

Standard Chartered Annual Report 2011



Standard Chartered Bank (Taiwan) Limited

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

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

Date of publication: 2012 / 05 / 31

▶ **Spokesperson : Ajay Chamanlal Kanwal, President & CEO**

Tel. No. : (02) 2716-6261

▶ **Deputy spokesperson : Ruby Fu, Head of Corporate Affairs**

Tel. No. : (02) 2716-6261

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

▶ **Addresses and phone numbers of the head office and branches :**

For detailed information, refer to the "Directory of Branches and Offices" from page 196 to page 198.

▶ **Stock registration agent**

Yuanta Securities

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

Tel. No. : (02) 2586-5859

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

▶ **Credit rating institutions**

Fitch Ratings Taiwan

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

Tel. No. : (02) 8175-7600

Taiwan Ratings Corporation

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

Tel. No. : (02) 8722-5800

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

Ming-Zhi Wang and Lin Wu

Company Name : Klynveld Peat Marwick Goerdeler (KPMG)

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

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

Tel. No. : (02) 8101-6666

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

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

Contents

I. Letter to Shareholders	5
II. Bank Profile	7
III. Corporate Governance	
1. Organization Structure	10
2. Information on Directors, Supervisors, Executive Officers and Branch Managers	12
3. Corporate Governance Practices	33
4. Information on CPA Charges	48
5. Information on Change of CPA	49
6. Information on the Bank's Chairman, President or Executive Officer(s) in Charge of Financial and Accounting Affairs Who Has Served a Position in an Independent Auditing Firm to Which the CPAs Belong or Its Affiliate(s) During the Past Year	49
7. Change in the Equity (Shareholding, Share Transfer and Pledge) of Directors, Supervisors and Executive Officers	49
8. Information on Top 10 Shareholders Who Are Related Parties as Defined in the Statement of Financial Accounting Standards No. 6	49
9. The Shares and Consolidated Shareholding Ratios	50
IV. Fund Raising	
1. Shares and Dividends	52
2. Issuance of Financial Debentures	54
3. Preferred Stocks, Overseas Depository Receipts, Employee Stock Options, and Acquisitions or Assignment Involving Other Financial Institutions	60
4. Capital Utilization Plan and Execution Status	60
V. Operations Overview	
1. Scope of Business	62
2. Employee Analysis	67
3. Corporate Responsibilities and Ethics	68
4. Information Technology	73

5. Labor-Management Relations	74
6. Important Contracts	76
7. Securitization Products	76

VI. Financial Highlights

1. Condensed Balance Sheet and Income Statement for the Past Five Years	78
2. Financial Analysis for the Past Five Years	80
3. Supervisors' Report for the 2011 Financial Statements	84
4. 2011 Financial Statements and Independent Auditors' Report	85
5. 2011 Consolidated Financial Statements of the Bank and Its Subsidiaries Audited by the CPAs	163
6. Any Financial Crunch Confronted by the Bank and Its Affiliates and the Related Impacts	168

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

1. Analysis of Financial Conditions	170
2. Analysis of Operating Results	171
3. Cash Flows	171
4. Impact on the Bank's Financial Structure and Business from Substantial Capital Expenditure in the Last Few Years	172
5. Reinvestment Policy for 2011, Main Reasons for Investment Gain or Loss, and the Improvement and Investment Plan for the Next Year	172
6. Risk Management	173
7. Emergency Response Mechanism	188
8. Other Important Matters	188

VIII. Special Notes

1. Information on Affiliated Enterprises	190
2. Private Placement of Securities	194
3. Shares Held or Disposed of by the Subsidiaries	194
4. Other Supplementary Notes	194

Appendix

Directory of Branches and Offices	195
-----------------------------------	-----

I. Letter to Shareholders



Letter to Shareholders

Taiwan's economic growth moderated to 4.0% in 2011 from a high of 10.7% in 2010, reflecting the impact of a weakened economy amidst concerns over the sovereign debt crisis in Europe and the slowing export demands and investor confidence globally. Consumer confidence held up relatively well in 2011 boosted by improving household income and steady job growth. Unemployment rate stood at 4.22% as of December 2011, the lowest since the 2008 financial crisis.

Looking forward, the return to power of the incumbent party and leadership should see policy continuity including cross straits relationship, the accelerated implementation of the bi-lateral Economic Cooperation Framework Agreement and the inking of the widely anticipated cross-straits Investment Protection Agreement (IPA) in 2012. The agreements would promote more foreign investment from Mainland China and coupled with expanding bi-lateral trade and tourism flows, would augur well for the Taiwanese economy in the longer term.

The economic outlook for 2012 however remains challenging, as a continued weak global economy would pose a drag on Taiwan's growth. GDP growth rate is projected to decline to below 3% in 2012. Taiwanese policy makers would have to step up their vigilance on potential downside risks stemming from Europe's lingering debt problem, rising market volatility and fragile market confidence. With Taiwan's healthy external balances, relatively low public and external debt, it is in a strong position to overcome the difficult market conditions in 2012.

Overall, the local banking sector is expected to remain in good shape as profitability of the sector improved in 2011. Full year 2011 industry profit before tax was NTD216.8bn compared to NTD193.4bn in 2010. Lending by domestic banks grew steadily due to strong demand for financing; overall loan growth increased 9.1% year-on-year. Credit quality continued to improve and as at the end of December 2011 the average industry non-performing loan (NPL) ratio decreased to 0.43% from 0.61% reported a year ago. Loan loss coverage improved to 251.8% from 158.1% over the same period. As of Q3 2011, the overall banking capital adequacy ratio was 11.68% compared to 12.02% in December 2010, with Tier 1 ratio of 9.05% in 2011, a decline from 9.16% at the end of 2010.

The Bank's pre-tax income in 2011 rose to NTD9.78bn from NTD4.52bn in 2010. Net operating income grew marginally to NTD17.14bn. Net interest income grew 3%, driven primarily by growth in unsecured lending which saw balances rising by 11%. Other operating income was down 1% as a result of lower customer activities and weakened investor sentiment affecting wealth management business momentum. The slower operating income was offset by an increase in client income from large corporate transactions, gains realized from the sale of real estate and from the disposal of non-performing loans.

The Bank's operating expenses continued to be well managed in 2011, with overall expenses falling 4% year-on-year. Staff compensation decreased 6% year-on-year, a result of controlled management of sales incentives and headcount growth.

The Bank's credit portfolio remains sound. A net recovery of NTD3.15bn was reported in 2011 and the Bank's NPL ratio fell from 0.69% a year ago to 0.44%. Loan loss coverage increased from 153.86% to 274.11% year-on-year due to an additional general bad debt provision of NTD0.86bn taken on mortgages to fully comply with a prudent regulatory policy.

The Bank's balance sheet remains healthy. Customer loans increased marginally year-on-year, driven by growth in trade and personal loans, though mortgage origination slowed, in line with the industry as regulatory measures to curb excessive property price increases took effect. The total deposit balance was steady and the Bank's funding profile has improved with the issuance of NTD28bn senior notes in 2011.

The Bank remains highly liquid and well capitalized, with a liquid asset ratio of 43.25% and a loan-to-deposit ratio of 54.85%. The capital adequacy ratio was 16.54%, up from 14.19% in the previous year. The Bank's Tier 1 ratio also improved from 8.87% to 11.15%, well above the industry average.

The Bank's credit rating was upgraded by Fitch Ratings in June 2011 to AAA (twn) for domestic long-term credit, F1+(twn) for domestic short-term credit, AA- for international long-term credit, F1+ for international short-term credit, with an overall "stable" outlook. In December 2011, the Taiwan Ratings Corporation, a local arm of Standard & Poor's, also upgraded the bank's rating to twAAA for long-term credit, twA-1+ for short-term credit, with an overall "stable" outlook.

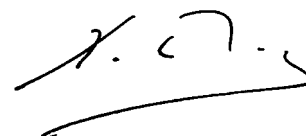
The Bank is confident to continue to deliver strong performance, maintain good asset quality and adequate capital levels through the execution of its prudent business strategies.

In 2012, in addition to implementing key initiatives identified under its regular operations, strong emphasis would also be placed on:

- expanding coverage of small and medium enterprise customers
- leveraging on the Bank's global network to better support corporate customers in their business expansion abroad
- implementing service guarantees to improve our customer services
- improving the quality of the Bank's asset book and customer portfolio while balancing risks and returns
- enhancing productivity and cost efficiency
- strengthening talent management, staff training, and staff engagement.

Our brand promise, "Here for good" is a strong reflection of our long term value proposition and commitment to the Taiwan market.

Chairman



II. Bank Profile



Standard
Chartered



I. History

Standard Chartered PLC ("the Group") is a leading international bank, listed on the London, Hong Kong and Mumbai stock exchanges. It has operated for over 150 years in some of the world's most dynamic markets and earns around 90% of its income and profits in Asia, Africa and the Middle East. This geographic focus and commitment to developing deep relationships with clients and customers has driven the Group's growth in recent years.

With 1,700 offices in over 70 markets, the Group offers exciting and challenging international career opportunities for its 85,000 staff. It is committed to building a sustainable business over the long term and is trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. The Group's heritage and value are expressed in its brand promise, "Here for good".

In Taiwan, Standard Chartered inaugurated its first branch on 22nd March, 1985. The acquisition of Hsinchu International Bank (HIB) in November 2006 marked a milestone in Standard Chartered's course of development in the market. HIB opened its first branch in Taiwan on 15th September, 1948. The integration of the two banks was completed in July 2007 and HIB was renamed Standard Chartered Bank (Taiwan) Limited ("the Bank"). The amalgamation with American Express Bank and the "Good Bank" part of Asia Trust and Investment Corporation in August and December 2008, respectively, further enhanced the Bank's footprint in Taiwan and demonstrated the Group's strong commitment in the local market. With over 4,000 employees, the Bank is able to offer individual and corporate clients comprehensive banking services and innovative products, and aspires to become the Bank of Choice in Taiwan.

The Bank's credit ratings have been upgraded by a number of rating companies in 2011. Standard & Poors upgraded the Bank's rating from "A" to "A+" and Taiwan Ratings upgraded the Bank's National Long-term rating from "twAA+" to "twAAA" in December 2011.

In recent years, the Bank has been widely recognized for its commitment in Taiwan. The Bank received the "Corporate Citizenship Award" from the Commonwealth magazine for four consecutive years from 2008 to 2011, and Gallup's "Great Workplace Award" in 2011. As for business development, the Bank also won the "Best Sub-Custodian Bank in Taiwan" award by Global Finance magazine in 2011.

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

Current shareholding of the Bank in affiliated enterprises includes the following: 100% in Standard Chartered Life Insurance Agency Co, Ltd. and 100% in Taiwan Standard Chartered Insurance Agency Co, Ltd. Please refer to page 191 for details.

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

III. Corporate Governance



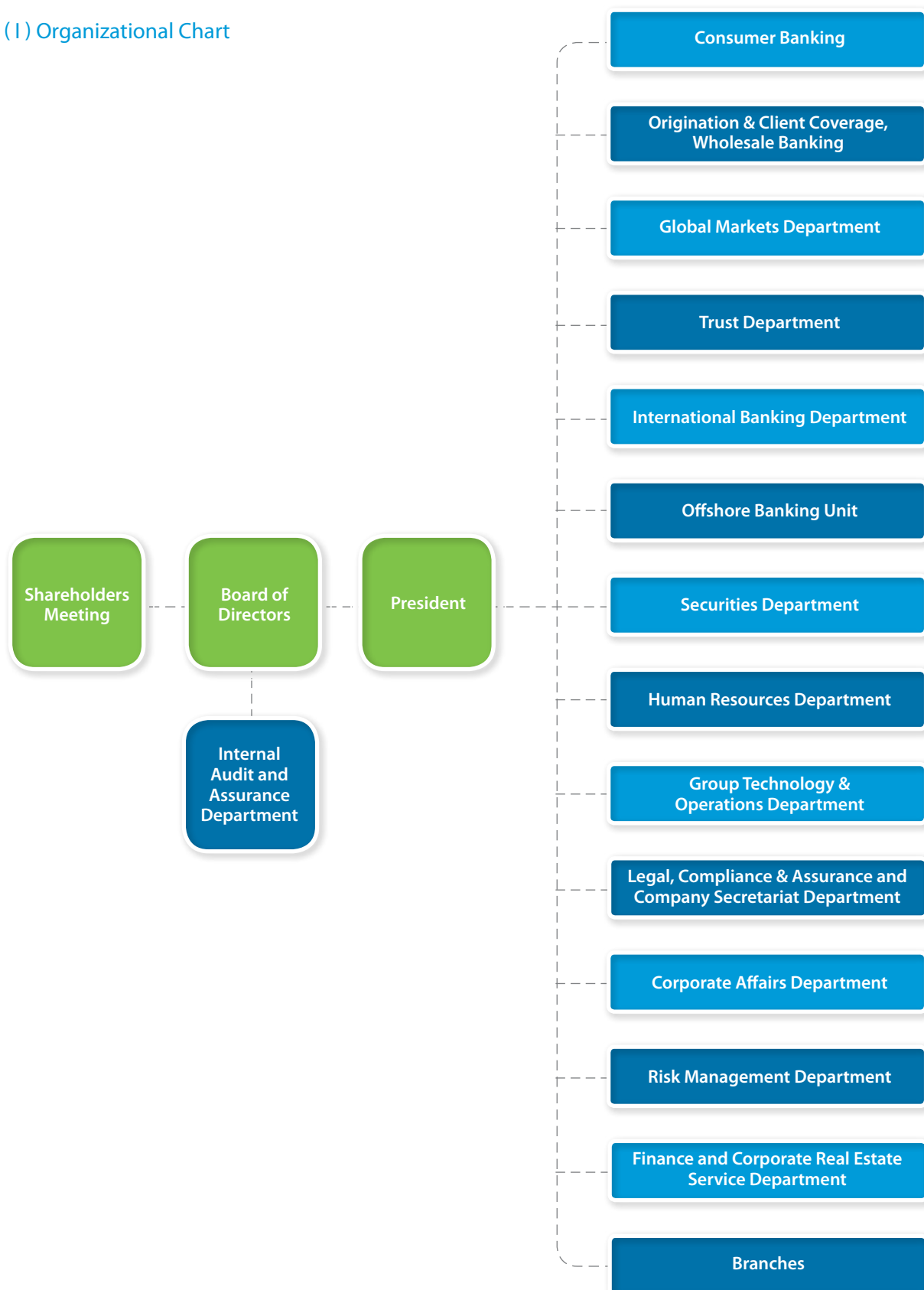
Standard
Chartered



I. Organization Structure

31 December 2011

(I) Organizational Chart



(II) Organizational Chart

1. Consumer Banking ("CB")	In charge of the overall Consumer Banking strategy, business planning, customer experience, sales governance and distribution management. Responsible for Consumer Banking product developments in Wealth Management, Retail Banking (including Deposits, Credit Cards, Personal Loans and Mortgage) and SME products. Ensure Consumer Banking operations and marketing in place. Lastly, fulfill training needs for various departments under Consumer Banking.
2. Origination & Client Coverage, Wholesale Banking ("WB")	Engaging in the maintenance, promotion, credit analysis, risk management, product development and sales of WB banking products and services. Responsible for operation process & risk management, planning of physical & virtual channels and operation automation, enhancement of service quality, operation analysis for various businesses, evaluation of product performance and project execution, etc.
3. Global Markets Department	Engaging in the treasury management and allocation of NTD and foreign currencies; transactions and sales of FX, fixed income and derivatives; the Bank's assets and liabilities management and capital market related matters.
4. Trust Department	In charge of the planning, management and operation of trust business; and enacting the businesses authorized by the competent authorities.
5. International Banking Department	In charge of the management and supervision of foreign exchange businesses; management of institutional lending disbursement; serve as the contact window with local regulators.
6. Offshore Banking Unit	In charge of the management and supervision of offshore banking businesses; serve as the contact window with local regulators.
7. Securities Department	Responsible for the planning, management and execution of securities businesses; and enacting the businesses authorized by the competent authorities.
8. Internal Audit and Assurance Department	In charge of audits of business, asset management, IT and any assignment by the Board of Directors and local regulators.
9. Human Resources Department	Responsible for recruiting and hiring employees; the review and establishment of policies on compensations and benefits; planning and development of HR policies; management of employee performance and rewards; payroll processing; management of employee benefits, and administration procedures, operational risk, and HR systems; management of employee joining, exit, transfer processing; planning and implementing employee training and development; talent development and succession plan; welfare committee management, employees relations, equal employment, management of union relationships and employee grievances, etc.
10. Group Technology & Operations Department	In charge of consumer banking operations; wholesale banking operations, procurement & vendor management, information security & system development, soft and hardware technical supports.
11. Legal & Compliance and Company Secretariat Department	In charge of lawsuits, compliance, financial crime risks; company secretariats, legal & regulatory issues regarding new financial products and services; serves as the contact window with local regulators; conduct research on legal matters related to the Bank.
12. Corporate Affairs Department	In charge of the planning and execution of internal communication, media relations, government relations and social responsibilities, sponsorship policies and reputation risk management.
13. Risk Management Department	Responsible for the risk management of the entire Bank. The main areas are credit risk, country risk, market risk, and operational risk. It is also in charge of credit limits, control of credit documents and the formulation of credit policies & procedures.
14. Finance & Corporate Real Estate Service (CRES) Department	Responsible for the forecast and execution of budget planning; tax returns filing and accounting; annual reporting; consultation, management, evaluation and analysis of operational businesses. CRES is responsible for general administration, such as the sales and acquisitions of real estate properties; managing and maintaining the Bank's properties; and other matters that are not the responsibilities of other departments.
15. Branches	Operating the Bank's businesses pursuant to the Banking Act and approved by the competent authorities.

II. Information on Directors, Supervisors, Executive Officers and Branch Managers

(I) Directors and Supervisors' Information

1. Directors and Supervisors

31 December 2011

Title	Name	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience / Education	Also serve concurrently as	Other executives, directors or supervisors are spouse or within second-degree relative of consanguinity to each other		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Chairman	Standard Chartered Bank Representative: Katherine King-Suen Tsang	10/12/2009	3 yrs	31/08/2009	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Executive Vice Chairman and CEO of Standard Chartered Bank (China) Limited Bachelor of Commerce, University of Alberta (Canada)	Chairperson, Greater China of Standard Chartered Bank Chairperson of Standard Chartered Bank (China) Limited Chairperson of Standard Chartered Bank (Hong Kong) Limited INED of Baoshan Iron & Steel Co. Limited INED of GAP Inc. Director of Youth Arts Foundation in Hong Kong	N/A	N/A	N/A
Director	Standard Chartered Bank Representative: Sunil Kaushal	10/12/2009	3 yrs	27/08/2008	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Global Head of Small and Medium Enterprises (SME) and New Ventures, Standard Chartered Bank Bachelor of Commerce, Bombay University (India) Chartered Accountant from the Institute of Chartered Accountants (India)	CEO/President, Standard Chartered Bank (Taiwan) Limited Director of Yin Ji Li Asset Management Co., Ltd.	N/A	N/A	N/A
Director	Standard Chartered Bank Representative: Cheng Teck Lim	30/07/2010	3 yrs	30/07/2010	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	CEO, Standard Chartered Bank, Singapore Chief Operating Officer, Standard Chartered Bank (China) Limited Head of Wholesale Banking, Standard Chartered (China) Limited MBA, Brunel University, United Kingdom Bachelor of Arts, National University of Singapore (Singapore)	CEO, Standard Chartered Bank (China) Limited NED of Scope International (China) Co., Ltd. Director of SCL Consulting (Shanghai) Ltd) Board Advisory of Sim Kee Boon Institute of Financial Economics, Singapore Director of Special Needs Trust Company	N/A	N/A	N/A
Director	Standard Chartered Bank Representative: Kuei-Ling Hu	10/12/2009	3 yrs	01/07/2007	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Vice President, Hsinchu International Bank LLB, National Taiwan University (Taiwan)	Head of Legal and Compliance, Standard Chartered Bank (Taiwan) Limited Chairman of Yin Ji Li Asset Management Co., Ltd.	N/A	N/A	N/A
Director	Standard Chartered Bank Representative: Fou Tsong Ling	10/12/2009	3 yrs	25/11/2008	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Group Chief Accountant, Standard Chartered Bank; Global Account Manager, Wholesale Banking UK/ Europe Chief Financial Officer, Standard Chartered Bank (Malaysia) Berhad Bachelor of Economics & Accounting, University of Newcastle Upon Tyne Institute of Chartered Accountants, England and Wales (ICAEW)	CFO, Standard Chartered Bank (Taiwan) Limited Chairman of Standard Chartered Life Insurance Agency Co., Ltd. Chairman of Taiwan Standard Chartered Insurance Agency Co., Ltd. Supervisor of Yin Ji Li Asset Management Co., Ltd.	N/A	N/A	N/A

(Continued)

31 December 2011

Title	Name	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience/Education	Also serve concurrently as	Other executives, directors or supervisors are spouse or within second-degree relative of consanguinity to each other		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
INED	Standard Chartered Bank Representative: Teeh Lin Wang	10/12/2009	3 yrs	10/12/2009	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	President, AGB Nielsen Media Research (Taiwan) Managing Director for Greater China, AGB Nielsen Media Research (Hong Kong) Managing Director for Taiwan, AC Nielsen (Taiwan) INED, Chanter Co., Ltd. EMBA, Business School of National Cheng Chi University (Taiwan)	Supervisor, International Advertising Association Taipei Chapter	N/A	N/A	N/A
INED	Standard Chartered Bank Representative: Nei-Ping Yin	10/12/2009	3 yrs	10/12/2009	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	5 th term of Legislator Consultant of Ministry of Economic Affairs Member of Economic Development Consulting Committee Master of Economics, Washington University in St. Louis (USA)	Professor, Department of Money and Banking, National Chengchi University Counselor of Executive Yuan Presidential Advisory Committee Member on Finance and Economics	N/A	N/A	N/A
Supervisor	Standard Chartered Bank Representative: Norman Lyle	10/12/2009	3 yrs	13/12/2006	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Group Finance Director, Jardine Matheson Holdings Limited Fellow of the Chartered Institute of Management Accountants Fellow of the Association of Corporate Treasurers Harvard Business School, Senior Management Programme UK Cabinet Top Office Management Programme	Supervisor, Standard Chartered Bank (China) Limited INED of Standard Chartered Bank (Hong Kong) Limited INED of Msheireb Properties INED and Chairman of the Audit Committee of Grosvenor Asia Pacific Limited	N/A	N/A	N/A
Supervisor	Standard Chartered Bank Representative: Edward Martin Williams	10/12/2009	3 yrs	10/12/2009	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Group Head of Country and Credit Risk, Standard Chartered Bank MBA, Harvard Graduate School of Business (USA) Master of Science in Aeronautics and Astronautics, MIT (USA)	Deputy Group Chief Risk Officer, Standard Chartered Bank	N/A	N/A	N/A

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

2. Major Shareholder of Institutional Shareholders

31 December 2011

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

3. Major Shareholder of Principal Institutional Shareholders

31 December 2011

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

4. Professional Knowledge and Independence of Directors and Supervisors

31 December 2011

Name	Qualification	Over five years of experience in related fields and the following professional qualifications			Independence Status (Note)										The number of public companies in which the director or supervisor also serves concurrently as an Independent Director
		At least lecturer of business, law, finance or accounting departments or other relevant business departments/ divisions of public and private colleges/ universities as required by corporate business needs	Judge, prosecutor, attorney, certified public accountant, or other professionally qualified and technical person who possesses certificates of national examinations	Experience in business, law, finance, accounting or other work as required by corporate business needs	1	2	3	4	5	6	7	8	9	10	
Standard Chartered Bank Representative: Katherine King-Suen Tsang			√				√	√		√	√	√	√		
Standard Chartered Bank Representative: Sunil Kaushal		√	√				√	√	√	√	√	√	√		
Standard Chartered Bank Representative: Cheng Teck Lim			√				√	√	√	√	√	√	√		
Standard Chartered Bank Representative: Kuei-Ling Hu			√				√	√	√	√	√	√	√		
Standard Chartered Bank Representative: Fou Tsong Ling		√	√				√	√	√	√	√	√	√		
Standard Chartered Bank Representative: Teeh Lin Wang			√		√	√	√	√	√	√	√	√	√		

(Continued)

	Over five years of experience in related fields and the following professional qualifications			Independence Status (Note)										The number of public companies in which the director or supervisor also serves concurrently as an Independent Director
	At least lecturer of business, law, finance or accounting departments or other relevant business departments/ divisions of public and private colleges/ universities as required by corporate business needs	Judge, prosecutor, attorney, certified public accountant, or other professionally qualified and technical person who possesses certificates of national examinations	Experience in business, law, finance, accounting or other work as required by corporate business needs	1	2	3	4	5	6	7	8	9	10	
Standard Chartered Bank Representative: Nei-Ping Yin	√		√	√	√	√	√	√	√	√	√	√		
Standard Chartered Bank Representative: Norman Lyle		√	√	√		√	√	√	√	√	√	√		
Standard Chartered Bank Representative: Edward Martin Williams			√			√	√		√	√	√	√		

Note : Mark "√" in the appropriate space where any director or supervisor qualifies the following criteria within two years prior to being elected and while serving office.

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

(II) Information on the Executive Officers and Branch Managers

As of 31 December 2011

Title	Name	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President & Chief Executive Officer	Sunil Kaushal	01/07/2008	0	0	0	0	0	0	Bachelor of Commerce, Bombay University (India)	Note 1	N/A	N/A	N/A
	Ajay Chamanlal Kanwal	15/12/2011	0	0	0	0	0	0	Management Studies in Marketing, P.L.N.W. Institute of Management Studies and Research, Mumbai, India	N/A	N/A	N/A	N/A
Chief Financial Officer	Fou Tsong Ling	24/11/2008	0	0	0	0	0	0	BA (Honours) in Economic & Accounting, University of Newcastle Upon Tyne, UK	Note 2	N/A	N/A	N/A
Head of Origination & Client Coverage, Wholesale Banking	Helen S. Hui	01/07/2007	0	0	0	0	0	0	Executive MBA, Kellogg School of Management, Northwestern University, USA	N/A	N/A	N/A	N/A
Head of Consumer Banking	Choon-Hin Tan	04/05/2011	0	0	0	0	0	0	Business, Nanyang Technological University, Singapore	N/A	N/A	N/A	N/A
Head of Corporate Affairs	Ruby Fu	22/12/2008	0	0	0	0	0	0	Dept. of Space Design, Shih Chien University	N/A	N/A	N/A	N/A
Head of Global Markets and Head of Sales, Global Markets, Wholesale Banking	David Wu	26/02/2009	0	0	0	0	0	0	Finance, Southern Illinois University, USA	N/A	N/A	N/A	N/A
Chief Information Office	Yuh-Hwa Chyr	01/10/2010	0	0	0	0	0	0	Industrial Management & Engineering, New Jersey Institute of Technology, USA	N/A	N/A	N/A	N/A
Head of Human Resources	Vickie Chen	12/02/2010	0	0	0	0	0	0	MBA, Lehigh University, USA	N/A	N/A	N/A	N/A
Head of Legal & Compliance and Company Secretariat	Kuei-Ling Hu	01/07/2007	0	0	0	0	0	0	LLB, National Taiwan University	Note 3	N/A	N/A	N/A
Chief Risk Officer	Henry Hing Lee Hooi	02/08/2010	0	0	0	0	0	0	Bachelor of Commerce, The University of Western Australia, Australia	N/A	N/A	N/A	N/A
Chief Auditor	Henry Tseng	31/10/2009	0	0	0	0	0	0	MBA, Cal. State University, Dominguez Hills, USA	Note 4	N/A	N/A	N/A
Head of Trust, Consumer Banking	Wei-Kai Yang	01/08/2011	0	0	0	0	0	0	MBA, Tunghai University	N/A	N/A	N/A	N/A
Head of Offshore and Offshore Banking Unit	Susan Chen	17/11/2011	0	0	0	0	0	0	MBA, Tulane University, USA	N/A	N/A	N/A	N/A
Head of Securities, Consumer Banking	Kevin Wu	01/07/2007	0	0	0	0	0	0	MA in Finance, Western Michigan University, USA	N/A	N/A	N/A	N/A
Branch Manager, Hsinshing Securities Branch	Yu-Ying Liu	06/03/2000	0	0	0	0	0	0	General Education Dept, Yu Da High School of Commerce and Home Economics	N/A	N/A	N/A	N/A
Branch Manager, Hsinshy Securities Branch	Tian-Song Feng	01/07/2007	0	0	0	0	0	0	Dept. of Bank Management, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Hsinming Securities Branch	Shao-Kuang Wu	08/06/2007	0	0	0	0	0	0	Dept. of Accounting, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Nankan Securities Branch	Hung-Jen Chang	16/09/2010	0	0	0	0	0	0	Dept. of Banking and Insurance, Chihlee College of Business	N/A	N/A	N/A	N/A
Branch Manager, Chunan Securities Branch	Xiu-Qiu Peng	01/07/2007	0	0	0	0	0	0	Dept. of International Trades, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Banciao Securities Branch	Ian Fu	18/08/2010	0	0	0	0	0	0	Dept. of Public Finance and Tax Administration, China University of Technology	N/A	N/A	N/A	N/A
Branch Manager, Wunsin Securities Branch	Jim Liu	03/05/2010	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Taoyuan Securities Branch	Liang-Hsing Lai	01/07/2007	0	0	0	0	0	0	Dept. of Banking & Finance, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Sanduo Securities Branch	Chih-Yang Chen	20/04/2010	0	0	0	0	0	0	Finance (MBA), Oklahoma City University, USA	N/A	N/A	N/A	N/A
Branch Manager, Sihy Securities Branch	Allen Kuo	18/07/2011	0	0	0	0	0	0	Dept. of Chemical Engineering, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Ren Ai Securities Branch	Isaac Peng	19/04/2010	0	0	0	0	0	0	MBA, National Cheng Kung University	N/A	N/A	N/A	N/A
Branch Manager, Business Department	Mei-Hui Chen	13/10/2008	0	0	0	0	0	0	Dept. of Information, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Hsinchu Branch	Kuo-Hsin Hu	14/11/2009	0	0	0	0	0	0	Graduate School of Social Science and Management, National Chung Hsing University	N/A	N/A	N/A	N/A
Branch Manager, Kuangfu Branch	Shou-Hui Chao	01/01/2011	0	0	0	0	0	0	Dept. of Secretary, Shih Chien Junior College	N/A	N/A	N/A	N/A

(Continued)

As of 31 December 2011

Title	Name	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Chungcheng Branch	Shu-Hui Wu	01/07/2010	0	0	0	0	0	0	Dept. of Industry Management, Oriental Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Yenping Branch	Kuo-Hsiung Lin	01/10/2010	0	0	0	0	0	0	Dept. of International Trade, Tunghai University	N/A	N/A	N/A	N/A
Branch Manager, Chutung Branch	Jar-Fu Day	01/01/2011	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Hsinpu Branch	Hsin-Yi Ho	01/01/2011	0	0	0	0	0	0	Dept. of Banking and Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Hukou Branch	Chiu-Ying Hsieh	01/01/2011	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Van Nung Institute of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, Chupei Branch	Yun-Ying Lin	29/07/2011	0	0	0	0	0	0	Dept. of International Trade, Takming College of Technology	N/A	N/A	N/A	N/A
Branch Manager, Kuanshi Branch	Chin-Jen Ho	01/01/2011	0	0	0	0	0	0	Dept. of Accounting and Statistics, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Hsinfeng Branch	Jr-Lian Li	01/07/2010	0	0	0	0	0	0	Dept. of Electronic Engineering, Ta Hwa College of Technology	N/A	N/A	N/A	N/A
Branch Manager, Hsinshing Branch	Pin-Nien Chang	01/04/2010	0	0	0	0	0	0	Dept. of Business Administration, National Chung Hsing University	N/A	N/A	N/A	N/A
Branch Manager, Hsinshy Branch	Hui-Chi Cheng	01/01/2011	0	0	0	0	0	0	Graduate School of Business Administration, Chung Hua University	N/A	N/A	N/A	N/A
Branch Manager, Science Park Branch	Chin-Hsing Kuo	01/12/2011	0	0	0	0	0	0	Dept. of Accounting and Statistics, National Hsinchu Commercial Vocational High School	N/A	N/A	N/A	N/A
Branch Manager, North Hsinchu Branch	Jung-Lin Cheng	01/10/2010	0	0	0	0	0	0	Dept. of International Business, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Taoyuan Branch	Tai-Ku Hsieh	01/03/2009	0	0	0	0	0	0	Dept. of Economics, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Dashi Branch	Lien-Fa Hsu	25/08/2011	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Chinyi Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Dayuan Branch	Li-Ying Chou	03/01/2011	0	0	0	0	0	0	Dept. of Finance and Tax Administration, China Junior College of Industrial and Commercial Management	N/A	N/A	N/A	N/A
Branch Manager, Chungli Branch	Conny Lee	01/08/2011	0	0	0	0	0	0	Dept. of Finance, National Chung Cheng University	N/A	N/A	N/A	N/A
Branch Manager, Yangmei Branch	Pei-Chin Chung	01/04/2010	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Nan Tai College	N/A	N/A	N/A	N/A
Branch Manager, Hsinwu Branch	Cheng-Lung Yu	01/07/2009	0	0	0	0	0	0	Dept. of Economics, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Lungtan Branch	Mei-Tsun Chen	01/11/2009	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Sanmin Branch	Meng-Hua Chen	03/01/2011	0	0	0	0	0	0	Dept. of Business Administration, Chihlee College of Business	N/A	N/A	N/A	N/A
Branch Manager, Neili Branch	Chin-Fu Teng	01/07/2008	0	0	0	0	0	0	Dept. of International Trade, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Pateh Branch	Kuang-Jung Fan	01/11/2008	0	0	0	0	0	0	Dept. of Business Administration, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, YungAn Branch	Daisy Tang	05/12/2011	0	0	0	0	0	0	MBA, University of Michigan, USA	N/A	N/A	N/A	N/A
Branch Manager, Hsinming Branch	Su-Yueh Kang	29/07/2011	0	0	0	0	0	0	Dept. of Accounting, Hsing Wu Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Kueishan Branch	Yen-Che Huang	03/01/2011	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Nankan Branch	Fei-Lung Lin	27/04/2009	0	0	0	0	0	0	Dept. of Business Administration, Ging Chung Business College	N/A	N/A	N/A	N/A
Branch Manager, Dashulin Branch	Wen-Fa Yeh	03/01/2011	0	0	0	0	0	0	EMBA, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Lungkang Branch	Kuei-Ling Chung	01/12/2011	0	0	0	0	0	0	Dept. of Accounting and Statistics, Chung Yu Junior College of Business Administration	N/A	N/A	N/A	N/A
Branch Manager, Shantzuting Branch	Wei-Lung Tu	07/03/2011	0	0	0	0	0	0	Dept. of Economics, Chinese Culture University	N/A	N/A	N/A	N/A

(Continued)

As of 31 December 2011

Title	Name	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Pushin Branch	Hsiu-Ju Chiu	01/04/2010	0	0	0	0	0	0	Dept. of Accounting and Statistics, Ta Tung Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Sinjhuang Mini Branch	Joseph Lu	09/11/2011	0	0	0	0	0	0	Dept. of Economics, National Chung Hsing University	N/A	N/A	N/A	N/A
Branch Manager, Kuaichi Branch	Mei-Yu Chung	01/03/2009	0	0	0	0	0	0	Dept. of Business Administration, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Huanpei Branch	Shu-Hsueh Yeh	14/11/2011	0	0	0	0	0	0	Dept. of General Business, Daxing Vocational Senior High School	N/A	N/A	N/A	N/A
Branch Manager, Guanyin Branch	Yu-Fang Chang	01/12/2009	0	0	0	0	0	0	Dept. of Business Administration, Chihlee College of Business	N/A	N/A	N/A	N/A
Branch Manager, Pingzhen Branch	Hsiu-Ling Liu	01/07/2009	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Miaoli Branch	Shih-Ling Lai	01/06/2008	0	0	0	0	0	0	Dept. of Accounting, Ling Tung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Chunan Branch	Tsang-Yuan Lin	01/03/2010	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Toufen Branch	Tai-Yi Liu	01/03/2010	0	0	0	0	0	0	Dept. of Marketing and Logistics Management, Yu Da College of Business	N/A	N/A	N/A	N/A
Branch Manager, Yuanli Branch	Kuang-Huai Ho	01/03/2010	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Lien-Ho College of Technology and Commerce	N/A	N/A	N/A	N/A
Branch Manager, Kungkuan Branch	Wen-Chung Su	01/03/2010	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Tungshiao Branch	Dylan Chang	01/12/2011	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Lien-Ho College of Technology and Commerce	N/A	N/A	N/A	N/A
Branch Manager, Houlung Branch	Hui-O Su	01/04/2011	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Sanyi Branch	Yi-Hau Liou	01/06/2008	0	0	0	0	0	0	Dept. of Finance, Southern Taiwan University of Technology	N/A	N/A	N/A	N/A
Branch Manager, Tahu Branch	Shu-Ching Chiu	01/11/2009	0	0	0	0	0	0	Dept. of Finance, Yu Da College of Business	N/A	N/A	N/A	N/A
Branch Manager, Tunglo Branch	Kuo-Chi Hsu	01/03/2010	0	0	0	0	0	0	Dept. of Business and Management, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, East Neili Branch	Chi-Cheng Huang	01/08/2011	0	0	0	0	0	0	Dept. of Accounting and Statistics, National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Kungshi Branch	Edward Wang	03/01/2011	0	0	0	0	0	0	Dept. of Finance, Ming Chuan University	N/A	N/A	N/A	N/A
Branch Manager, Chuangching Branch	Jacky Pan	01/08/2011	0	0	0	0	0	0	Dept. of Sociology, Soochow University	N/A	N/A	N/A	N/A
Branch Manager, Chinling Branch	Yao-Mo Huang	01/08/2011	0	0	0	0	0	0	Dept. of Finance and Tax Administration, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Jianguo Branch	Lung-Zen Chen	11/07/2011	0	0	0	0	0	0	Master of Business Administration, Golden Gate University, USA	N/A	N/A	N/A	N/A
Branch Manager, Banciao Branch	Fu-Ying Chen	01/11/2008	0	0	0	0	0	0	Graduate School of Business Administration, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, Luchou Mini Branch	Kalice Wang	01/07/2011	0	0	0	0	0	0	Master of International Business, Wollongong University, Australia	N/A	N/A	N/A	N/A
Branch Manager, Neihu Branch	Rita Tai	06/08/2011	0	0	0	0	0	0	Dept. of Healthcare Management, Yuanpei College	N/A	N/A	N/A	N/A
Branch Manager, Wenshin Branch	James Chien	30/12/2011	0	0	0	0	0	0	Dept. of Chinese Literature, National Cheng Kung University	N/A	N/A	N/A	N/A
Branch Manager, Fengyuan Branch	Lien-Huang Pan	01/12/2011	0	0	0	0	0	0	Dept. of Applied Business, National Taichung Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Chiayi Branch	Hsin-Hui Huang	01/11/2009	0	0	0	0	0	0	Dept. of International Trade, WuFeng Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Tainan Branch	Wei-Ming Sun	01/07/2011	0	0	0	0	0	0	Dept. of Accounting, National Taiwan University	N/A	N/A	N/A	N/A
Branch Manager, Jiuru Branch	Simon Chuang	01/12/2011	0	0	0	0	0	0	Graduate School of Business Administration, National Cheng Kung University	N/A	N/A	N/A	N/A

(Continued)

As of 31 December 2011

Title	Name	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Tungning Branch	Yu-Ren Lin	01/07/2011	0	0	0	0	0	0	Dept. of Banking and Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Tunghai Branch	Hsiu-Yueh Li	01/07/2009	0	0	0	0	0	0	Dept. of Banking and Insurance, Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Shengkang Branch	Po-Nien Su	01/12/2011	0	0	0	0	0	0	Dept. of International Trade, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Nantun Branch	Wen-Feng Tu	01/11/2008	0	0	0	0	0	0	Dept. of Banking and Insurance, Shih Chien College of Home Economics	N/A	N/A	N/A	N/A
Branch Manager, Chungho Branch	Yu-Chien Chen	01/03/2011	0	0	0	0	0	0	Dept. of International Trade, Providence University	N/A	N/A	N/A	N/A
Branch Manager, Peituen Branch	Wen-Pin Chan	01/12/2009	0	0	0	0	0	0	Dept. of Economics, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Shituen Branch	Gavin Liao	01/06/2010	0	0	0	0	0	0	Master of International Economics, National Chung Cheng University	N/A	N/A	N/A	N/A
Branch Manager, Taichung Branch	Rex Wang	09/08/2011	0	0	0	0	0	0	Dept. of Finance, Chaoyang University of Technology	N/A	N/A	N/A	N/A
Branch Manager, Changhua Branch	Leo Chang	01/09/2010	0	0	0	0	0	0	Dept. of Financial Management, Chung Hua University	N/A	N/A	N/A	N/A
Branch Manager, North Kaohsiung Branch	Wayne Chuang	01/07/2011	0	0	0	0	0	0	Master of Business Administration, Southern Illinois University at Carbondale, USA	N/A	N/A	N/A	N/A
Branch Manager, Fusing Branch	Vincent Sha	01/03/2010	0	0	0	0	0	0	Dept. of Tourism Industry, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Sanduo Branch	Cho-Lien Hsiao	01/01/2010	0	0	0	0	0	0	Dept. of Banking, National Chengchi University	N/A	N/A	N/A	N/A
Branch Manager, East Taipei Branch	Linda Wu	01/07/2011	0	0	0	0	0	0	EMBA, National Taiwan University	N/A	N/A	N/A	N/A
Branch Manager, Daya Branch	Sally Tsai	01/07/2009	0	0	0	0	0	0	Dept. of Applied Business, National Taichung Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, East Tainan Branch	Ken Lin	01/04/2010	0	0	0	0	0	0	Master of Finance, National Chung Cheng University	N/A	N/A	N/A	N/A
Branch Manager, Wufu Branch	Yu-Cheng Lin	01/12/2011	0	0	0	0	0	0	Dept. of Business Administration, Sun Yat-sen University	N/A	N/A	N/A	N/A
Branch Manager, Sihua Branch	Alex Lin	01/03/2011	0	0	0	0	0	0	Dept. of Economics, Soochow University	N/A	N/A	N/A	N/A
Branch Manager, Dunhua Branch	Kenneth Chou	01/07/2011	0	0	0	0	0	0	International Management, Australian National University, Australia	N/A	N/A	N/A	N/A
Branch Manager, Xinyi Branch	Roger Liao	25/07/2011	0	0	0	0	0	0	Dept. of Mechanical Engineering, National Chin-Yi University of Technology	N/A	N/A	N/A	N/A
Branch Manager, Ren Ai Branch	Chin-Hsiang Chang	20/06/2011	0	0	0	0	0	0	Dept. of Business Administration, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, Tienmu Branch	Chao-Hung Chen	16/05/2011	0	0	0	0	0	0	Dept. of Statistics, Ming Chuan University	N/A	N/A	N/A	N/A
Branch Manager, Dunbei Branch	Gary Cheng	04/07/2011	0	0	0	0	0	0	Dept. of Banking and Insurance, Shih Chien University	N/A	N/A	N/A	N/A
Branch Manager, Chungshan Branch	Yun-An Chou	01/07/2011	0	0	0	0	0	0	Dept. of Finance, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, No.88 Branch	Stanley Tsai	01/01/2011	0	0	0	0	0	0	MBA, National Taiwan University	N/A	N/A	N/A	N/A
Branch Manager, Dazhi Branch	Cindy Liao	16/08/2010	0	0	0	0	0	0	Dept. of International Trade, Chung Yu Junior College of Business Administration	N/A	N/A	N/A	N/A
Branch Manager, Jinshan Branch	Spencer Kuo	09/11/2011	0	0	0	0	0	0	Dept. of Business Administration, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Kaohsiung Branch	Ta-Sung Wang	01/11/2011	0	0	0	0	0	0	MBA, University of Long Island, USA	N/A	N/A	N/A	N/A

Note 1 : Director of Yin Ji Li Asset Management Co., Ltd.

