

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

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 as of June 30, 2009 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the six-month periods ended June 30, 2009 and 2008. 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 June 30, 2009 and 2008, and the results of its operations and its cash flows for the six-month periods 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 six-month periods ended June 30, 2009 and 2008, on which we have expressed a standard unqualified review opinion.

KPMG
August 5, 2009

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

Standard Chartered Bank (Taiwan) Limited
Balance Sheets
June 30, 2009 and 2008
(Expressed in thousands of New Taiwan dollars, except for par value)

	2009	2008	Change %		2009	2008	Change %
Assets				Liabilities and Stockholders' Equity			
Cash and cash equivalents (note 4(1) and 5)	\$ 5,179,675	6,950,279	(25)	Deposits by Central Bank and other banks (note 5)	\$ 39,048,415	49,388,196	(21)
Balance at Central Bank and loans and advances to banks (notes 4(2) and 5)	134,104,140	67,142,097	100	Financial liabilities at fair value through profit or loss (notes 4(3) and (21) and 5)	25,386,712	23,200,898	9
Financial assets at fair value through profit or loss (notes 4(3) and (21) and 5)	29,324,813	26,625,843	10	Bills and bonds sold under repurchase agreements (notes 4(12) and 7)	983,541	1,802,995	(45)
Accounts receivable, net (notes 4(4) and (6), 5 and 9)	21,753,192	28,136,773	(23)	Notes and accounts payable (notes 4(18), 5 and 9)	13,598,928	12,776,201	6
Assets held for sale (note 4(5))	1,614,609	-	-	Deposits and remittances (notes 4(13) and 5)	487,651,718	392,157,940	24
Loans and advances to customers, net (notes 4(6) and 5)	306,364,358	296,602,107	3	Financial debentures (notes 4(14) and 5)	19,722,769	19,356,580	2
Available-for-sale financial assets (notes 4(7) and (21), 5 and 6)	98,950,667	85,416,798	16	Other liabilities (notes 4(17), 5, 7 and 9)	<u>3,363,199</u>	<u>3,523,106</u>	(5)
Investment in associates under equity method, net (note 4(8))	223,813	282,885	(21)	Total liabilities	<u>589,755,282</u>	<u>502,205,916</u>	17
Other financial assets, net (note 4(8))	296,044	267,700	11	Stockholders' Equity (notes 4(7) and (20)):			
Property and equipment, net (note 4(9))	7,806,536	7,837,015	-	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 June 30, 2009 and 2008, respectively	<u>24,855,720</u>	<u>21,575,720</u>	15
Intangible assets (note 4(10))	3,637,040	499,925	628	Capital surplus	<u>6,183,410</u>	<u>2,904,165</u>	113
Other assets (notes 4(11) and (19) and 6)	7,205,188	6,728,728	7	Retained earnings:			
				Legal reserve	5,374	-	-
				Accumulated (deficits) earnings	<u>(4,626,582)</u>	<u>258,984</u>	(1,886)
					<u>(4,621,208)</u>	<u>258,984</u>	(1,884)
				Other adjustments to stockholders' equity:			
				Unrealized revaluation increments on property and equipment	381,303	381,303	-
				Unrealized gain (loss) on available-for-sale financial assets (note 4(7))	97,684	(676,935)	114
				Net loss from unrecognized pension cost	<u>(192,116)</u>	<u>(159,003)</u>	(21)
					<u>286,871</u>	<u>(454,635)</u>	163
				Total stockholders' equity	26,704,793	24,284,234	10
				Commitments and contingent liabilities (notes 4(11), (12), and (21), 6 and 7)			
Total Assets	<u>\$ 616,460,075</u>	<u>526,490,150</u>	17	Total Liabilities and Stockholders' Equity	<u>\$ 616,460,075</u>	<u>526,490,150</u>	17

See accompanying notes to financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Income

For the six-month periods ended June 30, 2009 and 2008
 (expressed in thousands of New Taiwan dollars, except for earnings per share)

	2009	2008	Change %
Interest income (notes 4(3) and (15) and 5)	\$ 7,453,621	9,094,952	(18)
Less: Interest expenses (note 5)	<u>3,114,375</u>	<u>3,721,175</u>	(16)
Net interest income	4,339,246	5,373,777	(19)
Other operating income:			
Fees and commission income, net (note 7)	1,324,581	2,624,837	(50)
Gain on financial instruments at fair value through profit or loss (notes 4(3) and 5)	791,123	603,613	31
Realized (loss) gain on available-for-sale financial assets (note 4(7))	77,348	(62,522)	224
Investment income from interest in associates under equity method (note 4(8))	152,550	88,761	72
Foreign exchange gain, net	352,557	651,391	(46)
Collections from written-off loans (note 4(6))	849,017	920,177	(8)
Other non-interest income, net (notes 4(8), (11), and (16))	<u>168,276</u>	<u>279,057</u>	(40)
Operating income	<u>8,054,698</u>	<u>10,479,091</u>	(23)
Bad debt expenses (note 4(6) and 9)			-
Accounts receivables, loans and advances to customer and provision for guarantee (note 4(6))	2,358,417	3,677,514	(36)
PEM receivable (note 4(6) and 9)	<u>5,706,645</u>	<u>-</u>	-
	<u>8,065,062</u>	<u>3,677,514</u>	119
Operating expenses:			
Personnel costs (notes 4(17) and (18), 5 and 10(1))	2,827,391	3,078,824	(8)
Depreciation and amortization expenses (note 10(1))	302,685	376,206	(20)
General and administrative expenses (notes 5 and 7)	<u>1,694,545</u>	<u>3,152,568</u>	(46)
	<u>4,824,621</u>	<u>6,607,598</u>	(27)
(Loss) profit from continuing operations before income tax	(4,834,985)	193,979	(2,593)
Income tax benefit (note 4(19))	<u>(195,862)</u>	<u>(65,004)</u>	(201)
Net (loss) income	\$ <u><u>(4,639,123)</u></u>	<u><u>258,983</u></u>	(1,891)
	Before tax	After tax	Before tax
	After tax		After tax
Basic (deficits) earnings per share (note 4(20))	\$ <u><u>(1.95)</u></u>	<u><u>(1.87)</u></u>	<u><u>0.09</u></u>
		<u><u>0.12</u></u>	

See accompanying notes to financial statements.

Standard Chartered Bank (Taiwan) Limited
Statements of Changes in Stockholders' Equity
For the six-month periods ended June 30, 2009 and 2008
(expressed in thousands of New Taiwan dollars)

	Retained earnings				Other adjustments			Total	
	Common stock	Capital surplus	Legal reserve	Special reserve	Accumulated earnings (deficits)	Revaluation increments on property and equipment	Unrealized (loss) gain on available-for-sale financial assets		Net loss from unrecognized pension cost
Balance as of January 1, 2008	\$ 21,575,720	5,049,515	-	332	(2,145,681)	381,303	(888,436)	(159,003)	23,813,750
Capital surplus and special reserve for offsetting against accumulated deficits (note 4(20))	-	(2,145,350)	-	(332)	2,145,682	-	-	-	-
Net income for the six-month period ended June 30, 2008	-	-	-	-	258,983	-	-	-	258,983
Unrealized gain on available-for-sale financial assets (note 4(7))	-	-	-	-	-	-	211,501	-	211,501
Balance as of June 30, 2008	<u>\$ 21,575,720</u>	<u>2,904,165</u>	<u>-</u>	<u>-</u>	<u>258,984</u>	<u>381,303</u>	<u>(676,935)</u>	<u>(159,003)</u>	<u>24,284,234</u>
Balance as of January 1, 2009	\$ 24,855,720	6,183,410	-	-	17,915	381,303	352,768	(192,116)	31,599,000
Legal reserve (note 4(20))	-	-	5,374	-	(5,374)	-	-	-	-
Net loss for the six-month period ended June 30, 2009	-	-	-	-	(4,639,123)	-	-	-	(4,639,123)
Unrealized loss on available-for-sale financial assets (note 4(7))	-	-	-	-	-	-	(255,084)	-	(255,084)
Balance as of June 30, 2009	<u>\$ 24,855,720</u>	<u>6,183,410</u>	<u>5,374</u>	<u>-</u>	<u>(4,626,582)</u>	<u>381,303</u>	<u>97,684</u>	<u>(192,116)</u>	<u>26,704,793</u>

See accompanying notes to financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the six-month periods ended June 30, 2009 and 2008
(expressed in thousands of New Taiwan dollars)

