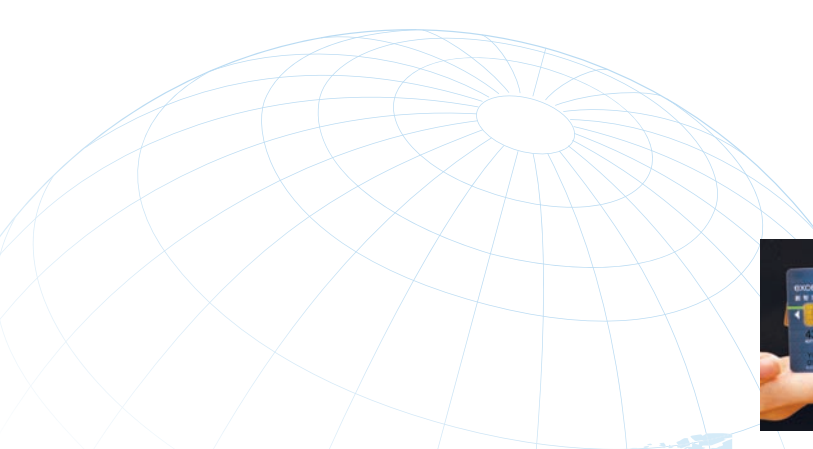




2008 Annual Report

Standard Chartered Bank (Taiwan) Limited

www.standardchartered.com.tw

Standard Chartered Bank (Taiwan) Limited

2008 Annual Report

Stock Code: 2807

MOPS website: <http://newmops.tse.com.tw>

Bank website: <http://www.standardchartered.com.tw>

Date of Publication: 27/04/2009



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Tel. No. : (02)2716-6261

Deputy spokesperson: Ruby Fu, Head of Corporate Affairs

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Email address: Corporate.Affairs.tw@sc.com

Please refer to page 192 to page 194 of "Directory of Branches and Office" for detailed information.

Stock registration agent:

Stock Administration of Yuanta Securities

Address: B1, No. 210, Cheng De Rd., Sec. 3, Taipei City

Tel. No.: (02)2586-5859

Website: <http://www.yuanta.com.tw>

Credit rating institutions

Fitch Ratings Taiwan

Address: Room 1306, 13F, No. 205, Tunhua North Rd., Taipei City

Tel. No.: (02)2514-7164

Taiwan Ratings

Address: 49F, No.7, Xinyi Rd., Sec. 5, Taipei City

Tel. No.: (02)8722-5800

Names of CPAs certifying financial statements of the most recent year:

An-Tian Yu and Ming-Zhi Wang.

Company Name: KPMG Certified Public Accountants

Address: 68F, No.7, Xinyi Rd., Sec. 5, Taipei City

Address: <http://www.kpmg.com.tw>

Tel. No.: (02)8101-6666 °

Name of the stock exchange where the overseas securities are listed for trading and the enquiry method: None.

Bank website: <http://www.standardchartered.com.tw>

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I. Letter to Shareholders



Taiwan's economic growth has experienced a sharp slowdown with overall exports falling by 41.9% year on year in December 2008, the steepest drop on record. As a result, companies will likely continue to cut output, investment, hiring, and in turn putting a lid on real economic growth for at least several quarters in 2009. Meanwhile, international crude and commodity prices are expected to remain soft on weak global demand, keeping inflation risk on the downside with subdued headline inflation which slid to 1.21% year on year in December 2008.

The government has taken significant measures to provide stimulus packages such as the NTD86 billion in shopping vouchers that were handed out in mid January 2009 as well as approving a special budget for NTD500 billion for 2009 - 2012 on public infrastructure projects and investments. The Legislative Yuan has completed the first reading on the NTD150 billion of this special budget earmarked for 2009. In support of the government's efforts to boost domestic demand, the Central Bank of China (CBC) continued the current easing cycle with a further reduction in the benchmark re-discount rate by 25 basis points to 1.25% on 18 February 2009. This interest rate reduction is the fifth reduction since September 2008. In addition, corporation tax rate will be lowered to 20% from 25% as well as personal income tax rates being reduced by 1% for each of the lowest three tax brackets to 5%, 12% and 20% respectively. The new tax rates will be effective in 2010 and are subject to the approvals of the Legislative Yuan. Despite the economic challenges, the government is also focused on pushing much needed reforms in order to continue to raise Taiwan's overall long-term economic competitiveness as well as becoming a key regional trade and financial hub. For example, the Council of Economic Development and Planning ("CEDP") is reportedly working on a proposal that would review the tax rate and benefits of foreign expatriate professionals working in Taiwan, comparing it to the rest of the region to create a better incentive to attract as well as retaining foreign professionals residing in Taiwan.

In 2008, the Bank continued to invest in developing its business and branch network following the amalgamation with Hsinchu International Bank in 2007. The Bank acquired the whole business, assets and liabilities of American Express Bank (Taipei and Kaohsiung branches), and acquired the specific assets, liabilities and business of Asia Trust & Investment Corporation which expanded our network to 94 branches in Taiwan.

As at the end of 2008, the Bank's total assets achieved NTD636.5billion, shareholders' equity to NTD31.6billion and capital adequacy ratio to 10.07%. The Bank remains well capitalized and has strong liquidity with total deposits up 35% year-on-year to NTD514billion, while loan balances grew 7% year-on-year to NTD310.5billion.

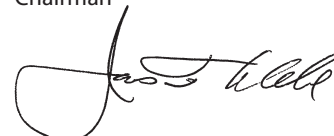
In 2008, operating income grew 8%, while operating expenses grew 14%. Cost to income ratio increased to 63% from 60%. Net interest income grew 14%, with higher interest income from investments in securities and interbank placements, coupled with income growth from lending and credit cards. Non interest income remained flat, with strong gains in foreign exchange and dealing securities offsetting a decline in fees and commissions resulting from lower sales of mutual funds and other wealth management products. Operating expense increased by 14%, with higher personnel costs as well as depreciation and amortization as the bank continued to invest in its people and infrastructure.

The overall growth outlook for Taiwan remains weak in the near-term, until perhaps signs emerge that declines in exports have stabilized and the various government stimulus measures feed through the real economy. The banking industry profitability will almost certainly be under pressure in a low interest rate environment affecting deposit spreads, subdued equity market will setback wealth management business, as well as rising credit cost.

In the light of the current economic environment, the Bank will have to increase its focus on productivity improvements to reduce cost in order to create capacity for investment in the right areas.

Given the uncertainties, we will remain flexible and adaptive, delivering customer-centric and superior services to cope with the ever-changing environment. We will continue to live with our commitment of being the right partner to our customers by expanding investment in local market, providing innovative products and ensuring superior customer services.

Chairman



II. Bank Profile



I. History

Standard Chartered PLC ("the Group"), listed on both London and Hong Kong stock exchanges, ranks among the Top 25 companies in the FTSE-100 by market capitalization. The London-headquartered Group has operated for over 150 years in some of the world's most dynamic markets, leading the way in Asia, Africa and the Middle East. The Group now employs 75,000 people (nearly half of them are female employees), representing 115 nationalities, in more than 1,750 branches and outlets (including subsidiaries, affiliates and joint ventures) located in over 70 countries. Over the last five years, the Group's income and profit have more than doubled, which are mainly benefited from its strong business growth and M&A strategies.

On 29 September 2006,, the Group launched a tender offer for Hsinchu International Bank ("HIB") with the objectives to accelerate expansion of its footprint in North East Asia. The effective date of the acquisition, when the Group acquired controlling interest, was 19 October 2006.

On 30 June 2007, the assets and business of the Standard Chartered Bank branch in Taiwan was amalgamated into HIB and HIB was renamed Standard Chartered Bank (Taiwan) Limited (hereinafter referred to as "the Bank" or "SCBTL"). Following amalgamation, the branch network extended to 85.

As a result of the acquisition of American Express Bank by Standard Chartered PLC, the Bank's business locations increased to 87 branches following successful integration with American Express Bank Taiwan Branch in August 2008.

In December 2008, the Bank completed amalgamation of specific businesses, assets and liabilities of Asia Trust & Investment Corp. which further expanded the network to 94 branches islandwide.

II. Information on mergers, acquisitions, reinvestment in affiliated enterprises and company restructure for the most recent fiscal year and the current fiscal year up to the printing date of the annual report :

Mergers and acquisitions activities of the Bank are described in the "History" section as above. Current shareholding in affiliated enterprises includes the following: 100% in Standard Chartered Life Insurance Agency Co, Ltd. and 100% in Taiwan Standard Chartered Insurance Agency Co, Ltd. Please refer to page 187 for details.

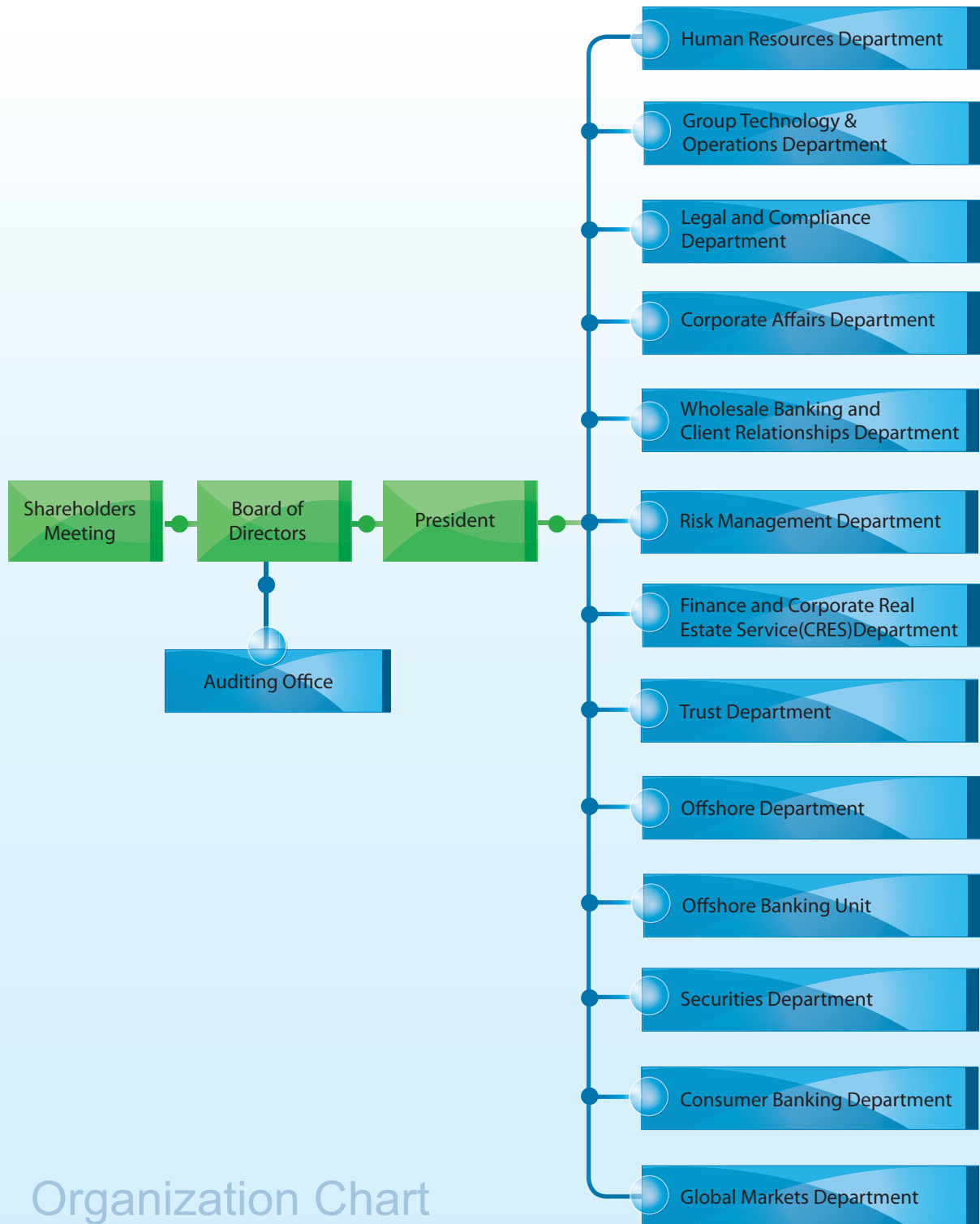
III. Information on a major transfer or change in ownership of shares belonging to Directors, Supervisors or a concerned party requiring to declare any change in shareholding pursuant to Paragraph 3, Article 25 of the Banking Act : [None]

III. Corporate Governance



I. Organization Structure

(I) Organizational Chart



Organization Chart

(II) Responsibilities of Major Departments

(1) Auditing Office	The Office is responsible for conducting audits on the business, accounts, finance, and inventory safekeeping.
(2) Human Resources Department	The Department is responsible for talent recruitment and employment; review and establishment of various compensation schemes including salaries, welfare/benefits and stock options planning; planning and development of HR policies; management of employee performance review; payroll, employee benefits, human resources administration procedures, operational risk, and HR systems; employee report in for duty, leaving, transfer, promotion and performance management operations; planning, arrangement, and execution of employee training and development programs; involvement in issues regarding Employee Welfare Committee, employees relations, equal employment, union relationships and employee complaints, etc.
(3) Group Technology & Operations Department	The Department is responsible for consumer banking operations, wholesale banking operations, procurement & vendor management, information security & system development, software and hardware technical support.
(4) Legal and Compliance Department	The Department is responsible for lawsuits, legal compliance, financial crime risks, company secretariat, legal & regulatory issues regarding new financial products and services; serves as the contact window with local regulators; researches on legal matters related to the Bank.
(5) Corporate Affairs Department	The Department is responsible for the planning and execution of internal communications, media relations, government relations and social responsibilities, sponsorship policies and reputational risk management.
(6) Wholesale Banking and Client Relationships Department	The Department is responsible for the maintenance, promotion, credit checking, risk management, product development and solicitation of WB banking business; in charge of operation process & risk management, planning of physical & virtual channels and operation automation, enhancement of service quality, operation analysis for various businesses, product performance assessment and project execution.
(7) Risk Management Department	The Department is responsible for the bank-wide risk management such as market risk, financial institution risk, credit portfolio risk, WB risk, CB risk and Group special asset management(GSAM); in charge of credit limits, control of credit documents, development of credit policies & procedures, review and approval of credit applications.
(8) Finance and Corporate Real Estate Service (CRES) Department	Finance is responsible for the budget preparation and final accounts execution; tax returns filing and accounting; annual budgeting; consultation, management, evaluation and analysis of business operations. CRES is responsible for general administrations, such as selling/buying of properties, managing and maintaining the Bank's properties, and other matters that are not the responsibilities of other departments.
(9) Trust Department	The Department is responsible for the planning, management and operation of trust business; and enacting the businesses authorized by local regulators.
(10) Offshore Department	The Department is responsible for the management and supervision of foreign exchange business; management of institutional lending disbursement; serves as the contact window with local regulators.
(11) Offshore Banking Unit	The Department is responsible for the management and supervision of international banking businesses; management of institutional lending disbursement.
(12) Securities Department	The Department is responsible for the planning, management and operation of securities business; and enacting the businesses authorized by local regulators.
(13) Consumer Banking Department	The Department is responsible for the development, strategic planning, operational development, business management, marketing, customer services, decision analysis, process improvement, credit approval, and risk control of various consumer banking products for the Channel Management, Wealth Management, Consumer Lending (including credit cards, personal loans, mortgages and automobile loans), Transaction Banking, and SME Banking.
(14) Global Markets Departments	The Department is responsible for treasury management and allocation of NTD and foreign currencies; transactions and sales of FX, fixed income and derivatives; the Bank's assets and liabilities management and capital market related matters.

1. Directors and Supervisors

Title	Name	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience/Education	Also serve concurrently as	Other managers, directors or supervisors who have spouse or kin within 2 nd degree relationship			
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship	
Chairman	Standard Chartered Bank Representative: Jim McCabe (appointed as Chairman on 1 Jul. 2008)	13/12/2006	3 yrs	13/12/2006	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	CEO, Standard Chartered Bank (New York Branch); CEO, SCBTL; MBA, Thunderbird, The American Graduate School of International Management	N/A	N/A	N/A		
Director	Standard Chartered Bank Representative: Sunil Kaushal (replaced Andrew Bester on 27 Aug. 2008)	13/12/2006	3 yrs	27/08/2008	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Global Head Small and Medium Enterprises (SME) and New Ventures, Standard Chartered Bank Bachelor of Commerce, Bombay University	President of SCBTL; Director of Yin Ji Li Asset Management Company	N/A	N/A	N/A	
Director	Standard Chartered Bank Representative: Jaspal Bindra	13/12/2006	3 yrs	01/07/2007	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Head of Business Development, India, Union Bank of Switzerland MBA, Xavier Labor Relations Institute, Jamshedpur	N/A	N/A	N/A		
Director	Standard Chartered Bank Representative: Jake Williams	13/12/2006	3 yrs	01/07/2007	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Deputy Group Chief Risk Officer, Standard Chartered Bank; MBA, Harvard Graduate School of Business MSc in Aeronautics and Astronautics, MIT	N/A	N/A	N/A		
Director	Standard Chartered Bank Representative: Christian Werner	13/12/2006	3 yrs	01/07/2007	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Group Head, Strategy, Business Devt & Bancassurance Master of Science in Management, London Business School	N/A	N/A	N/A		
Director	Standard Chartered Bank Representative: Kevin Hu (replaced Chih-Wei Wu on 1 Jul. 2008)	13/12/2006	3 yrs	01/07/2007	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Head of Legal and Compliance, Hsinchu International bank. College of Law, National Taiwan University	Head of Legal and Compliance of SCBTL; Director of Yin Ji Li Asset Management Company	N/A	N/A	N/A	
Director	Standard Chartered Bank Representative: Jamie Ling (replaced Gregg Powell on 25 Nov. 2008)	13/12/2006	3 yrs	25/11/2008	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	BA (Honours) in Economics & Accounting, University of Newcastle Upon Tyne	CFO of SCBTL; Chairman of Standard Chartered Life Insurance Agency Co, Ltd; Chairman of Taiwan Standard Chartered Insurance Agency Co, Ltd; Supervisor of Yin Ji Li Asset Management Company	N/A	N/A	N/A	

Title	Name	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience/Education	Also serve concurrently as	Other managers, directors or supervisors who have spouse or kin within 2 nd degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director	Standard Chartered Bank Representative: Jolene Chen	13/12/2006	3 yrs	01/07/2007	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Group Head of Organizational Learning, Standard Chartered Bank; BA in Economics and Statistics, National University of Singapore	N/A	N/A	N/A	N/A
Chairman	Standard Chartered Bank Representative: Chih-Wei Wu (resigned on 30 Jun. 2008)	13/12/2006	3 yrs	05/05/1990	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	President, Hsinchu International Bank; MBA, California Sate Universty	Chairman of SCBTL; Director of Universal Venture Capital; Executive Supervisor of Taiwan Small and Medium Enterprises Development Co., Ltd.	N/A	N/A	N/A
Director	Standard Chartered Bank Representative: Nick Sallnow-Smith (resigned on 21 Nov. 2008)	13/12/2006	3 yrs	01/07/2007	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Chairman of The Link Reit; MA Engineering, Gonville & Caius College, Cambridge; MA Sociology of Education, University of Leicester	N/A	N/A	N/A	N/A
Director	Standard Chartered Bank Representative: Gregg Powell (resigned on 24 Nov. 2008)	13/12/2006	3 yrs	13/12/2006	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Group Chief Accountant CFO of SCBTL Bachelor of Science, University of Sussex (UK)	N/A	N/A	N/A	N/A
Director	Standard Chartered Bank Representative: Andrew Bester (resigned on 26 Aug. 2008)	13/12/2006	3 yrs	13/12/2006	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	CFO Group Consmer Banking Standard Chartered Bank; Bachelor of Accounting, University of Witwatersrand, South Africa	N/A	N/A	N/A	N/A
Supervisor	Standard Chartered Bank Representative: Norman Lyle	13/12/2006	3 yrs	13/12/2006	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Independent Non-Executive Director of Standard Chartered Bank (Hong Kong); Graduate of the Harvard Business School Senior Managers Programme Fellow Chartered Institute of Management Accountants Fellow Association of Corporate Treasure	N/A	N/A	N/A	N/A
Supervisor	Standard Chartered Bank Representative: Andrew Hardacre	13/12/2006	3 yrs	01/07/2007	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Group Head of Group Special Assets Management, Standard Chartered Bank; Exeter University, German	N/A	N/A	N/A	N/A

Note : SCBTL (The Bank) is a subsidiary wholly owned by Standard Chartered Bank. Directors and supervisors are appointed as legal representatives by the Bank's parent company.

2. Major Shareholder of Institutional Shareholders

31 December 2008

Name of Institutional Shareholders	Major Shareholder of Institutional Shareholders
Standard Chartered Bank	Standard Chartered Holdings Limited (100% shareholding)

3. Major Shareholder of Principal Institutional Shareholders

31 December 2008

Name of Institutional Shareholders	Major Shareholder of Institutional Shareholders
Standard Chartered Holdings Limited	Standard Chartered PLC (100% shareholding)

4. Professional Knowledge and Independence of Directors and Supervisors

Qualification Name	Work experience of at least five years and professional qualifications in the following fields required			Independence (Note)										The number of public companies in which the director or supervisor also serves concurrently as an Independent Director
	At least lecturers of business, law, finance or accounting departments or other relevant business departments/divisions of public and private colleges/universities required by the Company's business	Judges, prosecutors, attorneys, CPAs, or other professional and technical personnel who possess certificates of national examinations	Experience in business, law, finance, accounting and other work required by the Company's business	1	2	3	4	5	6	7	8	9	10	
Standard Chartered Bank Representative: Jim McCabe			√			√	√			√	√	√		
Standard Chartered Bank Representative: Sunil Kaushal		√	√			√	√			√	√	√		
Standard Chartered Bank Representative: Jaspal Bindra		√	√	√		√	√			√	√	√		
Standard Chartered Bank Representative: Kevin Hu			√			√	√			√	√	√		
Standard Chartered Bank Representative: Jake Williams			√	√		√	√			√	√	√		
Standard Chartered Bank Representative: Christian Werner			√	√		√	√			√	√	√		
Standard Chartered Bank Representative: Jamie Ling		√	√			√	√			√	√	√		
Standard Chartered Bank Representative: Jolene Chen			√	√		√	√			√	√	√		
Standard Chartered Bank Representative: Andrew Hardacre			√	√		√	√			√	√	√		
Standard Chartered Bank Representative: Norman Lyle		√	√	√		√	√	√		√	√	√		

Note : Please check "√" in the boxes under the codes for the various conditions if any director/supervisor meets any of the following conditions within two years prior to the election and in the duration of office.

- (1) Neither an employee of the Bank, nor an employee of its affiliated enterprises.
- (2) Neither a director, supervisor of the Bank, nor a director, supervisor of its affiliated enterprises (provided that this shall not apply where the director/supervisor is an independent director of the Bank or its parent company, and any company of which over 50% of shares with voting right are held by the Bank directly or indirectly.
- (3) Shareholder who is any natural person other than the director/supervisor, and the director's/supervisor's spouse or minor possessing more than 1% of the Bank's total issued shares, or the shareholder of natural person who possesses more than 1% of the Bank's total issued shares in the name of another person, or a top-ten shareholder of natural person.
- (4) Neither a spouse, nor a relative within 2nd degree relationship or lineal relative within 5th degree relationship to any person specified in the preceding three criteria.
- (5) Neither a director, supervisor, or employee of an institutional shareholder which directly owns more than 5% of the Bank's issued shares, nor a director, supervisor or employee of the top five institutional shareholders which are owners of the Bank's issued shares.
- (6) Neither a director, supervisor or manager of a company/institution doing business or having a financial relationship with the Bank, nor a shareholder who owns more than 5% of such a company.
- (7) Not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Bank and its affiliates with business, legal, financial, accounting or counselling services.
- (8) Not a spouse or relative within 2nd degree relationship to other directors.
- (9) Not a person under the circumstances specified in Article 30 of the Company Act.
- (10) Not a government agency, legal person or its representative pursuant to Article 27 of the Company Act.

(II) Information on the Executive Officers and Branch Managers

As of 31 December 2008

Title	Name	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education	Also serve concurrently as	Managers who have spouse or kin within 2nd degree relationship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President & Chief Executive Officer	Sunil Kaushal	01/07/2008	0	0	0	0	0	0	B. Commerce, Bombay University, Chartered Accountant of India	N/A	N/A	N/A	N/A
Head of Origination & Client Coverage	Helen S. Hui	01/10/2008	0	0	0	0	0	0	MBA, Northwestern University	N/A	N/A	N/A	N/A
Head of Channel Management	Vivian Shyy	01/06/2008	0	0	0	0	0	0	Dept. of Foreign Languages and Literature, Tunghai University	N/A	N/A	N/A	N/A
Chief Operating Officer, Consumer Banking	Huey Ping Tan	01/07/2007	0	0	0	0	0	0	BSc, National University of Singapore	Note 2	N/A	N/A	N/A
VSGM, CE	Kenny Chen	01/06/2008	0	0	0	0	0	0	Dept. of Chemistry, National Cheng Kung University	N/A	N/A	N/A	N/A
Head of HR	Vasudevan Narasimha	01/07/2007	0	0	0	0	0	0	Tata Institute of Social Sciences	N/A	N/A	N/A	N/A
Chief Risk Officer	Michael Coye	01/07/2007	0	0	0	0	0	0	BA, Bowdin College	N/A	N/A	N/A	N/A
Chief Information Officer	Alex Lu	01/07/2007	0	0	0	0	0	0	Dept. of Physics, Tamkang University	N/A	N/A	N/A	N/A
Head of Legal & Compliance and Company Secretariat	Kevin Hu	01/07/2007	0	0	0	0	0	0	College of Law, National Taiwan University	N/A	N/A	N/A	N/A
Head of Corporate Affairs	Ruby Fu	22/12/2008	0	0	0	0	0	0	Dept. of Space Design, Shih Chien University	N/A	N/A	N/A	N/A
Chief Operating Officer	Nancy Lai Sum Wong	25/08/2008	0	0	0	0	0	0	Juris Doctorate, Harvard Law School, Cambridge, Massachusetts	N/A	N/A	N/A	N/A
Chief Financial Officer	Jamie Ling	24/11/2008	0	0	0	0	0	0	BA (Honours) in Economic & Accounting, University of Newcastle Upon Tyne	Note 1	N/A	N/A	N/A
Managing Director-Wealth Management	Vicky Kong	01/07/2008	0	0	0	0	0	0	Business Administration in Finance, The Chinese University of Hong Kong	Note 2	N/A	N/A	N/A
VSGM, SME Banking	Victor Meng Teck Lee	02/06/2008	0	0	0	0	0	0	B. Applied Science, Nanyang Technological University	N/A	N/A	N/A	N/A
General Manager, Consumer Lending	Choon Hin Tan	01/06/2008	0	0	0	0	0	0	B. Business, Nanyang Technological University, Singapore	N/A	N/A	N/A	N/A
Head of HR, WB & Support Functions	Ricky Ho	01/07/2007	0	0	0	0	0	0	B. Social Science, University of Hong Kong	N/A	N/A	N/A	N/A
Head of Local Corporates	Lolita Yew	01/07/2007	0	0	0	0	0	0	MBA, University of Western Ontario, Canada	N/A	N/A	N/A	N/A
Head of Operational Risk	Richard Leet Yam Tan	01/01/2008	0	0	0	0	0	0	M. Technology, National University of Singapore	N/A	N/A	N/A	N/A
Head of WB Operations	Tammy Liou	01/12/2007	0	0	0	0	0	0	MBA, University of Iowa	N/A	N/A	N/A	N/A
Head- National Sales	Sedjwick Joseph	01/06/2008	0	0	0	0	0	0	MBA, Cochin University of Science and Technology	N/A	N/A	N/A	N/A
Head of Organisation Learning	Vickie Chen	01/07/2007	0	0	0	0	0	0	MBA, Lehigh University	N/A	N/A	N/A	N/A
Head of Data Management	Kai Chen	01/04/2008	0	0	0	0	0	0	MSc in Accounting, Long Island University	N/A	N/A	N/A	N/A
Head of Business Finance, Wholesale Banking	Jessie Liu	09/08/2007	0	0	0	0	0	0	Graduate School of Economics, National Chengchi University	N/A	N/A	N/A	N/A
Head of Risk, Client Relationships	Helen Yang	01/07/2007	0	0	0	0	0	0	Accounting, University of Houston	N/A	N/A	N/A	N/A
Head of Portfolio Management	Michael Wang	01/10/2008	0	0	0	0	0	0	Dept. of Management Science, National Chiao Tung University	N/A	N/A	N/A	N/A
Head of Business Finance, Consumer Banking	Keith Kai Cheong Lau	01/05/2008	0	0	0	0	0	0	M. Commerce, University of New South Wales	N/A	N/A	N/A	N/A
Head of Financial Institutions	Bruce Chien	01/07/2007	0	0	0	0	0	0	Public Affair, Kentucky State University	N/A	N/A	N/A	N/A
Head of Finance	Phoenix Chen	01/05/2008	0	0	0	0	0	0	MBA, State University of New York	N/A	N/A	N/A	N/A
Financial Controller	Hormuz Dubash	01/07/2007	0	0	0	0	0	0	Financial Accounting and Auditing, University of Mumbai	N/A	N/A	N/A	N/A
Head of Transaction Banking	Wegner Carl	01/07/2007	0	0	0	0	0	0	Languages, Georgetown University, U.S.A	N/A	N/A	N/A	N/A
Financial Accountant	Kevin Keene	01/07/2007	0	0	0	0	0	0	Biochemistry, Royal Holloway College, London University	N/A	N/A	N/A	N/A
VSGM- Consumer Transaction Banking	William Wong	01/06/2008	0	0	0	0	0	0	MBA, Adelaide University	Note 2	N/A	N/A	N/A
Head of ALM	Kian Hoe Tan	01/07/2007	0	0	0	0	0	0	MSc in International Construction Project Management, UMIST, UK	N/A	N/A	N/A	N/A
EVP- Frontline Experience	Richard Yiu Wah Tsui	01/06/2008	0	0	0	0	0	0	MBA, Business School, Cardiff University	N/A	N/A	N/A	N/A
Country IT Manager	Kent Wang	01/10/2008	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Chief Auditor	Jason Chan	10/01/2007	0	0	0	0	0	0	Dept. of Accounting, Soochow University	Note 3	N/A	N/A	N/A
Acting Head of CB Risk and Head of Retail Risk	Teen Che Ip	03/12/2008	0	0	0	0	0	0	Computer Science, University of Hong Kong	N/A	N/A	N/A	N/A
Director	Jerry Lin	08/12/2008	0	0	0	0	0	0	MBA, Boston University	N/A	N/A	N/A	N/A
Executive Vice President	Elizabeth Deng	01/07/2008	0	0	0	0	0	0	Dept. of Management Information Systems, National Chengchi University	N/A	N/A	N/A	N/A
Executive Vice President	Julia Chu	14/07/2008	0	0	0	0	0	0	Computer and Information Science, Syracuse University	N/A	N/A	N/A	N/A
Senior Credit Officer	Jeremy Kung	01/10/2008	0	0	0	0	0	0	Finance, Carlson School, University of Minnesota	N/A	N/A	N/A	N/A
Head of FCR	C.P. Huang	01/01/2008	0	0	0	0	0	0	School of Law, Soochow University	N/A	N/A	N/A	N/A

Title	Name	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education	Also serve concurrently as	Managers who have spouse or kin within 2nd degree relationship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Executive Vice President	Yuh Hwa Chyr	22/05/2008	0	0	0	0	0	0	Industrial Management & Engineering, New Jersey Institute of Technology	N/A	N/A	N/A	N/A
Head- Operational Risk- Consumer Banking	James Chi Hoo Chu	01/06/2008	0	0	0	0	0	0	MBA, Heriot-Watt University, Edinburg	N/A	N/A	N/A	N/A
Head of Portfolio Management	Lisa Lam	01/07/2007	0	0	0	0	0	0	Science in Statistics, University of British Columbia	N/A	N/A	N/A	N/A
Executive Vice President	Sam Chung	02/06/2008	0	0	0	0	0	0	MBA in Finance, St. John's University	N/A	N/A	N/A	N/A
Head of Corporate Sales	George Lee	05/12/2008	0	0	0	0	0	0	Statistics, UCLA	N/A	N/A	N/A	N/A
Head of Legal CB & Support Function	Cher Chang	01/07/2007	0	0	0	0	0	0	School of Law, Northwestern University	N/A	N/A	N/A	N/A
Head of Resourcing	Sally Chen	01/07/2007	0	0	0	0	0	0	Dept. of English Language & Literature, Chinese Culture University	N/A	N/A	N/A	N/A
Head of Credit Services	Daniel Tsai	01/07/2007	0	0	0	0	0	0	Graduate School of Business Administration, National Chengchi University	N/A	N/A	N/A	N/A
Senior Vice President	Emma Yang	20/10/2008	0	0	0	0	0	0	MBA, University of Bradford	N/A	N/A	N/A	N/A
Head of CB Treasury	Doreen Ng	01/06/2008	0	0	0	0	0	0	B. Business Administration, National University of Singapore	N/A	N/A	N/A	N/A
Senior Vice President	Christopher Birchall Stubbs	01/06/2008	0	0	0	0	0	0	Management Sciences, UMIST	N/A	N/A	N/A	N/A
Head of Compliance	Millie Pau	01/07/2007	0	0	0	0	0	0	MBA, Chinese University of Hong Kong	N/A	N/A	N/A	N/A
SVP- Frontline Experience	Ta-Hsien Chiu	01/06/2008	0	0	0	0	0	0	Dept. of Banking and Insurance, Taichung College of Commerce	N/A	N/A	N/A	N/A
Head of Region 3	James Chiu	01/06/2008	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Tamsui Oxford College	N/A	N/A	N/A	N/A
Regional Head of Community & Governance Relations	Eric Lin	01/07/2007	0	0	0	0	0	0	Dept. of General Administrations, National Hishchu Commercial Vocational High School	N/A	N/A	N/A	N/A
Regional Head of Community & Governance Relations	Jean Hung	01/07/2007	0	0	0	0	0	0	Dept. of Commerce, National Hsinchu Commercial Vocational High School	N/A	N/A	N/A	N/A
Head, Financial Controls	Teresa Hsu	01/07/2007	0	0	0	0	0	0	Fisher School of Accounting, University of Florida	N/A	N/A	N/A	N/A
Director	Eric Tsai	02/05/2008	0	0	0	0	0	0	MBA in Finance, National Chung Cheng University	N/A	N/A	N/A	N/A
Director	Jeff Hsu	09/09/2008	0	0	0	0	0	0	Financial Engineering & Quantitative Analysis, University of Reading	N/A	N/A	N/A	N/A
Head of Cash Management	April Yang	01/07/2008	0	0	0	0	0	0	EMBA, National Chengchi University	N/A	N/A	N/A	N/A
Senior Vice President	Sophia Lee	12/06/2008	0	0	0	0	0	0	EMBA, National Chengchi University	N/A	N/A	N/A	N/A
Head of Group Special Asset Management	Robert Wang	29/01/2008	0	0	0	0	0	0	MBA in Finance, Baruch College, City University of NY	N/A	N/A	N/A	N/A
Senior Vice President	Annie Juan	24/03/2008	0	0	0	0	0	0	Dept. of Industrial Management, National Taiwan Institute of Technology	N/A	N/A	N/A	N/A
Head, Transnational Business	Benjamin Wee Chuan Tan	01/05/2008	0	0	0	0	0	0	M.Com in Economics & Finance, Curtin University of Technology	N/A	N/A	N/A	N/A
Branch Manager	Alex Chiang	01/11/2008	0	0	0	0	0	0	M. Banking Law, Boston University, USA	N/A	N/A	N/A	N/A
Head of Collections	Wilfred Mok	20/10/2008	0	0	0	0	0	0	Business Administration, Open University of HK	N/A	N/A	N/A	N/A
Senior Vice President	Cathy Li	22/05/2008	0	0	0	0	0	0	Banking and Financial Law, Boston University School of Law	N/A	N/A	N/A	N/A
Senior Vice President	Wendy Yeo	26/05/2008	0	0	0	0	0	0	Communication, Indiana State University	N/A	N/A	N/A	N/A
Senior Vice President	Michelle Mo	26/05/2008	0	0	0	0	0	0	MBA in Finance, George Washington University	N/A	N/A	N/A	N/A
Branch Manager, Business Department	Serena Chen	13/10/2008	0	0	0	0	0	0	Dept. of Information, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Hsinchu Branch	Peter Su	30/12/2005	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Kuangfu Branch	Claire Cheng	30/12/2005	0	0	0	0	0	0	Graduate School of Business Administration, Chung Hua University	N/A	N/A	N/A	N/A
Branch Manager, Chulien Mini Branch	Eric Huang	01/06/2008	0	0	0	0	0	0	Dept. of Accounting and Statistics, National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Chungcheng Mini Branch	Jack Tsai	01/06/2008	0	0	0	0	0	0	Dept. of Finance and Tax Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Yenping Mini Branch	Michael Cheng	01/04/2006	0	0	0	0	0	0	Dept. of International Trade, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Chutung Branch	Johnson Ho	30/12/2005	0	0	0	0	0	0	Dept. of Accounting and Statistics, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Hsinpu Branch	David Day	01/04/2006	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Hukou Branch	Curtis Ho	01/04/2006	0	0	0	0	0	0	Dept. of Banking and Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Chupei Branch	Jess Huang	01/06/2008	0	0	0	0	0	0	Dept. of Architecture, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Kuanshi Branch	Sayuri Hsieh	01/07/2007	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Van Nung Institute of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, Hsinfong Branch	Richard Wang	26/10/2004	0	0	0	0	0	0	Dept. of International Trade, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Hsinshing Branch	Sally Chung	01/06/2008	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Nan Tai College of Technology & Commerce	N/A	N/A	N/A	N/A

