Hsinchu Futures Co., Ltd.	3 F., No. 130, Si Wei Road, Hsin-Chu, Taiwan	Futures brokerage	- %	-	-	-	-	-	- %	(note 1)
Standard Chartered Life Insurance Agent Co., Ltd.	No. 85, Chung-Zeng Road, Hsin-Chu, Taiwan	Life insurance agent	100.00 %	245,895	79,277	300	-	300	100 %	-
Standard Chartered Taiwan Insurance Agent Co., Ltd.	No. 85, Chung-Zeng Road, Hsin-Chu, Taiwan	Property insurance agent	100.00 %	36,990	9,484	300	-	300	100 %	-
Paradigm Assets Management Co., Ltd.	19F., No. 123, Sec. 2, Chung-Hsiao East Road, Taipei, Taiwan	Securities investment trust	20.00 %	-	-	9,000	-	9,000	20 %	-

(note 1) Hsinchu Futures Co., Ltd. was liquidated on May 29, 2008. The Bank had a gain on disposal of investment of $77,090 resulting from return of capital from the dissolved investee.

(Continued)

ii) Lending to other parties: none.

iii) Guarantees and endorsements for other parties: none.

iv) Information regarding securities held: none.

v) Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

vi) Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

vii) Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

viii) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: none.

ix) Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

x) Information regarding trading in derivative financial instruments: none.

xi) Information regarding selling non-performing loans: none.

xii) Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: none.

xiii) Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: none.

(31) Segment Information

According to Paragraph 25 of Statement of Financial Accounting Standards (SFAS) No. 23, when there is no significant change in the segment revenue composition, the disclosure of revenues and operating results for each segment in the footnotes to the interim financial statements is not required.