	2009	2008
Cash flows from operating activities:		
Net (loss) income	\$ (4,639,123)	258,983
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Bad debt expenses	8,065,062	3,677,514
Reserves	21,257	16,750
Depreciation and amortization expenses	302,685	376,206
Realized (gain) loss on available-for-sale financial assets	(77,348)	62,522
Investment income from interest in associates under equity method	(152,550)	(88,761)
Cash dividends from associates under equity method	202,404	-
Gain on disposal of investment	-	(111,580)
Decrease in unrealized gain on inter-affiliate transactions	(49)	(56)
Derecognition of fixed assets as expenses	-	5,411
Loss on disposal of property, equipment, and assets held for sale	6,858	4,594
(Increase) decrease in operating assets:		
Increase in balance at Central Bank and loans and advances to banks	(35,295,494)	(26,746,112)
Decrease (increase) in financial assets at fair value through profit or loss	10,052,020	(1,159,526)
Increase in accounts receivable	(156,420)	(4,987,249)
Decrease (increase) in loans and advances to customers	1,796,813	(10,003,077)
Decrease (increase) in other financial assets	26,501	(12,055)
Increase in deferred income tax assets	(293,745)	(154,086)
Increase (decrease) operating liabilities:		
Increase in deposits by Central Bank and other banks	18,010,413	23,285,571
(Decrease) increase in financial liabilities at fair value through profit or loss	(5,834,135)	2,869,333
(Decrease) increase in deposits and remittances	(26,387,552)	11,197,123
(Decrease) increase in accounts payable	(1,109,830)	2,366,563
Decrease in deferred income	(61,561)	-
Net cash provided by (used in) operating activities	<u>(35,523,794)</u>	<u>858,068</u>
Cash flows from investing activities:		
Decrease in bills and bonds purchased under reverse repurchase agreements	1,179,467	-
Acquisition of available-for-sale financial assets	(140,076,404)	(67,246,002)
Proceeds from disposal of available-for-sale financial assets	162,477,285	60,354,470
Return of investments in associates under equity method	-	338,283
Acquisition of financial assets carried at cost	-	(36,172)
Proceeds from disposal of financial assets carried at cost	-	44,740
Acquisition of property and equipment and foreclosed assets	(97,931)	(399,052)
Proceeds from disposal of property, equipment, and assets held for sale	185,720	-
Pricing adjustment due to purchase accounting	223,603	-
Decrease in other assets	877,493	33,413
Net cash provided by (used in) investing activities	<u>24,769,233</u>	<u>(6,910,320)</u>
Cash flows from financing activities:		
Increase in bills and bonds sold under repurchase agreements	570,688	657,003
Increase in financial debentures	-	4,544,680
Repayment of financial debentures	(1,700)	-
(Decrease) increase in other liabilities	(304,293)	519,066
Net cash provided by financing activities	<u>264,695</u>	<u>5,720,749</u>
Foreign exchange impact	(1,400)	-
Net decrease in cash and cash equivalents	(10,491,266)	(331,503)
Cash and cash equivalents at beginning of period	<u>15,670,941</u>	<u>7,281,782</u>
Cash and cash equivalents at end of period	<u>\$ 5,179,675</u>	<u>\$ 6,950,279</u>
Supplemental disclosure of cash flow information:		
Cash payments of interest	<u>\$ 3,745,960</u>	<u>3,782,699</u>
Cash payments of income tax	<u>\$ 174,947</u>	<u>155,403</u>
Adjustments to reconcile cash flow from investing and financing activities :		
Unrealized (loss) gain on available-for-sale financial assets	<u>\$ (255,084)</u>	<u>211,501</u>

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

June 30, 2009 and 2008

(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 Banking Act of the Republic of China, the Bank restructured to become 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 1992, 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 provided a tender offer to acquire the outstanding shares of Hsinchu International Bank Co., Ltd. Accordingly, Standard Chartered Bank 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 Hsinchu International Bank Co., Ltd.; in addition, Hsinchu International Bank Co., Ltd. was renamed Standard Chartered Bank (Taiwan) Limited on July 2, 2007.

The Bank acquired 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.

As of June 30, 2009 and 2008, the number of the Bank's employees was 4,208 and 4,811, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements****(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, branches, and OBU of the Bank. All intra-office balances and transactions as well as entrusted assets, entrusted 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 entrusted assets, entrusted liabilities, and their corresponding interests managed by the Bank. All the entrusted assets and their corresponding interests 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 gain or loss 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

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, and the deposits can be withdrawn at any time. 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 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 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 as 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 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 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 quoted OTC price calculated by using yield to maturity and face value. If a quoted market price is not available, fair value should be estimated by using the best information available in the circumstances or 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 (expenses) and cash dividends received during the holding period are recorded under the account "interest income (expenses)" and "gain (loss) on financial instruments 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 accounting standard before the second amendment, an entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

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

- a) Financial assets classified as assets 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 or until maturity. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- b) Financial assets classified as assets 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 upon initial recognition 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 date, 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 has 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 categorized as available-for-sale at inception and non-derivative financial assets that are not classified as held-to-maturity financial assets, financial assets 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

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 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 increase 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 gain or loss previously recognized in stockholders' equity is 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 loss recognized on equity instruments is 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

All or partial financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have terminated. If substantially all or partial of the risks and rewards 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 financial liability) is derecognized 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 by using the best information available in the circumstances or 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

An embedded derivative that is attached to a financial instrument but contractually transferable independently from the attached instrument while all of the criteria per SFAS No. 34, for bifurcation are met 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

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 unrecovered amount of non-performing loans and non-accrual loans (with pay-off period between six months to two years) shall be deducted from the balance of those loans and transferred to bad debt expense after collection efforts have been performed. 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 over 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 Article XI of the Value-Added and Non-Value-Added Tax Law, the Bank has provided the amount equal to 3% of operating revenue as allowance for doubtful accounts for writing off overdue loans until the overdue loan ratio is lower than 1% since July 1, 1999. When the aforementioned allowance is provided, "allowance for doubtful accounts" and "bad debt expenses" are used.

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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

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.

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 of impairment, 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 should be capitalized; however major additions, improvements, and renewals are treated as capital expense, while maintenance and repair costs are expensed when incurred.

The Bank capitalizes the 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 Bank 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Except for land, depreciation of property and equipment is calculated using the straight-line method over its estimated useful life. If the estimated useful life has been reached for property and equipment and such assets are still in use, a new useful life is estimated based on the residual value of the asset, and the asset is depreciated thereafter. Gains or losses on the disposal of property and equipment are recorded as other non-interest income or losses.

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

Buildings	5 to 60 years
Office equipment	3 to 8 years
Transportation equipment	3 years
Leasehold improvement	3 to 8 years
Other equipment	3 to 10 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 has adopted SFAS No. 35 "Impairment of Assets". In accordance with SFAS No. 35, the Bank assesses at each balance sheet date whether there is any indication that an asset may have been impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset, and recognizes impairment loss for an asset 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

20) Financial debentures

The issuance of a 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 the payment and carrying amount of a 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 default reserve for breach of contract losses 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 default reserve for breach of contract losses 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 "bad debt expenses — 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

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 several 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-000000052 issued by the Accounting Research and Development Foundation (ARDF). The Bank estimates the amount of employee bonuses and directors' and supervisors' remuneration 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

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 was 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. Treasury stock is stock which reduces the amount of outstanding stock on the open market. If the number of common shares or potential common shares outstanding increases as result of capitalization of retained earnings, additional paid-in capital, or employee bonuses, 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 has adopted the second amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement" and reclassified its financial assets accordingly. This change in accounting principle did not have any significant impact on the Bank's financial statements as of and for the six-month period ended June 30, 2009.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Beginning January 1, 2008, the Bank has 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 any 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 six-month period ended June 30, 2008.

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

As of June 30, 2009 and 2008, cash and cash equivalents were as follows:

	2009	2008
Cash in transit	\$ 4,236,207	4,453,035
Deposits with other banks	566,492	2,124,410
Deposits with affiliate companies	<u>376,976</u>	<u>372,834</u>
	<u>\$ 5,179,675</u>	<u>6,950,279</u>

2) Balance at Central Bank, and loans and advances to banks

As of June 30, 2009 and 2008, the balance at the Central Bank and loans and advances to banks were as follows:

	2009	2008
Balance at Central Bank:		
Reserve for deposits – checking account	\$ 7,254,132	6,332,649
Reserve for deposits – demand account	13,449,786	10,524,952
Reserve for deposits – foreign currency	111,555	84,995
Reserve for deposits – settlement accounts	<u>594,162</u>	<u>538,046</u>
	<u>21,409,635</u>	<u>17,480,642</u>
Loans and advances to other banks	33,817,202	31,887,558
Loans and advances to affiliates	<u>78,877,303</u>	<u>17,773,897</u>
	<u>112,694,505</u>	<u>49,661,455</u>
	<u>\$ 134,104,140</u>	<u>67,142,097</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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

3) Financial assets and liabilities at fair value through profit or loss

As of June 30, 2009 and 2008, financial assets and liabilities at fair value through profit or loss were as follows:

	2009	2008
Trading financial assets:		
Debt instruments	\$ 3,336,767	4,003,067
Derivatives	<u>25,988,046</u>	<u>22,622,776</u>
	<u>\$ 29,324,813</u>	<u>26,625,843</u>
Trading financial liabilities:		
Debt instruments	\$ 1,459,537	-
Derivatives	<u>23,927,175</u>	<u>23,200,898</u>
	<u>\$ 25,386,712</u>	<u>23,200,898</u>

For the six-month periods ended June 30, 2009 and 2008, net gain on financial assets and liabilities at fair value through profit or loss recognized by the Bank were as follows:

	2009	2008
Net gain on valuation and disposal of trading financial assets and liabilities:		
Debt instruments	\$ 40,280	179,473
Derivatives	<u>750,843</u>	<u>424,140</u>
	<u>\$ 791,123</u>	<u>603,613</u>
Interest income	<u>138,899</u>	<u>174,784</u>
	<u>\$ 138,899</u>	<u>174,784</u>

4) Accounts receivable

As of June 30, 2009 and 2008, details of accounts receivable were as follows:

	2009	2008
Accounts receivable	\$ 4,204,365	5,436,940
Acceptance receivable	227,213	476,348
Factoring loan receivable without recourse	6,246,763	7,079,136
Interest receivable	1,937,301	1,894,809
Credit card receivable	8,203,029	12,261,673
PEM receivable	6,320,234	-
Others	<u>400,223</u>	<u>1,093,500</u>
	27,539,128	28,242,406
Less: allowance for doubtful accounts	79,291	105,633
allowance for doubtful accounts – PEM receivable	<u>5,706,645</u>	<u>-</u>
Total	<u>\$ 21,753,192</u>	<u>28,136,773</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Before consolidating with Standard Chartered Bank Taipei Branch, the Bank's former entity, Hsinchu International Bank Co., Ltd., sold structured notes issued by GVEC Resource IV Inc. (GVEC), a special purpose entity set up by Private Equity Management (PEM) Group, through pecuniary trust during the period from July to December 2006. In April 2009, the US Securities and Exchange Commission investigated the PEM Group and preliminarily determined that it had committed deception. In order to protect certain investors' rights, the Bank promise to buy back all the aforementioned structured notes, which had been valued around USD191,640 thousand, recorded as account receivable with allowance for doubtful accounts of USD 170,000 and this buyback action was passed by a Board meeting.