Title	Name	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education	Also serve concurrently as	Managers who have spouse or kin within 2nd degree relationship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Hsinshy Branch	Jack Chao	01/07/2007	0	0	0	0	0	0	Dept. of Secretary, Shih Chien University	N/A	N/A	N/A	N/A
Branch Manager, Science Park Branch	George Su	01/07/2007	0	0	0	0	0	0	Dept. of Economics, Fu-Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, North Hsinchu Branch	David Huang	01/04/2006	0	0	0	0	0	0	Dept. of International Trade, Tunghai University	N/A	N/A	N/A	N/A
Branch Manager, Taoyuan Branch	Awen Chen	01/07/2007	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Nan Tai College of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, Dashi Branch	Sam Chen	01/11/2008	0	0	0	0	0	0	Dept. of International Trade, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Dayuan Branch	Lien-Fa Hsu	01/07/2007	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Chinyi Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Chungli Branch	Stanley Hsu	30/12/2005	0	0	0	0	0	0	Dept. of Bank Management, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Yangmei Branch	Yung-Chen Wu	24/07/2008	0	0	0	0	0	0	Dept. of Banking and Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Hsinwu Branch	Chung-Chung Yeh	24/07/2008	0	0	0	0	0	0	Dept. of Economics, Soochow University	N/A	N/A	N/A	N/A
Branch Manager, Lungtan Branch	Steven Gu	01/06/2008	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Chinyi Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Sanmin Branch	Peter Lin	12/04/2005	0	0	0	0	0	0	Dept. of International Trade, Tunghai University	N/A	N/A	N/A	N/A
Branch Manager, Neili Branch	Jerdon Teng	01/07/2008	0	0	0	0	0	0	Dept. of International Trade, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Pateh Branch	Kenny Fan	01/11/2008	0	0	0	0	0	0	Dept. of Business Administration, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, YungAn Branch	Alex Hsieh	23/03/2007	0	0	0	0	0	0	Dept. of Economics, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Hsinming Branch	Sunny Chiu	01/07/2008	0	0	0	0	0	0	Dept. of Accounting and Statistics, Ta Tung Institute of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Kueishan Branch	Cliff Yeh	01/07/2007	0	0	0	0	0	0	EMBA, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Nankan Branch	Sandy Chung	01/07/2008	0	0	0	0	0	0	Dept. of Business Administration, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Dashulin Branch	Mei-Mei Lin	26/10/2004	0	0	0	0	0	0	Dept. of General Business, Cheng-Kung Vocational High School of Industry and Commerce	N/A	N/A	N/A	N/A
Branch Manager, Lungkang Branch	Jason Chang	01/07/2007	0	0	0	0	0	0	Dept. of Accounting, Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Shantzuting Branch	Wen-Chin Chang	30/12/2005	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Lien-Ho College of Technology & commerce	N/A	N/A	N/A	N/A
Branch Manager, Pushin Branch	Robert Lo	30/12/2005	0	0	0	0	0	0	Dept. of Law, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Sinjhuang Mini Branch	Eddie Liang	01/07/2008	0	0	0	0	0	0	Graduate School of Business Administration, National Taipei University	N/A	N/A	N/A	N/A
Branch Manager, Kuaichi Branch	Linda Yang	01/04/2005	0	0	0	0	0	0	Dept. of International Trade, Open Junior College	N/A	N/A	N/A	N/A
Branch Manager, Huanpei Branch	Angela Wang	01/07/2007	0	0	0	0	0	0	Dept. of International Trade, Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Reifong Mini Branch	Tom Chang	01/11/2008	0	0	0	0	0	0	Dept. of Business Administration, National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Guanyin Branch	Loke Chung	01/07/2007	0	0	0	0	0	0	Dept. of Economics, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Pinzhen Mini Branch	Marie Chen	01/07/2008	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Dachu Branch	Steven Lin	01/06/2008	0	0	0	0	0	0	Dept. of Business Administration, Ging Chung Business College	N/A	N/A	N/A	N/A
Branch Manager, Miaoli Branch	Linda Lai	01/06/2008	0	0	0	0	0	0	Dept. of Accounting, Ling Tung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Chunan Branch	Kuang-Huai Ho	30/12/2005	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Lienho College of Technology and Commerce	N/A	N/A	N/A	N/A
Branch Manager, Toufen Branch	Jerry Su	28/04/2003	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Yuanli Branch	David Lin	01/04/2006	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Chuolan Mini Branch	Manedy Chan	01/04/2006	0	0	0	0	0	0	Dept. of Accounting and Statistics, National Feng Yuan Commercial High School	N/A	N/A	N/A	N/A
Branch Manager, Kungkuan Branch	Sunny Liu	01/04/2006	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Lienho College of Technology and Commerce	N/A	N/A	N/A	N/A
Branch Manager, Tungshiao Branch	Sandy Su	01/04/2006	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Houlung Branch	Lisa Kuo	30/12/2005	0	0	0	0	0	0	Dept. of Accounting and Statistics, National Hsinhu Commercial Vocational High School	N/A	N/A	N/A	N/A
Branch Manager, Sanyi Branch	James Liou	01/06/2008	0	0	0	0	0	0	Dept. of Finance, Southern Taiwan University of Technology	N/A	N/A	N/A	N/A
Branch Manager, Peimiao Branch	Peter Hu	01/04/2006	0	0	0	0	0	0	Graduate School of Business Administration, National Chung Hsing University	N/A	N/A	N/A	N/A
Branch Manager, Tahu Mini Branch	Sandy Chou	01/06/2006	0	0	0	0	0	0	Dept. of Applied Business, National Taichung Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Tunglo Mini Branch	Robert Su	01/07/2008	0	0	0	0	0	0	Dept. of International Trade, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, East Neili Branch	Jay Wang	30/12/2005	0	0	0	0	0	0	Graduate School of Business Administration, Texas A&M University	N/A	N/A	N/A	N/A

Title	Name	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education	Also serve concurrently as	Managers who have spouse or kin within 2nd degree relationship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Chungyuan Mini Branch	Richard Sun	12/04/2005	0	0	0	0	0	0	Dept. of Law, National Chengchi University	N/A	N/A	N/A	N/A
Branch Manager, Kungshi Branch	George Huang	01/07/2007	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Chuangching Mini Branch	Amy Ting	01/04/2005	0	0	0	0	0	0	Dept. of Electronic Engineering, Van Nung Institute of Technology and Commerce	N/A	N/A	N/A	N/A
Branch Manager, Chinling Branch	Angel Kang	24/07/2008	0	0	0	0	0	0	Dept. of Accounting, Hsing Wu Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Chienkuo Mini Branch	Sean Chang	28/09/2007	0	0	0	0	0	0	Dept. of Business Administration, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, Panchiao Mini Branch	Ares Chen	01/11/2008	0	0	0	0	0	0	Graduate School of Business Administration, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, Luchou Mini Branch	Jason Chen	26/10/2004	0	0	0	0	0	0	Dept. of International Trade, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Neihu Branch	Steven Chin	15/10/2007	0	0	0	0	0	0	Dept. of Law, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Wenshin Branch	Geoff Hsu	01/11/2008	0	0	0	0	0	0	Dept. of Business Management, National United University	N/A	N/A	N/A	N/A
Branch Manager, Fongyuan Branch	Toby Wang	01/06/2008	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Lienho College of Technology and Commerce	N/A	N/A	N/A	N/A
Branch Manager, Chiayi Branch	Homer Chang	30/12/2005	0	0	0	0	0	0	Dept. of Business Administration, Tunghai University	N/A	N/A	N/A	N/A
Branch Manager, Tainan Branch	Lawrence Lin	30/12/2005	0	0	0	0	0	0	Dept. of Banking and Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Jiuru Branch	Rex Wang	01/06/2008	0	0	0	0	0	0	MBA, University of LongIsland, USA	N/A	N/A	N/A	N/A
Branch Manager, Tungning Branch	Alvin Yang	01/09/2008	0	0	0	0	0	0	Dept. of Electronic Engineering, National Chinyi Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Tunghai Branch	Nile Lin	26/10/2004	0	0	0	0	0	0	Dept. of Business Administration, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, Shengkang Branch	Peter Pan	26/10/2004	0	0	0	0	0	0	Dept. of Applied Business, National Taichung Institute of Technology,	N/A	N/A	N/A	N/A
Branch Manager, Chungteh Branch	James Chan	19/03/2004	0	0	0	0	0	0	Dept. of Economics, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Nantun Branch	Terry Tu	01/11/2008	0	0	0	0	0	0	Dept. of Banking and Insurance, Shih Chien College of Home Economics	N/A	N/A	N/A	N/A
Branch Manager, Chungho Branch	Roger Cheng	15/10/2007	0	0	0	0	0	0	Dept. of Bank Management, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Shilin Mini Branch	Lillian Chen	01/04/2006	0	0	0	0	0	0	Dept. of Business Administration, Chie Lee College of Business	N/A	N/A	N/A	N/A
Branch Manager, Yunggho Mini Branch	Aling Chiu	01/07/2007	0	0	0	0	0	0	Dept. of International Trade, Open Junior College	N/A	N/A	N/A	N/A
Branch Manager, Peituen Branch	Vicent Chou	01/06/2008	0	0	0	0	0	0	Dept. of General Business, Shixin Vocational High School of Industry and Commerce	N/A	N/A	N/A	N/A
Branch Manager, Shituen Branch	Lobo Fu	01/08/2006	0	0	0	0	0	0	Dept. of Law, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Tali Branch	Rex Wang	01/08/2008	0	0	0	0	0	0	Dept. of Finance, Chaoyang University of Technology	N/A	N/A	N/A	N/A
Branch Manager, Changhua Branch	Charles Cheng	12/04/2005	0	0	0	0	0	0	Dept. of Accounting and Statistics, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Yuanlin Branch	James Chang	15/06/2005	0	0	0	0	0	0	Dept. of Bank Management, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Fengshan Branch	Tim Lu	12/04/2005	0	0	0	0	0	0	Dept. of International Trade, Ling Tung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, North Kaohsiung Branch	Bill Su	01/06/2008	0	0	0	0	0	0	Dept. of Telecommunication Engineering, National Kaohsiung Institute of Marine Technology	N/A	N/A	N/A	N/A
Branch Manager, Fusing Branch	Daisy Tang	10/11/2008	0	0	0	0	0	0	MBA, University of Michigan	N/A	N/A	N/A	N/A
Branch Manager, Minchu Branch	Katherine Liu	01/08/2008	0	0	0	0	0	0	Financial Management and Control, Aston University	N/A	N/A	N/A	N/A
Branch Manager, Dunbei Branch	Jenny Ma	01/06/2008	0	0	0	0	0	0	Dept. of Business Administration, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Kaohsiung Branch	Joane Tseng	01/07/2007	0	0	0	0	0	0	Dept. of International Trade, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Taichung Branch	Amelia Chen	01/11/2008	0	0	0	0	0	0	Other Business and Administration, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Cisian Branch	Alynn Wang	27/12/2008	0	0	0	0	0	0	Dept. of Economics, Soochow University	N/A	N/A	N/A	N/A
Branch Manager, Chengdong Branch	Andrew Lu	27/12/2008	0	0	0	0	0	0	Dept. of Accounting and Statistics, Takming College of Technology	N/A	N/A	N/A	N/A
Branch Manager, East Tainan Branch	Hsiang Chen	27/12/2008	0	0	0	0	0	0	Dept. of Finance, Southern Taiwan University of Technology	N/A	N/A	N/A	N/A
Branch Manager, North Chiayi Branch	Candace Huang	27/12/2008	0	0	0	0	0	0	Dept. of International Trade, WuFeng Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Jhongmei Branch	Jamie Chiu	27/12/2008	0	0	0	0	0	0	Dept. of Business Administration, Van Nung Institute of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, Daya Branch	Jane Le	27/12/2008	0	0	0	0	0	0	Dept. of Banking and Insurance, Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Songjiang Branch	Daniel Huang	27/12/2008	0	0	0	0	0	0	Dept. of Business Administration, Fu Jen Catholic University	N/A	N/A	N/A	N/A

Note 1: Chairman of Standard Chartered Life Insurance Agency Co, Ltd; Chairman of Taiwan Standard Chartered Insurance Agency Co, Ltd.

Note 2: Director of Standard Chartered Life Insurance Agency Co, Ltd; Director of Taiwan Standard Chartered Insurance Agency Co, Ltd.

Note 3: Supervisor of Standard Chartered Life Insurance Agency Co, Ltd; Supervisor of Taiwan Standard Chartered Insurance Agency Co, Ltd.

(III) Remuneration Paid to Directors, Supervisors and Executive Officers in 2008

1. Directors' Remuneration and Remuneration Bracket

(1) Directors' (including Independent Directors) Remuneration

Title	Name	Director's Remuneration								Total of (A, B,C, D) as a percentage (%) of net profit after tax	Relevant Remuneration Received by Directors who Are Also Employees								Total of (A, B,C,D, E, F, G) as a percentage (%) of net profit after tax		Remuneration from investment companies other than subsidiaries	
		Remuneration(A)		Separation pay/ Pension (B)		Remuneration appropriated to directors from earnings (C)		Costs incurred from performing duties (D)			Salaries, bonus and special allowance (E)		Separation pay/ Pension (F)		Employees' bonus distributed from earnings (G)							Total No. of shares issued for employee stock option (H)
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank		All companies included in consolidated financial statements		The Bank	All companies included in consolidated financial statements	The Bank		All companies included in consolidated financial statements
Chairman	Jim McCabe (appointed on 01/07/2008)																					
Chairman	Chih-Wei Wu (resigned on 30/06/2008)																					
Director	Sunil Kaushal (replaced Andrew Bester on 27/08/2008)																					
Director	Jaspal Bindra																					
Director	Nick Sallnow-Smith (resigned on 21/11/2008)																					
Director	Jake Williams																					
Director	Christian Werner																					
Director	Kevin Hu (replaced Chih-Wei Wu on 01/07/2008)																					
Director	Gregg Powell (resigned on 24/11/2008)																					
Director	Jamie Ling (replaced Gregg Powell on 25/11/2008)																					
Director	Jolene Chen																					
Director	Andrew Bester (resigned on 26/08/2008)																					

Note 1: Chairman, Director Sunil Kaushal, Director Jamie Ling and Director Kevin Hu have one driver respectively, and the total expense for the drivers and car rental was NT\$ 6,834 (thousand) in 2008.

Note 2: The Bank's directors did not receive remuneration for their services.

(2) Directors' Remuneration Bracket

Range of Remuneration Paid to Directors of the Bank	Name & No. of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Bank	All companies included in consolidated financial statements (I)	The Bank	All companies included in consolidated financial statements (J)
Less than NTD2,000,000			Jamie Ling	Jamie Ling
NTD2,000,000 (inclusive) – NTD5,000,000			Kevin Hu	Kevin Hu
NTD5,000,000 (inclusive) – NTD10,000,000			Sunil Kaushal	Sunil Kaushal
NTD10,000,000 (inclusive) – NTD15,000,000			Gregg Powell	Gregg Powell
NTD15,000,000 (inclusive) – NTD30,000,000			Jim McCabe	Jim McCabe
NTD30,000,000 (inclusive) – NTD50,000,000				
NTD50,000,000(inclusive) – NTD100,000,000			Chih-Wei Wu	Chih-Wei Wu
Over NTD100,000,000				
Total	0	0	6	6

Note : The Bank's directors did not receive remuneration for their services.

2. Supervisors' Remuneration and Remuneration Bracket:

(1) Supervisors' Remuneration

Director's Remuneration										Remuneration from investment companies other than subsidiaries	
Title	Name	Remuneration (A)		Separation pay/ Pension (B)		Remuneration appropriated to directors from earnings (C)		Costs incurred from performing duties (D)			Total of (A, B, C, D) as a percentage (%) of net profit after tax
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements		The Bank
Supervisor	Norman Lyle	820	820							4.58	4.58
Supervisor	Andrew Hardacre										

(2) Supervisors' Remuneration Bracket

Range of Remuneration Paid to Supervisors of the Bank	Name & No. of Supervisors		
	Total of (A+B+C+D)		
	The Bank	All companies included in consolidated financial statements	
Less than NTD2,000,000	Norman Lyle	Norman Lyle	
NTD2,000,000 (inclusive) – NTD5,000,000			
NTD5,000,000 (inclusive) – NTD10,000,000			
NTD10,000,000 (inclusive) – NTD15,000,000			
NTD15,000,000 (inclusive) – NTD30,000,000			
NTD30,000,000 (inclusive) – NTD50,000,000			
NTD50,000,000 (inclusive) – NTD100,000,000			
Over NTD100,000,000			
Total	1	1	

3. Executive Officers' Remuneration and Remuneration Bracket

(1) Executive Officers' Remuneration

Unit : NTD'000

Title	Name	Salary (A)		Separation pay/ Pension (B)		Bonus & Special Allowance (C)		Employees’ Bonus Distributed from Earnings (D)								Total of (A,B,C,D) as a percentage (%) of net profit after tax		Total No. of Shares Issued for Employee Stock Option		Remuneration from investment companies other than subsidiaries	
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank				All companies included in consolidated financial statements				The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements		
								Cash dividend	Stock dividend			Cash dividend	Stock dividend								
									Shares	Market price	Amount		Shares	Market price	Amount						
President & Chief Executive Officer	Sunil Kaushal	46,323	46,323			15,279	15,279								343.86	343.86					
Chief Auditor	Jason Chan																				
Head of Origination & Client Coverage	Helen S. Hui																				
Head of Corporate Affairs	Ruby Fu																				
Chief Financial Officer	Jamie Ling																				
Chief Information Officer	Alex Lu																				
Head of HR	Vasudevan Narasimha																				
Head of Legal & Compliance and Company Secretariat	Kevin Hu																				
Chief Risk Officer	Michael Coye																				

(2) Executive Officers' Remuneration Bracket

Range of Remuneration Paid to Executive officers of the Bank	Name & No. of Executive officers	
	Total of (A+B+C+D)	
	The Bank	All companies included in consolidated financial statements
Less than NTD2,000,000	Jamie Ling	Jamie Ling
NTD2,000,000 (inclusive) – NTD5,000,000	Jason Chan	Jason Chan
NTD5,000,000 (inclusive) – NTD10,000,000	Sunil Kaushal, Alex Lu, Vasudevan Narasimha, Kevin Hu, Michael Coye	Sunil Kaushal, Alex Lu, Vasudevan Narasimha, Kevin Hu, Michael Coye
NTD10,000,000 (inclusive) – NTD15,000,000		
NTD15,000,000 (inclusive) – NTD30,000,000	Helen S. Hui	Helen S. Hui
NTD30,000,000 (inclusive) – NTD50,000,000		
NTD50,000,000(inclusive) – NTD100,000,000		
Over NTD100,000,000		
Total	8	8

4. Bonus Distributed to Managers : [None]

(IV) Analysis of Remuneration Paid to Directors, Supervisors, and Executive Officers of the Bank and All Companies in the Consolidated Statements as a Percentage of Net Profit After Tax During the Past Two Years:

	2008	2007
Director	510.02%	(10.71)%
Supervisor	4.58%	0.00 %
President, Executive Vice President and Chief Auditor	343.86%	(21.28)%

(V) Remuneration Policy, Procedures and Criteria for Determining Remunerations and their correlation with Management Performance

The remuneration policy of the Bank was developed with defined salary ranges corresponding to different job grades in accordance with the average pay levels in banking industry and the Bank's compensation capability.

Remunerations for the Bank's President and Executive Vice Presidents are composed with two parts, the fixed and variable rewards.

Fixed reward: refers to the base salary and allowance. The fixed reward is determined pursuant to the preceding Remuneration Policy of the Bank.

Variable reward: includes the bonus and stock incentive for achieving pre-agreed targets. The variable reward is determined based on the Bank's management performance, profitability, annual performance review of executive officers by their responsible heads.

III. Corporate Governance Practices

(I) Practices of Board of Directors

14 meetings were convened by the Board of Directors over that past one year. Attendance of directors in the meetings is specified as follows:

Title	Name	No. of Attendance in Person	No. of Attendance by Proxy	Actual Attendance Ratio (%)	Remarks
Chairman	Standard Chartered Bank Representative : Jim McCabe	14	0	100%	Appointed as Chairman on 1 Jul. 2008
Director	Standard Chartered Bank Representative : Sunil Kaushal	6	0	100%	Replaced Andrew Bester on 27 Aug. 2008
Director	Standard Chartered Bank Representative : Jaspal Bindra	3	7	21%	
Director	Standard Chartered Bank Representative : Kevin Hu	7	1	88%	Replaced Chih-Wei Wu on 1 Jul. 2008
Director	Standard Chartered Bank Representative : Jake Williams	9	2	64%	
Director	Standard Chartered Bank Representative : Christian Werner	7	5	50%	
Director	Standard Chartered Bank Representative : Jamie Ling	2	0	100%	Replaced Gregg Powell on 25 Nov. 2008
Director	Standard Chartered Bank Representative : Jolene Chen	5	3	36%	
Chairman	Standard Chartered Bank Representative : Chih-Wei Wu	6	0	100%	Resigned on 30 Jun. 2008
Director	Standard Chartered Bank Representative : Nick Sallnow-Smith	8	4	67%	Resigned on 21 Nov. 2008
Director	Standard Chartered Bank Representative : Andrew Bester	3	1	38%	Resigned on 26 Aug. 2008
Director	Standard Chartered Bank Representative : Gregg Powell	11	1	92%	Resigned on 24 Nov. 2008

Other matters to be noted :

1. Matters specified in Article 14.3 of the Securities and Exchange Act, or Board resolutions where independent directors have expressed objection or qualified opinions that have been noted in the record or declared in writing, please specify the date, term, content of the motion and all independent directors' opinions as the Bank's response : **【None】**
2. Avoidance of conflict of interest by directors: Information including the Directors' names, content of the motion, reasons for avoidance, and participation in the voting : **【None】**
3. Goals to enhance the function of the Board of Directors (e.g. establishment of the Audit Committee, improvement of information transparency, etc.) and evaluation of the execution status in the current and most recent years: Plan to set up the Audit Committee in the next election of directors and supervisors in 2009.

(II) Practices of Supervisors Attending the Board of Directors Meetings

14 meetings were convened by the Board of Directors over that past one year. Attendance of supervisors in the meetings is specified as follows:

Title	Name	No. of Attendance in Person	Actual Attendance Ratio (%)	Remarks
Supervisor	Standard Chartered Bank Representative : Andrew Hardacre	6	43%	
Supervisor	Standard Chartered Bank Representative : Norman Lyle	4	29%	

Other matters to be noted :

- Composition and responsibilities of the supervisors:
 - Communication with the Bank's employees and shareholders (e.g. communication channels and methods, etc.)
The Bank is wholly owned by our parent company, Standard Chartered Bank. Two supervisors have been appointed by the parent company of the Bank to monitor the management related matters conducted by the directors and the Executive Committee.
 - Communication with the Chief Auditor and accountants (e.g. communication methods and results pertaining to matters of the Bank's financial and business conditions)
Supervisors are invited to attend meetings held by the Board of Directors and express their opinions, if appropriate; discuss over issues of business operations with any employee of the Bank, especially the CFO and Chief Auditor, to ensure full control of the Bank's business and financial conditions and regular discussion with accountants over the Bank's financial statements.
- Please specify the date, term, content of the motion, resolutions and the Bank's response to supervisors' opinions in the event supervisors have expressed opinions at the Board meetings : 【None】

(III) Compulsory Disclosure in Accordance with Corporate Governance Best-Practice Principles for Banks: Please refer to the "About Us" information on the Bank's Chinese website.

(IV) Current Status of the Bank's Corporate Governance Practices and Its Comparison Against the Corporate Governance Best-Practice Principles for Banks

Item	Execution Status	Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best-Practice Principles for Banks"
(I) Shareholdings structure and shareholders' equity 1. Methodology of handling shareholders' recommendations or disputes 2. List of the major shareholders of the Bank and the ultimate controllers of the major shareholders 3. Establishment of risk control mechanism and firewalls between the Bank and its affiliated enterprises	1. The Bank (SCBTL) is wholly owned by Standard Chartered Bank. Any recommendation or dispute of the shareholder is reported to the Board of Directors for review and consideration. 2. On 29 May 2008, a resolution regarding the amendment of the Bank's Asset Acquisition/Disposal Procedures for Establishment of Adequate Risk Control Mechanism and Firewalls was made by the Board of Directors at the Shareholders' meeting.	No discrepancy is found.
(II) Composition and responsibilities of the Board of Directors 1. Independent directors of the Bank 2. Regular evaluation of Independence of the CPA	1. No independent directors are in place. 2. The Bank has conducted evaluation on the independence of the CPA.	1. Plan to establish independent directors in the next election of directors and supervisors in 2009. 2. No discrepancy is found.
(III) Establishment of communication channels with stakeholders	1. The respective departments are fully responsible for dealing with stakeholders' complaints or rights in accordance with the relevant regulations and the Bona Fide Principle.	No discrepancy is found.

(Continued)

Item	Execution Status	Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best-Practice Principles for Banks"
(IV) Information disclosure 1. Establishment of the Bank's website where information regarding financial/business statements and corporate governance of the Bank is disclosed. 2. Other disclosure channels of the Bank (e.g. English website, have designated personnel to collect and disclose the Bank's information, appoint spokesman, publish investors' conference on the website)	1. The Bank's website is set up by responsible departments including GTO, Customer Service Center (or Call Center) and other related units for purpose of information collection and disclosure. The Bank's President also serves as the Bank's spokesman. 2. Same as above.	No discrepancy is found.
(V) Operations of the nomination or remuneration committees established by the Bank	1. Neither nomination nor remuneration committees are established by the Bank.	1. Remuneration scheme is proposed periodically to reflect the current market practices in banking industry and ratified by the Senior Management of the Bank
(VI) Any discrepancy between the corporate governance and the "Corporate Governance Best-Practice Principles for Banks". Reasons for the difference: With regard to the current practice of the Bank's corporate governance, the Bank is in compliance with the provisions of the "Corporate Governance Best-Practice Principles for Banks", except for the establishment of "Independent Directors", "Audit Committee" and the "Nomination or Remuneration Committees" (which will be proposed for establishment in the next election of directors and supervisors in 2009).		
(VII) The policies/measures adopted by the Bank towards its social responsibility (e.g. employee welfare, employee care, investor relationship, stakeholder rights, training records of directors and supervisors, risk management policies and implementation of risk measurement criteria, implementation of customers' policies, liability insurance purchased by the Bank for directors and supervisors, etc.) and performance of its social responsibility: The Bank strives to build a sustainable business as its long-term strategy, with the objective to deliver our corporate culture, value and management philosophy to stakeholders through sharing of our financial expertise and various concerns on the environment, minorities and communities. The Bank aims to fulfill our mission of "Being the Right Partner to our Stakeholders" by proactively involve in environmental protection, education, cultural and sports events.		
(VIII) Corporate governance self-assessment report or result of assessment report made by an external professional institution on a consignment basis, major defects (or recommendations) and improvement : 【None】		

(Continued)

(IX) Other important information related to the Bank's corporate governance practice (e.g. training records of directors and supervisors, directors' and supervisors' attendance in the BOD meetings, risk management policies and implementation of risk measurement criteria, consumers' protection or execution of customers' policies, directors' avoidance of the motions with conflict of interest, liability insurance purchased by the Bank for directors and supervisors, etc.)

1. Directors and supervisors receive notifications regarding the change of corporate governance regulations from time to time; directors and supervisors are arranged by the Company Secretariat to attend trainings related to the corporate governance that are held by the government or other institutions.
2. Except for the authority required to be exercised by the Board of Directors under the law, the Board of Directors has delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the President) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken by the Board of Directors.
3. The Bank's directors will avoid voluntarily any motions with conflict in benefit of the Bank.
4. Relevant liability insurance has been purchased by the SCB Group for directors and supervisors.
5. The Bank has developed its own "Principles for the Acquisition and Disposal of the Bank's Assets", "Investment Policy" and other relevant procedures for compliance by all responsible departments in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
6. To control credit risk of the businesses we operate in, the Bank has a sound framework for establishment of various committees. Such framework is designed to ensure consistent criteria and policy will be followed across the Bank.
7. Any complaints or disputes raised by the Bank's customers or consumers will be dealt with and followed up by the Customer Service Center (or Call Center) in accordance with Customer Service Procedures.
8. There are Articles of Association in place with defined responsibilities and authorities of the departments within the Bank.

(V) Performance of the Bank's Social Responsibilities:

The policies/measures and performance of the Bank towards its social responsibility (e.g. environmental protection, community participation, contribution to the society, social service, public charities, consumer rights, human rights, safety and hygiene, and other social activities).

(VI) Corporate Governance Principles and Inquiry of Relevant Regulations

Please visit the website of Market Observation Post System (MOPS) for detailed information of the corporate governance at <http://newmops.tse.com.tw>.

(VII) Other Material Information

Please visit the website of Market Observation Post System (MOPS) for other material information published at <http://newmops.tse.com.tw>.

(VIII) Implementation of Internal Control System

1. Statement of Internal Controls

Standard Chartered Bank (Taiwan) Limited The Declaration of Internal Control System

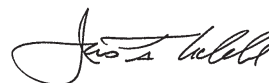
To : Financial Supervisory Commission, Executive Yuan

Date : April 27, 2009

On behalf of Standard Chartered Bank (Taiwan) Limited (Hereinafter referred as the "Bank") we declare that in the time from January 1st 2008 to December 31st 2008, the Bank has complied with the "Implementation Rules for Bank Internal Audit and Internal Control System", to establish internal control system, implement risk management and to carry out auditing practice by independent audit unit, as well as regularly provide audit report to the Board of Directors and supervisors. For securities business, the Bank examined the design and effective implementation of its internal control system according to the criteria prescribed in "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" promulgated by the Securities and Futures Bureau of Financial Supervisory Commission, Executive Yuan. After cautious evaluation, the Bank's internal control system and legal compliance for the year of 2007 has been executed effectively with the exception of issues listed on the appendix. This Statement shall become a major part of the annual report of the Bank and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Law

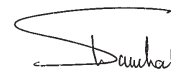
Declarant

Chairman :



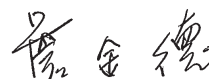
(Signature)

President & CEO :



(Signature)

Chief Auditor :



(Signature)

Group Head of Compliance :



(Signature)

2. CPA's Special Audit Report on the Bank's Internal Controls

Independent Auditors' Report on Internal Control

The Board of Directors

Standard Chartered Bank (Taiwan) Limited :

According to Article 25 of the Rules for Enforcement of Bank Internal Control and Audit (the Rules) issued by the Financial Supervisory Commission (FSC), Executive Yuan, Republic of China (ROC), in addition to having its annual financial statements audited and certified by an independent auditor, a bank should also engage the auditor to examine its internal control policies and to express an opinion on the accuracy of and internal control over its financial reporting, the status of its compliance with applicable laws and regulations, and the appropriateness of its policy on the recording of bad debt provision.

We have been engaged by Standard Chartered Bank (Taiwan) Limited to conduct the aforementioned examination and have summarized the examination scope, procedures, and conclusions in the following pages in accordance with Article 28 of the Rules.

The report is intended solely for the information and use of the Board of Directors and the management of Standard Chartered Bank (Taiwan) Limited and the Banking Bureau of FSC, Executive Yuan, ROC, and is not intended to be and should not be used by anyone other than these specified parties.



March 3, 2009

(IX) Penalty Received for Unlawful Practices Over the Past Two Years, and Corrective Actions Taken Against Major Defects

Disclosure	Case & Amount
1. Indictment by prosecutors against the person in charge or employees because of a crime committed on duty	1. In Jan 2007, Li-Yun Dong, the Bank's staff, took advantage of her position to misappropriate customers' deposits and peculate money from the ATMs. Such staff was accused of filling forged documents and occupational embezzlement by the Bank and was later on indicted by Hsinchu District Prosecutors Office for the charge of "deferred prosecution" on 4 Sep 2007. 2. Huai-Jian Tsai, took advantage of his position to misappropriate customers' deposits during the period from May 2003 to 22 Jun 2007, through various methods including forgery of customers' seals, change of specimen seal without customers' consents, forgery of entitled certificates, illegal selling of customers' stocks, misappropriation of customers' margins for credit transaction, illegal purchase/subscription of stocks or bonds, embezzlement of customers' money. Such staff was accused of filling forged documents and occupational embezzlement by the Bank and was indicted by Miaoli District Prosecutors Office on 19 Oct 2007, and finally was sentenced with "4-year prison term" by Miaoli District Court on 22 Jan 2008. 3. Wan-De Lin and Yu-Zhen Luo were both indicted by Taichung District Prosecutors Office for the charges of "embezzlement of customers' money" and "forgery of documents" on 28 Jan 2008.
2. Penalty fine imposed by Financial Supervisory Commission (FSC) due to violation of the laws and regulations	1. The Bank was fined NTD1million by Fair Trade Commission due to improper "acceleration clause" defined in the loan agreement which resulted in violation of Article 24 of the Fair Trade Act (08/03/2008). 2. The Bank's customers suffered from a loss in property due to unlimited scope of "debtor" as specified in "Other Agreed Matters" and "Loan Receipt" of its standard "Mortgage Contract". The Bank was fined NTD60,000 by Hsinchu County Government in accordance with Articles 36 and 58 of the Consumer Protection Act (23/06/2008). 3. Wan-De Lin and Yu-Zhen Luo were fined NTD2million respectively for violation of Articles 45-1 and 129 of the Banking Act (04/10/2007).
3. Stiff rectification imposed by FSC because of defects in business operation	None
4. Penalty imposed by FSC due to violation of Article 61-1 of the Banking Act	None
5. Any material frauds or contingencies (fraud, theft, misappropriation and robbery of assets, false transaction, forged documents and marketable securities, kickbacks, natural disaster loss, loss from external factors, hacker attack, data theft, and disclosure of confidential information and customer data and such major incidents) or security accidents resulting from the failure to abide by security instructions of financial institutions, or the incidents which resulted in loss over NTD50million, individually or totally, in the respective year	None

(X) Major Resolutions Made in Shareholders' Meetings, Board Meetings and Provisional Board Meetings

Date	Meeting Name	Major Resolution	Execution Status
29/05/2008	Shareholders Meeting	1. Approved the 2007 loss reserve 2. Approved the 2007 closing statements 3. Approved the 2007 Supervisors' Report 4. Approved the 2007 business report	1. Executed as per resolution 2. Executed as per resolution 3. Executed as per resolution 4. Executed as per resolution
24/01/2008	Provisional Board Meeting	1. Approved to sell the shares issued by Paradigm Asset Management Co., Ltd.	1. Executed as per resolution
29/02/2008	Provisional Board Meeting	1. Approved to enter into the Service Agreement with American Express Bank	1. Executed as per resolution
26/03/2008	Board Meeting	1. Approved the 2008 revenue and expenditure budget 2. Approved the 2007 loss reserve 3. Approved the 2007 closing statements 4. Approved the financial statements and consolidated financial statements of 2007	1. Executed as per resolution 2. Executed as per resolution 3. Executed as per resolution 4. Executed as per resolution
29/05/2008	Board Meeting	1. Approved the general assumption of the business of American Express Bank 2. Approved the amendment of Articles of Association 3. Approved to elect Sunil Kaushal as the Bank's President 4. Approved to elect Jim McCabe as the Bank's Chairman	1. Executed as per resolution 2. Executed as per resolution 3. Executed as per resolution 4. Executed as per resolution
30/06/2008	Provisional Board Meeting	1. Approved to appoint Kevin Hu as the Director of the Bank	1. Executed as per resolution
30/07/2008	Provisional Board Meeting	N/A	
26/08/2008	Board Meeting	1. Approved to appoint Sunil Kaushal as the Director of the Bank 2. Approved the amendment of Articles of Association 3. Approved the financial statements for the first half of 2008 4. Approved to appoint Nancy Lai Sum Wong as the Bank's Chief Operating Officer	1. Executed as per resolution 2. Executed as per resolution 3. Executed as per resolution 4. Executed as per resolution

(Continued)

Date	Meeting Name	Major Resolution	Execution Status
29/09/2008	Provisional Board Meeting	1. Approved the motion of capital injection from the Bank's parent company	1. At the Board meeting held on 29 Sep 2008, the Board approved to issue 80,000,000 ordinary shares at NTD20 per share by way of private placement to the Standard Chartered Bank.
06/10/2008	Provisional Board Meeting	1. Approved to bid for the specific businesses, assets and liabilities of Asia Trust & Investment Corp.	1. Executed as per resolution
22/10/2008	Provisional Board Meeting	1. Approved the motion of capital injection from the Bank's parent company	1. At the Board meeting held on 22 Oct 2008, the Board approved to issue 248,000,000 ordinary shares at NTD20 per share by way of private placement to the Standard Chartered Bank
30/10/2008	Provisional Board Meeting	1. Approved the general assignment and assumption of the specific businesses, assets and liabilities of Asia Trust & Investment Corp.	1. Executed as per resolution
28/11/2008	Board Meeting	1. Approved to appoint Jamie Ling as the Director of the Bank 2. Approved to elect Jamie Ling as the Bank's CFO	1. Executed as per resolution 2. Executed as per resolution
15/12/2008	Provisional Board Meeting	N/A	

(XI) Disagreement Record or Written Statement of the Directors or Supervisors against the Important Resolutions Made by the Board Meetings : [None]

(XII) Information on Persons Related to the Financial Statements Who Resigned or Were Discharged :

Title	Name	Date of Appointment	Date of Discharge	Reason of Resignation or Discharge
Chairman	Chih-Wei Wu	05/06/1996	30/06/2008	Discharged from office
President	Jim McCabe	30/06/2007	01/07/2008	Transferred as Chairman



CORPORATE GOVERNANCE

IV. Information on CPA Charges

- (I) Non-audit fees paid to CPAs, the firm to which the CPAs belong and its affiliate(s) exceed 25% of the annual auditing fee : [None]
- (II) Change of CPA firm and the audit fee for the year of change is less than that charged for the previous year: [None]
- (III) Auditing fee is 15% less or more below the fee charged for the previous year : [None]

V. Information on Change of CPA

(I) Former Independent Auditing Firm

Date of Replacement	21st May 2007		
Reason and Explanation	Align with the Group's overall planning		
Explain whether the appointer or independent auditing firm terminates or rejects the appointment.	Concerned party	CPA	Appointer
	Circumstance		√
	Terminate voluntarily		
	Reject (refuse to continue) the appointment		
Any audit report other than those unqualified opinion issued by the independent auditing firm within the last two years, and reason thereof.	Year 2008 : unqualified opinion Year 2007 : unqualified opinion		
Disagreement with the Bank	Yes		Accounting principles or practices
			Disclosure of financial statement
			Scope or steps of audit
			Others
	No	√	
	Note :		
Other matters to be disclosed (pursuant to Article 10.5.1.4 of the Regulations Governing Information to be Published in the Annual Reports of Banks)	Note		

(II) Succeeding Independent Auditing Firm

Name of Company	KPMG Certified Public Accountants
Name of CPA	An-Tian Yu (Andrew Yu), Ming-Zhi Wang (JJ Wang)
Date of Appointment	21st May 2007
Prior to the appointment of the independent auditing firm, specify if any inquiry to or advice from such firm regarding the accounting methods or principles of specific transactions or possible opinions on the Bank's financial statement.	None
Written opinion of the succeeding independent auditing firm that provides different opinion from that of given by the former independent auditing firm.	None



CORPORATE GOVERNANCE

(III) Written response from the former independent auditing firm in accordance with Articles 10.5.1 and 10.5.2.3 of the Regulations Governing Information to be Published in the Annual Reports of Banks : [None]

VI. Name, title, and service period of the Bank's Chairman, President or Executive Officer(s) in charge of financial and accounting affairs who has served a position in an independent auditing firm to which the CPAs belong or its affiliate(s) during the past year : [None]

VII. Change in the equity (shareholding, share transfer and pledge) of directors, supervisors and executive officers who are required to declare their equity in accordance with Article 25.3 of the Securities and Exchange Act : [None]

Note: The Bank (SCBTL) is a subsidiary executive of Standard Chartered Bank. The directors, supervisors and executive officers are appointed as legal representatives by the Bank's parent company.