Note 2 : Chairman of Standard Chartered Life Insurance Agency Co, Ltd; Chairman of Taiwan Standard Chartered Insurance Agency Co, Ltd.; Supervisor of Yin Ji Li Asset Management Co., Ltd.

Note 3 : Chairman of Yin Ji Li Asset Management Co., Ltd.

Note 4 : Supervisor of Standard Chartered Life Insurance Agency Co, Ltd; Supervisor of Taiwan Standard Chartered Insurance Agency Co, Ltd.

Note 5 : President & Chief Executive Officer, Sunil Kaushal, resigned on Dec. 15, 2011.

(III) Remuneration Paid to Directors, Supervisors and Executive Officers in 2011

1. Directors' Remuneration and Remuneration Bracket

(1) Directors' Remuneration (including Independent Directors)

Unit: NTD'000

Title	Name	Director's Remuneration								Total of (A, B,C, D) (%) of net profit after tax	Relevant Remuneration Received by Directors who Are Also Employees										Total of (A, B,C,D, E, F, G) as a percentage (%) of net profit after tax		Remuneration from investment companies other than subsidiaries		
		Remuneration(A)		Separation pay/ Pension (B)		Remuneration appropriated to directors from earnings (C)		Costs incurred from performing duties (D)			Salaries, bonus and special allowance (E)		Separation pay / Pension (F)		Employees' bonus distributed from earnings (G)				Total No. of shares issued for employee stock option (H)						
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank		All companies included in consolidated financial statements		The Bank	All companies included in consolidated financial statements	The Bank		All companies included in consolidated financial statements	
Chairman	Standard Chartered Bank Representative : Katherine King-Suen Tsang	2,760	2,760																						
Director	Standard Chartered Bank Representative : Sunil Kaushal																								
Director	Standard Chartered Bank Representative : Cheng Teck Lim																								
Director	Standard Chartered Bank Representative : Kuei-Ling Hu																								
Director	Standard Chartered Bank Representative : Fou Tsong Ling																								
INED	Standard Chartered Bank Representative : Teeh Lin Wang																								
INED	Standard Chartered Bank Representative : Nei-Ping Yin																								

Note : Directors' expense for car rental, driver salary, and accommodation totaled NTD 15,157 (thousand) in 2011.

(2) Directors' Remuneration Bracket

Range of Remuneration Paid to Directors of the Bank	Name & No. of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Bank	All companies included in consolidated financial statements (I)	The Bank	All companies included in consolidated financial statements (J)
Less than NTD 2,000,000	Teeh Lin Wang, Nei-Ping Yin	Teeh Lin Wang, Nei-Ping Yin		
NTD 2,000,000 (inclusive) – NTD 5,000,000				
NTD 5,000,000 (inclusive) – NTD 10,000,000			Fou Tsong Ling, Kuei-Ling Hu	Fou Tsong Ling, Kuei-Ling Hu
NTD 10,000,000 (inclusive) – NTD 15,000,000				
NTD 15,000,000 (inclusive) – NTD 30,000,000			Sunil Kaushal	Sunil Kaushal
Total	2	2	3	3

2. Supervisors' Remuneration and Remuneration Bracket :

(1) Supervisors' Remuneration

Title	Name	Supervisor's Remuneration								Total of (A, B, C, D) as a percentage (%) of net profit after tax		Remuneration from investment companies other than subsidiaries
		Remuneration (A)		Separation pay/ Pension (B)		Remuneration appropriated to Supervisors from earnings (C)		Costs Incurred from performing duties (D)				
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements			
Supervisor	Standard Chartered Bank Representative : Norman Lyle	820	820							0.01%	0.01%	
Supervisor	Standard Chartered Bank Representative : Edward Martin Williams											

(2) Supervisors' Remuneration Bracket

Range of Remuneration Paid to Supervisors of the Bank	Name & No. of Supervisors	
	Total of (A+B+C+D)	
	The Bank	All companies included in consolidated financial statements
Less than NTD 2,000,000	Norman Lyle	Norman Lyle
NTD 2,000,000 (inclusive) – NTD 5,000,000		
NTD 5,000,000 (inclusive) – NTD 10,000,000		
NTD 10,000,000 (inclusive) – NTD 15,000,000		
NTD 15,000,000 (inclusive) – NTD 30,000,000		
Total	1	1

3. Executive Officers' Remuneration and Remuneration Bracket

(1) Executive Officers' Remuneration

Unit: NTD'000

Title	Name	Salary (A)		Separation pay/ Pension (B)		Bonus & Special Allowance (C)		Employees' Bonus Distributed from Earnings (D)								Total of (A,B,C,D) as a percentage (%) of net profit after tax		Total No. of Shares Issued for Employee Stock Option		Remuneration from investment companies other than subsidiaries	
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank				All companies included in consolidated financial statements				The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements		
								Cash dividend	Stock dividend			Cash dividend	Stock dividend								
									Shares	Market price	Amount		Shares	Market price	Amount						
President & Chief Executive Officer	Sunil Kaushal	78,512	78,512			66,475	66,475								1.73%	1.73%					
	Ajay Chamanlal Kanwal																				
Chief Financial Officer	Fou Tsong Ling																				
Head of Origination & Client Coverage	Helen S. Hui																				
Head of Consumer Banking	Choon-Hin Tan																				
Head of Corporate Affairs	Ruby Fu																				
Head of Legal & Compliance and Company Secretariat	Kuei-Ling Hu																				
Head of Global Markets and Head of Sales	David Wu																				
Chief Information Officer	Yuh-Hwa Chyr																				
Head of Human Resources	Vickie Chen																				
Chief Risk Officer	Henry Hing Lee Hooi																				
Chief Auditor	Henry Tseng																				

Note : Executive Officers' expense for car rental, driver salary, and accommodation totaled NTD 31,060 (thousand) in 2011.

(2) Executive Officers' Remuneration Bracket

Range of Remuneration Paid to Executive Officers of the Bank	Name & No. of Executive Officers	
	The Bank	All companies included in consolidated financial statements
Less than NTD 2,000,000		
NTD 2,000,000 (inclusive) – NTD 5,000,000	Henry Tseng	Henry Tseng
NTD 5,000,000 (inclusive) – NTD 10,000,000	Fou Tsong Ling, Ruby Fu, Yuh-Hwa Chyr, Vickie Chen, Kuei-Ling Hu	Fou Tsong Ling, Ruby Fu, Yuh-Hwa Chyr, Vickie Chen, Kuei-Ling Hu
NTD 10,000,000 (inclusive) – NTD 15,000,000		
NTD 15,000,000 (inclusive) – NTD 30,000,000	Sunil Kaushal, Helen S. Hui, Choon-Hin Tan, David Wu, Henry Hing Lee Hooi	Sunil Kaushal, Helen S. Hui, Choon-Hin Tan, David Wu, Henry Hing Lee Hooi
Total	11	11

4. Bonus Distributed to Managers : [None]

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

	2011	2010
Director	0.48%	1.70%
Supervisor	0.01%	0.03%
Executive Officers	1.73%	4.81%

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

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

Remuneration for the Bank's executive officers is composed with two parts, the fixed and variable rewards:

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

Variable reward: includes cash bonus and stock incentives as a compensation for achieving agreed goals. The variable reward is distributed to individuals and varies based on the Bank's management performance, levels of profitability, and annual performance review of individual executive officers. The Bank also offers Share Scheme (i.e. incentive stock option plan) of Standard Chartered PLC with deferral mechanism.

III. Corporate Governance Practices

(I) Practices of Board of Directors

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

Title	Name	No. of Attendance in Person	No. of Attendance by Proxy	Actual Attendance Ratio (%)	Remarks
Chairman	Standard Chartered Bank Representative : Katherine King-Suen Tsang	13	0	100%	
Director	Standard Chartered Bank Representative : Sunil Kaushal	11	2	85%	
Director	Standard Chartered Bank Representative: Cheng Teck Lim	11	2	85%	
Director	Standard Chartered Bank Representative : Kuei-Ling Hu	13	0	100%	
Director	Standard Chartered Bank Representative : Fou Tsong Ling	13	0	100%	
INED	Standard Chartered Bank Representative : Teeh Lin Wang	11	2	85%	
INED	Standard Chartered Bank Representative : Nei-Ping Yin	12	1	92%	

Other matters to be noted :

1. Matters specified in Article 14.3 of the Securities and Exchange Act, or Board resolutions where independent directors have expressed objection or qualified opinions that have been noted in the record or declared in writing, please specify the date, term, content of the motion and all independent directors' opinions as the Bank's response : [None]
2. Avoidance of conflict of interest by directors: Information specifying the Directors' names, content of the motion, reasons for avoidance, and participation in the voting is in place.
3. Goals to enhance the function of the Board of Directors (e.g. establishment of the Audit Committee, improvement of information transparency, etc.) and evaluation of the execution status in the current and most recent years: With the aim to achieve information transparency, required documentation will be provided to the Board to ensure the directors have sufficient information prior to the Board meeting. The President also continues to lead the Country Executive committee members to present business reports of their respective functions in quarterly main Board meetings and also report on the status of Country economies, political and regulatory development of the country for the Board's reference.

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

13 meetings were convened by the Board of Directors in 2011. Attendance of supervisors in the meetings is specified as follows:

Title	Name	No. of Attendance in Person	Actual Attendance Ratio (%)	Remarks
Supervisor	Standard Chartered Bank Representative : Norman Lyle	8	62%	
Supervisor	Standard Chartered Bank Representative : Edward Martin Williams	11	85%	

Other matters to be noted :

1. Composition and responsibilities of the supervisors :

(1) Communication with the Bank's employees and shareholders (e.g. communication channels and methods, etc.)

The Bank is wholly owned by our parent company, Standard Chartered Bank. Two supervisors have been appointed by the parent company of the Bank to monitor the management related matters conducted by the directors and the Executive Committee.

(2) Communication with the Chief Auditor and accountants (e.g. communication methods and results pertaining to matters of the Bank's financial and business conditions)

Supervisors are invited to attend meetings held by the Board of Directors and express their opinions, if appropriate; discuss issues of business operations with senior management of the Bank, especially CFO and Chief Auditor, to ensure full control of the Bank's business and financial conditions, and hold discussion with accountants over the Bank's financial statements.

2. Please specify the date, term, content of the motion, resolutions and the Bank's response to supervisors' opinions in the event supervisors have expressed opinions at the Board meetings : [None]

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

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

Item	Execution Status	Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best-Practice Principles for Banks"
(I) Shareholdings structure and shareholders' equity 1. Methodology of handling shareholders' recommendations or disputes 2. List of the major shareholders of the Bank and the ultimate controllers of the major shareholders 3. Establishment of risk control mechanism and firewalls between the Bank and its affiliated enterprises	1. The Bank is owned by a sole shareholder - Standard Chartered Bank. 2. Any recommendation or dispute of the shareholder is reported to the Board of Directors for review and consideration. The Chairman, President and Executive Committee of the Bank address shareholder's recommendations and disputes with prudence. 3. In terms of transactions with related party, any credit extension to the stakeholders and affiliates of the Bank is conducted pursuant to Articles 32, 33, 33-1 to 33-5 of the Banking Act and reported to the ALM Committee on monthly basis.	No discrepancy is found
(II) Composition and responsibilities of the Board of Directors 1. Independent directors of the Bank 2. Regular evaluation of Independence of the CPA	1. Two independent directors were appointed by the Bank's sole shareholder, Standard Chartered Bank, in the election of directors and supervisors on 10 December 2009. 2. The Bank has conducted evaluation on the independence of the CPA.	No discrepancy is found.
(III) Establishment of communication channels with stakeholders	1. The respective departments are fully responsible for dealing with stakeholders' complaints or rights in accordance with the relevant regulations and the Bona Fide Principle.	No discrepancy is found.

(Continued)

Item	Execution Status	Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best-Practice Principles for Banks"
(IV) Information disclosure 1. Establishment of the Bank's website where information regarding financial/business statements and corporate governance of the Bank is disclosed. 2. Other disclosure channels of the Bank (e.g. English website, have designated personnel to collect and disclose the Bank's information, appoint spokesman, publish investors' conference on the website)	1. The Bank's website is set up by responsible departments including the Group Technology and Operations, Customer Service and other related departments for purpose of information collection and disclosure. The Bank's President also serves as the Bank's spokesman. 2. Same as above.	No discrepancy is found.
(V) Operations of the nomination, remuneration committees or any other functional committees established by the Bank	1. There are no nomination or remuneration committees or any other functional committees being established by the Bank.	Recommendations on nomination or remuneration schemes are proposed periodically to align with the current market practices of the banking industry and ratified by the Executive Committee of the Bank
(VI) Any discrepancy between the corporate governance and the "Corporate Governance Best-Practice Principles for Banks". Reasons for the difference: With regard to the current practice of the Bank's corporate governance, the Bank is in compliance with the provisions of the "Corporate Governance Best-Practice Principles for Banks", except for the establishment of Nomination or Remuneration Committees.		
(VII) Other information essential to understand the corporate governance of the Bank (e.g. employee welfare, employee care, investor relationship, stakeholder rights, training records of directors and supervisors, risk management policies and implementation of risk measurement criteria, implementation of customers' policies, liability insurance purchased by the Bank for directors and supervisors, etc.) : 1. The Bank strives to build a sustainable business as its long-term strategy, with the objective to deliver our corporate culture, value and management philosophy to stakeholders through sharing of our financial expertise and various concerns on the environment, minorities and communities. 2. Directors and supervisors receive notifications regarding the change of corporate governance regulations from time to time; directors and supervisors are arranged by the Company Secretariat to attend trainings related to corporate governance that are held by the government or other institutions. 3. The Bank purchases the liability insurance for directors and supervisors on annual basis.		

(Continued)

4. Except for the authority required to be exercised by the Board of Directors under the law, the Board of Directors has delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the President) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken by the Board of Directors.
5. The Bank's directors will avoid voluntarily any motions with conflict in benefit of the Bank.
6. The Bank has developed its own "Principles for the Acquisition and Disposal of the Bank's Assets", "Investment Policy" and other relevant procedures for compliance by all responsible departments in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
7. To control credit risk of the businesses we operate in, the Bank has a sound framework for establishment of various committees. Such framework is designed to ensure consistent criteria and policies will be followed across the Bank.
8. Any complaints or disputes raised by the Bank's customers or consumers will be dealt with and followed up by the Customer Service Center (or Call Center) in accordance with the Customer Service Procedures.

(VIII) Corporate governance self-assessment report or result of assessment report made by an external professional institution on a consignment basis, major defects (or recommendations) and improvement : [None]

(V) Organization Structure, Responsibility and Operation of Remuneration Committee Established by the Bank If Any : [None]

(VI) Practices of Corporate Social Responsibility:

Systems, measures and practices of the Bank's social responsibility to environmental protection, community participation, social contribution, social services, public welfare, consumer rights, human rights, safety and hygiene, and other social responsibility related activities

Items	Practices
I. Implement Corporate Governance (1) Establishment of the corporate social responsibility policy or system, and the review of its effectiveness by the Bank (2) Practices of the designated (sideline) unit promoting corporate social responsibility of the Bank (3) Business ethics training and education to the board of directors, supervisors and employees of the Bank, the combination of which with the performance review system, and the set-up of effective reward & disciplinary system	1. Standard Chartered PLC (the "Group") is committed to building a sustainable business over the long term and upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. 2. "Here for good" was launched in 2010 as our new brand promise. It focuses on building the Bank into a sustainable business, creating shareholder value, providing customers with comprehensive services, contributing to local economy, and being a positive force in its communities. 3. Three main directions and seven priorities having critical impact on each geography we operate in have been identified as our sustainability strategy to exert our influence in maximizing the use and recycling of resources. (1) Our sustainable business priorities : - Contributing to the real economy - Promoting sustainable finance - Leading the way in communities (2) Seven priority targets : - Protecting the environment - Tackling financial crime - Responsible selling and marketing - Great place to work - Community investment - Access to comprehensive banking network - Sustainable finance In Standard Chartered, senior managements from the Group, regional and country levels are responsible for driving sustainable business agendas. A designated Sustainable Business Team under the Corporate Affairs Department is in place for building Standard Chartered Bank into a sustainable business. In Taiwan, a Corporate Social Responsibility Committee (CSR Committee) is chaired by the President & Chief Executive Officer, Ajay Chamanlal Kanwal. Each committee member takes charge of one sustainability agenda: employee volunteering for Chief Risk Officer, Seeing is Believing for Chief Financial Officer, environmental protection for Chief Information Officer, Diversity and Inclusion for Head of Human Resources, and Living with HIV for Head of Corporate Affairs. Business activities and compliance relating to sustainability are supported by the Head of Legal and Compliance, Head of Wholesale Banking and the Head of Consumer Banking.
II. Develop Sustainable Environment (1) Improvement of the utilization rate for various resources and the use of renewable materials with minimal impact on the environment by the Bank	1. Our success in managing our environmental impact has been recognized by the Carbon Disclosure Project (CDP), which promotes awareness of business implications of climate change. 2. We operate in many countries vulnerable to environmental challenges, including the effects of climate change. Rather than simply continuing current business practices, we work to inspire and encourage our employees and customers to minimize their environmental footprint. This strategy is supported by senior management on our Group Environment Committee and

(Continued)

Items	Practices
(2) Establishment of an adequate environmental management system by the Bank based on its industry characteristics (3) Set-up of the designated environment management unit or personnel for environmental protection (4) Strategies for energy saving, emission reduction and greenhouse gas mitigation to cope with climate change which would have business impact to the Bank	implemented through our network of Country Environment Co-ordinators. This year we continued our drive for more efficient use of resources in our offices. In our larger premises over 20,000 square feet – around half of our global property portfolio – we reduced carbon emissions by 6 percent and water consumption by 21 percent, both per full-time employee. We were proud to be included in the FTSE 350 Carbon Disclosure Project (CDP) Leadership Index and the FTSE 350 CDP Strategy Index in 2010. This recognizes our achievements in managing our use of energy and travel. 3. In Taiwan, the Bank has financed over USD 280 million on solar energy and clean energy industries since 2008, which demonstrates our support for renewable energy development, ongoing efforts for better environment and being a positive force for a sustainable earth. 4. In 2011, the Bank has continuously adopted several practices to reduce carbon dioxide emissions and save energy through the reduction of paper use at offices. In total, the Bank has saved at least 700,000 kWh of electricity throughout the year. These practices include : - Removal of extra lighting tubes in major buildings and offices - Reduce signage hours from 12 hours to 6 hours in all branches - Limited hours on air-conditioning in offices - Continual adoption of Lan-ya Park and Bei-shr-hu Park - On water saving, the Bank has continuously adopted several water-saving practices. We installed recycling pumps in the pond at Science Park Branch, reducing water usage. - On paper saving, the Bank has not only continuously promoted paperless meetings, improvements on related facilities and rigid measures on copying process, but also tracked the paper usage in offices on quarterly basis and held cross-department paper reduction competition to remind staff to save paper.
III. Safeguard Public Welfare (1) Compliance with labor-related acts, protection of employees' legal rights and interests, and establishment of adequate management methods & procedures by the Bank (2) Provision of a safe and healthy workplace for employees and implementation of periodical safety and hygiene education by the Bank (3) Establishment of the consumer rights policy with transparent and effective procedures in place for handling customer complaints on products and services of the Bank (4) Collaboration with vendors to reinforce corporate social responsibility	1. Employee rights protection: (1) On 28 December 2006, the Industrial Union of the Bank was established with the objectives of ensuring smooth labor-management communications and being a new union force in the Banking industry through bi-weekly meeting and quarterly labor-management meeting for discussion of employees' rights and the Bank's development directions. (2) The Bank signed the Collective Bargaining Agreement (CBA) with its Industrial Union on 8 May, 2009. The signing of the CBA is a significant achievement and makes us the first international bank with CBA in Taiwan. The achievement demonstrates our footprint in Taiwan's banking industry and reflects the partnership of the Bank and its union. Both the Bank and the union will continue the cooperative relationship based on the strong foundation. (3) The Bank's Employee Welfare Committee is established in accordance with the laws and regulations, and is responsible for coordinating matters of employee welfare, including cash allowances distributed on three major festivals, subsidies for wedding, maternity, funeral, dependent education, social club events and company excursion. 2. Employee safety and health (1) Pursuant to local Labor Safety and Health Law and policies of the Group, employees are provided with safety and health education below: - New joiners are required to receive a three-hour training of labor safety

(Continued)

Items	Practices
(5) Participation in community development, charity and public welfare activities through business events, physical donations, employee volunteering services or other free professional services offered by the Bank	and health education during the induction course. - All employees shall receive on-the-job training of labor safety and health education and re-do the three-hour course every three years. The course completion rate is regularly monitored. - Assist employees in charge of labor safety to obtain related licenses and provide with business related information. (2) Pursuant to Labor Health Protection Regulation, employees are provided with labor health related assistance below: - All employees regularly receive a general health check. - Set up nursing room and hire competent nursing personnel to provide health consultation service to employees. - Set up "Health News" section and update health news to employees. - Invite doctors to hold health seminar for sharing health and hygiene knowledge/ information with staff. - Set up breastfeeding room for female staff who returned from maternity. 3 . Consumer rights protection and customer services: (1) The Bank has its policy and procedure in place to address customer feedbacks on a timely manner. Also, customer opinions are incorporated into the product/service design. A 24-hr customer hotline is provided to ensure customer requirements and disputes are effectively taken care of. (2) To ensure a smooth customer complaints channel, a customer complaints hotline is posted on the Bank's website for reference. In addition, a customer service email is provided on the website to collect customer feedbacks and respond to consumer disputes. Any customer complaint, whether it is through telephone, teller counter, letter, fax, media and/or official letter from relevant regulator, will be addressed in compliance with the Bank's standard process for handling customer complaints. (3) To efficiently process customer complaints, an e-form system is set up for tracking customer complaints and results. In addition to replying and logging reasons, corrective actions and precautions on system by following the Customer Complaints SOP, reports of disputable cases are compiled and analyzed on weekly and monthly basis. Disputes with greater recurrence rate are monitored for their corrective actions on continuous effort. Where any inconsiderate service is identified through the customer complaints channel or satisfactory survey, for instance, a product or process design fails to meet customer expectation, a customer is not served by our staff based on standard process, a problem is not adequately addressed and so on, all relevant departments will be informed and corrective actions and precautions will be carried out immediately to protect customers' rights and interests. 4 . Collaboration with vendors to carry out corporate social responsibility: (1) As an international financial institution, Standard Chartered always strives to ensure the highest standards are applied to social responsibility, ethics, and environmental protection in every aspect of its businesses. In addition, we ensure the following three directions will be adhered by all of our vendors when collaborating with them: - Social and human rights: Our vendors shall operate their businesses without violation of any human rights policy under all circumstances, for instance, no discrimination, safe workplace, and no forced labor. - Code of ethics: Our vendors shall uphold high ethical standards in business and corporate practices. - Environment: Our vendors shall include natural conservation and

(Continued)

Items	Practices
	environmental protection as part of their business operations. (2) To live up to the concept of environmental protection, we have developed guidelines for vendor selection and procurement process, and made recommendations on using environmental friendly products as our first choice. Vendors' efforts in developing environment-sensitive products and their social responsibility system are included as part of the review process when selecting our vendors, so that every procurement decision made on products or services is in line with higher environmental protection standards. 5. Regarding employee volunteering services and donation activities, please refer to pages 68-73 for the section on Corporate Social Responsibility.
IV. Reinforce Information Disclosure (1) Methods to disclose critical and reliable information of the Bank's corporate social responsibility (2) Production of the Corporate Social Responsibility Report for disclosing the Bank's best practices on corporate social responsibility	1. The Group has published its annual Sustainability Report since 2008. In 2010 we were included in the Dow Jones Sustainability World Index (DJSI World). The DJSI evaluators noted our strong performance in stakeholder engagement, human capital development, risk and crisis management, financial inclusion and climate change governance. 2. Since 2010, we have been listed in the FTSE4Good index, which is designed to measure the performance of companies that meet globally recognized corporate responsibility standards. 3. Starting from March 2011, the Bank is required to disclose donations to political parties, stakeholders and charity groups on the Bank's website in accordance with Article 16.1, Chapter 3 of the Corporate Governance Best-Practice Principles for Banks.
V. In the event the Bank has developed its own Corporate Social Responsibility Best Practice Principles pursuant to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please specify the practices and differences between the two Principles: Not available.	
VI. Other important information that helps to understand the best practices of corporate social responsibility (e.g. any systems, measures and practices pertaining to environmental protection, community participation, social contribution, social services, public welfare, consumer rights, human rights, safety and hygiene and other social responsibility related activities): Please refer to pages 68-73 for the section of Corporate Social Responsibility.	
VII. Please specify, if appropriate, any banking product or Corporate Social Responsibility Report already met the verification criteria of a certification institution : [None]	

(VII) Information on Good Faith Management and Measures Adopted by the Bank :

Please refer to pages 68-73 for the section of Corporate Social Responsibility.

(VIII) Corporate Governance Principles and Inquiry of Relevant Regulations

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

(IX) Other Material Information

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

(X) Implementation of Internal Control System

1. Statement of Internal Controls

Internal Control Statement to Financial Supervisory Commission

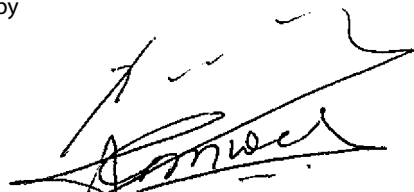
30 April, 2012

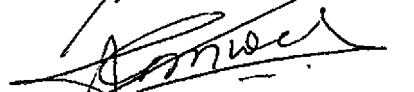
On behalf of Standard Chartered Bank (Taiwan) Limited (the "Company"), we hereby certify that, for the fiscal year of 2011, the Company had duly complied with the "Regulations Governing the Implementation of Internal Control and Audit System by Financial Holding Companies and Banks" to establish internal control system, implement risk management, and have an independent audit department to undertake auditing works with the results being reported to the board of directors and supervisors regularly.

With respect to the securities business, the Company has conducted evaluation of the effectiveness of the design and implementation of its internal control system in accordance with the criteria described in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", promulgated by the Securities and Futures Bureau of Financial Supervisory Commission.

After prudent evaluation, the Company confirms that, except for the items listed on attachment, its various units had implemented effective internal control and compliance systems during the year. This statement will be included as the main content of the Company's annual report and prospectus, and be published to the public. Any falsehood, concealment, or other irregularities for the aforementioned statement will be liable to legal responsibilities stipulated in article 20, article 32, article 171, and article 174 of the Securities and Exchange Act.

Statement by

Chairman :  (Signature)

President :  (Signature)

Chief Auditor :  (Signature)

Head of Compliance :  (Signature)

Standard Chartered Bank (Taiwan) Limited

Issues and Corrective Actions for Internal Control System

As of 31 December 2011

Issues for Improvement	Corrective Actions	Target Completion Date
Customer Relationship Manager Yu ("CRM Yu") of the Company's Sando Branch retained customers' passbooks, PIN and operated customers' accounts on their behalf, indicating inefficient operation of its internal control system. As a result, the Company was fined NTD 2 million and was demanded to dismiss CRM Yu immediately in accordance with Subparagraph 3, Paragraph 1, Article 61-1 of the Banking Act. (FSC Letter No. 10050001791)	1. Enhancing employee training 2. Reinforcing the Internal Control and Audit mechanism 3. Imposing stringent disciplinary actions 4. Enhancing customer education 5. Upgrading internet banking system	Completed.

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

Independent Auditors' Report on Internal Control

The Board of Directors

Standard Chartered Bank (Taiwan) Limited:

According to Article 28 of the Rules for Enforcement of Financial Holding and Bank Internal Control and Audit (the Rules) issued by the Financial Supervisory Commission (FSC), Executive Yuan, Republic of China (ROC), in addition to having its annual financial statements audited and certified by an independent auditor, a bank should also engage the auditor to examine its internal control systems and to express an opinion on the accuracy of and internal control over its financial reporting, the status of its compliance with applicable laws and regulations, and the appropriateness of its policy on the recording of bad debt provision.

We have been engaged by Standard Chartered Bank (Taiwan) Limited to conduct the aforementioned examination and have summarized the examination scope, procedures, and conclusions in the attachment to this report in accordance with Article 31 of the Rules.

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



March 23, 2012

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

Disclosure	Case & Amount
1. Indictment by prosecutors against the person in charge or employees because of a crime committed on duty	1. WB staff Ms Qiu committed fraud when she was on duty. Qiu was indicted by Taichung District Prosecutors Office on 3 Sep 2010 and sentenced to two years and two months in prison at a criminal court by Taichung District Court. (5 Oct 2010)
2. Penalty fine imposed by Financial Supervisory Commission (FSC) due to violation of the laws and regulations	1. Ex-CRM Xu of SCBTL's Sanduo branch safekept customers' passbooks/tokens/passwords and conducted unauthorized transactions on customers' behalves. FSC ruled that the Bank's internal control system was not thoroughly implemented, which violated Paragraph 1 of Article 45-1 of the Banking Act and was imposed a monetary sanction (fine/ penalty) of NTD 2 million in accordance with Subparagraph 7 of Article 129 of the Act. In addition, FSC ordered the Bank to dismiss CRM Xu based on Subparagraph 3, Paragraph 1 of Article 61-1 of the Act (7 Jul. 2011).
3. Stiff rectification imposed by FSC because of defects in business operation	None
4. Penalty imposed by FSC due to violation of Article 61-1 of the Banking Act	1. One staff was engaged in assisting customer to transact with offshore banks over financial products not approved by the competent authority. Accordingly, a reprimand was imposed by the Financial Supervisory Commission following Article 61-1 of the Banking Act. (17 Sep 2010) 2. For related deficiencies on PEM group products, a reprimand was imposed by the Financial Supervisory Commission following Article 61-1 of the Banking Act. (17 Sep 2010) 3. In accordance with Article 61-1 of the Banking Act, FSC ordered the Bank to dismiss ex-CRM of the Sanduo branch. (7 Jul. 2011)
5. Any material frauds or contingencies (fraud, theft, misappropriation and robbery of assets, false transaction, forged documents and marketable securities, kickbacks, natural disaster loss, loss from external factors, hacker attack, data theft, and disclosure of confidential information and customer data and such major incidents) or security accidents resulting from the failure to abide by security instructions of financial institutions, or the incidents which resulted in loss over NTD 50 million, individually or totally, in the respective year	None
6. Other matters required to be disclosed by FSC	None

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

Date	Meeting Name	Major Resolution	Execution Status
24/01/2011	Monthly Meeting of Board of Directors	1. The application of business license of Non Physical Gold Account be approved 2. Approval of 2011 annual budget	1. Executed as per resolution 2. Executed as per resolution
01/03/2011	Monthly Meeting of Board of Directors	1. Approval for the appointment of outsourcing agents for Consumer Banking Collection Services 2. Approval for sale of Consumer Banking non-performing loans 3. The lease renewal and sale of property be approved	1. Executed as per resolution 2. Executed as per resolution 3. Executed as per resolution
25/03/2011	Quarterly Meeting of Board of Directors	1. Approval of 2010 Annual Financial Statements, and Business Reports of the Bank 2. 2010 Annual Report be approved 3. Approval of issuance of FCY senior notes of the Bank 4. Approval for cheque services outsourcing for CB operations	1. Executed as per resolution 2. Executed as per resolution 3. Executed as per resolution 4. Executed as per resolution
21/04/2011	Monthly Meeting of Board of Directors	1. Approval for consolidation of mini branches 2. The resignation of Senior Executive Officer be approved	1. Executed as per resolution 2. Executed as per resolution
13/05/2011	Monthly Meeting of Board of Directors	1. Approval of 2010 Profit Allocation Statement of the Bank 2. The application of Trust Business License for branch be approved 3. Senior Executive Officer appointment be approved 4. Amendment to the bylaws of the Bank be approved	1. Executed as per resolution 2. Executed as per resolution 3. Executed as per resolution 4. Executed as per resolution
21/06/2011	Quarterly Meeting of Board of Directors/ Shareholder Meeting	1. Approval of 2010 Annual Report 2. Approval of 2010 Annual Financial Statements, Business Reports, and profit allocation statement of the Bank 3. Approval for application of issuance of up to NTD 29 billion of senior notes 4. Amendment to Delegation of Authority of the Bank be approved 5. Application of Trust Business License for branch be approved	1. Executed as per resolution 2. Executed as per resolution 3. Executed as per resolution 4. Executed as per resolution 5. Executed as per resolution
31/08/2011	Quarterly Meeting of Board of Directors	1. 2011 first Semi-Annual Audited Standalone and Consolidated Financial Statements of the Bank be approved 2. Approval for sale of idle property	1. Executed as per resolution 2. Executed as per resolution

(Continued)

Date	Meeting Name	Major Resolution	Execution Status
20/09/2011	Monthly Meeting of Board of Directors	1. Approval of Capital Assessment Process and capital plan for the period of 2011 to 2013 2. Approval of sales of Group Special Asset Management ("GSAM") non-performing loans	1. Executed as per resolution 2. Executed as per resolution
19/10/2011	Monthly Meeting of Board of Directors	1. Appointment of Chief Executive Officer be approved	1. Executed as per resolution
24/10/2011	Monthly Meeting of Board of Directors	1. Approval of domestic bank required information for the supervisory review process over capital adequacy package 2. Application of business license of Physical Gold Account be approved	1. Executed as per resolution 2. Executed as per resolution
02/12/2011	Quarterly Meeting of Board of Directors	1. Approval of 2012 annual budget of the Bank 2. Approval for sublease and lease of office space to interested parties	1. Executed as per resolution 2. Executed as per resolution

Note : No material resolutions were made at the Monthly Meeting of Board of Directors in July 2011 and December 2011, therefore no information is disclosed in the table above.