5) Assets held for sale

The Bank committed to sell the idle assets, building and land on May 29, 2008, and the sale was executed beginning in the second half of 2008 and was expected to be completed within a year. As of June 30, 2009, the book value of assets held for sale amounted to \$1,614,609.

6) Loans and advances to customers

As of June 30, 2009 and 2008, details of loans and advances to customers were as follows:

	2009	2008
Remittances and discounts for exports	\$ 2,381,397	461,303
Short-term loans and overdrafts	25,905,154	35,381,619
Short-term secured loans and overdrafts	8,796,940	11,933,149
Medium-term loans	64,123,497	70,963,686
Medium-term secured loans	9,684,775	14,727,317
Long-term loans	11,233,742	4,147,571
Long-term secured loans	181,491,566	155,330,126
Non-performing loans	<u>5,857,339</u>	<u>5,050,268</u>
Subtotal	309,474,410	297,995,039
Less: allowance for doubtful accounts	<u>3,110,052</u>	<u>1,392,932</u>
Total	<u>\$ 306,364,358</u>	<u>296,602,107</u>
Hedged assets included in the above balance	<u>\$ 54,000</u>	<u>1,007,307</u>

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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the six-month periods ended June 30, 2009 and 2008, the movements of allowance for doubtful accounts were as follows:

	Specific provision	2009 General provision	Total
Beginning balance	\$ 2,700,886	1,079,533	3,780,419
Add: provision for doubtful accounts	6,293,431	1,782,225	8,075,656
Less: write-off	823,335	2,135,579	2,958,914
foreign exchange impact	<u>1,173</u>	<u>-</u>	<u>1,173</u>
Ending balance	<u>\$ 8,169,809</u>	<u>726,179</u>	<u>8,895,988</u>
	Specific provision	2008 General provision	Total
Beginning balance	\$ 1,641,181	611,071	2,252,252
Add: provision for doubtful accounts	2,312,171	1,282,111	3,594,282
Less: write-off	<u>2,699,103</u>	<u>1,648,866</u>	<u>4,347,969</u>
Ending balance	<u>\$ 1,254,249</u>	<u>244,316</u>	<u>1,498,565</u>

For the six-month period ended June 30, 2009, the allowance for doubtful accounts was \$8,895,988. This amount consisted of loans and advances to customers of \$3,110,052 and account receivables (including PEM receivable) of \$5,785,936. For the six-month period ended June 30, 2008, the allowance for doubtful accounts was \$1,498,565. This amount consisted of loans and advances to customers of \$1,392,932 and account receivables of \$105,633.

For the six-month period ended June 30, 2009, the Bank's bad debt expense was \$8,065,062. This amount consisted of bad debt expense for account receivables and loans and advances to customers of \$8,075,656 and reversal of provision for guarantee amounting to \$10,594. For the six-month period ended June 30, 2008, the Bank's bad debt expense was \$3,677,514. This amount consisted of bad debt expense for account receivables and loans and advances to customers of \$3,594,282 and provision for guarantee amounting to \$83,232.

The Bank collected \$849,017 and \$920,177 from written-off loans during the six-month periods ended June 30, 2009 and 2008, respectively, recorded as collection from written-off loans. For the six-month periods ended June 30, 2009 and 2008, the amounts of allowance for doubtful accounts generated from 3% of operating revenue were \$207,496 and \$304,014, respectively.

As of June 30, 2009 and 2008, the amounts of outstanding loans with interest charges suspended amounted to \$2,954,255 and \$5,575,061, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$44,351 and \$237,504, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of June 30, 2009 and 2008, loans and advances to customers classified by geographical region were as follows:

	2009	2008
Domestic	\$ 303,269,638	289,934,682
Overseas	<u>6,204,772</u>	<u>8,060,357</u>
Total	<u>\$ 309,474,410</u>	<u>297,995,039</u>

As of June 30, 2009 and 2008, information regarding asset quality of loans and advances to customers was as follows:

Product		Period		2009			
		Overdue loan amount	Loan Balance	Overdue ratio	Allowance for bad debts	Coverage rate	
Corporate Banking	Secured	4,269,159	21,244,474	20.10 %	1,938,168	45.40 %	
	Unsecured	436,168	57,428,953	0.76 %	294,178	67.45 %	
Consumer Banking	Mortgage	3,202,733	180,565,014	1.77 %	493,922	15.42 %	
	Credit loan	382,529	46,915,666	0.82 %	383,784	100.33 %	
	Others	Secured	-	3,238,348	- %	-	- %
		Unsecured	-	81,955	- %	-	- %
Total		8,290,589	309,474,410	2.68 %	3,110,052	37.51 %	
		Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Coverage rate	
Credit card		652,091	7,951,644	8.20 %	48,693	7.47 %	
Factoring loan receivables without recourse		-	6,246,763	- %	-	- %	

Product		Period		2008		
		Overdue loan amount	Loan Balance	Overdue ratio	Allowance for bad debts	Coverage rate
Corporate Banking	Secured	2,840,542	43,860,373	6.48 %	286,813	10.10 %
	Unsecured	262,302	48,552,655	0.54 %	317,496	121.04 %
Consumer Banking	Mortgage	3,095,263	139,058,506	2.23 %	643,746	20.80 %
	Cash card	612	14,281	4.29 %	612	100.00 %
	Credit loan	514,581	37,129,855	1.39 %	143,705	27.93 %
	Others	Secured	9,593	22,529,235	0.04 %	490
Unsecured		844	6,850,134	0.01 %	70	8.29 %
Total		6,723,737	297,995,039	2.26 %	1,392,932	20.72 %
		Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Coverage rate
Credit card		646,635	12,261,673	5.27 %	104,893	16.22 %
Factoring loan receivables without recourse		-	7,079,136	- %	-	- %

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

7) Available-for-sale financial assets

As of June 30, 2009 and 2008, available-for-sale financial assets were as follows:

	2009	2008
Debt instruments:		
Treasury bills	\$ 5,161,891	1,979,862
Government bonds	26,146,830	10,959,577
Commercial paper	217,940	3,219,034
Negotiable certificates of deposit	51,343,250	49,643,086
Financial debentures	5,484,448	8,126,030
Corporate bonds	<u>5,809,352</u>	<u>6,897,385</u>
Subtotal	94,163,711	80,824,974
Beneficiary certificates	<u>4,786,956</u>	<u>4,591,824</u>
Total	<u>\$ 98,950,667</u>	<u>85,416,798</u>
Hedged assets included in the above balance	<u>\$ 11,115,703</u>	<u>11,827,886</u>

The above hedging activities are treated as fair value hedge.

For the six-month periods ended June 30, 2009 and 2008, the movements of unrealized gain (loss) on available-for-sale financial assets were as follows:

	2009	2008
Beginning balance	\$ 352,768	(888,436)
Unrealized (loss) gain recognized in the period	(177,736)	148,979
Realized gain (loss) on disposal in the period	<u>77,348</u>	<u>(62,522)</u>
Ending balance	<u>\$ 97,684</u>	<u>(676,935)</u>

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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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.

A. As of June 30, 2009 and 2008, key assumptions used in measuring retained interests were as follows:

	2009	
	First	Second
Prepayment rate (annual rate)— assumption 1	30.00 %	20.00 %
Weighted-average life	0.97 years	1.58 years
Expected credit losses rate (annual rate)— assumption 2	1.50 %	2.50 %
Discounted rate for residual cash flows	2.60 %	2.60 %
	2008	
	First	Second
Prepayment rate (annual rate)— assumption 1	30.00 %	20.00 %
Weighted-average life	1.70 years	2.58 years
Expected credit losses rate (annual rate)— assumption 2	1.50 %	2.00 %
Discounted rate for residual cash flows	2.60 %	2.60 %

B. Sensitivity analysis

As of June 30, 2009 and 2008, 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:

	2009	
	First	Second
Carrying amount of retained interest	\$ 1,731,020	2,685,792
Assumption 1 — impact on fair value of 10% adverse change	(683)	(1,604)
Assumption 1 — impact on fair value of 20% adverse change	(1,379)	(10,153)
Assumption 2 — Impact on fair value of 10% adverse change	(1,116)	(603)
Assumption 2 — Impact on fair value of 20% adverse change	(2,232)	(1,206)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

C. As of June 30, 2009 and 2008, 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.

D. Cash flows

The cash flows received from or paid to securitization trusts for the six-month periods ended June 30, 2009 and 2008, were summarized as follows:

		2009	
		First	Second
Other cash flows received on retained interests	\$	37,694	52,875
Servicing fee received		2,500	2,500
Cash received for prepayment for service		304	1,421
Prepayment for service		(361)	(1,265)

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

8) Interest in associates under equity method and financial assets carried at cost

	June 30, 2009			June 30, 2008		
	Percentage of ownership	Investment cost	Book value	Percentage of ownership	Investment cost	Book value
Equity method:						
Standard Chartered Life Insurance Agent Co., Ltd.	100.00	\$ 21	204,733	100.00	21	245,895
Standard Chartered Taiwan Insurance Agent Co., Ltd.	100.00	368	19,080	100.00	368	36,990
Paradigm Assets Management Co., Ltd.	20.00	98,400	95,747	20.00	98,400	95,747
		<u>98,789</u>	<u>319,560</u>		<u>98,789</u>	<u>378,632</u>
Less: accumulated impairment		-	95,747		-	95,747
		<u>\$ 98,789</u>	<u>223,813</u>		<u>98,789</u>	<u>282,885</u>
Financial assets carried at cost:						
Fubon Securities Finance Co., Ltd.	0.99	\$ 38,065	38,065	0.99	38,065	38,065
Taiwan Small and Medium Enterprises Development Corp.	4.84	29,000	29,000	4.84	29,000	29,000
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	5.24	94,546	94,546	3.45	36,172	36,172
Subtotal		<u>496,612</u>	<u>496,612</u>		<u>441,060</u>	<u>441,060</u>
Less: accumulated impairment	-	-	202,969	-	-	188,500
		<u>\$ 496,612</u>	<u>293,643</u>		<u>441,060</u>	<u>252,560</u>

For the six-month periods ended June 30, 2009 and 2008, the Bank recognized investment income from interest in associates under the equity method of \$152,550 and \$88,761, respectively.