VIII. Information on Top 10 shareholders who are related parties as defined in the Statement of Financial Accounting Standards No. 6 : [None]

IX. The shares and consolidated shareholding ratios of the same investees held by the Bank, the Bank's directors, supervisors, executive officers, branch managers, and the entities under the Bank's direct or indirect control :

Name of Investee Company	The Bank's Investment		Investment by Directors, Supervisors, Executive Officers, Branch Managers and the Entities Directly or Indirectly Controlled by the Bank		Comprehensive Investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Standard Chartered Life Insurance Agency Co., Ltd.	300,000	100%			300,000	100%
Taiwan Standard Chartered Insurance Agency Co., Ltd.	300,000	100%			300,000	100%
Taipei Forex Inc.	600,000	3.03%			600,000	3.03%
Taiwan Small and Medium Enterprises Development Co., Ltd.	3,417,440	4.84%			3,417,440	4.84%
Fubon Securities Finance Co., Ltd.	3,943,335	0.99%			3,943,335	0.99%
Universal Venture Fund Co., Ltd.	1,215,684	4.76%			1,215,684	4.76%
Financial Information Service Co., Ltd.	4,550,000	1.14%			4,550,000	1.14%
Windance Co., Ltd.	18,850,000	2.73%			18,850,000	2.73%
Taiwan Financial Asset Service Co., Ltd.	5,000,000	2.94%			5,000,000	2.94%
Paradigm Asset Management Co., Ltd.	6,030,000	20%			6,030,000	20%
Modex Taiwan Co., Ltd.	197,412	3.35%			197,412	3.35%
Taiwan Depository & Clearing Corp.	494,852	0.17%			494,852	0.17%
TSC Bio-Venture Capital Corp.	2,025,000	5%			2,025,000	5%
Sun Asset Management Corp.	84,980	1.42%			84,980	1.42%
Taiwan Cooperative Bills Finance Corp.	13,346,123	12.74%			13,346,123	12.74%

IV. Fund Raising



I. Shares and Dividends

(I) Source of Capital

Date	Issued Price (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NTD)	Shares	Amount (NTD)	Source of Capital	Other
27/04/2009	10	2,500,000,000	25,000,000,000	2,485,571,976	24,855,719,760	1. 80,000,000 ordinary shares were issued by way of private placement on 29 Sep 2008. 2. 248,000,000 ordinary shares were issued by way of private placement on 22 Oct 2008.	N/A

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Unlisted stock	2,485,571,976	14,428,024	2,500,000,000	

Self registration information : [None]

(II) Shareholder Structure

As of 31 December 2008

Shareholder Quantity	Government Agencies	Financial Institutions	Other Legal Entities	Domestic Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	0	0	0	0	1	1
Number of Shares	0	0	0	0	2,485,571,976	2,485,571,976
Shareholding (%)	0	0	0	0	100	100

(III) Distribution of Equity Holdings

Par Value NTD10

As of 31 December 2008

Classification of Shareholding	Number of Shareholders	Number of Shares	Shareholding (%)
Over 1,000,001	1	2,485,571,976	100
Total	1	2,485,571,976	100

(IV) List of Major Shareholders

As of 31 December 2008

Shares	Shares	Shareholding (%)
Name of Major Shareholders		
Standard Chartered Bank	2,485,571,976	100

(V) Market Price, Net Worth, Earnings, Dividends per Share, and the Relevant Information over the Past Two Years

Item		Year	2008	2007	As of 28 February 2009
Market Price Per Share (NTD)	Highest		Note	24.5	Note
	Lowest		Note	24.1	Note
	Average		Note	24.31	Note
Net Worth Per Share (NTD)	Before Distribution		12.71	11.04	12.44
	After Distribution		12.71	11.04	N/A
Earnings Per Share (NTD))	Weighted Average Shares (Thousand Shares)		2,184,905	1,906,044	2,184,905
	EPS	Before Adjustment	0.01	(0.26)	0.04
		After Adjustment	0.01	(0.26)	N/A
Dividends Per Share (NTD))	Cash Dividends		0	0	N/A
	Stock Dividends	By Earnings	0	0	N/A
		By Capital Surplus	0	0	N/A
	Accumulated Unpaid Dividends		0	0	N/A
Return on Investment (%)	Price to Earnings Ratio		Note	(93.50)	Note
	Price to Dividend Ratio		N/A	N/A	N/A
	Cash Dividend Yield		N/A	N/A	N/A

Note : The Bank was delisted on 18 January 2007; therefore, there is no public quotation available for reference.

(VI) Dividend Policy and Enforcement : [None]

The Bank is wholly owned (100% shareholding) by Standard Chartered Holdings Limited.

(VII) Impact of Stock Dividends on Business Performance and EPS : [None]

(VIII) Employees' Bonus and Remuneration to Directors and Supervisors

1. The ratio/range of employees' bonus and remuneration to directors and supervisors as set forth in the Bank's Articles of Association: Refer to the "Financial Highlights" section page 116.
2. Proposal for the distribution of employees' bonus resolved by the Board of Directors: No dividends were distributed in 2008.
3. Earnings in the previous year allocated to employees' bonus and remuneration to directors and supervisors : [None]

(IX) Share Buyback History : [None]

II. Issuance of Financial Debentures

Type of Financial Debentures	1st Issue (Term) of Financial Debentures, 2005	2nd Issue (Term) of Financial Debentures, 2005	1st Issue (Term) of Financial Debentures, 2006	1st Issue (Term) of Financial Debentures, 2008
Date of Approval & Approval Document No.	Jin-Kuan-Yin-(IV)- 0930036631	Jin-Kuan-Yin-(IV)- 0930036631	Jin-Kuan-Yin- 09500523210	Jin-Kuan-Yin (IV)- 09700086020
Date of Issuance	05/01/2005	24/01/2005	27/12/2006	12/03/2008
Par Value	NTD100,000, NTD 500,000, NTD1,000,000, NTD5,000,000, NTD10,000,000	NTD100,000, NTD500,000, NTD1,000,000, NTD5,000,000, NTD10,000,000	NTD10,000,000	USD1,000
Location of Issuance and Trading	Taiwan, R.O.C.	Taiwan, R.O.C.	Taiwan, R.O.C.	Taiwan, R.O.C.
Currency	New Taiwan Dollar	New Taiwan Dollar	New Taiwan Dollar	US Dollar
Issue Price	100	100	100	150,000,000
Total Amount	7,636,700,000	2,363,300,000	4,800,000,000	150,000,000
Interest Rate	Floating rate: Average floating rate for 1-year time deposit +1.493%. First annual rate is 3.0%.	Floating rate: Average floating rate for 1-year time deposit +1.493%. First annual rate is 3.0%.	90-day CP+0.22%, base date is 2 days before the rate adjustment date at AM 11:00 (fixing rate). First annual rate is 1.93%.	Floating rate USD 3M LIBOR +2.185% for the first 5 years USD 3M LIBOR + USD interest rates for the last 5 years
Maturity	No maturity date	No maturity date	7 years, matures on 27 Dec 2013	10 years, matures on 12 Mar 2018
Seniority	Subordinated	Subordinated	Subordinated	Subordinated
Guarantor	N/A	N/A	N/A	N/A
Trustee	N/A	N/A	N/A	N/A
Underwriter	N/A	N/A	N/A	The Bank's OBU
Certifying Attorney	N/A	N/A	N/A	Baker & McKenzie Attorney: Zhi Liang, Hao-Rui Hu
Certifying Accountant	Ernst & Young (formerly known as Diwan, Ernst & Young) CPA: Lu-Yan Ruan, You-Ren Chen	Ernst & Young (formerly known as Diwan, Ernst & Young) CPA: Lu-Yan Ruan, You-Ren Chen	Ernst & Young (formerly known as Diwan, Ernst & Young) CPA: Lu-Yan Ruan, Zhi-Ru He	KPMG CPA : An-Tian Yu (Andrew Yu)
Certifying Financial Institution	Fubon Bills Finance Co., Ltd.	Chung Hsing Bills Finance Corp.	N/A	N/A
Repayment Method	Interest paid half yearly, and the term for principal repayment is handled in accordance with the Guidelines for Capital Adequacy Management	Interest paid half yearly, and the term for principal repayment is handled in accordance with the Guidelines for Capital Adequacy Management	Interest paid quarterly, and principal is repaid in one lump sum upon maturity	Interest paid quarterly, and principal is repaid in one lump sum upon maturity

Balance Outstanding	7,636,700,000	2,363,300,000	4,800,000,000	150,000,000
Paid-in Capital in Previous Year	14,236,161 (thousand)	14,236,161 (thousand)	15,745,358 (thousand)	16,545,167 (thousand)
Audited Net Worth in Previous Year	19,010,243 (thousand)	19,010,243 (thousand)	21,689,964 (thousand)	14,896,831 (thousand)
Repayment Status	N/A	N/A	N/A	N/A
Terms of Redemption or Early Repayment	Upon expiration of 5 years after the issue date of the debentures, where the computed CAR after redemption meets the minimum regulatory requirement, and that the competent authority has given its consent, the Bank may redeem the debentures prior to maturity.	Upon expiration of 5 years after the issue date of the debentures, where the computed CAR after redemption meets the minimum regulatory requirement, and that the competent authority has given its consent, the Bank may redeem the debentures prior to maturity.	N/A	Upon expiration of 5 years after the issue date of the debentures, where the computed CAR after redemption meets the minimum regulatory requirement, and that the competent authority has given its consent, the Bank may redeem the debentures prior to maturity.
Terms and Conditions of Conversion and Exchange	Where the Bank's CAR is lower than the minimum regulatory requirement and the accumulated loss is greater than the sum of Retained Earnings and Share Premium for over 6 consecutive months, the debenture will be automatically converted to perpetual cumulative preferred stocks.	Where the Bank's CAR is lower than the minimum regulatory requirement and the accumulated loss is greater than the sum of Retained Earnings and Share Premium for over 6 consecutive months, the debenture will be automatically converted to perpetual cumulative preferred stocks.	N/A	N/A
Restriction Clause	In the event the Bank's CAR is less than the minimum regulatory requirement as a result of making interest payment, such payment may be deferred and no interest will be accrued on the deferred portion.	In the event the Bank's CAR is less than the minimum regulatory requirement as a result of making interest payment, such payment may be deferred and no interest will be accrued on the deferred portion.	In the event the Bank's CAR is less than the minimum regulatory requirement as a result of making interest payment, such payment may be deferred and no interest will be accrued on the deferred portion.	N/A
Capital Utilization	To support medium and long-term funding needs	To support medium and long-term funding needs	To support medium and long-term funding needs	To support medium and long-term funding needs of the Bank's OBU
Amount of declared issuance plus previous outstanding balance as percentage of audited net worth of the previous fiscal year (%)	94.68%	94.68%	105.11%	132.42%
Whether accounted for equity capital and type of capital	Yes, Tier 2	Yes, Tier 2	Yes, Tier 2	Yes, Tier 2
Name of credit rating agency, date and credit rating	Fitch Ratings, AA+(twn), 20 Dec. 2006	Fitch Ratings, AA+(twn), 20 Dec. 2006	Fitch Ratings, AA+(twn), 20 Dec. 2006	Fitch Ratings, AA+(twn), 2 Jul. 2007

Note : The 1st Term subordinate debentures of 2002 was matured on 19 Jul 2007, with outstanding balance of NTD2,900 (thousand).

III. Preferred Stocks, Overseas Depository Receipts, Employee Stock Options, and Acquisitions or Assignment involving other Financial Institutions : [None]

IV. Capital Utilization Plan and Execution Status

(I) Capital Utilization Plan

1. Financial debentures: To support medium and long-term capital requirements and enhance capital adequacy ratio, the Bank issued the cumulative subordinated debentures without maturity dates at a total amount of NTD10,000,000,000 in 2005, followed by a 7-year term unsecured subordinated debentures with the amount of NTD4,800,000,000 in 2007, and a 10-year term unsecured subordinated debentures totaling USD150,000,000.

(II) Execution Status of the Capital Utilization Plan

1. The 2005 cumulative subordinated debentures without maturity dates were fully subscribed on 5 January 2005 and 24 January 2005 respectively, with interest to be paid half yearly. As of January 2009, eight interest payments have been made. Currently, interest is paid under contract. The next interest payment dates will be 5 July 2009 and 24 July 2009.
2. The 2006 subordinated debentures under the term of quarterly interest payment were fully subscribed on 27 December 2006. As of December 2008, eight interest payments have been made. Currently, interest is paid under contract. The next interest payment date will be March 2009.
3. The 2008 subordinated debentures under the term of quarterly interest payment were fully subscribed on 12 March 2008. As of December 2008, three interest payments have been made. Currently, interest is paid under contract. The next interest payment date will be March 2009.
4. The Bank's Medium and Long-term Loans and Capital Adequacy Ratios :

	31 December 2008	31 December 2007	31 December 2006
Medium and Long-Term Loan	263,555,248 (thousand)	239,557,031 (thousand)	246,502,161 (thousand)
Increase	23,998,217 (thousand)	(6,945,130) (thousand)	19,559,633 (thousand)
Capital Adequacy Ratio	10.07%	8.68 %	9.07%
Increase	1.39%	(0.39)%	-

V. Operations Overview





I. Scope of Business

(I) Primary Business of Respective Business Division

1. Consumer Banking

Consumer Banking offers a broad range of products and services to meet the borrowing, wealth management and transaction needs of individuals and SMEs.

2. Wholesale Banking

Wholesale banking provides trade finance, cash management, securities services, foreign exchange and risk management, capital raising and corporate finance solutions.

(II) Ratio of Major Businesses to Total Assets and Their Changes

1. Ratio of Major Businesses to Total Assets

(1) Deposits

Unit : NTD'000

Item	31 December 2008		31 December 2007		Growth Rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Savings Deposits	217,853,367	42.38	218,811,093	57.44	(0.44)
Time Deposits	158,826,346	30.90	65,721,133	17.25	141.67
Demand Deposits	121,707,858	23.68	92,358,384	24.24	31.78
Checking Account	3,521,704	0.68	3,790,414	1.00	(7.09)
Trust Fund-Unappropriated	12,100,450	2.35	0	0	100.00
Remittances	29,545	0.01	279,793	0.07	(89.44)
Sub-total	514,039,270	100.00	380,960,817	100.00	34.93

(2) Loans

Unit: NTD'000

Item	31 December 2008		31 December 2007		Growth Rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Bill Negotiation/Discount	1,874,195	0.59	10,694,953	3.66	(82.48)
Short-term Loan and Overdraft	33,552,587	10.68	24,601,293	8.41	36.39
Short-term Secured Loan and Overdraft	9,925,046	3.16	12,392,952	4.24	(19.91)
Medium-term Loan	68,185,300	21.70	80,464,108	27.51	(15.26)
Medium-term Secured Loan	12,754,191	4.06	11,748,679	4.02	8.56
Long-term Loan	10,958,745	3.49	3,535,251	1.21	209.98
Long-term Secured Loan	171,657,012	54.63	143,808,993	49.17	19.36
Overdue Receivables from Loans	5,316,915	1.69	5,197,082	1.78	2.31
Sub-total	314,223,991	100.00	292,443,311	100.00	7.45

2. Growth and Changes of Major Business

Unit: NTD'000

Item		2008	2007	Increase (Decrease)	Growth Rate (%)
Customer Deposits and Remittance Payable		514,039,270	380,960,817	133,078,453	34.93
Loan and Bills Discounted		314,223,991	292,443,311	21,780,680	7.45
Guarantees		11,020,475	17,233,334	(6,212,859)	(36.05)
Consumer Banking	No. of Credit Cards Issued	2,907,150	2,755,453	151,697	5.51

Item		2008	2007	Increase (Decrease)	Growth Rate (%)
Transaction Volume of Securities Brokerage		212,602,062	321,299,353	(108,697,291)	(33.83)
Sales Volume of Trust Fund		70,748,165	178,489,467	(107,741,302)	(60.36)
Foreign Exchange (USD/Thousand)	International Exchange	147,250,044	124,663,916	22,586,128	18.12
	Negotiation of Import Bills	722,063	1,923,262	(1,201,199)	(62.46)
	Negotiation of Export Bills	2,179,170	3,897,357	(1,718,187)	(44.09)
	Total	150,151,277	130,484,535	19,666,742	15.07

(III) Business Plan for 2009

1. Consumer Banking

- (1) Continue strong deposit growth which is a major driver of the Bank's liquidity position.
- (2) Proactively manage and selectively grow the loan portfolio with a focus on secured assets.
- (3) Significantly deepen the relationships with customers by increasing the average number of products and services bought by each customer.
- (4) Reposition Wealth Management business to match changing customer demand.
- (5) Maintain disciplined cost and risk management.
- (6) Continue to implement a standardized business model to leverage global scale.

2. Wholesale Banking

- (1) Continue to build scale in our core businesses and key markets.
- (2) Strengthen and deepen our relationships to become core bank to our major clients.
- (3) Increase cross border opportunities across our international network.
- (4) Expand product offering and provide increasingly strategic and value-added capabilities to clients.
- (5) Maintain tight management of costs, capital, liquidity and risk.

(IV) Market Analysis

1. Domestic Economic and Financial Conditions

Following the impact of sharp economic downturn in Europe and US and a slowdown in China's economy, Taiwan's economic output in the first half of 2009 is expected to experience a continuous decline. In the wake of capital spending cutbacks by local corporates, the nation's domestic demand and employment are obviously affected, driving the contraction in consumption expenditure. Taiwan's economy in the later half of the year, however, shows an upward trend supported by the government's distribution of shopping vouchers, expansion in public expenditure and investment, warming cross strait relations, as well as economic stimulus packages passed by the world's major industrial countries and China. In terms of consumer price inflation, continuous decline is expected to reflect the slowing global demand, raw materials and crude oil slump. In view of this, a relatively relaxed monetary policy will be imposed by the Central Bank to stimulate investments and boost domestic demand. The NT dollar, like other Asian currencies, will keep depreciating against the US dollar in the first half of 2009.

2. Market Outlook and Growth Potential

Facing the global financial turmoil and plunging economies, 2009 will be another year of tough challenges to Taiwan's financial sector, impacting businesses in consumer banking, wholesale banking, and wealth management. Under such circumstances, domestic banks shall enhance their risk awareness and cautiously address the possibility of rising bad debts. In addition, the local banks' profits may be sharply affected by the narrowing interest-rate spread as a result of Central Bank's interest rate cut. On the other hand, given the slashing gift tax, estate tax, and growing cross-strait direct investments, Taiwan will be benefited from overseas funds pouring into the nation, pushing Taiwan towards its ambition of turning into a regional finance and operations center. On top of that, once Taiwan signs the memorandum of understanding on financial supervision with China for purpose of reinforcing the cross-strait cooperation mechanism and framework, domestic banks will be more competitive in the global market by taking advantages of China's rapid economic growth and enormous business opportunities.

3. Strength, Weakness and Countermeasure of Future Development

Favorable factor

Over the past year, the Bank has achieved substantial brand recognition in Taiwan by leveraging its global network



OPERATIONS OVERVIEW

strength, innovative cross-boarder products, professional leadership teams, as well as growing presence in the local market. The Bank's overall competitiveness is empowered by those favorable factors.

Adverse factor

Standard Chartered's existing market position may face potential threat from other foreign banks due to mergers/acquisitions with other small and medium commercial banks in Taiwan. Some of them have completed amalgamation and are now aggressively grabbing some market share.

Countermeasure

In addition to provide the best financial products and services, the Bank will continue to build on its strength to serve overseas Taiwanese companies through its global network advantage, especially to grasp the growing opportunity of the two sides under the normalization of cross-strait relations.

(V) Financial Instruments and Summary of Business Development:

1. Major financial instruments and additional business units, the scale of operation and profitability status:

- (1) The Treasury Team was established in the second half of 2007, with the objective to provide customers with well-diversified products and services; the Team also dedicates on offering short-term investment and tailored foreign exchange products that are high liquidity driven, giving customers with greater flexibility to select the ideal portfolio for asset allocation purpose.
Under the Treasury Team, the Alternative Product Team was set up to introduce a wide range of offshore investment products for both aggressive and conservative investors.
- (2) The Bank has launched a number of new products in the market which are Star Savers, TWD Bond Linked Investment, ETS (Express Trade Service), ITA (Internal Trade Account), b\$(Business Saver), e-\$aver account and Standard Chartered VISA Card, etc.

2. R&D Expenditure and Results for the Past Two Years and Future R&D Plans:

- (1) Develop robust wealth management system to provide customers with short, medium and long-term wealth management solutions.

(VI) Short and Long-term Business Development Plans

1. Short-Term Plan

- (1) Continue to develop and introduce diversified wealth management (WM) products; ensure compliance with Standard Chartered Group's product launch review process; provide customers with innovative and reliable WM solutions.



- (2) Form an advisory team with in-depth knowledge of investment strategies to work together with Relationship Managers by providing total solutions based on the Group's "Asset Allocation Model" so as to meet each customer's unique investment requirement.
- (3) Expand the personal loan and mortgage loan services and enhance risk management.
- (4) Optimize the Bank's automated channels to provide effective one-stop service with high customer satisfaction.
- (5) Reduce branch operating costs by increasing customers' acceptance of internet banking.

2. Long-Term Plan

- (1) Continue to provide WM solutions for customers; become customers' bank of choice for their wealth management needs.
- (2) Differentiate customers to satisfy their unique needs by providing diversified product portfolios and designated wealth management services.
- (3) Integrate trust business with relevant portfolios of the Bank (insurance, loans, foreign currencies) to provide individual asset management and family wealth planning services for customers, expand the Bank's overall business scale, as well as to increase income from commissions and other fees.
- (4) Increase the market shares of our various products with the goal to become the best brand of personal loans service in local market.
- (5) Integrate with automated channel service to provide differentiated service contents and personalized relationship management.

II. Employee Analysis

(I) Employee Profile

Year		2008	2007	1 Jan-28 Feb 2009
No. of Employees	Over 50 years old	92	82	92
	Over 40 years old	966	771	953
	Over 30 years old	2,358	2,204	2,337
	Over 20 years old	1,264	1,497	1,252
	20 years old and under	0	0	0
	Total	4,680	4,554	4,634
Average Age		34.50	33.50	34.40
Average Year of Service		7.01	6.84	6.92
Level of Education (%)	Doctorate	0.02%	0.00%	0.02%
	Master	13.16%	10.01%	13.26%
	University/College	75.58%	77.43%	75.57%
	Senior High School	11.20%	12.54%	11.11%
	Below Senior High School	0.04%	0.02%	0.04%
Certificates and Licenses Held by Employees	Securities Specialist	306	441	417
	Investment-orientated Insurance Product Specialist	822	1,216	1,210
	Securities Investment Trust and Consulting Professional	211	199	212
	Basic Proficiency Test for Bank Lending Personnel	582	648	585
	Advanced Proficiency Test for Bank Lending Personnel	25	27	25
	Futures Specialist	314	344	355
	Personal Insurance Agent Registration Certificate	4,052	2,177	4,236
	Proficiency Test for Bond Specialist	13	16	13
	Basic Proficiency Test for International. Banking Personnel	204	231	206
	Proficiency Test for Financial Planning Personnel	606	702	649
	Proficiency Test for Trust Operations Personnel	1,690	1,938	1,773
	Basic Proficiency Test on Bank Internal Controls	1,922	2,021	2,031
	Senior Securities Specialist	312	325	322
	Property Insurance Agent Registration Certificate	1,701	1,715	1,652
	Securities Dealer	32	5	32
	Certified Internal Auditor Certificate	6	26	6
	Proficiency Test for Stock Affair Personnel	21	1	21

(II) Employee Education and Training

Year	2008	2007
No. of Staff Received Trainings	25,403	10,419
Total Training Hours	8,362	3,600
Total Training Sessions	1,201	335
Total Training Days	1,195	450

III. Corporate Responsibilities and Ethics

The Bank strives to build a sustainable business as its long-term strategy, with the objective to deliver our corporate culture, value and management philosophy to stakeholders through sharing of our financial expertise and various concerns on the environment, minorities and communities.

Contributing to the society, protecting the environment, fostering economic growth and staying true to our governance spirit are the fundamentals of the Bank's sustainability strategy. We deeply understand that sustainability will fail if a company is only in pursuit of revenue growth. On the contrary, through taking social responsibility and encouraging volunteer spirit among our employees will undoubtedly win the trust from our customers and reinforce employee engagement, creating a triple-win situation for the corporate, society and employees. With this philosophy in mind, the Bank commits to get more proactively involved in local developments and charity events while expanding our footprint in Taiwan.

2008 sustainability of the Bank was themed with "Creative Leadership & Strategic Alliance". Over the year, we have achieved much through diversified campaigns and received tremendous support from the public; particularly our strategic alliance with the local people, charity groups, corporate partners and the government agencies, further enables us to lead by example to build a sustainable platform for a "Sustainable Taiwan, Sustainable Earth".

2008 Sustainability Review

• Environmental Protection

1. Since the rollout of "Race for a Living Planet" pledge campaign, it has successfully drawn a massive response from the public. By winning the second place in this campaign, the Bank's Taiwan staff secured a USD350,000 green fund to support the WWF's Coral Triangle Initiative Program.
2. The Bank was commended by the Environmental Protection Administration as a good example in the conservation of marine ecology at the opening ceremony of "The 9th APEC Roundtable Meeting on the Involvement of the Business/Private Sector in the Sustainability of the Marine Environment" dated 16 September 2008.
3. The Environment Committee was established to promote energy saving within offices and support the 2008 Standard Chartered Group's "20, 10, 10" energy saving targets (20% on paper reduction, 10% on power saving, and 10% on travel expense saving).
4. In 2008, the Bank launched "Give Me Five" online campaign and "Green Tips Challenge" that have received tremendous support from employees about creative ideas of energy saving.
5. "2008 Paint Your Splendid Coral Reef" contest was held by the Bank to call for public attention to save the coral reef in Taiwan.

• Seeing is Believing — Care for the Visually Impaired (V.I.) and Support the V.I. Runners

1. Since 2004, the Bank has been supporting Taiwan's visually impaired runners to join Standard Chartered's annual marathon series – The Greatest Race on Earth (GROE). In 2007, Taiwan Team was recognized "Special Achievement Award" in the event.

2. Sponsored by the Bank in 2008, the "Ahgan Visually Impaired Long-Distance Running Team" was established under the Ahgan Association with the aim to encourage the visually impaired to play an active role in domestic and overseas sports events.
3. In 2008, the Bank launched the "Relay of Hope – Standard Chartered GROE 42", a charity relay on treadmills with creative campaign that "for every kilometer you run on the treadmill, Standard Chartered will donate NTD1,500" to Taipei, Taichung and Kaohsiung schools for the Visually Impaired to purchase Braille books and computers for the V.I. students in Taiwan.

• Living with HIV

1. Standard Chartered Group's commitment to the Clinton Global Initiative: to educate one million people about HIV/AIDS by 2010. To achieve the goal, the Bank has been devoting its efforts to educate local people the correct knowledge about HIV/AIDS through a variety of marketing campaigns.
2. Advocate an ideal and non-discrimination workplace by requiring 4,000+ Bank staff to complete our "Living with HIV" e-learning course.
3. The Bank launched the "Living with HIV" e-learning course and partnered with AIESEC Taiwan to promote "Living with HIV - Champions Program". It is expected 3,000 student representatives will act as HIV champions by end of April 2009.

• Sponsoring Taiwan's National Runners to Challenge the GROE Marathon Relay Series

Since 2004, the Bank has sponsored Taiwan's male and female national runners to compete at the Standard Chartered's Greatest Race on Earth (GROE) marathon relay series. With outstanding performance, Taiwan male team was ranked the 1st place in North East Asia (NEA) male runner category with USD40,000 prize money for four consecutive years; Taiwan female team, as the GROE's new joiner last year, lived up to expectations and was ranked the 3rd place in NEA female runner category, winning a prize pool of USD10,000.

• Employee Volunteering

1. Promote the "Employee Volunteering Program" to provide employees with an additional two days leave each year for voluntary work. Under the Program, employees who demonstrate outstanding performance are rewarded with an additional five days leave to spend on a project that ties in with our community strategy.
2. Establish the "SCB Volunteer Club" to plan voluntary activities and encourage employees' engagement in volunteering works.

• Community Involvement

1. Since the Bank adopted the "Victoria Garden" in 1999, we have volunteered to be in charge of the establishment and maintenance of the gardening around Minsheng East Road and Tunhwa North Road intersection. In addition, we developed the "Underpass Art Gallery" underneath the intersection to provide the community and pedestrians a space filled with deep culture atmosphere, creating a graceful place to relax. In 2004, we received an honorary award from the Taipei City Government for our contribution to the community.
2. The Bank held the "Paint Your Splendid Coral Reef" contest by inviting children to paint their splendid coral reef with unlimited imagination and share our support for environmental protection and caring for marine life. The works of the selected winners are displayed at the Bank's Underpass Art Gallery (located at the intersection of Tunhwa North Road and Minsheng East Road).

Taking Social Responsibility – Funding Support and Employee Engagement

People are the Bank's most valuable assets. While the Bank devotes itself to the society by ways of funding support and resource sharing, employees are always encouraged to take active part in a wide range of charity and voluntary activities. "Employee Volunteering Program" is the Group's global policy that aims at encouraging our employees to volunteer in local community projects and social services with professionalism. Through the volunteering Program, employees get more directly involved in caring for the society and responding to the genuine needs of local communities.

In Taiwan, many employees not only actively volunteer, they also display team work and professionalism. Some also invited family to join voluntary activities.

Leading by Example to Be the Right Partner

By proactively taking corporate social responsibility, Standard Chartered aspires to be the best international bank in Taiwan, leading by example to be the right partner for its stakeholders. In 2006, the Bank was selected as one of the top three runners for the Third Taiwan Banking and Finance Best Practice Award – “Best Image Promotion” category. In early 2008, the Bank was one of the top ten foreign banks to receive the “Corporate Social Responsibility Award” from the renowned Common Wealth Magazine. At the year end of 2008, the Bank received honorable recognition from the Sports Affairs Council for our continued sponsorship to local sports events and Taiwan’s visually impaired runners.

IV. Information Technology

(I) Maintenance and Deployment of Hardware and Software for Major IT Systems:

The host is a HP Non-stop Server S88012 while the operating system is a Non-stop kernel G06.24.

(II) Future Development or Procurement Plan : [None]

(III) Emergency Support and Security Protection Measures:

1. In the event of an accident leading to injury or death of an employee, the System Document Recovery Unit is responsible for allocating resources to deal with the preservation of evidence, liaise with the insurance company, cooperate with insurance investigations and handle insurance claims.
2. Where the injury or death of an employee results in litigation, the System Document Recovery Unit shall allocate resources to coordinate with Legal and Compliance to deal with settlement or legal proceedings.
3. Construction of a new premise or premise for remote operation: Emergency Telecommunication Repair Unit is responsible for dealing with suppliers, acquiring backup items, and handling the procurement of hardware, software and tangible facilities.

V. Labor-Management Relations

(I) Employee Welfare and Benefits

1. Employee Sharesave Scheme.
2. Labor insurance, national health insurance and group insurance.
3. Periodic health examination.
4. Subsidy for wedding, funeral, maternity leave, travel, dependent education and social club events. Special cash allowances distributed on three major festivals.
5. Offer employees (retirees) the option of transferring their pension fund to “Staff Time Savings Deposit Account” for entitlement of a preferential interest rate.
6. Preferential interest rate for staff deposits.
7. Preferential interest rate for staff loans.
8. Special offers for financial transactions: preferential transaction fees, special exchange rate and inter-bank transfer fees.
9. Special credit card offers (issued by the Bank): no annual fee, double reward points.

(II) Retirement Policy and Leaving Service Benefits

Retirement Scheme

1. There are two types of retirement: voluntary and involuntary.

2. All permanent employees, under the age of 65, are automatically recorded in the system as eligible for the Banks' pension scheme, so as to protect employees' and their beneficiaries' interests upon retirement, or in the event of death or permanent disability.
3. The Bank's retirement scheme, naming "Pension Fund for Standard Chartered Bank (Taiwan) Limited" (the Pension Fund), provides employees with all benefits except for the old-age benefit set forth in the Labor Insurance Act. All employees, under the age of 60, are applicable to the scheme, with the pension fund wholly borne by the Bank. (This scheme is only applicable to employees hired before 1 July 2005. Those hired after 1 July 2005 will have to adopt the new scheme.)
4. Pension fund criteria
 - A. For employees hired before 1 July 2005 and selected not to join the Labor Pension Act (LPA), the retirement benefit is subject to an employee's years of service, with 2 units to be awarded per year and up to 25 years.
 - B. For employees hired before 1 July 2005 and selected to join LPA, the Bank will contribute on a monthly basis, 6% of employees' average monthly wages to the pension fund. The pension fund will be contributed into employees' individual pension fund accounts at the Bureau of Labor Insurance based on the prescribed "Table of Monthly Wages and Contribution Rates". Upon an employee's normal retirement, his/her years of service before joining LPA will be awarded with 2 units per year (maximum 25 years) for calculation of retirement benefit.
 - C. For employees hired on and after 1 July 2005, the Bank will contribute on a monthly basis, 6% of employees' average monthly wages to the pension fund. The pension fund will be contributed into employees' individual pension fund accounts at the Bureau of Labor Insurance based on the prescribed "Table of Monthly Wages and Contribution Rates". Employees' pension fund accounts are custodied by the Bureau of Labor Insurance, and the payment will be subject to LPA regulation.
 - D. For employees originated from Hsinchu International Bank and selected the old retirement scheme, calculation on the years of service after the Integration Date will be the same with the retirement benefit as described above, i.e. 2 units to be awarded per year. As to the years of service before the Integration Date, it will be calculated subject to the old retirement scheme of Hsinchu International Bank, with 2 units to be awarded in the first 15 years, and 1 unit in the latter 15 years. There is no restriction on the maximum years of service.
5. The LPA is enacted on 1 July 2005 with the adoption of defined contribution plan. After the enforcement of LPA, Employees may choose to be subject to the pension mechanism under the Labor Standards Act, or the pension mechanism under the LPA with their years of service before the enforcement of LPA fully preserved for benefit calculation purpose. For employees subject to the LPA, the Bank will contribute to the pension fund per month with no less than 6% of the employees' monthly wages.

Leaving Service Benefits

1. For employees hired before 1 July 2005, upon leaving the service of the Bank and before becoming eligible to receive a retirement benefit as described in the Normal Retirement Benefit and Voluntary Retirement Benefits, they may be qualified for a Leaving Service Benefits (LSB) subject to a minimum of 10 years of service. Such application shall be made 3 months before the effective date.
2. For employees originated from Hsinchu International Bank and hired before 1 July 2005, they will be subject to the same LSBs as described above 12 months from the Integration Date with their HIB service fully preserved for benefit calculation purpose. For the determination of units, the full total years of service will be used. For determination of years of service, the total service years under the Labor Standards Act retirement plan will be used.

(III) Labor-Management Agreements: [None]

(IV) Measures to Protect Employees' Rights and Interests

1. On 28 December 2006, the Industrial Union of the Bank was established with the objectives to ensure smooth labor-management communications and be a new force in the banking industry through regular labor-management conferences

for discussion of employees' rights and the Bank's development directions.

- The Employee Welfare Committee was set up to handle employee welfare affairs, including the special cash allowances for three major festivals and subsidies for wedding, funeral, maternity leave, travel, dependent education and social club events.

(V) Loss resulting from labor disputes in recent years, the amount of estimated potential loss and the Bank's responses : [None]

VI. Important Contracts

Nature of Contract	Concerned Party	Contract Term	Main Content	Restriction Clause
Website maintenance and operation service	Agenda Corporations	From 17/04/2008 onwards till 2,000 hours are used up	Technical support for website maintenance and operations, webpage design and production services	None
Insurance sales agreement	PCA Life Assurance Co.	10/2007 – 09/2015	PCA Life has the 1st priority to provide insurance products for the Bank.	None
Development & maintenance of application software	HiTRUST Inc.	01/01/2008 – 31/05/2009	Software maintenance of B2B online corporate Banking System	None

VII. Information on Financial Assets Securitization

Pursuant to the Financial Asset Securitization Act, the Bank effectively transferred its mortgage loans and related rights and obligations to the trustee through a special purpose trust. The Trustee then issued mortgage-backed beneficiary certificates and handed over the subscription money to the Bank.

In December 2005, the Bank sold its mortgage loans amounting to NTD12,005,275 thousand dollars through asset securitization at the first time. The Deutsche Bank Taipei Branch was the Trustee, which issued beneficiary certificates backed by the mortgage loans. The beneficiary certificates issued at par were made up by NTD10,204,484 thousand dollars of investor beneficiary certificates and NTD1,800,791 thousand dollars of seller beneficiary certificates. The duration of the beneficiary certificates starts from 20 December 2005 and ends on 20 July 2027. In September 2006, the Bank issued the second lot of mortgage-backed beneficiary certificates amounting to NTD13,234,322 thousand dollars, again through the Deutsche Bank Taipei Branch. The beneficiary certificates issued at par comprised NTD10,322,771 thousand dollars of investor beneficiary certificates and NTD2,911,551 thousand dollars of seller beneficiary certificates. The duration of the beneficiary certificates starts from 20 September 2006 and ends in January 2028.

The Bank retained NTD1,800,791 thousand dollars and NTD2,911,551 thousand dollars of seller beneficiary certificates from the first and second issues, respectively. These securities are accounted for as available-for-sale financial assets. The Bank reserves the right to claim residual interests after paying agreed interest to primary beneficiaries. Where the borrowers are unable to repay loans on maturity, investors and Deutsche Bank Taipei Branch will not have recourse to the Bank's other assets. The right to claim loan principal follows the investors' right, and its value depends on the credit risks, early repayment, and interest risk on the principal transferred.