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

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

As of 31 December 2011

Title	Name	Date appointed	Date resigned	Reason
President & Chief Executive Officer	Sunil Kaushal	2008.07.01	2011.12.15	Resigned

IV. Information on CPA Charges

(I) CPA Charges and Fee Brackets

Name of CPA Firm	Name of CPA		Audit Period	Remark
KPMG	Ming-Zhi Wang	Lin Wu	Fiscal Year 2011	

Unit: NTD'000

Bracket \ CPA Charge		Audit Fee	Non-audit Fee	Total
1	Less than 2,000,000			
2	2,000,000 (inclusive) - 4,000,000			
3	4,000,000 (inclusive) - 6,000,000		4,561	
4	6,000,000 (inclusive) - 8,000,000			
5	8,000,000 (inclusive) - 10,000,000			
6	Over 10,000,000 (inclusive)	15,418		19,979

(II) Non-audit fees paid to CPAs, the firm to which the CPAs belong and its affiliate(s) exceed 25% of the annual auditing fee : [Yes]

Unit: NTD'000

Name of CPA Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Remark
			System Design	Business Registration	Human Resources	Others	Sub-total		
KPMG	Ming-Zhi Wang Lin Wu	15,418				4,561	4,561	01/01/2011 31/12/2011	Internal control agreed upon procedure: NTD 1,958; Issuance of securitized products: NTD 1,400; IFRS Group report: NTD 800; Issuance of financial debenture: NTD 250; Others: NTD 153

(III) Change of CPA firm and the audit fee for the year of change is less than that charged for the previous year : [None]

(IV) Auditing fee is 15% less or more below the fee charged for the previous year : [None]

V. Information on Change of CPA

(I) Information on the Former and Succeeding CPAs : [None]

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

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

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

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

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

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

Name of Investee Company	The Bank's Investment		Investment by Directors, Supervisors, Executive Officers, Branch Managers and the Entities Directly or Indirectly Controlled by the Bank		Comprehensive Investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Standard Chartered Life Insurance Agency Co., Ltd.	300,000	100.00%			300,000	100.00%
Taiwan Standard Chartered Insurance Agency Co., Ltd.	300,000	100.00%			300,000	100.00%
Taiwan Cooperative Holdings Co., Ltd.	4,593,146	0.07%			4,593,146	0.07%
Taipei Forex Inc.	630,000	3.18%			630,000	3.18%
Taiwan Small and Medium Enterprises Development Co., Ltd.	3,417,440	4.84%			3,417,440	4.84%
Fu Ji Enterprise Management Consultant Co., Ltd.	19,716	0.99%			19,716	0.99%
Universal Venture Fund Co., Ltd.	1,007,969	4.76%			1,007,969	4.76%
Financial Information Service Co., Ltd.	5,118,750	1.14%			5,118,750	1.14%
Windance Co., Ltd.	18,850,000	2.73%			18,850,000	2.73%
Taiwan Financial Asset Service Co., Ltd.	5,000,000	2.94%			5,000,000	2.94%
Mondex Taiwan Co., Ltd.	197,412	3.35%			197,412	3.35%
Taiwan Depository & Clearing Corp.	519,594	0.17%			519,594	0.17%
TSC Bio-Venture Capital Corp.	2,025,000	5.00%			2,025,000	5.00%
Sun Asset Management Corp.	84,980	1.42%			84,980	1.42%

IV. Fund Raising



Standard
Chartered



I. Shares and Dividends

(I) Source of Capital

Date	Issued Price (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NTD)	Shares	Amount (NTD)	Source of Capital	Other
31/12/2011	10	3,000,000,000	30,000,000,000	2,910,571,976	29,105,719,760	N/A	None

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Unlisted stock	2,910,571,976	89,428,024	3,000,000,000	

Self registration information :

Type of Securities	Shares & Amount to Be Issued		Issued Shares and Amount		The Purpose and Expected Benefits of the Issued Section	Expected Issuance Period of the Unissued Section	Remark
	Total Shares	Authorized Amount	Shares	Price (NTD)			
Ordinary shares	None	None	2,910,571,976	10	None	None	

(II) Shareholder Structure

As of 31 December 2011

Shareholder	Government Agencies	Financial Institutions	Other Legal Entities	Domestic Individuals	Foreign Institutions and Individuals	Total
Quantity						
Number of Shareholders	0	0	0	0	1 (Note)	1
Number of Shares	0	0	0	0	2,910,571,976	2,910,571,976
Shareholding (%)	0	0	0	0	100	100

Note : Standard Chartered Bank holds 100% shares of Standard Chartered Bank (Taiwan) Limited. It is the only shareholder.

(III) Distribution of Equity Holdings

Par Value NTD 10 As of 31 December 2011

Classification of Shareholding	Number of Shareholders	Number of Shares	Shareholding (%)
Over 1,000,001	1	2,910,571,976	100
Total	1	2,910,571,976	100

(IV) List of Major Shareholders

As of 31 December 2011

Shares	Shares	Shareholding (%)
Name of Major Shareholders		
Standard Chartered Bank	2,910,571,976	100

(V) Market Price, Net Worth, Earnings, Dividends Per Share, and the Relevant Information over the Past Two Years : The Bank was delisted on 18 January 2007.**(VI) Dividend Policy and Enforcement : [None]**

The dividend policy and enforcement does not apply to the Bank as it is owned by a sole shareholder.

(VII) Impact of Stock Dividends on Business Performance and EPS: [None]**(VIII) Employees' Bonus and Remuneration to Directors and Supervisors**

1. The ratio or range of employees' bonus and remuneration to directors and supervisors as set forth in the Bank's Articles of Association: Refer to the Dividend Policy in "Financial Highlights".
2. Proposal for the distribution of employees' bonus resolved by the Board of Directors : [None]
3. Earnings in the previous year allocated to employees' bonus and remuneration to directors and supervisors: Refer to the Dividend Policy in "Financial Highlights".

(IX) Share Buyback History : [None]

II. Issuance of Financial Debentures

Type of Financial Debenture	1 st Issue (Term) of Financial Debenture in 2009	2 nd Issue (Term) of Financial Debenture in 2009 (Private Placement)	3 rd Issue (Term) of Financial Debenture in 2009 (Private Placement)
Date of Approval & Approval Document No.	Jin-Guan-Yin-Waizi-09800417430	Jin-Guan-Yin-Waizi-09800417430	Jin-Guan-Yin Waizi-09800417430
Date of Issuance	28/10/2009	11/12/2009	11/12/2009
Par Value	NTD 100,000	USD 1,000	USD 1,000
Location of Issuance and Trading	Taiwan, R.O.C	Taiwan, R.O.C	Taiwan, R.O.C
Currency	New Taiwan Dollar	US Dollar	US Dollar
Issue Price	100	100	100
Total Amount	10,000,000 (thousand)	150,000 (thousand)	150,000 (thousand)
Interest Rate	Annual rate is 2.9% for the first 5 years and 3.4% for the last 5 years	Floating rate USD 3M LIBOR +3.33% from the issue date to 11 Jun 2015 USD 3M LIBOR +4.33% after 11 Jun 2015	Floating rate USD 3M LIBOR +3.33% from the issue date to 11 Jun 2015 USD 3M LIBOR +4.33% after 11 Jun 2015
Maturity	10 years (matures on 28 Oct 2019)	No maturity date	No maturity date
Seniority	Subordinated	Subordinated	Subordinated
Guarantor	N/A	N/A	N/A
Trustee	N/A	N/A	N/A
Underwriter	Institutions with financial advisory license: SCB Taipei Branch, Yuanta Securities, Masterlink Securities, Chinatrust Securities	N/A	N/A
Certifying Attorney	Baker & McKenzie Attorney: Zhi Liang, Hao-Rui Hu	Baker & McKenzie Attorney: Zhi Liang, Hao-Rui Hu	Baker & McKenzie Attorney: Zhi Liang, Hao-Rui Hu
Certifying Accountant	N/A	N/A	N/A
Certifying Financial Institution	N/A	N/A	N/A
Repayment Method	Interest paid quarterly, and full payment on principal upon maturity	Interest paid quarterly, and the term for principal repayment is handled in accordance with the Guidelines for Capital Adequacy Management	Interest paid quarterly, and the term for principal repayment is handled in accordance with the Guidelines for Capital Adequacy Management
Balance Outstanding	10,000,000 (thousand)	150,000 (thousand)	150,000 (thousand)
Paid-in Capital in Previous Year	24,855,720 (thousand)	24,855,720 (thousand)	24,855,720 (thousand)
Audited Net Worth in Previous Year	31,599,000 (thousand)	31,599,000 (thousand)	31,599,000 (thousand)

(Continued)

Type of Financial Debenture	1 st Issue (Term) of Financial Debenture in 2009	2 nd Issue (Term) of Financial Debenture in 2009 (Private Placement)	3 rd Issue (Term) of Financial Debenture in 2009 (Private Placement)
Repayment Status	N/A	N/A	N/A
Terms of Redemption or Early Repayment	Upon expiration of 5 years after the issue date of the debentures, where the computed CAR after redemption meets the minimum regulatory requirement, and that the competent authority has given its consent, the Bank may redeem the debentures prior to maturity.	Starting from 11 Jun 2015, where the computed CAR after redemption meets the minimum regulatory requirement, and that the competent authority has given its consent, the Bank may redeem the debentures prior to maturity.	Starting from 11 Jun 2015, where the computed CAR after redemption meets the minimum regulatory requirement, and that the competent authority has given its consent, the Bank may redeem the debentures prior to maturity.
Terms and Conditions of Conversion and Exchange	N/A	N/A ^{Note 1}	N/A ^{Note 1}
Restriction Clause	N/A	In the event the Bank's CAR is less than the minimum regulatory requirement as a result of making interest payment, such payment may be deferred and no interest will be accrued on the deferred portion.	In the event the Bank's CAR is less than the minimum regulatory requirement as a result of making interest payment, such payment may be deferred and no interest will be accrued on the deferred portion.
Capital Utilization	To support medium and long term funding needs	To support medium and long term funding needs	To support medium and long term funding needs
Amount of Declared Issuance plus Previous Outstanding Balance as Percentage of Audited Net Worth of the Previous Fiscal Year (%)	93.76%	93.67%	93.67%
Whether Accounted for Equity Capital and Type of Capital	Yes, Tier II	Yes, Tier II	Yes, Tier II
Name of Credit Rating Agency, Date and Credit Rating	Fitch Ratings, AA(twn), 27 Oct 2009	N/A	N/A

Type of Financial Debenture	1 st Financial Debenture in 2011									
	A Issue	B Issue	C Issue	D Issue	E Issue	F Issue	G Issue	H Issue	I Issue	
Date of Approval & Approval Document No.	Jin-Guan-Yin-Waizi-10000122100									
Date of Issuance	19/05/2011									
Par Value	NTD 1,000,000									
Location of Issuance and Trading	Taiwan, R.O.C									
Currency	New Taiwan Dollar									
Issue Price	100									
Total Amount	800,000 (thousand)	100,000 (thousand)	650,000 (thousand)	6,150,000 (thousand)	1,000,000 (thousand)	2,550,000 (thousand)	3,700,000 (thousand)	400,000 (thousand)	4,000,000 (thousand)	
Interest Rate	Fixed rate: 1.03%	Fixed rate: 1.17%	Fixed rate: 1.32%	Fixed rate: 1.45%	Fixed rate: 1.51%	Fixed rate: 1.60%	Floating rate: 90 days CP rate	Floating rate: 90 days CP rate	Floating rate: 90 days CP rate	
Maturity	2 years (matures on 19 May, 2013)	3 years (matures on 19 May, 2014)	4 years (matures on 19 May, 2015)	5 years (matures on 9 May, 2016)	6 years (matures on 19 May, 2017)	7 years (matures on 19 May, 2018)	2 years (matures on 19 May, 2013)	5 years (matures on 19 May, 2016)	7 years (matures on 19 May, 2018)	
Seniority	Primary - Lien									
Guarantor	N/A									
Trustee	N/A									
Underwriter	Institutions with financial advisory license: SCB Taipei Branch, Yuanta Securities, Masterlink Securities, Mega Securities, Polaris Securities									
Certifying Attorney	Baker & McKenzie Attorney: Zhi Liang, Hao-Rui Hu									
Certifying Accountant	N/A									
Certifying Financial Institution	N/A									
Repayment Method	Interest paid quarterly, and full payment on principal upon maturity									
Balance Outstanding	800,000 (thousand)	100,000 (thousand)	650,000 (thousand)	6,150,000 (thousand)	1,000,000 (thousand)	2,550,000 (thousand)	3,700,000 (thousand)	400,000 (thousand)	4,000,000 (thousand)	

(Continued)

Type of Financial Debenture	1 st Financial Debenture in 2011								
	A Issue	B Issue	C Issue	D Issue	E Issue	F Issue	G Issue	H Issue	I Issue
Paid-in Capital in Previous Year					29,105,720 (thousand)				
Audited Net Worth in Previous Year					38,289,788 (thousand)				
Repayment Status					Normal				
Terms of Redemption or Early Repayment					N/A				
Terms and Conditions of Conversion and Exchange					N/A				
Restriction Clause					N/A				
Capital Utilization					To support medium and long term funding needs and to manage the liquidity ratios under Basel III guideline				
Amount of Declared Issuance plus Previous Outstanding Balance as Percentage of Audited Net Worth of the Previous Fiscal Year (%)					126.69%				
Whether Accounted for Equity Capital and Type of Capital					No				
Name of Credit Rating Agency, Date and Credit Rating					Fitch Ratings, AAA(twn), 19 May 2011				

Type of Financial Debenture	2 nd Financial Debenture in 2011	3 rd Financial Debenture in 2011			4 th Financial Debenture in 2011			
		A Issue	B Issue	C Issue	A Issue	B Issue	C Issue	D Issue
Date of Approval & Approval Document No.	Jin-Guan-Yin-Waizi-10000122100	Jin-Guan-Yin-Waizi-10000122100			Jin-Guan-Yin-Waizi-10000122100			
Date of Issuance	08/06/2011	23/06/2011			29/06/2011			
Par Value	NTD 1,000,000	NTD 1,000,000			NTD 1,000,000			
Location of Issuance and Trading	Taiwan, R.O.C	Taiwan, R.O.C			Taiwan, R.O.C			
Currency	New Taiwan Dollar	New Taiwan Dollar			New Taiwan Dollar			
Issue Price	100	100			100			
Total Amount	500,000 (thousand)	950,000 (thousand)	700,000 (thousand)	1,100,000 (thousand)	2,000,000 (thousand)	400,000 (thousand)	1,000,000 (thousand)	2,000,000 (thousand)
Interest Rate	Fixed rate: 1.451%	Fixed rate: 1.04%	Floating rate: 90 days CP rate	Fixed rate: 1.40%	Fixed rate: 1.32%	Floating rate: 90 days CP rate + 0.15%	Floating rate: 90 days CP rate + 0.15%	Floating rate: 90 days CP rate + 0.15%
Maturity	5 years (matures on 8 Jun. 2016)	2 years (matures on 23 Jun 2013)	5 years and 3 months (matures on 23 Sep 2016)	2 years (matures on 23 Jun 2013)	3 years (matures on 29 Jun 2014)	2 years (matures on 29 Jun 2013)	3 years (matures on 29 Jun 2014)	10 years (matures on 29 Jun 2021)
Seniority	Primary- Lien	Primary- Lien			Primary-Lien			
Guarantor	N/A	N/A			N/A			
Trustee	N/A	N/A			N/A			
Underwriter	Institutions with financial advisory license: Mega Securities	Institutions with financial advisory license: SCB Taipei Branch, Yuanta Securities, Masterlink Securities			Institutions with financial advisory license: SCB Taipei Branch, Yuanta Securities, Masterlink Securities			
Certifying Attorney	Baker & McKenzie Attorney: Zhi Liang, Hao-Rui Hu	Baker & McKenzie Attorney: Zhi Liang, Hao-Rui Hu			Baker & McKenzie Attorney: Zhi Liang, Hao-Rui Hu			
Certifying Accountant	N/A	N/A			N/A			
Certifying Financial Institution	N/A	N/A			N/A			
Repayment Method	Interest paid quarterly, and full payment on principal upon maturity	Interest paid quarterly, and full payment on principal upon maturity			Interest paid quarterly, and full payment on principal upon maturity			

(Continued)

Type of Financial Debenture	2 nd Financial Debenture in 2011	3 rd Financial Debenture in 2011			4 th Financial Debenture in 2011			
		A Issue	B Issue	C Issue	A Issue	B Issue	C Issue	D Issue
Balance Outstanding	500,000 (thousand)	950,000 (thousand)	700,000 (thousand)	1,100,000 (thousand)	2,000,000 (thousand)	400,000 (thousand)	1,000,000 (thousand)	2,000,000 (thousand)
Paid-in Capital in Previous Year	29,105,720 (thousand)	29,105,720 (thousand)			29,105,720 (thousand)			
Audited Net Worth in Previous Year	38,289,788 (thousand)	38,289,788 (thousand)			38,289,788 (thousand)			
Repayment Status	Normal	Normal			Normal			
Terms of Redemption or Early Repayment	N/A	N/A			N/A			
Terms and Conditions of Conversion and Exchange	N/A	N/A			N/A			
Restriction Clause	N/A	N/A			N/A			
Capital Utilization	To support medium and long term funding needs and to manage the liquidity ratios under Basel III guideline	To support medium and long term funding needs and to manage the liquidity ratios under Basel III guideline			To support medium and long term funding needs and to manage the liquidity ratios under Basel III guideline			
Amount of Declared Issuance plus Previous Outstanding Balance as Percentage of Audited Net Worth of the Previous Fiscal Year (%)	121.74%	121.74%			121.74%			
Whether Accounted for Equity Capital and Type of Capital	No	No			No			
Name of Credit Rating Agency, Date and Credit Rating	Fitch Ratings, AAA(twn), 8 Jun 2011	Fitch Ratings, AAA(twn), 23 Jun 2011			Fitch Ratings, AAA(twn), 29 Jun 2011			

Note 1 : Where the Bank's CAR is lower than the minimum regulatory requirement or the accumulated loss is greater than the sum of retained earnings and share premium, the interest and principal repayment shall be deferred and the repayment seniority of debenture holder(s) shall be the same as the shareholder(s) of perpetual cumulative preferred stocks in case of settlement and liquidation by the Bank.

Note 2 : The 1st issue (term) of financial debentures in 2002 and 2005 were matured, with outstanding balances of 1,000 thousand and 10,000 thousand dollars respectively.

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

IV. Capital Utilization Plan and Execution Status

(I) Capital Utilization Plan

Financial debentures: The Bank issued NTD 28 billion of senior note in May and June 2011 to enhance the Bank's medium and long term funding stability and to meet liquidity requirements under Basel III guideline.

(II) Execution Status of the Capital Utilization Plan

1. NTD 28 billion of senior notes were fully subscribed on 29 June, 2011. The purpose was to fulfill the liquidity gaps arising from around NTD 23.7 billion of time deposits maturity; the remains were reinvested in financial instruments in the money market.
2. The Bank's medium and long-term loans and capital adequacy ratios :

	31 December 2011	31 December 2010	31 December 2009
Medium and Long Term Loan	306,230,461 (thousand)	308,092,137 (thousand)	269,976,138 (thousand)
Increase	(1,861,676) (thousand)	38,115,999 (thousand)	6,420,890 (thousand)
Capital Adequacy Ratio	16.54%	14.19%	13.76%
Increase	2.35%	0.43%	3.69%

V. Operations Overview



Standard
Chartered



I. Scope of Business

(I) Primary Business of Respective Business Division

1. Consumer Banking

The Consumer Banking business serves the needs of Personal, Premium, Private and SME banking customers, offering a full suite of innovative customer products and services to meet their wealth management and transacting needs. A customer focused approach enables deeper understanding of customers' evolving needs and in providing customized financial solutions.

2. Wholesale Banking

Wholesale Banking business provides corporate and institutional clients with trade finance, cash management, securities services, foreign exchange and risk management, capital raising and corporate finance solutions.

(II) Ratio of Major Businesses and Changes

1. Ratio of Major Businesses to Total Assets

(1) Deposits

Unit : NTD'000

	31 December 2011		31 December 2010		Growth Rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Savings Deposits	220,897,236	37.10	219,730,793	37.20	0.53
Time Deposits	198,619,187	33.30	193,300,296	32.73	2.75
Demand Deposits	171,321,632	28.70	173,831,849	29.43	(1.44)
Checking Account	5,182,659	0.90	3,475,229	0.59	49.13
Trust Fund_Unappropriated	59,822	0.00	191,252	0.03	(68.72)
Remittance	71,156	0.00	89,109	0.02	(20.15)
Sub-total	596,151,692	100.00	590,618,528	100.00	0.94

(2) Loans

Unit : NTD'000

	31 December 2011		31 December 2010		Growth Rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Bill Negotiation/Discount	4,094,073	1.17	3,646,019	1.05	12.29
Short-term Loan and Overdraft	32,721,346	9.34	21,819,523	6.26	49.96
Short-term Secured Loan and Overdraft	6,722,615	1.92	13,090,861	3.75	(48.65)
Medium-term Loan	62,843,278	17.94	56,462,317	16.22	11.30
Medium-term Secured Loan	3,623,958	1.03	5,355,496	1.54	(32.33)
Long-term Loan	6,687,553	1.91	6,922,590	1.99	(3.40)
Long-term Secured Loan	233,075,672	66.54	239,351,734	68.74	(2.62)
Overdue Receivables from Loans	530,267	0.15	1,550,130	0.45	(65.79)
Sub-total	350,298,762	100.00	348,198,670	100.00	0.60

2. Growth and Changes of Major Businesses

Unit: NTD'000

Item		2011	2010	Increase (Decrease)	Growth Rate (%)
Customer Deposits and Remittance Payable		596,151,692	590,618,528	5,533,164	0.94
Loan and Bills Discounted		350,298,762	348,198,670	2,100,092	0.60
Guarantees		9,390,534	6,986,325	2,404,209	34.41
Consumer Banking	No. of Credit Cards Issued	2,987,157	2,937,876	49,281	1.68

Unit: NTD'000

Item		2011	2010	Increase (Decrease)	Growth Rate (%)
Transaction Volume of Securities Brokerage		141,564,433	169,631,910	(28,067,477)	(16.55)
Sales Volume of Non-discretionary Money Trust Investing in Domestic & Foreign Securities		110,473,336	179,840,217	(69,366,881)	(38.57)
Foreign Exchange (USD/Thousand)	International Exchange	185,877,194	182,315,076	3,562,118	1.95
	Negotiation of Import Bills	10,757,462	3,146,929	7,610,533	241.84
	Negotiation of Export Bills	10,896,375	5,277,909	5,618,466	106.45
	Total	207,531,031	190,739,914	16,791,117	8.80

(III) Business Plan for 2012

1. Consumer Banking

- (1) Strengthen functions of automated channels service, amplifying the complementary effect between electronic platform and physical channels.
- (2) Roll out key cities strategy to focus on areas with greater potential for growth.
- (3) Drive continuous improvement in our product processes and reduce turnaround time for better customer experience.
- (4) Target preferred segments to maintain tighter customer relationships while expanding market shares of our products.
- (5) Increase cost efficiency through structure re-organization and process improvement.
- (6) Improve asset quality and portfolio mix.
- (7) Continuous investment in deposits, mortgages, personal loans and credit card businesses.
- (8) Increase revenue contribution from branch network.
- (9) Continue to increase sales capacity and improve productivity.
- (10) Define credit card market position and continue to invest in our Credit Cards business.
- (11) Provide innovative product services, satisfy customer needs for comprehensive financial services, and increase product holding rates.
- (12) Diversify channels - pursue meaningful alliances to support portfolio growth.
- (13) Transform advisory model to provide clients with neutral and balanced portfolio advice.
- (14) Strengthen overall Bancassurance business to keep developing insurance products that meet customer needs.
- (15) Reach target customers of securities business and increase large-volume transactions to boost overall performance.

2. Wholesale Banking

- (1) Cement and deepen relationships with key clients to become their "Bank of Choice" in Greater China region and beyond.
- (2) Continue to expand product capabilities through strategic and high value-added products as well as leveraging our RMB product leadership.
- (3) Strengthen network connectivity by putting focus on Taiwan desks overseas and identify trade corridor opportunities in India, Vietnam and Middle East.
- (4) Optimize Wholesale Banking's balance sheet by efficient use of bank capital and increase overall return on risk weighted assets.
- (5) Multiply leadership by nurturing Middle Management and leverage Taiwan as source of talents for the Greater China region.

(IV) Market Analysis

1. Domestic Economic and Financial Conditions

Taiwan's economic growth is expected to decelerate to 2.7% in 2012, from 4.0% in 2011. The potential worsening of the sovereign debt crisis in Europe, continuing weak US recovery, as well as decelerating mainland Chinese economy, are the key downside risks to overall growth outlook. In addition, the protracted weakness in exports will dampen local producers' confidence, causing to reduce capital expenditure as well as hiring in 2012. This could potentially further derail the recovery in domestic demand, dragging the nation's economic growth.

Taiwan's economy is expected to stay resilient despite rising external headwinds. The island has healthy current account balance, large foreign reserves, as well as low external and public debt. This suggests that the island will be less vulnerable than its regional peers to a potential liquidity squeeze and/or credit crisis. Also, with fragile market confidence and rising market volatility, local policy makers are expected to maintain a cautious and pro-growth policy stance. As such, the central bank is seen to keep its benchmark policy interest rate unchanged in 2012.

2. Market Outlook and Growth Potential

2012 will be very challenging for the local banking sector. The potential fallouts resulting from a possible liquidity crisis in Europe are likely manageable given that the island's exposure to international bank lending from Europe is moderately low. However, sluggish economic growth is likely to hamper corporate sector's credit appetite, and overall banking revenue is expected to rise only modestly as a result. Meantime, the local banking sector's profitability is also likely to be further restrained by rising credit cost, deteriorating asset quality, as well as tighter interest rate margin.

As for consumer banking, the series of cooling measures adopted by the government to dampen speculation in local residential market is having an impact. This will also dampen demand for mortgages and is likely to impact on revenue and earnings outlook for banks that are heavily geared to the local real estate market. Nonetheless, the local banking sector is in good shape. Overall non-performing loan ratio stood at multi-year low of 0.43% as at end of December 2011. This is only a fraction of the 1.6% recorded prior to the financial crisis in 2008.

3. Strength, Weakness and Countermeasure of Future Development

Favorable factor

The Bank is widely recognized as a strong and reputable bank in our major footprint markets, especially in Asia, Africa and the Middle East. We shall continue to strengthen our competitive edge in the market by offering innovative products and banking expertise for clients through existing network.

Adverse factor

The Bank current market position will continue to face increasing challenge from other foreign banks that are expanding rapidly in Taiwan and also aspire to becoming the core business bank for major local clients.

Countermeasure

The Bank should leverage on existing network to seek out ever increasing cross-border business opportunity and seek to continue to be the bank of choice for Taiwanese operating in Asia, Africa and the Middle East.

(V) Financial Instruments and Summary of Business Development :

1. Major financial instruments and additional business units, the scale of operation and profitability status : [None]

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

- (1) The Bank's GTO has continued with its infrastructure reengineering, along with continuous application systems revamp and information security upgrade. The major projects include the server consolidations, firewall strengthening, network standardization, business and financial data integration, hardware equipment consolidations, and various upgrade and enhancements on the application systems.

- (2) The key themes have been a continued drive for stability, and leveraged the Group's resources and existing infrastructure to propel the business growth and comply with regulatory requirements. In addition, we will further address the information security under the focus of customer centricity.

(VI) Short and Long-term Business Development Plans

1. Short-Term Plan

- (1) Continuous investment in deposits, mortgages, personal loans and credit card businesses.
- (2) Provide full range of products and services; continuously improve pricing and margin management.
- (3) Continue the productivity improvement and risk management enhancement.
- (4) Strengthen functions of automated channels service and provide full services to further elevate customer satisfaction.
- (5) Boost usage of automated channels service to lower branch operating cost effectively.
- (6) Provide customers with better wealth management services by continuous improvement on advisory model and system deployment.
- (7) Restructure pricing model with ease-of-use and comprehensive functions to offer customers a proper way to place orders.
- (8) Enhance the securities trading system to provide customers with a more efficient and safe platform.
- (9) Evaluate market trends, develop and strictly select wealth management products to fulfill customers' financial needs; implement customer segmentation and product classification pursuant to provisions of prevailing regulations; combine products with WM planning and advisory services to strengthen customer relationships and loyalty so as to expand our wealth management portfolios and generate higher fee income.
- (10) Digitize operation process and customer service to enhance the customer service platform for front-line sales, to improve operation efficiency and to continue the server consolidation projects as to strengthening the fundamental infrastructure.

2. Long-Term Plan

- (1) Continue to leverage new innovative technologies on the core banking systems enhancement and implement applications from the Group, in order to support business growth and strengthen the control over information security.
- (2) Strive to be the best managed Retail Banking Business in Taiwan.
- (3) Consolidate automated channel service platforms and provide differentiated service contents and personalized customer relationship management.
- (4) Integrate wealth management business with relevant portfolios of the Bank (insurance, foreign currencies, loans, trust) to provide customers with diverse and full-range products to satisfy their needs for asset management, expand the Bank's overall business scale, as well as to increase income from commissions and other fees.

II. Employee Analysis

(I) Employee Profile

Year		2011	2010	1 Jan – 29 Feb 2012 (Note)
No. of Employees	Over 50 years old	125	77	131
	Over 40 years old	1,103	872	1,126
	Over 30 years old	2,044	2,093	2,065
	Over 20 years old	581	973	553
	20 years old and under	0	0	0
	Total	3,853	4,015	3,875
Average Age		36.32	34.60	36.47
Average Year of Service		7.50	7.14	7.61
Level of Education (%)	Doctorate	0.05%	0.05%	0.03%
	Master	16.07%	15.59%	16.10%
	University/College	75.55%	73.75%	75.56%
	Senior High School	8.25%	10.54%	8.23%
	Below Senior High School	0.08%	0.07%	0.08%
Certificates and Licenses Held by Employees	Securities Specialist	297	320	293
	Investment-orientated Insurance Product Specialist	746	900	742
	Securities Investment Trust and Consulting Professional	172	188	169
	Basic Proficiency Test for Bank Lending Personnel	372	409	373
	Advanced Proficiency Test for Bank Lending Personnel	17	16	17
	Futures Specialist	314	325	311
	Personal Insurance Agent Registration Certificate	3,304	3,730	3,279
	Proficiency Test for Bond Specialist	12	14	13
	Basic Proficiency Test for International Banking Personnel	140	156	142
	Proficiency Test for Financial Planning Personnel	469	493	465
	Proficiency Test for Trust Operations Personnel	1,351	1,457	1,340
	Basic Proficiency Test on Bank Internal Controls	1,475	1,582	1,468
	Senior Securities Specialist	265	291	262
	Property Insurance Agent Registration Certificate	1,626	1,420	1,632
	Securities Dealer	40	39	40
	Certified Internal Auditor Certificate	5	6	5
	Proficiency Test for Stock Affair Personnel	20	19	21
	Business Personnel for Foreign Currency Non-investment Type Insurance Products	713	690	720
	Examination on Investment Trust and Consulting Regulations (including Self-disciplinary Rules)	772	796	776
	Financial Markets and Professional Ethics Examination	1,216	1,323	1,198
	Qualification Certificate for Trust Business Professionals – Business Personnel	1,575	1,620	1,566
	Qualification Certificate for Trust Business Professionals - Managerial Personnel	425	433	421
	Property Insurance Representative	196	233	194

(II) Employee Education and Training

Year	2011	2010
Total No. of Learners	13,193	26,439
Total Training Hours	9,291	7,914
Total Training Sessions	770	1,193
Total Training Days	1,161	1,131

III. Corporate Responsibilities and Ethics

Our Commitment — Here for good

Here for good was globally launched in 2010 as Standard Chartered PLC's new brand promise. Based on our solid business performance, we will leverage our history, heritage, success, and culture to largely enhance the public's understanding of the Bank in our key markets and other areas and further boost our business growth.

Here for good incorporates the Bank's past, present, and future. It is a deep commitment to the markets where we are: We are here for the long run, applying our knowledge and experience to create profits for our customers and clients. We are here for progress and committed to upholding the highest standards and doing the right things.

The core value of the Bank's culture is sustainability, which focuses on building the Bank into a sustainable business, creating shareholder value, providing customers with comprehensive services, contributing to local economy, and being a positive force in its communities. These are exactly the materialization of our brand promise — Here for good.

The Bank deeply believes that emphasizing only on revenues and profits will not lead to sustainability for industry of any kind; only by fulfilling social responsibilities, building up credibility among customers, encouraging employees' community service participation, and solidifying employee engagement could it truly attain the win-win objectives for its employees, for the society, and for itself. That is the reason we are proactively devoted to various charity programs in Taiwan concurrent to our business expansion.

Our significant achievements of corporate social responsibility of our sustainability agenda in 2011

- Thousands of our employees devoted themselves to community service, contributing over 44,200 hours of community service with their employee volunteering leaves.
- More than 1,000 demonstrated had the spirit of "Help us help them" and donated over NTD 2.15 million to Red Cross R.O.C. for Japan disaster relief.
- 2011 is the second consecutive year that Standard Chartered sponsors the "VI Reading Promotion Program", partnering with National Tsing Hua University Recording Books Service Center for the Blind, Parent's Association for the Visually Impaired, and National Taichung Special Education School for the Visually Impaired. The program is officially recognized by the Ministry of Education, which even designated 2011 as the "Year of VI Reading Promotion", encouraging reading outside of school work amongst more than 1,000 VI students from junior and senior high schools.
- Standard Chartered's Consumer Banking business combined corporate social responsibility and customer service, and launched "8-minute Service Pledge" since March, 2011. If a customer's waiting time exceeds 8 minutes, the Bank donates to three schools for the visually impaired to provide audio books for underprivileged visually impaired students. In addition, the fund also goes

to support Eden Foundation's "Happy Breakfast" program in four schools located in remote areas, starting the children's day with nutrition and energy.

- Standard Chartered's Private Banking sponsors Taichung Hwei-ming School's "2011 Love Concert: Give You a Pair of Wings Charity Concert" to help realize the dreams of Hwei-ming's students with multiple disabilities.
- The Bank held various green activities in support of 22 April World Earth Day :
 - On 22 April, our 90 branches distributed 9,000 green bags and invited our customers to care for the environment and help save the earth!
 - All 90 branches and 14 office buildings had their lights turned off from 7pm on 22 April to 24 April, saving over 10,000 kWh of power consumption.
 - Standard Chartered donated around NTD1.5 million to "2011 Million Trees – Fudekeng Ecological Park" program, and over 1,800 Standard Chartered volunteers planted 3,300 trees on 23 April, the weekend of World Earth Day. We helped reduce 60 tons of carbon emission every year and demonstrated our sustainability commitment to protect the environment.
- To support the World Environment Day on 5 June, the Bank held a "Say No to Printing" competition and encouraged all meetings to be paperless; our efforts resulted in a 13.8% reduction in paper usage. In addition, from 4 June to 5 June, all 90 branches and 14 office buildings had their lights turned off, saving 17,000 kWh in power consumption.
- It is the second consecutive year that the Bank sponsors "2011 Standard Chartered Taipei 101 Run Up Race". Nearly 6,000 participants completed the challenge of climbing 2,046 steps, setting a new record in the 7 years that the Run Up Race has been held. Also, serial events from the Run Up Race contributed a total of NTD 2.45 million; the fund was used to realize reading and sports dreams of visually impaired children.
- The Bank worked with ORBIS Taiwan and held the third year of "Standard Chartered Action Blue Cycling Team", fundraising by cycling around the island. With "Save an Eye with NTD 1,000" as the slogan, we called for people's donation to help visually impaired children in developing countries. The campaign successfully raised around NTD 2.8 million.
- Along with AIESEC and Taiwan AIDS Foundation, Standard Chartered held "2011 Campus HIV/AIDS Prevention Ambassadors Workshop", training 50 campus HIV/AIDS prevention ambassadors on campus to educate their respective schools about HIV/AIDS prevention.
- For the third consecutive year, the Bank and AIESEC held HIV/AIDS prevention workshops in junior and senior high schools, supported by the Ministry of Education. Leveraging "Living with HIV anti-virus 3D animation", we educated close to 17,000 general public and students on HIV/AIDS prevention.
- The Bank donated NTD 200,000 and provided volunteering service to Hsinchu County's Jing-ping Elementary School and helped better their studying environment by renovating the school's library. Our GTO colleagues, utilizing their core competencies, built a distant learning system and taught computer lessons via the Internet.
- With various energy saving measures, such as removal of extra lighting tubes or shortening hours of signage, the Bank saved over 700,000 kWh in 2011.

Awards in 2011

- Third place in foreign corporations, CommonWealth Magazine's "CSR Award"
- Gallop "Great Workplace" Award
- Merit Award of the Taipei City Energy Saving Competition

"Seeing is Believing" — global initiative on tackling preventable blindness

"Seeing is Believing" is Standard Chartered PLC's global initiative on tackling preventable blindness, and also the most unique, long-committed sustainability agenda by Standard Chartered PLC. We hope to adopt proactive practices to bring to the world the new "visions".

In September 2011, Standard Chartered announced at the Clinton Global Initiative (CGI) in New York about our new commitment

in Seeing is Believing. Standard Chartered is extending its commitment to a total of USD 100 million and tackling preventable blindness in Asia, Africa, and the Middle East. This new target is three times of the amount raised since "Seeing is Believing" launched in 2003. It is a solid promise that Standard Chartered is committing to the social and economic development in developing countries.

Since 2004, staff in Standard Chartered raised over NTD 26 million (staff donated NTD 13 million and Group matched NTD 13 million) to help children in developing countries battle reversible and preventable blindness.