For the six-month period ended June 30, 2009, the cash dividend from associates under the equity method was \$202,404, which reduced the investment cost.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

9) Property and equipment

As of June 30, 2009 and 2008, details of property and equipment were as follows:

	2009	2008
Cost:		
Land	\$ 3,385,979	3,226,953
Revaluation increments on land	505,866	505,866
Buildings	3,245,985	3,552,782
Revaluation increments on buildings	10,407	10,407
Office equipment	1,119,351	1,038,655
Transportation equipment	6,700	3,684
Leasehold improvements	498,959	390,522
Other equipment	<u>3,015,598</u>	<u>3,114,555</u>
Subtotal	11,788,845	11,843,424
Less: accumulated depreciation and impairment	<u>4,058,966</u>	<u>4,440,117</u>
Subtotal	<u>7,729,879</u>	<u>7,403,307</u>
Prepayment for equipment	<u>76,657</u>	<u>433,708</u>
Total	<u><u>\$ 7,806,536</u></u>	<u><u>7,837,015</u></u>

For the six-month periods ended June 30, 2009 and 2008, movements of accumulated depreciation were as follows:

	2009	2008
Beginning balance	\$ 4,009,495	3,688,089
Add: depreciation	250,288	318,389
reclassification	-	150,187
Less: disposal	<u>200,817</u>	<u>130,350</u>
Ending balance	<u><u>\$ 4,058,966</u></u>	<u><u>4,026,315</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

10) Intangible assets

	2009	2008
Goodwill	\$ 3,156,736	-
Deferred pension costs	228,416	281,867
Software	<u>251,888</u>	<u>218,058</u>
	<u><u>\$ 3,637,040</u></u>	<u><u>499,925</u></u>

The Bank acquired the assets and liabilities of Asia Trust Investment Co., Ltd. on December 27, 2008. Consequently, the Bank recognized goodwill of \$3,156,736, based on Statement of Financial Accounting Standards No. 25 "Business Combinations".

For the six-month periods ended June 30, 2009 and 2008, the recognized amortization expenses from computer software were \$46,667 and \$41,505, respectively, recognized as operating expenses – depreciation and amortization expenses.

11) Other assets

As of June 30, 2009 and 2008, details of other assets were as follows:

	2009	2008
Deferred income tax assets, net	\$ 4,777,383	3,383,613
Idle assets, net of accumulated impairment of \$3,231 and \$18,534 as of June 30, 2009 and 2008, respectively	29,871	151,712
Assets leased to others, net of accumulated impairment of \$50,605 as of June 30, 2008	325,473	1,313,491
Foreclosed assets, net of accumulated impairment of \$759,827 and \$639,827 as of June 30, 2009 and 2008, respectively	444,712	573,148
Refundable deposits	1,127,329	649,190
Prepaid expenses	167,892	103,059
Tax refund receivable	250,563	395,948
Others	<u>81,965</u>	<u>158,567</u>
	<u><u>\$ 7,205,188</u></u>	<u><u>6,728,728</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

The Bank leased out its office buildings under operating leases with lease terms ranging from one to five years. As of June 30, 2009, future lease payments to be received were as follows:

Period	Amount
2009	\$ 28,236
2010	21,079
2011	14,664
2012	111
2013 and thereafter	<u>195</u>
	<u><u>\$ 64,285</u></u>

12) Bills and bonds sold under repurchase agreements

As of June 30, 2009 and 2008, the book value of underlying assets of bills and bonds sold under repurchase agreements were as follows:

	2009	2008
Bills and bonds sold under repurchase agreements	<u>\$ 983,541</u>	<u>1,802,995</u>

As of June 30, 2009 and 2008, settlement dates for bills and bonds sold under repurchase agreements were July 1, 2009, and from July 1 to July 23, 2008, respectively; interest rates of the aforementioned repurchase agreements ranged from (0.50)% to 0.10% and from (0.50)% to 1.78%, respectively. The contracted prices for the aforementioned repurchase agreements were \$983,542 and \$1,803,246, respectively.

13) Deposits and remittances

As of June 30, 2009 and 2008, deposits and remittances were as follows:

	2009	2008
Checking deposits	\$ 3,230,572	4,338,297
Demand deposits	158,878,991	89,782,024
Time deposits	100,925,894	34,255,553
Savings deposits	119,890,139	102,807,712
Time savings deposits	100,097,630	160,605,197
Trust fund with designated purpose	4,156,145	-
Remittances	<u>472,347</u>	<u>369,157</u>
Total	<u>\$ 487,651,718</u>	<u>392,157,940</u>
Hedged liabilities included in the above balance	<u>\$ 28,000,000</u>	<u>10,800,000</u>

The above hedging activities are treated as fair value hedge.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

14) Financial debentures

As of June 30, 2009 and 2008, details of subordinated debentures issued by the Bank were as follows:

Bond	Issue conditions	2009	2008
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	\$ 1,200	3,300
94-1	No maturity date, interest payable semi-annually, based on the average one-year regular floating rate of the nine largest 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 nine largest 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	4,921,569	4,553,280
		<u>\$ 19,722,769</u>	<u>19,356,580</u>

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 of USD150,000 thousand 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

15) Interest income

For the six-month periods ended June 30, 2009 and 2008, details of interest income were as follows:

	2009	2008
Interbank transactions	\$ 1,067,767	1,228,671
Loans and advances to customers	4,923,919	6,174,013
Credit cards	465,731	657,935
Financial assets at fair value through profit or loss	138,899	174,784
Available-for-sale financial assets	<u>857,305</u>	<u>859,549</u>
Total	<u>\$ 7,453,621</u>	<u>9,094,952</u>

16) Other non-interest income (loss)

For the six-month periods ended June 30, 2009 and 2008, details of non-interest income (loss) were as follows:

	2009	2008
Securities brokerage commissions	\$ 107,620	121,739
Rental income	25,061	39,967
Loss on disposal of property and equipment	(6,858)	(4,594)
Gain on disposal of investments	15,506	111,580
Others	<u>26,947</u>	<u>10,365</u>
Total	<u>\$ 168,276</u>	<u>279,057</u>

17) Pension

For the six-month periods ended June 30, 2009 and 2008, the related pension assets, costs, and accrued liabilities of the Bank were as follows:

	2009	2008
Fair value of pension assets at end of period	\$ 1,824,984	1,923,581
Pension cost:		
Defined benefit pension scheme	149,627	140,335
Defined contribution pension scheme	79,316	74,882
Accrued pension liabilities	354,145	451,428

For the six-month period ended June 30, 2008, net pension costs for employees of affiliates were \$7,952.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

18) 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 six-month periods ended June 30, 2009 and 2008, share-based payment schemes adopted by the Bank were as follows:

A. International Sharesave Schemes

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

The option movement of the ISS was as follows:

	2009	2008
Beginning balance	781,577	615,481
Less: exercised	19,031	4,990
lapsed	<u>197,145</u>	<u>32,571</u>
Ending balance	<u>565,401</u>	<u>577,920</u>

For the six-month periods ended June 30, 2009 and 2008, the cost of the ISS charged to current profits or losses was \$22,471 and \$10,475, respectively, recorded as operating expenses – personnel cost.

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

B. Restricted Share Scheme

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

The option movement of the RSS was as follows:

	2009	2008
Beginning balance	71,198	54,192
Add: granted	76,303	30,816
Less: exercised	4,489	3,257
lapsed	3,764	2,643
Ending balance	<u>139,248</u>	<u>79,108</u>

For the six-month periods ended June 30, 2009 and 2008, the cost of the RSS charged to current profits or losses was \$21,331 and \$5,484, respectively, recorded as operating expenses – personnel cost.

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

C. Executive Share Option Scheme

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

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

	2009	2008
Beginning balance	6,005	5,257
Less: exercised	-	-
lapsed	-	-
Ending balance	<u>6,005</u>	<u>5,257</u>

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

The valuation of share options is performed using a binomial option-pricing model. As of June 30, 2009 and 2008, there were no such share-based awards granted.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

D. Performance Share Plan

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

The option movement of the PSP was as follows:

	2009	2008
Beginning balance	52,383	36,065
Add: granted	61,056	39,121
Less: exercised	-	10,195
lapsed	-	8,350
Ending balance	<u>113,439</u>	<u>56,641</u>

For the six-month periods ended June 30, 2009 and 2008, the cost of the PSP charged to current profits or losses was \$6,594 and \$2,932 respectively, recorded as operating expenses – personnel cost.

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.

E. 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:

	2009
Beginning balance	5,142
Add: granted	<u>6,033</u>
Ending balance	<u>11,175</u>

For the six-month period ended June 30, 2008, the cost of the SRSS charged to current profits or losses was \$1,859, recorded as operating expenses – personnel cost.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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.