VI. Financial Highlights



I. Condensed Balance Sheet and Income Statement for the Past Five Years

(I) Condensed Balance Sheet

Unit: NTD'000

Item \ Year	Financial Data for the Past Five Years					1 Jan. – 28 Feb. 2009 (unaudited)
	2008	2007	2006	2005	2004	
Cash & cash equivalent, Due from Central Bank and Inter-bank Placement	114,479,587	47,677,767	34,426,520	22,844,125	25,410,244	156,071,938
Financial assets at fair value through profit or loss	39,376,833	25,466,317	26,648,345	9,191,723	21,551,419	46,045,696
Bills and bonds purchased under reverse repurchase agreements	1,179,467	0	0	11,654,485	20,345,638	865,826
Net assets held for sale	1,794,670	0	0	0	0	1,798,328
Available-for-sale financial assets	121,529,284	78,376,287	52,191,033	59,124,302	46,491,097	128,556,291
Loans and bills discounted, net (less allowance for bad debts)	310,526,139	290,276,544	292,427,161	272,226,019	253,307,503	306,613,926
Receivables, net (less allowance for bad debts)	27,316,215	23,395,936	9,521,656	12,452,634	10,484,281	36,267,970
Equity investment under equity method	273,667	455,318	682,864	1,316,036	967,264	322,792
Fixed assets, net	7,988,005	7,407,436	7,915,222	7,426,859	6,994,117	6,950,788
Intangible assets, net	3,784,134	541,430	0	0	0	3,438,907
Other financial assets, net	322,545	229,722	235,615	475,287	539,019	311,084
Other assets, net	7,914,665	6,736,876	5,103,843	5,357,826	6,972,786	8,550,843
Total assets	636,485,211	480,563,633	429,152,259	402,069,296	393,063,368	695,794,389
Due to Central Bank and other banks	21,038,002	26,102,625	14,791,312	16,391,571	14,321,689	44,061,027
Customer deposits and remittances	514,039,270	380,960,938	351,231,310	319,323,286	320,653,981	534,756,549
Financial liabilities at fair value through profit or loss	31,219,336	20,331,565	44,331	45,284	538,748	40,807,895
Bills and bonds sold under repurchase agreements	412,853	1,145,992	17,778,465	16,106,077	16,039,997	0
Financing from Central Bank and other banks & bank notes payable	19,725,868	14,811,900	24,266,820	22,106,250	16,033,834	20,043,047
Other liabilities	18,450,882	13,396,863	6,143,190	6,406,864	6,464,876	25,213,779
Total liabilities	Before distribution	604,886,211	456,749,883	414,255,428	380,379,332	374,053,125
	After distribution	604,886,211	456,749,883	414,255,428	382,159,582	374,758,442
Common stock	24,855,720	21,575,720	16,545,167	15,745,358	14,236,161	24,855,720
Capital surplus	6,183,410	5,049,515	225,000	8,917	8,894	6,183,410
Retained earnings	Before distribution	17,915	(2,145,349)	(1,871,122)	5,554,398	4,578,056
	After distribution	17,915	(2,145,349)	(1,871,122)	3,280,069	2,363,542
Unrealized gain or loss on financial instruments	352,768	(888,436)	(383,517)	0	0	263,035
Other shareholders' equity	189,187	222,300	381,303	381,303	187,132	189,186
Cumulative translation adjustment	0	0	0	(12)	0	0
Total Shareholders' Equity	Before distribution	31,599,000	23,813,750	14,896,831	21,689,964	19,010,243
	After distribution	31,599,000	23,813,750	14,896,831	19,909,714	18,304,926

Note: The above items during the period between 2004 and 2007 have been reclassified to align with the layout of 2008 financial statements

(II) Condensed Income Statement

Unit : NTD'000

Item \ Year	Financial Data for the Past Five Years					1 Jan. – 28 Feb. 2009 (unaudited)
	2008	2007	2006	2005	2004	
Interest Income, net	10,313,594	9,014,110	7,614,852	7,246,888	6,640,867	1,427,896
Non-interest income, net	8,096,615	7,966,539	4,864,918	4,390,240	3,233,406	1,257,785
Operating income	18,410,209	16,980,649	12,479,770	11,637,128	9,874,273	2,685,681
Provision for loan loss	7,711,246	8,003,862	11,607,776	2,882,651	2,373,734	1,079,674
Operating expense	11,651,107	10,081,776	6,789,811	5,410,917	4,486,745	1,547,978
Income (loss) from continuing operations before tax	(952,144)	(1,104,989)	(5,917,817)	3,343,560	3,013,794	58,029
Income (loss) from continuing operations after tax	17,915	(498,357)	(5,218,484)	3,190,856	2,807,618	99,478
Income (loss) from discontinued operations (Net of tax)	0	0	0	0	0	0
Income (loss) from Extraordinary items (Net of tax)	0	0	0	0	0	0
Cumulative effect of changes in accounting principles (Net of tax)	0	0	66,607	0	0	0
Net income (loss)	17,915	(498,357)	(5,151,877)	3,190,856	2,807,618	99,478
EPS (before adjustment)	0.01	(0.26)	(3.16)	2.03	1.99	0.04

(III) Name of Independent Auditors and the Audit Opinion

Item \ Year	2008	2007	2006	2005	2004
Name of CPA	Ming-Zhi Wang, An-Tian Yu	An-Tian Yu, Ming-Zhi Wang	Lu-Yan Ruan, Zhi-Ru He	Lu-Yan Ruan, You-Ren Chen	Lu-Yan Ruan, You-Ren Chen
Audit Opinion	Unqualified opinion	Unqualified opinion	Modified unqualified opinion	Unqualified opinion	Modified unqualified opinion

II. Financial Analysis for the Past Five Years

(I) Ratio Analysis

Unit : NTD'000

Item \ Year		Financial Analysis for the Past Five Years					1 Jan. – 28 Feb. 2009 (unaudited)
		2008	2007	2006	2005	2004	
Operating Capability	Ratio of Loans to deposits	61.13	76.76	84.14	86.16	80.04	58.02
	Ratio of Non-performing Loans	2.57	2.83	2.18	2.46	2.63	2.72
	Ratio of Interest cost to annual average deposits	1.67	1.93	1.74	1.42	1.29	0.06
	Ratio of Interest income to annual average loans outstanding	5.86	5.47	4.71	4.44	4.25	0.21
	Total assets turnover (time)	0.03	0.04	0.03	0.03	0.03	0.004
	Average operating income per employee (thousand dollar)	3,934	3,729	3,714	4,821	4,625	580
	Average profit per employee (thousand dollar)	4	(109)	(1,533)	997	1,069	21
Profitability	Return on Tier 1 capital (%)	(4.66)	(6.65)	(34.74)	17.42	18.15	0.28
	Return on assets (%)	0.01	(0.11)	(1.24)	0.80	0.77	0.004
	Return on equity (%)	0.06	(2.57)	(28.16)	15.68	16.01	0.08
	Net income ratio (%)	0.10	(2.93)	(41.28)	27.42	28.43	3.70
	Earnings per share (NTD)	0.01	(0.26)	(3.16)	2.03	1.99	0.05
Financial Structure	Ratio of liabilities to assets	95.04	95.04	96.53	94.61	95.16	95.56
	Ratio of fixed assets to equity	25.28	32.20	53.13	34.24	36.79	22.49
Growth Rate	Asset growth rate (%)	32.45	11.98	6.74	2.29	17.93	9.32
	Profit growth rate (%)	13.83	(81.33)	(276.99)	10.94	19.05	455.28
Cash Flow	Cash flow ratio	51.37	30.91	(62.31)	43.44	14.99	-
	Cash flow adequacy ratio	867.32	305.40	71.60	340.97	373.94	-
	Ratio of cash flow from operations to cash flow from investments	(93.02)	(396.97)	(112.71)	(76.85)	(8.84)	-
Ratio of liquidity reserve		23.28	22.35	14.95	17.46	19.98	30.02
Balance of secured loans of related parties (thousand dollar)		1,488,132	2,748,116	2,001,043	2,284,402	3,282,044	1,431,040
Total secured loans of related parties as a percentage of total loans (%)		0.45	0.89	0.66	0.80	1.24	0.46
Operating Scale	Market share of assets (%)	1.88	1.55	1.40	1.09	1.11	2.05 (Note1)
	Market share of net worth (%)	1.56	1.12	0.83	1.05	0.97	1.52 (Note1)
	Market share of deposits (%)	1.30	1.69	1.60	1.39	1.48	2.22 (Note1)
	Market share of loans (%)	1.62	1.50	1.64	1.58	1.59	1.59 (Note1)

Please explain reasons for changes (if any) in the financial ratios for the past two years:

1. Average profit per employee, return on assets, return on equity, profit growth rate and net income ratio increased mainly due to a rise in net income after tax.
2. Increase in the asset growth rate is led by the general assumption of American Express Bank and the specific assets of Asia Trust & Investment Corp.

Note 1 : The market share ratios are calculated based on the operating details of banks published by the Banking Bureau in January 2009.

Note 2 : Financial ratios are computed as follows:

1. Operating capability

- (1) Ratio of Loans to Deposits = Total loans / Total deposits
- (2) Ratio of Non-performing Loans = Total NPL / Total loans
- (3) Ratio of Interest cost to annual average deposits = Total interest cost / Annual average deposits
- (4) Ratio of Interest income to annual average loans outstanding = Total interest income / Annual average loans outstanding
- (5) Total assets turnover = Operating income / Total assets
- (6) Average operating income per employee = Operating income / Total number of employees
- (7) Average profit per employee = Net income after tax / Total number of employees

2. Profitability

- (1) Return on Tier 1 capital = Net income before tax / Average total Tier 1 capital
- (2) Return on assets = Net income after tax / Average total assets
- (3) Return on equity = Net income after tax / Average net shareholders' equity
- (4) Net income ratio = Net income after tax / Operating income
- (5) Earnings per share = (Net income after tax – Preferred stock dividend) / Weighted average number of shares issued

3. Financial structure

- (1) Ratio of liabilities to assets = Total liabilities / Total assets
- (2) Ratio of fixed assets to equity = Net fixed assets / Net shareholders' equity

4. Growth rate

- (1) Asset growth rate = (Total assets of the year – Total assets of previous year) / Total assets of previous year
- (2) Profit growth rate = (Net income before tax of the year – Net income before tax of previous year) / Net income before tax of previous year

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + Commercial paper payable + Financial liabilities at fair value through profit or loss + Bonds and bills sold under repurchase agreements + Current portion of payables)
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Cash dividends) for the past five years
- (3) Ratio of cash flow from operations to cash flow from investments = Net cash flow from operating activities / Net cash flow from investing activities

6. Ratio of liquidity reserve = Liquid assets defined by the Central Bank / Reserve for liabilities

7. Operating scale

- (1) Market share of assets = Total assets / Total assets of all authorized deposit-taking and loan-underwriting financial institutions
- (2) Market share of net worth = Net worth / Total Net Worth of All Authorized Deposit-Taking and Loan-Underwriting Financial Institutions
- (3) Market share of deposits = Total deposits / Total Deposits of All Authorized Deposit-Taking and Loan-Underwriting Financial Institutions
- (4) Market share of loans = Total loans / Total Loans of All Authorized Deposit-Taking and Loan-Underwriting Financial Institutions

(II) Capital Adequacy

Unit : NTD'000

Item \ Year		Capital Adequacy Ratio for the Past Five Years				
		2008	2007	2006	2005	2004
Self-owned Capital	Tier 1 Capital					
	Common stock	24,855,720	21,575,720	16,545,167	15,745,358	14,236,161
	Perpetual non-cumulative preferred stock	0	0	0	0	0
	Non-cumulative subordinated debt without maturity date	0	0	0	0	0
	Capital collected in advance	0	0	0	0	0
	Capital reserves (except the value appreciation of fixed assets)	6,183,410	5,049,515	225,000	8,918	8,894
	Legal reserve	0	0	3,228,441	2,271,184	1,428,899
	Special reserve	0	332	332	320	320
	Accumulated profit or loss	17,915	(1,072,841)	(5,099,895)	3,282,895	3,148,837
	Minority interest	0	0	0	0	0
	Other shareholders' equity	(1,371,671)	(1,107,275)	0	(12)	0
	Less: Goodwill	3,384,383	0	0	0	0
	Less: Unamortized loss from sale of NPL	0	0	0	0	0
	Less: Capital deduction items	4,950,446	4,914,902	1,201,445	939,287	803,963
	Total Tier 1 capital	21,350,545	19,530,549	13,697,601	20,369,376	18,019,148
	Tier 2 Capital					
	Perpetual cumulative preferred stock	0	0	0	0	0
	Cumulative subordinated debt without maturity date	10,000,000	10,000,000	10,000,000	10,000,000	0
	Fixed asset revaluation increment surplus	381,303	381,303	381,303	381,303	187,132
	45% of unrealized gain on available-for-sale financial assets (Note 1)	689,546	26,926	138,481	115,655	24,859
	Convertible bonds	0	0	0	0	0
	Operating reserve and provision for bad debts	0	0	1,428,736	268,925	592,362
	Long-term subordinated debt	8,762,968	4,800,000	2,259,272	1,600,000	3,200,000
	Non-perpetual preferred stock	0	0	0	0	0
	The sum of perpetual non-cumulative preferred stocks and non-cumulative subordinated debt without maturity date exceeding 15% of total Tier 1 Capital	0	0	0	0	0

(continued)

Item \ Year			Capital Adequacy Ratio for the Past Five Years					
			2008	2007	2006	2005	2004	
		Accumulated profit or loss	0	(1,072,841)	0	0	0	
		Less: Capital deduction item(s)	452,833	563,427	510,192	939,286	803,963	
		Total Tier 2 capital	19,380,984	13,571,961	13,697,600	11,426,597	3,200,390	
	Tier 3 Capital	Short-term subordinated debt	0	0	0	0	0	
		Non-perpetual preferred stock	0	0	0	0	0	
		Total Tier 3 capital	0	0	0	0	0	
	Total self-owned capital		40,740,529	33,102,510	27,395,201	31,795,973	21,219,538	
	Risk-Weighted Assets (Note 2)	Credit Risk	Standardized approach	331,477,325	314,828,550	-	-	-
			Internal-rating based approach	-	-	-	-	
			Asset securitization	-	-	-	-	
Operational Risk		Basic indicator approach	35,774,925	33,091,135	-	-		
		Standardized approach / Alternative standardized approach	-	-	-	-		
		Advanced measurement approach	-	-	-	-		
Market Risk		Standardized approach	37,278,206	33,635,550	-	-		
		Internal model approach		-	-	-		
Total risk-weighted assets		404,530,456	381,555,235	302,107,124	265,474,427	236,605,497		
Capital adequacy ratio			10.07	8.68	9.07	11.98	8.97	
Tier 1 capital to risk assets ratio			5.28	5.12	4.53	7.67	7.62	
Tier 2 capital to risk assets ratio			4.79	3.56	4.53	4.30	1.35	
Tier 3 capital to risk assets ratio			0.00	0.00	0.00	0.00	0.00	
Common stock to total assets ratio			3.91	4.49	3.86	3.92	3.62	

Please explain reasons for changes (if any) in the capital adequacy ratios for the past two years:

No need to provide reasons as the CAR increase/decrease is less than 20%.

Note 1 : This number stands for the "45% of unrealized holding gains of long-term equity investments" between 2004 and 2005.

Note 2 : Since 2007, the risk-weighted assets were calculated by using Basel II approaches.

Note 3 : To be in line with the Basel II format, the capital deduction items during the period between 2004 and 2006 were distributed 50% to Tier 1 capital and the other 50% to Tier 2 capital.

Note 4 : The ratios are computed as follows:

1. Total self-owned capital = Tier 1 capital + Tier 2 capital + Tier 3 capital
2. Total risk weighted assets = Credit risk weighted assets + Capital charge of (Operational risk + Market risk) × 12.5
3. Capital adequacy ratio = Total self-owned capital / Total risk-weighted assets
4. Tier 1 capital to risk assets ratio = Tier 1 capital / Total risk-weighted assets
5. Tier 2 capital to risk assets ratio = Tier 2 capital / Total risk-weighted assets
6. Tier 3 capital to risk assets ratio = Tier 3 capital / Total risk-weighted assets
7. Common stock to total assets ratio = Common stock / Total assets

III. Supervisors' Report for 2008 Financial Statements

Supervisors' Report

To : 2009 Shareholders' Meeting

The board of directors have complied and submitted the Bank's 2008 financial statements and consolidated financial reports, audited by Ming Jhy Wang and Andrew Yu of KPMG; and business report and profit allocation statement .We are satisfied that they have been correctly complied from the books and accounts of the Bank at the date therefore according to Company Act , Article 219.

Supervisor : Norman Lyle



Andrew Hardacre



28 April, 2009

IV. 2008 Financial Statements and Independent Auditors' Report

Independent Auditors' Report

The Board of Directors

Standard Chartered Bank (Taiwan) Limited :

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited (formerly Hsinchu International Bank Co., Ltd.) as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 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 and regulations 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 December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, 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 year ended December 31, 2008, on which we have expressed a standard unqualified audit opinion with modification.



February 27, 2009

Standard Chartered Bank (Taiwan) Limited Balance Sheets

December 31, 2008 and 2007

(Expressed in thousands of New Taiwan dollars, except for par value)

	2008	2007	Change %
Assets			
Cash and cash equivalents (note 4)	\$ 15,670,941	7,281,782	115
Balance at Central Bank and loans and advances to banks (notes 5 and 27)	98,808,646	40,395,985	145
Financial assets held at fair value through profit or loss (notes 6, 15, 25 and 27)	39,376,833	25,466,317	55
Bills and bonds purchased under reverse repurchase agreements(notes 15 and 29)	1,179,467	-	-
Accounts receivable, net (notes 7, 9 and 27)	27,316,215	23,395,936	17
Assets held for sale, net (notes 8 and 20)	1,794,670	-	-
Loans and advances to customers, net (notes 9 and 27)	310,526,139	290,276,544	7
Available-for-sale financial assets (notes 10, 15, 25 and 28)	121,529,284	78,376,287	55
Interest in associates under equity method, net (notes 11 and 20)	273,667	455,318	(40)
Other financial assets, net (notes 11 and 20)	322,545	229,722	40
Property and equipment, net (notes 12 and 20)	7,988,005	7,407,436	8
Intangible assets (notes 13 and 32)	3,784,134	541,430	599
Other assets, net (notes 14, 20, 23 and 28)	7,914,665	6,736,876	17
Total Assets	<u>\$ 636,485,211</u>	<u>480,563,633</u>	32

(Expressed in thousands of New Taiwan dollars, except for par value)

	2008	2007	Change %
Liabilities and Stockholders' Equity			
Deposits by Central Bank and other banks (note 27)	\$ 21,038,002	26,102,625	(19)
Financial liabilities held at fair value through profit or loss (notes 6, 25 and 27)	31,219,336	20,331,565	54
Bills and bonds sold under repurchase agreements (notes 15 and 29)	412,853	1,145,992	(64)
Notes and accounts payable (note 27)	14,718,134	10,409,517	41
Deposits and remittances (notes 16 and 27)	514,039,270	380,960,938	35
Financial debentures (notes 17 and 27)	19,725,868	14,811,900	33
Other liabilities (notes 21, 27 and 29)	<u>3,732,748</u>	<u>2,987,346</u>	25
Total liabilities	<u>604,886,211</u>	<u>456,749,883</u>	32
Stockholders' Equity (notes 10, 22 and 24) :			
Capital:			
Common stock, par value \$10, authorized 2,500,000 thousand shares and issued 2,485,572 thousand shares and 2,157,572 thousand shares on December 31, 2008 and 2007, respectively	<u>24,855,720</u>	<u>21,575,720</u>	15
Capital surplus	<u>6,183,410</u>	<u>5,049,515</u>	22
Retained earnings:			
Special reserve	-	332	-
Accumulated earnings (deficits)	<u>17,915</u>	<u>(2,145,681)</u>	101
	<u>17,915</u>	<u>(2,145,349)</u>	101
Other adjustments to stockholders' equity:			
Revaluation increments on property and equipment	381,303	381,303	-
Unrealized gain (loss) on available-for-sale financial assets (note 10)	352,768	(888,436)	140
Net loss from unrecognized pension cost	<u>(192,116)</u>	<u>(159,003)</u>	(21)
	<u>541,955</u>	<u>(666,136)</u>	181
Total stockholders' equity	31,599,000	23,813,750	33
Commitments and contingent liabilities (notes 14, 15, 25, 28 and 29)			
Total Liabilities and Stockholders' Equity	\$ <u>636,485,211</u>	<u>480,563,633</u>	32

Standard Chartered Bank (Taiwan) Limited Statements of Income

For the years ended December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2008	2007	Change%
Interest income (notes 6, 18 and 27)	\$ 17,769,177	16,068,937	11
Less: Interest expense (notes 27)	<u>7,455,583</u>	<u>7,018,955</u>	6
Net interest income	10,313,594	9,049,982	14
Other operating income:			
Fees and commission income, net (note 29)	4,239,656	5,354,921	(21)
Gain on financial instruments held at fair value through profit or loss, net (notes 6 and 27)	594,578	136,585	335
Realized (loss) gain on available-for-sale financial assets(note 10)	(61,647)	170,552	(136)
Investment income from interest in associates under equity method (note 11)	202,282	120,371	68
Foreign exchange gain, net	919,894	607,958	51
Impairment loss on assets (notes 11, 12, 14 and 20)	(14,469)	(324,441)	96
Other non-interest income, net (notes 11, 14 and 19)	<u>2,216,321</u>	<u>1,945,699</u>	14
Operating income	<u>18,410,209</u>	<u>17,061,627</u>	8
Bad debt expenses (note 9)	<u>7,711,246</u>	<u>8,003,862</u>	(4)
Operating expenses:			
Personnel costs (notes 21, 22, 27 and 32)	6,055,327	5,065,052	20
Depreciation and amortization expenses (notes 12 and 32)	770,850	628,686	23
General and administrative expenses (notes 27 and 29)	<u>4,824,930</u>	<u>4,469,016</u>	8
	<u>11,651,107</u>	<u>10,162,754</u>	15
Loss from continuing operations before income tax	(952,144)	(1,104,989)	14
Income tax benefit (note 23)	<u>(970,059)</u>	<u>(606,632)</u>	(60)
Net income (loss)	<u>\$ 17,915</u>	<u>(498,357)</u>	104

(continued)

	Before tax	After tax	Before tax	After tax
Basic earnings (deficits) per share (note 24)	\$ <u>(0.44)</u>	<u>0.01</u>	<u>(0.58)</u>	<u>(0.26)</u>

Standard Chartered Bank (Taiwan) Limited

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings			Other adjustments			Total
			Legal reserve	Special reserve	Accumulated earnings (deficits)	Revaluation increments on property and equipment	Unrealized gain (loss) on available-for-sale financial assets	Net loss from unrecognized pension cost	
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 24)	100,000	118,556	-	-	-	-	-	-	218,556
Capital increments from cash (note 24)	4,930,553	4,930,553	-	-	-	-	-	-	9,861,106
Capital surplus and legal reserve for offsetting against accumulated deficits (note 24)	-	(224,130)	(3,228,441)	-	3,452,571	-	-	-	-
Capital surplus recognized as income	-	(464)	-	-	-	-	-	-	(464)
Net loss for the year ended December 31, 2007	-	-	-	-	(498,357)	-	-	-	(498,357)
Unrealized loss on available-for-sale financial assets (note 10)	-	-	-	-	-	-	(504,919)	-	(504,919)
Net loss from unrecognized pension costs (note 21)	-	-	-	-	-	-	-	(159,003)	(159,003)
Balance as of December 31, 2007	21,575,720	5,049,515	-	332	(2,145,681)	381,303	(888,436)	(159,003)	23,813,750
Capital surplus and special reserve for offsetting against accumulated deficits (note 24)	-	(2,145,349)	-	(332)	2,145,681	-	-	-	-
Capital increments from cash (note 24)	3,280,000	3,279,244	-	-	-	-	-	-	6,559,244
Net income for the year ended December 31, 2008	-	-	-	-	17,915	-	-	-	17,915
Unrealized loss on available-for-sale financial assets (note 10)	-	-	-	-	-	-	1,241,204	-	1,241,204
Not loss from unrecognized pension costs (note 21)	-	-	-	-	-	-	-	(33,113)	(33,113)
Balance as of December 31, 2008	<u>\$ 24,855,720</u>	<u>6,183,410</u>	<u>-</u>	<u>-</u>	<u>17,915</u>	<u>381,303</u>	<u>352,768</u>	<u>(192,116)</u>	<u>31,599,000</u>

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars)

	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ 17,915	(498,357)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Bad debt expenses	7,711,246	8,003,862
Reserves	44,668	13,150
Depreciation expenses	680,810	612,023
Amortization expenses	90,040	16,663
Realized gain (loss) on available-for-sale financial assets	61,647	(170,552)
Gain on disposal of investment	(111,580)	-
Investment income from interest in associates under equity method	(202,282)	(120,371)
Cash dividends from associates under equity method	122,740	252,170
Decrease in unrealized gain on inter-affiliate transactions	(105)	(89)
Fixed assets recognized as expenses	13,163	108,256
Loss (gain) on disposal of property and equipment, net	30,701	(18,190)
Impairment losses	14,469	324,441
Capital surplus recognized as income	-	(464)
(Increase) decrease in balance at Central Bank and loans and advances to banks	(58,338,531)	29,179,987
(Increase) decrease in financial assets held at fair value through profit or loss	(13,107,011)	21,174,822
(Increase) decrease in accounts receivable	(3,782,083)	7,926,819
(Increase) decrease in loans and advances to customers	(21,387,971)	17,610,636
Decrease in other financial assets	2,405	1,279
Increase in deferred income tax assets	(1,254,111)	(787,061)
Decrease in deposits by Central Bank and other banks	(5,845,402)	(23,543,543)
Increase in financial liabilities held at fair value through profit or loss	10,020,939	787,865
Increase (decrease) in deposits and remittances	116,190,530	(43,101,713)
Increase (decrease) in notes and accounts payable	3,711,195	(77,436)
Net cash provided by operating activities	34,683,392	17,694,197

(expressed in thousands of New Taiwan dollars)

	2008	2007
Cash flows from investing activities:		
(Increase) decrease in bills and bonds purchased under reverse repurchase agreements	(1,179,467)	687,487
Proceeds from disposal of assets held for sale	26,945	-
Acquisition of available-for-sale financial assets	(181,374,089)	(131,953,633)
Proceeds from disposal of available-for-sale financial assets	142,357,637	125,839,996
Return of investments in interest in associates under equity method	338,283	5,428
Return of investments in financial assets carried at cost as a result of capital reduction	2,857	-
Proceeds from disposal of financial assets carried at cost	44,740	-
Acquisition of property and equipment and foreclosed assets	(1,143,497)	(756,071)
Proceeds from disposal of property and equipment and foreclosed assets	497,823	221,836
(Increase) decrease in other assets	(1,368,732)	665,613
Net cash provided by business assumption (note 32)	<u>4,516,522</u>	<u>1,006,506</u>
Net cash used in investing activities	<u>(37,280,978)</u>	<u>(4,282,838)</u>
Cash flows from financing activities:		
Decrease in bills and bonds sold under repurchase agreements	(733,139)	(17,111,556)
Increase (decrease) in financial debentures	4,913,968	(7,988,100)
Increase in other liabilities	246,672	825,628
Capital increment from cash	<u>6,559,244</u>	<u>9,861,106</u>
Net cash provided by (used in) financing activities	<u>10,986,745</u>	<u>(14,412,922)</u>
Net increase (decrease) in cash and cash equivalents	8,389,159	(1,001,563)
Cash and cash equivalents at beginning of period	<u>7,281,782</u>	<u>8,283,345</u>
Cash and cash equivalents at end of period	<u>\$ 15,670,941</u>	<u>7,281,782</u>
Supplemental disclosure of cash flow information:		
Cash payments of interest	<u>\$ 10,515,035</u>	<u>7,228,255</u>
Cash payments of income tax	<u>\$ 784,052</u>	<u>249,237</u>
Investing activities not affecting cash flows:		
Unrealized gain (loss) on available-for-sale financial assets	<u>\$ 1,241,204</u>	<u>(504,919)</u>
Deficit offset by capital surplus	<u>\$ 2,145,349</u>	<u>224,130</u>

Standard Chartered Bank (Taiwan) Limited

Notes to Financial Statements

December 31, 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 Bank restructured to be The Small and Medium Business Bank of Hsinchu District on January 1, 1978, and in addition to the original lines of business, the Bank started to conduct checking deposit and regular banking business.

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 approval 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 MOF. On January 16, 1995, the Bank established an Offshore Banking Unit (OBU), which began operations immediately.

The Bank was approved by the MOF 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 plc. provided a tender offer to acquire the outstanding shares of Hsinchu International Bank Co., Ltd. Accordingly, Standard Chartered Bank plc. 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, in accordance with the "Taiwan Stock Exchange Corporation Procedures for Stock Exchange Delisting Application by Listed Companies", Hsinchu International Bank Co., Ltd. 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 Hsinchu International Bank Co., Ltd.; in addition, Hsinchu International Bank Co., Ltd. was authorized to be renamed Standard Chartered Bank (Taiwan) Limited on July 2, 2007.

In order to develop the business units and enhance competitiveness, the bank assumed the outstanding assets, liabilities and operations of American Express Bank, Taipei Branch (AEB) and Asia Trust Investment Co., Ltd. (ATIC) on August 1 and December 27, 2008, respectively. The related information is stated in Note 32.

As of December 31, 2008 and 2007, the number of the Bank's employees was 4,680 and 4,554, respectively.

(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. If there is any conflict between, or any difference in the interpretation of, the English and Chinese 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.

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.

1) 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 interests 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 interests managed by the Bank. All the entrusted assets are booked to a memo account.

2) 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.

3) Cash and cash equivalents

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

4) Reserves for 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.

5) 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".

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 trade 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 issuance 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.

In accordance with the former accounting standard, a financial instrument cannot be reclassified from or to the fair value through profit or loss category while it is held or issued.

In accordance with the second amendment of Republic of China Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement" effective October 17, 2008, financial assets classified as assets held at fair value through profit or loss (other than derivative financial assets and those designated as assets held at fair value through profit or loss by the entity upon initial recognition) upon initial recognition may be reclassified into other categories of financial assets; financial assets classified as available-for-sale that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables category. The accounting treatments on the date of reclassification are summarized as follows:

- a) Financial assets classified as assets held at fair value through profit or loss upon initial recognition that would have met the definition of loans and receivables shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable, if the entity has the intention and ability to hold the financial assets for the foreseeable future until maturity. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- b) Financial assets classified as assets held at fair value through profit or loss upon initial recognition which do not meet the

preceding criterion may be reclassified out of the fair value through profit or loss category only in rare circumstances and shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.

- c) Financial assets classified as available-for-sale that would have met the definition of loans and receivables shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable, if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity.

For any previous gain or loss on a financial asset that has been recognized directly in equity, if the financial asset has a fixed maturity, the gain or loss should be amortized to current profit or loss over the remaining life of the financial asset; if not, the gain or loss remains in equity.

6) 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 trade date accounting. These financial instruments are initially recognized at fair value plus transaction costs directly attributable to the acquisition or issuance 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.

7) Derecognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have terminated. 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.

8) Derivative financial instruments and hedge accounting

Derivative financial instruments are held for trading purposes except those qualifying 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.

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.

9) 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.

10) Assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are classified as "held for sale" when all of the following criteria are met: a decision has been made to sell, the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and their sale within one year must be highly probable. Non-current assets or disposal groups classified as "held for sale" are measured at the lower of their book value or fair value less costs to sell. Non-current assets or disposal groups classified as held for sale are not depreciated, amortized or depleted. Total assets and total liabilities are each shown separately and excluded from the individual line items of the balance sheet. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognized.

An impairment loss is recognized for any initial or subsequent write-down of the assets (or disposal group) to fair value less costs to sell in the income statement. A gain from any subsequent increase in fair value less costs to sell of an asset (or a disposal

group) shall be recognized, but not in excess of the cumulative impairment loss that has been recognized in accordance with SFAS No. 38 "Non-current Assets Held for Sale" and the reversal amount accounted for under SFAS No. 35 "Impairment of Assets".

11) 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 collectability 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:

- a) 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.
- b) 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.
- c) 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.
- d) 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".

12) Interest in associates under equity method

Interest in associates is 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 interest 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.

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.

13) 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 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.

14) 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.

Beginning November 20, 2008, the Bank capitalized retirement or recovery obligation for newly acquired property and equipment in accordance with Interpretation (97) 340 issued by the Accounting Research and Development Foundation. A component which is significant in relation to the total cost of the property and equipment and for which a different depreciation method or rate is appropriate should be depreciated separately. The Company regularly evaluates the estimated useful lives, depreciation method and residual value at the end of each year. Changes in the estimated useful lives, depreciation method and residual value are accounted for as changes in accounting estimates and recognized in current profit or loss.

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 50 years
Transportation equipment	3 to 5 years
Other equipment	3 to 6 years

15) Intangible assets — goodwill

Goodwill represents the excess of the cost of the acquisition over the Bank's interest in the net fair value of the identifiable assets and liabilities of the acquired entity. Goodwill is measured at cost less accumulated impairment losses.

16) 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.

17) Other assets — assets leased to others

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

18) 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.

19) Asset impairment

The Bank 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 with carrying value 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.

20) Financial debentures

The issuance of 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.

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

21) 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".

22) 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 the 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 Law 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 Bureau of Labor Insurance.

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 period on a straight line basis.

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 deferred pension costs should be recognized 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.

23) Share-based compensation

The Standard Chartered Group has set up four share-based compensation schemes. The fair value of share-based awards measured due to the services rendered by employees 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 current-period profit or loss.

24) Employee bonuses and directors' and supervisors' remuneration

Employee bonuses and directors' and supervisors' remuneration 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' and supervisors' remunerations 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 current-period profit or loss.

25) Revenue recognition

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

26) 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.

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 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 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.

27) 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

Beginning July 1, 2008, the Bank adopted the second amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement" and reclassified its financial assets accordingly. The aforementioned change resulted in a decrease in after-tax net income of \$5,826 for the year ended December 31, 2008.

Beginning 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 has classified, measured, and disclosed a share-based payment transaction, employee profit-sharing, and regular compensation for directors and supervisors in accordance with the aforementioned standards. The change in the accounting principle does not have a significant impact on the net income for the year ended December 31, 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 is increased 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.

Beginning 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 concluded that no modification of any asset's useful life or amortization method is necessary.

(4) Cash and Cash Equivalents

As of December 31, 2008 and 2007, cash and cash equivalents were as follows:

	2008	2007
Cash	\$ 4,630,522	4,570,604
Cash in transit	-	6,066
Negotiable instruments for clearing	202,386	37,165
Deposits with other banks	569,489	2,525,943
Deposits with affiliate companies	10,268,544	142,004
	<u>\$ 15,670,941</u>	<u>7,281,782</u>

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

As of December 31, 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 for deposits — checking account	\$ 6,549,917	3,951,987
Reserve for deposits — demand account	11,174,048	11,011,807
Reserve for deposits — foreign currency	98,459	811,065
Reserve against deposits — settlement accounts	700,833	597,863
	<u>18,523,257</u>	<u>16,372,722</u>
Loans and advances to other banks	30,600,475	14,763,753
Loans and advances to affiliates	49,684,914	9,259,510
	<u>80,285,389</u>	<u>24,023,263</u>
	<u>\$ 98,808,646</u>	<u>40,395,985</u>

Pursuant to the Banking Law, the "reserves for 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 December 31, 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	\$ 10,134,705	5,115,776
Derivatives	29,242,128	18,679,751
	<u>39,376,833</u>	<u>23,795,527</u>
Financial assets designated at fair value through profit or loss:		
Structured notes	-	1,670,790
	<u>\$ 39,376,833</u>	<u>25,466,317</u>
Trading financial liabilities:		
Debt instruments	\$ 961,541	-
Derivatives	30,257,795	20,331,565
	<u>\$ 31,219,336</u>	<u>20,331,565</u>

For the years ended December 31, 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	\$ 806,982	104,579
Derivatives	(274,232)	88,941
	<u>532,750</u>	<u>193,520</u>
Net gain (loss) on valuation and disposal of financial assets designated at fair value through profit or loss:		
Structured notes	61,828	(56,935)
Interest income	<u>150,183</u>	<u>57,535</u>
Total	<u>\$ 744,761</u>	<u>194,120</u>

(7) Accounts Receivable

As of December 31, 2008 and 2007, details of accounts receivable were as follows:

	2008	2007
Accounts receivable	\$ 5,238,023	6,463,081
Acceptance receivable	1,250,032	413,765
Factoring loan receivable without recourse	6,926,319	439,878
Interest receivable	2,319,660	1,673,500
Credit card receivable	10,332,004	14,233,826
Other receivable	<u>1,332,744</u>	<u>257,371</u>
	27,398,782	23,481,421
Less: allowance for doubtful accounts	<u>82,567</u>	<u>85,485</u>
Total	<u>\$ 27,316,215</u>	<u>23,395,936</u>

(8) Assets Held for Sale

The Bank committed to sell the idle assets, building and land on May 29, 2008, and it was expected to be completed within a year. As of December 31, 2008, the book value of assets held for sale amounted to \$1,794,670.

(9) Loans and Advances to Customers

As of December 31, 2008 and 2007, details of loans and advances to customers were as follows:

	2008	2007
Remittances and discounts for exports	\$ 1,874,195	10,694,953
Short-term loans and overdrafts	33,552,587	24,601,293
Short-term secured loans and overdrafts	9,925,046	12,392,952
Medium-term loans	68,185,300	80,464,108
Medium-term secured loans	12,754,191	11,748,679
Long-term loans	10,958,745	3,535,251
Long-term secured loans	171,657,012	143,808,993
Non-performing loans	5,316,915	5,197,082
Subtotal	314,223,991	292,443,311
Less: allowance for doubtful accounts	3,697,852	2,166,767
Total	\$ 310,526,139	290,276,544
Hedged assets included in the above balance	\$ 352,833	1,928,209

The above hedging activities are treated as fair value hedge.

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 years ended December 31, 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	5,019,457	2,565,014	7,584,471
provision from transfer of operation from AEB	588,416	-	588,416
provision from acquisition of business from ATIC	920,117	-	920,117
exchange rate effects	31,127	-	31,127
Less: write-off	5,499,412	2,096,552	7,595,964
Ending balance	\$ 2,700,886	1,079,533	3,780,419

	2007		
	Specific provision	General provision	Total
Beginning balance	\$2,603,204	869,477	3,472,681
Add: provision for doubtful accounts	4,715,192	3,288,670	8,003,862
provision from transfer of operation from Standard Chartered Bank, Taipei Branch	1,011	868,542	869,553
Less: write-off	5,678,226	4,415,618	10,093,844
Ending balance	\$ 1,641,181	611,071	2,252,252

For the years ended December 31, 2008 and 2007, allowance for doubtful accounts of accounts receivable was \$82,567 and \$85,485, respectively; allowance for doubtful accounts of loans and advances to customers was \$3,697,852 and \$2,166,767, respectively.

For the year ended December 31, 2008, the Bank's bad debt expense was \$7,711,246. This amount consisted of bad debt expense for loans and advances to customers of \$7,584,471 and provision for guarantee amounting to \$126,775. For the year ended December 31, 2007, the Bank's bad debt expense for loans and advances to customers was \$8,003,862.

The Bank collected \$1,814,557 and \$1,469,375 from written-off loans during the years ended December 31, 2008 and 2007, respectively, recorded as other non-interest net income. For the years ended December 31, 2008 and 2007, the amounts of allowance for doubtful accounts generated from 3% of operating revenue were \$598,279 and \$495,000, respectively.

As of December 31, 2008 and 2007, the amounts of outstanding loans with interest charges suspended amounted to \$2,091,665 and \$1,638,277, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$40,050 and \$22,492, respectively.