In addition to the donation, the Bank's focus of helping the visually impaired in Taiwan is on education. We have held various charity activities incorporating sports to encourage the visually impaired to challenge themselves beyond physical limitation. In 2010, we further led the Promotion Campaign on Reading Habit among the Visually Impaired which encouraged all Taiwan visually impaired students to widen their vision, imagination and live a boundless life through reading. In 2011, "Dreams Come True for the Visually Impaired" project further encouraged visually impaired students to go after their dreams.

Reading for Love — Promote reading habit among the Visually Impaired

In collaboration with National Tsing Hua University Recording Books Service Center for the Blind and Parent's Association for the Visually Impaired, last year was the first year that Standard Chartered sponsored "VI Reading Promotion Program", and the Bank donated NTD 2.05 million from funds raised via public events. In addition to distributing Reading Passports and sponsoring audio books, Standard Chartered held the Reading Expert Competition, and incorporated the program in the schools' curriculum, hoping to provide more resources and help visually impaired students develop the habit of reading.

- On 21 April, with the support of the Ministry of Education, the "Reading for Love: Visually Impaired Reading Promotion Program" officially launched. The Ministry of Education designated 2011 as the "Year of VI Reading Promotion". The program has been incorporated in schools' curriculum nationwide. More than 1,500 visually impaired students across the country can benefit from the program and expand their vision by reading books outside of schoolwork.
- On 3 November, the second "Reading Expert Competition" award ceremony was held at the Ministry of Education. The awards included "Best Reading Moment", "Reading Expert Competition", and "Best Book Review"; there were close to 400 submissions this year. For the 15 visually impaired students from the country that won awards, it was a proud moment for themselves, their teachers, and their parents.

Sponsorship of "Give You a Pair of Wings Charity Concert"

The Bank's Private Banking sponsored Taichung Hwei-ming School's "2011 Love Concert: Give You a Pair of Wings Charity Concert" in Taichung on 20 May. Three musicians at the School, Je-Yuan Tsai, Wen-Gwei Lu, Wei-Je Lin, performed with renowned musicians from Italy and Taiwan. The concert realized the dreams of Hwei-ming's musicians with multiple disabilities and touched over 200 audience. Many later donated to the School in hope that it can continue to support these talented musicians.

New Century, New Vision — 2011 Standard Chartered Taipei 101 Run Up Race helps realize the dreams of visually impaired children

It is the second consecutive year that the Bank sponsors "2011 Standard Chartered Taipei 101 Run Up Race". Nearly 6,000 participants completed the challenge of climbing 2,046 steps on 5 June, setting a new record in the 7 years that the Run Up Race has been held. Also, serial events from the Run Up Race contributed a total of NTD 2.45 million to three charity organizations to realize reading and sports dreams of visually impaired children:

1. Donate to National Tsing Hua University Recording Books Service Center for the Blind to promote reading amongst visually impaired students for the year.

2. Donate to Parent's Association for the Visually Impaired to hold the visually impaired surfing camp, realizing the children's sports dream to surf.
3. Sponsor Hsin-Wei Lin, a visually impaired swimmer, to train for the Paralympics.
 - On 29 May, the week prior to the Taipei 101 Run Up Race, Standard Chartered and Taipei 101 jointly hosted "Dreams Come True for the Visually Impaired – 2011 Standard Chartered 3-Legged Charity Challenge" calling for more than 1,900 people to participate. Standard Chartered donated the registration fees to realize dreams of the visually impaired children. During the Charity Challenge, 100 visually impaired students, Standard Chartered staff, and VIP formed a "100 people 101-legged Challenge" team and successfully completed the challenge of walking 10 meters, breaking the national record and creating a touching moment in R.O.C. Year 100.
 - From 1 June to 6 June, Standard Chartered invited Henry Wanyoike, our Global Goodwill Ambassador and a Paralympic Games gold medalist from Kenya, to participate in the "2011 Standard Chartered Taipei 101 Run Up Race". Henry also visited National Taichung School for the Visually Impaired on 1 June and held a forum with 5 visually impaired athletes to share his personal experience and encourage the students to pursue their dreams.
 - On 5 June, the Bank sponsored 11 teams of local visually impaired athletes to participate in the "2011 Standard Chartered Taipei 101 Run Up Race". All of the athletes finished the race successfully.

Action Blue Cycling Team to fundraise for visually impaired children

Staff of Standard Chartered formed Action Blue Cycling Team in 2009 to raise awareness and fundraise for Seeing is Believing, cycling 1,000 KM around Taiwan for nine days before the World Sight Day. As of 2011, Action Blue Cycling Team has successfully raised NTD 5 million.

- On 3 October, 11 Action Blue Cycling Team members hit the road with close to 100 accompanying them from the Bank. They visited local communities, schools, clients and branches to promote the spirit of "Seeing is Believing" and call for people's support with "NTD 1,000 for an Eye". The campaign successfully raised NTD 2.8 million for the Group's "Seeing is Believing" initiative. Since 2009, Standard Chartered has raised NTD 7.8 million, helping over 7,800 visually impaired children in developing countries receive medical treatment.

Significant progress on the education of HIV/AIDS prevention

"Living with HIV" (LwHIV) is another unique global initiative with an aim to protect human rights, enhance employee health, and offer fair, free-of-discrimination work environment. The Bank has not only set "Living with HIV" as a sustainable goal, but has been adopting the most effective measures and education to facilitate the prevention of HIV/AIDS.

As of the end of 2011, the Bank has educated over 1.6 million people around the world through online course and face-to-face seminars. In Taiwan, we launched the Chinese version of "Online HIV/AIDS Prevention Course" in 2008 and received recognition from the Ministry of Education in 2009. The Ministry of Education officially recommended the course as a supplement to HIV/AIDS education to all high schools and below. The Bank and AIESEC, under the support of the Committee on Medical Science Education of the Ministry of Education, jointly initiated "HIV/AIDS Prevention Workshop" in 2009 and continued the workshop for three consecutive years, educating students on how to protect themselves and others.

- On 21 February, Standard Chartered, AIESEC, Taiwan AIDS Foundation, and Harmony Home Association jointly hosted "2011 Campus HIV/AIDS Ambassador Workshop" in Taipei. 32 Ambassadors, including 26 high school students, 4 teachers, and 2 parents, completed the workshop and will act as seeds in their schools and communities, educating others about HIV/AIDS prevention.
- On 30 November, the eve of World AIDS Day, a hundred Standard Chartered volunteers, AIESEC, Committee on Medical Science Education of the Ministry of Education, and Taiwan AIDS Foundation, formed a giant red ribbon in front of Taipei 101 building, calling for public support of HIV/AIDS prevention. The event also kicked off the 2011 Campus HIV/AIDS Prevention Program.

- On 1 December, with the support of Committee on Medical Science Education of the Ministry of Education, the 2011 Campus HIV/AIDS Prevention Program was launched; this year, in addition to educating junior and senior high schools nationwide about HIV/AIDS prevention, Standard Chartered and AIESEC also focused our efforts on schools in remote areas of Taiwan. Dozens of workshops were held throughout the country, and nearly 17,000 students were reached. Since 2009, Standard Chartered and AIESEC have educated over 50,000 students and people on HIV/AIDS prevention.

Environmental Protection

In dealing with global warming, implementing environmental protection and energy preservation, the Bank has long upheld "Environmental Protection" as a significant item for its sustainability agenda. We believe that taking care of the Earth and Taiwan's environment are the best approach to repay our customers and become their best partner.

The Bank has not only continuously provided financing for solar-related businesses and underpinned the development of recycled energy, but also kept pushing for the improvement of environment quality, playing a positive role and driving for a sustainable environment.

In 2011, the Bank has continuously adopted several practices to reduce carbon dioxide emissions and saved energy through the reduction of paper use at offices. In 2011, the Bank has saved at least 700,000 kWh of electricity. These practices include:

- Removal of extra lighting tubes in major buildings and offices
- Reduce signage hours from 12 hours to 6 hours in all branches
- Limited hours on air-conditioning in offices
- Continual adoption of Lan-ya Park and Bei-shr-hu Park

On water saving, the Bank has continuously adopted several water-saving practices. We installed recycling pumps in the pond at Science Park Branch, reducing water usage.

On paper saving, the Bank has not only continuously promoted paperless meetings, improvements on related facilities and rigid measures on copying process, but also tracked the paper usage in offices on quarterly basis and held cross-department paper reduction competition to remind staff to save paper.

Staff volunteer exceeds 44,200 hours in 2011

The Bank itself is a cross-border conglomerate and has been growing in the most challenging markets of the world. We have the responsibility and also the obligation to become a "force for good" in the communities we operate. And the core of this community service program comes from the support and passion of our employees.

The Bank provides every staff at least two paid employee volunteer leaves a year. In addition to bank-wide volunteering activities, staff can also participate in community services for a cause of their own interest. In 2011, our employees have devoted themselves to various volunteering community services for more than 44,200 hours, a perfect demonstration of our brand promise — Here for good.

Diversified Staff Volunteer Service — Positive Drive in Community

In February 2011, the Bank's HIV Champions collected in-kind donation from staff and visited patients and children at the "Harmony Home Association" and "Garden of Mercy Foundation" before the Chinese New Year.

In May 2011, the Bank's HIV Champions collected in-kind donation from staff and visited patients and children at the "Harmony Home Association" and "Garden of Mercy Foundation" before the Dragon Boat Festival.

In November 2011, 700 staff volunteers of New Business, Consumer Banking, were deployed in crowded commercial areas over northern, central, and southern Taiwan and collected over 150,000 invoices for the Taiwan Guide Dog Foundation. The staff at New Business also donated the NTD 340,000 that they fundraised via charity sale to the Foundation.

IV. Information Technology

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

The hosts are

1. CLX : HP Non-stop Server S88012 whilst the operating system is a Non-stop kernel G06.24.
2. STK : HP Non-stop Server S74004 whilst the operating system is Non-stop kernel G06.19.

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

(III) Emergency Support and Security Protection Measures :

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

V. Labor-Management Relations

(I) Employee Welfare and Benefits

1. Employee Sharesave Scheme.
2. Labor insurance, national health insurance and group insurance.
3. Periodic health examination.
4. Subsidy for wedding, funeral, maternity leave, travel, dependent education and social club events. Special cash allowances distributed on three major festivals.
5. Preferential interest rate for staff deposits.
6. Preferential interest rate for staff loans.
7. Special offers for financial transactions : preferential transaction fees, special exchange rate and inter-bank transfer fees.
8. Special credit card offers (issued by the Bank) : no annual fee, double reward points.

(II) Retirement Policy and Leaving Service Benefits

Retirement Scheme

1. The Bank's retirement scheme, naming the Standard Chartered Bank Taiwan Retirement Plan. The full cost is borne by the Bank and staff members are not required to make any contributions. (This scheme is only applicable to employees hired before 1 July 2005. Those hired after 1 July 2005 will have to adopt the Labor Pension Act (LPA).)
2. All local permanent employees, under the age of 65, are automatically recorded in the system as eligible for the Banks' pension scheme, so as to protect employees' and their beneficiaries' interests upon retirement, or in the event of death or permanent disability. Benefits are in addition to those provided under the Taiwan social insurances.
3. Pension fund criteria
 - A. For employees hired before 1 July 2005 and selected not to join the Labor Pension Act (LPA), the retirement benefit is subject to an employee's years of service, with 2 units to be awarded per year and up to 25 years.
 - B. For employees hired before 1 July 2005 and selected to join LPA, the Bank will contribute on a monthly basis, 6% of employees' average monthly wages to the pension fund. The pension fund will be contributed into employees' individual pension fund accounts at the Bureau of Labor Insurance based on the prescribed "Table of Monthly Wages and Contribution Rates". Employees' pension fund accounts are custodied by the Bureau of Labor Insurance, and the payment will be subject to LPA regulation. Upon an employee's normal retirement, his/her years of service before joining LPA will be awarded with 2 units per year (maximum 25 years) for calculation of retirement benefit.
 - C. For employees hired on and after 1 July 2005, the Bank will contribute on a monthly basis, 6% of employees' average monthly wages to the pension fund. The pension fund will be contributed into employees' individual pension fund accounts at the Bureau of Labor Insurance based on the prescribed "Table of Monthly Wages and Contribution Rates". Employees' pension fund accounts are custodied by the Bureau of Labor Insurance, and the payment will be subject to LPA regulation.
 - D. For employees originated from Hsinchu International Bank and American Express Bank, and selected the old retirement scheme, calculation on the years of service after the Integration Date will be the same with the retirement benefit as described above, i.e. 2 units to be awarded per year. As to the years of service before the Integration Date, it will be calculated subject to the old retirement scheme of Hsinchu International Bank or American Express Bank.

Leaving Service Benefits

1. For employees hired before 1 July 2005, upon leaving the service of the Bank and before becoming eligible to receive a retirement benefit as described in the Normal Retirement Benefit and Voluntary Retirement Benefits, they may be qualified for a Leaving Service Benefits (LSB) subject to a minimum of 10 years of service.

2. For employees originated from Hsinchu International Bank and hired before 1 July 2005, they will be subject to the same LSBs as described above 12 months from the Integration Date with their HIB service fully preserved for benefit calculation purpose. For the determination of units, the full total years of service will be used. For determination of years of service, the total service years under the Labor Standards Act retirement plan will be used.
3. For employees originated from American Express Bank, they will be subject to the Standard Chartered Bank LSB scheme effective from the Integration Date. As to the years of service before the Integration Date, it will be calculated subject to the Leaving Service Benefits scheme of American Express Bank.

(III) Labor-Management Agreements and Measures to Protect Employees' Rights and Interests :

On 28 December 2006, the Industrial Union of the Bank was established with the objectives of ensuring smooth labor-management communications and being a new union force in the Banking industry through bi-weekly meeting and quarterly labor-management meeting for discussion of employees' rights and the Bank's development directions.

The Bank signed the Collective Bargaining Agreement (CBA) with the union on 8 May, 2009. The signing of the CBA is a significant achievement and makes us the first international bank with CBA in Taiwan. The achievement demonstrates our footprint in Taiwan's banking industry and reflects the partnership of the Bank and its union. Both the Bank and the union will continue the cooperative relationship based on the strong foundation.

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

VI. Important Contracts

Nature of Contract	Concerned Party	Contract Term	Main Content	Restriction Clause
Data Center Management Services	Atos Origin HK	1/1/2010 – 31/12/2016	Data storage and maintenance	None
Telecom (Voice & Data) Integrated Services	Taiwan Fixed Network	Voice : 1/10/2009 – 30/9/2012 Data : 1/8/2010 – 31/7/2013	Provide the fixed lines of data and voice network, and the operational management services	None
Insurance Sales agreement	PCA Life Assurance Co.	10/2007 – 09/2015	PCA Life has the 1 st priority to provide insurance products for the Bank.	None
Data Center Tenancy	Acer e-Enabling Data Center	15/11/2009 – 14/11/2014	Data center management and remote hand service	Subject to the local Personal Information Protection Act and the Intellectual Property Law

VII. Information on Financial Assets Securitization

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

In December 2005, the Bank sold its mortgage loans amounting to NTD 12,005,275 thousand dollars through asset securitization at the first time. The Deutsche Bank Taipei Branch was the Trustee, which issued beneficiary certificates backed by the mortgage loans. The beneficiary certificates issued at par were made up by NTD 10,204,484 thousand dollars of investor beneficiary certificates and NTD 1,800,791 thousand dollars of seller beneficiary certificates. The duration of the beneficiary certificates starts from 20 December 2005 and ends on 20 July 2027.

The Bank retained NTD 1,800,791 thousand dollars of seller beneficiary certificates from the issue. These securities are accounted for as available-for-sale financial assets. The Bank reserves the right to claim residual interests after paying agreed interest to primary beneficiaries. Where the borrowers are unable to repay loans on maturity, investors and Deutsche Bank Taipei Branch will not have recourse to the Bank's other assets. The right to claim loan principal follows the investors' right, and its value depends on the credit risks, early repayment, and interest risk on the principal transferred.

The other mortgage-backed beneficiary certificates, which issued in September 2006 through the Deutsche Bank Taipei Branch amounting NTD 13,234,322 thousand dollars, were sold back on 19 December 2011, amounting NTD 3,438,261 thousand dollars.

VI. Financial Highlights



Standard
Chartered



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

(I) Condensed Balance Sheet

Unit: NTD'000

Item	Year	Financial Data for the Past Five Years					1 Jan. – 29 Feb. 2012 (unaudited)
		2011	2010	2009	2008	2007	
Cash & cash equivalent, Due from Central Bank and Inter-bank Placement		85,868,076	107,155,919	119,564,299	114,479,587	47,677,767	83,699,813
Financial assets at fair value through profit or loss		40,867,691	28,405,970	28,514,878	39,295,509	25,466,317	36,706,614
Bonds and bills sold under resale agreements		8,456,414	0	0	1,179,467	0	9,201,558
Net assets held for sale		0	0	0	1,794,670	0	0
Available-for-sale financial assets		213,257,021	178,338,617	108,235,427	121,529,284	78,376,287	229,591,919
Loans and bills discounted, net (less allowance for bad debts)		346,151,003	344,500,675	313,086,588	310,526,139	290,276,544	347,332,732
Receivables, net (less allowance for bad debts)		34,442,522	26,956,704	27,262,328	27,530,677	23,395,936	42,086,541
Equity investment under equity method		279,579	76,692	368,502	273,667	455,318	316,180
Fixed assets, net		6,076,890	7,253,113	7,589,391	7,974,132	7,407,436	6,023,131
Intangible assets, net		3,303,198	3,408,715	3,516,119	3,784,134	541,430	3,211,484
Other financial assets, net		887,031	445,803	340,118	403,869	229,722	711,818
Other assets, net		4,074,748	5,410,310	7,964,904	7,714,076	6,736,876	4,495,071
Total assets		743,664,173	701,952,518	616,442,554	636,485,211	480,563,633	763,376,861
Due to Central Bank and other banks		18,390,389	10,647,359	49,355,596	21,038,002	26,102,625	36,999,734
Customer deposits and remittances payable		596,151,692	590,618,528	470,195,395	514,039,270	380,960,938	582,182,727
Financial liabilities at fair value through profit or loss		14,863,355	19,801,306	19,961,310	30,594,969	20,331,565	17,043,158
Bonds and bills sold under repurchase agreements		0	0	0	412,853	1,145,992	0
Financing from Central Bank and other banks & bank notes payable		47,512,170	19,224,205	29,500,120	19,725,868	14,811,900	55,462,335
Other liabilities		21,510,529	23,371,332	12,421,088	19,075,249	13,396,863	25,689,615
Total liabilities	Before distribution	698,428,135	663,662,730	581,433,509	604,886,211	456,749,883	717,377,569
	After distribution	698,428,135	663,662,730	581,433,509	604,886,211	456,749,883	N/A
Common stock		29,105,720	29,105,720	29,105,720	24,855,720	21,575,720	29,105,720
Capital surplus		5,786,031	5,786,031	10,430,441	6,183,410	5,049,515	5,786,031
Retained earnings	Before distribution	9,386,251	2,922,991	(4,644,410)	17,915	(2,145,349)	10,108,977
	After distribution	9,386,251	877,102	(4,644,410)	17,915	(2,145,349)	N/A
Unrealized gain or loss on financial instruments		962,709	439,450	28,128	352,768	(888,436)	1,003,238
Other shareholders' equity		(4,673)	35,596	89,166	189,187	222,300	(4,674)
Cumulative translation adjustment		0	0	0	0	0	0
Total Shareholders' Equity	Before distribution	45,236,038	38,289,788	35,009,045	31,599,000	23,813,750	45,999,292
	After distribution	45,236,038	36,243,899	35,009,045	31,599,000	23,813,750	N/A

(II) Condensed Income Statement

Unit: NTD'000

Item \ Year	Financial Data for the Past Five Years					1 Jan. – 29 Feb. 2012 (unaudited)
	2011	2010	2009	2008	2007	
Interest income, net	9,183,485	8,911,419	8,539,126	10,313,594	9,049,982	1,593,446
Non-interest income, net	7,960,032	8,039,597	6,549,521	8,096,615	8,011,645	961,723
Operating income	17,143,517	16,951,016	15,088,647	18,410,209	17,061,627	2,555,169
Bad debt expenses	(3,154,511)	1,453,276	7,628,170	7,711,246	8,003,862	60,811
Operating expense	10,521,913	10,976,520	12,335,065	11,651,107	10,162,754	1,642,283
Income (loss) from continuing operations before tax	9,776,115	4,521,220	(4,874,588)	(952,144)	(1,104,989)	852,075
Income (loss) from continuing operations after tax	8,373,115	2,922,991	(4,662,325)	17,915	(498,357)	722,727
Income (loss) from discontinued operations (Net of tax)	0	0	0	0	0	0
Income (loss) from Extraordinary items (Net of tax)	0	0	0	0	0	0
Cumulative effect of changes in accounting principles (Net of tax)	0	0	0	0	0	0
Net income (loss)	8,373,115	2,922,991	(4,662,325)	17,915	(498,357)	722,727
EPS (before adjustment)	2.88	1.00	(1.86)	0.01	(0.26)	0.25

(III) Name of Independent Auditors and the Audit Opinion

Item \ Year	2011	2010	2009	2008	2007
Name of CPA	Ming-Zhi Wang, Lin Wu	Ming-Zhi Wang, Lin Wu	Lin Wu, Ming-Zhi Wang	Ming-Zhi Wang, An-Tian Yu	An-Tian Yu, Ming-Zhi Wang
Audit Opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

II. Financial Analysis for the Past Five Years

(I) Ratio Analysis

Item \ Year		Financial Analysis for the Past Five Years					1 Jan. – 29 Feb. 2012 (unaudited)
		2011	2010	2009	2008	2007	
Operating Capability	Ratio of Loans to deposits	58.76	58.95	67.07	61.13	76.76	60.37
	Ratio of Non-performing Loans	0.44	0.69	1.41	2.57	2.83	0.46
	Ratio of Interest cost to annual average deposits	0.80	0.57	0.97	1.67	1.93	0.16
	Ratio of Interest income to annual average loans outstanding	3.67	3.35	3.94	5.53	5.47	0.65
	Total assets turnover (time)	0.02	0.02	0.03	0.03	0.04	0.00
	Average operating income per employee (thousand dollar)	4,449.00	4,222.00	3,889.00	3,933.81	3,729.00	659.00
	Average profit per employee (thousand dollar)	2,173.00	728.00	(1,202.00)	3.83	(109.00)	187.00
Profitability	Return on Tier 1 capital (%)	26.60	15.30	(20.49)	(4.66)	(6.65)	2.10
	Return on assets (%)	1.16	0.44	(0.74)	0.00	(0.11)	0.10
	Return on equity (%)	20.05	7.98	(14.00)	0.06	(2.57)	1.58
	Net income ratio (%)	48.84	17.24	(30.90)	0.10	(2.92)	28.28
	Earnings per share (NTD)	2.88	1.00	(1.86)	0.01	(0.26)	0.25
Financial Structure	Ratio of liabilities to assets	93.92	94.55	94.32	95.04	95.04	93.97
	Ratio of fixed assets to equity	13.43	18.94	21.68	25.24	32.20	13.09
Growth Rate	Asset growth rate (%)	5.94	13.87	(3.15)	32.45	11.98	2.65
	Profit growth rate (%)	116.23	192.75	(411.96)	13.83	(81.33)	-
Cash Flow	Cash flow ratio	(70.44)	14.49	(1.40)	50.07	30.51	-
	Cash flow adequacy ratio	586.72	1,126.92	822.82	699.62	305.40	-
	Ratio of cash flow from operations to cash flow from investments	569.39	(6.58)	9.80	(93.43)	(413.14)	-
Ratio of liquidity reserve		51.96	37.98	23.56	23.28	22.35	56.19
Balance of secured loans of related parties (thousand dollar)		2,690,500.00	2,137,212.00	1,223,845.00	1,488,132.00	2,748,116.00	2,600,738.00
Total secured loans of related parties as a percentage of total loans (%)		0.70	0.57	0.36	0.44	0.89	0.67
Operating Scale	Market share of assets (%)	1.91	1.92	1.79	1.88	1.55	1.94
	Market share of net worth (%)	1.88	1.70	1.62	1.56	1.12	1.84
	Market share of deposits (%)	2.09	2.20	1.82	1.30	1.69	2.03
	Market share of loans (%)	1.54	1.65	1.63	1.62	1.50	1.54

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

1. As a whole, the average profit per employee, return on assets, return on equity, and net income ratio increased mainly due to improved asset quality and higher net profit after tax.

Note 1: The market share ratios are calculated based on the operating details of banks published by the Banking Bureau in February 2012.

Note 2: Financial ratios are computed as follows:

1. Operating capability

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

2. Profitability

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

3. Financial structure

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

4. Growth rate

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

5. Cash flow

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

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

7. Operating scale

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

(II) Capital Adequacy

Unit: NTD'000

Item		Year	Capital Adequacy Ratio for the Past Five Years				
			2011	2010	2009	2008	2007
Self-owned Capital	Tier 1 Capital	Common stock	29,105,720	29,105,720	29,105,720	24,855,720	21,575,720
		Perpetual non-cumulative preferred stock	0	0	0	0	0
		Non-cumulative subordinated debt without maturity date	0	0	0	0	0
		Capital collected in advance	0	0	0	0	0
		Capital surplus (except the value appreciation of fixed assets)	5,786,031	5,786,031	10,430,441	6,183,410	5,049,515
		Legal reserve	876,897	0	5,374	0	0
		Special reserve	136,034	0	0	0	332
		Accumulated profit or loss	8,373,320	2,922,991	(2,324,893)	17,915	(1,072,841)
		Minority interest	0	0	0	0	0
		Other shareholders' equity	(271,471)	(877,638)	(1,213,541)	(1,371,671)	(1,107,275)
		Less: Goodwill	3,156,048	3,156,048	3,156,048	3,384,383	0
		Less: Unamortized loss from sale of NPL	0	0	0	0	0
		Less: Capital deduction items	275,784	949,335	6,607,859	4,950,446	4,914,902
		Total Tier 1 capital	40,574,699	32,831,721	26,239,195	21,350,545	19,530,549
	Tier 2 Capital	Perpetual cumulative preferred stock	0	0	0	0	0
		Cumulative subordinated debt without maturity date	9,080,871	9,109,629	19,597,407	10,000,000	10,000,000
		Fixed asset revaluation increment surplus	239,413	363,949	381,303	381,303	381,303
		45% of unrealized gain on available-for-sale financial assets	445,542	444,931	427,289	689,546	26,926
		Convertible bonds	0	0	0	0	0
		Operating reserve and provision for bad debts	136,763	0	0	0	0
		Long-term subordinated debt	10,000,000	10,000,000	10,000,000	8,762,968	4,800,000
		Non-perpetual preferred stock	0	0	0	0	0
		The sum of perpetual non-cumulative preferred stocks and non-cumulative subordinated debt without maturity date exceeding 15% of total Tier 1 Capital	0	0	0	0	0
		Accumulated profit or loss	0	0	(2,324,893)	0	(1,072,841)
		Less: Capital deduction item(s)	275,784	245,108	456,465	452,833	563,427
		Total Tier 2 capital (Note 1)	19,626,805	19,673,401	27,624,642	19,380,984	13,571,961
	Tier 3 Capital	Short-term subordinated debt	0	0	0	0	0
		Non-perpetual preferred stock	0	0	0	0	0
		Total Tier 3 capital	0	0	0	0	0
	Total self-owned capital		60,201,504	52,505,122	53,863,836	40,731,529	33,102,510

(continued)

Item \ Year			Capital Adequacy Ratio for the Past Five Years				
			2011	2010	2009	2008	2007
Risk-Weighted Assets (Note 2)	Credit Risk	Standardized approach	308,452,918	307,469,370	314,873,303	331,477,325	314,828,550
		Internal-rating based approach	-	-	-	-	-
		Asset securitization	-	-	-	-	-
	Operational Risk	Basic indicator approach	33,554,611	33,762,611	34,866,993	35,774,925	33,091,135
		Standardized approach / Alternative standardized approach	-	-	-	-	-
		Advanced measurement approach	-	-	-	-	-
	Market Risk	Standardized approach	22,005,098	28,841,002	31,688,991	37,278,206	33,635,550
		Internal model approach	-	-	-	-	-
	Total risk-weighted assets		364,012,628	370,072,983	381,429,287	404,530,456	381,555,235
	Capital adequacy ratio			16.54	14.19	13.76	10.07
Tier 1 capital to risk assets ratio			11.15	8.87	6.88	5.28	5.12
Tier 2 capital to risk assets ratio (Note 1)			5.39	5.32	6.88	4.79	3.56
Tier 3 capital to risk assets ratio			0.00	0.00	0.00	0.00	0.00
Common stock to total assets ratio			3.91	4.15	4.72	3.91	4.49

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

No analysis is required as the CAR variance is within 20%.

Note 1 : Since the total Tier II capital exceeded total Tier I capital in 2009, the unqualified Tier II capital was about NTD 1,385,447 thousand dollars.

Note 2 : The ratios are computed as follows:

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

III. Supervisors' Report for 2011 Financial Statements

Supervisors' Report

The board of directors have complied and submitted the Bank's 2011 financial statements and consolidated financial reports, audited by JJ Wang and Lin Wu of KPMG and business report and profit allocation statement. We are satisfied that they have been correctly complied with the books and accounts of the Bank at the date therefore according to Company Act, Article 219.

Supervisor : Norman Lyle



Edward Martin Williams



23 March, 2012

IV. 2011 Financial Statements and Independent Auditors' Report

Independent Auditors' Report

The Board of Directors

Standard Chartered Bank (Taiwan) Limited :

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Standard Chartered Bank (Taiwan) Limited as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Public 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 the years ended December 31, 2011 and 2010, on which we have expressed an unqualified audit opinion.



23 March, 2012

Standard Chartered Bank (Taiwan) Limited

Balance Sheets

December 31, 2011 and 2010

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

	December 31, 2011	December 31, 2010	Change %
Assets			
Cash and cash equivalents (notes 4(1) and 5)	\$ 11,469,535	7,503,661	53
Balance at Central Bank and loans and advances to banks (notes 4(2) and 5)	74,398,541	99,652,258	(25)
Financial assets at fair value through profit or loss (notes 4(3) and (20) and 5)	40,867,691	28,405,970	44
Bills and bonds investments under reverse sell agreements (note 4(4))	8,456,414	-	-
Accounts receivables, net (notes 4(5), (6) and (18) and 5)	34,442,522	26,956,704	28
Loans and advances to customers, net (notes 4(6) and (20), 5 and 11)	346,151,003	344,500,675	-
Available-for-sale financial assets, net (notes 4(7) and (20), 5 and 6)	213,257,021	178,338,617	20
Investment in associates under equity method, net (notes 4(8) and 11)	279,579	76,692	265
Other financial assets, net (notes 4(8) and (20) and 11)	887,031	445,803	99
Property and equipment, net (note 4(9))	6,076,890	7,253,113	(16)
Intangible assets (notes 4(10) and (16))	3,303,198	3,408,715	(3)
Other assets (notes 4(11) and (18) and 6)	4,074,748	5,410,310	(25)
Liabilities and Stockholders' Equity			
Liabilities :			
Deposits by Central Bank and other banks (note 5)	\$ 18,390,389	10,647,359	73
Financial liabilities at fair value through profit or loss (notes 4(3) and (20) and 5)	14,863,355	19,801,306	(25)
Notes and accounts payables (notes 5 and 7)	4,893,190	6,463,551	(24)
Accounts payables – related parties (notes 4(17) and 5)	4,284,892	2,279,611	88
Deposits and remittances (notes 4(12) and (20) and 5)	596,151,692	590,618,528	1
Financial debentures (note 4(13) and (20) and 5)	47,512,170	19,224,205	147
Other financial liabilities (note 4(20))	10,188,173	11,460,148	(11)
Other liabilities (notes 4(16) and 5 and 7)	2,144,274	3,168,022	(32)
Total liabilities	698,428,135	663,662,730	5
Stockholders' Equity (notes 4(7), (16) and (19)):			
Common stock, par value \$10, authorized 3,000,000 thousand shares and issued 2,910,572 thousand shares.	29,105,720	29,105,720	-
Capital surplus	5,786,031	5,786,031	-
Retained earnings:			
Legal reserve	876,897	-	-
Special reserve	136,034	-	-
Accumulated earnings	8,373,320	2,922,991	186
	9,386,251	2,922,991	221
Other adjustments to stockholders' equity:			
Unrealized revaluation increments on property and equipment	239,413	363,949	(34)
Unrealized gain on available-for-sale financial assets	772,342	373,167	107
Unrealized gain on cash flow hedge	190,367	66,283	187
Net loss on unrecognized pension cost	(244,086)	(328,353)	26
	958,036	475,046	102
Total stockholders' equity	45,236,038	38,289,788	18
Commitments and contingent liabilities (notes 4(11), and (20), 6 and 7)			
Total Liabilities and Stockholders' Equity	\$ 743,664,173	701,952,518	6
Total Assets	\$ 743,664,173	701,952,518	

Standard Chartered Bank (Taiwan) Limited

Statements of Income

For the years ended December 31, 2011 and 2010

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

	2011	2010	Change %	
Interest income (notes 4(3) and (14) and 5)	\$ 13,906,960	11,938,256	16	
Less: Interest expenses (note 5)	4,723,475	3,026,837	56	
Net interest income	9,183,485	8,911,419	3	
Other operating income:				
Fees and commission income, net (note 7)	3,976,302	5,230,746	(24)	
Gain on financial instruments at fair value through profit or loss (notes 4(3), (20) and 5)	976,623	1,918,992	(49)	
Realized gain on available-for-sale financial assets (note 4(7))	22,749	51,864	(56)	
Investment income from interest in associates under equity method (note 4(8))	209,288	86,619	142	
Foreign exchange gain (loss), net	827,676	(170,243)	586	
Impairment loss on assets, net (notes 4(7) and (8))	(169,782)	(103,520)	(64)	
Gain on sale of non-performing loans (note 11)	914,171	745,691	23	
Net gain on disposal of property (notes 5 and 11)	1,065,367	56,688	1,779	
Other non-interest income for sundries, net (notes 4(8), (11) and (15)and 5)	137,638	222,760	(38)	
Operating income	17,143,517	16,951,016	1	
Bad debt expenses (notes 4(5) and (6) and 5)	(3,154,511)	1,453,276	(317)	
Operating expenses:				
Staff costs (notes 4(16) and (17), 5 and 10(1))	5,647,077	5,983,753	(6)	
Depreciation and amortization expenses (notes 4(9) and (10) and 10(1))	577,498	614,361	(6)	
General and administrative expenses (notes 5 and 7)	4,297,338	4,378,406	(2)	
	10,521,913	10,976,520	(4)	
Profit from continuing operations before income tax	9,776,115	4,521,220	116	
Income tax expense (note 4(18))	1,403,000	1,598,229	(12)	
Net income	<u>\$ 8,373,115</u>	<u>2,922,991</u>	186	
	Before tax	After tax	Before tax	After tax
Basic earnings per share (note 4(19))	<u>\$ 3.36</u>	<u>2.88</u>	<u>1.55</u>	<u>1.00</u>

Standard Chartered Bank (Taiwan) Limited
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	Retained earnings				Other adjustments					
	Common stock	Capital surplus	Legal reserve	Special reserve	Accumulated earnings (deficits)	Unrealized revaluation increments on property and equipment	Unrealized gain on available-for-sale financial assets	Unrealized gain on cash flow hedge	Net loss on unrecognized pension cost	Total
Balance as of January 1, 2010	\$ 29,105,720	10,430,441	5,374	-	(4,649,784)	381,303	28,128	3,253	(295,390)	35,009,045
Capital surplus for offsetting against accumulated deficits (note 4(19))	-	(4,644,410)	-	-	4,644,410	-	-	-	-	-
Legal reserve for offsetting against accumulated deficits (note 4(19))	-	-	(5,374)	-	5,374	-	-	-	-	-
Net gain for the year ended December 31, 2010	-	-	-	-	2,922,991	-	-	-	-	2,922,991
Movement of unrealized revaluation increments on property and equipment	-	-	-	-	-	(17,354)	-	-	-	(17,354)
Movement of unrealized gain on available-for-sale financial assets (note 4(7))	-	-	-	-	-	-	345,039	-	-	345,039
Movement of unrealized gain on cash flow hedge (note 4(20))	-	-	-	-	-	-	-	63,030	-	63,030
Net loss on unrecognized pension cost	-	-	-	-	-	-	-	-	(32,963)	(32,963)
Balance as of December 31, 2010	29,105,720	5,786,031	-	-	2,922,991	363,949	373,167	66,283	(328,353)	38,289,788
Net gain for the year ended December 31, 2011	-	-	-	-	8,373,115	-	-	-	-	8,373,115
Appropriation of retained earnings (note):	-	-	876,897	-	(876,897)	-	-	-	-	-
Legal reserve (note 4(19))	-	-	-	-	(2,045,889)	-	-	-	-	(2,045,889)
Cash dividends (note 4(19))	-	-	-	-	-	-	-	-	-	-
Transfer of general provision for special reserve	-	-	-	136,034	-	-	-	-	-	136,034
Movement of unrealized revaluation increments on property and equipment	-	-	-	-	-	(124,536)	-	-	-	(124,536)
Movement of unrealized gain on available-for-sale financial assets (note 4(7))	-	-	-	-	-	-	399,175	-	-	399,175
Movement of unrealized gain on cash flow hedge (note 4(20))	-	-	-	-	-	-	-	124,084	-	124,084
Net loss on unrecognized pension cost	-	-	-	-	-	-	-	-	84,267	84,267
Balance as of December 31, 2011	\$ 29,105,720	5,786,031	876,897	136,034	8,373,320	239,413	772,342	190,367	(244,086)	45,236,038
(Note: The employee bonus was recognized as operating expenses — staff costs in statement of income, not as earning distribution.)										

Note: The employee bonus was recognized as operating expenses – staff costs in statement income, not as earning distribution.