19) Income tax

The Bank is subject to R.O.C. income tax at a maximum rate of 25% while starting 2010, the enacted income tax rate will be reduced to 20%, based on the newly released Income Tax Act. Beginning January 1, 2006, the Bank has adopted the R.O.C. "Income Basic Tax Act". The income tax benefit for the six-month periods ended June 30, 2009 and 2008, were as follows:

	2009	2008
Current income tax expense	\$ 96,629	89,082
Deferred income tax benefit	(293,745)	(154,086)
Additional 10% surtax on undistributed earnings	<u>1,254</u>	<u>-</u>
Income tax benefit	<u><u>\$ (195,862)</u></u>	<u><u>(65,004)</u></u>

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 six-month periods ended June 30, 2009 and 2008, were as follows:

	2009	2008
Income tax at statutory rate	\$ (1,208,746)	48,495
Adjustment:		
Tax-exempt OBU income	(112,088)	(41,298)
Tax-exempt income from securities trading	(69,519)	(41,747)
Net unrealized profit(loss) on valuation of trading financial assets and liabilities	43,254	(7,309)
Adjustments for separately taxed interest income	(137,878)	(40,727)
Investment income under equity method	(38,138)	(22,190)
Investment tax credit—employee training costs	-	(4,353)
Variation from income tax rate difference	1,208,731	-
Other adjustments for tax regulation	118,522	27,416
Adjustments on prior years' income tax	<u>-</u>	<u>16,709</u>
Income tax benefit	<u><u>\$ (195,862)</u></u>	<u><u>(65,004)</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the six-month periods ended June 30, 2009 and 2008, the components of deferred income tax benefit were as follows:

	2009	2008
Investment gain from interest in associates under equity method\$	-	14,870
Deferred revenue	54,397	(146,550)
Provision for guarantee in excess of limit	-	(20,808)
Reserve for trading loss and default loss in excess of limit	(3,949)	(6,520)
Depreciation of property and equipment	16,679	(26,218)
Reversal (excess of limit) of pension costs	412	(9,069)
Asset impairment loss	23,417	-
Realized gain on inter-affiliate transactions	9	14
Unrealized interest income on financial assets	19,459	20,496
Overestimation (underestimation) of prior years' loss carryforwards	(38,034)	964,835
Increase in loss carryforwards	(279,410)	(952,736)
Investment tax credit – employee training cost	-	(4,353)
Deferred income tax variation from income tax rate difference	896,728	-
Allowance for doubtful accounts in excess of limit	(1,015,020)	-
Goodwill amortization	31,567	-
Others	-	11,953
Deferred income tax benefit	<u>\$ (293,745)</u>	<u>(154,086)</u>

As of June 30, 2009 and 2008, the deferred income tax assets were as follows:

	2009	2008
Deferred income tax assets	\$ 4,777,383	3,848,581
Valuation allowance – deferred income tax assets	-	(464,968)
Deferred income tax assets, net	<u>\$ 4,777,383</u>	<u>3,383,613</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of June 30, 2009 and 2008, details of the temporary differences, loss carryforwards and tax credits and their respective income tax effect were as follows:

	2009		2008	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Unrealized reserve for profit or loss on securities and unused commitments	\$ 141,088	28,217	93,424	23,356
Asset impairment loss	1,257,136	251,427	1,256,009	314,002
Reversal of pension costs	36,025	7,205	176,100	44,025
Depreciation of property and equipment	49,757	9,951	104,871	26,218
Unrealized gain on inter-affiliate transaction	5,922	1,185	6,020	1,505
Loss carryforwards	13,758,592	2,751,719	10,001,224	2,500,306
Investment tax credit – employee training costs	-	-	16,461	16,461
Deferred revenue	548,831	109,766	882,376	220,594
Provision for guarantee	-	-	83,232	20,808
Allowance for doubtful accounts in excess of limit	5,709,475	1,141,895	-	-
Unrealized interest income on financial assets	2,537,925	507,585	2,725,223	681,306
Goodwill amortization	(157,837)	(31,567)	-	-
		<u>\$ 4,777,383</u>		<u>3,848,581</u>

As of June 30, 2009 and 2008, the components of tax refund receivable recorded under accounts receivable were as follows:

	2009	2008
Current income tax	\$ 96,629	89,082
Withheld income tax	(46,803)	(85,134)
Income tax receivable from prior years	(205,014)	(310,815)
Adjustments on prior years' income tax	-	16,709
Separate tax on interest income	(96,629)	(105,790)
Additional 10% surtax on undistributed earnings	1,254	-
	<u>\$ (250,563)</u>	<u>(395,948)</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

In accordance with the R.O.C. Income Tax Act, assessed net loss can be carried forward for ten consecutive years to reduce taxable income. As of June 30, 2009, the amount of loss and the year of expiry were as follows:

Year loss incurred	Amount	Year of expiry
2006 (reported)	\$ 6,190,278	2016
2008 (reported)	6,171,264	2018
2009 (estimated)	<u>1,397,050</u>	2019
	<u>\$ 13,758,592</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 June 30, 2009 and 2008, was as follows:

	2009	2008
ICA	\$ <u>777,493</u>	<u>181,603</u>
	2008	2007

Tax creditable ratio of distribution of retained earnings generated from fiscal year 2008 and 2007 to R.O.C. residents	<u>33.33%</u> (actual)	<u>0.00%</u> (actual)
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The accumulated earnings (deficits) on June 30, 2009 and 2008, were all generated after 1998. Due to the fact that the Bank had a net loss in 2007 and no earnings could be distributed, no tax creditable ratio calculation is required.

20) Stockholders' equity

A. Common stock

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 basis date for the capital increase, and the related registration was completed.

B. 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of June 30, 2009 and 2008, details of capital surplus were as follows:

	2009	2008
Capital surplus provided by the amount in excess of par value	\$ 6,183,410	2,903,759
Others	-	406
	<u>\$ 6,183,410</u>	<u>2,904,165</u>

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 \$2,145,350, respectively.

C. Legal reserve and appropriated special reserve

Whenever the Bank generates a profit, 30 percent of its net income is appropriated as legal reserve after the deduction of income tax. 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.

The regulation about earnings distribution was approved by the board meeting on June 30, 2009, and the legal reserve was \$5,374.

D. 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:

- a. Shareholders' dividends and bonuses: 99.99%
- b. Employee bonuses: 0.01%

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 shareholders' 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 Post System or other sites.

In the year 2007, no retained earnings could be distributed due to the net loss.

E. Weighted-average outstanding shares of common stock

As of June 30, 2009 and 2008, the weighted-average number of common shares outstanding was 2,485,572 thousand shares and 2,157,572 thousand shares, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

21) Disclosure of financial instruments

A. Fair value of financial instruments

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

- a. 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.
- b. The fair value of financial assets and liabilities 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.
- c. The interest on loans and advances to customers is based on floating rates. Therefore, the book value is equal to the fair value.
- d. 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.
- e. 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.
- f. Subordinated debentures are financial liabilities with floating interest rates, and therefore their fair value is equal to their carrying value.
- g. 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of June 30, 2009 and 2008, the fair values of the Bank's financial assets and liabilities evaluated using valuation techniques were as listed below:

Accounts	2009	2008
Financial assets at fair value through profit or loss – debt instruments	3,336,767	4,003,067
Financial assets at fair value through profit or loss – derivatives	25,988,046	22,622,776
Available-for-sale financial assets – debt instruments	94,163,711	80,824,974
Available-for-sale financial assets – beneficiary certificates	4,786,956	4,591,824
Financial liabilities at fair value through profit or loss – debt instruments	1,459,537	-
Financial liabilities at fair value through profit or loss – derivatives	23,927,175	23,200,898

For the six-month periods ended June 30, 2009 and 2008, the Bank recognized gain amounting to \$2,516,481 and \$1,262,637, respectively, from the changes in fair value of financial instruments that were evaluated by using valuation techniques.

- B. As of June 30, 2009 and 2008, outstanding derivative contracts held by the Bank were as listed below:

	Notional amount	June 30, 2009 Fair value	
		Gain (assets)	Loss (liabilities)
Option contracts	\$ 164,291,929	1,555,430	1,552,586
Forward contracts	468,917,746	8,398,756	3,529,922
Cross-currency swaps	164,922,394	3,176,658	2,481,392
Interest rate swaps	1,005,415,029	10,638,458	14,160,674
Interest rate derivatives	85,651,814	475,219	459,076
Commodity swaps	38,963,804	1,743,525	1,743,525
	<u>\$ 1,928,162,716</u>	<u>25,988,046</u>	<u>23,927,175</u>
		June 30, 2008 Fair value	
	Notional amount	Gain (assets)	Loss (liabilities)
Option contracts	\$ 103,731,005	1,536,521	1,536,521
Forward contracts	358,165,787	2,806,979	3,347,382
Cross-currency swaps	223,092,853	6,375,771	7,125,033
Interest rate swaps	1,078,726,698	7,252,938	8,639,474
Interest rate derivatives	166,215,138	4,620,500	2,522,420
Commodity swaps	-	30,067	30,068
	<u>\$ 1,929,931,481</u>	<u>22,622,776</u>	<u>23,200,898</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

C. Financial risk management and risk information

a. 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 confidence 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 the previous year.

The table below lists the market risk of financial instruments of the Bank as of June 30, 2009 and 2008. 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 interval under a certain price probability distribution.

Type of market risk		2009			2008		
		Annual average	Maximum	Minimum	Annual average	Maximum	Minimum
Exchange rate	\$	11,272	23,986	2,970	4,755	8,135	1,609
Interest rate		45,510	69,032	37,174	53,710	59,249	44,315

b. Credit risk

Potential losses on financial instruments held or issued by the Bank may arise due to nonfulfillment of contractual obligations by the counterparties. When placing loans, loan commitments, or loan guarantees, the Bank conducts its credit assessment with professional care. As of June 30, 2009 and 2008, the percentage of loans with collateral was 66.26% and 61.11%, 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 or 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 June 30, 2009 and 2008, 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		2009	2008
Manufacturing	\$	42,217,353	49,760,648
Commercial		16,401,265	18,857,862
Construction		2,440,695	2,027,953
Individual		233,857,315	210,658,686
Others		14,557,782	16,689,890
		<u>\$ 309,474,410</u>	<u>297,995,039</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank maintains trading positions in a number of markets and with a variety of counterparties or obligors.