As of December 31, 2008 and 2007, loans and advances to customers classified by geographical region were as follows:

	2008	2007
Domestic	\$ 304,981,536	287,551,107
Overseas	9,242,455	4,892,204
Total	\$ 314,223,991	292,443,311

As of December 31, 2008 and 2007, loans and advances to customers classified by geographical region were as follows:

(expressed in thousands of New Taiwan dollars, %)

Period		2008					
		Overdue loan amount	Loan Balance (Note 3)	Overdue ratio	Allowance for bad debts	Coverage rate	
Corporate Banking	Secured		4,300,148	27,605,997	15.58%	1,927,384	44.82%
	Unsecured		263,299	65,942,492	0.40%	263,517	100.08%
Consumer Banking	Mortgage		3,039,771	151,138,351	2.01%	1,030,629	33.90%
	Cash card		-	9,709	- %	16	- %
	Credit loan		461,548	47,596,814	0.97%	476,306	103.20%
	Others	Secured	-	21,768,934	- %	-	- %
		Unsecured	-	161,694	- %	-	- %
	Total		8,064,766	314,223,991	2.57%	3,697,852	45.85%
		Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Coverage rate	
Credit card		886,358	10,332,004	8.58%	73,116	8.25%	
Factoring loan receivables without recourse		-	6,926,319	- %	-	- %	

(expressed in thousands of New Taiwan dollars, %)

Period		2007					
		Overdue loan amount	Loan Balance	Overdue ratio	Allowance for bad debts (Note 1)	Coverage rate	
Product							
Corporate Banking	Secured		2,091,585	7,150,360	29.25%	547,308	26.17%
	Unsecured		-	68,724,990	- %	-	- %
Consumer Banking	Mortgage		3,418,523	144,760,078	2.36%	895,020	26.18%
	Cash card		1,080	20,237	5.34%	283	26.20%
	Credit loan		409,234	45,184,193	0.91%	107,143	26.18%
	Others	Secured	2,355,530	26,572,203	8.86%	617,013	26.19%
		Unsecured	-	31,250	- %	-	- %
	Total		8,275,952	292,443,311	2.83%	2,166,767	26.18%
		Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Coverage rate	
Credit card		1,094,795	14,673,704	7.46%	85,485	7.81%	
Factoring loan receivables without recourse		-	439,878	- %	-	- %	

Note 1: Allowance for doubtful accounts 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.

(10) Available-for-sale Financial Assets

As of December 31, 2008 and 2007, available-for-sale financial assets were as follows:

	2008	2007
Debt instruments:		
Treasury bills	\$ 14,917,405	1,491,345
Government bonds	27,243,530	11,122,005
Commercial paper	1,020,149	819,462
Negotiable certificates of deposit	58,058,480	42,682,456
Financial debentures	9,556,067	9,368,194
Corporate bonds	6,174,1224	8,245,295
Subtotal	116,969,855	73,728,757
Beneficiary certificates	4,522,880	4,647,530
Equity instruments	36,549	-
Total	\$ 121,529,284	78,376,287
Hedged assets included in the above balance	\$ 14,422,636	8,415,186

The above hedging activities are treated as fair value hedge.

For the years ended December 31, 2008 and 2007, the movements of unrealized gain (loss) on available-for-sale financial assets were as follows:

	2008	2007
Beginning balance	NT\$ (888,436)	(383,517)
Unrealized gain (loss) recognized in the period	1,179,557	(334,367)
Realized (loss) gain on disposal in the period	(61,647)	170,552
Ending balance	NT\$ 352,768	(888,436)

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 via securitization. Deutsche Bank AG, Taipei Branch issued both an "Investor Certificate" and a "Seller Certificate" amounting to \$10,204,484 and \$1,800,791, respectively, at face amount. 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 via securitization. Deutsche Bank AG, Taipei Branch issued both an "Investor Certificate" and a "Seller Certificate" amounting to \$10,322,771 and \$2,911,551, respectively, at face amount. 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 the 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.

1) As of December 31, 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	1.45 years	2.09 years
Expected credit losses 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	2.17 years	3.31 years
Expected credit losses rate (annual rate) — assumption 2	1.50 %	1.50 %
Discounted rate for residual cash flows	2.60 %	2.60 %

2) Sensitivity analysis

As of December 31, 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	\$ 1,747,147	2,775,773
Assumption 1 — impact on fair value of 10% adverse change	(3,579)	(9,542)
Assumption 1 — impact on fair value of 20% adverse change	(4,714)	(11,614)
Assumption 2 — Impact on fair value of 10% adverse change	(1,816)	(1,663)
Assumption 2 — Impact on fair value of 20% adverse change	(3,633)	(3,326)

	2007	
	First	Second
Carrying amount of retained interest	\$ 1,775,302	2,872,228
Assumption 1 — impact on fair value of 10% adverse change	(3,354)	(11,772)
Assumption 1 — impact on fair value of 20% adverse change	(6,884)	(22,900)
Assumption 2 — Impact on fair value of 10% adverse change	(2,612)	(3,425)
Assumption 2 — Impact on fair value of 20% adverse change	(5,224)	(6,850)

3) As of December 31, 2008 and 2007, there was no actual credit loss for the securitized mortgage loan; therefore, the expected static pool default rate was equal to the expected default rate.

4) Cash flows

The cash flows received from or paid to securitization trusts for the years ended December 31, 2008 and 2007, are summarized as follows:

	2008	
	First	Second
Other cash flows received on retained interests	\$ 83,947	96,751
Servicing fee received	5,000	5,000
Cash received for prepayment for service	500	1,885
Prepayment for service	358	1,870

	2007	
	First	Second
Other cash flows received on retained interests	\$ 90,322	67,754
Servicing fee received	5,000	5,000
Cash received for prepayment for service	1,235	2,111
Prepayment for service	1,155	2,332

(11) Interest in Associates under Equity Method and Financial Assets Carried at Cost

	December 31, 2008			December 31, 2007		
	Percentage of ownership	Investment cost	Amount	Percentage of ownership	Investment cost	Amount
Equity method:						
Hsinchu Futures Co., Ltd.	-	\$ -	-	88.57	442,830	261,193
Standard Chartered Life Insurance Agent Co., Ltd.	100.00	21	246,312	100.00	21	166,619
Standard Chartered Taiwan Insurance Agent Co., Ltd.	100.00	368	27,355	100.00	368	27,506
Paradigm Assets Management Co., Ltd.	20.00	98,400	95,747	20.00	98,400	95,747
		98,789	369,414		541,619	551,065
Less: accumulated impairment –Paradigm Assets Management Co., Ltd.		-	95,747		-	95,747
		<u>\$ 98,789</u>	<u>273,667</u>		<u>541,619</u>	<u>455,318</u>
Financial assets carried at costs:						
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	12,157	12,157	4.76	15,014	15,014
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	1.42	849	849	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	12.74	94,546	94,546	-	-	-
Subtotal		496,612	496,612		415,138	415,138
Less: accumulated impairment –Windance Co., Ltd.	-	-	202,969	-	-	188,500
		<u>\$ 496,612</u>	<u>293,643</u>		<u>415,138</u>	<u>226,638</u>

For the years ended December 31, 2008 and 2007, the recognized investment income from interest in associates under the equity method was \$202,282 and \$120,371, respectively.



FINANCE OVERVIEW

The shareholders of Hsinchu Futures Co., Ltd., an investee company of the Bank under the equity method, decided to dissolve the company 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, and the gain was recognized as other non-interest income.

In the year ended December 31, 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 of were \$10,250 and \$44,740, respectively. The gain on disposal of the aforementioned investment was \$34,490, which was recognized as other non-interest net income.

For the years ended December 31, 2008 and 2007, the recognized dividend revenue, recorded as other non-interest net income from financial assets carried at cost, was \$11,673 and \$13,812, respectively.

For the years ended December 31, 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 20.

(12) Property and Equipment

As of December 31, 2008 and 2007, details of property and equipment were as follows:

	2008	2007
Cost:		
Land	\$ 3,385,979	3,025,053
Revaluation increments on land	505,866	505,866
Buildings	3,245,975	3,296,267
Revaluation increments on buildings	10,407	10,407
Transportation equipment	7,387	3,684
Leasehold improvements	497,251	212,022
Other equipment	4,170,176	3,996,108
Subtotal	11,823,041	11,049,407
Less: accumulated depreciation	4,009,495	3,688,089
Less: accumulated impairment	123,399	464,495
Subtotal	7,690,147	6,896,823
Prepayment for equipment	297,858	510,613
Total	\$ 7,988,005	7,407,436

For the years ended December 31, 2008 and 2007, movements of accumulated depreciation were as follows:

	2008	2007
Beginning balance	\$ 3,688,089	3,213,146
Add: depreciation	657,623	565,642
transfer by business assumption	91,133	414,292
reclassification	34,041	-
Less: disposal	461,391	176,833
reclassification	-	328,158
Ending balance	\$ 4,009,495	3,688,089

For the years ended December 31, 2008 and 2007, movements of accumulated impairment of property and equipment were as stated in note 20.

(13) Intangible Assets

	2008	2007
Goodwill	\$ 3,384,383	-
Deferred pension costs	228,416	281,867
Software	171,335	259,563
	\$ 3,784,134	541,430

The Bank acquired the assets and liabilities of Asia Trust Investment Co., Ltd. on December 27, 2008. Consequently, the Bank recognized goodwill of \$3,384,383. The detailed information is provided in note 32.

(14) Other Assets

As of December 31, 2008 and 2007, details of other assets were as follows:

	2008	2007
Deferred income tax assets, net	\$ 4,483,638	3,229,527
Idle assets, net of accumulated impairment of \$3,231 and \$18,446 as of December 31, 2008 and 2007, respectively	29,941	113,694
Assets leased to others, net	326,919	1,722,522
Foreclosed assets, net of accumulated impairment of \$639,827 as of 2008 and 2007	568,926	577,368
Refundable deposits	1,988,580	660,385
Prepaid expenses	150,506	147,068
Tax refund receivable	214,462	149,536
Others	151,693	136,776
	\$ 7,914,665	6,736,876

For the years ended December 31, 2008 and 2007, movements of accumulated impairment of idle assets, assets leased to others, and foreclosed assets were as stated in note 20.

The Bank leased out its office buildings under operating leases with lease terms ranging from one to five years. As of December 31, 2008, future lease payments to be received were as follows:

Period	Amount
2009	\$ 60,149
2010	54,138
2011	16,547
2012	111
2013 and thereafter	191
	<u>\$ 131,136</u>

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

As of December 31, 2008 and 2007, the fair value of underlying assets of bills and bonds purchased under reverse repurchase agreements was as follows:

	2008	2007
Government bonds	\$ 1,175,216	-

As of December 31, 2008 and 2007, the fair value of underlying assets of bills and bonds sold under repurchase agreements were as follows;

	2008	2007
Financial assets held at fair value through profit or loss	\$ -	982,334
Available-for-sale financial assets	417,662	132,982
	<u>\$ 417,662</u>	<u>1,115,316</u>

As of December 31, 2008, the settlement date for bills and bonds purchased under reverse repurchase agreements was January 5, 2009; interest rates of the aforementioned reverse repurchase agreements were from 0.50% to 0.65%. The contracted price for the aforementioned reverse repurchase agreements was \$1,179,554.

As of December 31, 2008 and 2007, settlement dates for bills and bonds sold under repurchase agreements were from January 9 to 21, 2009, and from January 2 to 11, 2008, respectively; interest rates of the aforementioned repurchase agreements ranged from 0.42% to 1.20% and from 1.93% to 2.07%, respectively. The contracted price for the aforementioned repurchase agreements were \$413,050 and \$1,146,517, respectively.

(16) Deposits and Remittances

As of December 31, 2008 and 2007, deposits and remittances were as follows:

	2008	2007
Checking deposits	\$ 3,521,704	3,790,414
Demand deposits	121,707,858	92,358,384
Time deposits	158,826,346	65,721,133
Savings deposits	102,410,120	107,310,252
Time savings deposits	115,443,247	111,500,841
Trust fund with no designated purpose	12,100,450	-
Remittances	29,545	279,914
Total	\$ 514,039,270	380,960,938
Hedged liabilities included in the above balance	\$ 19,400,000	300,000

The above hedging activities are treated as fair value hedge.

As of December 31, 2008 and 2007, the maturity date for the abovementioned time deposits and time savings deposits was within three years.

(17) Financial Debentures

As of December 31, 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	\$ 2,900	11,900
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 floating 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 interest 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 12, 2018	4,922,968	-
		\$ 19,725,868	14,811,900

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.

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.

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 \$4,922,968 (USD150,000 thousands 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.

(18) Interest Income

For the years ended December 31, 2008 and 2007, details of interest income were as follows:

	2008	2007
Interbank transactions	\$ 1,770,372	1,547,330
Loans and advances to customers	12,614,939	12,310,189
Credit cards	1,227,047	699,903
Financial assets held at fair value through profit or loss	150,183	57,535
Available-for-sale financial assets	2,006,636	1,453,980
Total	<u>\$ 17,769,177</u>	<u>16,068,937</u>

(19) Other Non-interest Income (Loss)

For the years ended December 31, 2008 and 2007, details of non-interest income (loss) were as follows:

	2008	2007
Securities brokerage commissions	\$ 167,364	315,347
Rental income	68,743	83,935
(Loss) gain on disposal of property and equipment and foreclosed assets	(30,701)	18,190
Collection of written-off accounts receivable and loans	1,814,557	1,469,375
Dividend income of investments carried at cost	11,673	13,812
Gain on disposal of investments	111,580	-
Others	73,105	45,040
Total	<u>\$ 2,216,321</u>	<u>1,945,699</u>

(20) Asset Impairment

For the years ended December 31, 2008 and 2007, impairment losses recognized and movements of accumulated impairment losses for assets held by the Bank were as follows:

	2008			
	Opening balance	Impairment loss (reversal)	Reclassified	Ending balance
Interest in associates under equity method	\$ 95,747	-	-	95,747
Financial assets carried at cost	188,500	14,469	-	202,969
Property and equipment	464,495	-	(341,096)	123,399
Idle assets	18,446	-	(15,215)	3,231
Foreclosed assets	639,827	-	-	639,827
	<u>\$ 1,407,015</u>	<u>14,469</u>	<u>(356,311)</u>	<u>1,065,173</u>

	2007			
	Opening balance	Impairment loss (reversal)	Reclassified	Ending balance
Interest in associates under equity method	\$ -	95,747	-	95,747
Financial assets carried at cost	188,500	-	-	188,500
Property and equipment	-	464,495	-	464,495
Idle assets	17,166	1,280	-	18,446
Assets leased to others	2,513	(2,513)	-	-
Foreclosed assets	1,007,635	(234,568)	(133,240)	639,827
	<u>\$ 1,215,814</u>	<u>324,441</u>	<u>(133,240)</u>	<u>1,407,015</u>

(21) Pension

For the years ended December 31, 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	\$ 1,969,450	1,754,957
Pension cost:		
Defined contribution pension scheme	157,843	25,880
Defined benefit pension scheme	282,206	235,448
Accrued pension liabilities	356,207	502,518

The Bank provided deposits in a pension account for the engaged employees in Bank of Taiwan (formerly the Central Trust of China) in 2008 and 2007. Furthermore, the Bank deposited an amount equal to 6% of the monthly gross salary payment in the Bureau of Labor Insurance in 2008 and 2007. The measurement dates of the actuarial reports were December 31, 2008 and 2007, respectively. As of December 31, 2008 and 2007, the reconciliation of the funded status and accrued pension liabilities was as follows:

	2008	2007
Benefit obligation:		
Vested benefit obligation	\$ (1,810,693)	(1,716,463)
Non-vested benefit obligation	(514,964)	(496,099)
Accumulated benefit obligation	(2,325,657)	(2,212,562)
Additional benefits based on future compensation	(840,747)	(644,656)
Projected benefit obligation	(3,166,404)	(2,857,218)
Fair value of plan assets	1,969,450	1,754,957
Funded status	(1,196,954)	(1,102,261)
Unrecognized net transition obligation	211,243	249,254
Unrecognized prior service cost	17,173	32,613
Unrecognized loss	1,032,863	758,746
Additional minimum pension liabilities	(420,532)	(440,870)
Accrued pension liabilities	\$ (356,207)	(502,518)
Vested benefit	\$ 2,255,622	2,044,144

For the years ended December 31, 2008 and 2007, the components of net pension cost were as follows:

	2008	2007
Service cost	\$ 162,841	117,762
Interest cost	66,510	71,926
Actual return on plan assets	(47,703)	(41,380)
Amortization	100,558	87,140
Net pension cost	\$ 282,206	235,448

Actuarial assumptions for the years 2008 and 2007 were as follows:

	2008	2007
Discount rate	2.50%	2.50%
Rate of increase in future compensation	3.50%	3.50%
Rate of projected return on plan assets	2.50%	2.50%

For the years ended December 31, 2008 and 2007, payments for retirement and severance were \$471,311 and \$11,993, respectively. For the years ended December 31, 2008 and 2007, net pension costs for employees assigned from foreign affiliate companies were \$15,096 and \$11,610, respectively.

(22) Share-Based Payments

Standard Chartered PLC Group (the SC PLC Group) has established five main share-based payment schemes for its directors and employees. For the years ended December 31, 2008, share-based payment schemes adopted by the Bank were as follows:

1) 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 the ISS was as follows:

	2008	2007
Beginning balance	615,481	-
Options provided by business assumption from Standard Chartered Bank, Taipei Branch	-	152,856
Add: granted	295,981	470,404
Less: exercised	5,953	-
lapsed	123,932	7,779
Ending balance	781,577	615,481

For the years ended December 31, 2008 and 2007, the cost of the ISS charged to current profits or losses was \$38,572 and \$12,469, respectively, recorded as operating expenses.

The valuation of share options is performed using a binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

	2008	
Grant date	October 3	September 16
Share price at grant date	£ 14.52	£ 14.52
Exercise price	£ 11.62	£ 11.62
Vesting period (years)	3/5	3/5
Expected volatility (%)	39.6/48.7	39.6/48.7
Expected option life (years)	3.33/5.33	3.33/5.33
Risk free rate (%)	2.32/2.53	2.32/2.53
Expected dividends (yield) (%)	2.52/2.73	2.52/2.73
Fair value	£ 2.99/3.04	£ 2.99/3.04

	2007	
Grant date	October 1	September 26
Share price at grant date	£ 15.88	£ 16.18
Exercise price	£ 12.43	£ 12.43
Vesting period (years)	3/5	3/5
Expected volatility (%)	20.7/24.2	20.7/24.2
Expected option life (years)	3.33/5.33	3.33/5.33
Risk free rate (%)	4.90/5.00	5.10/5.00
Expected dividends (yield) (%)	2.9/3.33	2.9/3.33
Fair value	£ 4.4/4.9	£ 4.7/5.1

The expected volatility is based on historical volatility over the last three to five years or three to five years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend yield over the last three years or three years prior to grant. Where two amounts are shown for volatility, risk-free rates, expected dividends yield and fair values, the first relates to a three-year vesting period and the second to a five-year vesting period.

2) 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.

The option movement of the RSS was as follows:

	2008	2007
Beginning balance	54,192	-
Options provided by business assumption from Standard Chartered Bank, Taipei Branch	-	24,522
Add: granted	47,047	29,670
Less: exercised	4,705	-
lapsed	25,336	-
Ending balance	71,198	54,192

For the years ended December 31, 2008 and 2007, the cost of the RSS charged to current profits or losses was \$15,780 and \$6,021 respectively, recorded 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.

	2008		
Grant date	September 16	April 24	March 11
Share price at grant date	£ 13.86	£ 17.82	£ 16.26
Vesting period (years)	3	3	3
Expected dividends (yield) (%)	2.4	2.4	2.4
Fair value	£ 8.25	£ 8.25	£ 8.25

	2007	
Grant date	September 17	March 12
Share price at grant date	£ 14.69	£ 14.51
Vesting period (years)	2/3	2/3
Expected dividends (yield) (%)	2.9	2.8
Fair value	£ 13.49	£ 13.36

The expected dividend yield is based on the historical dividend yield over the last three years or the three years prior to grant.

3) 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	2007
Beginning balance	5,257	-
Options provided by business assumption from Standard Chartered Bank, Taipei Branch	-	8,834
Add: granted	748	-
Less: exercised	-	3,577
lapsed	-	-
Ending balance	6,005	5,257

For the year ended December 31, 2007, the cost of the ESOS charged to current profit or losses was \$115, recorded as operating expenses.

The valuation of share options is performed using a binomial option-pricing model. As of December 31, 2007, there were no such share-based awards granted.

4) 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 certain limited circumstances, to exercise share options in advance.

The option movement of the PSP was as follows:

	2008	2007
Beginning balance	36,065	-
Options provided by business assumption from Standard Chartered Bank, Taipei Branch	-	36,065
Add: granted	45,645	-
Less: exercised	10,195	-
lapsed	19,132	-
Ending balance	52,383	36,065

For the years ended December 31, 2008 and 2007, the cost of the PSP charged to current profits or losses was \$8,344 and \$4,448 respectively, recorded as operating expenses.

Under the PSP 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.

	2008		
Grant date	September 16	April 24	March 11
Share price at grant date	£ 13.86	£ 17.82	£ 16.26
Vesting period (years)	3	3	3
Expected dividends (yield) (%)	2.6	2.6	2.6
Fair value (EPS)	£ 12.83	£ 16.50	£ 15.06
Fair value (TSR)	£ 5.04	£ 6.49	£ 5.89

	2007	
Grant date	September 17	March 12
Share price at grant date	£ 14.69	£ 14.51
Vesting period (years)	3	3
Expected dividends (yield) (%)	2.9	2.8
Fair value (EPS)	£ 6.74	£ 6.68
Fair value (TSR)	£ 2.92	£ 2.89

The expected dividend yield is based on the historical dividend yield over the last three years or the three years prior to grant. The TSR fair value is derived by discounting 50 percent of the award which is subject to the TSR condition by the loss of expected dividends over the performance period, and the likelihood of meeting the TSR condition which is calculated by the area under the TSR vesting schedule curve.

5) Supplementary Restricted Share Scheme

The SC PLC Group established the Supplementary Restricted Share Scheme ("SRSS") to provide participants with an opportunity to benefit financially from growth in the value of the Group's shares. The purpose of this scheme is to reward and retain employees who have good performance and high potential. SC PLC Group grants SRSS awards only at the time of hiring, and there are no performance conditions that must be met. The SRSS 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 SRSS. 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 option movement of the SRSS was as follows:

	2008	2007
Beginning balance	-	-
Add: granted	5,142	-
Ending balance	5,142	-

For the year ended December 31, 2008, the cost of the SRSS charged to current profits or losses was \$436, recorded as operating expenses.

Under the SRSS 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.

	2008	
Grant date	September 16	March 11
Share price at grant date	£ 13.86	£ 16.26
Vesting period (years)	3	3
Expected dividends (yield) (%)	2.4	2.4
Fair value	£ 13.06	£ 12.41

The expected dividend yield is based on the historical dividend yield over the last three years or the three years prior to grant.

(23) Income Tax

The Bank is subject to ROC income tax at a maximum rate of 25%. Beginning January 1, 2006, the Bank adopted the ROC "Income Basic Tax Act". The income tax (benefit) expense for the years ended December 31, 2008 and 2007, were as follows:

	2008	2007
Current income tax expense	\$ 284,052	180,429
Deferred income tax benefit	(1,254,111)	(787,061)
Income tax benefit	\$ (970,059)	(606,632)

The differences between the "expected" income tax at statutory income tax rates and the income tax benefit as reported in the accompanying financial statements for the years ended December 31, 2008 and 2007, were as follows:

	2008	2007
Income tax at statutory rate	\$ (238,036)	(276,246)
Adjustment:		
Tax-exempt OBU income	(120,207)	(39,936)
Tax-exempt income from securities trading	(152,354)	(74,108)
Net unrealized income on valuation of trading financial assets and liabilities	(52,568)	23,953
Adjustments for separately taxed interest income	(105,613)	(197,791)
Investment income under equity method	(50,571)	(30,399)
Impairment loss — interest in associates under equity method	(13,101)	23,937
Expenses disallowed per tax regulation	150,517	-
Non-deductible tax expense on overseas income	-	342
Loss carryforwards	51,494	520,346
Investment tax credit — employee training costs	12,108	(4,972)
Allowance for doubtful accounts	(158,593)	-
Adjustments on prior years' income tax	54,517	-
Others	117,316	24,514
Valuation allowance	(464,968)	(576,272)
Income tax benefit	\$ (970,059)	(606,632)

For the years ended December 31, 2008 and 2007, the components of deferred income tax benefit were as follows:

	2008	2007
Investment loss (gain) from interest in associates under equity method	\$ 14,870	(306)
Allowance for doubtful accounts in excess of limit	(158,593)	371,578
Deferred revenue	(131,160)	(74,044)
Reserve for trading losses and default losses	(13,499)	(2,242)
Depreciation of property and equipment	(33,288)	-
Assets impairment loss	(29,553)	(57,173)
Reversal of (addition to) pension costs in excess of limit	25,435	(34,956)
Realized gain on inter-affiliate transactions	26	23
Expiration of loss carryforwards	-	521,415
Unrealized interest income on financial assets	42,997	20,626
Overestimation (underestimation) of prior years' loss carryforwards	964,835	(1,069)
Increase in loss carryforwards	(1,495,274)	(964,836)
Investment tax credit — employee training cost	12,108	(4,972)
Others	11,953	15,166
Valuation allowance	(464,968)	(576,271)
Deferred income tax benefit	\$ (1,254,111)	(787,061)

As of December 31, 2008 and 2007, the deferred income tax assets were as follows:

	2008	2007
Deferred income tax assets	\$ 4,483,638	3,694,495
Valuation allowance — deferred income tax assets	-	(464,968)
Deferred income tax assets, net	<u>\$ 4,483,638</u>	<u>3,229,527</u>

As of December 31, 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 from interest in associates under equity method	\$ -	-	59,481	14,870
Reserve for trading losses and default losses	121,342	30,335	67,345	16,836
Asset impairment losses	1,374,220	343,555	1,256,009	314,002
Pension costs in excess of limit	38,086	9,521	139,822	34,956
Depreciation of property and equipment	133,151	33,288	-	-
Unrealized gain on inter-affiliate transaction	5,972	1,493	6,078	1,519
Loss carryforwards	12,171,374	3,042,844	10,049,622	2,512,405
Investment tax credit — employee trading costs	-	-	12,108	12,108
Deferred revenue	820,815	205,204	296,175	74,044
Allowance for doubtful accounts in excess of limit	634,374	158,593	-	-
Unrealized interest income on financial assets	2,635,219	658,805	2,807,205	701,802
Others	-	-	47,812	11,953
		<u>\$ 4,483,638</u>		<u>3,694,495</u>

As of December 31, 2008 and 2007, the components of tax refund receivable recorded under accounts receivable were as follows:

	2008	2007
Current income tax	\$ 284,052	180,429
Withheld income tax	(64,104)	(68,149)
Income tax receivable from prior years	(150,358)	(81,387)
Adjustments on prior years' income tax	(54,517)	-
Separate tax on interest income	(229,535)	(180,087)
Non-deductible tax on overseas income	-	(342)
	<u>\$ (214,462)</u>	<u>(149,536)</u>

In accordance with the R.O.C. Income Tax Act, assessed net losses can be carried forward for ten consecutive years to reduce taxable income. As of December 31, 2008, the amount of losses and the year of expiry were as follows:

Year loss incurred	Amount	Year of expiry
2006 (reported)	\$ 6,190,278	2016
2008 (estimated)	5,981,096	2018
	<u>\$ 12,171,374</u>	

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 December 31, 2008 and 2007, was as follows:

	2008	2007
ICA	<u>\$ 226,834</u>	<u>173,345</u>

The accumulated earnings on December 31, 2008 and the accumulated deficits on December 31, 2007 were all generated after 1998.

(24) Stockholders' Equity

1) Common stock

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. 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, and the related registration was completed.

On June 8, 2007, the board of directors approved an increase in capital by issuance of 10,000 thousand shares 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 was completed.

On September 29 and October 22, 2008, the board of directors approved an increase in capital by issuance of 328,000 thousand shares at \$20 per share via private placement. The board of directors had authorized the chairman to set December 5, 2008, as the base date for capital increase, and the related registration was completed.

2) Capital surplus

The R.O.C. Company Act requires capital surplus to be used to offset an accumulated deficit before capitalization to be common stock, with the restriction that capital surplus can never be distributed as cash dividends. The aforementioned 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 capital surplus provided by the amount in excess of par value is limited to once a year and cannot be made in the same year when the excess is generated through issuance of new shares.

As of December 31, 2008 and 2007, details of capital surplus were as follows:

	2008	2007
Capital surplus provided by the amount in excess of par value	\$ 6,183,410	5,049,109
Others	-	406
	<u>\$ 6,183,410</u>	<u>5,049,515</u>

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

On May 29, 2008, the shareholders approved the elimination of the accumulated deficits by transfer of appropriated special reserve and capital surplus of \$332 and \$2,145,349, respectively.

3) Legal reserve and appropriated 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 dividends 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.

4) Dividend policy and appropriation of earnings

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 required by law, 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 a resolution regarding the proportion of employee bonuses to be distributed, if necessary. The amount of bonuses distributed to employees who remain employed at the end of the year is also resolved by the board of directors.

The relevant information about earnings distribution or deficit elimination approved by the board of directors can be accessed through the Market Observation Posts System or other sites.

As of December 31, 2007, no retained earnings could be distributed due to accumulated deficits.

5) Weighted-average outstanding shares of common stock

As of December 31, 2008 and 2007, the weighted-average number of common shares outstanding was 2,184,905 thousand shares and 1,906,044 thousand shares, respectively.

(25) Disclosure of Financial Instruments

1) Fair value of financial assets

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

1. The book value 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.
2. The fair value of financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets is 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.
3. The interest on loans and advances to customers is based on floating rates. Therefore, the book value is equal to the fair value.
4. 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.
5. 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.
6. Subordinated debentures are financial liabilities with floating interest rates, and therefore their fair value is equal to their carrying value.
7. 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 on 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.

As of December 31, 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	\$ 29,242,128	18,679,751
Financial assets held at fair value through profit or loss — debt instruments	10,134,705	5,115,776
Financial assets designated at fair value through profit or loss — debt instruments	-	1,670,790
Available-for-sale financial assets — beneficiary certificates	4,522,880	4,647,530
Available for-sale financial assets — debt instruments	116,969,855	73,728,757
Available for-sale financial assets — equity securities	36,549	-
Financial liabilities held at fair value through profit or loss — derivatives	30,257,795	20,331,565
Financial liabilities held at fair value through profit or loss — debt instruments	961,541	-

For the years ended December 31, 2008 and 2007, the Bank recognized losses amounting to \$1,678,648 and gains amounting to \$32,006 respectively from the changes in fair value of financial instruments that were evaluated by using valuation techniques.

2) As of December 31, 2008 and 2007, outstanding derivative contracts held by the Bank were as listed below:

December 31, 2008			
	Notional amount	Fair value	
		Gain (assets)	Loss (liabilities)
Option contracts	\$ 91,538,316	1,854,906	1,837,996
Forward contracts	285,198,165	4,117,268	4,019,003
Cross-currency swaps	182,767,938	2,420,917	2,339,731
Interest rate swaps	1,028,929,483	13,033,260	17,259,098
Interest rate derivatives	158,671,144	7,304,017	4,290,207
Commodity swaps	7,599,942	511,760	511,760
	<u>\$ 1,754,704,988</u>	<u>29,242,128</u>	<u>30,257,795</u>

December 31, 2007			
	Notional amount	Fair value	
		Gain (assets)	Loss (liabilities)
Option contracts	\$ 181,311,202	2,505,046	2,505,045
Forward contracts	332,202,241	4,009,467	3,958,824
Cross-currency swaps	247,815,499	1,822,385	3,355,516
Interest rate swaps	1,216,493,398	6,205,338	8,328,498
Interest rate derivatives	196,521,858	4,137,515	2,183,682
	<u>\$ 2,174,344,198</u>	<u>18,679,751</u>	<u>20,331,565</u>

3) Financial risk management and risk information

1. 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 December 31, 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 97.5% confidence level under a certain price probability distribution.

Type of market risk	2008			2007		
	Annual average	Maximum	Minimum	Annual average	Maximum	Minimum
Exchange rate	\$ 4,284	8,442	1,670	4,707	8,125	1,495
Interest rate	51,881	69,520	33,390	56,363	66,596	46,313

2. 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 December 31, 2008 and 2007, the percentage of loans with collateral was 63.81% and 61.75%, 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 value of collateral is ignored. No additional disclosure was provided for financial assets associated with credit risks since their book value, net of corresponding valuation allowance, reflects their credit exposures.

As of December 31, 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	\$ 43,121,263	45,399,062
Commercial	20,478,931	23,857,032
Construction	2,473,366	2,968,368
Individual	224,397,246	196,882,460
Others	23,753,185	23,336,389
	<u>\$ 314,223,991</u>	<u>292,443,311</u>

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 December 31, 2008 and 2007, the 10 group companies with the largest outstanding loans were as follows:

Unit: thousands dollars, %

December 31, 2008			
Rank	Group Company	Outstanding loan	% of net assets
1	Chi Mei Group	5,832,056	18.45%
2	AUO Group	3,176,869	10.05%
3	Pou Chen Group	2,321,744	7.35%
4	Chipmos Group	1,858,966	5.88%
5	Richemont Group	1,618,000	5.12%
6	Swire Group	1,550,167	4.91%
7	Chalease Group	1,363,751	4.32%
8	Powerchip Group	1,277,007	4.04%
9	Walsin Lihwa Group	1,262,486	4.00%
10	Eastern Multimedia Group	1,173,226	3.71%

Unit: thousands dollars, %

December 31, 2007

Rank	Group Company	Outstanding loan	% of net assets
1	Chi Mei Group	4,438,478	18.64%
2	AUO Group	3,609,913	15.16%
3	Mosel Vitelic Group	2,617,911	10.99%
4	Pou Chen Group	1,446,112	6.07%
5	Swire Group	1,306,205	5.49%
6	Formosa Chemicals Group	1,293,663	5.43%
7	Eastern Multimedia Group	1,279,365	5.37%
8	Chailease Group	1,093,113	4.59%
9	Richemont Group	1,086,000	4.56%
10	BenQ Group	841,527	3.53%

Note : The above-listed group companies are disclosed in accordance with the group definition per 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.

3. Liquidity risk

As of December 31, 2008 and 2007, the liquidity reserve ratio was 23.28% and 22.35%, respectively; the Bank has enough operating capital to fulfill all contractual obligations, and thus 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 December 31, 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.

Unit: thousand dollars

2008

Assets	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 15,670,941	-	-	-	15,670,941
Balance at Central Bank and loans and advances to banks	70,279,034	16,639,873	-	11,889,739	98,808,646
Loans and advances to customers	33,378,176	18,616,208	50,473,762	207,705,160	310,173,306
Financial assets held at fair value through profit or loss, net	6,698,220	5,797,917	23,027,755	3,852,941	39,376,833
Available-for-sale financial assets, net	33,267,968	47,827,041	15,348,802	10,662,838	107,106,649
Other assets	14,199,597	7,688,613	11,833,263	16,851,895	50,573,368
Hedged items	-	3,120,325	9,005,437	2,649,706	14,775,468
Total assets	<u>\$ 173,493,936</u>	<u>99,689,977</u>	<u>109,689,019</u>	<u>253,612,279</u>	<u>636,485,211</u>
Liabilities					
Deposits by Central Bank and other banks	\$ 16,600,098	4,437,904	-	-	21,038,002
Deposits and remittances	366,801,973	119,471,725	8,360,260	5,312	494,639,270
Financial debentures	2,900	-	-	19,722,968	19,725,868
Financial liabilities held at fair value through profit or loss	7,026,469	6,304,738	17,233,912	654,217	31,219,336
Other liabilities	3,624,743	10,061,802	76,090	5,101,100	18,863,735
Hedged items	-	19,400,000	-	-	19,400,000
Total liabilities	<u>\$ 394,056,183</u>	<u>159,676,169</u>	<u>25,670,262</u>	<u>25,483,597</u>	<u>604,886,211</u>
Spread	<u>\$ (220,562,247)</u>	<u>(59,986,192)</u>	<u>84,018,757</u>	<u>228,128,682</u>	<u>31,599,000</u>

Unit: thousand dollars

2007

Assets	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 7,281,782	-	-	-	7,281,782
Balance at Central Bank and loans and advances to banks	30,886,452	4,188,947	5,320,586	-	40,395,985
Loans and advances to customers	32,904,444	19,079,376	23,394,418	212,970,098	288,348,336
Financial assets held at fair value through profit or loss, net	20,105,417	5,360,900	-	-	25,466,317
Available-for-sale financial assets, net	10,854,402	30,838,502	14,504,900	13,763,297	69,961,101
Other assets	-	-	-	38,766,717	38,766,717
Hedged items	-	-	-	10,343,395	10,343,395
Total assets	\$ 102,032,497	59,467,725	43,219,904	275,843,507	480,563,633
Liabilities					
Deposits by Central Bank and other banks	\$ 17,426,009	2,711,526	5,965,090	-	26,102,625
Deposits and remittances	215,574,401	83,826,218	81,246,400	13,798	380,660,817
Financial debentures	3,333,333	11,478,567	-	-	14,811,900
Financial liabilities held at fair value through profit or loss	-	-	-	20,331,565	20,331,565
Other liabilities	-	-	-	14,542,976	14,542,976
Hedged items	-	-	300,000	-	300,000
Total liabilities	\$ 236,333,743	98,016,311	87,511,490	34,888,339	456,749,883
Spread	\$ (134,301,246)	(38,548,586)	(44,291,586)	240,955,168	23,813,750

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

December 31, 2008

(expressed in thousands 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	\$ 727,092,937	155,943,974	89,057,473	80,955,618	65,663,955	335,471,917
Capital used	747,681,921	133,912,917	130,538,318	104,525,218	119,489,037	259,216,431
Spread	(20,588,984)	22,031,057	(41,480,845)	(23,569,600)	(53,825,082)	76,255,486

December 31, 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 181 to 1 year	Over 1 year
Capital provided	\$ 9,158,769	3,562,427	2,492,578	1,491,328	257,759	1,354,677
Capital used	9,638,825	3,533,409	1,920,109	1,322,078	507,399	2,355,830
Spread	(480,056)	29,018	572,469	169,250	(249,640)	(1,001,153)

December 31, 2007

(expressed in thousands 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	\$ 604,672,864	88,199,421	40,575,738	50,156,933	55,705,271	370,035,501
Capital used	745,589,261	82,949,254	68,775,616	71,820,275	108,452,898	413,591,218
Spread	(140,916,397)	5,250,167	(28,199,878)	(21,663,342)	(52,747,627)	(43,555,717)

December 31, 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	\$ 45,007,225	2,753,474	1,042,431	1,342,160	1,860,644	38,008,516
Capital used	62,447,960	3,138,454	1,255,056	920,657	1,372,188	55,761,605
Spread	(17,440,735)	(384,980)	(212,625)	421,503	488,456	(17,753,089)

4. 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 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 December 31, 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.