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the six months periods ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from operating activities:		
Net income	\$ 8,373,115	2,922,991
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expenses	497,062	524,595
Amortization expenses	80,436	89,766
Bad debt expense- accounts receivables, loans and advances to customers, and guarantee	(3,154,511)	1,453,276
Reserves	636	11,386
Investment income from interest in associates under equity method	(209,288)	(86,619)
Cash dividends from interest in associates under equity method	6,401	298,210
Investment income from financial assets carried at cost	(12,421)	(1,271)
Net impairment loss	169,782	103,520
Gain on disposal of non-performing loans	(914,171)	(745,691)
Gain on asset related transactions	(1,065,367)	(56,688)
Derecognition of fixed assets to be expenses	-	367
Realized deferred revenue	(26,881)	(123,122)
Decrease in unrealized gain on inter-affiliate transactions	-	(45)
Net increase (decrease) in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(12,461,721)	108,908
Increase in bills and bonds investments under resale agreements	(8,456,414)	-
Increase in accounts receivables	(7,485,818)	(124,376)
Decrease in deferred income tax expense	1,310,163	1,168,520
Decrease(increase) in other financial assets	201,528	(111,205)
(Increase) decrease in other assets	(213,093)	274,809
Decrease in financial liabilities at fair value through profit or loss	(4,937,951)	(160,004)
(Decrease) increase in accounts payables	(1,570,361)	307,185
Increase (decrease) in accounts payables — related parties	2,005,281	(550,413)
(Decrease) increase in other financial liabilities	(1,250,798)	220,760
(Decrease) increase in other liabilities	(775,419)	155,849
Net cash (used in) provided by operating activities	(29,889,810)	5,680,708
Cash flows from investing activities:		
Decrease in balance at Central Bank and loans and advances to banks	25,253,717	14,103,082
Decrease (increase) in loans and advances to customers	1,249,462	(32,919,598)
Proceeds from disposal of non-performing loans	1,248,847	1,228,381
Increase in available-for-sale financial assets	(34,770,350)	(69,710,385)
Proceeds from disposal of investment in associates under equity method	-	80,219
Proceeds from the capital reduction on financial assets carried at cost	12,421	39,336
Acquisition of property, equipment and intangible assets	(70,093)	(370,321)
Proceeds from disposal of property, equipment and other assets	1,826,590	1,186,990
Net cash used in investing activities	(5,249,406)	(86,362,296)
Cash flows from financing activities:		
Increase (decrease) in deposits by Central Bank and other banks	7,743,030	(38,708,237)
Increase in deposits and remittances	5,445,206	131,554,007
Increase (decrease) in financial debentures	27,962,743	(10,469,480)
Distribute Cash dividends	(2,045,889)	-
Net cash provided by financing activities	39,105,090	82,376,290
Net increase in cash and cash equivalents	3,965,874	1,694,702
Cash and cash equivalents at beginning of period	7,503,661	5,808,959
Cash and cash equivalents at end of period	\$ 11,469,535	7,503,661
Supplemental disclosure of cash flow information:		
Cash payments of interest, except capital interest	\$ 4,374,699	2,945,644
Cash payments of income tax	\$ 170,577	132,453
Investing and financing activities not affecting cash flows:		
Unrealized gain on available-for-sale financial assets	\$ 399,175	345,039

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

December 31, 2011 and 2010

(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 ("ROC"), 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 businesses.

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 July 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.

During 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. After completion of the acquisition of shares, Hsinchu International Bank Co., Ltd. immediately 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.; subsequently, 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 December 31, 2011 and 2010, the numbers of employees employed by the Bank were 3,853 and 4,015, respectively.

(2) Summary of Significant Accounting Policies

The financial statements are presented in the local currency and in Chinese. These financial statements have been translated into English. The translated information is consistent with the Chinese version financial statements from which it is derived. If there is any conflict between, or any difference in the interpretation of, the English and Chinese financial statements, the Chinese version shall prevail.

The financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Public 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 judgment in the process of applying the Bank's accounting policies. Actual realized results could differ from these assumptions and 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 the 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 are denominated in original foreign currencies and translated into New Taiwan dollars at the 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 deposit from banks are considered as cash and cash equivalents by the Bank.

4) Reserves for deposits

Reserves against deposits placed with the Central Bank of the Republic of China ("CBC") are calculated based on the monthly average balance of the various deposit accounts, using specific reserve ratios promulgated by the CBC. There is no interest offered on the reserve against deposits—checking and foreign currency accounts, 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 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 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 is estimated by using the best information available in the circumstances or an appropriate 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 of SFAS No. 34, 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.

In accordance with the second amendment of SFAS No. 34 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 fair value on the date of reclassification, which will become the new cost or amortized cost, as applicable, if the Bank 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 and loss upon initial recognition which do not meet the preceding criterion may be reclassified out of the fair value through profit and 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 expected 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 and receivables.

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

Available-for-sale financial assets are subsequently carried at fair value. The best evidence of fair value is quoted prices in an active market. If a quoted market price is not available, fair value is estimated using the best information available in the circumstances or an appropriate valuation technique. 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. 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. Stock dividends are not recognized as income but treated as an increase in the number of shares held.

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

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 in the 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 is estimated by using the best information available in the circumstances or an appropriate valuation technique. Estimation of fair value is usually based on recent trading prices of such financial instruments with similar asset class and credit quality, supplemented by related valuation techniques.

An embedded derivative that is attached to a financial instrument but contractually transferable independently from the attached instrument while all of the criteria per SFAS No. 34, for bifurcation are met is separated from the host contract and accounted for as a derivative. If an embedded derivative is separated, the host contract is 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. They are both recorded as other non-interest income, net.

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 offset the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Changes in the fair value of hedging instrument designated as a cash flow hedge relating to the hedged risk is recognized directly in other adjustments to stockholders' equity. If a hedge of a forecasted transaction subsequently results in the recognition of an asset or a liability, then the amount recognized in other adjustments to stockholders' equity is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For hedges other than those covered by the preceding statement, the associated cumulative gain or loss is released from other adjustment to stockholders' equity and recognized in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

9) Repurchase and reverse sell agreements

Financial instruments sold (purchased) under repurchase or reverse sell 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) Loans and allowance for doubtful accounts

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

The term of credit is decided by the length of credit maturity. Credit maturing in less than a year is called short-term credit; credit maturing more than one year but less than seven years is called medium-term credit; and credit maturing 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 Financial Supervisory Commission ("FSC") 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 non-performing loans, overdue receivables, and interest receivable) and of advance accounts. Any non-performing loans or non-accrual loans, after subtracting the estimated recoverable portion, having 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.
- e) Other non-performing loans or non-accrual loans for which it has been ascertained that the efforts of collection have failed.

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 shall be reversed from the allowance for bad debt expense.

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.

The third amendment of SFAS No. 34 was effective January 1, 2011; the carrying value of loans and receivables within applicable scope as of December 31, 2010 should be measured at amortized cost in which SFAS No. 34 was initially applied. Under the definition of loans and receivables in SFAS No. 34, the objective evidence should be identified first to reveal impairment existing for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence of impairment exists for an individually assessed financial asset, it should be further included in a set of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment are not required to collectively assess because impairment is or continued to be recognized.

If there is an objective evidence that an impairment loss on financial assets has been incurred, the amount of the loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate; the amount of the loss should be recognized as bad debt expenses in profit or loss in the current period. When determining the amount of the loss, the estimation of future cash flows includes the recoverable amount of collateral and related insurance, and those cannot be less than the one set by the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans.

11) Investment in associates under equity method

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

Unrealized profits or 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 or losses shall be spread over the useful lives of such assets; otherwise, the recognition shall be in the year when profits or losses are realized.

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

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.

12) Other financial assets

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 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. If there is objective evidence of impairment, the impairment loss should be recognized. Such impairment losses are not allowed to be reversed.

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 out of profits prior to the acquisition of the investment. Stock dividends are not recognized as income but treated as increases in the number of shares held.

13) Property and equipment, and related depreciation

Property and equipment are measured at cost on acquisition. Subsequently, property and equipment is measured at cost plus any revaluation increments. Interest expense incurred directly attributable to bringing an asset to the condition necessary for it to be capable of operating should be capitalized. Major additions, improvements, and renewals are treated as capital expenditure and capitalized, while maintenance and repair costs are expensed when incurred.

The Bank evaluates the estimated useful lives, depreciation method, and residual value at the end of each period. Changes in the estimated useful lives, depreciation method, and residual value are accounted for as changes in accounting estimates and recognized in current profit or loss.

Except for land, depreciation of property and equipment is calculated using the straight-line method over its estimated useful life. 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

14) 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.

15) 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 are measured at the lower of the net realizable value or recoverable amount.

16) 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.

17) 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.

The Bank assesses the goodwill and intangible assets that has indefinite lives or is not yet available for use on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

18) 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.

19) 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 thousand, allocation may cease.

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

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

Effective from January 11, 2011, the Financial Supervisory Commission ("FSC") revoked the rules regarding provision for trading losses reserve, default losses reserve and related deferred tax item for securities firms contained in the RGSF according to FSC Jin-Kuan-Cheng-Chuan No. 09900738571. As of December 31, 2010, the amount of trading losses reserve and default losses reserve which securities firms and future commission merchants had made provision for should be reclassified as special reserve. The special reserve can only be used to offset a deficit or when special reserve reaches 50% of total paid-in capital, of which 50% can be capitalized.

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".

20) Pension

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

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

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

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

21) Share-based compensation

The Standard Chartered PLC 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 are 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.

22) 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-052 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.

23) Revenue recognition

Interest income and expense on available-for-sale assets, financial assets or liabilities held at amortized cost and financial assets and liabilities held at fair value through profit or loss excluding derivatives is recognized in the income statement using the effective interest rate method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized at the original effective interest rate of the financial asset applied to the impaired carrying amount.

Fees and commissions are generally recognized on an accrual basis when the service has been provided or significant act performed.

24) 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.

In accordance with 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 thousand, and then multiplied by the tax rate (10%) 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.

25) Earnings per share of common stock

Earnings per share ("EPS") are computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted-average number of issued common shares outstanding during the period. If the number of common shares or potential common shares outstanding increases as a 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 retrospectively. If these changes occur after the balance sheet date but before the issuance date of the financial statements, such EPS calculations are also adjusted retrospectively. 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.

26) Operating segment

The Bank disclosed operating segment information in the consolidated financial statement; therefore, it did not disclose the information in the separate individual financial statement.

(3) Changes in Accounting Principle

Effective January 1, 2011, the Bank has newly adopted the third amended SFAS No. 34 "Accounting for the Financial Instruments: Recognition and Measurement." In accordance with the revised SFAS No.34, initial loans and receivables are applied to the statement of recognition, subsequent evaluation and impairments to loans and receivables. In addition, trouble debt restructuring and modification of debt agreements are also accounted for in accordance with revised SFAS No.34 commencing from January 1, 2011. The adoption of this accounting standard didn't have any significantly impact.

Effective January 1, 2011, the Bank has adopted the newly issued SFAS No.41, "Operating Segments." In accordance with SFAS No.41, information is disclosed to enable users of the Bank's financial statements to evaluate the nature and financial effects of the business activities in which the Bank engages, and the economic environment in which it operates. Accordingly, the Bank determines and presents operating segments based on the information that is internally provided to the major operating decision maker. In addition, the Bank disclosed operating segment information in the consolidated financial statement; therefore, it did not disclose the information in the individual financial statement. This new accounting standard superseded SFAS No. 20 "Segment Reporting." The adoption of this accounting standard did not have any cumulative effect for the year ended December 31, 2011.

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

As of December 31, 2011 and 2010, cash and cash equivalents were as follows:

	December 31, 2011	December 31, 2010
Cash on hand	\$ 5,728,508	4,981,364
Deposits with other banks	767,217	379,579
Deposits with affiliates	4,973,810	2,142,718
	<u>\$ 11,469,535</u>	<u>7,503,661</u>

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

As of December 31, 2011 and 2010, the balances at the Central Bank and loans and advances to banks were as follows:

	December 31, 2011	December 31, 2010
Balances at Central Bank:		
Reserve for deposits—checking account	\$ 11,090,163	12,620,522
Reserve for deposits—demand account	18,439,964	15,020,523
Reserve for deposits—foreign currency	160,429	112,353
Reserve for deposits—settlement accounts	704,826	688,879
	<u>30,395,382</u>	<u>28,442,277</u>
Loans and advances to other banks	10,502,914	30,736,162
Loans and advances to affiliates	33,500,245	40,473,819
	<u>44,003,159</u>	<u>71,209,981</u>
	<u>\$ 74,398,541</u>	<u>99,652,258</u>

Pursuant to the Banking Law, the "reserves for deposits" and "interbank settlement accounts" are calculated at prescribed rates on a monthly basis on the average balances of various deposit accounts and deposited with the Central Bank.

No interest is accrued on the checking accounts and the foreign currency accounts. Balances can be withdrawn on demand. Demand accounts accrue interests, other than the monthly adjustments to the account, no withdrawal is allowed.

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

As of December 31, 2011 and 2010, financial assets and liabilities at fair value through profit and loss were as follows:

	December 31, 2011	December 31, 2010
Trading financial assets:		
Debt instruments	\$ 25,458,794	8,384,584
Derivatives	15,408,897	20,021,386
	<u>\$ 40,867,691</u>	<u>28,405,970</u>
Trading financial liabilities:		
Debt instruments	\$ -	99,468
Derivatives	14,863,355	19,701,838
	<u>\$ 14,863,355</u>	<u>19,801,306</u>

For the years ended December 31, 2011 and 2010, net gain on financial assets and liabilities at fair value through profit or loss recognized by the Bank were as follows:

	December 31, 2011	December 31, 2010
Net gain on both valuation and disposal of trading financial assets and liabilities:		
Debt instruments	\$ 52,919	137,343
Derivatives	923,704	1,781,649
	<u>\$ 976,623</u>	<u>1,918,992</u>
Interest income	<u>\$ 128,263</u>	<u>68,562</u>

4) Bills and bonds investments under reverse sell agreements

As of December 31, 2011 and 2010, the book value of bills and bonds investments under reverse sell agreements were as follows:

	December 31, 2011	December 31, 2010
Bills and bonds investments under reverse sell agreements	<u>\$ 8,456,414</u>	<u>-</u>

As of December 31, 2011, the settlement date for bills and bonds investments under reverse sell agreements was January 6, 2012; interest rates of the aforementioned reverse sell agreements ranged from 0.73% to 0.76%. The contracted prices for the aforementioned reverse sell agreements were \$8,457,410 thousand.

5) Accounts receivables, net

As of December 31, 2011 and 2010, details of accounts receivables were as follows:

	December 31, 2011	December 31, 2010
Accounts receivables	\$ 432,549	939,643
Acceptance receivables	613,647	423,679
Factoring loan receivable, without recourse	25,387,750	16,858,972
Interest receivables	1,634,132	1,485,900
Credit card receivables	5,772,545	6,261,378
Compensation receivable	-	5,831,152
Tax refund receivables	224,890	211,256
Accounts receivables — related parties	357,035	269,433
Others	489,049	501,360
	<u>34,911,597</u>	<u>32,782,773</u>
Less: allowance for doubtful accounts — accounts receivables	469,075	648,642
allowance for doubtful accounts — compensation receivable	-	5,177,427
Total	<u>\$ 34,442,522</u>	<u>26,956,704</u>

6) Loans and advances to customers

As of December 31, 2011 and 2010, details of loans and advances to customers were as follows:

	December 31, 2011	December 31, 2010
Negotiations and discounts	\$ 4,094,073	3,646,019
Short-term unsecured loans and overdrafts	32,721,346	21,819,523
Short-term secured loans	6,722,615	13,090,861
Medium-term unsecured loans	62,843,278	56,462,317
Medium-term secured loans	3,623,958	5,355,496
Long-term unsecured loans	6,687,553	6,922,590
Long-term secured loans	233,075,672	239,351,734
Non-accrual loans	<u>530,267</u>	<u>1,550,130</u>
Subtotal	350,298,762	348,198,670
Adjustments loan for discount/premium	85,739	-
Less: allowance for doubtful accounts	<u>4,233,498</u>	<u>3,697,995</u>
Total	<u>\$ 346,151,003</u>	<u>344,500,675</u>

As of December 31, 2011 and 2010, the Bank's long-term loan with floating rate mentioned above has adopted cash flow hedge in order to reduce the impact of cash flow that was affected by interest-rate fluctuation.

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

For the years ended December 31, 2011 and 2010, the movements of allowance for doubtful accounts were as follows:

	December 31, 2011		
	Specific provision	General provision	Total
Beginning balance	\$ 6,353,546	3,170,518	9,524,064
Add: reversal of provision for doubtful accounts	(3,088,066)	(146,400)	(3,234,466)
recovery from written-off loans	1,306,095	-	1,306,095
Less: write-off	2,500,391	-	2,500,391
exchange rate movements and others	192,685	202,751	395,436
Transfer from contingent	2,707	-	2,707
Transfers	<u>457,482</u>	<u>(457,482)</u>	<u>-</u>
Ending balance	<u>\$ 2,338,688</u>	<u>2,363,885</u>	<u>4,702,573</u>

	December 31, 2010		
	Specific provision	General provision	Total
Beginning balance	\$ 7,101,184	703,962	7,805,146
Add: provision for doubtful accounts	76,559	1,376,262	1,452,821
recovery from written-off loans	1,703,764	-	1,703,764
exchange rate movements and others	-	1,090,294	1,090,294
Less: write-off	2,250,594	-	2,250,594
adjustment for exchange rate difference and others	277,367	-	277,367
Ending balance	<u>\$ 6,353,546</u>	<u>3,170,518</u>	<u>9,524,064</u>

Loans and advances and account receivables should be included in the total amounts of assessment of impairment to be determined its allowance for credit losses, which were as follows:

Items		Loans and advances and account receivables	Provision
With the objective evidence of impairment	Individual assessment of impairment	\$ 13,243,638	2,338,688
Without the objective evidence of impairment	Portfolio assessment of impairment	371,966,721	2,363,885
		<u>\$ 385,210,359</u>	<u>4,702,573</u>

As of December 31, 2011, the allowance for doubtful accounts was \$4,702,573 thousand. This amount consisted of loans and advances to customers of \$4,233,498 thousand and accounts receivables of \$469,075 thousand. As of December 31, 2010, the allowance for doubtful accounts was \$9,524,064 thousand. This amount consisted of loans and advances to customers of \$3,697,995 thousand and accounts receivables (including compensation receivable) of \$5,826,069 thousand.

For the year ended December 31, 2011, the gain on the reversal of bad debt expense was \$3,154,511 thousand. This amount consists of bad debt expense for accounts receivables, loans and reversal of advances to customers of \$3,234,466 thousand and provision for guarantee amounting to \$79,955 thousand. For the year ended December 31, 2010, the Bank's bad debt expense was \$1,453,276 thousand. This amount consisted of bad debt expense for accounts receivables and loans and advances to customers of \$1,452,821 thousand, and provision for guarantee amounting to \$455 thousand.

For the year ended December 31, 2011, the Bank made an additional provision of allowance for doubtful account for mortgage loan and home renovation to up to 0.6%, amounted \$858,478 thousand, in accordance with the rule set by FSC Jin-Kuan-Yin-Guo No. 10020003841 on June 27, 2011.

As of December 31, 2011 and 2010, the amounts of outstanding loans with interest charges suspended amounted to \$530,267 thousand and \$1,550,130 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$2,203 thousand and \$57,156 thousand, respectively.

As of December 31, 2011 and 2010, the amounts of loans and advances to customers, which were classified by geographical region were as follows:

	December 31, 2011	December 31, 2010
Domestic	\$ 326,336,975	335,290,992
Overseas	23,961,787	12,907,678
Total	<u>\$ 350,298,762</u>	<u>348,198,670</u>

As of December 31, 2011 and 2010, information regarding asset quality of loans and advances to customers was as follows:

Period			December 31, 2011				
			Non-performing loan	Loan balances	Overdue ratio	Allowance for bad debts	Coverage rate
Product	Wholesale Banking		113,017	24,030,880	0.47 %	389,248	344.42 %
	Unsecured		76,784	47,986,593	0.16 %	898,533	1,170.21 %
Consumer Banking	Mortgage		995,509	218,760,987	0.46 %	1,216,694	122.22 %
	Personal loan		359,158	56,415,663	0.64 %	1,725,771	480.50 %
	Others	Secured	-	847,704	- %	-	- %
		Unsecured	-	2,256,935	- %	3,252	- %
Total			1,544,468	350,298,762	0.44 %	4,233,498	274.11 %
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage rate
Credit card			19,375	5,772,545	0.34 %	464,752	2,398.72 %
Factoring loan receivable without recourse			-	25,387,750	- %	-	- %

Period			December 31, 2010				
			Non-performing loan	Loan balances	Overdue ratio	Allowance for bad debts	Coverage rate
Product	Wholesale Banking		528,461	29,433,019	1.80 %	657,088	124.34 %
	Unsecured		465,694	38,375,145	1.21 %	981,559	210.77 %
Consumer Banking	Mortgage		1,126,520	226,152,615	0.50 %	419,149	37.21 %
	Personal loan		282,803	50,980,776	0.55 %	1,640,199	579.98 %
	Others	Secured	-	3,249,880	- %	-	- %
		Unsecured	-	7,235	- %	-	- %
Total			2,403,478	348,198,670	0.69 %	3,697,995	153.86 %
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage rate
Credit card			21,520	6,261,378	0.34 %	641,341	2,980.21 %
Factoring loan receivable without recourse			-	16,858,972	- %	-	- %

As of December 31, 2011 and 2010, the information of loans and accounts receivables which need not be reported as non-performing loans or as overdue accounts receivables were as follows:

	December 31, 2011		December 31, 2010	
	Loans not required to be reported as non-performing loans	Accounts receivables not required to be reported as overdue accounts receivables	Loans not required to be reported as non-performing loans	Accounts receivables not required to be reported as overdue accounts receivables
The amount not required to be reported as debts under Inter-bank Debt Relief Program without default by debtors	\$ 27,145	99,544	35,479	135,325
The amount not required to be reported as debts under debt discharge program and rehabilitation program without default by debtors	429,271	-	434,143	-
	<u>\$ 456,416</u>	<u>99,544</u>	<u>469,622</u>	<u>135,325</u>

7) Available-for-sale financial assets

As of December 31, 2011 and 2010, available-for-sale financial assets were as follows:

	December 31, 2011	December 31, 2010
Debt instruments:		
Treasury bills	\$ 11,360,269	14,859,307
Government bonds	15,135,188	15,942,101
Negotiable certificates of deposits	178,915,781	136,278,708
Financial debentures	5,092,553	5,599,489
Corporate bonds	917,053	856,927
Subtotal	211,420,844	173,536,532
Beneficiary certificates	1,752,582	4,802,085
Equity instruments	83,595	-
Total	<u>\$ 213,257,021</u>	<u>178,338,617</u>
Mark-to-market adjustments for hedged assets included in the above balance	<u>\$ 26,641</u>	<u>47,818</u>

The above hedging activities were accounted for as fair value hedge.

For the years ended December 31, 2011 and 2010, the movements of unrealized gain on available-for-sale financial assets were as follows:

	December 31, 2011	December 31, 2010
Beginning balance	\$ 373,167	28,128
Add: unrealized gain recognized during the period	421,924	396,903
Less: realized gain recognized during the period	22,749	51,864
Ending balance	<u>\$ 772,342</u>	<u>373,167</u>

In December 2005, the carrying value of \$12,005,275 thousand 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 thousand and \$1,800,791 thousand, 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 thousand 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 thousand and \$2,911,551 thousand, respectively, at face amount. The duration period of the second beneficiary certificates is from September 2006 to the trust distribution date in January 2028.

At the first and second issuance of the beneficiary certificates, the Bank held the subordinated Seller Certificates of \$1,800,791 thousand and \$2,911,551 thousand, 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.

The bank evaluated the Seller Certificates on hand in accordance with the securitization agreement regarding the redemption of these certificates. Indication of impairment exists and on December 19, 2011, the second issuance of beneficiary certificates was completely redeemed. The Bank recognized \$168,762 thousand impairment loss for the year ended December 31, 2011.

A. As of December 31, 2011 and 2010, key assumptions used in measuring retained interests were as follows:

	December 31, 2011	
	First Issuance	Second Issuance
Prepayment rate (annualized rate)— assumption 1	30.00 %	- %
Weighted-average life	0.73 years	- years
Expected credit losses rate (annualized rate)— assumption 2	1.50 %	- %
Discounted rate for residual cash flows	2.60 %	- %
December 31, 2010		
	First Issuance	Second Issuance
Prepayment rate (annualized rate)— assumption 1	30.00 %	20.00 %
Weighted-average life	0.24 years	0.47 years
Expected credit losses rate (annualized rate)— assumption 2	1.50 %	2.00 %
Discounted rate for residual cash flows	2.60 %	2.60 %

B. Sensitivity analysis

As of December 31, 2011 and 2010, if the key economic assumptions as below were adversely changed by 10%, the sensitivity of the current fair value of residual cash flows would be as follows:

	December 31, 2011	
	First Issuance	Second Issuance
Carrying amount of retained interest	\$ 1,742,076	-
Assumption 1 – impact on fair value of 10% adverse change	(176)	-
Assumption 2 – impact on fair value of 10% adverse change	(175)	-

	December 31, 2010	
	First Issuance	Second Issuance
Carrying amount of retained interest	\$ 1,731,090	2,718,454
Assumption 1 – impact on fair value of 10% adverse change	(35)	(7,095)
Assumption 2 – impact on fair value of 10% adverse change	(110)	(7,383)

C. As of December 31, 2011 and 2010, there was no actual credit loss on 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 years ended December 31, 2011 and 2010, were summarized as follows:

	December 31, 2011	
	First Issuance	Second Issuance
Other cash flows received on retained interests	\$ 36,696	50,524
Service fee received	5,000	5,632
Cash received for prepayment of services	33	197
Prepayment of services	(29)	(140)

	December 31, 2010	
	First Issuance	Second Issuance
Other cash flows received on retained interests	\$ 43,976	67,889
Service fee received	5,000	5,000
Cash received for prepayment of services	245	442
Prepayment of services	(184)	(442)

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

	December 31, 2011			December 31, 2010		
	Percentage of ownership	Investment cost	Book value	Percentage of ownership	Investment cost	Book value
Equity method:						
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	\$ 21	258,244	100.00	21	65,175
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	21,335	100.00	368	11,517
		<u>\$ 389</u>	<u>279,579</u>		<u>389</u>	<u>76,692</u>
Financial assets carried at cost:						
Fuji Enterprise Management Consulting Co., Ltd	0.99	\$ -	-	0.99	-	-
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.	3.18	6,673	6,673	3.18	6,673	6,673
TSC Bio Venture Management, Inc.	5.00	20,250	20,250	5.00	20,250	20,250
Liyu Venture Investment, Inc.	4.76	10,080	10,080	4.76	10,080	10,080
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	1.42	849	849
Taiwanpay Corporation	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 Financial Holdings	-	-	-	5.24	94,546	94,546
Subtotal		<u>362,597</u>	<u>362,597</u>		<u>457,143</u>	<u>457,143</u>
Less: accumulated impairment		<u>-</u>	<u>204,595</u>		<u>-</u>	<u>218,044</u>
		<u>\$ 362,597</u>	<u>158,002</u>		<u>457,143</u>	<u>239,099</u>

For the years ended December 31, 2011 and 2010, the Bank recognized investment income from investment in associates under the equity method of \$209,288 thousand and \$6,400 thousand, respectively. For the years ended December 31, 2011 and 2010, the cash dividends from associates under the equity method were \$6,401 thousand and \$298,210 thousand, which reduced the book value of the investment.

On February 8, 2010, the FSC approved the disposal of the investment in Paradigm Assets Management Co., Ltd., classified as interest in associates under equity method. The original investment cost, net book value, and proceeds from disposal were \$95,747 thousand, \$0 thousand and \$80,219 thousand, respectively. The gain on disposal of the aforementioned investment was \$80,219 thousand, which was recognized as investment income from investment in associates under equity method.

For the years ended December 31, 2011 and 2010, the dividend revenue recognized from financial assets carried at cost were \$11,778 thousand and \$19,871 thousand, respectively, recorded as other non-interest income, net.

Due to corporate restructuring of Taiwan Cooperative Bills Finance Corporation on December 1, 2011. The 13,346 thousand shares held by the company were turned into 4,593 thousand shares in the company named Taiwan Cooperative Financial Holdings. The investment is classified as available-for-sale financial assets carried at cost.

The investment in Fuji Enterprise Management Consulting Co., Ltd is carried at cost. The company bought back shares on December 31, 2010 which resulted in a capital reduction of 99.75%, shares were bought back at \$10 per share amounting to \$39,336 thousand. After reducing the cost of investment by \$38,065 thousand, the remaining balance of \$1,271 thousand was recognised as investment income. The company increase its capital on April 30, 2011. An increase of 12700%. A further buyback took place on June 30, 2011 which resulted in a capital reduction of 98.44% shares were bought back at \$10 per share amounting to \$12,421 thousand. The balance of the cost of the investment is at \$0, the full amount is recognised as investment income from associates under non interest income for sundries.

As of 31 December 2011 and 2010, the Bank recognised impairment loss of \$1,020 thousand and \$15,075 thousand respectively under accumulated impairment.

9) Property and equipment

As of December 31, 2011 and 2010, details of property and equipment were as follows:

	December 31, 2011	December 31, 2010
Cost:		
Land	\$ 3,136,106	3,676,554
Buildings	2,939,399	3,431,991
Office equipment	755,261	829,915
Transportation equipment	-	3,210
Leasehold improvements	821,300	806,725
Other equipment	<u>1,491,822</u>	<u>1,639,574</u>
Subtotal	9,143,888	10,387,969
Less: accumulated depreciation	<u>3,066,998</u>	<u>3,151,683</u>
Subtotal	<u>6,076,890</u>	<u>7,236,286</u>
Work in progress	-	15,200
Prepayment for equipment	-	<u>1,627</u>
Total	<u><u>\$ 6,076,890</u></u>	<u><u>7,253,113</u></u>

For the year ended December 31, 2011 and 2010, movements of accumulated depreciation were as follows:

	December 31, 2011	December 31, 2010
Beginning balance	\$ 3,151,683	3,777,905
Add: depreciation	487,093	512,373
Less: disposal and obsolescence	548,608	1,135,474
reclassification	23,170	3,121
Ending balance	<u><u>\$ 3,066,998</u></u>	<u><u>3,151,683</u></u>

10) Intangible assets

	December 31, 2011	December 31, 2010
Goodwill	\$ 3,156,048	3,156,048
Deferred pension costs	85,257	119,795
Software	61,893	132,872
	<u><u>\$ 3,303,198</u></u>	<u><u>3,408,715</u></u>

For the years ended December 31, 2011 and 2010, the recognized amortization expenses from software were \$80,436 thousand and \$89,766 thousand, respectively, recognized as operating expenses—depreciation and amortization expenses.

11) Other assets

As of December 31, 2011 and 2010, details of other assets were as follows:

	December 31, 2011	December 31, 2010
Deferred income tax assets, net	\$ 2,190,547	3,590,142
Idle assets, net of accumulated impairment of \$96,525 thousand and \$138,273 thousand as of December 31, 2011 and 2010, respectively	368,929	501,589
Assets leased to others, accumulated impairment as of December 31, 2011 and 2010, respectively	321,824	354,168
Refundable deposits	527,012	601,772
Derivatives collateral	488,599	126,573
Others	177,837	236,066
	<u><u>\$ 4,074,748</u></u>	<u><u>5,410,310</u></u>

The Bank leased out its office buildings under operating leases with lease terms ranging from one to five years. As of December 31, 2011, future lease payments to be received were as follows:

Period	Amount
2012	\$ 18,955
2013	15,218
2014	10,296
2015	5,724
2016 and thereafter	4,181
	<u>\$ 54,374</u>

12) Deposits and remittances

As of December 31, 2011 and 2010, deposits and remittances were as follows:

	December 31, 2011	December 31, 2010
Checking deposits	\$ 5,182,659	3,475,229
Demand deposits	171,321,632	173,831,849
Time deposits	198,619,187	193,300,296
Savings deposits	126,998,272	132,797,277
Time savings deposits	93,898,964	86,933,516
Trust fund with designated purpose	59,822	191,252
Remittances	71,156	89,109
Total	<u>\$ 596,151,692</u>	<u>590,618,528</u>
Mark-to-market adjustments for the hedged liabilities included in the above balance	<u>\$ 90,609</u>	<u>2,651</u>

The above hedging activities were accounted for as fair value hedge.

13) Financial debentures

As of December 31, 2011 and 2010, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	December 31, 2011	December 31, 2010
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	\$ 1,000	1,200
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%	4,100	8,900
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%	5,900	9,400
98-1	10-year term, interest payable quarterly, annual interest rate for the first 5 years is 2.9% and 3.4% for the last 5 years; maturity date: October 28, 2019	10,000,000	10,000,000
98-2	No maturity date, interest payable quarterly, annual interest rate from issuance date to June 11, 2015, is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,540,436	4,554,814
98-3	No maturity date, interest payable quarterly, annual interest rate from issuance date to June 11, 2015, is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,540,436	4,554,814
100-1A	2-year term, interest payable quarterly, annual interest rate is 1.03%; maturity date: May 19, 2013	800,000	-
100-1B	3-year term, interest payable quarterly, annual interest rate is 1.17%; maturity date: May 19, 2014	100,000	-
100-1C	4-year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	650,000	-
100-1D	5-year term, interest payable quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000	-
100-1E	6-year term, interest payable quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	1,000,000	-
100-1F	7-year term, interest payable quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000	-
100-1G	2-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2013	3,700,000	-
100-1H	5-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2016	400,000	-
100-1I	7-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2018	4,000,000	-
100-2	5-year term, interest payable quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000	-
100-3A	2-year term, interest payable quarterly, annual interest rate is 1.04%; maturity date: June 23, 2013	950,000	-
100-3B	2-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: June 23, 2013	700,000	-

Bond	Conditions for issuance	December 31, 2011	December 31, 2010
100-3C	5-year term, interest payable quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	\$ 1,100,000	-
100-4A	3-year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: June 29, 2014	2,000,000	-
100-4B	2-year term, interest payable quarterly, TWD 90-day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2013	400,000	-
100-4C	3-year term, interest payable quarterly, TWD 90-day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2014	1,000,000	-
100-4D	10-year term, interest payable quarterly, TWD 90-day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021	2,000,000	-
		47,091,872	19,129,128
	Mark-to-market adjustment on hedged items	420,298	95,077
		\$ 47,512,170	19,224,205

The above hedging activities were accounted for as fair value hedge.

The board of directors approved the issuance of the 91-1A subordinated debentures at a total amount \$8,000,000 thousand 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 94-1 and 94-2 perpetual cumulative subordinated debentures without maturity dates at a total amount of \$10,000,000 thousand on October 26, 2004. The Financial Supervisory Commission (FSC) then approved the issuance on January 3, 2005, and the related subscription was completed on January 28, 2005. On June 30, 2009, the board of directors approved the repayment of the above subordinated debentures.

The board of directors approved the issuance of the 98-1 subordinated debentures of the year 2009 at a total amount of \$10,000,000 thousand on June 30, 2009. The FSC approved the issuance on September 15, 2009. These debentures began to be traded on the over-the-counter market on October 28, 2009.

The board of directors approved the issuance of the 98-2 and 98-3 cumulative subordinated debentures without maturity dates at a total amount of USD300,000 thousand on March 25, 2009. The FSC approved the issuance on September 15, 2009.

The board of directors approved the issuance of the 100-1, 100-2, 100-3 and 100-4 senior unsecured debentures at a total amount of \$28,000,000 thousand on December 15, 2010; the FSC subsequently approved this issuance on April 18, 2011. These senior unsecured debentures traded on the over-the-counter market on May 19, June 8, June 23 and June 29, 2011, respectively.

14) Interest income

For the years ended December 31, 2011 and 2010, details of interest income were as follows:

	December 31, 2011	December 31, 2010
Interbank transactions	\$ 335,690	592,172
Loans and advances to customers	10,473,714	8,489,486
Credit cards (revolving)	389,100	549,580
Financial assets at fair value through profit or loss	128,263	68,562
Available-for-sale financial assets	1,921,969	1,236,050
Others	658,224	1,002,406
Total	<u>\$ 13,906,960</u>	<u>11,938,256</u>

15) Other non-interest income, net

For the years ended December 31, 2011 and 2010, details of non-interest income (loss), net were as follows:

	December 31, 2011	December 31, 2010
Securities brokerage commissions	\$ 142,345	170,076
Rental income	21,251	26,980
Net loss on fair value hedge	(48,679)	(138,592)
Investment income from financial assets carried at cost	24,199	21,142
Other	(1,478)	143,154
Total	<u>\$ 137,638</u>	<u>222,760</u>

16) Pension

For the years ended December 31, 2011 and 2010, the related pension assets, costs, and accrued liabilities of the Bank were as follows:

	2011	2010
Fair value of pension assets at end of period	\$ 1,576,523	1,596,851
Pension cost:		
Defined benefit pension scheme	273,365	275,957
Defined contribution pension scheme	160,366	154,182
Accrued pension liabilities	733,450	746,576

The Bank monthly provided deposits in a pension account for the engaged employees in Bank of Taiwan (formerly the Central Trust of China) in 2011 and 2010. Furthermore, the Bank contributed an amount equal to 6% of the monthly gross salary payment in the Bureau of Labor Insurance in 2011 and 2010. The measurement dates of the actuarial reports were December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, the reconciliation of the funded status and accrued pension liabilities was as follows:

	2011	2010
Benefit obligation:		
Vested benefit obligation	\$ (1,720,978)	(1,674,975)
Non-vested benefit obligation	(588,995)	(668,452)
Accumulated benefit obligation	(2,309,973)	(2,343,427)
Additional benefits based on future compensation	(917,883)	(964,454)
Projected benefit obligation	(3,227,856)	(3,307,881)
Fair value of plan assets	1,576,523	1,596,851
Funded status	(1,651,333)	(1,711,030)
Unrecognized net transition obligation	80,321	111,771
Unrecognized prior service cost	4,936	8,024
Unrecognized pension loss	1,211,962	1,360,060
Additional minimum pension liabilities	(379,336)	(515,401)
Accrued pension liabilities	<u>\$ (733,450)</u>	<u>(746,576)</u>
Vested benefit	<u>\$ (1,941,142)</u>	<u>(1,938,589)</u>
	2011	2010
Service cost	\$ 160,770	167,486
Interest cost	44,827	45,450
Expected return on pension plan assets	(23,952)	(23,717)
Amortization	91,720	86,738
Net pension cost	<u>\$ 273,365</u>	<u>275,957</u>
	2011	2010
Discount rate	1.40 %	1.40 %
Rate of increase in future compensation	3.50 %	3.50 %
Rate of projected return on plan assets	1.50 %	1.50 %

For the years ended December 31, 2011 and 2010, payments for retirement and severance were \$150,426 thousand and \$134,891 thousand, respectively. For the years ended December 31, 2011 and 2010, net pension costs for employees rotated from foreign affiliate companies were \$8,496 thousand and \$6,408 thousand, respectively.