As of June 30, 2009 and 2008, the 10 group enterprises with the largest outstanding loans were as follows:

June 30, 2009			
Rank	Group Enterprise	Outstanding loan	% of net assets
1	Chi Mei Group	5,681,489	21.28 %
2	AUO Group	4,618,582	17.29 %
3	Chipmos Group	1,820,838	6.82 %
4	Richemont Group	1,418,000	5.31 %
5	Walsin Lihwa Group	1,359,390	5.09 %
6	Pou Chen Group	1,305,734	4.89 %
7	Powerchip Group	1,269,528	4.75 %
8	Formosa Chemicals Group	1,180,452	4.42 %
9	Eastern Multimedia Group	1,113,413	4.17 %
10	Swire Group	1,003,727	3.76 %

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Note: The above-listed group enterprises refer to a group of corporate entities defined by 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.

c. Liquidity risk

As of June 30, 2009 and 2008, the liquidity reserve ratio was 30.22% and 21.84%, respectively; the Bank has enough liquidity 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 variation and uncertainties of contractual terms, the interest rates and maturity dates of assets and liabilities may not be matched, which may have an impact on the liquidity profile of the Bank. As of June 30, 2009 and 2008, the liquidity of the Bank 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 as followed:

Assets	2009				Total
	Within 3 months	3 months-1 year	1~5 years	Over 5 years	
Cash and cash equivalents	\$ 5,179,675	-	-	-	5,179,675
Balance at Central Bank and loans and advances to banks	99,212,318	20,831,154	-	14,060,668	134,104,140
Financial assets at fair value through profit or loss	26,183,451	-	2,702,365	438,997	29,324,813
Loans and advances to customers, net	31,150,246	3,078,287	40,650,019	231,431,806	306,310,358
Available-for-sale financial assets	57,331,743	7,685,491	14,014,510	8,803,221	87,834,965
Other assets	17,062,186	4,798,480	4,591,794	16,083,961	42,536,421
Hedged items	24,000	538,384	8,484,428	2,122,891	11,169,703
Total assets	<u>\$ 236,143,619</u>	<u>36,931,796</u>	<u>70,443,116</u>	<u>272,941,544</u>	<u>616,460,075</u>
Liabilities					
Deposits by Central Bank and other banks	\$ 35,042,397	4,006,018	-	-	39,048,415
Financial liabilities at fair value through profit or loss	4,952,696	4,322,612	15,678,627	432,777	25,386,712
Deposits and remittances	381,839,497	69,462,032	8,350,189	-	459,651,718
Financial debentures	1,200	-	4,800,000	14,921,569	19,722,769
Other liabilities	13,089,290	3,788,632	1,064,573	3,173	17,945,668
Hedged items	3,300,000	24,700,000	-	-	28,000,000
Total liabilities	<u>\$ 438,225,080</u>	<u>106,279,294</u>	<u>29,893,389</u>	<u>15,357,519</u>	<u>589,755,282</u>
Gap	<u>\$ (202,081,461)</u>	<u>(69,347,498)</u>	<u>40,549,727</u>	<u>257,584,025</u>	<u>26,704,793</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

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

June 30, 2009

	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	\$ 707,767,530	194,792,752	68,531,746	48,974,355	56,253,178	339,215,499
Capital used	731,879,383	123,831,953	114,055,775	111,245,124	104,339,574	278,406,957
Gap	(24,111,853)	70,960,799	(45,524,029)	(62,270,769)	(48,086,396)	60,808,542

June 30, 2009

(expressed in thousands of US dollars)

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 10,784,575	2,453,740	2,901,686	2,080,235	716,595	2,632,319
Capital used	10,056,055	4,306,460	2,039,515	1,116,247	687,526	1,906,307
Gap	728,520	(1,852,720)	862,171	963,988	29,069	726,012

June 30, 2008

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

June 30, 2008

(expressed in thousands of US dollars)

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

d. 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. Since such cash flow risk and fair value risk are assessed as potentially significant, the Bank has entered into interest rate swap contracts to mitigate the risk.

As of June 30, 2009 and 2008, 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.

Assets	June 30, 2009									Total	
	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		
Cash and cash equivalents	\$ 5,179,675	-	-	-	-	-	-	-	-	-	5,179,675
Balance at Central Bank and loans and advances to banks	48,410,408	50,801,910	20,831,154	-	-	-	-	-	14,060,668	-	134,104,140
Financial assets at fair value through profit or loss	25,988,047	195,404	-	-	1,247,332	1,198,003	257,030	438,997	-	-	29,324,813
Loans and advances to customers, net	26,848,342	4,301,904	3,078,287	7,234,200	9,697,344	8,808,837	14,909,638	231,431,806	-	-	306,310,358
Available-for-sale financial assets	41,981,675	15,350,068	7,685,491	8,960,286	4,475,217	531,075	47,932	8,802,953	268	-	87,834,965
Other assets	13,044,649	4,017,537	4,798,480	923,123	837,302	793,652	1,424,128	5,855,132	10,842,418	-	42,536,421
Hedged item	1,667	22,333	538,384	2,700,836	1,826,885	2,419,884	1,536,823	2,122,891	-	-	11,169,703
Total assets	\$ 161,454,463	74,689,156	36,931,796	19,818,445	18,084,080	13,751,451	18,175,551	248,651,779	24,903,354	-	616,460,075
Liabilities											
Deposits by Central Bank and other banks	\$ 27,351,110	7,691,287	4,006,018	-	-	-	-	-	-	-	39,048,415
Financial liabilities at fair value through profit or loss	-	4,952,696	4,322,612	4,743,248	5,876,135	4,028,501	1,030,743	432,777	-	-	25,386,712
Deposits and remittances	333,176,688	48,662,809	69,462,032	7,773,149	577,040	-	-	-	-	-	459,651,718
Financial debentures	1,200	-	-	-	-	-	4,800,000	4,921,569	10,000,000	-	19,722,769
Other liabilities	6,007,753	761,303	3,788,632	35,690	2,568	-	1,026,315	3,173	6,320,234	-	17,945,668
Hedged item	900,000	2,400,000	24,700,000	-	-	-	-	-	-	-	28,000,000
Total liabilities	\$ 367,436,751	64,468,095	106,279,294	12,552,087	6,455,743	4,028,501	6,857,058	5,357,519	16,320,234	-	589,755,282
Sensitivity gap	\$ (205,982,288)	10,221,061	(69,347,498)	7,266,358	11,628,337	9,722,950	11,318,493	243,294,260	8,583,120	-	26,704,793

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

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

June 30, 2009

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 336,727,169	9,962,849	7,358,785	71,983,559	426,032,362
Interest-rate-sensitive liabilities	120,728,022	205,545,585	37,217,667	44,867,548	408,358,822
Interest-rate-sensitive spread	215,999,147	(195,582,736)	(29,858,882)	27,116,011	17,673,540
New worth					26,704,793
Ratio of interest-rate-sensitive assets to liabilities (%)					104.33
Ratio of interest-rate-sensitive spread to net worth (%)					66.18

June 30, 2009

(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	\$ 2,172,250	510,377	106,761	148,590	2,937,978
Interest-rate-sensitive liabilities	2,481,529	106,181	78,990	458,789	3,125,489
Interest-rate-sensitive spread	(309,279)	404,196	27,771	(310,199)	(187,511)
Net worth					90,859
Ratio of interest-rate-sensitive assets to liabilities (%)					94.00
Ratio of interest-rate-sensitive spread to net worth (%)					(206.38)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

June 30, 2008

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

June 30, 2008

(expressed in thousands of US dollars)

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

- e. Average amount and average interest rate of interest-bearing assets and liabilities:

	2009	
	Average amount	Average %
Assets:		
Balance at Central Bank	12,765,125	0.45
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	122,342,230	1.91
Loans and advances to customers	326,410,467	3.32
Financial assets at fair value through profit or loss	5,079,743	1.64
Available-for-sale financial assets	115,435,484	1.49
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	38,906,001	0.78
Demand deposits (including local currency and foreign currency)	267,568,911	0.25
Time deposits (including local currency and foreign currency)	248,593,724	1.69
Negotiable certificates of deposit	354,838	0.51
Financial debentures	19,831,738	2.73

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

	2008	
	Average amount	Average %
Assets:		
Balance at Central Bank	\$ 11,159,832	1.28
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	41,990,175	5.85
Loans and advances to customers	309,875,248	4.46
Financial assets at fair value through profit or loss	6,453,206	2.41
Available-for-sale financial assets	79,629,655	2.40
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	31,964,752	5.27
Demand deposits (including local currency and foreign currency)	208,825,296	0.41
Time deposits (including local currency and foreign currency)	171,501,605	2.42
Negotiable certificates of deposit	1,958,665	2.01
Financial debentures	19,316,765	3.48

f. 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.

g. 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

D. Fair value hedge

A fair value hedge is the hedging of the exposure to changes in fair value of recognized fixed-rate assets or liabilities that are attributable to particular interest risks that could affect profit or loss. As of June 30, 2009 and 2008, mark-to-market adjustments of hedged items and the corresponding hedging instruments accounted as a fair value hedge were as follows:

Hedged item			Hedging instruments		
Underlying instruments	2009		Contract type	2009	
Loans and advances to customers	\$ 211		Interest rate swaps	\$ (204)	
Available-for-sale financial assets:					
Government bonds and corporate bonds	291,141		Interest rate swaps	(299,724)	
Government bonds	(146)		Cross-currency swaps	117	
Time deposits – NTD	(56,626)		Interest rate swaps	56,099	
	<u>\$ 234,580</u>			<u>\$ (243,712)</u>	

Hedged item			Hedging instruments		
Underlying instruments	2008		Contract type	2008	
Loans and advances to customers	\$ (873)		Interest rate swaps	\$ 899	
Available-for-sale financial assets:					
Government bonds	(30,295)		Interest rate swaps	30,212	
Time deposits – NTD	8,820		Interest rate swaps	(8,750)	
	<u>\$ (22,348)</u>			<u>\$ 22,361</u>	

(5) 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. (Standard Chartered Life Insurance Agent)	Investee under equity method
Standard Chartered Taiwan Insurance Agent Co., Ltd. (Standard Chartered Taiwan Insurance Agent)	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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Name	Relationship
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
Standard Chartered Bank Dubai (SCB Dubai)	Affiliate
AMEX Bank Ltd. Taipei (AEB Taipei)	Affiliate
AMEX Bank Ltd. Singapore (AEB Singapore)	Affiliate
Standard Chartered Bank China (SCB China)	Affiliate
Standard Chartered Bank Malaysia (SCB Malaysia)	Affiliate
Scope International Private Ltd. Others	Affiliate 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

A. Deposits

As of June 30, 2009 and 2008, deposits provided by related parties were as summarized below:

Name	2009		
	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>549,598</u>	<u>0.11</u>	0.00~8.00
Name	2008		
	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>1,068,480</u>	<u>0.27</u>	0.00~8.00

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Except for the up to 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. The interest rate on employee savings accounts was calculated based on the interest rate of three-year term time savings deposits offered to general public plus 3% starting since March 9, 2009.