Unit: thousand dollars

December 31, 2008

	Within 1 month	1~3 months	3 months ~ 1 year	1~2 years	2~3 years	3~4 years	4~5 years	Over 5 years	Non-interest	Total
Assets										
Cash and cash equivalents	\$ 15,670,941	-	-	-	-	-	-	-	-	15,670,941
Balance at Central Bank and loans and advances to banks	47,753,609	22,525,425	16,639,873	-	-	-	-	-	11,889,739	98,808,646
Loans and advances to customers	19,517,782	13,860,394	18,616,208	7,862,835	12,414,786	10,466,119	19,730,022	207,705,160	-	310,173,306
Financial assets held at fair value through profit or loss, net	2,639,023	4,059,197	5,797,917	9,248,155	1,786,775	6,992,825	5,000,000	3,852,941	-	39,376,833
Available-for-sale financial assets, net	16,298,468	16,969,500	47,827,041	4,328,470	4,753,028	2,661,460	3,605,844	10,626,289	36,549	107,106,649
Other assets	12,205,416	1,994,181	7,688,613	1,037,977	1,056,241	1,004,994	8,734,051	4,698,195	12,153,700	50,573,368
Hedged item	-	-	3,120,325	2,075,490	3,712,832	-	3,217,115	2,649,706	-	14,775,468
Total assets	\$ 114,085,239	59,408,697	99,689,977	24,552,927	23,723,662	21,125,398	40,287,032	229,532,291	24,079,988	636,485,211
Liabilities										
Deposits by Central Bank and other banks	\$ 13,543,286	3,056,812	4,437,904	-	-	-	-	-	-	21,038,002
Deposits and remittances	294,528,646	72,273,327	119,471,725	7,694,075	666,185	-	-	-	5,312	494,639,270
Financial liabilities held at fair value through profit or loss	-	7,026,469	6,304,738	-	8,417,802	-	8,816,110	654,217	-	31,219,336
Financial debentures	2,900	-	-	-	-	-	-	9,722,968	10,000,000	19,725,868
Other liabilities	2,736,180	888,563	10,061,802	40,762	7,070	-	28,258	42,723	5,058,377	18,863,735
Hedged item	-	-	19,400,000	-	-	-	-	-	-	19,400,000
Total liabilities	\$ 310,811,012	83,245,171	159,676,169	7,734,837	9,091,057	-	8,844,368	10,419,908	15,063,689	604,886,211
Sensitivity gap	\$ (196,725,773)	(23,836,474)	(59,986,192)	16,818,090	14,632,605	21,125,398	31,442,664	219,112,383	9,016,299	31,599,00

Unit: thousand dollars

December 31, 2007

	Within 1 month	1~3 months	3 months ~ 1 year	1~2 years	2~3 years	3~4 years	4~5 years	Over 5 years	Non-interest	Total
Assets										
Cash and cash equivalents	\$ 7,281,782	-	-	-	-	-	-	-	-	7,281,782
Balance at Central Bank and loans and advances to banks	30,805,345	81,107	4,188,947	5,320,586	-	-	-	-	-	40,395,985
Loans and advances to customers	23,674,242	9,230,202	19,079,376	4,235,902	12,021,313	7,137,203	-	212,970,098	-	288,348,336
Financial assets held at fair value through profit or loss, net	17,724,967	2,380,450	5,360,900	-	-	-	-	-	-	25,466,317
Available-for-sale financial assets, net	2,601,402	8,253,000	30,838,502	4,070,000	3,626,000	6,808,900	-	13,763,297	-	69,961,101
Other assets	-	-	-	-	-	-	-	-	38,766,717	38,766,717
Hedged item	-	-	-	-	-	-	-	10,343,395	-	10,343,395
Total assets	\$ 82,087,738	19,944,759	59,467,725	13,626,488	15,647,313	13,946,103	-	237,076,790	38,766,717	480,563,633
Liabilities										
Deposits by Central Bank and other banks	\$ 16,230,119	1,195,890	2,711,526	1,919,971	4,045,119	-	-	-	-	26,102,625
Deposits and remittances	144,330,796	71,243,605	83,826,218	70,622,290	10,624,110	-	-	13,798	-	380,660,817
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	-	-	-	20,331,565	20,331,565
Financial debentures	-	3,333,333	11,478,567	-	-	-	-	-	-	14,811,900
Other liabilities	-	-	-	-	-	-	-	-	14,542,976	14,542,976
Hedged item	-	-	-	300,000	-	-	-	-	-	300,000
Total liabilities	\$ 160,560,915	75,777,828	98,016,311	72,842,261	14,669,229	-	-	13,798	34,874,541	456,749,883
Sensitivity gap	\$ (78,473,177)	(55,828,069)	(38,548,586)	(59,215,773)	978,084	13,946,103	-	237,062,992	3,892,176	23,813,750

Sensitivity analysis of assets and liabilities in statutory form were as follows:

December 31, 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	\$ 302,794,712	41,697,833	22,966,809	81,654,834	449,114,188
Interest-rate-sensitive liabilities	133,359,220	188,295,163	71,941,060	44,494,966	438,090,409
Interest-rate-sensitive spread	169,435,492	(146,597,330)	(48,974,251)	37,159,868	11,023,779
Interest-rate-sensitive equity, net					31,599,000
Ratio of interest-rate-sensitive assets to liabilities (%)					102.52
Ratio of interest-rate-sensitive spread to net equity (%)					34.89

December 31, 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	\$ 1,877,588	548,645	1,771	166,927	2,594,931
Interest-rate-sensitive liabilities	2,673,370	130,280	64,722	150,589	3,018,961
Interest-rate-sensitive spread	(795,782)	418,365	(62,951)	16,338	(424,030)
Interest-rate-sensitive equity, net					38,916
Ratio of interest-rate-sensitive assets to liabilities (%)					85.95
Ratio of interest-rate-sensitive spread to net equity (%)					(1,089.60)

December 31, 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	\$ 251,577,507	25,250,725	21,384,685	70,667,754	368,880,671
Interest-rate-sensitive liabilities	90,032,600	208,634,969	51,912,136	2,149,404	352,729,109
Interest-rate-sensitive spread	161,544,907	(183,384,244)	(30,527,451)	68,518,350	16,151,562
Interest-rate-sensitive equity, net					23,813,750
Ratio of interest-rate-sensitive assets to liabilities (%)					104.58
Ratio of interest-rate-sensitive spread to net equity (%)					67.82

December 31, 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	\$ 1,025,816	237,667	90,819	169,278	1,523,580
Interest-rate-sensitive liabilities	1,816,792	45,580	44,521	40,295	1,947,188
Interest-rate-sensitive spread	(790,976)	192,087	46,298	128,983	(423,608)
Interest-rate-sensitive equity, net					(1,182,737)
Ratio of interest-rate-sensitive assets to liabilities (%)					78.25
Ratio of interest-rate-sensitive spread to net equity (%)					35.82

5. Information on interest-bearing assets and liabilities:

	2008	
	Average amount	Average %
Assets:		
Balance at Central Bank	\$ 11,330,053	1.19
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	51,280,842	3.46
Loans and advances to customers	316,640,145	4.35
Financial assets held at fair value through profit or loss	6,209,404	2.39
Available-for-sale financial assets	84,632,509	2.37
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	37,366,885	2.46
Demand deposits (including local currency and foreign currency)	203,912,994	0.43
Time deposits (including local currency and foreign currency)	193,975,747	2.51
Negotiable certificates of deposit	1,443,604	1.82
Financial debentures	19,243,069	3.76

	2007	
	Average amount	Average %
Assets:		
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	\$ 22,491,564	4.78
Loans and advances to customers	316,835,049	4.48
Financial assets held at fair value through profit or loss	6,653,311	2.18
Available-for-sale financial assets	76,980,855	2.17
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	33,504,044	2.07
Demand deposits (including local currency and foreign currency)	201,213,258	0.35
Time deposits (including local currency and foreign currency)	169,695,368	2.50
Negotiable certificates of deposit	1,689,379	1.57
Financial debentures	14,814,110	4.57

6. 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.

7. 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.

4) 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 December 31, 2008 and 2007, the hedged items and the book value of the corresponding hedging instruments were as follows:

Hedge item		Fair value of hedging instruments	
Hedge item	2008	Contract type	2008
Loan and advances to customers	\$ 1,293	Interest rate swaps	\$ (909)
Available-for-sale financial assets:			
Bonds	621,296	Interest rate swaps	(623,458)
Time deposits — NTD	(82,684)	Interest rate swaps	81,324
	<u>\$ 539,905</u>		<u>\$ (543,043)</u>

Hedge item		Fair value of hedging instruments	
Hedge item	2007	Contract type	2007
Loan and advances to customers	\$ (1,937)	Interest rate swaps	\$ 1,998
Available-for-sale financial assets:			
Bonds	45,888	Interest rate swaps	(46,318)
Time deposits — NTD	64	Interest rate swaps	(59)
	<u>\$ 44,015</u>		<u>\$ (44,379)</u>

(26) Information on Reclassification of Financial Assets

1) The amount and the reason for reclassification of financial assets:

	For the year ended December 31, 2008 Reclassified available-for-sale financial assets
Items which were initially classified as financial assets held at fair value through profit or loss	<u>\$ 767,012</u>

Due to the changes in the domestic and global financial and economic trends, where the facts and circumstances indicated that the situations were those rare ones stated in item 1 (3) of paragraph 104 of SFAS No. 34 "Financial Instruments: Recognition and Measurement," the Bank reclassified its debt instruments to available-for-sale financial assets from those classified as held at fair value through profit or loss at initial recognition.

2) Book value and fair value of financial assets which were reclassified:

For the year ended December 31, 2008		
	Book value	Fair value
Available-for-sale financial assets	\$ <u>362,922</u>	<u>367,914</u>

3) Reclassification of the movement of financial assets held at fair value through profit or loss or through stockholders' equity was as below:

Items which were classified as financial assets held for trading		
	Gains on financial assets held at fair value through profit or loss if not reclassified	The amount recognized in profit under reclassification
For the year ended December 31, 2008	\$ <u>5,826</u>	<u>2,182</u>

For the year ended December 31, 2008, gains on the Bank's financial assets prior to the reclassification of financial assets from the trading category amounted to \$10,918.

(27) Related-party transactions

1) Name and relationship of related party

Name	Relationship
Standard Chartered Bank Ltd. (SCB)	The Bank's parent company
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
Hsinchu Futures Co., Ltd. (Hsinchu Futures)	Investee under equity method (liquidated on May 29, 2008)
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 India (SCB India)	Affiliate
AMEX Bank Ltd. Singapore (AEB Singapore)	Affiliate
Standard Chartered Bank Shanghai (SCB Shanghai)	Affiliate
Standard Chartered Bank Malaysia (SCB Malaysia)	Affiliate
Scope International Private Ltd.	Affiliate
Others	Including directors, supervisors, managers and their families, spouses, etc.
Directors, Supervisor, President and Vice President	The main management of the Bank

2) Significant transactions with related parties

1. Deposits

As of December 31, 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	\$ 407,216	0.08	0.00~8.00
2007			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ 471,374	0.12	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 years ended December 31, 2008 and 2007, interest expenses on the above deposits were \$10,980 and \$6,369, respectively.

2. Loans

As of December 31, 2008, loans to related parties were as summarized below:

Unit: thousand dollars

2008							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-time	Overdue		
Employee credit loan	30	14,076	8,895	8,895	-	Unsecured lending	None
Mortgage	41	144,220	108,300	108,300	-	House	None
Others	1	4,155	2,567	2,567	-	Overdraft on the comprehensive deposits	None

As of December 31, 2007, there was no such transaction.

For the year ended December 31, 2008, interest income resulting from the above loans was \$3,244.

3. Deposits with affiliates

For the years ended December 31, 2008 and 2007, deposits with affiliates and related interest income were as follows:

	2008		
	Balance	Interest rate	Interest income
SCB New York	\$ 9,625,676	0~1.35	14,346
SCB HK	603,461	-	-
Others	<u>39,407</u>	-	<u>-</u>
	<u>\$ 10,268,544</u>		<u>14,346</u>

	2007		
	Balance	Interest rate	Interest income
SCB New York	\$ 31,241	3.78~3.87	14,569
SCB London	29,194	4.25~6.25	-
SCB Tokyo	29,555		-
SCB HK	44,993	-	-
Others	<u>7,021</u>	-	<u>-</u>
	<u>\$ 142,004</u>		<u>14,569</u>

4. Loans and advances to affiliates

For the years ended December 31, 2008 and 2007, loans and advances to affiliates and related interest income were as follows:

	2008		
	Balance	Interest rate	Interest income
SCB London	\$ 19,070,161	1.30~5.88	321,966
SCB Taipei	16,698,874	2.00~5.36	211,637
SCB Tokyo	10,692,651	0.50~4.64	51,349
Others	<u>3,223,228</u>	2.80~7.10	<u>310,540</u>
	<u>\$ 49,684,914</u>		<u>895,492</u>

	2007		
	Balance	Interest rate	Interest income
SCB London	\$ 6,445,426	0.46~8.45	23,299
SCB Tokyo	2,804,846	0.42	-
Others	<u>9,238</u>	-	<u>-</u>
	<u>\$ 9,259,510</u>		<u>23,299</u>

As of December 31, 2008 and 2007, the interest receivable resulting from the above loans and advances to affiliates was \$324,451 and \$24,663, respectively.

5. Deposits by affiliates and loans from affiliates

For the years ended December 31, 2008 and 2007, deposits by and loans from affiliates and related interest expense were as follows:

2008			
	Balance	Interest rate	Interest expense
SCB London	\$ 6,200,683	2.00~3.14	185,373
SCB Taipei	1,541,976	0.96	21,595
SCB Tokyo	1,410,292	0.20	135,932
SCB HK	4,922,968	4.50~4.80	101,882
Others	<u>137,747</u>	4.50~5.35	<u>4,744</u>
	<u>\$ 141,213,666</u>		<u>449,526</u>

2007			
	Balance	Interest rate	Interest expense
SCB Tokyo	\$ 5,487,121	0.75~5.15	6,950
SCB London	3,646,031	2.75~5.50	83,425
Others	<u>9,877</u>	-	<u>-</u>
	<u>\$ 9,143,029</u>		<u>90,375</u>

As of December 31, 2008 and 2007, the interest payable resulting from the above deposits by and loans from affiliates was \$103,133 and \$90,377, respectively.

6. Derivative transactions

As of December 31, 2008 and 2007, derivative 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 contract	2009.1.2~ 2009.11.12	\$ 13,639,397	259,994	Financial assets held at fair value through profit or loss	453,452
					Financial liabilities held at fair value through profit or loss	(193,458)
	Cross currency swap	2009.2.6~ 2012.9.28	69,202,260	(367,945)	Financial assets held at fair value through profit or loss	924,998
					Financial liabilities held at fair value through profit or loss	(1,292,943)
	Commodity swap	2009.1.8~ 2011.1.4	3,799,971	(187,182)	Financial assets held at fair value through profit or loss	162,289
					Financial liabilities held at fair value through profit or loss	(349,471)
	Interest rate derivatives	2009.1.26~ 2013.4.24	130,397,219	533,815	Financial assets held at fair value through profit or loss	4,292,124
					Financial liabilities held at fair value through profit or loss	(3,758,309)
	Interest rate swap	200.2.4~ 2013.8.13	\$ 169,927,560	(3,694,302)	Financial assets held at fair value through profit or loss	2,273,189
					Financial liabilities held at fair value through profit or loss	(5,967,491)
	Option contract	2009.1.1~ 2010.10.14	59,742,496	(1,620,839)	Financial assets held at fair value through profit or loss	108,489
					Financial liabilities held at fair value through profit or loss	(1,729,328)
SCB New York	Forward contract	2009.1.5	12,852	57	Financial assets held at fair value through profit or loss	57
SCB India	Interest rate swap	2009.6.8	229,739	2,995	Financial assets held at fair value through profit or loss	2,995
AEB Singapore	Cross currency swap	2009.8.19~ 2009.9.21	1,365,732	(136,107)	Financial liabilities held at fair value through profit or loss	(136,107)
SCB Singapore	Forward contract	2009.1.2~ 2009.9.9	27,567,227	(185,427)	Financial assets held at fair value through profit or loss	353,076
					Financial liabilities held at fair value through profit or loss	(538,503)

2007

Name	Contracts	Contract duration period	Notional	Unrealized effect in current period	Balance sheet	
					Account	Balance
SCB London	Option contract	2008.1.8~ 2008.2.4	\$ 16,611,649	(63,294)	Financial assets held at fair value through profit or loss	65,633
					Financial liabilities held at fair value through profit or loss	(128,928)
	Forward contract	2008.1.2~ 2012.4.26	359,654,710	(18,868,525)	Financial assets held at fair value through profit or loss	3,922,885
					Financial liabilities held at fair value through profit or loss	(22,791,410)
	Interest rate derivatives	2008.2.4	\$ 5,262,611	(12,008)	Financial liabilities held at fair value through profit or loss	(12,008)
SCB Tokyo	Forward contract	2008.1.4	1,889,657	31,913	Financial assets held at fair value through profit or loss	31,913
SCB Singapore	Forward contract	2008.1.2~ 2008.11.24	223,661,734	(505,724)	Financial assets held at fair value through profit or loss	722,022
					Financial liabilities held at fair value through profit or loss	(12,277,746)

7. As of December 31, 2008 and 2007, the fair values of financial debentures acquired from affiliates were as follows:

Name	Fair value	
	2008	2007
SCB HK	\$ 4,640,061	3,624,796

8. As of December 31, 2008 and 2007, financial debenture payables deriving from the issuance of financial debenture to affiliates were as follows:

Name	Bond (note)	2008	2007
SCB	95-1	\$ 4,800,000	4,800,000
SCB HK	97-1	4,922,968	-

(note) The issue conditions and details of financial debentures were as stated in note 17.

9. 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 December 31, 2008 and 2007, unrealized gains from affiliated-company transactions amounted to \$22,785 and \$22,890, respectively, recorded as other liabilities.

10. For the years ended December 31, 2008 and 2007, administration fees incurred with SCB amounted to \$429,601 and \$862,450, respectively. As of December 31, 2008 and 2007, administration fee payable to SCB amounted to \$1,919,127 and \$1,192,613, respectively, recorded as accounts payable.

11. For the years ended December 31, 2008 and 2007, the related cost of the Executive Share Option Scheme amounted to \$63,132 and \$23,053, respectively. As of December 31, 2008 and 2007, accounts payable to SCB for the share-based payment scheme costs amounted to \$172,813 and \$133,097, respectively, recorded under accounts payable.

12. For the year ended December 31, 2008, expenses resulting from operating activities with affiliates were as follows:

	2008
Personnel costs:	
SCB New York	\$ 10,557
SCB London	46,911
SCB HK	19,346
SCB Singapore	24,556
Others	3,649
	<u>\$ 105,019</u>
Information technology service fees:	
Scope International Private Ltd.	\$ 52,595
SCB London	17,801
SCB HK	5,482
SCB Singapore	4,505
Others	3,513
	<u>\$ 83,896</u>

13. For the year ended December 31, 2008, operating expenses paid in advance for Standard Chartered Life Insurance Agent Co., Ltd. were \$8,662, recorded as other receivables. As of December 31, 2008 and 2007, the deposits of Standard Chartered Life Insurance Agent Co., Ltd. were \$231,848 and \$116,635, respectively and the interest expenses were \$1,996 and \$2,510, respectively.

14. For the year ended December 31, 2008, operating expenses paid in advance for Standard Chartered Taiwan Insurance Agent Co., Ltd. were \$2,326, recorded as other receivables. As of December 31, 2008 and 2007, the deposits of Standard Chartered Taiwan Insurance Agent Co., Ltd. were \$33,445 and \$30,072, respectively, and the interest expenses were \$412 and \$448, respectively.

3) The salary and remuneration of the directors, supervisors, president, vice president and major management for the years ended December 31, 2008 and 2007, were as below:

	2008	2007
Salary	\$ 103,292	159,416
Remuneration	20,913	8,865

(28) Pledged Assets

Pledged assets	Pledged for	Amount	
		December 31, 2008	December 31, 2007
Bonds (recorded as available-for-sale financial assets as of December 31, 2008 and 2007)	Provisional seizure	\$ 410,600	650,300
	Securitization of mortgage loans	700,000	700,000
Total		<u>\$ 1,110,600</u>	<u>1,350,300</u>

Refundable security deposits regulated by relevant bank operation regulations:

Security deposits	Purpose	Amount	
		December 31, 2008	December 31, 2007
Bonds and certificates of deposit (recorded as available-for-sale financial assets as of December 31, 2008 and 2007)	Reserve for trust business	\$ 2,350,000	100,000
	Security deposits for bill trading operations	50,000	50,000
	Security deposits for futures trading	20,000	60,000
	Security deposits for security brokerage	250,000	200,000
	Security deposits for bond trading	-	10,000
		<u>2,670,000</u>	<u>420,000</u>
Certificates of deposit (recorded as refundable deposits as of December 31, 2008 and 2007)	Clearing account reserve	110,400	100,000
	Security deposits for bond proprietary trading	10,000	10,000
	Security deposits for bond underwriting	40,000	40,000
		<u>160,400</u>	<u>150,000</u>
Total		<u>\$ 2,830,400</u>	<u>570,000</u>

- 1) Reserves for trust business are provided by deposits that the Bank provided the Central Bank of China for its trust custodian business.
- 2) Assets pledged for provisional seizure are provided by collateral placed with the court in order to execute the Bank's right over debtors' properties.
- 3) Security deposits for bill trading are provided by deposits placed in the Central Bank of China for the Bank's bill trading business.
- 4) Security deposits for bond proprietary 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.
- 5) The cash deposited in the clearing account reserve was \$10,400 as of December 31, 2008.

(29) Commitments and Contingent Liabilities

1) 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 contract 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 had paid to the Bank a facilitation fee of US\$32,000 thousand. The amounts of NT\$106,344 and \$41,087 were recognized as fee income for the years ended December 31, 2008 and 2007, respectively, and the remaining amount was recorded as deferred revenue under other liabilities.

2) Significant purchase agreements

As of December 31, 2008 and 2007, the Bank had construction agreements for expansion and renovation of buildings amounting to \$645,747 and \$372,775, respectively. The unpaid amounts of those agreements were \$114,426 and \$10,200, respectively.

3) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2008, estimated minimum future lease payments were as follows:

Fiscal year	Amount
2009	\$ 416,669
2010	301,612
2011	229,388
2012	191,297
2013 and thereafter	250,427
	<u>\$ 1,389,393</u>

4) Others

	December 31, 2008	December 31, 2007
Consignment collection for others	\$ 15,335,087	21,151,123
Traveller's checks held on consignment for sale	93,975	54,785
Securities and goods in custody and other trust assets	549,414,298	1,017,286,438
Trust assets	<u>142,051,356</u>	<u>177,086,365</u>
	<u>\$ 706,894,716</u>	<u>1,215,578,711</u>
Unused lines of credit	\$ 17,476,852	37,946,637
Other guarantees	\$ 11,020,475	17,233,334
Letters of credit issued	\$ 2,185,399	6,968,464
Securities sold under repurchase agreements	\$ 1,499,177	2,528,902
Securities purchased under reverse repurchase agreements	\$ -	98,777

5) As of and for the years ended December 31, 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 December 31, 2008

Trust assets		Trust liabilities	
Bank deposit	\$ 41,157	Accounts payable	\$ 21
Short-term investments	136,367,411	Taxes payable	13
Accounts receivable	131	Payables for securities	5,642,657
		under custody	
Securities under custody	<u>5,642,657</u>	Trust capital	<u>136,408,665</u>
Total trust assets	<u>\$ 142,051,356</u>	Total trust liabilities	<u>\$ 142,051,356</u>

Trust Balance Sheet December 31, 2007

Trust assets		Trust liabilities	
Bank deposits	\$ 54,000	Trust capital	\$ 177,086,365
Short-term investments	<u>177,032,365</u>		
Total trust assets	<u>\$ 177,086,365</u>	Total trust liabilities	<u>\$ 177,086,365</u>

Trust Income Statement

	2008	2007
Trust revenue:		
Interest revenue	\$ 288	196
Common stock cash dividends	23,907	12,306
Realized gain on investments	275	18,085
Unrealized gain on investments	-	44,887
Other income	<u>267</u>	<u>-</u>
	<u>24,737</u>	<u>75,474</u>
Trust expenses:		
Management expenses	318	301
Service charges	124	562
Construction expenses	-	228,250
Realized investment loss	7,840	574
Unrealized investment loss	275,815	34,470
Exchange loss	<u>-</u>	<u>214</u>
	<u>284,097</u>	<u>264,371</u>
Net loss before income tax	(259,360)	(188,897)
Income tax expense	<u>9</u>	<u>8</u>
Net loss after income tax	<u>\$ (259,369)</u>	<u>(188,905)</u>

Schedule of investment for trust business
December 31, 2008

Investment items	Amount
Bank deposits	\$ 41,157
Short-term investments:	
Bonds	51,836,127
Common shares	2,931,874
Funds	81,599,410
Accounts receivable	131
Securities under custody	5,642,657
	<u>\$ 142,051,356</u>

Schedule of investment for trust business
December 31, 2007

Investment items	Amount
Bank deposits	\$ 54,000
Short-term investments:	
Bonds	68,026,834
Common shares	2,220,729
Funds	106,784,802
	<u>\$ 177,086,365</u>

Foreign currency pecuniary trust business engaged in by the Offshore Banking Unit (OBU) as of December 31, 2008 and 2007, was included in the trust balance sheet and schedule of investment for trust business.

(30) Significant Disaster Loss: none.

(31) Subsequent Events: none.

(32) Others

1) Summary of personnel costs and depreciation and amortization expenses

A summary of personnel costs and depreciation and amortization expenses for the years ended December 31, 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	-	4,993,823	4,993,823	-	4,239,756	4,239,756
Labor and health insurance	-	306,489	306,489	-	207,707	207,707
Pension	-	455,145	455,145	-	272,938	272,938
Other	-	299,870	299,870	-	344,651	344,651
Depreciation	-	680,810	680,810	-	612,023	612,023
Amortization	-	90,040	90,040	-	16,663	16,663

2) Reclassification

For the year ended December 31, 2007, certain amounts have been reclassified and presented to conform to the financial statements for the year ended December 31, 2008. The financial statements are not significantly affected by such reclassifications.

3) Details of the Bank's acquisition of Asia Trust Investment Co., Ltd. were as follows:

1. Brief introduction for transferee:

Asia Trust Investment Co., Ltd. (ATIC) was established in June 1972. The key businesses were trust, investment and loans. Due to significant losses, the stockholders' equity of ATIC became negative, and on January 31, 2008, the Taiwan Government's Central Deposit Insurance Corporation (CDIC) took over ATIC.

2. Purpose of the transfer of assets and liabilities, and regulatory basis:

- (1) Purpose: Through an additional seven branches, the Bank can successfully expand its scale. The acquisition also can provide customers more diversified wealth management services and increase the Bank's long-term profitability.
- (2) Regulatory basis: In accordance with the Article No. 58 of the Banking Act and Article 5, 16 and 18 of the Financial Institutions Merger Act.

3. Effective date of the transfer: December 27, 2008.

4. Type, quantity, and amount of marketable securities issued for the transfer: None.

5. Accounting treatment for assets acquired and liabilities assumed:

- (1) The Bank assumed ATIC's operation and a specific portion of assets/liabilities. The difference between the fair values of the specific portion of assets/liabilities and the payment from the Resolution Trust Corporation (RTC) was recognized as goodwill.

(2) Relevant accounts and amounts of assets and liabilities assumed through the transfer:

	Amount
Assumption of assets	\$ 9,046,528
Assumption of liabilities	15,778,911
Net assumption of liabilities	(6,732,383)
Addition: amount received from the RTC	3,348,000
	<u>\$ (3,384,383)</u>

The Bank received a payment of \$3,348,000 from RTC on December 29, 2008. Additional payment from or to RTC will depend on the pricing adjustment per the General Assignment and Assumption Agreement signed between the Bank and CDIC. Assumption of assets consisted of cash and cash equivalents of \$1,616,994.

6. Pro forma financial information on operating performance, was as below:

	2008	2007
Net interest income	\$ 9,790,203	8,861,797
Net non-interest income	8,379,435	8,154,618
Bad debt and operation expenses	(19,499,329)	(18,240,726)
Loss before tax	\$ (1,329,691)	(1,224,311)
Net loss	\$ (997,268)	(617,679)
EPS (unit: dollar)	\$ (0.46)	(0.32)

4) Details of the Bank's amalgamation with American Express Bank, Taipei Branch were as follows:

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. 09740003110, the assets, liabilities, and operations of American Express Bank, Taipei Branch (AEB) were transferred to the Bank on August 1, 2008. The Bank paid cash consideration to complete the transaction. After the completion of the amalgamation, the Bank and AEB 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.

5) Net cash equivalents provided by assumption of business from American Express Bank, Taipei branch on August 1, 2008, were as listed below:

	August 1, 2008
Assets	\$ (4,180,126)
Liabilities	3,731,654
Net cash outflow provided by the assumption of business	<u>\$ (448,472)</u>

6) Net cash equivalents provided by assumption of business 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 assumption of business	\$ 1,006,506

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

1. Major foreign currency positions

December 31, 2008			December 31, 2007		
Currency	Original currency	NTD equivalent	Currency	Original currency	NTD equivalent
USD	\$ 1,255,231	41,196,406	USD	759,398	24,636,855
EUR	164,957	7,633,310	EUR	201,529	9,619,025
AUD	287,218	6,537,707	RMB	851,002	3,778,211
RMB	(1,028,136)	(4,955,634)	HKD	134,900	561,015
JPY	(8,125,905)	(2,954,701)	SGD	5,704	128,710

2. Profitability

Items		2008	2007
Return on assets (note 1)	Before income tax	(0.17)	(0.24)
	After income tax	0.01	(0.11)
Return on net equity (note 2)	Before income tax	(3.28)	(5.71)
	After income tax	0.06	(2.57)
Net profit ratio (note 3)		0.10	(2.93)

Unit: %

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

8) Capital adequacy

Capital adequacy ratios of the Bank are disclosed below:

Period-end			December 31, 2008	December 31, 2007
Item				
Self-owned capital	Tier 1 Capital		21,350,545	19,530,549
	Tier 2 Capital		19,380,984	13,571,961
	Tier 3 Capital		-	-
	Capital		40,731,529	33,102,510
Risk-weighted assets	Credit risk	Standardized approach	331,477,325	314,828,550
		Internal-rating-based approach	-	-
		Secularizations	-	-
	Operational risk	Basic indicator approach	35,774,925	33,091,135
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	37,278,206	33,635,550
		Internal model approach	-	-
Risk-weighted assets		404,530,456	381,555,235	
Capital adequacy ratio			10.07%	8.68%
Tier 1 capital / risk-weighted assets			5.28%	5.12%
Tier 2 capital / risk-weighted assets			4.79%	3.56%
Tier 3 capital / risk-weighted assets			-%	-%
Common stock / total assets			3.91%	4.49%

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

Item			Period-end	December 31, 2008	December 31, 2007 (note 1)
Self-owned capital	Tier 1 Capital			21,487,379	19,791,914
	Tier 2 Capital			19,517,818	13,799,619
	Tier 3 Capital			-	-
	Capital			41,005,197	33,591,533
Risk-weighted assets	Credit risk	Standardized approach		331,728,749	314,924,477
		Internal-rating-based approach		-	-
		Secularizations		-	-
	Operational risk	Basic indicator approach		35,790,853	33,275,474
		Standardized approach / alternative approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		37,278,206	33,673,677
		Internal model approach		-	-
	Risk-weighted assets			404,797,807	381,873,628
Capital adequacy ratio				10.13%	8.80%
Tier 1 capital / risk-weighted assets				5.31%	5.18%
Tier 2 capital / risk-weighted assets				4.82%	3.61%
Tier 3 capital / risk-weighted assets				-%	-%
Common stock / total assets				3.91%	4.49%

(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.

(33) Other Disclosure Items

1) Related information on material transaction items:

- 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.
- 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.
- 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.

4. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.
5. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
6. Information regarding selling non-performing loans: none.
7. Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: none.
8. Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: none.

2) Information on long-term equity investments:

1. Information on investees' name, location, etc.:

Name of investee	Investee's 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	- %	-	-	-	-	-	- %	(Note1)
Standard Chartered Life Insurance Agent Co., Ltd.	No. 85, Chung-Zeng Road, Hsin-Chu, Taiwan	Life insurance agent	100.00%	246,312	182,724	300	-	300	100.00%	-
Standard Chartered Taiwan Insurance Agent Co., Ltd.	No. 85, Chung-Zeng Road, Hsin-Chu, Taiwan	Property insurance agent	100.00%	27,355	19,558	300	-	300	100.00%	-
Paradigm Assets Management Co., Ltd.	19F., No. 123, Sec. 2, Chung-Hsiao East, Road Taipei, Taiwan	Securities investment trust	20.00%	-	-	6,030	-	6,030	20.00%	-
Fubon Securities Co., Ltd.	6F., No.258, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 10687, Taiwan	Financial securities services	0.99%	38,065	-	3,943	-	3,943	0.99%	-
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan	Small and medium enterprises improvement services	4.84%	29,000	-	3,417	-	3,417	4.84%	-
Financial Information Service Co.,Ltd	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan	Information technolgy services	1.14%	45,500	-	4,550	-	4,550	1.14%	-

(Continued)

Name of investee	Investee's 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	
Taipei Forex Inc.	8F., No.400, Sec. 2, Bade Rd., Songshan District, Taipei City 10556, Taiwan	Foreign exchange and foreign currency lending services	3.03%	6,000	-	600	-	600	3.03%	-
TSC Bio Venture Management, Inc.	11F.-1, No.176, Sec. 1, Keelung Rd., Sinyi District, Taipei City 11070, Taiwan	Venture capital services	5.00%	20,250	-	2,025	-	2,025	5.00%	-
Li Yu Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 10489, Taiwan	Venture capital services	4.76%	12,157	-	1,216	-	1,216	4.76%	-
Windance Co., Ltd	No.243-1, Jhongyang Rd., North District, Hsinchu City 30041, Taiwan	Residential and commercial lease/sale services	2.73%	188,500	-	18,850	-	18,850	2.73%	-
Taiwan Asset Service Corporation	6F., No.99, Sec. 2, Ren-ai Rd., Jhongjheng District, Taipei City 10062, Taiwan	Asset auction notarization	2.94%	50,000	-	5,000	-	5,000	2.94%	-
Yang Guang Asset Management Company	15F., No.218, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 10669, Taiwan	NPL acquisition services	1.42%	849	-	85	-	85	1.42%	-
Wan Chi Co., Ltd	9F., No.333, Fushing N. Rd., Songshan District, Taipei City 10544, Taiwan	Information technology services	3.35%	2,468	-	197	-	197	3.35%	-
Taiwan Depository and Clearing Corporation	11F., No.363, Fushing N. Rd., Songshan District, Taipei City 10542, Taiwan	Securities custodian	0.17%	9,277	-	495	-	495	0.17%	-
Taiwan Cooperative Bills Finance Corporation	14F., No. 85, Sec 2, Nan Jing Dong Rd., Zhongshan District, Taipei City, Taiwan	Financial securities services	12.74%	94,546	-	13,346	-	13,346	12.74%	-

(note 1) Hsinchu Futures Co., Ltd. was liquidated on May 29, 2008.

2. Lending to other parties: none.
3. Guarantees and endorsements for other parties: none.
4. Information regarding securities held as of December 31, 2008: none.
5. 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.
6. 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.
7. 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.
8. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.
9. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
10. Information regarding trading in derivative financial instruments: none.
11. Information regarding selling non-performing loans: none.
12. Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: none.
13. Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: none.

(34) Business Segment Financial Information:

1) Divisional financial information

The Bank engages in the financial sector, specializing in the accepting deposits and lending businesses. The Bank has established a trust department; however the revenue generated by this department does not represent 10% or more of the Bank's total consolidated revenue. Therefore, no financial information is required to be disclosed.

2) Geographical financial information

The Bank established the Offshore Banking Unit (OBU) in January 1995, and no other foreign operating unit has been set up. Therefore, no geographical financial information is required to be disclosed.

3) Foreign exchange information

The foreign exchange revenue generated by the Bank's domestic and offshore banking unit from foreign customers does not represent 10% or more of the Bank's total consolidated revenue.

4) Important customer information

The Bank does not have customers who represent 10% or more of the Bank's total consolidated revenue.

Independent Auditors' Report

The Board of Directors

Standard Chartered Bank (Taiwan) Limited :

We have audited the accompanying consolidated balance sheets of Standard Chartered Bank (Taiwan) Limited (formerly Hsinchu International Bank Co., Ltd.) and its subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2008 and 2007. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated 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 and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Standard Chartered Bank (Taiwan) Limited and its subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, 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.