17) Share-based payments

Standard Chartered PLC Group (the "SC PLC Group") has established five main share-based payment schemes for its directors and employees. For the years ended December 31, 2011 and 2010, the 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 years or five years share-saving contract. Within six months after the vesting period of a three years or five years contracted term, employees are entitled to exercise their share options for 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 movements of the ISS were as follows:

	December 31, 2011	December 31, 2010
Beginning balance	580,649	715,514
Add: granted	215,079	138,463
Less: exercised	123,871	159,053
lapsed	95,515	114,275
Ending balance	576,342	580,649

For the years ended December 31, 2011 and 2010, the costs of the ISS charged to profits or losses were \$36,247 thousand and \$44,464 thousand, respectively, recorded as operating expenses – staff costs.

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

The fair value per option granted and the assumptions used in the calculation were as follows:

	2011	
	October 11	October 4
Grant date		
Share price at grant date	£ 14.11	£ 11.70
Exercise price	£ 10.65	£ 10.65
Vesting period (years)	3/5	3/5
Expected volatility (%)	53.80/45.80	53.30/45.50
Expected option life (years)	3.33/5.33	3.33/5.33
Risk free rate (%)	0.9/1.4	0.7/1.2
Expected dividends yield (%)	3.9/3.5	3.9/3.5
Fair value	£ 5.46/5.39	£ 3.87/3.87

	2010	
	October 9	October 5
Grant date		
Share price at grant date	£ 18.70	£ 18.48
Exercise price	£ 15.19	£ 15.19
Vesting period (years)	3/5	3/5
Expected volatility (%)	56/46	56/46
Expected option life (years)	3.33/5.33	3.33/5.33
Risk free rate (%)	0.9/0.6	0.9/0.6
Expected dividends yield (%)	3.5/3.4	3.5/3.4
Fair value	£ 7.2/7.0	£ 7.0/6.9

B. Restricted share award (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. On the second anniversary after the grant date of SC PLC Group, 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 on the third anniversary. The share-based awards can be exercised within seven years after the grant date. The value of share-based awards granted to certain employees in any year cannot exceed two times the base salary of those employees.

The option movements of the RSS were as follows:

	December 31, 2011	December 31, 2010
Beginning balance	248,673	141,749
Add: granted	48,049	140,642
Less: exercised	25,612	13,378
lapsed	16,462	20,340
Ending balance	254,648	248,673

For the years ended December 31, 2011 and 2010, the costs of the RSS charged to profits or losses were \$59,369 thousand and \$38,475 thousand, respectively, recorded as operating expenses — staff costs.

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.

	2011
	<u>March 10</u>
Grant date	
Share price at grant date	£ 16.82
Vesting period (years)	1/2/3
Expected dividends (yield) (%)	4.10
Fair value	£ 16.82/15.22

Shares to be granted under the old RSS scheme, will now be granted applying the rules set out under the new RSA plan, effective May 5, 2011.

2011

	<u>December 14</u>	<u>September 20</u>	<u>June 22</u>
Grant date			
Share price at grant date	£ 14.35	£ 13.52	£ 15.75
Vesting period (years)	2/3	2/3	2/3
Expected dividends yield (%)	2.90	2.90	4.10
Fair value	£ 13.36	£ 12.59	£ 14.25

2010

	<u>December 16</u>	<u>September 21</u>	<u>June 18</u>	<u>March 11</u>
Grant date				
Share price at grant date	£ 17.66	£ 19.12	£ 17.40	£ 17.40
Vesting period (years)	2/3	2/3	2/3	2/3
Expected dividends (yield) (%)	3.70	3.70	3.90	3.90
Fair value	£ 16.11	£ 17.46	£ 15.80	£ 15.80

C. Executive share option scheme

The Executive Share Option Scheme ("ESOS") is designed to improve the Bank's international competitiveness and reward senior management teams for delivering long-term performance. A vesting Earnings Per Share ("EPS") performance condition must be achieved before any exercise of 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 movements of the ESOS were as follows:

	December 31, 2011	December 31, 2010
Beginning balance	6,233	6,005
Add: granted	-	228
Beginning balance (Ending balance)	6,233	6,233

There were no costs of the ESOS charged to profit or loss recognized for the years ended December 31, 2011 and 2010.

The valuation of share options is performed using a binomial option-pricing model. There were no such share-based award granted for the years ended December 31, 2011 .

D. Performance share award (performance share plan)

The Performance Share Award ("PSA") and 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. Share options are exercisable between the third and tenth year after the grant date. The SC PLC Group has established policies allowing qualified employees, under certain limited circumstances, to exercise share options in advance.

The option movements of the PSA (PSP) were as follows:

	December 31, 2011	December 31, 2010
Beginning balance	105,055	113,439
Add: granted	-	3,995
Less: exercised	12,523	8,140
lapsed	14,924	4,239
Ending balance	77,608	105,055

For the years ended December 31, 2011 and 2010, the costs of the PSA (PSP) charged to profit or loss were \$9,023 thousand and \$10,558 thousand, respectively, recorded as operating expenses — staff costs.

Under the PSA (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.

Share to be granted under the old PSP scheme will be granted applying the rules set out under the new PSA plan, effective May 5, 2011.

2011

Grant date	December 14	September 20	June 22	May 6
Share price at grant date	£ 14.35	£ 13.52	£ 15.75	£ 16.31
Vesting period (years)	3	3	3	3
Expected dividends (yield) (%)	4.00	4.00	3.70	3.70
Fair value (EPS)	£ 4.26	£ 4.01	£ 4.70	£ 4.87
Fair value (TSR)	£ 1.67	£ 1.58	£ 1.85	£ 1.91

2010

Grant date	December 16		September 21		June 18		March 11	
Share price at grant date	£	17.66	£	19.12	£	17.40	£	17.40
Vesting period (years)		3		3		3		3
Expected dividends (yield) (%)		3.78		3.76		3.51		3.51
Fair value (EPS)	£	7.90	£	8.55	£	7.85	£	7.85
Fair value (TSR)	£	3.10	£	3.36	£	3.08	£	3.08

The expected dividend yield is based on the historical dividend yield over the last three years or the three years prior to grant. The EPS and Total Shareholders' Return ("TSR") that are calculated by using fair value are related to the performance indicator. The TSR fair value is derived by discounting 50 percent of the award which is subject to the TSR condition by the loss of expected dividends over the performance period, and the likelihood of meeting the TSR condition which is calculated by the area under the TSR vesting schedule curve.

E. Supplementary restricted share award (supplementary restricted share scheme)

The Supplementary Restricted Share Scheme ("SRSS") is designed as a retention and motivation tool for high performing and high potential employees, encouraging them to deliver long-term performance. On the second anniversary after the grant date, 50 percent of share-based awards are vested to the employees who are entitled to participate in the SRSS. The remaining balance is vested to the aforementioned employees on the third anniversary. As long as qualified participants remain employed by the SC PLC Group, the share-based awards can be exercised within seven years after the grant date.

The option movements of the SRSS were as follows:

	December 31, 2011	December 31, 2010
Beginning balance	42,165	13,157
Add: granted	-	30,977
Less: exercised	9,640	-
Less: lapsed	68	1,969
Ending balance	32,457	42,165

For the years ended December 31, 2011 and 2010, the costs of the SRSS charged to profits or losses were \$3,999 thousand and \$12,213 thousand, respectively, recorded as operating expenses — staff costs.

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.

	2011
Grant date	<u>March 10</u>
Share price at grant date	£ 16.82
Vesting period (years)	2/3
Expected dividends (yield) (%)	4.10
Fair value	£ 15.22

Shares to be granted under the old SRSS scheme will now be granted applying the rules set out under the new SRSA plan, effective May 5, 2011.

2011

	<u>December 14</u>	<u>September 20</u>	<u>June 22</u>
Grant date			
Share price at grant date	£ 14.35	£ 13.52	£ 15.75
Vesting period (years)	2/3	2/3	2/3
Expected dividends yield (%)	2.90	2.90	4.10
Fair value	£ 13.36	£ 12.59	£ 14.25

2010

	<u>December 16</u>	<u>September 21</u>	<u>June 18</u>	<u>March 11</u>
Grant date				
Share price at grant date	£ 17.66	£ 19.12	£ 17.40	£ 17.40
Vesting period (years)	2/3	2/3	2/3	2/3
Expected dividends (yield) (%)	3.70	3.70	3.90	2.70/3.90
Fair value	£ 16.11	£ 17.46	£ 15.80	£ 6.93/15.80

18) Income tax

Starting January 1, 2010, the enacted income tax rate has been reduced from 25% to 20% and then reduced to 17%, based on the newly amended Income Tax Act of May 27, 2009 and of June 15, 2010. The income tax rates adopted by the Bank for the years ended December 31, 2011 and 2010 were both 17%, and the Bank's basic statutory tax amount is based on the R.O.C. "Basic Income Tax Act". The income tax expense for the years ended December 31, 2011 and 2010 were as follows:

	December 31, 2011	December 31, 2010
Current income tax expense	\$ 1,811	350,234
Deferred income tax expense	1,310,163	1,168,520
Additional 10% surtax on undistributed earnings	20	-
Basic income tax	<u>91,006</u>	<u>79,475</u>
Income tax expense	<u><u>\$ 1,403,000</u></u>	<u><u>1,598,229</u></u>

The differences between the "expected" income tax at statutory income tax rates and the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2011 and 2010, were as follows:

	December 31, 2011	December 31, 2010
Income tax at statutory rate	\$ 1,661,940	768,607
Adjustment:		
Permanent difference	(345,174)	(238,536)
Prior-year income tax adjustments	1,811	336,875
Adjustment due to change in income tax rate	-	726,822
Additional 10% surtax on undistributed earnings	20	-
Basic income tax	91,006	79,475
Other adjustments for tax regulation	(6,603)	(75,014)
Income tax expense	<u><u>\$ 1,403,000</u></u>	<u><u>1,598,229</u></u>

For the years ended December 31, 2011 and 2010, the components of deferred income tax expense were as follows:

	December 31, 2011	December 31, 2010
Expenses from share-based payments	\$ (10,210)	(26,489)
Unrealized interest income from financial assets	36,492	35,309
Allowance for doubtful accounts	789,727	(246,293)
Deferred revenue	38,993	38,201
Reserve for various losses	(108)	9,028
Pension cost	(20,900)	(23,981)
Unrealized gain on inter-affiliate transactions	991	8
Depreciation of property and equipment	6,439	(2,336)
Impairment loss on assets	(7,264)	59,243
Amortization of goodwill	53,653	53,653
Loss carryforwards	422,350	545,355
Deferred income tax adjustment due to change in tax rate	-	726,822
Deferred income tax expense	<u><u>\$ 1,310,163</u></u>	<u><u>1,168,520</u></u>

As of December 31, 2011 and 2010, details of the temporary differences, loss carryforwards and tax credits, and their respective income tax effect were as follows:

	December 31, 2011		December 31, 2010	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Expenses from share-based payments	\$ 215,877	36,699	155,819	26,489
Unrealized interest income from financial assets	2,016,480	342,802	2,231,143	379,294
Allowance for doubtful accounts	1,228,959	208,923	5,874,411	998,650
Deferred revenue	9,722	1,653	239,091	40,646
Reserve for various losses	946	161	164,206	27,915
Pension costs	750,605	127,603	729,192	123,963
Unrealized gain on inter-affiliate transactions	-	-	5,829	991
Depreciation of property and equipment	38,265	6,505	76,144	12,944
Impairment loss on assets	280,173	47,630	237,443	40,366
Amortization of goodwill	(946,814)	(160,959)	(631,210)	(107,306)
Loss carryforwards	10,458,302	1,777,911	12,942,705	2,200,261
Unrealized gain on available-for-sale financial assets	(937,589)	(159,390)	(826,439)	(140,495)
Unrealized gain on cash flow hedge	(229,358)	(38,991)	(79,859)	(13,576)
	\$ 2,190,547		3,590,142	

As of December 31, 2011 and 2010, the components of tax refund receivables recorded under accounts receivables were as follows:

	December 31, 2011	December 31, 2010
Current income tax	\$ (1,811)	(350,234)
Withheld income tax	170,577	119,091
Income tax receivables from prior years	145,339	171,637
Prior-year income tax adjustments	1,811	336,875
Separate tax on interest income	-	13,362
Additional 10% surtax on undistributed earnings	(20)	-
Basic income tax	(91,006)	(79,475)
	\$ 224,890	211,256

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 December 31, 2011, the amount of loss carryforwards and the year of expiry were as follows:

Year loss incurred	Amount	Year of expiry
2006 (assessed)	\$ 937,586	2016
2008 (assessed)	6,171,265	2018
2009 (filed)	3,349,451	2019
	\$ 10,458,302	

The Bank's income tax returns have been assessed by the tax authority for all years through to 2008.

In accordance with regulations, the Bank has applied to the tax authority for a re-examination of the 2007 and 2008 tax return. The related current income tax may be adjusted upon completion of the tax appeal.

The balances of the imputation credit account (ICA) as of December 31, 2011 and 2010 were as follows:

	December 31, 2011	December 31, 2010
ICA	\$ 15,842	609,393
	2011 (estimated)	2010 (actual)
Tax creditable ratio of distribution of retained earnings generated from fiscal year 2010 and 2009 to R.O.C. residents	18.92 %	20.48 %

The accumulated earnings as of December 31, 2011 and 2010 were all generated after 1998. Due to the Bank having a net loss in 2009, no earnings were available for distribution, and accordingly, no tax creditable ratio calculation is necessary.

19) Stockholders' equity

A. Common stock

As of December 31, 2011, the Bank's authorized and issued capital was 30,000,000 thousand and 29,105,720 thousand, respectively.

B. Capital surplus

The R.O.C. Company Act as amended in January 2012 requires capital surplus to be used to offset an accumulated deficit before capitalization to shareholders' equity 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. In accordance with "Regulations Governing the Offering and Issuance of Securities", the amount of capital surplus capitalized each year may not exceed 10 percentage of the Bank's issued share capital.

On May 27, 2010, the shareholders approved the elimination of the accumulated deficits by transferred of appropriated legal reserve and capital surplus of \$5,374 thousand and \$4,644,410 thousand, respectively.

C. Legal reserve and appropriated special reserve

Whenever the Bank generates a profit in accordance with "The Banking Act of The Republic of China". A bank, at the time of distributing its earnings for each fiscal years, shall set aside thirty percent (30%) of its after-tax earnings as a legal reserve. However, unless and until the accumulated legal reserve equals the Bank's paid-in capital, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid-in capital. In addition to the legal reserve, a special reserve can be appropriated and approved by the stockholders' meeting.

The board of directors approved the distribution of the 2010 earnings on June 21, 2011, and appropriated legal reserve of \$876,897 thousand.

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 for distribution if necessary.

On June 21, 2011, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends of \$2,045,889 thousand.

The estimated amount of bonuses distributed to employees that resolved by the possibility of anticipated distribution and the board of directors. Nevertheless, in the event of difference in the amount actually distributed upon resolution of shareholders' meeting and the estimated figures, this difference shall be identified as changes in accounting estimate and recognized as profit or loss for the current period.

The board of directors approved the distribution of 2010 earnings on June 21, 2011, and distributed bonuses to employees for \$205 thousand. This difference shall be identified as changes in accounting estimate and recognized as profit or loss in 2011. No retained earnings were available for distribution due to a net loss in 2009.

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

E. Weighted-average outstanding shares of common stock

As of December 31, 2011 and 2010, the weighted-average number of common shares outstanding were both 2,910,572 thousand shares. Furthermore, there is no dilutive potential common share as of December 31, 2011 and 2010.

20) 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 as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, balances at Central Bank and loans and advances to banks, bills and bonds purchased under reverse repurchase agreements, accounts receivables, 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.
- c. The interest on loans and advances to customers is mainly based on floating rates. Therefore, the book value is approximately 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. Financial debentures are financial liabilities with mainly 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.

As of December 31, 2011 and 2010, the fair values of the Bank's financial assets and liabilities evaluated using valuation techniques were as listed below:

Accounts	December 31, 2011	December 31, 2010
Financial assets at fair value through profit or loss—debt instruments	\$ 25,458,794	8,384,584
Financial assets at fair value through profit or loss—derivatives	15,408,897	20,021,386
Available-for-sale financial assets—debt instruments	211,420,844	173,536,532
Available-for-sale financial assets—beneficiary certificates	1,752,582	4,802,085
Available-for-sale financial assets—equity securities	83,595	-
Financial liabilities at fair value through profit or loss—debt instruments	-	99,468
Financial liabilities at fair value through profit or loss—derivatives	14,863,355	19,701,838

For the years ended December 31, 2011 and 2010, the Bank recognized gain amounting to \$59,127 thousand and \$2,242,527 thousand, respectively, from the changes in fair value of financial instruments that were evaluated using valuation techniques.

- B. As of December 31, 2011 and 2010, outstanding derivative contracts held by the Bank were as listed below:

	December 31, 2011		
	Notional amount	Fair value	
		Gain (assets)	Loss (liabilities)
Option contracts	\$ 135,253,814	559,782	558,914
Forward contracts	508,895,191	4,723,470	3,577,707
Cross-currency swaps	76,947,143	2,150,285	2,369,767
Interest rate swaps	1,326,329,950	7,881,558	8,300,681
Interest rate derivatives	24,612,921	37,516	-
Commodity swaps	8,293,281	56,286	56,286
	\$ 2,080,332,300	15,408,897	14,863,355

	December 31, 2010		
	Notional amount	Fair value	
		Gain (assets)	Loss (liabilities)
Option contracts	\$ 97,697,957	431,715	431,231
Forward contracts	947,547,218	7,472,138	6,964,551
Cross-currency swaps	237,584,537	5,565,839	3,982,915
Interest rate swaps	1,239,249,467	6,295,813	8,144,647
Interest rate derivatives	64,102,597	199,767	122,380
Commodity swaps	3,748,880	56,114	56,114
	\$ 2,589,930,656	20,021,386	19,701,838

Note: The above derivative contracts do not include hedging instruments.

C. Financial risk management and risk information

a. Market risk

The Bank mainly applies 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 previous 260 trading days.

The table below lists the market risk of financial instruments of the Bank as of December 31, 2011 and 2010. Market risk represents potential losses that the Bank may suffer in one day when unfavorable changes occur on the Bank's position at a 97.5% confidence interval under a certain price probability distribution.

Type of market risk	December 31, 2011			December 31, 2010		
	Annual average	Maximum	Minimum	Annual average	Maximum	Minimum
Exchange rate	\$ 4,182	12,420	814	12,172	29,161	2,010
Interest rate	20,433	44,971	12,865	45,230	78,665	17,099

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 on the counterparty. As of December 31, 2011 and 2010, the percentages of loans with collateral were 69.55% and 74.34%, 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 mitigates 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 maximum credit exposures.

As of December 31, 2011 and 2010, the maximum credit risk exposure of the Bank's loans and advances to customers excluding allowance for doubtful accounts in the event of other parties failing to perform their obligations were as summarized below by industry category:

Industry	December 31, 2011	December 31, 2010
Manufacturing	\$ 36,758,508	32,042,525
Commercial	7,932,603	10,734,846
Construction	6,142,979	3,117,328
Individual	285,470,139	287,215,479
Others	13,994,533	15,088,492
	<u>\$ 350,298,762</u>	<u>348,198,670</u>

The amount of the abovementioned credit risk was assessed based on the financial instruments with positive fair value at the balance sheet date. 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 positions in a number of industries and with a variety of counterparties or obligors.

As of December 31, 2011 and 2010, the industry classifications of the 10 group enterprises with the largest outstanding loans were as follows:

December 31, 2011			
Rank	Industry Classification of Group Enterprise	Outstanding loan	% of net assets
1	Audio and video electronic products manufacturing	4,540,436	10.04 %
2	Other computer peripheral manufacturing industry	2,539,332	5.61 %
3	Semiconductors packaging and testing	2,048,904	4.53 %
4	Cement manufacturing	1,944,819	4.30 %
5	Tires manufacturing	1,816,174	4.01 %
6	Drugs and Medicines manufacturing industry	1,774,955	3.92 %
7	Semiconductor manufacturing industry	1,696,163	3.75 %
8	Plate glass manufacturing industry	1,572,072	3.48 %
9	Monitors and terminals manufacturing industry	1,503,064	3.32 %
10	Cement manufacturing industry	1,422,670	3.14 %

December 31, 2010			
Rank	Industry Classification of Group Enterprise	Outstanding loan	% of net assets
1	Real estate and rental and leasing	3,525,000	9.21 %
2	LCD and components manufacturing industry	3,036,543	7.93 %
3	Petrochemical manufacturing industry	2,543,148	6.64 %
4	LCD and components manufacturing industry	2,086,472	5.45 %
5	Other computer peripheral manufacturing industry	2,083,711	5.44 %
6	Computer manufacturing	1,973,753	5.15 %
7	Semiconductor manufacturing industry	1,759,198	4.59 %
8	Other computer peripheral manufacturing industry	1,724,853	4.50 %
9	Drugs and Medicines manufacturing industry	1,661,612	4.34 %
10	Plate glass manufacturing industry	1,295,534	3.38 %

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 to equal to the contractual amounts when the counterparties are unable to perform their contractual obligations and the related collateral is significantly dedalued.

c. Liquidity risk

As of December 31, 2011 and 2010, the liquidity reserve ratios were 51.96% and 37.98%, respectively; liquidity risk of derivatives instruments held by the Bank is low except for interest rate swaps, which had a leverage effect. Therefore, this limits the exposure to 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; therefore, this can cause considerable profit or loss. As of December 31, 2011 and 2010, the liquidity of the Bank was assessed by grouping of assets and liabilities over various duration periods from the balance sheet date to an individual financial instruments contractual maturity. If the assets or liabilities have no contractual maturity date, they are classified to the "over 5 years" category.

Financial Assets	December 31, 2011				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 11,469,535	-	-	-	11,469,535
Balance at Central Bank and loans and advances to banks	71,371,584	3,026,957	-	-	74,398,541
Financial assets at fair value through profit or loss	40,867,691	-	-	-	40,867,691
Bills and bonds investments under reverse sell agreements	8,456,414	-	-	-	8,456,414
Loans and advances to customers, net	32,847,183	10,651,845	36,948,350	265,703,625	346,151,003
Available-for-sale financial assets, net	62,200,932	132,057,362	12,064,722	6,934,005	213,257,021
Other financial assets, net	28,268	3,820	488,876	366,067	887,031
Total	\$ 227,241,607	145,739,984	49,501,948	273,003,697	695,487,236
Financial Liabilities					
Deposits by Central Bank and other banks	\$ 17,243,476	1,146,913	-	-	18,390,389
Financial liabilities at fair value through profit or loss	14,863,355	-	-	-	14,863,355
Deposits and remittances	420,055,136	147,055,447	29,041,109	-	596,151,692
Financial debentures	-	-	18,600,092	28,912,078	47,512,170
Other financial liabilities	5,958,368	100,020	1,227,166	2,902,619	10,188,173
Total	\$ 458,120,335	148,302,380	48,868,367	31,814,697	687,105,779
Gap	\$ (230,878,728)	(2,562,396)	633,581	241,189,000	8,381,457

Financial Assets	December 31, 2010				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 5,360,943	-	-	2,142,718	7,503,661
Balance at Central Bank and loans and advances to banks	42,666,650	1,491,266	-	55,494,342	99,652,258
Financial assets at fair value through profit or loss	5,010,237	11,932,529	9,862,304	1,600,900	28,405,970
Loans and advances to customers, net	31,854,186	10,721,507	34,753,236	267,171,746	344,500,675
Available-for-sale financial assets, net	35,105,139	126,272,778	12,261,533	4,699,167	178,338,617
Other financial assets, net	1,383	-	205,321	239,099	445,803
Total	\$ 119,998,538	150,418,080	57,082,394	331,347,972	658,846,984
Financial Liabilities					
Deposits by Central Bank and other banks	\$ 4,923,231	1,163,940	-	4,560,188	10,647,359
Financial liabilities at fair value through profit or loss	5,497,897	5,056,553	8,852,202	394,654	19,801,306
Deposits and remittances	390,855,572	167,097,729	32,665,227	-	590,618,528
Financial debentures	1,200	-	-	19,223,005	19,224,205
Other financial liabilities	3,565,558	-	694,590	7,200,000	11,460,148
Total	\$ 404,843,458	173,318,222	42,212,019	31,377,847	651,751,546
Gap	\$ (284,844,920)	(22,900,142)	14,870,375	299,970,125	7,095,438

Maturity analyses of the Bank's assets and liabilities in the format required by the regulators were as follows:

Structure Analysis of Maturity Date New Taiwan Dollars
December 31, 2011

	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	\$ 828,288,527	179,777,567	120,082,839	72,244,490	174,627,253	281,556,378
Capital used	845,379,289	121,583,216	184,292,171	108,323,178	89,799,803	341,380,921
Gap	(17,090,762)	58,194,351	(64,209,332)	(36,078,688)	84,827,450	(59,824,543)

Structure Analysis of Maturity Date U.S. Dollars
December 31, 2011

(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	\$ 12,475,547	4,363,809	5,017,542	1,509,401	1,199,636	385,159
Capital used	12,618,871	4,209,749	4,914,597	1,108,572	1,508,339	877,614
Gap	(143,324)	154,060	102,945	400,829	(308,703)	(492,455)

Structure Analysis of Maturity Date New Taiwan Dollars
December 31, 2010

	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	\$ 833,800,989	189,464,605	80,025,133	68,575,128	155,934,615	339,801,508
Capital used	852,688,289	140,661,080	144,288,150	160,037,177	102,320,356	305,381,526
Gap	(18,887,300)	48,803,525	(64,263,017)	(91,462,049)	53,614,259	34,419,982

Structure Analysis of Maturity Date U.S. Dollars
December 31, 2010

(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	\$ 11,339,604	3,050,794	3,163,934	2,525,227	945,780	1,653,869
Capital used	11,129,921	4,167,413	3,140,695	1,057,170	612,288	2,152,355
Gap	209,683	(1,116,619)	23,239	1,468,057	333,492	(498,486)

d. Cash flow risk and fair value risk from changes in interest rate

Cash flow risk arises from assets and liabilities with floating interest rates held by the Bank where the cash flow may fluctuate due to changes in market interest rates. Fair value risk arises from changes in the fair value of fixed interest rates assets and liabilities held by the Bank due to change 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 December 31, 2011 and 2010, 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.

December 31, 2011										
Financial Assets	Within 1 month	1~3 months	3 months ~ 1 year	1~2 years	2~3 years	3~4 years	4~5 years	Over 5 years	Non-interest	Total
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	11,469,535	11,469,535
Balance at Central Bank and loans and advances to banks	48,129,918	11,286,248	3,026,957	-	-	-	-	-	11,955,418	74,398,541
Financial assets at fair value through profit or loss	40,867,691	-	-	-	-	-	-	-	-	40,867,691
Bills and bonds investments under reverse sell agreements	8,456,414	-	-	-	-	-	-	-	-	8,456,414
Loans and advances to customers, net	18,908,803	302,495,944	22,582,738	393,416	204,509	308,364	2,160,886	3,226,179	(4,129,836)	346,151,003
Available-for-sale financial assets, net	27,326,906	34,874,026	132,057,362	3,707,146	683,456	663,557	7,010,563	6,934,005	-	213,257,021
Other financial assets, net	267	28,001	3,820	5,892	163,644	311,936	7,404	208,065	158,002	887,031
Total	\$ 143,689,999	348,684,219	157,670,877	4,106,454	1,051,609	1,283,857	9,178,853	10,368,249	19,453,119	695,487,236
Financial Liabilities										
Deposits by Central Bank and other banks	\$ 14,779,184	3,611,205	-	-	-	-	-	-	-	18,390,389
Financial liabilities at fair value through profit or loss	14,863,355	-	-	-	-	-	-	-	-	14,863,355
Deposits and remittances	357,345,659	71,584,185	134,118,723	27,100,312	1,195,353	-	-	-	4,807,460	596,151,692
Financial debentures	12,425,824	-	-	1,750,000	2,100,000	650,000	7,750,000	22,836,346	-	47,512,170
Other financial liabilities	5,274,243	4,894,908	20	-	11,071	5,313	-	2,618	-	10,188,173
Total	\$ 404,688,265	80,090,298	134,118,743	28,850,312	3,306,424	655,313	7,750,000	22,838,964	4,807,460	687,105,779
Sensitivity gap	\$ (260,998,266)	268,593,921	23,552,134	(24,743,858)	(2,254,815)	628,544	1,428,853	(12,470,715)	14,645,659	8,381,457
December 31, 2010										
Financial Assets	Within 1 month	1~3 months	3 months ~ 1 year	1~2 years	2~3 years	3~4 years	4~5 years	Over 5 years	Non-interest	Total
Cash and cash equivalents	\$ 7,501,435	-	-	-	-	-	-	-	2,226	7,503,661
Balance at Central Bank and loans and advances to banks	73,728,431	17,448,513	8,475,314	-	-	-	-	-	-	99,652,258
Financial assets at fair value through profit or loss	19,932,736	1,707	6,037,230	20,509	1,333,732	34,574	2,337	1,043,145	-	28,405,970
Loans and advances to customers, net	16,235,983	15,709,026	10,721,507	5,898,733	9,405,441	6,725,973	12,723,089	262,353,032	4,727,891	344,500,675
Available-for-sale financial assets, net	30,184,255	4,921,296	126,289,371	7,489,896	2,725,180	1,070,718	941,707	4,716,194	-	178,338,617
Other financial assets, net	206,704	-	-	-	-	-	-	239,099	-	445,803
Total	\$ 147,789,544	38,080,542	151,523,422	13,409,138	13,464,353	7,831,265	13,667,133	268,351,470	4,730,117	658,846,984
Financial Liabilities										
Deposits by Central Bank and other banks	\$ 8,942,658	540,761	1,163,940	-	-	-	-	-	-	10,647,359
Financial liabilities at fair value through profit or loss	19,343,577	-	173,930	80,344	100,569	3,418	-	-	99,468	19,801,306
Deposits and remittances	341,879,859	48,513,165	167,097,729	4,683,168	27,718,141	263,918	-	-	462,548	590,618,528
Financial debentures	19,224,205	-	-	-	-	-	-	-	-	19,224,205
Other financial liabilities	2,878,235	687,323	-	100,000	-	-	594,590	7,200,000	-	11,460,148
Total	\$ 392,268,534	49,741,249	168,435,599	4,863,512	27,818,710	267,336	594,590	7,200,000	562,016	651,751,546
Sensitivity gap	\$ (244,478,990)	(11,660,707)	(16,912,177)	8,545,626	(14,354,357)	7,563,929	13,072,543	261,151,470	4,168,101	7,095,438

Sensitivity analyses of the Bank's assets and liabilities in the format required by the regulators were as follows:

Interest-Rate Sensitivity Analysis New Taiwan Dollars
December 31, 2011

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 136,218,810	53,000,506	137,180,524	264,370,952	590,770,792
Interest-rate-sensitive liabilities	95,550,677	81,358,934	57,808,390	271,510,009	506,228,010
Interest-rate-sensitive spread	40,668,133	(28,358,428)	79,372,134	(7,139,057)	84,542,782
Net worth					43,632,073
Ratio of interest-rate-sensitive assets to liabilities (%)					116.70
Ratio of interest-rate-sensitive spread to net worth (%)					193.76

Interest-Rate Sensitivity Analysis U.S. Dollars
December 31, 2011

(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	\$ 2,214,959	408,411	106,828	290,153	3,020,351
Interest-rate-sensitive liabilities	3,607,752	174,587	195,446	644,190	4,621,975
Interest-rate-sensitive spread	(1,392,793)	233,824	(88,618)	(354,037)	(1,601,624)
Net worth					57,159
Ratio of interest-rate-sensitive assets to liabilities (%)					65.35
Ratio of interest-rate-sensitive spread to net worth (%)					(2,802.05)

Interest-Rate Sensitivity Analysis New Taiwan Dollars
December 31, 2010

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 96,452,565	42,656,989	144,358,725	259,817,613	543,285,892
Interest-rate-sensitive liabilities	78,972,684	308,824,450	75,162,832	42,377,061	505,337,027
Interest-rate-sensitive spread	17,479,881	(266,167,461)	69,195,893	217,440,552	37,948,865
Net worth					37,998,526
Ratio of interest-rate-sensitive assets to liabilities (%)					107.51
Ratio of interest-rate-sensitive spread to net worth (%)					99.87

Interest-Rate Sensitivity Analysis U.S. Dollars
December 31, 2010

(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	\$ 1,704,555	649,959	71	210,680	2,565,265
Interest-rate-sensitive liabilities	561,550	1,991,467	114,387	317,445	2,984,849
Interest-rate-sensitive spread	1,143,005	(1,341,508)	(114,316)	(106,765)	(419,584)
Net worth					36,867
Ratio of interest-rate-sensitive assets to liabilities (%)					85.94
Ratio of interest-rate-sensitive spread to net worth (%)					(1,138.10)

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

December 31, 2011		
	Average amount	Average interest rate %
Assets:		
Balance at Central Bank	\$ 19,649,932	0.46
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	45,330,406	0.54
Loans and advances to customers	359,501,373	2.91
Financial assets at fair value through profit or loss	13,450,852	0.95
Available-for-sale financial assets	206,924,996	0.93
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	17,258,359	0.67
Demand deposits (including local currency and foreign currency)	294,554,178	0.17
Time deposits (including local currency and foreign currency)	275,592,427	1.12
Negotiable certificates of deposits	10,438,980	1.01
Financial debentures	35,178,978	2.23
December 31, 2010		
	Average amount	Average interest rate %
Assets:		
Balance at Central Bank	\$ 14,276,400	0.38
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	93,000,409	1.05
Loans and advances to customers	349,549,984	2.73
Financial assets at fair value through profit or loss	8,760,085	0.89
Available-for-sale financial assets	119,593,776	0.86
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	35,414,897	0.84
Demand deposits (including local currency and foreign currency)	310,640,237	0.13
Time deposits (including local currency and foreign currency)	206,850,321	0.48
Negotiable certificates of deposits	1,812,047	0.74
Financial debentures	19,853,364	3.35

f. Operational risk

Operational risk can be defined as the risk of monetary losses resulting from inadequate or failure of internal processes, people, and systems or from external events. The Bank implements monitoring systems for operational risk exposures and losses for each major business lines. Risk management policies and procedures for controlling or mitigating operational risk are put 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 comply with 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 counterparty's contracts, and making sure that the Bank follows the financial regulations and operational regulations.

D. Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized fixed-rate assets or liabilities that are attributable to particular hedged risks that could affect profit and loss. As of December 31, 2011 and 2010, mark-to-market adjustments of hedged items and the corresponding hedging instruments (recorded under other financial assets or liabilities, net) accounted as fair value hedge were as follows:

Hedged item		Hedging instruments	
Underlying instruments	December 31, 2011	Contract type	December 31, 2011
Available-for-sale financial assets:			
Government bonds	\$ 16,185	Interest rate swaps	\$ (14,882)
Government bonds	10,456	Cross-currency swaps	(10,750)
Time deposits—NTD	(90,609)	Interest rate swaps	92,330
Financial debentures	(420,298)	Interest rate swaps	424,480
	<u>\$ (484,266)</u>		<u>\$ 491,178</u>

Hedged item		Hedging instruments	
Underlying instruments	December 31, 2010	Contract type	December 31, 2010
Available-for-sale financial assets:			
Government bonds and corporate bonds	\$ 8,313	Interest rate swaps	\$ (10,433)
Government bonds	39,505	Cross-currency swaps	(37,909)
Time deposits—NTD	(2,651)	Interest rate swaps	6,330
Subordinated debentures	(95,077)	Interest rate swaps	99,063
	<u>\$ (49,910)</u>		<u>\$ 57,051</u>

E. Cash flow hedge

A cash flow hedge is the hedging of the exposure to changes in cash flows of floating-rate assets that are attributable to particular interest risks that could affect profit or loss.

As of December 31, 2011 and 2010, details of hedged items and designated hedging instruments (recorded under other financial assets or liabilities, net) were summarized as follows:

December 31, 2011					
Hedged items	Financial instrument designated as hedging instruments	Designated hedging instruments		Forecasted period of cash flow generation	Forecasted period during which gain/loss is recognized in the income statement
		Notional	Fair value		
Long-term floating rate loans	Interest rate swap contracts	\$ 59,225,000	229,358	2010-2016	2010-2016
December 31, 2010					
Hedged items	Financial instrument designated as hedging instruments	Designated hedging instruments		Forecasted period of cash flow generation	Forecasted period during which gain/loss is recognized in the income statement
		Notional	Fair value		
Long-term floating rate loans	Interest rate swap contracts	\$ 82,500,000	79,859	2009-2013	2009-2013

The detail of unrealized gains or losses on cash flow hedge for the years ended December 31, 2011 and 2010 were as below:

	December 31, 2011	December 31, 2010
Adjustments to stockholders' equity	\$ <u>124,084</u>	\$ <u>63,030</u>

F. Fair value hierarchy information of financial instruments and the statements of changes in fair value of Level 3

a. Fair value hierarchy information of financial instruments

A fair value measurement for a financial instrument	December 31, 2011			
	Total	Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Investment in bonds	\$ 25,458,794	6,386,879	19,071,915	-
Available-for-sale financial assets				
Investment in bonds	211,420,844	26,478,144	184,942,700	-
Beneficiary certificates	1,752,582	-	-	1,752,582
Equity securities	83,595	83,595	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	15,408,897	3,403	15,042,539	362,955
Other financial assets				
Hedging derivative financial assets	728,959	-	728,959	-
Liabilities:				
Financial liabilities at fair value through profit or loss	14,863,355	1,955	14,585,681	275,719
Other financial liabilities				
Hedging derivative financial liabilities	92,441	-	92,441	-

b. Statements of changes in financial assets which were classified to Level 3 based on fair value measurement

			December 31, 2011						
Items	Beginning balance	The amount recognized in current net gains (losses) or stockholders' equity	Purchase or issue	Transfer in of level 3 and out of other levels	Transfer in of level 3 of financial assets and out of level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of level3	Transfer in of level 3 of financial liabilities and out of level 3 of financial assets	Ending balance
Non-derivative financial instruments									
Available-for-sale financial assets:									
Beneficiary certificates	\$ 4,951,442	(3,198,860)	-	-	-	-	-	-	1,752,582
Derivative financial instruments									
Financial assets at fair value through profit or loss	598,304	(235,349)	-	-	-	-	-	-	362,955
	<u>\$ 5,549,746</u>	<u>(3,434,209)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,115,537</u>

c. Statements of changes in financial liabilities which were classified to level 3 based on fair value measurement

Items	December 31, 2011							
	Beginning balance	The amount recognized in current net gains (losses) or stockholders' equity	Purchase or issue	Transfer in of level 3 and out of other levels	Transfer in of level 3 of financial assets and out of level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of level 3	Transfer in of level 3 of financial liabilities and out of level 3 of financial assets
Derivative financial instruments								
Financial liabilities at fair value through profit or loss	\$ 500,037	(224,318)	-	-	-	-	-	275,719

Note 1: Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. In accordance with the fifth paragraph of SFAS No. 34 "Financial Instruments: Recognition and Measurement", the definition of active market fulfills all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

Note 2: Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:

- (1) The quoted price for an identical financial instrument in an active market means the fair value from the occurring market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices does not represent fair value at the measurement date), difference of transaction terms for financial instruments, transaction prices involved in related parties, and correlation between the observable transaction prices of identical financial instruments and the market price of held financial instruments.
- (2) The quoted market price of the same or identical financial instruments in an inactive market.
- (3) The fair value is estimated on the basis of the results of a valuation technique and the market inputs (i.e., interest rate, yield curve, and fluctuation rate) used were based on obtainable data from market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
- (4) A majority of inputs derived from observable market data, or the input correlation can be tested based on observable market data.