For the six-month periods ended June 30, 2009 and 2008, interest expenses on the above deposits were \$5,793 and \$9,424, respectively.

B. Loans

As of June 30, 2009 and 2008, loans to related parties were as summarized below:

2009							
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	20	8,353	6,530	6,530	-	Unsecured lending	None
Mortgage	36	113,789	95,332	95,332	-	House	None
Others	1	2,567	2,382	2,382	-	Overdraft on the comprehensive deposits	None

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	33	17,711	10,398	10,398	-	Unsecured lending	None
Mortgage	45	140,584	122,902	122,902	-	House	None
Others	1	1,542	1,542	1,542	-	Overdraft on the comprehensive deposits	None

For the six-month periods ended June 30, 2009 and 2008, interest income resulting from the above loans was \$1,159 and \$1,986, respectively.

C. Deposits with affiliates

For the six-month periods ended June 30, 2009 and 2008, deposits with affiliates and related interest income were as follows:

		2009	
	Balance	Interest rate	Interest income
SCB New York	\$ 45,706	-	-
SCB HK	227,549	-	-
SCB Tokyo	76,922	-	-
Others	<u>26,799</u>	0.01~1.97	<u>180</u>
	<u>\$ 376,976</u>		<u>180</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

D. Loans and advances to affiliates

For the six-month periods ended June 30, 2009 and 2008, loans and advances to affiliates and related interest income were as follows:

	Balance	2009 Interest rate	Interest income
SCB London	\$ 45,041,383	1.10~5.88	495,087
SCB Taipei	22,357,009	0.10~3.30	222,793
SCB New York	8,202,614	1.58~1.70	57,040
Others	3,276,297	0.03~4.64	99,290
	<u>\$ 78,877,303</u>		<u>874,210</u>

	Balance	2008 Interest rate	Interest income
SCB London	\$ 7,977,297	2.87~5.84	121,661
SCB Taipei	3,194,613	2.07~2.68	11,657
SCB Tokyo	288,600	0.50	27,976
SCB Singapore	2,326,536	2.80~8.95	76,358
SCB Dubai	2,731,968	3.13~3.25	15,881
AEB Taipei	1,226,820	0.58~3.80	4,294
Others	28,063	-	-
	<u>\$ 17,773,897</u>		<u>257,827</u>

As of June 30, 2009 and 2008, the interest receivable resulting from the above loans and advances to affiliates was \$382,449 and \$151,511, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

E. Deposits by affiliates and loans from affiliates

For the six-month periods ended June 30, 2009 and 2008, deposits by and loans from affiliates and related interest expense were as follows:

	2009		
	Balance	Interest rate	Interest expense
SCB London	\$ 3,906,107	1.55	40,790
SCB Taipei	2,755,213	0.90~1.04	12,361
SCB Tokyo	10,827,451	0.35~0.36	8,953
SCB HK	6,562,091	0.35	18,400
Others	<u>345,985</u>	0.00~0.58	<u>112</u>
	<u><u>\$ 24,396,847</u></u>		<u><u>80,616</u></u>
	2008		
	Balance	Interest rate	Interest expense
SCB London	14,439,064	2.58~4.76	85,361
SCB Taipei	1,541,976	2.12	6,445
SCB Dubai	11,231,424	2.67~3.25	15,727
SCB Tokyo	3,035,520	3.50	64,403
SCB HK	6,071,040	3.10	72,658
Others	<u>129,533</u>	-	<u>1,076</u>
	<u><u>\$ 36,448,557</u></u>		<u><u>245,670</u></u>

As of June 30, 2009 and 2008, the interest payable resulting from the above deposits by and loans from affiliates was \$27,898 and \$58,474, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

F. Derivative transactions

As of June 30, 2009 and 2008, derivative transactions engaged in with affiliated parties were as follows:

Name	Contracts	Contract duration period	Notional	2009	Balance sheet Account	Balance
				Unrealized gain (loss) in current period		
SCB London	Forward contract	2009.7.1~2009.12.31	\$ 5,014,185	(43,727)	Financial assets at fair value through profit or loss	2,878
					Financial liabilities at fair value through profit or loss	(46,605)
	Cross currency swap	2009.7.16~2012.10.3	69,623,187	390,875	Financial assets at fair value through profit or loss	1,756,805
					Financial liabilities at fair value through profit or loss	(1,365,930)
	Commodity swap	2009.7.7~2011.1.4	19,436,623	(322,739)	Financial assets at fair value through profit or loss	710,393
					Financial liabilities at fair value through profit or loss	(1,033,132)
	Interest rate derivative	2009.7.1~2013.4.24	80,864,488	1,857,151	Financial assets at fair value through profit or loss	2,543,781
Financial liabilities at fair value through profit or loss					(686,630)	
Interest rate swap	2009.7.13~2014.2.11	130,048,955	(3,166,212)	Financial assets at fair value through profit or loss	1,562,127	
				Financial liabilities at fair value through profit or loss	(4,728,339)	
Option contract	2009.7.1~2010.7.30	87,193,704	199,383	Financial assets at fair value through profit or loss	871,448	
				Financial liabilities at fair value through profit or loss	(672,065)	
SCB Singapore	Forward contract	2009.7.1~2010.2.23	51,993,506	1,010,953	Financial assets at fair value through profit or loss	1,307,748
					Financial liabilities at fair value through profit or loss	(296,795)
	Cross currency swap	2009.8.29~2009.9.21	1,599,557	101,024	Financial assets at fair value through profit or loss	101,024
					Interest rate swap	2009.12.17~2011.12.19
Financial liabilities at fair value through profit or loss	(23,628)					
SCB New York	Forward contract	2009.7.1~2010.1.27	48,015	300	Financial assets at fair value through profit or loss	308
					Financial liabilities at fair value through profit or loss	(8)
SCB Taipei	Forward contract	2009.9.24~2009.9.28	2,763,214	2,349	Financial assets at fair value through profit or loss	6,361
					Financial liabilities at fair value through profit or loss	(4,012)

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

G. As of June 30, 2009 and 2008, the fair values of financial debentures acquired from affiliates were as follows:

Name	Fair value	
	2009	2008
SCB HK	\$ 3,916,912	3,457,457

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

- H. As of June 30, 2009 and 2008, financial debenture payable deriving from the issuance of financial debentures to affiliates were as follows:

Name	Bond (note)		2009	2008
SCB	95-1	\$	4,800,000	4,800,000
SCB HK	97-1		4,921,569	4,553,280

Note: The issue conditions and details of financial debentures were as stated in note 4(14).

- I. 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 Standard Chartered Life Insurance Agent. The contracted selling price was \$42,500, and the gain on disposal, net of book value and the related expenses, was \$23,130. The Bank transferred the ownership in January 2005. As of June 30, 2009 and 2008, unrealized gains from affiliated-company transactions amounted to \$22,735 and \$22,858, respectively, recorded as other liabilities.
- j. For the six-month periods ended June 30, 2009 and 2008, administration fees incurred with SCB and its affiliates amounted to \$363,623 and \$1,172,819, respectively. As of June 30, 2009 and 2008, administration fees payable to SCB and its affiliates amounted to \$1,003,579 and \$2,377,779, respectively, recorded as accounts payable.
- K. For the six-month periods ended June 30, 2009 and 2008, the related cost of the Executive Share Option Scheme amounted to \$52,255 and \$19,020, respectively. As of June 30, 2009 and 2008, accounts payable to SCB for the share-based payment scheme costs amounted to \$177,308 and \$145,879, respectively, recorded as accounts payable.
- L. For the six-month periods ended June 30, 2009 and 2008, expenses resulting from operating activities with affiliates were as follows:

		2009	2008
Personnel costs:			
SCB New York	\$	1,620	6,404
SCB London		9,819	26,735
SCB HK		8,065	12,440
SCB Singapore		2,812	13,237
SCB China	-	-	3,022
SCB Malaysia	-	-	230
Others		411	-
	\$	<u>22,727</u>	<u>62,068</u>
Information technology service fees:			
Scope International Private Ltd.	\$	19,932	21,443
SCB London		2,292	9,465
SCB HK	-	-	5,480
SCB Singapore		991	4,228
SCB New York		38,890	-
Others		2,838	1,004
	\$	<u>64,943</u>	<u>41,620</u>

The aforementioned expenses were paid as of June 30, 2009.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

M. As of June 30, 2009 and 2008, the deposits of Standard Chartered Life Insurance Agent were \$190,500 and \$224,011, respectively, and the interest expenses were \$743 and \$720, respectively.

N. As of June 30, 2009 and 2008, the deposits of Standard Chartered Taiwan Insurance Agent were \$16,543 and \$38,573, respectively, and the interest expenses were \$44 and \$205, respectively.

(6) Pledged Assets

Pledged assets	Pledged for	Amount	
		June 30, 2009	June 30, 2008
Bonds (recorded as available-for-sale financial assets as of June 30, 2009 and 2008)	Provisional seizure	\$ 385,800	478,900
	Securitization of mortgage loans	700,000	700,000
Total		<u>\$ 1,085,800</u>	<u>1,178,900</u>

Refundable security deposits regulated by relevant bank operation regulations:

Security deposits	Purpose	Amount	
		June 30, 2009	June 30, 2008
Bonds and negotiable certificates of deposit (recorded as available-for-sale financial assets as of June 30, 2009 and 2008)	Reserve for trust business	\$ 1,550,000	50,000
	Security deposits for bill trading operations	100,000	50,000
	Security deposits for futures trading	20,000	20,000
	Security deposits for security brokerage	240,000	261,300
		<u>1,910,000</u>	<u>381,300</u>
Certificates of deposit (recorded as refundable deposits as of June 30, 2009 and 2008)	Clearing account reserve	100,000	100,000
	Security deposits for bond proprietary trading	10,000	10,000
	Security deposits for bond underwriting	<u>40,000</u>	<u>40,000</u>
		<u>150,000</u>	<u>150,000</u>
Total		<u>\$ 2,060,000</u>	<u>531,300</u>

- 1) Reserves for trust business are provided by deposits that the Bank placed in the Central Bank of China for its trust custodian business.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

- 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 Securities Exchange for the Bank's government bond trading business. Furthermore, reserve for trading losses has been set to conform to securities regulations.
- 5) The cash deposited in the clearing account reserve was \$40,000 and \$10,400 as of June 30, 2009 and 2008, respectively.