February 27, 2009

Standard Chartered Bank (Taiwan) Limited Consolidated Balance Sheets

December 31, 2008 and 2007

(Expressed in thousands of New Taiwan dollars, except for par value)

	2008	2007	Change %
Assets			
Cash and cash equivalents	\$ 15,670,941	7,286,604	115
Balance at Central Bank and loans and advances to banks	98,808,646	40,395,985	145
Financial assets held at fair value through profit or loss	39,376,833	25,466,317	55
Bills and bonds purchased under reverse repurchase agreements	1,179,467	-	-
Accounts receivable, net	27,326,411	23,397,469	17
Assets held for sale	1,794,670	-	-
Loans and advances to customers, net	310,526,139	290,276,544	7
Available-for-sale financial assets	121,529,284	78,376,287	55
Other financial assets, net	322,545	260,223	24
Property and equipment, net	8,008,873	7,465,249	7
Intangible assets	3,784,699	542,597	598
Other assets, net	7,919,997	6,747,166	17
Total Assets	\$ 636,248,505	480,214,441	32

(Expressed in thousands of New Taiwan dollars, except for par value)

	2008	2007	Change %
Liabilities and Stockholders' Equity			
Deposits by Central Bank and other banks	\$ 21,038,002	26,102,625	(19)
Financial liabilities held at fair value through profit or loss	31,219,336	20,331,565	54
Bills and bonds sold under repurchase agreements	412,853	1,145,992	(64)
Notes and accounts payable	14,769,203	10,415,715	42
Deposits and remittances	513,773,977	380,571,379	35
Financial debentures	19,725,868	14,811,900	33
Other liabilities	<u>3,710,266</u>	<u>2,987,808</u>	24
Total liabilities	<u>604,649,505</u>	<u>456,366,984</u>	32
Stockholders' Equity			
Capital:			
Common stock, par value \$10, authorized 2,500,000 thousand shares and issued 2,485,572 thousand shares and 2,157,572 thousand shares on December 31, 2008 and 2007, respectively	<u>24,855,720</u>	<u>21,575,720</u>	15
Capital surplus	<u>6,183,410</u>	<u>5,049,515</u>	22
Retained earnings:			
Special reserve	-	332	-
Accumulated earnings (deficits)	17,915	(2,145,681)	101
	17,915	(2,145,349)	101
Other adjustments to stockholders' equity:			
Revaluation increments on property and equipment	381,303	381,303	-
Unrealized gain (loss) on available-for-sale financial assets	352,768	(888,436)	140
Net loss from unrecognized pension cost	<u>(192,116)</u>	<u>(159,003)</u>	(21)
	<u>541,955</u>	<u>(666,136)</u>	181
Minority interests	-	33,707	-
Total stockholders' equity	31,599,000	23,847,457	33
Commitments and contingent liabilities			
Total Liabilities and Stockholders' Equity	<u>\$ 636,248,505</u>	<u>480,214,441</u>	32

Standard Chartered Bank (Taiwan) Limited and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2008	2007	Change%
Interest income	\$ 17,769,177	16,068,937	11
Less: Interest expense	<u>7,453,176</u>	<u>7,012,760</u>	6
Net interest income	10,316,001	9,056,177	14
Other operating incomes:			
Fees and commission income, net	4,518,302	5,540,425	(18)
Gain on financial instruments held at fair value through profit or loss	594,578	136,585	335
Realized (loss) gain on available-for-sale financial assets	(61,647)	170,552	(136)
Foreign exchange gain, net	919,894	608,791	51
Impairment loss on assets, net	(14,469)	(324,441)	96
Other non-interest income, net	<u>2,216,749</u>	<u>1,971,838</u>	12
Operating income	<u>18,489,408</u>	<u>17,159,927</u>	8
Bad debt expenses	<u>7,711,246</u>	<u>8,003,862</u>	(4)
Operating expenses:			
Personnel costs	6,055,529	5,088,797	19
Depreciation and amortization expenses	771,852	634,648	22
General and administrative expenses	<u>4,835,677</u>	<u>4,490,493</u>	8
	<u>11,663,058</u>	<u>10,213,938</u>	14
Loss from continuing operations before income tax	(884,896)	(1,057,873)	16
Income tax benefit	<u>(902,811)</u>	<u>(559,358)</u>	(61)
Consolidated net income (loss)	<u>\$ 17,915</u>	<u>(498,515)</u>	104
Attributable to:			
Parent company	\$ 17,915	(498,357)	(104)
Minority interest	<u>-</u>	<u>(158)</u>	-
	<u>\$ 17,915</u>	<u>(498,515)</u>	<u>(104)</u>

continued

	Before tax	After tax	Before tax	After tax
Basic earnings (deficits) per share (note 24)	\$ <u>(0.44)</u>	<u>0.01</u>	<u>(0.58)</u>	<u>(0.26)</u>

Standard Chartered Bank (Taiwan) Limited and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings			Other adjustments				Total
			Legal reserve	Special reserve	Accumulated earnings (deficits)	Revaluation increments on property and equipment	Unrealized gain (loss) on available-for-sale financial assets	Net loss from unrecognized pension cost	Minority interests	
Balance as of January 1, 2007	\$ 16,545,167	225,000	3,228,441	332	(5,099,895)	381,303	(383,517)	-	33,865	14,930,696
Capital increments for the transfer of operations	100,000	118,556	-	-	-	-	-	-	-	218,556
Capital increments from cash	4,930,553	4,930,553								9,861,106
Capital surplus and legal reserve for offsetting against accumulated deficits	-	(224,130)	(3,228,441)	-	3,452,571	-	-	-	-	-
Capital surplus recognized as income	-	(464)	-	-	-	-	-	-	-	(464)
Net loss for the year ended December 31, 2007					(498,357)				(158)	(498,515)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(504,919)	-	-	(504,919)
Net loss from unrecognized pension costs	-	-	-	-	-	-	-	(159,003)	-	(159,003)
Balance as of December 31, 2007	21,575,720	5,049,515	-	332	(2,145,681)	381,303	(888,436)	(159,003)	33,707	23,847,457
Capital surplus and special reserve for offsetting against accumulated deficits	-	(2,145,349)	-	(332)	2,145,681	-	-	-	-	-
Capital increments from cash	3,280,000	3,279,244	-	-	-	-	-	-	-	6,559,244
Net income for the year ended December 31, 2008	-	-	-	-	17,915	-	-	-	-	17,915
Decrease in minority interests	-	-	-	-	-	-	-	-	(33,707)	(33,707)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	1,241,204	-	-	1,241,204
Net loss from unrecognized pension costs	-	-	-	-	-	-	-	(33,113)	-	(33,113)
Balance as of December 31, 2008	\$ 24,855,720	6,183,410	-	-	17,915	381,303	352,768	(192,116)	-	31,599,000

Standard Chartered Bank (Taiwan) Limited and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars)

	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$17,915	(498,515)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Bad debt expenses	7,711,246	8,003,862
Reverses	44,668	13,150
Depreciation expenses	681,225	617,985
Amortization expenses	90,627	16,663
Realized gain (loss) on available-for-sale financial assets	61,647	(170,552)
Gain on disposal of investment	(34,490)	-
Fixed assets recognized as expenses	13,163	108,256
Loss (gain) on disposal of property and equipment, net	30,748	(18,190)
Impairment losses	14,469	324,441
Capital surplus recognized as income	-	(464)
(Increase) decrease in balance at Central Bank and loans and advances to banks	(58,338,531)	29,179,987
(Increase) decrease in financial assets held at fair value through profit or loss	(13,107,011)	21,281,251
(Increase) decrease in accounts receivable	(3,790,746)	7,852,346
(Increase) decrease in loans and advances to customers	(21,387,971)	17,610,636
Decrease in other financial assets	32,906	887,247
Increase in deferred income tax assets	(1,254,111)	(780,244)
Decrease in deposits by Central Bank and other banks	(5,845,402)	(23,543,543)
Increase in financial liabilities held at fair value through profit or loss	10,020,939	787,861
Increase (decrease) in deposits and remittances	116,314,796	(42,692,514)
Increase (decrease) in notes and accounts payable	3,756,066	(302,853)
Net cash provided by operating activities	35,032,153	18,676,810
Cash flows from investing activities:		
(Increase) decrease in bills and bonds purchased under reverse repurchase agreements	(1,179,467)	687,487

(continued)

(expressed in thousands of New Taiwan dollars)

Proceeds from disposal of assets held for sale	26,945	-
Acquisition of available-for-sale financial assets	(181,374,089)	(131,953,633)
Proceeds from disposal of available-for-sale financial assets	142,357,637	125,839,996
Return of investments in financial assets carried at cost as a result of capital reduction	2,857	5,428
Proceeds from disposal of financial assets carried at cost	44,740	-
Acquisition of property and equipment and foreclosed assets	(1,143,889)	(779,845)
Proceeds from disposal of property and equipment and foreclosed assets	534,713	221,836
Increase in other assets	(1,363,774)	(300,109)
Net cash provided by business assumption	<u>4,516,522</u>	<u>1,006,506</u>
Net cash used in investing activities	<u>(37,577,805)</u>	<u>(5,272,334)</u>
Cash flows from financing activities:		
Decrease in bills and bonds sold under repurchase agreements	(733,139)	(17,111,556)
Increase (decrease) in financial debentures	4,913,968	(7,988,100)
Increase in other liabilities	223,623	827,165
Capital increments from cash	6,559,244	9,861,106
Decrease in minority interest	<u>(33,707)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>10,929,989</u>	<u>(14,411,385)</u>
Net increase (decrease) in cash and cash equivalents	8,384,337	(1,006,909)
Cash and cash equivalents at beginning of period	<u>7,286,604</u>	<u>8,293,513</u>
Cash and cash equivalents at end of period	<u>\$ 15,670,941</u>	<u>7,286,604</u>
Supplemental disclosure of cash flow information:		
Cash payments of interest	<u>\$ 10,515,035</u>	<u>7,222,060</u>
Cash payments of income tax	<u>\$ 23,311,021</u>	<u>224,130</u>
Investing activities not affecting cash flows:		
Unrealized gain (loss) on available-for-sale financial assets	<u>\$ 1,241,204</u>	<u>(504,919)</u>
Deficit offset by capital surplus	<u>\$ 2,145,349</u>	<u>224,130</u>



VI. Any Financial Crunch Confronted by the Bank and Its Affiliates and the Related Impacts : [None]

VII. Review and Analysis of Financial Conditions, Operating Results and Risk Management



I. Analysis of Financial Conditions

Unit: NTD'000

Item	Year	2008	2007	Variance	
				Amount	%
Cash & cash equivalent, Due from Central Bank and Inter-bank Placement		114,479,587	47,677,767	66,801,820	140
Financial assets at fair value through profit or loss		39,376,833	25,466,317	13,910,516	55
Bills and bonds purchased under reverse repurchase agreements		1,179,467	0	1,179,467	100
Available-for-sale financial assets		121,529,284	78,376,287	43,152,997	55
Loans and advances to customers		310,526,139	290,276,544	20,249,595	7
Receivables, net		27,316,215	23,395,936	3,920,279	17
Assets held for sale		1,794,670	0	1,794,670	100
Equity investment under equity method		273,667	455,318	(181,651)	(40)
Fixed assets, net		7,988,005	7,407,436	580,569	8
Intangible assets, net		3,784,134	541,430	3,242,704	599
Other financial assets, net		322,545	229,722	92,823	40
Other assets, net		7,914,665	6,736,876	1,177,789	17
Total assets		636,485,211	480,563,633	155,921,578	32
Due to Central Bank and other banks		21,038,002	26,102,625	(5,064,623)	(19)
Deposits and remittances		514,039,270	380,960,938	133,078,332	35
Financial liabilities at fair value through profit or loss		31,219,336	20,331,565	10,887,771	54
Bills and bonds sold under repurchase agreements		412,853	1,145,992	(733,139)	(64)
Notes and accounts payable		14,718,134	10,409,517	4,308,617	41
Financial debentures		19,725,868	14,811,900	4,913,968	33
Other liabilities		3,732,748	2,987,346	745,402	25
Total liabilities	Before distribution	604,886,211	456,749,883	148,136,328	32
	After distribution	604,886,211	456,749,883	148,136,328	32
Common stock		24,855,720	21,575,720	3,280,000	15
Capital surplus		6,183,410	5,049,515	1,133,895	22
Retained earnings	Before distribution	17,915	(2,145,349)	2,163,264	(101)
	After distribution	17,915	(2,145,349)	2,163,264	(101)
Unrealized gain or loss on financial instruments		352,768	(888,436)	1,241,204	(140)
Other shareholders' equity		189,187	222,300	(33,113)	(15)
Total Shareholders' Equity	Before distribution	31,599,000	23,813,750	7,785,250	33
	After distribution	31,599,000	23,813,750	7,785,250	33

II. Analysis of Operating Results

Unit: NTD'000

Item \ Year	2008	2007	Variance	
			Amount	%
Interest Income, net	10,313,594	9,049,982	1,263,612	14
Non-interest income, net	8,096,615	8,011,645	84,970	1
Provision for loan loss	7,711,246	8,003,862	(292,616)	(4)
Operating expense	11,651,107	10,162,754	3,291,965	15
Income (loss) from continuing operations before tax	(952,144)	(1,104,989)	152,845	14
Income (loss) from continuing operations after tax	17,915	(498,357)	516,272	104
Income (Loss) from discontinued operations (Net of tax)	0	0	0	0
Income (loss) from Extraordinary items (Net of tax)	0	0	0	0
Cumulative effect of changes in accounting principles (Net of tax)	0	0	0	0
Net income (loss)	17,915	(498,357)	516,272	104
EPS	0.01	(0.26)	0.27	104

III. Cash Flows

(I) Liquidity Analysis for the Past Two Year :

Item \ Year	2008	2007	Increase (Decrease)%
Cash flow ratio (%)	51.37	30.91	20.46
Cash flow adequacy ratio, net (%)	867.32	305.40	561.92
Ratio of cash flow from operations to cash flow from investments (%)	(93.02)	(396.97)	303.95

(II) Liquidity Analysis for the Next Year

Unit: NTD'000

Cash Balance at the Start of the Period (1)	Net Operating Cash Flow for the Whole Year (2)	Cash Outflow for the Whole Year (3)	Cash Surplus (Deficit) (1) + (2) - (3)	Measures to Finance Cash Deficiency	
				Investment Plan	Financing Plan
15,670,947	17,269,885	3,401,548	29,539,284	None	None

Unit : NTD'000

IV. Impact on the Bank's Financial Structure and Business from Substantial Capital Expenditure in the Last Few Years

(I) Major Capital Expenditures in Recent Years

Project	Actual or Expected	Actual or Expected	Total Capital Required	Actual or Expected Capital Utilization			
	Funding Sources	Completion Date		2005	2006	2007	2008
Remodeling of Luchou Branch	Self-owned capital	2005	13,120		13,120		
Remodeling of Flagship Branches	Self-owned capital	2006	100,000	16,000	84,000		
IT Equipment Procurement	Self-owned capital	2006	33,225	14,975	18,250		
Branch Remodeling	Self-owned capital	2008	632,528			277,632	354,896
ATM Procurement	Self-owned capital	2008	9,484			9,484	

(II) Expected Benefits from Capital Expenditures:

In 2008, the Bank undertook its branch remodeling in accordance with Standard Chartered Group's "Criteria for Premises Refurbishment" and for purposes of optimizing space utilization, increasing productivity and enhancing brand awareness with consistent image to the public. It is expected the newly refurbished branches will further strengthen our brand image and increase competitiveness.

V. Reinvestment Policy for 2008, Main Reasons for Investment Gain or Loss, and the Improvement and Investment Plan for the Next Year

The primary objective of the Bank's investment plans is to facilitate the operational benefits of a financial institution and strengthen cross-sector management. As of 2008, net realized gain from investee companies totaled NTD325million, which was primarily contributed by the Standard Chartered Life Insurance Agency Co., Ltd., the closure of Hsinchu Futures Co., Ltd. and disposal of stocks of Taiwan Futures Exchange.



REVIEW AND ANALYSIS OF FINANCIAL CONDITIONS, OPERATING RESULTS AND RISK MANAGEMENT

VI. Risk Management

(I) Qualitative and Quantitative Information of All Risks

1. Credit Risk Management Structure and Capital Requirement

(1) Credit Risk Management Structure

Description / Disclosure

1. Credit risk strategy, goal, policy and procedure

Goals and Strategies

Through its risk management structure the Bank seeks to manage efficiently the core risks which arise directly through the Bank's commercial activities, including credit risk, market risk and liquidity risk, as well as the other risks which are consequences of business undertaking (i.e. compliance and regulatory risk, operational risk and reputational risks).

The high-level goals of risk management for the Bank include:

- **Balancing risk and reward:** risk is taken in support of the requirements of the Bank's stakeholders. Risk should be taken in support of the Bank strategy and within its risk appetite.
- **Responsibility:** it is the responsibility of all employees to ensure that risk taking is both disciplined and focused. The Bank takes account of its social, environmental and ethical responsibilities in taking risk to produce a return.
- **Accountability:** risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk taking must be transparent, controlled and reported.
- **Anticipation:** the Bank looks to anticipate future risks and to maximize awareness of all risk.
- **Competitive advantage:** the Bank seeks competitive advantage through efficient and effective risk management and control.

To achieve the targets, the Bank uses a set of risk principles which comprise a set of statements of intent that describe the risk culture that the Bank wishes to sustain. All risk decisions and risk management activity should be in line with, and in the spirit of, the overall risk principles of the Bank.

The bank has designed a governance process based on the risk principles to ensure:

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

Policy and Procedures

Credit risk is the risk that a borrower or counterparty will fail to meet its obligations. Credit exposures include both individual borrowers and groups of connected counterparties, and portfolios in the banking and trading books.

The Risk Committee has clear responsibility for credit risk. At minimum policies must be approved by the Risk Committee, which oversees the delegation of credit authorities. Procedures for managing credit risk are determined at the business levels, with specific policies and procedures being adapted to different risk environment and business goals.

To ensure the appropriate management of credit risk, the Bank have implemented a credit policy to provide the guidelines for all functional units involved in credit origination, approval and post-approval activities. The credit policy not only serves as a basis for credit risk related policies and procedures, it is also aligned with our business strategy to target a diversified portfolio.

All business units adhere to well-defined credit acceptance criteria covering various customer segments, industries, and products. These criteria are established within approved policies, product programs and underwriting standards. The key credit policies are as follows:

- Not entering into risks that the Bank cannot administer, book, monitor or value.
- Not entering into risks which are prohibited by bank policy, bank regulations or government legislation.
- Not committing the Bank to unapproved credit, unapproved products or other risks.
- Not dealing with persons or businesses with questionable integrity.
- Not subjecting the Bank to inappropriate reputation, social, ethical and/or environmental risk.
- Not subjecting the Bank to risks where the purpose for which the facilities are to be used is uncertain, or where the customer cannot provide transparency in respect of the use of funds.

Credit risk management procedures have been built up to ensure all relevant risks are identified, measured, monitored and controlled for all processes including deal structuring, sell-downs, pricing, credit assessment, documentation, monitoring and control, credit approval and accountability.

2. Credit risk management organization and structure

Within governance structure, Credit Risk Officers are located in the WB and CB businesses for the efficiency of decision making, but have a separate and independent report line to the Chief Risk Officer. The businesses working with the Risk Officer take responsibility for managing pricing for risk, portfolio diversification and overall asset quality within the requirements of the Bank's policies and business strategy. In addition, the Finance and Legal functions play important roles in maintaining sound checks and balances.

Internal Audit is a separate function that reports to the Board and will provide independent confirmation that Bank and business standards, policies and procedures are being complied with. Where necessary, corrective action is recommended.

Ultimate responsibility for the effective management of risk rests with the Bank's Board. The Risk Committee, through authority delegated by the Board via the Executive Committee, will supervise and direct the management of credit risk, market risk,

operational risk, compliance and regulatory risk, legal risk and reputational risk. The Executive Committee members and the Chief Risk Officer, together with Internal Auditors, provide assurance, independent from the businesses, that risk is being measured and managed in accordance with the Bank's standards and policies.

The Risk Committee is responsible for agreeing standards for risk measurement and management, and also delegating authorities and responsibilities to sub-committees and to Risk Officers. To appropriately manage credit risk, the Bank has established various credit risk related committees which report at minimum quarterly to the Risk Committee, which reports directly to the Executive Committee and the Board. WB/CB Risk Heads shall report to the Risk Committee at minimum quarterly to the Risk Committee as well.

The terms of reference for the sub-committees are as follows:

- Risk Committee: Primary risk management committee within the businesses of Wholesale and Consumer Banking. Defines the risk appetite and establishes risk management standards and operating principles.
- Portfolio Review Committee: Review current business portfolio (e.g. for concentration risks) to earnings from portfolio meets expectations.
- Group Special Assets Management Committee: Reviews strategies and actions on problem accounts within the WB and SME portfolios.
- Early Alert Committee: Monitors portfolio credit quality and reviews accounts exhibiting weaknesses.
- Excess Approval Committee: Primary committee to approve excesses, including product programs, over limits of authority.

While credit risk is managed locally, there is also strong support from the Standard Chartered Bank's (SCB) regional and group business and credit risk management functions based outside of Taiwan. For a detail of the SCB Group structure, please refer to the 2008 SCB Group Annual Report.

3. The scope and characteristics of credit risk report and evaluation system

Our credit risk management is aligned with business segmentation of our portfolio. The Wholesale Banking credit risk management methodology applies to portfolios classified as financial institutions, global corporates, local corporates, middle market clients, as well as medium enterprises. The Consumer Banking credit risk management methodology applies to portfolios classified as credit cards, personal loans, mortgages, deposit taking and wealth management services to individuals and small business enterprises.

Wholesale Banking

SCB Group has developed and used model-based estimates for over ten years. These models are also used by the Bank. This numerical grading system is used for quantifying the risk associated with a counterparty, which is based on a probability of default ("PD") measures. Customers are analyzed against a range of quantitative and qualitative measures – the risk evaluations are embedded in business processes, to varying degrees, in credit approval, limit setting, risk-based pricing, etc.

The credit rating models that are currently implemented are Basel II IRB compliant and developed based on at least 5 years internal default data for PD models and at least 7 years historical data for loss given default ("LGD") and exposure at default ("EAD") models.

The authorized credit approvers make decisions based on the expected loss calculated from the rating system and the limits assigned to different credit grades. There is a clear segregation of duties between the credit application and approval process.

Consumer Banking

The CB business applies both application and behavior scorecards as its major credit risk management tool across a majority of its retail lending portfolio. The approach in CB is to use a mix of internal scorecards and regulatory (i.e. JCIC) measures, as appropriate to the business process. The outputs of the application and behavior scorecards aligned with credit rating and could be used to generate PD, LGD, EAD parameters for business use in the future.

As with Wholesale Banking, origination and approval roles are segregated.

4. Policies for credit risk hedge and mitigation, as well as the strategy and procedure for maintaining efficiency in risk hedge and mitigation tools

Credit risk mitigants are used to lessen the credit risks that the Bank is exposed to (i.e. asset-based collaterals, cash, guarantees, insurance/protections, marketable securities and real estate). In the event of default, the bank could use risk mitigant to its benefit by realizing an asset, calling upon a guarantor or relying on them to enhance or protect our position in a court of law.

The Bank has a Risk Mitigation Policy and Procedures to set out the requirements that must be met before credit risk mitigants can be applied, and the processes to maintain the efficiency of risk mitigants. Some general acceptance criteria have been set up to ensure the risk mitigants are enforceable, including the concentration, correlation, valuation, legal certainty, currency mismatch and residual risks. In accordance with the Basel Accord, the agreed Forced Sale Value ("FSV") for risk mitigants will be regularly evaluated based on the historical experience of our portfolio or modeled with relevant external data acquired by the Bank.

Various limits are set for different risk mitigants. To maintain the efficiency of the risk mitigation tools, the revaluation for FSV of risk mitigants will be done at least annually or immediately as needed.



5. Method used for regulatory capital calculation

Standardized Approach

(2) Required Capital for Credit Risk under Standardized Approach

31 December 2008

Unit : NTD'000

Exposure Type	Exposure after Risk Mitigation	Required Capital
Sovereign	126,544,203	1,575
Non-central government public sector entities (PSEs)	1,024,490	16,392
Banks (including multilateral development banks – MDBs)	155,450,788	4,124,147
Corporations (including security and insurance companies)	134,682,970	10,365,471
Retail	90,332,678	5,532,631
Residential mortgage	141,303,564	5,186,604
Equity security investment	106,907	34,210
Other assets	23,718,626	1,277,270
Total	673,164,226	26,538,300

2. Exposures and Capital Requirement under the Asset-backed Securitization Management Structure

(1) Asset-backed Securitization Management Structure

Description / Disclosure

1. Strategy and procedure of asset securitization management

Strategy of asset securitization

Asset securitization plays an important role in financial markets. Banks can sell the financial assets with steady cash inflows (i.e. mortgage loan and credit card receivables which are with standard characteristics) to a Special Purpose Entity ("SPE") to be re-packaged, sliced, and issued as many small-amount beneficiary securities. The related rights and obligations will be transferred along with the loans through the securitization procedures and the credit risk of the loans will be segregated from the originating bank.

The issuance of asset securitization products depends on the Bank's business strategy and will be appropriately assessed to achieve the following benefits:

1. Facilitate asset and liability management and improve the mismatch status
2. Diversify funding sources and reduce funding costs
3. Transfer risks of financial assets
4. Improve capital adequacy ratio
5. Keep taping into capital markets and strengthen our brand name among institution investors

Procedure of asset securitization

For the key procedures of securitization, the Bank emphasizes the standardization and the diversification of risks when pooling assets. During the process of transferring loans to the SPE, the emphasis is on the legal arrangements regarding risk segregation and the design of credit enhancement mechanism in the securitization structure. The issuance procedure will be processed with the assistance of internal Group Asset Backed Securitization Team or external experienced financial institutions.

2. Asset securitization management organization and structure

As an Originator

The Bank currently holds certain portions retained from the two asset securitization products issued by the former Hsinchu International Bank. The issuances of these two RMBS products are aligned with the local Financial Asset Securitization Act; the rights and obligations along with securitized mortgage loans have been transferred to the trustee via setting up a SPE. The SPE issued the beneficiary securities and delivered the proceeds to the bank.

The two RMBS products were issued on December 2005 and September 2006 with the book value of NTD12.0billion and NTD13.2billion respectively, of which the bank retained NTD1.8billion and NTD2.9billion respectively for credit enhancement purpose. In the issuance structure of these two RMBS products, in addition to being the originator, the Bank services the transactions (i.e. collections). The retained RMBS positions are currently under monthly fair value evaluation.

The CB Operations department performs the business as usual in the way of normal mortgage loan operation procedures. CB Operations collects account receivables from mortgage borrowers, delivers the payments to RMBS investors according to the contract and provides servicer reports to related parties monthly.

The CB Risk department follows the same credit policy and procedures for both securitized and non-securitized portfolios and regularly monitors the delinquency status of the securitized mortgage loans. Based on the reports prepared by CB Finance, the Bank's management reviews the RMBS revenue and performance on a monthly basis.

As a Non-Originator

The Bank currently holds an amount of NTD400million of Tranche A2 of a Collateralized Bond Obligation (CBO) security which is originated by Polaris Securities and Bank of Overseas Chinese, issued in April 2006 and will mature in February 2011. The total issuance amount of Tranche A2 is NTD1,785million; interests are paid semi-annually at a fixed coupon and the principal is one bullet payment at maturity. The CBO position is currently rated as twAA by Taiwan Ratings Corporation.

Our debt underwriting team holds this securitization position as being the arranger and underwriter during the IPO process of this security. Currently this position is under the management of the bonds trading desk in Global Markets.

While the risk for the CBO is managed locally, there is also strong support from SCB regional and group business and risk management functions based outside of Taiwan. For a detail of the SCB Group structure, please refer to the 2008 Annual Report published on the Group website.

3. The scope and characteristics of asset securitization risk report and evaluation system

As an Originator

Currently the Bank's CB Operations provides a monthly service report covering information including assets pool balance outstanding, account numbers, interest rates, maturity dates, loan-to-value ratios, collateral information, collections and payment details, default and delinquency status. The CB Risk department monitors the credit risk for securitized asset pools regularly and provides credit quality reports covering default and overdue loan analyses.

As the Trustee of our two RMBS products, Deutsche Bank Taipei Branch provides quarterly trustee reports which cover the status of the asset disposition, collection distribution and changes to the trust collections account, distributions account, reserve fund account and other expenses account.

For the portions retained for credit enhancement purpose, monthly appraisals will be conducted according to the prepayment status of the pool, the default possibility, and the market interest rates. As the originated asset pools are all non-rated, the Bank has deducted the retained portions from capital aligned with the FSC capital adequacy ratio (CAR) calculation regulations.

As a Non-Originator

According to the recent amended SFAS 34, the CBO security position has been reclassified as an available-for-sale (AFS) asset. The risk position of this CBO security is daily monitored by the risk management team. The revaluation is done with market price daily by Finance.

4. Policies for hedging or mitigating asset securitization risks as well as the strategy and procedure for maintaining efficiency in the tools of hedging and mitigating risks

As an Originator

To reduce the counterparty risk for asset securitization, there are back-up service institutions for the two RMBS structures. If for any reason the Bank could not continue to meet its delegations as servicer, a back-up servicer will replace the Bank as the servicing institution for these two RMBS framework.

The credit risk management for securitized mortgage pools is consistent with the management for other non-securitized loans. The Bank has established a comprehensive collateral management policy for mortgage to maintain the value and effectiveness for collateral, including loan to value ratios, security recovery rates, collateral verification and appraisal, registration for relevant documentations, insurance and policies renewals.

Regular appraisals for retained RMBS position are conducted to monitor the asset qualities.

As a Non-Originator

The mitigation of the market and credit risk management of this CBO security will fall under the bond trading team's responsibility following the existing approved limit and procedure.

5. Method used for regulatory capital calculation

As an Originator

Since the original mortgages of the two RMBS products apply Standardized Approach in required capital calculation, the same approach should be applied to the securitization portions retained by the Bank. The Bank follows the FSC regulations to apply the upper capital limit rules for the retained RMBS portions in its CAR calculation. That is, the capital charge for the RMBS positions should not exceed the required capital for the mortgages before securitization.

As a Non-Originator

The regulatory capital calculation follows the existing guideline set for the securitization assets in the trading book, the Standard method is applied.

(2) Asset Securitization

31 December 2008

Unit : NTD'000

Type	Total Issued Amount	Outstanding Balance	Buy Back Balance
RMBS1-Special Purpose Trust Investors' Beneficiary Securities	10,204,484	5,832,092	
RMBS1-Special Purpose Trust Sellers' Beneficiary Securities	1,800,791		1,800,791
RMBS2-Special Purpose Trust Investors' Beneficiary Securities	10,322,771	8,937,021	
RMBS2-Special Purpose Trust Sellers' Beneficiary Securities	2,911,551		2,911,551

(3) Required Capital for Asset-backed Securitization Exposures

31 December 2008

Unit : NTD'000

Exposure Type	Non-originating Bank		Originating Bank					
	Securitization-based Exposure Purchased or Held	Required Capital	Exposure				Asset-backed Commercial Paper	Pre-issuance Required Capital
			Non-asset-backed Commercial Paper					
			Traditional Type		Combination Type			
			Retained Portion	Non-retained Portion	Retained Portion	Non-retained Portion		
Residential Mortgage			4,712,342	11,888,789				445,262
Specific & General Market Risk	367,914	39,551						
Total	367,914	39,551	4,712,342	11,888,789				445,262

(4) Summary of Securitized Product Investment

31 December 2008

Unit : NTD'000

Item	Original Cost	Accumulated Valuation Gain or Loss	Accumulated Impairment	Book Amount
RMBS1-Special Purpose Trust Sellers' Beneficiary Securities	1,800,791	(53,644)	0	1,747,147
RMBS2-Special Purpose Trust Sellers' Beneficiary Securities	2,911,551	(135,778)	0	2,775,773

(5) Relevant Information on any Securitized Product with the Original Investment Cost Reached NTD300million and above

Securities Name	2006-1 BAS issued by Polaris Securities and Bank of Overseas Chinese – Special Purpose Trust Beneficiary Securities (A2 Type)
Currency	NTD
Issuer and Location	Polaris Securities and Bank of Overseas Chinese (Taipei city)
Purchase Date	25/04/2007
Maturity Date	18/02/2013 (Statutory maturity date)
Coupon Rate	2.30%
Credit Rating	twAA- (Taiwan Ratings)
Method of Interest and Principal Repayment	Simple interest is calculated and paid twice a year; principal is repaid in one lump sum upon maturity
Original Cost	362,922 (Thousand)
Accumulated Valuation on Gain or Loss	4,993 (Thousand)
Accumulated Impairment	0
Book Amount	367,915 (Thousand)
Attachment Point	-
Description of Asset Pool	1. Bank SinoPac financial debenture (2004-1-12) : NTD300million 2. Fubon Bank financial debenture (2004-5-J) : NTD200million 3. Bank SinoPac financial debenture (2004-1-13) : NTD300million 4. Bank SinoPac financial debenture (2004-1-14) : NTD300million 5. Merit Holdings Limited: USD150million

(6) Relevant Information on the Trust Position held by the Bank as an Originator and for Trust Enhancement Purpose

Securities Name	RMBS1-Special Purpose Trust Sellers' Beneficiary Securities	RMBS2-Special Purpose Trust Sellers' Beneficiary Securities
Currency	NTD	NTD
Purchase Date	20/12/2005	20/09/2006
Maturity Date	On Trust Allocation Date in July 2027	On Trust Allocation Date in January 2028
Coupon Date	N/A	N/A
Credit Rating	-	-
Method of Interest and Principal Repayment	As stipulated in Article 14.3.24 of the Trust Deed, where there is sufficient amount for allocation on each trust allocation date, the Trustee shall make repayment to the holder of the sellers' beneficiary securities in accordance with the "Payment Priority" set forth in Article 14.3 of the Deed. On each trust allocation date, interest incurred from the sellers' beneficiary securities is paid by following the "Allocated Fund Balance" in Article 14.3.24(i) and is subject to the provisions in Article 14.3 of the Deed that the interest shall be paid off before the repayment to investors' beneficiary securities are fully made. In addition, prior to the full repayment of investors' beneficiary securities, the sellers' beneficiary securities is exempt from the term of principal repayment specified in Article 14.3.24(ii) of the Deed.	As stipulated in Article 14.3.24 of the Trust Deed, where there is sufficient amount for allocation on each trust allocation date, the Trustee shall make repayment to the holder of the sellers' beneficiary securities in accordance with the "Payment Priority" set forth in Article 14.3 of the Deed. On each trust allocation date, interest incurred from the sellers' beneficiary securities is paid by following the "Allocated Fund Balance" in Article 14.3.24(i) and is subject to the provisions in Article 14.3 of the Deed that the interest shall be paid off before the repayment to investors' beneficiary securities are fully made. In addition, prior to the full repayment of investors' beneficiary securities, the sellers' beneficiary securities is exempt from the term of principal repayment specified in Article 14.3.24(ii) of the Deed.
Original Cost	1,800,791	2,911,551
Accumulated Valuation on Gain or Loss	(53,644)	(135,778)
Accumulated Impairment	0	0
Book Amount	1,747,147	2,775,773
Attachment Point	-	-
Description of Asset Pool	House Mortgage (subordinated): Total 3,166 mortgages amounted to NTD4,457,778 thousand dollars. Refer to Table (6)-1 for details.	House Mortgage (subordinated): Total 2,999 mortgages amounted to NTD6,995,416 thousand dollars. Refer to Table (6)-2 for details.

(6-1)

Unit : NTD'000

GENERAL INFORMATION	Ending Date of the Monthly Period
Maximum Loan Principal Balance of a Loan in the Portfolio	16,689
Minimum Loan Principal Balance of a Loan in the Portfolio	5
Total Loan Principal Balance of the Loans in the Portfolio	4,457,778
Number of Loans in the Portfolio	3,166
Maximum Interest Rate of a Loan in the Portfolio	6.59
Minimum Interest Rate of a Loan in the Portfolio	1.617
Weighted Average Interest Rate of the Portfolio	3.74
Weighted Average Margin of the Portfolio (ARMS)	1.36
Youngest Loan in the Portfolio (months)	40.60
Oldest Loan in the Portfolio (months)	73.00
Weighted Average Seasoning of the Portfolio (months)	54.00
Shortest Term to Maturity of a Loan in the Portfolio (months)	24.13
Longest Term to Maturity of a Loan in the Portfolio (months)	203.57
Weighted Average Term of the Portfolio (months)	159.00
Highest CLTV of a Loan of the Portfolio	84.82%
Lowest CLTV of a Loan in the Portfolio	0.34%
Weighted Average CLTV of the Portfolio	43.13%

Unit : NTD'000

Applicable to Tiered Rate (Yes/No)	Interest Rate Bracket	No. of Outstandings	%	Outstanding Balance	%	Average Outstanding Balance	Weighted-average Loan Age (Month)
Yes	0-2%	-	-	-	-	-	-
	2.01%-3%	2	0%	4,300	0%	2,150	54
	3.01%-4%	396	13%	663,470	15%	1,675	54
	4.01%-5%	1,242	39%	1,638,725	37%	1,320	59
	>5%	538	17%	495,817	11%	922	58
No	0-2%	6	0%	5,476	0%	913	62
	2.01%-3%	938	30%	1,556,931	35%	1,660	58
	3.01%-4%	34	1%	80,805	2%	2,377	49
	4.01%-5%	8	0%	11,826	0%	1,478	68
	>5%	2	0%	428	0%	214	57
Total		3,166	100%	4,457,778	100%	1,408	58

MORTGAGE POOL DATA

Unit : NTD'000

Current LTV Ranges	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
0-10%	151	5.88%	47,874	1.07%
11-20%	207	8.06%	154,008	3.46%
21-30%	260	10.13%	311,240	6.98%
31-40%	340	13.25%	464,874	10.43%
41-50%	359	13.99%	616,366	13.83%
51-60%	670	26.10%	1,327,216	29.77%
61-70%	414	16.13%	1,069,838	24.00%
71-80%	147	5.73%	412,682	9.26%
>80%	19	0.74%	53,680	1.20%
Total	2,567	100.00%	4,457,778	100.00%

Unit : NTD'000

Balance Outstanding	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
0.0-1.0	1,201	37.93%	663,025	14.87%
1.0-2.0	1,522	48.07%	2,326,457	52.19%
2.0-3.0	262	8.27%	623,374	13.98%
3.0-4.0	86	2.72%	295,000	6.62%
4.0-5.0	41	1.30%	183,100	4.11%
5.0-6.0	23	0.73%	125,987	2.83%
6.0-7.0	17	0.54%	111,922	2.51%
7.0-8.0	7	0.22%	52,783	1.18%
8.0-9.0	1	0.03%	8,110	0.18%
9.0-10.0	4	0.13%	37,219	0.83%
14.0-15.0	1	0.03%	14,112	0.32%
16.0-17.0	1	0.03%	16,689	0.37%
Total	3,166	100.00%	4,457,778	100.00%

Unit : NTD'000

Location	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
TaoYuan County	1,261	39.83%	1,618,582	36.31%
HsinChu County	524	16.55%	777,612	17.44%
HsinChu City	320	10.11%	519,306	11.65%
Taipei County	178	5.62%	261,707	5.87%
Taipei City	92	2.91%	197,296	4.42%
Keelung City	13	0.41%	13,736	0.31%
Miaoli County	558	17.62%	750,951	16.85%
TaiChung City	133	4.20%	196,282	4.40%
TaiChung County	79	2.50%	111,299	2.50%
ChangHua County	2	0.06%	3,955	0.09%
Kaohsiung County	5	0.16%	6,123	0.14%
ChiaYi County	0	0.00%	0	0.00%
TaiNan County & City	1	0.03%	929	0.02%
Others	0	0.00%	0	0.00%
Total	3,166	100.00%	4,457,778	100.00%

Unit : NTD'000

Scheduled Remaining Term (years)	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
1-5	250	7.89%	91,912	2.06%
6-10	321	10.14%	311,492	6.99%
11-15	1,184	37.40%	1,648,819	36.99%
16-20	1,411	44.57%	2,405,555	53.96%
21-25	0	0.00%	0	0.00%
Total	3,166	100.00%	4,457,778	100.00%

Unit : NTD'000

Ageing Profile	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
Current	3,001	94.79%	4,224,355	94.76%
1-29 days past due	71	2.24%	93,029	2.09%
30-59 days past due	20	0.63%	27,917	0.63%
60-89 days past due	11	0.35%	15,694	0.35%
90-119 days past due	7	0.22%	6,415	0.14%
120-149 days past due	2	0.06%	8,936	0.20%
150-179 days past due	3	0.10%	4,259	0.10%
180 ~ days past due	51	1.61%	77,173	1.73%
Charge-offs	0	0.00%	0	0.00%
Total	3,166	100.00%	4,457,778	100.00%

(6-2)

Unit : NTD'000

GENERAL INFORMATION	Ending Date of the Monthly Period
Maximum Loan Principal Balance of a Loan in the Portfolio	28,700
Minimum Loan Principal Balance of a Loan in the Portfolio	22
Total Loan Principal Balance of the Loans in the Portfolio	6,995,416
Number of Loans in the Portfolio	2,999
Maximum Interest Rate of a Loan in the Portfolio	6.48
Minimum Interest Rate of a Loan in the Portfolio	2.45
Weighted Average Interest Rate of the Portfolio	3.26
Weighted Average Margin of the Portfolio (ARMS)	0.94
Youngest Loan in the Portfolio (months)	32.60
Oldest Loan in the Portfolio (months)	40.53
Weighted Average Seasoning of the Portfolio (months)	35.00
Shortest Term to Maturity of a Loan in the Portfolio (months)	2.73
Longest Term to Maturity of a Loan in the Portfolio (months)	211.63
Weighted Average Term of the Portfolio (months)	188.00
Highest CLTV of a Loan of the Portfolio	90.00%
Lowest CLTV of a Loan in the Portfolio	0.74%
Weighted Average CLTV of the Portfolio	55.54%