Note 3: Input for a fair value measurement for a financial instrument classified in level 3 is not based on obtainable data from market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

(5) Related-party transactions

1) Name and relationship of related parties

Name	Relationship
Standard Chartered Bank ("SCB")	The Bank's parent company
Standard Chartered Bank Taipei Branch ("SCB Taipei")	Affiliate
Standard Chartered Bank New York ("SCB New York")	Affiliate
Standard Chartered Bank Tokyo ("SCB Tokyo")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Standard Chartered Bank Malaysia ("SCB Malaysia")	Affiliate
Standard Chartered Bank India ("SCB India")	Affiliate
Scope International Private Limited	Affiliate
Scope International (M) Sdn Bhd	Affiliate
Standard Chartered Bank Hong Kong Limited ("SCB HK")	Affiliate
Standard Chartered First Bank Korea Limited ("SCFB Korea")	Affiliate
Standard Chartered Life Insurance Agency Co., Ltd. ("Standard Chartered Life Insurance Agency")	Investee under equity method
Taiwan Standard Chartered Insurance Agency Co., Ltd. ("Taiwan Standard Chartered Insurance Agency")	Investee under equity method
Directors, Supervisors, President and Vice Presidents	The senior management of the Bank
Others	The senior management of the bank and their families, spouses, etc.

2) Significant transactions with related parties

A. Deposits

As of December 31, 2011 and 2010, deposits provided by related parties were as summarized below:

December 31, 2011			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties\$ not over 1% of total deposits	1,082,555	0.18	0.00~5.00

December 31, 2010			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties\$ not over 1% of total deposits	857,909	0.14	0.00~3.40

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

For the years ended December 31, 2011 and 2010, interest expenses on the above deposits were \$9,003 thousand and \$5,845 thousand, respectively.

B. Loans

As of December 31, 2011 and 2010, loans to related parties were as below:

December 31, 2011							
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-schedule	Overdue		
Employee consumer loans	19	9,792	8,500	8,500	-	Unsecured lending	None
Mortgage	58	678,867	568,911	568,911	-	House	None
Others	3	13,105	12,267	12,267	-	Overdraft on the comprehensive deposits	None

December 31, 2010							
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-schedule	Overdue		
Employee consumer loans	13	7,959	5,439	5,439	-	Unsecured lending	None
Mortgage	49	437,913	393,972	393,972	-	House	None
Others	2	6,842	4,505	4,505	-	Overdraft on the comprehensive deposits	None

For the years ended December 31, 2011 and 2010, interest incomes resulting from the above loans were \$7,703 thousand and \$3,316 thousand, respectively.

C. Deposits with affiliates

For the years ended December 31, 2011 and 2010, deposits with affiliates and related interest income were as follows:

	December 31, 2011		
	Balance	Interest rate %	Interest income
SCB Germany	\$ 3,422,811	-	-
SCB HK	1,114,127	-	-
Others	436,872	0.00~0.55	882
	\$ 4,973,810		882
	December 31, 2010		
	Balance	Interest rate %	Interest income
SCB HK	\$ 2,011,846	-	-
Others	130,872	0.05~0.90	993
	\$ 2,142,718		993

As of December 31, 2011 and 2010, the interest receivables resulting from the above deposits with affiliates were both \$0 thousand.

D. Loans and advances to affiliates

For the years ended December 31, 2011 and 2010, loans and advances to affiliates and related interest income were as follows:

	December 31, 2011		
	Balance	Interest rate %	Interest income
SCB Taipei	33,500,245	0.03~1.45	149,883
	December 31, 2010		
	Balance	Interest rate %	Interest income
SCFB Korea	\$ 17,308,295	0.20~1.20	186,353
SCB Taipei	23,165,524	0.03~0.90	77,746
	\$ 40,473,819		264,099

As of December 31, 2011 and 2010, the interest receivables resulting from the above loans and advances to affiliates were \$12,182 thousand and \$27,904 thousand, respectively.

E. Deposits by affiliates from affiliates

For the years ended December 31, 2011, deposits by and loans from affiliates and related interest expenses was as follows:

	December 31, 2011		
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ <u>58,737</u>	0.01	<u>38</u>

As of December 31, 2011, the interest payables resulting from the above deposits by affiliates from affiliates was \$0 thousand.

F. Overdrafts to affiliates

For the years ended December 31, 2011 and 2010, overdrafts to affiliates and related interest expenses were as follows:

	December 31, 2011		
	Balance	Interest rate %	Interest expense
SCB New York	\$ <u>790,183</u>	-	<u>-</u>

	December 31, 2010		
	Balance	Interest rate %	Interest expense
SCB Germany	\$ 224,866	-	-
SCB New York	100,795	-	-
Other	1,321	-	-
	<u>\$ 326,982</u>		<u>-</u>

G. Loans from affiliates

For the years ended December 31, 2011 and 2010, loans from affiliates and related interest expenses were as follows:

	December 31, 2011		
	Balance	Interest rate %	Interest expense
SCB HK	\$ 6,053,914	0.01~1.32	39,959
SCB Taipei	<u>3,026,957</u>	0.44~1.38	<u>11,378</u>
	<u>\$ 9,080,871</u>		<u>51,337</u>

	December 31, 2010		
	Balance	Interest rate %	Interest expense
SCB HK	\$ <u>4,233,206</u>	0.01~1.17	<u>33,563</u>

As of December 31, 2011 and 2010, the interest payables resulting from the above loans from affiliates were \$17,805 thousand and \$76 thousand, respectively.

H. Derivative transactions

As of December 31, 2011 and 2010, derivative transactions engaged with affiliated parties were as follows:

Name	Contracts	Contract duration period	December 31, 2011		Balance sheet	
			Notional	Net valuation adjustment	Account	Balance
SCB	Forward contract	2012.1.3~ 2013.4.24	\$ 126,254,340	1,010,946	Financial assets at fair value through profit or loss	1,204,410
					Financial liabilities at fair value through profit or loss	(193,464)
	Cross currency swap	2012.2.22~ 2012.10.12	28,217,188	100,590	Financial assets at fair value through profit or loss	644,326
					Financial liabilities at fair value through profit or loss	(543,736)
	Interest rate derivative	2012.12.11~ 2013.8.13	7,089,134	2	Financial assets at fair value through profit or loss	2
	Interest rate swap	2012.1.10~ 2016.12.1	46,343,512	(795,899)	Financial assets at fair value through profit or loss	453,627
					Financial liabilities at fair value through profit or loss	(1,249,526)
	Option contract	2012.1.2~ 2013.11.28	8,439,179	(360,022)	Financial assets at fair value through profit or loss	99,445
					Financial liabilities at fair value through profit or loss	(459,467)
	Commodity swap	2012.1.11~ 2012.12.22	4,524,931	17,283	Financial assets at fair value through profit or loss	38,999
					Financial liabilities at fair value through profit or loss	(21,716)
SCB Singapore	Forward contract	2012.1.3~ 2012.12.13	33,382,351	86,153	Financial assets at fair value through profit or loss	292,913
					Financial liabilities at fair value through profit or loss	(206,760)
SCB HK	Forward contract	2012.1.5	243,531	(307)	Financial liabilities at fair value through profit or loss	(307)

Name	Contracts	Contract duration period	December 31, 2010		Balance sheet	
			Notional	Net valuation adjustment	Account	Balance
SCB	Forward contract	2011.1.3~2013.4.24	\$ 182,834,546	1,088,988	Financial assets at fair value through profit or loss	1,619,347
					Financial liabilities at fair value through profit or loss	(530,359)
	Cross currency swap	2011.1.18~2012.10.12	64,258,643	491,416	Financial assets at fair value through profit or loss	2,073,114
					Financial liabilities at fair value through profit or loss	(1,581,698)
	Commodity swap	2011.1.1~2012.1.6	862,907	14,843	Financial assets at fair value through profit or loss	35,843
					Financial liabilities at fair value through profit or loss	(21,000)
	Interest rate derivative	2011.7.8~2012.12.11	16,828,521	(71,513)	Financial assets at fair value through profit or loss	19,175
SCB Singapore					Financial liabilities at fair value through profit or loss	(90,688)
	Interest rate swap	2011.1.10~2015.5.13	89,967,212	(2,192,980)	Financial assets at fair value through profit or loss	690,267
					Financial liabilities at fair value through profit or loss	(2,883,247)
	Option contract	2011.1.3~2012.11.29	48,848,977	(247,458)	Financial assets at fair value through profit or loss	89,903
					Financial liabilities at fair value through profit or loss	(337,361)
	Forward contract	2011.1.3~2011.11.28	46,688,075	830,870	Financial assets at fair value through profit or loss	1,542,137
					Financial liabilities at fair value through profit or loss	(711,267)
SCB New York	Forward contract	2011.1.4~2011.3.28	54,743	613	Financial assets at fair value through profit or loss	696
					Financial liabilities at fair value through profit or loss	(83)
SCB Taipei	Forward contract	2011.1.4	2,289	96	Financial assets at fair value through profit or loss	96

- I. As of December 31, 2011 and 2010, the fair values of financial debentures acquired from affiliates, which were recognized as available-for-sale financial assets were as follows:

Name	Fair value	
	December 31, 2011	December 31, 2010
SCB HK	\$ 5,092,553	4,698,139

- J. As of December 31, 2011 and 2010, financial debenture payables deriving from the issuance of financial debentures to affiliates were as follows:

Name	Bond (note)	December 31, 2011	December 31, 2010
SCB	98-2	\$ 4,540,436	4,554,814
SCB	98-3	4,540,436	4,554,814

Note: The issuance conditions and details of financial debentures are stated in note 4(13).

For the years ended December 31, 2011 and 2010, the interest expense from the above transaction was \$326,144 thousand and \$353,230 thousand, respectively.

For the years ended December 31, 2011 and 2010, the interest payable from the above transaction was \$19,524 thousand and \$17,463 thousand, respectively.

- K. 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 Agency. The contracted selling price was \$42,500 thousand, and the gain on disposal was \$23,130 thousand after deducting net book value and the related expenses. The Bank transferred the ownership in January 2005. As of December 31, 2010, unrealized gains from affiliated-company transactions amounted to \$22,641 thousand, recorded as other liabilities. As of December 31, 2011, Standard Chartered Life Insurance Agency Co., Ltd. had sold the above buildings and accordingly \$22,641 thousand has been realized.
- L. For the year ended December 31, 2011, head office administration fee, support expenses arising from regional headquarter, and wholesale banking operation were \$964,306 thousand, \$653,122 thousand, and \$278,306 thousand, respectively. For the year ended December 31, 2010, head office administration fee, support expenses arising from regional headquarter, and wholesale banking operation were \$962,911 thousand, \$544,498 thousand, and \$211,468 thousand, respectively. As of December 31, 2011 and 2010, head office administration fees and other expenses arising from professional technical support payable to SCB were \$3,761,788 thousand and \$1,815,937 thousand, respectively, recorded under accounts payables—related parties. Moreover, for the years ended December 31, 2011 and 2010, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to \$49,880 thousand and \$87,141 thousand, respectively. As of December 31, 2011 and 2010, the royalty expenses payable to SCB were \$53,284 thousand and \$83,715 thousand, respectively, recorded under accounts payables—related parties.
- M. For the year ended December 31, 2011 and 2010, the related cost of the Executive Share Option Scheme amounted to \$108,638 thousand and \$105,710 thousand, respectively. As of December 31, 2011 and 2010, accounts payable to SCB for the share-based payment scheme costs amounted to \$408,262 thousand and \$242,967 thousand, respectively, recorded under accounts payables—related parties.
- N. For the year ended December 31, 2011, the Bank received USD141,000 thousand from SCB for the recovery on the structured notes payments made previously.

- O. For the years ended December 31, 2011 and 2010, expenses resulting from operating activities with affiliates were as follows:

	December 31, 2011	December 31, 2010
Technical support mandate service:		
SCB New York	\$ -	7,912
SCB HK	-	5,409
SCB Singapore	-	676
SCB	62,537	17,765
Other	1,480	367
	<u>\$ 64,017</u>	<u>32,129</u>
Information technology service fees:		
Scope International Private Ltd.	\$ 56,023	49,480
Scope International (M) Sdn. Bhd	68,189	52,644
SCB Singapore	-	26,079
Other	6,329	4,095
	<u>\$ 130,541</u>	<u>132,298</u>

- P. As of December 31, 2011 and 2010, the deposits of Standard Chartered Life Insurance Agency Co., Ltd. were \$383,227 thousand and \$178,486 thousand, respectively, and the interest expenses were \$1,458 thousand and \$515 thousand, respectively, and the interest payables \$67 thousand and \$18 thousand, respectively. The deposits of Taiwan Standard Chartered Insurance Agency Co., Ltd. were \$33,071 thousand and \$20,794 thousand, respectively, and the interest expenses were \$138 thousand and \$48 thousand, respectively, and the interest payables \$6 thousand and \$1 thousand, respectively.

- Q. As of December 31, 2011 and 2010, the accounts receivable that the Bank supported Standard Chartered Life Insurance Agency Co., Ltd. for its sales were \$185,400 thousand and \$167,600 thousand, respectively, and the related service income were \$187,880 thousand and \$350,702 thousand, respectively. The accounts receivable that the Bank supported Taiwan Standard Chartered Insurance Agency Co., Ltd. for its sales were \$12,600 thousand and \$10,700 thousand, respectively, and the related service income were \$11,702 thousand and \$20,246 thousand, respectively.

3) The salary and remuneration of senior management.

The salary and remuneration of the directors, supervisors, president, vice presidents and major management for the years ended December 31, 2011 and 2010, were as below:

	2011	2010
Salary	\$ 78,512	70,209
Rewards, special allowance and remuneration	70,055	73,825

(6) Pledged Assets

Pledged assets	Pledged for	Amount	
		December 31, 2011	December 31, 2010
Bonds (recorded as available-for-sale financial assets)	Provisional seizure	\$ 198,000	245,600
	Securitization of mortgage loans	700,000	700,000
Bonds (recorded as accounts receivables)	Provisional seizure	11,200	-
Total		\$ 909,200	945,600

Refundable security deposits made in accordance with the relevant regulations governing bank operations:

Security deposits	Purpose	Amount	
		December 31, 2011	December 31, 2010
Bonds (recorded as available-for-sale financial assets)	Reserve for trust funds	\$ 25,000	150,000
	Reserve for indemnity obligations	150,000	150,000
	Security deposits for futures trading	35,000	35,000
	Security deposits for security brokerage	225,000	200,000
	Bid for bonds	-	10,000
Negotiable certificates of deposits (recorded as available-for-sale financial assets)	Security deposits for bill trading operations	50,000	50,000
		485,000	595,000
Certificates of deposits (recorded as refundable deposits)	Clearing account reserve	100,000	100,000
	Security deposits for bond proprietary trading and underwriting	10,000	10,000
Total		\$ 110,000	110,000
		\$ 595,000	705,000

- 1) Reserves for trust funds are provided by deposits that the Bank placed in the Central Bank of China for its trust custodian business.
- 2) Reserves for indemnity obligations are provided by deposits placed in the Central Bank of China for conducting a trust business.

- 3) Assets pledged for provisional seizure are provided by collateral placed with the court in order to execute the Bank's right over debtors' properties.
- 4) Security deposits for bill trading are provided by deposits placed in the Central Bank of China for the Bank's bill trading business.
- 5) Security deposits for bond proprietary trading and underwriting are provided by deposits placed in the OTC Securities Exchange for the Bank's government bond trading and underwriting business.
- 6) The cash deposited in the clearing account reserve were both \$40,000 thousand as of December 31, 2011 and 2010.
- 7) Security deposits for futures trading are operating bonds provided by deposits placed in the special account with the financial institution designated by the Financial Supervisory Commission.
- 8) Security deposits for security brokerage are operating bonds by deposits placed for operating business of securities commission agency, brokerage, agency, and other relevant businesses approved by the Competent Authority.
- 9) Bid for bonds is provided by deposits placed for bidding government bonds.

(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 \$123,122 thousand were both recognized as fee income for the years ended December 31, 2011 and 2010, and the remaining amount was recorded as other liabilities—unearned receipts.

2) Significant purchase agreements

As of December 31, 2011 and 2010, the Bank had construction agreements for expansion and renovation of buildings amounting to \$31,614 thousand and \$338,070 thousand, respectively. The unpaid amounts of the aforementioned agreements were \$1,118 thousand and \$15,347 thousand, respectively (recorded as accounts payables).

3) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2011, estimated minimum future lease payments were as follows:

Fiscal year	Amount
2012	\$ 517,107
2013	489,687
2014	431,948
2015	299,446
2016 and thereafter	199,036
	<u><u>\$ 1,937,224</u></u>

4) Others

	December 31, 2011	December 31, 2010
Consignment collection for others	\$ 10,448,433	10,482,346
Traveller's checks held on consignment for sale	123,009	109,339
Securities, consignments and goods in custody	1,374,512,602	1,680,051,081
Trust assets	131,948,904	143,490,416
	<u><u>\$ 1,517,032,948</u></u>	<u><u>1,834,133,182</u></u>
Unused lines of credit	<u><u>\$ 20,692,553</u></u>	<u><u>17,385,747</u></u>
Other guarantees	<u><u>\$ 9,390,534</u></u>	<u><u>6,986,325</u></u>
Letters of credit issued	<u><u>\$ 2,291,150</u></u>	<u><u>4,537,769</u></u>

5) For the years ended December 31, 2011 and 2010, disclosures required by Article 17 of the Trust Enterprise Law on trust balance sheets, trust income statements, and trust assets were as follows:

Trust Balance Sheet**December 31, 2011**

Trust assets		Trust liabilities	
Bank deposits	\$ 20,840	Accounts payables	\$ 15
Short-term investments	123,343,564	Taxes payables	2
Structured notes	6,037,371	Payables for securities under	
Securities under custody	2,547,111	custody	2,547,111
Other assets	18	Trust capital	129,401,776
Total trust assets	<u><u>\$ 131,948,904</u></u>	Total trust liabilities	<u><u>\$ 131,948,904</u></u>

Trust Balance Sheet

December 31, 2010

Trust assets		Trust liabilities	
Bank deposits	\$ 20,923	Accounts payables	\$ 17
Short-term investments	128,941,261	Taxes payables	1
Structured notes	10,911,763	Payables for securities under	
Securities under custody	3,613,607	custody	3,613,607
Other marketable securities	2,862	Trust capital	139,876,791
Total trust assets	<u>\$ 143,490,416</u>	Total trust liabilities	<u>\$ 143,490,416</u>

Trust Income Statements

	December 31, 2011	December 31, 2010
Trust revenue:		
Interest revenue	\$ 135	125
Common stock cash dividends	16,253	17,509
Realized gain on investments	405	2,259
Unrealized gain on investments	3,729	38,187
Gain on trading assets	555	-
	<u>21,077</u>	<u>58,080</u>
Trust expenses:		
Management expenses	195	209
Service charges	390	1,233
Unrealized loss-mutual fund	673	243
Unrealized loss-on investments	4,540	(70)
Loss on trading of assets	-	1,003
	<u>5,798</u>	<u>2,618</u>
Net income before income tax	15,279	55,462
Income tax expense	13	530
Net income after income tax	<u>\$ 15,266</u>	<u>54,932</u>

Schedules of investment for trust business

Investment items	December 31, 2011	December 31, 2010
Bank deposits	\$ 20,840	20,923
Short-term investments:		
Bonds	2,830,507	1,293,220
Common stock	3,047,643	3,035,076
Funds	117,465,414	124,612,965
Structured notes	6,037,371	10,911,763
Securities under custody	2,547,111	3,613,607
Other assets	18	2,862
	<u>\$ 131,948,904</u>	<u>143,490,416</u>

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of December 31, 2011 and 2010 was included in the trust balance sheets and schedules of investment for trust business.

(8) **Significant Disaster Loss: none.**

(9) **Significant Subsequent Events: none.**

(10) **Others**

1) Summary of staff costs, depreciation and amortization expenses

A summary of staff costs, depreciation expenses, and amortization expenses for the years ended December 31, 2011 and 2010, is as follows:

Account	Function	December 31, 2011			December 31, 2010		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Staff costs:							
Salaries		-	4,589,075	4,589,075	-	4,929,036	4,929,036
Labor and health insurance		-	319,948	319,948	-	304,927	304,927
Pension		-	442,227	442,227	-	436,547	436,547
Other		-	295,827	295,827	-	313,243	313,243
Depreciation		-	497,062	497,062	-	524,595	524,595
Amortization		-	80,436	80,436	-	89,766	89,766

2) Reclassification

For the year ended December 31, 2010, certain amounts have been reclassified and presented to conform to the financial statements for the year period ended December 31, 2011. The financial statements are not significantly affected by such reclassifications.

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

A. Major foreign currency positions

December 31, 2011			December 31, 2010		
Currency	Original currency	NTD equivalent	Currency	Original currency	NTD equivalent
EUR	79,569	\$ 3,111,005	AUD	593	\$ 18,337
AUD	739	22,712	NZD	354	8,322
NZD	751	17,562	EUR	(143)	(5,796)
CNY	(49,752)	(239,774)	USD	(4,636)	(140,774)
USD	(123,563)	(3,740,196)	JPY	(33,309)	(12,418)

B. Profitability

Unit: %

Items		December 31, 2011	December 31, 2010
Return on assets (note 1)	Before income tax	1.35	0.69
	After income tax	1.16	0.44
Return on equity (note 2)	Before income tax	23.41	12.34
	After income tax	20.05	7.98
Net profit ratio (note 3)		48.84	17.24

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

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

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

4) Capital adequacy

Capital adequacy ratios of the Bank are disclosed below:

Item			Period-end December 31, 2011	December 31, 2010
Self-owned capital	Tier 1 Capital		40,574,699	32,831,721
	Tier 2 Capital		19,626,805	19,673,401
	Tier 3 Capital		-	-
	Total Self-owned Capital		60,201,504	52,505,122
Risk- weighted assets	Credit risk	Standardized approach	308,452,918	307,469,370
		Internal-rating-based approach	-	-
		Securitizations	-	-
	Operational risk	Basic indicator approach	33,554,611	33,762,611
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	22,005,098	28,841,002
		Internal model approach	-	-
	Risk-weighted assets		364,012,628	370,072,983
Capital adequacy ratio			16.54 %	14.19 %
Tier 1 capital / risk-weighted assets			11.15 %	8.87 %
Tier 2 capital / risk-weighted assets			5.39 %	5.32 %
Tier 3 capital / risk-weighted assets			- %	- %
Common stock / total assets			3.91 %	4.15 %
Leverage ratio			5.64 %	5.01 %

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

Item			Period-end December 31, 2011	December 31, 2010
Self-owned capital	Tier 1 Capital		40,714,489	32,870,068
	Tier 2 Capital		19,766,595	19,711,747
	Tier 3 Capital		-	-
	Total Self-owned Capital		60,481,084	52,581,815
Risk- weighted assets	Credit risk	Standardized approach	308,549,573	307,517,173
		Internal-rating-based approach	-	-
		Securitizations	-	-
	Operational risk	Basic indicator approach	33,361,767	33,678,309
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	22,005,098	28,841,002
		Internal model approach	-	-
	Risk-weighted assets		363,916,439	370,036,484
Capital adequacy ratio			16.62 %	14.21 %
Tier 1 capital / risk-weighted assets			11.19 %	8.88 %
Tier 2 capital / risk-weighted assets			5.43 %	5.33 %
Tier 3 capital / risk-weighted assets			- %	- %
Common stock / total assets			3.91 %	4.15 %
Leverage ratio			5.66 %	5.02 %

5) Foreign currency financial assets and liabilities

As of December 31, 2011 and 2010, the foreign currency financial assets and liabilities as follows:

December 31, 2011				December 31, 2010			
	Foreign currency	Exchange rate	New Taiwan dollars		Foreign currency	Exchange rate	New Taiwan dollars
Financial assets							
Monetary items							
USD	3,698,639	30.27	\$11,956,229	2,722,937	30.37	\$	82,683,141
Non-monetary items							
USD	487,534	30.27	14,757,435	601,501	30.37		18,264,836
Financial liabilities							
Monetary items							
USD	4,906,216	30.27	48,509,061	3,103,863	30.37		94,250,142
Non-monetary items							
USD	543,230	30.27	16,443,353	384,993	30.37		11,690,479

6) IFRS transition disclosure requirements

Please refer to the consolidated financial statements for the Company as of year ended December 31, 2011, which has been audited by the independent auditors.

(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:

Name of company which disposed property	Category of property	Book value	Transaction amount	Conditions of payment	Gain (loss) on disposal	Counter-party	Relationship with the Bank	Purpose of disposal	Reference for deciding price	Other required items
Standard Chartered Bank (Taiwan) Limited	Land and premises	\$ 569,569	\$ 1,470,000	Payment Received	\$ 1,020,916	Xin Yue Investment Co. Ltd., Yong Jun Investment Co. Ltd., Jie Cheng Engineering Co. Ltd.	None	To make a profit	Arm's length transaction	None

- D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.
- E. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
- F. Information regarding selling of non-performing loans:
- a. Summary for sale of non-performing loans

Transaction date	Counterparty	Content	Book value	Price	Gain from sale	Attachment clause	Relationship
2011.5.13	Yuanta Asset Management Co. Ltd	Mortgage & Corporate finance	167,264	233,786	59,042	Repurchase agreement	Non-related party
2011.5.20	Yuanta Asset Management Co. Ltd	Credit card & Credit loan & Corporate finance	-	487,943	474,462	Repurchase agreement	Non-related party
2011.5.20	Taishin Asset Management Co. Ltd	Credit card & Credit loan & Corporate finance	-	315,662	304,758	Repurchase agreement	Non-related party
2011.12.7	Taiwan Asset Management Corporation	Corporate Personal & Individual Portfolio	127,237	211,456	75,909	NA.	Non-related party

b. Information on individual NPL sales transactions of more than \$1 billion (exclusive of sales to related parties): None

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

H. 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	
Standard Chartered Life Insurance Agency Co., Ltd.	No. 85, Chung-Zeng Road, Hsinchu, Taiwan	Life insurance agent	100.00 %	258,244	195,684	300	-	300	100.00 %	-
Taiwan Standard Chartered Insurance Agency Co., Ltd.	No. 85, Chung-Zeng Road, Hsinchu, Taiwan	Property insurance agent	100.00 %	21,335	13,604	300	-	300	100.00 %	-
Fuji Enterprise Management Consulting Co., Ltd.	6-7F., No.258, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 10687, Taiwan	Financial securities services	0.99 %	-	-	20	-	20	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	-	5,119	-	5,119	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	3.18 %	6,673	-	630	-	630	3.18 %	-
TSC Bio Venture Management, Inc.	11F.-1, No.176, Sec. 1, Keelung Rd., Xinyi 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., Jhongshan District, Taipei City 10489, Taiwan	Venture capital services	4.76 %	10,080	-	1,008	-	1,008	4.76 %	-
Windance Co., Ltd.	No.243-1, Zhongyang Rd., North District, Hsinchu City 30041, Taiwan	Residential and commercial lease/sale services	2.73 %	188,500	-	18,850	-	18,850	2.73 %	-

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remarks
						Number of shares	Pro forma number of shares	Total		
								Shares	Percentage	
Taiwan Asset Service Corporation	6 and B1F., 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 %	-
Taiwanpay Corporation	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	-	520	-	520	0.17 %	-
Taiwan Cooperative Financial Holdings	14F., No. 85, Sec 2, Nan Jing Dong Rd., Zhongshan District, Taipei City, Taiwan	Financial securities services	0.07 %	80,077	-	4,593	-	4,593	0.07 %	Note

Note: Formerly Taiwan Cooperative Bills Finance Corporation which was restuctured into Taiwan Cooperative Financial Holdings Co., Ltd. as of December 1, 2011.

- B. Lending to other parties: none.
- C. Guarantees and endorsements for other parties: none.
- D. Information regarding securities held: 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.
- 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) Operating Segment Financial Information

Please refer to the consolidated financial statements for the Company for the year ended December 31, 2011, which has been audited by the independent auditors.

Independent Auditors' Report

The Board of Directors

Standard Chartered Bank (Taiwan) Limited:

We have audited the accompanying consolidated balance sheets of Standard Chartered Bank (Taiwan) Limited and its Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2011 and 2010. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Republic of China generally accepted auditing standards and the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the 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 and its Subsidiaries as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Public 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.

23 March, 2012

Declaration

The companies included in the consolidated financial statements of affiliated enterprises prepared by Standard Chartered Bank (Taiwan) Limited for FY 2010 (from 1 January 2010 to 31 December 2010) in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are identical with those to be included in the consolidated financial statements of parent company and subsidiaries in accordance with Statement of Financial Accounting Standards No. 7, and the relevant information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated financial statements of parent company and subsidiaries. Therefore, the Bank will not prepare separate consolidated financial statements of affiliated enterprises.

Standard Chartered Bank (Taiwan) Limited

Chairman: Katherine King-Suen Tsang

23 March, 2012



Standard Chartered Bank (Taiwan) Limited and Its Subsidiaries

Consolidated Balance Sheet

December 31, 2011 and 2010

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

	December 31, 2011	December 31, 2010	Change %		December 31, 2011	December 31, 2010	Change %
Assets				Liabilities and Stockholders' Equity			
Cash and cash equivalents (notes 4(1) and 5)	\$ 11,469,535	7,503,661	53	Liabilities :	\$ 18,390,389	10,647,359	73
Balance at Central Bank and loans and advances to banks (notes 4(2) and 5)	74,398,541	99,652,258	(25)	Deposits by Central Bank and other banks (note 5)	14,863,355	19,801,306	(25)
Financial assets at fair value through profit or loss (notes 4(3) and (20) and 5)	40,867,691	28,405,970	44	Financial liabilities at fair value through profit or loss (notes 4(3) and (20) and 5)	4,925,444	6,477,575	(24)
Bills and bonds investments under reverse sell agreements (note 4(4))	8,456,414	-	-	Accounts payables (notes 5 and 7)	4,284,892	2,279,611	88
Accounts receivables, net (notes 4(5), (6) and (18) and 5)	34,337,317	26,804,963	28	Deposits and remittances (notes 4(12) and (20) and 5)	595,735,394	590,419,248	1
Loans and advances to customers, net (notes 4(6) and (20), 5 and 11)	346,151,003	344,500,675	-	Financial debentures (notes 4(13) and (20) and 5)	47,512,170	19,224,205	147
Available-for-sale financial assets, net (notes 4(7) and (20), 5 and 6)	213,257,021	178,338,617	20	Other financial liabilities (note 4(20))	10,188,173	11,460,148	(11)
Other financial assets, net (notes 4(8) and (20) and 11)	887,031	445,803	99	Other liabilities (notes 4(16) and 7)	2,147,925	3,146,616	(32)
Property and equipment, net (note 4(9))	6,076,943	7,272,918	(16)	Total Liabilities	698,047,742	663,456,068	5
Intangible assets (notes 4(10) and (16))	3,304,470	3,410,632	(3)	Stockholders' Equity (notes 4, (7), (16) and (19)):			
Other assets (notes 4(11) and (18) and 6)	4,077,814	5,410,359	(25)	Common stock, par value \$10, authorized 3,000,000 thousand shares and issued 2,910,572 thousand shares	29,105,720	29,105,720	-
				Capital surplus	5,786,031	5,786,031	-
				Retained earnings:			
				Legal reserve	876,897	-	-
				Special reserve	136,034	-	-
				Accumulated deficits	8,373,320	2,922,991	186
					9,386,251	2,922,991	221
				Other adjustments to stockholders' equity:			
				Unrealized revaluation increments on property and equipment	239,413	363,949	(34)
				Unrealized gain on available-for-sale financial assets	772,342	373,167	107
				Unrealized gain on cash flow hedge	190,367	66,283	187
				Net loss on unrecognized pension cost	(244,086)	(328,353)	26
					958,036	475,046	102
				Total stockholders' equity	45,236,038	38,289,788	18
				Commitments and contingent liabilities			
				(notes 4(11), and (20), 6 and 7)			
Total Assets	\$ 743,283,780	701,745,856	6	Total Liabilities and Stockholders' Equity	\$ 743,283,780	701,745,856	6

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Income

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2011	2010	Change %	
Interest income (notes 4(3) and (14) and 5)	\$ 13,906,960	11,938,256	16	
Less: Interest expenses (note 5)	4,721,879	3,026,274	56	
Net interest income	9,185,081	8,911,982	3	
Other operating income:				
Fees and commission income, net (note 7)	4,435,729	5,596,690	(21)	
Gain on financial instruments at fair value through profit or loss (notes 4(3) and (20) and 5)	976,623	1,918,992	(49)	
Realized gain on available-for-sale financial assets (note 4(7))	22,749	51,864	(56)	
Investment income from interest in associates under equity method (note 4(8))	-	80,219	(100)	
Foreign exchange gain (loss), net	827,676	(170,243)	586	
Impairment loss on assets (notes 4(7) and (8))	(169,782)	(103,520)	(64)	
Gain on sale of non-performing loans (note 11)	914,171	745,691	23	
Net gain on disposal of property (note 11)	1,062,432	46,962	2,162	
Other non-interest income for sundries, net (notes 4(8), (11) and (15))	137,946	212,906	(35)	
Operating income	17,392,625	17,291,543	1	
Bad debt expenses (notes 4(5) and (6) and 5)	(3,154,511)	1,453,276	(317)	
Operating expenses:				
Staff costs (notes 4(16) and (17), 5 and 10(1))	5,649,693	5,985,816	(6)	
Depreciation and amortization expenses (notes 4(9), (10) and 10(1))	578,573	615,838	(6)	
General and administrative expenses (notes 5 and 7)	4,499,980	4,732,046	(5)	
	10,728,246	11,333,700	(5)	
Profit from continuing operations before income tax	9,818,890	4,504,567	118	
Income tax expense (note 4(18))	1,445,775	1,581,576	(9)	
Consolidated net income	\$ 8,373,115	2,922,991	186	
Attributable to:				
Parent company	\$ 8,373,115	2,922,991	186	
	Before tax	After tax	Before tax	After tax
Basic earnings per share (note 4(19))	\$ 3.37	2.88	1.55	1.00

Standard Chartered Bank (Taiwan) Limited and Its Subsidiaries
Consolidated Statement of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	Retained earnings				Other adjustments					
	Common stock	Capital surplus	Legal reserve	Special reserve	Accumulated earnings (deficits)	Unrealized revaluation increments on property and equipment	Unrealized gain on available-for-sale financial assets	Unrealized gain on cash flow hedge	Net loss on unrecognized pension cost	Total
Balance as of January 1, 2010	\$ 29,105,720	10,430,441	5,374	-	(4,649,784)	381,303	28,128	3,253	(295,390)	35,009,045
Capital surplus for offsetting against accumulated deficits (note 4(19))	-	(4,644,410)	-	-	4,644,410	-	-	-	-	-
Legal reserve for offsetting against accumulated deficits (note 4(19))	-	-	(5,374)	-	5,374	-	-	-	-	-
Net gain for the year ended December 31, 2010	-	-	-	-	2,922,991	-	-	-	-	2,922,991
Movement of unrealized revaluation increments on property and equipment	-	-	-	-	-	(17,354)	-	-	-	(17,354)
Movement of unrealized gain on available-for-sale financial assets (note 4(7))	-	-	-	-	-	-	345,039	-	-	345,039
Movement of unrealized gain on cash flow hedge (note 4(20))	-	-	-	-	-	-	-	63,030	-	63,030
Net loss on unrecognized pension cost	-	-	-	-	-	-	-	-	(32,963)	(32,963)
Balance as of December 31, 2010	29,105,720	5,786,031	-	-	2,922,991	363,949	373,167	66,283	(328,353)	38,289,788
Net gain for the year ended December 31, 2011	-	-	-	-	8,373,115	-	-	-	-	8,373,115
Appropriation of retained earnings (note):	-	-	876,897	-	(876,897)	-	-	-	-	-
Legal reserve (note 4(19))	-	-	-	-	(2,045,889)	-	-	-	-	(2,045,889)
Cash dividends (note 4(19))	-	-	-	136,034	-	-	-	-	-	136,034
Transfer of general provision for special reserve	-	-	-	-	-	-	-	-	-	-
Movement of unrealized revaluation increments on property and equipment	-	-	-	-	-	(124,536)	-	-	-	(124,536)
Movement of unrealized gain on available-for-sale financial assets (note 4(7))	-	-	-	-	-	-	399,175	-	-	399,175
Movement of unrealized gain on cash flow hedge (note 4(20))	-	-	-	-	-	-	-	124,084	-	124,084
Net loss on unrecognized pension cost	-	-	-	-	-	-	-	-	84,267	84,267
Balance as of December 31, 2011	\$ 29,105,720	5,786,031	876,897	136,034	8,373,320	239,413	772,342	190,367	(244,086)	45,236,038

Note: The employee bonus in 2010 was recognized as operating expense — staff costs in the statement of income, not as earning distribution.