(7) 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 USD \$32,000 thousand. The amounts of \$61,561 and \$61,052 were recognized as fee income for the six-month periods ended June 30, 2009 and 2008, respectively, and the remaining amount was recorded as deferred revenue under other liabilities.

2) Significant purchase agreements

As of June 30, 2009 and 2008, the Bank had construction agreements for expansion and renovation of buildings amounting to \$821,520 and \$590,405, respectively. The unpaid amounts of those agreements were \$196,623 and \$155,605, respectively.

3) Operating leases

The Bank has entered into certain operating leases for its branches. As of June 30, 2009, estimated minimum future lease payments were as follows:

Fiscal year	Amount
2009	\$ 226,958
2010	338,253
2011	271,111
2012	224,074
2013 and thereafter	<u>317,248</u>
	<u>\$ 1,377,644</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

4) Others

	June 30, 2009	June 30, 2008
Consignment collection for others	\$ 11,496,307	19,218,460
Traveler's checks held on consignment for sale	92,086	64,963
Securities, consignments and goods in custody	991,023,082	961,723,199
Trust assets	<u>135,202,674</u>	<u>174,428,238</u>
	<u>\$ 1,137,814,149</u>	<u>1,155,434,860</u>
Unused lines of credit	<u>\$ 14,512,320</u>	<u>15,536,546</u>
Other guarantees	<u>\$ 12,397,993</u>	<u>15,216,577</u>
Letters of credit issued	<u>\$ 2,746,275</u>	<u>9,708,809</u>
Securities sold under repurchase agreements	<u>\$ 1,030,856</u>	<u>3,725,282</u>

- 5) As of and for the six-month periods ended June 30, 2009 and 2008, disclosures required by Article 17 of the Trust Enterprise Law on trust balance sheets and trust assets were as follows:

Trust Balance Sheet

June 30, 2009

Trust assets		Trust liabilities	
Bank deposit	\$ 31,638	Accounts payable	\$ 18
Short-term investments	129,352,890	Taxes payable	15
Accounts receivable	154	Payables for securities under custody	5,817,992
Securities under custody	<u>5,817,992</u>	Trust capital	<u>129,384,649</u>
Total trust assets	<u>\$ 135,202,674</u>	Total trust liabilities	<u>\$ 135,202,674</u>

Trust Balance Sheet

June 30, 2008

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Trust Income Statement

	2009	2008
Trust revenue:		
Interest revenue	\$ 224	119
Common stock cash dividends	639	1,232
Realized gain on investments	43	240
Unrealized gain on investments	153,540	-
Exchange gain	128	-
	<u>154,574</u>	<u>1,591</u>
Trust expenses:		
Management expenses	126	169
Service charges	10	91
Realized investment loss	2,430	38
Unrealized investment loss	-	57,013
Income tax expense on principal	-	7
Exchange loss	-	1,711
	<u>2,566</u>	<u>59,029</u>
Net gain (loss) before income tax	152,008	(57,438)
Income tax expense	13	-
Net gain (loss) after income tax	<u>\$ 151,995</u>	<u>(57,438)</u>

Schedule of investment for trust business

Investment items	June 30, 2009	June 30, 2008
Bank deposits	\$ 31,638	22,115
Short-term investments:		
Bonds	33,764,322	62,009,156
Common shares	3,384,041	3,065,758
Funds	92,204,527	102,637,662
Accounts receivable	154	49
Securities under custody	5,817,992	6,693,498
	<u>\$ 135,202,674</u>	<u>174,428,238</u>

Foreign currency pecuniary trust business engaged in by the Offshore Banking Unit (OBU) as of June 30, 2009 and 2008, was included in the trust balance sheet and schedule of investment for trust business.

(8) Significant Disaster Loss: none.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

(9) Subsequent Events

On 9 July, 2009, the Bank made payment of USD 191,640 thousand to the holders of GVEC notes as stated at note 4 (4).

(10) Others

1) Summary of personnel costs and depreciation and amortization expenses

A summary of personnel costs and depreciation and amortization expenses for the six-month periods ended June 30, 2009 and 2008, is as follows:

Account	Function	2009			2008		
		Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs:							
Salaries		-	2,247,851	2,247,851	-	2,591,115	2,591,115
Labor and health insurance		-	152,506	152,506	-	148,187	148,187
Pension		-	228,943	228,943	-	215,217	215,217
Other		-	198,091	198,091	-	124,305	124,305
Depreciation		-	256,018	256,018	-	334,701	334,701
Amortization		-	46,667	46,667	-	41,505	41,505

2) Reclassification

For the six-month period ended June 30, 2008, certain amounts have been reclassified and presented to conform to the financial statements for the six-month period ended June 30, 2009. The financial statements are not significantly affected by such reclassifications.

3) 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

A. Major foreign currency positions

Currency	June 30, 2009		Currency	June 30, 2008	
	Original currency	NTD equivalent		Original currency	NTD equivalent
USD	(20,880)	(685,072)	USD	892,710	27,098,380
EUR	305	14,115	EUR	202,898	9,738,909
AUD	2,556	68,148	RMB	1,493,551	6,476,039
NZD	1,894	40,539	GBP	17,811	1,078,747
JPY	69,436	23,860	JPY	13,006,196	3,753,027

B. Profitability

Unit: %

Items		2009	2008
Return on assets (note 1)	Before income tax	(0.77)	0.04
	After income tax	(0.74)	0.05
Return on net equity (note 2)	Before income tax	(16.59)	0.81
	After income tax	(15.91)	1.08
Net profit ratio (note 3)		(57.60)	2.47

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

3) Capital adequacy

Capital adequacy ratios of the Bank are disclosed below:

Item		Period-end			
		June 30, 2009	December 31, 2008	June 30, 2008	
Self-owned capital	Tier 1 Capital	18,989,326	21,350,545	17,234,128	
	Tier 2 Capital	16,966,325	19,380,984	17,234,128	
	Tier 3 Capital	-	-	-	
	Capital	35,955,651	40,731,529	34,468,256	
Risk-weighted assets	Credit risk	Standardized approach	326,538,557	331,477,325	325,126,540
		Internal-rating-based approach	-	-	-
		Securitizations	-	-	-
	Operational risk	Basic indicator approach	34,866,993	35,774,925	34,207,575
		Standardized approach / alternative approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	28,619,758	37,278,206	34,353,271
		Internal model approach	-	-	-
Risk-weighted assets		390,025,308	404,530,456	393,687,386	
Capital adequacy ratio		9.22 %	10.07 %	8.76 %	
Tier 1 capital / risk-weighted assets		4.87 %	5.28 %	4.38 %	
Tier 2 capital / risk-weighted assets		4.35 %	4.79 %	4.38 %	
Tier 3 capital / risk-weighted assets		- %	- %	- %	
Common stock / total assets		4.03 %	3.91 %	4.10 %	

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

Item		Period-end	June 30, 2009	December 31, 2008	June 30, 2008 (note 1)
Self-owned capital	Tier 1 Capital		19,101,232	21,487,379	17,234,128
	Tier 2 Capital		17,078,231	19,517,818	17,234,128
	Tier 3 Capital		-	-	-
	Capital		36,179,463	41,005,197	34,468,256
Risk-weighted assets	Credit risk	Standardized approach	326,584,580	331,728,749	325,126,540
		Internal-rating-based approach	-	-	-
		Securitized assets	-	-	-
	Operational risk	Basic indicator approach	35,035,413	35,790,853	34,207,575
		Standardized approach / alternative approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	28,619,758	37,278,206	34,353,271
		Internal model approach	-	-	-
	Risk-weighted assets			390,239,751	404,797,807
Capital adequacy ratio			9.27 %	10.13 %	8.76 %
Tier 1 capital / risk-weighted assets			4.89 %	5.31 %	4.38 %
Tier 2 capital / risk-weighted assets			4.38 %	4.82 %	4.38 %
Tier 3 capital / risk-weighted assets			- %	- %	- %
Common stock / total assets			4.03 %	3.91 %	4.10 %

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.

(11) Other Disclosure Items

- 1) Related information on material transaction items:
 - A. 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.
 - B. 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.
 - C. 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

- D. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
- E. Information regarding selling non-performing loans: none.
- F. Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: none.
- G. 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:

A. 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 %	204,733	141,248	300	-	300	100.00 %	-
Standard Chartered Taiwan Insurance Agent Co., Ltd.	No. 85, Chung-Zeng Road, Hsin-Chu, Taiwan	Property insurance agent	100.00 %	19,080	11,302	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 technology services	1.14 %	45,500	-	4,550	-	4,550	1.14 %	-
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 %	-

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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	
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 %	-
Liyu Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Zhongshan 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 %	-	-	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	5.24 %	80,078	-	13,346	-	13,346	5.24 %	-

Note 1: Hsinchu Futures Co., Ltd. was liquidated on May 29, 2008.

- B. Lending to other parties: none.
- C. Guarantees and endorsements for other parties: none.
- D. Information regarding securities held as of June 30, 2009: none.
- E. 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.
- F. 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to Financial Statements**

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

(12) Business Segment Financial Information

In accordance with Article 25 of SFAS No. 23, since there is no significant change in the segment revenue composition, no financial information for each segment is required to be disclosed in preparing the interim financial statements.