Unit : NTD'000

Applicable to Tiered Rate (Yes/No)	Interest Rate Bracket	No. of Outstandings	%	Outstanding Balance	%	Average Outstanding Balance	Weighted-average Loan Age (Month)
Yes	0-2%	-	-	-	-	-	-
	2.01%-3%	24	1%	92,620	1%	3,859	36
	3.01%-4%	311	10%	872,240	12%	2,805	37
	4.01%-5%	346	12%	616,051	9%	1,780	40
	>5%	157	5%	186,074	3%	1,185	40
No	0-2%	-	-	-	-	-	-
	2.01%-3%	1,391	46%	3,562,651	51%	2,561	38
	3.01%-4%	766	26%	1,646,240	24%	2,149	37
	4.01%-5%	3	0%	718	0%	239	36
	>5%	1	0%	18,822	0%	18,822	40
Total		2,999	100%	6,995,416	100%	2,333	38

MORTGAGE POOL DATA

Unit : NTD'000

Current LTV Ranges	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
0-10%	64	2.38%	27,311	0.39%
11-20%	106	3.94%	96,300	1.38%
21-30%	118	4.39%	164,872	2.36%
31-40%	361	13.43%	956,045	13.67%
41-50%	187	6.96%	444,910	6.36%
51-60%	199	7.40%	391,343	5.59%
61-70%	413	15.37%	998,665	14.27%
71-80%	929	34.56%	2,531,706	36.19%
>80%	311	11.57%	1,384,264	19.79%
Total	2,688	100.00%	6,995,416	100.00%

Unit : NTD'000

Balance Outstanding	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
0.0-1.0	609	20.31%	366,935	5.25%
1.0-2.0	1,151	38.38%	1,803,213	25.78%
2.0-3.0	571	19.04%	1,394,355	19.93%
3.0-4.0	280	9.34%	960,290	13.73%
4.0-5.0	151	5.04%	670,482	9.58%
5.0-6.0	102	3.40%	559,575	8.00%
6.0-7.0	46	1.54%	295,263	4.22%
7.0-8.0	26	0.87%	191,699	2.74%
8.0-9.0	17	0.57%	143,037	2.04%
9.0-10.0	10	0.33%	93,183	1.33%
10.0-11.0	6	0.20%	63,554	0.91%
11.0-12.0	6	0.20%	68,372	0.98%
12.0-13.0	4	0.13%	50,079	0.72%
13.0-14.0	7	0.24%	93,834	1.34%
14.0-15.0	4	0.13%	57,434	0.82%
15.0-16.0	1	0.03%	15,000	0.21%
16.0-17.0	1	0.03 %	16,560	0.24%
17.0-18.0	1	0.03%	17,911	0.26%
18.0-19.0	2	0.07%	37,422	0.53%
19.0-20.0	1	0.03%	19,693	0.28%
20.0-21.0	1	0.03%	20,965	0.30%
27.0-28.0	1	0.03%	27,860	0.40%
28.0-29.0	1	0.03%	28,700	0.41%
Total	2,999	100.00%	6,995,416	100.00%

Unit : NTD'000

Location	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
TaoYuan County	1,092	36.41%	2,135,878	30.53%
HsinChu County	373	12.44%	948,959	13.57%
HsinChu City	257	8.57%	693,683	9.92%
Taipei County	431	14.37%	1,154,335	16.50%
Taipei City	197	6.57%	770,426	11.01%
Keelung City	32	1.07%	43,600	0.62%
Miaoli County	337	11.24%	683,813	9.77%
TaiChung City	105	3.50%	281,613	4.03%
TaiChung County	81	2.70%	137,833	1.97%
ChangHua County	65	2.17%	102,131	1.46%
Kaohsiung County	6	0.20%	14,643	0.21%
ChiaYi County	3	0.10%	4,762	0.07%
TaiNan County & City	3	0.10%	2,766	0.04%
YunLin County	1	0.03%	1,432	0.02%
NanTou County	13	0.43%	13,345	0.19%
Others	3	0.10%	6,197	0.09%
Total	2,999	100.00%	6,995,416	100.00%

Unit : NTD'000

Scheduled Remaining Term (years)	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
1-5	104	3.47%	68,156	0.97%
6-10	162	5.40%	189,459	2.71%
11-15	220	7.34%	382,414	5.47%
16-20	2,513	83.79%	6,355,387	90.85%
Total	2,999	100.00%	6,995,416	100.00%

Unit : NTD'000

AGEING PROFILE	Number of Loans	% of Loans	Current Principal Balance	% of Principal Balance
Current	2,725	90.86%	6,212,099	88.80%
1-29 days past due	107	3.57%	227,647	3.25%
30-59 days past due	28	0.93%	67,580	0.97%
60-89 days past due	13	0.43%	19,057	0.27%
90-119 days past due	19	0.64%	40,939	0.59%
120-149 days past due	10	0.33%	29,570	0.42%
150-179 days past due	3	0.10%	11,695	0.17%
180 ~ days past due	94	3.14%	386,829	5.53%
Charge-offs	0	0.00%	0	0.00%
Total	2,999	100.00%	6,995,416	100.00%

(7) Relevant Information of the Bank Acting as a Guarantor of Securitized Products or Information on the Liquidity Facilities : [None]

3. Operational Risk Management Structure and Capital Requirement

(1) Operational Risk Management Structure

Description / Disclosure
1. Strategy and procedure of operational risk management As stated in previous credit risk section, the Bank seeks to manage efficiently the core risks which arise directly through the Bank's commercial activities, including credit risk, market risk and liquidity risk, as well as the other risks which are consequences of business undertaking (i.e. compliance and regulatory risk, operational risk and reputational risks). Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people, and systems, or from external events. Regulatory expectations and our strategic approach of Management Discipline compel the adoption of a sound risk management framework to strengthen the operational risks management in businesses and functions. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control, and report such risks. Compliance with operational risk policies and procedures is the responsibility of all managers. The principle driving the individual appointments of the operational risk roles is segregation of duties – i.e. a person cannot review their own work. 2. Operational risk management organization and structure The Risk Committee is responsible for ensuring processes and procedures are in place for the monitoring and control of overall risk. The Risk Committee meets regularly to review exposure and compliance reports for limit compliance and stress testing. The Country Operational Risk Group ("CORG"), headed by the President, has been established to supervise and direct the management of operational risks across the Bank, which has responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk. Within day-to-day operations, there are various roles assigned within the Bank to manage operational risk on a part-time or full-time basis. These include country-level, business-level, business unit-level, and support-function level managers. While operational risk is managed locally, there is also strong support from SCB regional and group business and operational risk management functions based outside of Taiwan. For a detail of the SCB Group structure, please refer to the 2008 Annual Report published on the Group website. 3. The scope and characteristics of operational risk report and evaluation system The following risk types fall within the scope of operational risk, including tax risk, financial risk, vendor risk, technology risk, operations risk, property risk, people risk, legal risk, financial crime risk, and regulatory risk. The Bank currently manages operational risk via the Operational Risk Management and Assurance Framework, which is aligned with the internal or external environment, including regulatory changes such as Basel II regulations. It is designed as an end-to-end risk management and assurance process with three 'Lines of Defense', the objective of which is to improve the management of operational risks.

To ensure comprehensive, ongoing, and effective operational risk monitoring, the Bank has implemented an operational risk management system throughout its business. The system monitors, records, and track issues resulting from the bank-wide operational risk assurance process.

4. Policies for operational risk hedge/mitigation, as well as the strategy and procedure for maintaining efficiency in risk hedge/mitigation tools

Based on the Bank's operational risk management policy, when a risk is assessed, it is categorized into four actions – accept, reduce, transfer, or avoid. The Bank accepts risk only with its operational risk appetite. Transferring risk means taking out insurance for the risk event. Avoiding or reducing risk involves introducing controls or mitigants (or both) in order to reduce the likelihood of the event occurring or minimizing the impact of the event if it occurs.

For each risk identified, the Bank assigns ownership and accountability to ensure ongoing monitoring and effectiveness of controls and mitigation. Risk mitigation plans are documented within the Bank's operational risk profile which must be reviewed on a regular basis based on risk level. The existing operational risk management structure and framework of the Bank is designed to ensure the ongoing monitoring of risks until such risks are fully mitigated.

All identified risks must be evaluated in accordance with the operational risk assessment matrix. Risk levels are assigned to each risk based on the likelihood of their impact on the business. The risk levels are assigned on the basis of qualitative and quantitative assessments covering key areas including finance, laws and regulations, reputation, and employees and customers. The resulting risk rating should also reflect the risks appetite of the Bank. To ensure timely risk mitigation, the assessment process includes timely reporting to those charged with governance over establishing and monitoring risk appetite.

The Bank's operational risk management system provides adequate and reliable information for risk management at all levels: Group, operations/functions, and units involved in daily operations. The information contained within the operational risk management system provides regular, timely, and quality data for monitoring purposes.

5. Method used for regulatory capital calculation

Basic Indicator Approach

(2) Required Capital for Operational Risk

31 December 2008

Unit : NTD'000

Year	Gross Operating Profit	Required Capital
2005	19,804,969	
2006	19,667,370	
2007	17,793,025	
Total	57,265,364	2,863,268

4. Market Risk Management Structure and Capital Requirement

(1) Market Risk Management Structure

Description / Disclosure

1. Strategy and procedure of market risk management

The Bank recognizes market risk as the exposure created by potential changes in market prices and rates. The Bank is exposed to market risk arising principally from customer driven transactions. The objective of the Bank's market risk policies and processes is therefore to obtain the best balance of risk and return while meeting our customers' requirements.

2. Market risk management organization and structure

Group Market Risk ("GMR") Taiwan follows the guidance of Group Market Risk Committee ("GMRC") to set up the market risk management policies and procedures which cover both banking book and trading book and complied with the FSC regulatory requirements. Market risk limits are proposed by the business within the terms of the agreed policy.

The market risk policies, procedures and limits are annually reviewed by GMR Taiwan and presented to the Risk Committee for approval with its authority delegated by the Board. If the policies, procedures, and limits involve derivatives, the approval will be granted by the Board.

GMR Taiwan monitors exposures against these limits. Related market risk management results will be reported at minimum quarterly to the Risk Committee, which reports directly to the Executive Committee and the Board.

While market risk is managed locally, there is also strong support from SCB regional and group business and market risk management functions based outside of Taiwan. For a detail of the SCB Group structure, please refer to the 2008 Annual Report published on the SCB Group website.

3. The scope and characteristics of market risk report and evaluation system

The scope of market risk report covers market exposures in both trading book and banking book, mostly interest rate and foreign currencies linked trading products in financial markets, except for the equities and commodities which have not been traded in Bank so far.

Value at Risk ("VaR") is to be used as the primary mechanism for controlling market risk exposure. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange risk is measured in terms of the underlying values involved. Options risks are controlled through evaluation limits on underlying price and volatility shifts.

4. Policies for market risk hedge/mitigation, as well as the strategy and procedure for maintaining efficiency in risk hedge/mitigation tools

Market Risk is mitigated by the Bank's standard process as risk is measured, monitored, reported and controlled on a net/portfolio basis.

All products used in risk mitigation must be authorized products in their own right with appropriate Product Programs.

Any product a business uses for risk mitigation must be explicitly referenced in the Market Risk limit for the business.

5. Method used for regulatory capital calculation

Standardized Approach / Delta-Plus for Options

(2) Required Capital for Market Risk

31 December 2008

Unit : NTD'000

Item	Required Capital
Interest Rate Risk	2,950,195
Foreign Exchange Risk	32,061
Equity Position Risk	0
Commodities Risk	0
Total	2,982,256

5. Liquidity risk includes maturity analysis of the Bank's assets and liabilities. It also describes the measures for liquidity management of assets and capital gap. Refer to the "Financial Highlights" section on page for details.

(II) Impact of Changes in Domestic/Foreign Major Policies and Laws on the Bank's Financial Structure and Business and Responsive Actions Thereof : [None]

(III) Impact of Technological and Industrial Changes on the Bank's Financial Structure and Business and Responsive Actions Thereof

1. Impact of Technological and Industrial Changes on the Bank's Financial Structure and Business

In view of the rapid development and popularity of Internet, along with the automated channel being gradually accepted by customers in the Internet era, there is a growing importance in the use of e-channel services by banks. For a bank to improve customer satisfaction and remain competitive, it is necessary to develop robust Internet banking channel for provision of year-round customer-centric services.

2. Responsive Actions:

- (1) Upgrade the Bank's systems in line with the customer requirements and enhance system efficiency and performance .
- (2) Keep updated with the latest development trends and applications of information technology.
- (3) Create products/channels that provides customers with greater convenience.

(IV) Impact of Changes in Corporate Image on the Bank and Responsive Actions Thereof

After amalgamation with Hsinchu International Bank, we have enhanced our business strength by leveraging Standard Chartered Group's global resources and network. The integration with American Express Bank Taiwan Branch and the specific assets, liabilities and businesses of Asia Trust & Investment Corporation further expanded our service network, contributing to our leading position in the industry.

The Bank proactively takes corporate responsibility and contributes to the society by holding a variety of activities ranging from sponsoring the visually impaired national runners to compete at the GROE marathon relays to raise the public's awareness about AIDS/HIV through our Living with HIV campaign. In the future, we will continue to integrate internal and external resources to reflect the market demands and business growth while consciously keep us competitive among other banks, build outstanding corporate culture and maintain positive brand image.

(V) Anticipated Benefits, Potential Risks and Responsive Actions for M&A

1. Mergers and Acquisitions Update :

On 1 August 2008 : General assignment and assumption of American Express Bank's Taipei and Kaohsiung branches.

On 27 December 2008 : General assignment and assumption of the specific assets, liabilities and businesses of Asia Trust & Investment Corporation.

2. Anticipated Benefits Arising from the M&A :

Through integration with American Express Bank and Asia Trust & Investment Corporation, the Bank expects to have its business operations expanded in scale, scope and efficiency so as to provide financial services with greater convenience to our customers.

(VI) Anticipated Benefits, Potential Risks and Responsive Actions for Expansion of Business Locations

The Bank's business locations increased by 9 branches as a consequence of the general assignment and assumption of American Express Bank Taiwan Branch (AEB) and the specific assets, liabilities and businesses of Asia Trust & Investment Corporation (ATIC) in 2008. To eliminate customers' doubts and inconvenience due to the business transfer, the Bank has taken cautious actions to properly deal with the rights and obligations of existing customers of AEB and ATIC or provide alternative services to ensure customers' interests will be protected in the course of amalgamation.

(VII) Business Concentration Risk and Responsive Actions Thereof

The management of concentration risk in credit portfolios is specified in the Credit Policy and Procedures of the Bank, emphasizing strict controls over the industry and/or client concentration risks. In addition to regular disclosure and reporting of credit limits for the same legal person, the same natural person, the same concerned party or the same related entity in compliance with Article 33.3 of the Banking Act, the Bank also sets credit limits for single customer/group to ensure adequate handling and management of concentration risk in large exposures of individual accounts. As to concentration risk in certain industries, the acceptable conditions of credit extensions are specified in the Underwriting Standards that, in principle, credit limit shall not exceed 20% of the total credit granted to large corporate customers. To cope with the rapid change of domestic IT industry as well as to provide superior and differentiated services, the Bank plans to divide the existing IT industry into twelve sub-industries for the sake of providing research reports of those sub-industries having close relationship with the Bank from time to time and ensuring that the overall risk is under reasonable controls.

(VIII) Impact, Risks and Responsive Actions for Change of the Bank's Ownership : [None]

(IX) Litigation and Non-litigation Matters : [None]

(X) Other Critical Risks and Responsive Actions Thereof : [None]

VII. Emergency Response Mechanism

To ensure the efficiency of all security maintenance operation, a "Security Maintenance Supervision Team" is established in accordance with the provision of the establishment of "Security Response Team" specified in the "Accident Management Guideline". The Security Maintenance Supervision Team includes representatives from the Corporate Real Estate Service Division, Human Resources Department, Audit Department, Legal and Compliance Division, and the Shared Distribution Division. The Team is responsible for the supervision and inspection of the performance of security maintenance operation, education, training and regular practice. The security maintenance meetings should be held regularly each year by the Bank to pass on important work instructions and review project execution status so that any deficiencies identified can be corrected in a timely manner.

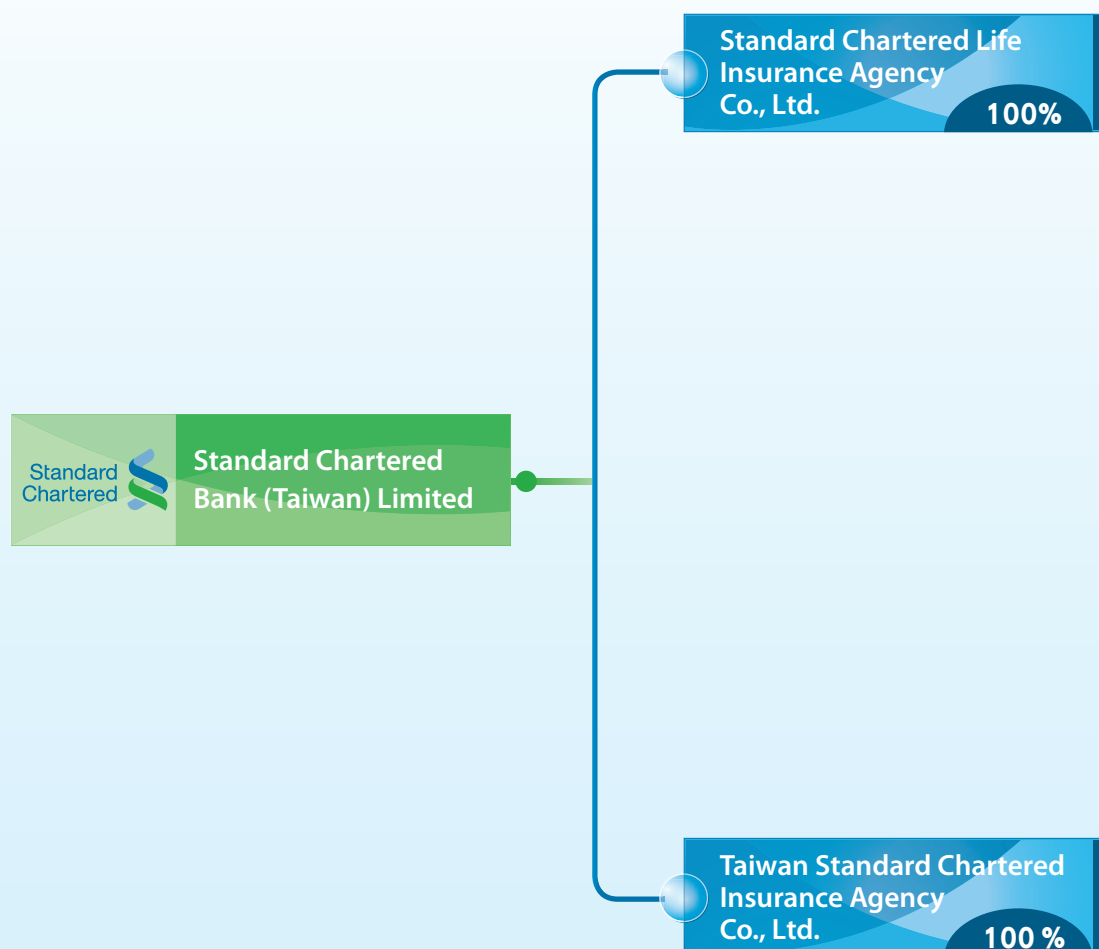
VIII. Other Important Matters : [None]

VIII. Special Notes



I. Information on Affiliated Enterprises

(I) Organizational Chart of Affiliated Enterprises



Organization Chart

(II) Basic Information of Affiliated Enterprises

Unit : NTD'000

Name of Business	Date of	Address	Paid-in Capital Establishment	Major Line of Business or Products
Standard Chartered Life Insurance Agency Co., Ltd.	07/09/1999	1F, No. 85, Zhongzheng Road, Zhongzheng Village, Hsinchu City	3,000	Life insurance agent
Taiwan Standard Chartered Insurance Agency Co., Ltd.	30/09/1999	1F, No. 85, Zhongzheng Road, Zhongzheng Village, Hsinchu City	3,000	Property insurance agent

(III) Industry Covered by Affiliated Enterprises:

1. Standard Chartered Life Insurance Agency Co., Ltd.: Insurance
2. Taiwan Standard Chartered Insurance Agency Co., Ltd.: Insurance

(IV) Information on Directors, Supervisors and CEOs of Affiliated Enterprises

Name of Business	Title	Name or Company Representative	Shares Held	
			Number	Ratio
Standard Chartered Life Insurance Agency Co., Ltd.	Chairman	Jamie Ling	300,000	100
	Director	Vicky Kong		
	Director	Huey Ping Tan		
	Supervisor	Jason Chan		
	CEO	Ji-Qing Fu	-	-
Taiwan Standard Chartered Insurance Agency Co., Ltd.	Chairman	Jamie Ling	300,000	100
	Director	Vicky Kong		
	Director	Huey Ping Tan		
	Supervisor	Jason Chan		
	CEO	Ji-Qing Fu	-	-

(V) Business Overview of Affiliated Enterprises:

Unit : NTD'000

Name of Business	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Profit	Current Year Profit and Loss (After Tax)	Earnings Per Share (Dollar)
Standard Chartered Life Insurance Agency Co., Ltd.	3,000	301,733	56,345	245,388	250,838	241,077	182,827	609.42
Taiwan Standard Chartered Insurance Agency Co., Ltd.	3,000	33,571	6,262	27,309	27,807	25,512	19,578	65.26

(VI) Consolidated Financial Statements of Affiliated Enterprises: Refer to the "Financial Highlights" section from page to page .

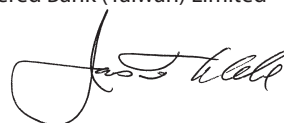
(VII) Affiliation Reports:

Declaration

The 2008 Affiliation Reports of Standard Chartered Bank (Taiwan) Limited for the period between 1 January 2008 and 31 December 2008 have been prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". No material discrepancy was found in the Reports as compared to the relevant information disclosed in the Notes to the Financial Statements for the same period.

Standard Chartered Bank (Taiwan) Limited

Chairman :



27 February 2009

Independent Auditors' Review Opinion on Affiliation Reports

To : Standard Chartered Bank (Taiwan) Limited

The 2008 Affiliation Reports of Standard Chartered Bank (Taiwan) Limited have been reviewed in conformity with the provisions set forth in the letter of Ref. No. Tai-Tsai-Zheng-VI-04448 (dated 30 November 1999) issued by the Securities and Futures Bureau, Financial Supervisory Commission (formerly known as Securities & Futures Commission, Ministry of Finance). This review opinion is to verify if the 2008 Affiliation Reports of Your Bank are in compliance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and if the information disclosed in Affiliation Reports has material discrepancy corresponding to those in the Notes to Financial Statements audited by KPMG on 27 February 2009.

In our opinion and based on our review, we hereby confirm that the Affiliation Reports have been prepared in compliance with the aforementioned Criteria, and no material discrepancy was found in the subject Reports as compared to the Notes to the 2008 Financial Statements.



27 February 2009

I. Relationship between Subsidiaries and the Holding Company

Name of the Controlling Entity	Reason of Control	Controlling Entity's Shareholding and Pledge			Directors, Supervisors or Managers Representing the Controlling Entity	
		No. of Shares ('000)	Shareholding (%)	No. of Pledged Shares ('000)	Title	Name
Standard Chartered Bank	Shareholding 100%	2,485,571,976	100%	0	Director (Chairman)	Jim McCabe
					Director (President)	Sunil Kaushal
					Director	Jaspal Bindra
					Director	Jake Williams
					Director	Christian Werner
					Director	Kevin Hu
					Director	Jamie Ling
					Director	Jolene Chen
					Supervisor	Norman Lyle
					Supervisor	Andrew Hardacre

2. The Transactions between Subsidiaries and the Controlling Entity:

(1) Purchase & sale transaction : 【None】

(2) Property transaction : 【None】

(3) Working capital financing – ≠: Not applicable.

(4) Asset lease : 【None】

(5) Other significant transactions: As of December 31, 2008 administration fee payable to Standard Chartered Bank amounted to \$1,919,127 thousands, recorded under notes and accounts payable; accounts payable to Standard Chartered Bank for share-based payment schemes' costs amounted to \$172,813 thousands, recorded under accounts payable.

3. Endorsements & Guarantees of the Bank to the Controlling Entity: Not applicable.

4. Other Material Transactions Which Were Significant to Financial and Business : 【None】

II. Private Placement of Securities:

Item	1 st Private Placement in 2008 Issue Date : 5 December 2008	2 nd Private Placement in 2008 Issue Date : 5 December 2008
Type of Securities	Common stock	Common stock
Date and Amount of Approval by the Board/ shareholders meeting	On 29 September 2008, the Board approved the issuance of 80,000,000 shares at NTD20 per share through private placement to Standard Chartered Bank.	On 22 October 2008, the Board approved the issuance of 248,000,000 shares at NTD20 per share through private placement to Standard Chartered Bank.
Basis and Rationality of Pricing	NTD20 per share was set by mutual agreement between the Bank (SCBTL) and Standard Chartered Bank.	NTD20 per share was set by mutual agreement between the Bank (SCBTL) and Standard Chartered Bank.
Selection Method of the Specific Person	Standard Chartered Bank is qualified to the definition of specific person stipulated in Article 43-6 of the Securities and Exchange Act and in the letter with Ref. No. Tai-Tsai-Zheng-I-0910003455 from SFC dated 13 June 2002.	Standard Chartered Bank is qualified to the definition of specific person stipulated in Article 43-6 of the Securities and Exchange Act and in the letter with Ref. No. Tai-Tsai-Zheng-I-0910003455 from SFC dated 13 June 2002.
Rationale of the Private Placement	To ensure sufficient working capital, improve financial structure, and increase the capital adequacy ratio.	To ensure sufficient working capital, improve financial structure, and increase the capital adequacy ratio.
Date of Payment	5 December 2008	5 December 2008
Subscriber Information	Name : Standard Chartered Bank Qualification : Article 43-6 of the Securities and Exchange Act Amount (Share) : 80,000,000 Relations to the Bank : Sole shareholder Involvement into Operation : Operations controlled by Standard Chartered Bank	Name : Standard Chartered Bank Qualification : Article 43-6 of the Securities and Exchange Act Amount (Share) : 248,000,000 Relations to the Bank : Sole shareholder Involvement into Operation : Operations controlled by Standard Chartered Bank
Actual Subscription Price	NTD1,600,000 (thousand)	NTD4,960,000 (thousand)
Difference between the Actual Price and Reference Price	None	None
Effect of the Private Placement to Shareholders Equity	The subscriber is the sole shareholder of the Bank.	The subscriber is the sole shareholder of the Bank.
Fund Utilization Plan and Progress	The Bank has collected the stock payment on 5 December 2008.	The Bank has collected the stock payment on 5 December 2008.
Capital Efficiency	Following the private placement, the capital adequacy ratio of the bank increased from 8.86% to 9.66%.	Following the private placement, the capital adequacy ratio of the bank increased from 9.66% to 10.92%.

III. Shares Held or Disposed of by the Subsidiaries : [None]

IV. Other Supplementary Notes : [None]

Appendices and Directory of Branches and Offices



Directory of Branches and Offices

Branch Name	Address	Telephone No.	Fax No.
Business Department	No.106, Chungyang Rd., Hsinchu City	03-5243151~9	03-5230963
Hsinchu Branch	No.35, Fushing Rd., Hsinchu City	03-5266171~8	03-5236079
Kuangfu Branch	No.270, Kuangfu Rd., Sec. 1, Hsinchu City	03-5775663~4	03-5781742
Chulien Mini Branch	No.256, Nanta Rd., Hsinchu City	03-5215130~2	03-5261855
Chungcheng Mini Branch	No.326, Chungcheng Rd., Hsinchu City	03-5348939~43	03-5349865
Yenping Mini Branch	No.50, Lane 214, Yenping Rd., Sec. 1, Hsinchu City	03-5219216~9	03-5219215
Chutung Branch	No.300, Changchun Rd., Sec. 1, Chutung Town, Hsinchu County	03-5965711~5	03-5954025
Hsinpu Branch	No.386, Chungcheng Rd., Hsinpu Town, Hsinchu County	03-5883611~5	03-5883344
Hukou Branch	No.82, Chungcheng Rd., Sec. 1, Hukou township, Hsinchu County	03-5992614~8	03-5901627
Chupei Branch	No.59, Sanmin Rd., Chupei City, Hsinchu County	03-5513115~8	03-5512190
Kuanshi Branch	No.21, Mingteh Rd., Kuanshi Town, Hsinchu County	03-5875151~3	03-5877927
Hsinfong Branch	No.155-7, Chienshing Rd., Sec. 1, Hsinfeng Township, Hsinchu County	03-5591113~5	03-5594636
Hsinshing Branch	No.130, Shi Wei Rd., Hsinchu City	03-5233171~5	03-5233177
Hsinsheng Branch	No.141, Chungcheng W. Rd., Chupei City, Hsinchu County	03-5519456~61	03-5551783
Science Park Branch	No.11, Science Park 2nd Rd., Hsinchu Science Park, Hsinchu City	03-5785355~8	03-5787055
North Hsinchu Branch	No.6, Beida Rd., East District, Hsinchu City	03-5348155~9	03-5421589
Taoyuan Branch	No.66, Chungcheng Rd., Taoyuan City, Taoyuan County	03-3340176~83	03-3371647
Dashi Branch	No.253, Kangjhuang Rd., Dasi Town, Taoyuan County	03-3873915~9	03-3889901
Dayuan Branch	No.44, Chungshan N Rd., Dayuan Township, Taoyuan County	03-3861130~33	03-3861924
Chungli Branch	No.194, Chungshan Rd., Chungli City, Taoyuan County	03-4252186~90	03-4256977
Yangmei Branch	No.105, Tacheng Rd., Yangmei Town, Taoyuan County	03-4783491~4	03-4752718
Hsinwu Branch	No.251, Chungshan Rd., Hsinwu Township, Taoyuan County	03-4773226~9	03-4772052
Lungtan Branch	No.202, Peilung Rd., Lungtan Township, Taoyuan County	03-4793185~8	03-4708175
Sanmin Branch	No.301 Sanmin Rd., Sec. 3, Taoyuan City	03-3351593~7	03-3328102
Neili Branch	No.83, Hsinyi Rd., Neili, Chungli City, Taoyuan County	03-4553122~6	03-4524244
Pateh Branch	No.43, Chiehshou Rd., Sec. 2, Pateh City, Taoyuan County	03-3634341~6	03-3660967
YungAn Branch	No.465, Chungcheng Rd., Taoyuan City	03-3324002~6	03-3361491
Hsinming Branch	No.56, Minchu Rd., Chungli City, Taoyuan County	03-4918701~10	03-4918710
Kueishan Branch	No.1077, Wanshou Rd., Sec. 2, Kueishan Township, Taoyuan County	03-3290728~32	03-3290273
Nankan Branch	No.90, Chungcheng Rd., Luchu Township, Taoyuan County	03-3524148~52	03-3226443
Dashulin Branch	No.233, Taoying Rd., Taoyuan City	03-3664291~6	03-3664296
Lungkang Branch	No.302, Lungtung Rd., Chungli City, Taoyuan County	03-4657783~87	03-4567704

Branch Name	Address	Telephone No.	Fax No.
Shantzuting Branch	No.150, Chungfeng Rd., Shanting Sec., Pinchen City, Taoyuan County	03-4696257	03-4692907
Pushin Branch	No.351, Yungmei Rd., Lin 3, Pushin Li, Yangmei Township, Taoyuan County	03-4824984~6	03-4826073
Sinjhuang Mini Branch	No.879-17, Jhongjheng Rd., Sinjhuang City, Taipei County	02-29082996	02-29082952
Kuaichi Branch	No.862, Chunjih Rd., Taoyuan City	03-3553278~82	03-3553723
Huanpei Branch	No.405, Huanpei Rd., Chungli City, Taoyuan County	03-4511333	03-4513135
Reifong Mini Branch	No.909, Chiehshou Rd., Sec. 2, Pateh City, Taoyuan County	03-3685706~8	03-3685727
Guanyin Branch	No. 833, Jhongshan Rd., Sec. 2, Guanyin Town, Taoyuan County	03-4986401~3	03-4986404
Pinzhen Mini Branch	No.225, Huannan Rd., Pingchen City, Taoyuan County	03-4910311~7	03-4910319
Dachu Branch	No.506-23, Dachu Rd., Luchu Township, Taoyuan County	03-3137633	03-3137626
Miaoli Branch	No.562, Chungcheng Rd., Miaoli City	037-324671~6	037-358940
Chunan Branch	No.217, Chungcheng Rd., Chunan Town, Miaoli City	037-476161~5	037-474881
Toufen Branch	No.106, Hoping Rd., Toufen Town, Miaoli City	037-668281~5	037-676791
Yuanli Branch	No.19, Weikung Rd., Yuanli Town, Miaoli City	037-862851~5	037-852609
Chuolan Mini Branch	No.48, Chungcheng Rd., Chuolan Town, Miaoli City	04-25891916~9	04-25894942
Kungkuan Branch	No.211, Chunghsiao Rd., Kungkuan Township, Miaoli City	037-228525~6	037-221245
Tungshiao Branch	No.16, JenAi Rd., Tungshiao Town, Miaoli City	037-757511~2	037-757514
Houlung Branch	No.20, Chengkung Rd., Peilung Li, Houlung Town, Miaoli City	037-724591~2	037-724980
Sanyi Branch	No.83, Chungcheng Rd., Sanyi Township, Miaoli City	037-875281~3	037-875242
Peimiao Branch	No.296, Weikung Rd., Chinghua Li, Miaoli City	037-267501~3	037-260184
Tahu Mini Branch	No.79, Minsheng Rd., Tahu Township, Miaoli County	037-995561~3	037-995564
Tunglo Mini Branch	No.201, Chungcheng Rd., Tunglo Village, Tunglo Township, Miaoli County	037-985211~3	037-985214
East Neili Branch	No.47, Jungmin Rd., Chungli City, Taoyuan County	03-4351988~95	03-4351093
Chungyuan Mini Branch	No.90, Hungyang Rd., Chungli City, Taoyuan County	03-4668166	03-4662442
Kungshi Branch	No.220, Fushing 1st Rd., Kueishan Township, Taoyuan County	03-3972288	03-3972266
Chuangching Mini Branch	No.35, Dashing W. Rd., Sec. 2, Taoyuan City	03-3026699	03-3028833
Chinling Branch	No.87, Chinling Rd., Pinchen City, Taoyuan County	03-4579155	03-4579920
Chienkuo Mini Branch	No.38, Chienkuo N. Rd., Sec. 1, Taipei City	02-87723232	02-87723838
Panchiao Mini Branch	No.192, Minchu Rd., Panchiao City, Taipei County	02-29528799	02-29528797
Luchou Mini Branch	No.308, Chihsien Rd., Luchou City, Taipei County	02-82828266	02-82815941
Neihu Branch	1F, No. 69, Tunghu Rd., Neihu District, Taipei City	02-26318888	02-26326910
Wenshin Branch	1F, No. 380, Wenshin Rd., Sec. 1, Taichung City	04-23192480-5	04-23192473
Fongyuan Branch	No.797, Yuanhuan E. Rd., Fenyuan City, Taichung County	04-25234116	04-25240078

Branch Name	Address	Telephone No.	Fax No.
Chiayi Branch	No.345, Minchu Rd., Chiayi City	05-2288855	05-2240800
Tainan Branch	No.429, Chinhua Rd., Sec. 2, Tainan City	06-2648101	06-2648140
Jiuru Branch	o.383 ,Chiuju 1st Rd., Kaohsiung City	07-3872296	07-3860532
Tungning Branch	No.,88, Dongsing Rd., East District, Tainan City	06-2761561	06-2761565
Tunghai Branch	No.306, Fuko Rd., Shituen District, Taichung City	04-24653500	04-24653501
Shenkang Branch	No.788, Jhongshan Rd., Shengang Township, Taichung County	04-25622731	04-25634785
Chungteh Branch	No.364 ,Chungteh Rd., Tainan City	06-2697461	06-2697458
Nantun Branch	No. 302, Liming Rd., Sec. 2, Nantun District, Taichung City	04-22536208	04-22536205
Chungho Branch	No.182. Chien-Yi Rd., Chungho City, Taipei County	02-82271656	02-82271659
Shilin Mini Branch	No.177.Chungcheng Rd., Sec. 1, Shilin District, Taipei City	02-28386096	02-28386160
Yungho Mini Branch	No.302, Chungcheng Rd., Yungho City, Taipei County	02-29452510	02-29451275
Peituen Branch	No.236, Wenshin Rd., Sec. 4, North District, Taichung City	04-22990755	04-22990803
Shituen Branch	No.327. Honan Rd., Sec. 2, Shituen District, Taichung City	04-27081040	04-27081118
Tali Branch	No.161, Chengkung Rd., Tali City, Taichung County	04-24967768	04-24965125
Changhua Branch	No.53, Chungcheng Rd., Sec. 2, Changhua City, Changhua City	04-7282999	04-7229958
Yuanlin Branch	No.439, Fuzun Rd., Sec. 2, Yunlin Town, Changhua County	04-8390750	04-8930755
Fengshan Branch	No.150, Paotai Rd., Fengshan City, Kaohsiung County	07-7522727	07-7522759
North Kaohsiung Branch	No.189, Wunsin Rd., Gushan District, Kaohsiung City	07-5501705	07-5502011
Fusing Branch	10F., 13F., No.363, Fusing N. Rd., Songshan District, Taipei City	02-66027676	02-66027670
Minchu Branch	18F., No.2, Jhongjheng 3rd Rd., Kaohsiung City	07-9692799	07-2368418
Songjiang Branch	No.116, Nanjing E. Rd., Sec. 2, Jhongshan District, Taipei City	02-25315678	02-25215501
Chengdong Branch	1F, No.270, Nanjing E. Rd., Sec. 3, Songshan District, Taipei City	02-27719141	02-27755372
Jhongmei Branch	1F, 2F, No.117, Jhongmei Rd., Sec. 2, Jhongli City, Taoyuan County	03-4256173	03-4226723
Daya Branch	No.57, Daya Rd., North District, Taichung City	04-22024076	04-22024093
North Chiayi Branch	1F&2F of No. 212, No. 210, Guohua St., West District, Chiayi City	05-2236570	05-2273711
East Tainan Branch	1F, No.107, Minzu Rd., Sec. 2, West Central District, Tainan City	06-2203203	06-2283722
Cisian Branch	No.301, Cisian 1st Rd., Sinsing District, Kaohsiung City	07-2387791	07-2369832
Dunbei Branch	1F, No.168, Dunhua N. Rd., Songshan District, Taipei City	02-27186000	02-27191880
Taichung Branch	No.261, Jhonggang Rd, Sec.1, Taichung City	04- 23198000	04- 23101106
Kaohsiung Branch	22F., No.175, Jhongjheng 2nd Rd., Sinsing District, Kaohsiung City	07- 2285500	07- 2242032



Standard Chartered Bank (Taiwan) Limited



Chairman Jim McCabe