Standard Chartered Bank (Taiwan) Limited and Its Subsidiaries

Consolidated Statement of Cash Flows

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from operating activities:		
Net income	\$ 8,373,115	2,922,991
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expenses	497,492	525,307
Amortization expenses	81,081	90,531
Provision (Reversal of) for bad debt expenses	(3,154,511)	1,453,276
Reserves	636	11,386
Investments income from interest in associates under equity method	-	(80,219)
Investment income from financial asset carried at cost	(12,421)	(1,271)
Net impairment losses	169,782	103,520
Gain on disposal of non-performing loans	(914,171)	(745,691)
Gain on asset related transactions	(1,062,432)	(46,962)
Derecognition of fixed assets as expenses	-	1,926
Realized deferred revenue	(26,881)	(123,122)
Decrease in operating assets:		
(Increase) decrease in financial assets at fair value through profit or loss	(12,461,721)	108,908
Increase in bills and bonds investments under reverse sell agreement	(8,456,414)	-
(Increase) decrease in accounts receivables	(7,532,354)	60,569
Decrease in deferred income tax expense	1,310,163	1,168,520
Decrease (increase) in other financial assets	201,528	(111,205)
(Increase) decrease in other assets	(216,110)	275,196
Increase (decrease) operating liabilities:		
Decrease in financial liabilities at fair value through profit or loss	(4,937,951)	(160,004)
(Decrease) increase in accounts payables	(1,552,131)	247,357
Increase (decrease) in accounts payables – related parties	2,005,281	(550,413)
(Decrease) increase in other financial liabilities	(1,250,798)	220,760
(Decrease) increase in other liabilities	(773,055)	145,472
Net cash (used in) provided by operating activities	(29,711,872)	5,516,832
Cash flows from investing activities:		
Decrease in balance at Central Bank and loans and advances to banks	25,253,717	14,103,082
Decrease (increase) in loans and advances to customers	1,249,462	(32,919,598)
Proceeds from disposal of non-performing loans	1,248,847	1,228,381
Increase in available-for-sale financial assets	(34,770,350)	(69,710,385)
Proceeds from disposal of investments in associates under equity method	-	80,219
Proceeds from disposal of financial assets carried at cost	12,421	39,336
Acquisition of property, equipment and intangible assets	(70,093)	(370,464)
Proceeds from disposal of property and equipment	1,865,670	1,186,990
Net cash used in investing activities	(5,210,326)	(86,362,439)
Cash flows from financing activities:		
Increase (decrease) in deposits by Central Bank and other banks	7,743,030	(38,708,237)
Increase in deposits and remittances	5,228,188	131,718,026
Repayment of financial debentures	27,962,743	(10,469,480)
Distributed cash dividend	(2,045,889)	-
Net cash provided by financing activities	38,888,072	82,540,309
Net increase in cash and cash equivalents	3,965,874	1,694,702
Cash and cash equivalents at beginning of period	7,503,661	5,808,959
Cash and cash equivalents at end of period	\$ 11,469,535	7,503,661
Supplemental disclosure of cash flow information:		
Cash payments of interest, except capital interest	\$ 4,373,176	2,945,080
Cash payments of income tax	\$ 187,670	150,302
Investing and financing activities not affecting cash flows :		
Unrealized gain on available-for-sale financial assets	\$ 399,175	345,039

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

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



Standard
Chartered



I. Analysis of Financial Conditions

Unit: NTD'000

Item	Year	2011	2010	Variance	
				Amount	%
Cash & cash equivalent		11,469,535	7,503,661	3,965,874	53
Due from Central Bank and Inter-bank Placement		74,398,541	99,652,258	(25,253,717)	(25)
Financial assets at fair value through profit or loss		40,867,691	28,405,970	12,461,721	44
Bonds and bills sold under resale agreements		8,456,414	0	8,456,414	0
Receivables, net		34,442,522	26,956,704	7,485,818	28
Assets held for sale, net		0	0	0	0
Loans and bills discounted, net		346,151,003	344,500,675	1,650,328	0
Available-for-sale financial assets, net		213,257,021	178,338,617	34,918,404	20
Equity investment under equity method, net		279,579	76,692	202,887	265
Other financial assets, net		887,031	445,803	441,228	99
Fixed assets, net		6,076,890	7,253,113	(1,176,223)	(16)
Intangible assets		3,303,198	3,408,715	(105,517)	(3)
Other assets		4,074,748	5,410,310	(1,335,562)	(25)
Total assets		743,664,173	701,952,518	41,711,655	6
Due to Central Bank and other banks		18,390,389	10,647,359	7,743,030	73
Financial liabilities at fair value through profit or loss		14,863,355	19,801,306	(4,937,951)	(25)
Bonds and bills sold under repurchase agreements		0	0	0	0
Accounts Payable		9,178,082	8,743,162	434,920	5
Deposits and remittances payable		596,151,692	590,618,528	5,533,164	1
Bank notes payable		47,512,170	19,224,205	28,287,965	147
Other financial liabilities		10,188,173	11,460,148	(1,271,975)	(11)
Other liabilities		2,144,274	3,168,022	(1,023,748)	(32)
Total liabilities	Before distribution	698,428,135	663,662,730	34,765,405	5
	After distribution	698,428,135	663,662,730	34,765,405	5
Common stock		29,105,720	29,105,720	0	0
Capital surplus		5,786,031	5,786,031	0	0
Retained earnings	Before distribution	9,386,251	2,922,991	6,463,260	221
	After distribution	9,386,251	877,102	8,509,149	970
Other shareholders' equity		958,036	475,046	482,990	102
Total Shareholders' Equity	Before distribution	45,236,038	38,289,788	6,946,250	18
	After distribution	45,236,038	36,243,899	8,992,139	25

II. Analysis of Operating Results

Unit: NTD'000

Item \ Year	2011	2010	Variance	
			Amount	%
Interest Income, net	9,183,485	8,911,419	272,066	3
Non-interest income, net	7,960,032	8,039,597	(79,565)	(1)
Provision for loan loss	(3,154,511)	1,453,276	(4,607,787)	(317)
Operating expense	10,521,913	10,976,520	(454,607)	(4)
Income (loss) from continuing operations before tax	9,776,115	4,521,220	5,254,895	116
Income (loss) from continuing operations after tax	8,373,115	2,922,991	5,450,124	186
Income (Loss) from discontinued operations (Net of tax)	0	0	0	0
Income (loss) from Extraordinary items (Net of tax)	0	0	0	0
Cumulative effect of changes in accounting principles (Net of tax)	0	0	0	0
Net income (loss)	8,373,115	2,922,991	5,450,124	186
EPS (Net of tax)	2.88	1.00	1.88	188

III. Cash Flows

(I) Liquidity Analysis for the Past Two Year :

Item \ Year	2011	2010	Increase (Decrease) %
Cash flow ratio (%)	(70.44)	14.49	(84.93)
Cash flow adequacy ratio, net (%)	586.70	1,126.88	(540.18)
Ratio of cash flow from operations to cash flow from investments (%)	569.39	(6.58)	575.97

(II) Liquidity Analysis for the Next Year

Unit: NTD'000

Cash Balance at the Start of the Period (1)	Net Operating Cash Flow for the Whole Year (2)	Cash Outflow for the Whole Year (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Measures to Finance Cash Deficiency	
				Investment Plan	Financing Plan
11,469,535	25,535,067	(24,578,870)	12,425,732	None	None

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

(I) Major Capital Expenditures in Recent Years

Unit : NTD'000

Project	Actual or Expected Funding Sources	Actual or Expected Completion Date	Total Capital Required	Actual or Expected Capital Utilization				
				2007	2008	2009	2010	2011
ATM Procurement	Self-owned capital	2007	9,484	9,484				
Branch Remodeling	Self-owned capital	2008	632,528	277,632	354,896			
Branch Remodeling	Self-owned capital	2009	252,864			252,864		
Branch Remodeling	Self-owned capital	2010	224,054				224,054	
Branch Remodeling	Self-owned capital	2011	41,566					41,566

(II) Expected Benefits from Capital Expenditures

Through branch remodeling and facilities upgrade, the Bank can provide customers with higher quality environment and services, expand our market shares, as well as to strengthen competitiveness.

V. Reinvestment Policy for 2011, Main Reasons for Investment Gain or Loss, and the Improvement and Investment Plan for the Next Year

The primary objective of the Bank's reinvestment plans is to generate operational synergy and strengthen cross-sector management as a financial institution. As of 2011, net realized gain from investee companies totaled NTD 232,799 thousand dollars, which was primarily contributed by the Standard Chartered Life Insurance Agency Co., Ltd., Taiwan Standard Chartered Insurance Agency Co., Ltd. and the cash dividends received from other investee companies.

VI. Risk Management

(I) Qualitative and Quantitative Information of All Risks

1. Credit Risk Management Structure and Capital Requirement

(1) Credit Risk Management Structure

Description / Disclosure

Credit risk strategy, goal, policy and procedure

The management of risk lies at the heart of Standard Chartered's business. One of the main risks we incur arises from extending credit to customers through our trading and lending operations.

Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus a central part of the financial and operational management of the Bank

Strategy & Goal

Through our risk management framework we manage enterprise-wide risks, with the objective of maximizing risk-adjusted returns while remaining within our risk appetite.

As part of this framework, we use a set of principles that describe the risk management culture we wish to sustain:

- **Balancing risk and reward:** risk is taken in support of the requirements of our stakeholders, in line with our strategy and within our risk appetite;
- **Responsibility:** it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social, environmental and ethical responsibilities in taking risk to produce a return;
- **Accountability:** risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported;
- **Anticipation:** we seek to anticipate future risks and maximize awareness of all risks; and
- **Competitive advantage:** we seek competitive advantage through efficient and effective risk management and control.

Policies and Procedures

The credit policies and procedures are considered and approved by the BOD, which also oversees the delegation of credit approval and loan impairment provisioning authorities. Policies and procedures that are specific to each business are established. These are consistent with the Group-wide credit policies, but are more detailed and adapted to reflect the different risk environments and portfolio characteristics.

Credit risk management organization and structure

Ultimate responsibility for setting our risk appetite and the effective management of risk rests with the Bank's Board. The Risk Committee, through authority delegated by the Board via the Executive Committee, will supervise and direct the management of credit risk. The Executive Committee members and the Chief Risk Officer, together with Internal Auditors, provide assurance, independent from the businesses, that risk is being measured and managed in accordance with the Bank's standards and policies.

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

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

The scope and characteristics of credit risk report and evaluation system

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

Various risk measurement systems are available to risk officers to enable them to assess and manage the credit portfolio. These include systems to calculate Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), RWA and Capital requirements on a transaction, counterparty and portfolio basis.

A number of internal risk management reports are produced on a regular basis, providing information on; individual counterparty, counterparty group, portfolio exposure, credit grade migration, the status of accounts or portfolios showing signs of weakness or financial deterioration, models performance and updates on credit markets.

The bank regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance.

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

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees and letters of credit. The Group also enters into collateralized reverse repurchase agreements.

Where guarantees or credit derivatives are used as Credit Risk Mitigation (CRM) the creditworthiness is assessed and established using the credit approval process in addition to that of the obligor or main counterparty.

Collateral is valued in accordance with our risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired loans is maintained at fair value.

Certain credit exposures are mitigated using credit default insurance.

Bilateral and multilateral netting are used to reduce settlement counterparty risk. Settlement exposures are generally netted using bilateral netting documentation in legally approved jurisdictions, Delivery vs. Payment or Payment vs Payment systems.

Method used for regulatory capital calculation

Standardized Approach

(2) Required Capital for Credit Risk under Standardized Approach

31 December 2011

Unit: NTD'000

Exposure Type	Exposure after Risk Mitigation	Required Capital
Sovereign	239,330,026	9,240
Non-central government public sector entities (PSEs)	0	0
Banks (including multilateral development banks – MDBs)	83,617,873	2,323,980
Corporations (including security and insurance companies)	86,985,749	6,511,643
Retail	150,168,655	9,613,050
Residential mortgage	153,541,195	5,547,491
Equity security investment	46,722	14,951
Other assets	13,926,997	655,879
Total	727,617,217	24,676,234

2. Exposures and Capital Requirement under the Asset-backed Securitization Management Structure**(1) Asset-backed Securitization Management Structure****Description / Disclosure****Strategy and procedure of asset securitization management****Strategy of asset securitization**

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

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

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

Procedure of asset securitization

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

Asset securitization management organization and structure

As an Originator

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

The RMBS product was issued on December 2005 with the book value of NTD 12.0 billion, of which the bank retained NTD 1.8 billion for credit enhancement purpose. In the issuance structure of the RMBS product, in addition to being the originator, the Bank services the transactions (i.e. collections). The retained RMBS position is currently under monthly fair value evaluation.

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

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

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

As an Originator

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

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

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

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

As an Originator

To reduce the counterparty risk for asset securitization, there are back-up service institutions for the RMBS structure. If for any

reason the Bank could not continue to meet its delegations as servicer, a back-up servicer will replace the Bank as the servicing institution for the RMBS framework.

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

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

Method used for regulatory capital calculation

As an Originator

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

(2) Asset Securitization

31 December 2011

Unit : NTD'000

Type	Total Issued Amount	Outstanding Balance	Buy Back Balance
RMBS1-Special Purpose Trust Investors' Beneficiary Securities	10,204,484	446,095	
RMBS1-Special Purpose Trust Sellers' Beneficiary Securities	1,800,791		1,800,791

Source: Servicer's monthly report as of December 2011

(3) Required Capital for Asset-backed Securitization Exposures

31 December 2011

Unit : NTD'000

Unit: MUSD

Exposure Type	Non-originating Bank		Originating Bank					
	Securitization-based Exposure Purchased or Held	Required Capital	Exposure					Pre-issuance Required Capital
			Non-asset-backed Commercial Paper				Asset-backed Commercial Paper	
			Traditional Type		Combination Type			
			Retained Portion	Non-retained Portion	Retained Portion	Non-retained Portion		
Residential Mortgage			1,800,791	2,379,139				79,611
Total			1,800,791	2,379,139				79,611

(4) Summary of Securitized Product Investment

31 December 2011

Unit : NTD'000

Item	Original Cost	Accumulated Valuation Gain or Loss	Accumulated Impairment	Book Amount
RMBS1-Special Purpose Trust Sellers' Beneficiary Securities	1,800,791	0	(48,209)	1,752,582

(5) Relevant Information on any Securitized Product with the Original Investment Cost Reached NTD 300 million and above: [None]

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

Securities Name	RMBS1-Special Purpose Trust Sellers' Beneficiary Securities
Currency	NTD
Purchase Date	20/12/2005
Maturity Date	On Trust Allocation Date in July 2027
Coupon Date	N/A
Credit Rating	-
Method of Interest and Principal Repayment	As stipulated in Article 14.3.24 of the Trust Deed, where there is sufficient amount for allocation on each trust allocation date, the Trustee shall make repayment to the holder of the sellers' beneficiary securities in accordance with the "Payment Priority" set forth in Article 14.3 of the Deed. On each trust allocation date, interest incurred from the sellers' beneficiary securities is paid by following the "Allocated Fund Balance" in Article 14.3.24(i) and is subject to the provisions in Article 14.3 of the Deed that the interest shall be paid off before the repayment to investors' beneficiary securities is fully made. In addition, prior to the full repayment of investors' beneficiary securities, the sellers' beneficiary securities is exempt from the term of principal repayment specified in Article 14.3.24(ii) of the Deed.
Original Cost	1,800,791 thousand
Accumulated Valuation on Gain or Loss	0
Accumulated Impairment	(48,209) thousand
Book Amount	1,752,582 thousand
Attachment Point	-
Description of Asset Pool	House Mortgage (subordinated): Total 1,994 mortgages amounted to NTD 2,246,886 thousand dollars. Refer to Table (6-1) for details.

Table (6-1)

Unit : NTD'000

General Information	
	December 2011
Maximum Loan Principal Balance of a Loan in the Portfolio	13,855
Minimum Loan Principal Balance of a Loan in the Portfolio	1,537
Total Loan Principal Balance of the Loans in the Portfolio	2,246,886
Number of Loans in the Portfolio	1,994
Maximum Interest Rate of a Loan in the Portfolio	5.59
Minimum Interest Rate of a Loan in the Portfolio	1.417
Weighted Average Interest Rate of the Portfolio	2.94
Weighted Average Margin of the Portfolio(ARMS)	1.29
Youngest Loan in the Portfolio (months)	77.10
Oldest Loan in the Portfolio (months)	109.47
Weighted Average Seasoning of the Portfolio (months)	90.00
Shortest Term to Maturity of a Loan in the Portfolio (months)	65.30
Longest Term to Maturity of a Loan in the Portfolio (months)	166.30
Weighted Average Term of the Portfolio (months)	128.00
Highest CLTV of a Loan in the Portfolio	76.92%
Lowest CLTV of a Loan in the Portfolio	0.09%
Weighted Average CLTV of the Portfolio	35.29%

Unit : NTD'000

Applicable to Tiered Rate (Yes/No)	Interest Rate Bracket	No. of Outstandings	%	Outstanding Balance	%	Average Outstanding Balance	Weighted-average Loan Age (Month)
Yes	0-2%	11	0.55%	10,911	0.49%	992	104
	2.01%-3%	669	33.54%	900,998	40.10%	1,347	89
	3.01%-4%	6	0.30%	6,848	0.30%	1,141	100
	4.01%-5%	0	0.00%	0	0.00%	0	0
	>5%	1	0.05%	134	0.01%	134	94
No	0-2%	0	0.00%	0	0.00%	0	0
	2.01%-3%	195	9.78%	266,420	11.86%	1,366	85
	3.01%-4%	700	35.11%	740,715	32.96%	1,058	92
	4.01%-5%	373	18.71%	300,552	13.38%	806	87
	>5%	39	1.96%	20,308	0.90%	521	104
Total		1,994	100.00%	2,246,886	100.00%	1,127	90

Unit : NTD'000

Mortgage Pool Data				
	# of Loans	% of Loans	Current Principal Balance	% of Principal Balance
Current LTV Ranges				
0-10%	146	8.92%	41,640	1.85%
11-20%	189	11.55%	130,282	5.80%
21-30%	221	13.51%	237,899	10.59%
31-40%	272	16.63%	340,875	15.17%
41-50%	451	27.57%	755,963	33.65%
51-60%	264	16.14%	541,292	24.09%
61-70%	83	5.07%	180,185	8.02%
71-80%	10	0.61%	18,750	0.83%
>80%	0	0.00%	0	0.00%
Total	1,636	100.00%	2,246,886	100.00%

Unit : NTD'000

	# of Loans	% of Loans	Current Principal Balance	% of Principal Balance
Balance Outstanding				
0.0-1.0	919	46.09%	480,403	21.38%
1.0-2.0	920	46.15%	1,264,847	56.30%
2.0-3.0	96	4.81%	226,778	10.09%
3.0-4.0	27	1.35%	93,309	4.15%
4.0-5.0	14	0.70%	61,381	2.73%
5.0-6.0	9	0.45%	48,544	2.16%
6.0-7.0	6	0.30%	38,083	1.69%
7.0-8.0	1	0.05%	7,802	0.35%
8.0-9.0	0	0.00%	0	0.00%
9.0-10.0	0	0.00%	0	0.00%
10.0-11.0	0	0.00%	0	0.00%
11.0-12.0	1	0.05%	11,884	0.53%
12.0-13.0	0	0.00%	0	0.00%
13.0-14.0	1	0.05%	13,855	0.62%
Total	1,994	100.00%	2,246,886	100.00%

Unit : NTD'000

	# of Loans	% of Loans	Current Principal Balance	% of Principal Balance
Location				
Taoyuan County	816	40.91%	840,525	37.42%
Hsinchu County	308	15.45%	374,190	16.65%
Hsinchu City	193	9.68%	244,323	10.87%
New Taipei City	107	5.37%	120,746	5.37%
Taipei City	44	2.21%	80,346	3.58%
Keelung City	11	0.55%	7,523	0.33%
Miaoli County	373	18.71%	418,570	18.63%
Taichung City	135	6.77%	152,780	6.80%
Changhua County	2	0.10%	3,440	0.15%
Kaohsiung City	4	0.20%	3,656	0.16%
Chiayi County	0	0.00%	0	0.00%
Tainan City	1	0.05%	787	0.04%
Others	0	0.00%	0	0.00%
Total	1,994	100.00%	2,246,886	100.00%

Unit : NTD'000

	# of Loans	% of Loans	Current Principal Balance	% of Principal Balance
Scheduled Remaining Term (years)				
1-5	222	11.13%	72,122	3.21%
6-10	235	11.79%	212,684	9.47%
11-15	1,534	76.93%	1,960,255	87.24%
16-20	3	0.15%	1,825	0.08%
21-25	0	0.00%	0	0.00%
Total	1,994	100.00%	2,246,886	100.00%

Unit : NTD'000

Ageing Profile				
	# of Loans	% of Loans	Current Principal Balance	% of Principal Balance
Current	1,871	93.84%	2,131,348	94.85%
1-29 days past due	33	1.65%	38,568	1.72%
30-59 days past due	10	0.50%	11,688	0.52%
60-89 days past due	8	0.40%	10,865	0.48%
90-119 days past due	3	0.15%	3,789	0.17%
120-149 days past due	3	0.15%	2,016	0.09%
150-179 days past due	4	0.20%	2,614	0.12%
180~ days past due	62	3.11%	45,998	2.05%
Charge-offs	0	0.00%	0	1.72%
Total	1,994	100.00%	2,246,886	100.00%

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

3. Operational Risk Management Structure and Capital Requirement

(1) Operational Risk Management Structure

Description / Disclosure

Strategy and procedure of operational risk management

Operational risk is the “risk of direct or indirect loss due to an event or action resulting from inadequate or failed internal processes, people and systems, or from external events”.

Operational risk exposures arise as a result of business activities. It is the Bank’s objective to minimize exposure to such exposures, subject to cost tradeoffs. This objective is met through a framework of policies and procedures that drive risk identification, assessment, control and monitoring.

Operational risk management organization and structure

Governance over operational risk management is achieved through a defined structure of committees.

The Risk Committee is responsible for ensuring processes and procedures are in place for the monitoring and control of overall risk. The Risk Committee meets regularly to review exposure and compliance reports for limit compliance and stress testing.

The Country Operational Risk Group (“CORG”), headed by the Chief Executive Officer, has been established to supervise and direct the management of operational risks across the Bank, which has responsibility for ensuring that an appropriate and robust

risk management framework is in place to monitor and manage operational risk.

Within day-to-day operations, there are various roles assigned within the Bank to manage operational risk on a part-time or full-time basis. These include country-level, business-level, business unit-level, and support-function level managers.

While operational risk is managed locally, there is also strong support from SCB regional and group business and operational risk management functions based outside of Taiwan.

The scope and characteristics of operational risk report and evaluation system

The following risk types fall within the scope of operational risk, including tax risk, financial risk, vendor risk, technology risk, operations risk, CRES risk, people risk, legal risk, financial crime risk, and compliance risk.

The on-going effectiveness of operational risk controls is ensured through an assurance approach that comprises three distinct lines of responsibility. At its foundation is the responsibility that businesses and functions have to adhere to control requirements and to periodically test adherence. This self-assessment of adherence to controls is regularly tested by an independent assurance function that probes both the quality of the self assessment process and levels of adherence to underlying controls.

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

The operational risk management procedures and processes are integral components of the broader Risk Management Framework. Operational risks are managed through an end to end process of identification, assessment, control and monitoring. This four step management process is performed at all levels across the Bank and is the foundation of the management approach. Once identified risks are assessed against standard criteria to determine their significance and the degree of risk mitigation effort required to reduce the exposure to acceptable levels. Risk mitigation plans are overseen by the appropriate governance committee.

Method used for regulatory capital calculation

Basic Indicator Approach

(2) Required Capital for Operational Risk

31 December 2011

Unit : NTD'000

Year	Gross Operating Profit	Required Capital
2008	18,561,694	
2009	17,748,875	
2010	17,376,808	
Total	53,687,377	2,684,369

4. Market Risk Management Structure and Capital Requirement

(1) Market Risk Management Structure

Description / Disclosure

Strategy and procedure of market risk management

Standard Chartered recognizes market risk as the risk of loss resulting from changes in market prices and rates. The Group is exposed to market risk arising principally from customer-driven transactions. The objective of the Group's market risk policies and processes is to obtain the best balance of risk and return while meeting customers' requirements.

Market risk management organization and structure

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

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

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

While market risk is managed locally, there is also strong support from SCB regional and group business and market risk management functions based outside of Taiwan.

The scope and characteristics of market risk report and evaluation system

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

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk which applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books.

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

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

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

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

Method used for regulatory capital calculation

Standardized Approach / Delta-Plus for Options

(2) Required Capital for Market Risk

31 December 2011

Unit : NTD'000

Item	Required Capital
Interest Rate Risk	1,718,912
Foreign Exchange Risk	41,496
Equity Position Risk	0
Commodities Risk	0
Total	1,760,408

5. Liquidity risk includes maturity analysis of the Bank's assets and liabilities. It also describes the measures for liquidity management of assets and capital gap. Refer to the "Financial Highlights" section on page 133 for details.

(II) Impact of Changes in Domestic/Foreign Major Policies and Laws on the Bank's Financial Structure and Business and Responsive Actions Thereof

1. Cross-strait financial businesses

FSC promulgated the part of the amended Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution between the Taiwan Area and the Mainland Area on 7 September 2011, expanding the scope of cross-strait financial business moderately. In addition, the Commission has allowed for credit extension guaranteed by financial institutions in Mainland China on 27 September 2011; those that meet requirements can be considered as "secured credit" specified in Article 12 of the Banking Act.

Thanks to the two measures, the Bank is able to expand credit business in Mainland China as well as lower credit risks. Relevant business units are responsible for controlling and monitoring the ratio to ensure regulatory compliance.

2. RMB business

To expand business opportunities for OBU and overseas branches of banks in Taiwan, FSC has promulgated Rules Governing RMB Businesses Conducted by Banks in Taiwan on 21 July 2011, and allows OBU and branches in the third place to apply for RMB business licenses. The Bank's OBU has obtained approval to conduct RMB business on 11 November 2011, so the Bank is able to diversify our product offerings and provides more comprehensive sales services to customers. Our business units are fully complying with regulatory requirements and implement relevant control mechanism (such as Risk Disclosure Statement for RMB Business).

3. Amendment to the Banking Act

Articles 12-1 and 12-2 of the Banking Act have been amended on 19 November 2011. In extending self-use residence loans or consumer loans, whether sufficient collateral has been obtained, the Bank shall not require provision of joint guarantor(s) for whatsoever reasons. Unless guarantor(s) are provided voluntarily by borrowers as a way of improving credit conditions, the Bank shall not require provision of guarantor(s) when sufficient collateral has been obtained. In addition, the amended Act has also imposed restrictions on the guaranteed period.

The Bank has modified relevant guidelines on credit extension in accordance with the amended Banking Act and made announcements to all branches for notice. In addition, managers of related business units are required to enhance staff education on the amended Articles of 12-1 and 12-2 and strengthen compliance culture. One exception is that when guarantor(s) are provided voluntarily by borrowers as a way of improving credit conditions, the Bank would accept provision of guarantor(s) accordingly. If the provision of guarantor(s) was not offered voluntarily, the Bank will turn down the loan application.

4. Financial Consumer Protection Law (FCPL)

Promulgated on 29 June 2011 and has been implemented on 31 December 2011, the Law sets the standards for the provision of financial products and services by financial institutions, and establishes a resolution mechanism for consumer disputes. After the implementation, disputes between financial consumers and banks will be handled according to FCPL in order to expedite the resolution process. To enhance customers' rights protection, the Bank has begun reviewing relevant documents and procedures, and made adjustments in accordance with the Law before its implementation. The Bank will handle disputes in the spirit of rights protection and in compliance with the law.

5. Regulatory requirements on the loan provision coverage ratio

To increase operational capabilities of the banking institutions in preparation for economic downturns/upturns, the regulators require local banks to aim for raising loan provision coverage ratio (bad debt provision/total loan) to 1% and above. The

regulators will take the ratio into consideration when reviewing applications for conducting cross-strait financial businesses, re-investments, and the establishing onshore/offshore branches.

Currently, the Bank's loan provision coverage ratio has reached the required level; the ratio will be maintained to meet regulators' requirements.

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

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

The innovations on technology have helped the Bank to provide more advanced products and services to customers. However, it also increases the challenges on customer data protection and information security. Along with the development and popularity of Internet, automated-channel service has been widely accepted by customers. To improve customer satisfaction and remain competitive, the Bank continues to enhance automated channels for provision of year-round customer-centric services.

2. Responsive Actions:

- (1) The Bank not only keeps on adopting new technologies to uplift the overall service level, but also invests resources to review and strengthen the information security over systems with high standards on a regular basis;
- (2) Upgrade entire system standards and abide by regulations to effectively manage risks in order to raise service efficiency and effectiveness.
- (3) Proactively participate in related seminars to keep up with the latest developments and applications.

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

Brand image and reputation are the most significant intangible assets for a bank. Ensuring a bank's goodwill is always more vital than generating sales or all other operations. The Bank has specific reputation and risk policies and procedures, in particular, the local and group level mechanisms of reputation risk management: from prediction, monitoring, escalation, prompt follow-through, to supervision, that are thorough and comprehensive, as guarantees to ensure the least likelihood of the incident of reputation risks.

While the world was affected by the global financial crisis in 2008 and 2009, the Bank still delivered strong performance because of its footprints in Asia, Africa, and Middle East, its focus on core businesses, and its strong risk management mechanisms. Facing the market recovery in 2010 and 2011, the Bank remained prudent and is devoted to bolstering its service quality and risk management by regular employee trainings, maintaining the Bank's image and protecting consumers' rights. Such practice is closely integrated with ensuring a sustainable business, executing responsible selling and marketing, battling financial crimes, completing banking service network, and participating in environmental protection and community services. The Bank is committed to its brand promise — Here for good — embedded in every employee's daily routine, known among all stakeholders, and deemed as the best brand image among clients.

The Bank's education efforts in risk management and money-laundry prevention have earned significant results. In June 2010, the Bank helped the government trace the biggest fraud group across the Taiwan Strait and deterred an out-bound remittance of NTD 3 million. The Bank was honoured by the officials of the Financial Supervisory Commission, and Premier Wu Den-yih has also given the Bank an award to recognize its efforts.

(V) Anticipated Benefits, Potential Risks and Responsive Actions for M&A : [None]

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

There are 2 branches, Jinshan Branch from new open and Wufu Branch from relocation in 2011. In order to increase the market share of the Bank, provide comfortable atmosphere and upgrade the service quality, Wufu Branch is located in a department store operating throughout the years to provide much more convenience to the clients.

We also sent a separate notice to our customers for branch relocation and informed the branch name for ongoing services to minimize the inconvenience to customers. Cautious actions were also taken to properly deal with the rights and obligations of existing customers or alternative services provided to ensure customers' interests are protected in the course of branch relocation.

(VII) Business Concentration Risk and Responsive Actions Thereof

To be in compliant with Article 33.3 of the Banking Act, the Bank regularly discloses and reports the credit limits for the same legal person, the same natural person, the same concerned party and the same related entity.

In addition, the target markets and overall characteristics of the credit portfolios, including credit decentralization and levels of tolerance, have been clearly set in the Country Portfolio Standards and product programs of the Bank. As to concentration risk in certain industries, the acceptable conditions of credit extensions are specified in the Country Portfolio Standards that, different outstanding caps will be set for major industries which have high volatility. In the Credit Initiation and Approval Policy, the Bank also sets Credit Reference Levels for single customer/client group to ensure concentration risk on large exposures is properly addressed and managed.

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

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

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

VII. Emergency Response Mechanism

To effectively administer security maintenance of the Bank, a Security Maintenance Supervision Team shall be established with one high-ranking executive being appointed as convener to supervise administration, test the implementation scenario of security maintenance, and conduct educational training and regular operation drill.

VIII. Other Important Matters : [None]

VIII. Special Notes

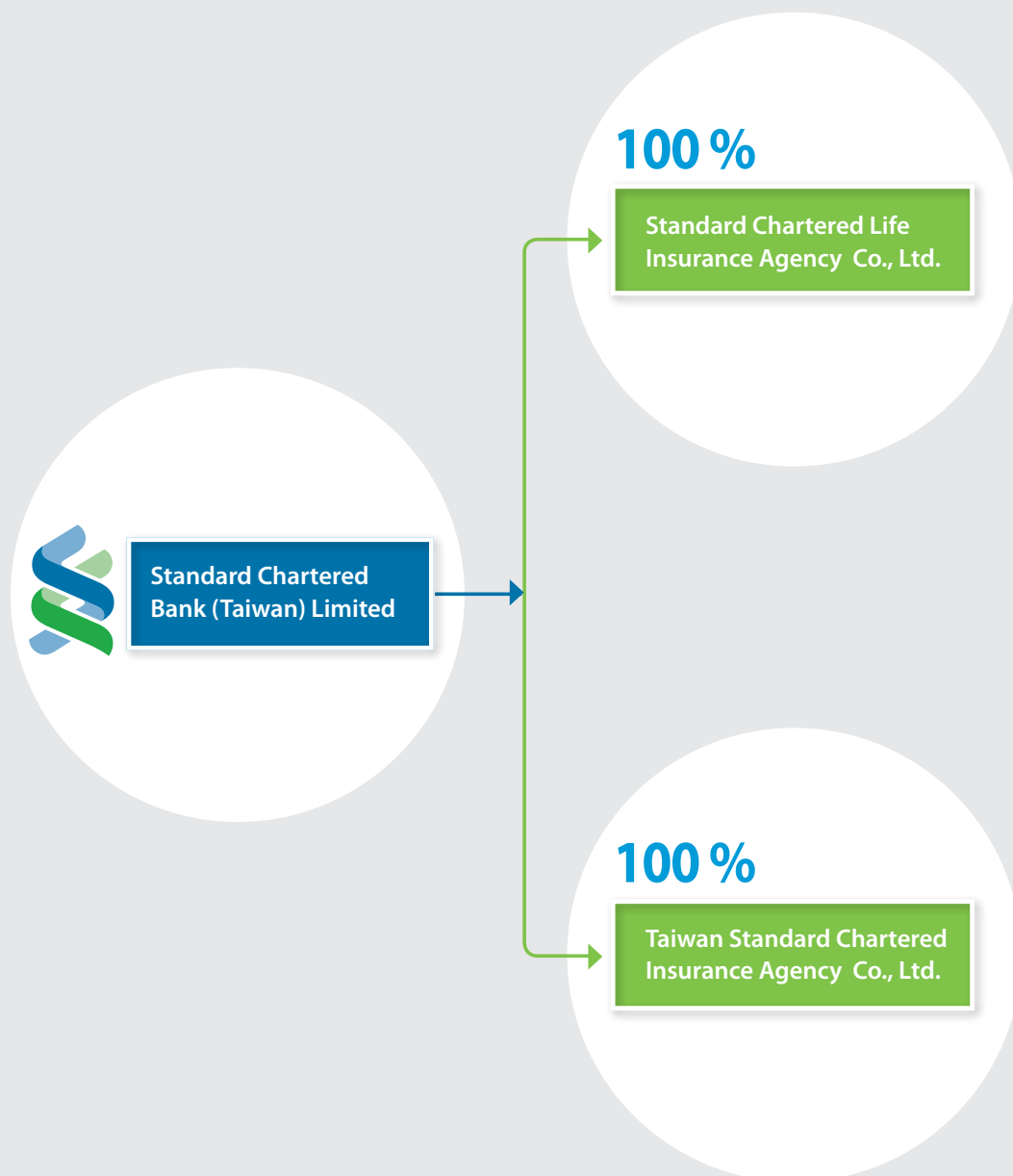


Standard
Chartered



I. Information on Affiliated Enterprises

(I) Organizational Chart of Affiliated Enterprises



(II) Basic Information of Affiliated Enterprises

Unit : NTD'000

Name of Business	Date of Establishment	Address	Paid-in Capital	Major Line of Business or Products
Standard Chartered Life Insurance Agency Co., Ltd.	07/09/1999	7F, No. 106, Zhongyang Road, Zhongzheng Village, Hsinchu City	3,000	Life insurance agent
Taiwan Standard Chartered Insurance Agency Co., Ltd.	30/09/1999	7F, No. 106, Zhongyang Road, Zhongzheng Village, Hsinchu City	3,000	Property insurance agent

(III) Industry Covered by Affiliated Enterprises

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

(IV) Information on Directors and Supervisors of Affiliated Enterprises

Name of Business	Title	Name or Company Representative	Shares Held	
			Number	Ratio
Standard Chartered Life Insurance Agency Co., Ltd.	Chairman Director Director Supervisor	SCBTL representative : Fou Tsong Ling SCBTL representative : Choon Hin Tan SCBTL representative : Katherine Yang SCBTL representative : Henry Tseng	300,000	100.00%
Taiwan Standard Chartered Insurance Agency Co., Ltd.	Chairman Director Director Supervisor	SCBTL representative : Fou Tsong Ling SCBTL representative : Choon Hin Tan SCBTL representative : Katherine Yang SCBTL representative : Henry Tseng	300,000	100.00%

(V) Business Overview of Affiliated Enterprises

Unit : NTD'000

Name of Business	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Profit (Loss)	Current Year Profit and Loss (After Tax)	Earnings Per Share (Dollar)
Standard Chartered Life Insurance Agency Co., Ltd.	3,000	477,215	218,971	258,244	429,980	236,797	195,684	652.28
Taiwan Standard Chartered Insurance Agency Co., Ltd.	3,000	36,343	15,008	21,335	29,446	16,215	13,604	45.35

(VI) Consolidated Financial Statements of Affiliated Enterprises: Refer to the "Financial Highlights" section from page 163 to page 167.

(VII) Affiliation Reports :

Declaration

The 2011 Affiliation Reports of Standard Chartered Bank (Taiwan) Limited for the period between 1 January 2011 and 31 December 2011 have been prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". No material discrepancy was found in the Reports as compared to the relevant information disclosed in the Notes to the Financial Statements for the same period.

Standard Chartered Bank (Taiwan) Limited

Chairman: King-Suen Tsang

23 March 2012



Independent Auditors' Review Opinion on Affiliation Reports

To: Standard Chartered Bank (Taiwan) Limited

The 2011 Affiliation Reports of Standard Chartered Bank (Taiwan) Limited have been reviewed in conformity with the provisions set forth in the letter of Ref. No. Tai-Tsai-Zheng-VI-04448 (dated 30 November 1999) issued by the Securities and Futures Bureau, Financial Supervisory Commission (formerly known as Securities & Futures Commission, Ministry of Finance). This review opinion is to verify if the 2011 Affiliation Reports of Your Bank are in compliance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and if the information disclosed in Affiliation Reports has material discrepancy corresponding to those in the Notes to Financial Statements audited by KPMG on 23 March 2012.

In our opinion and based on our review, we hereby confirm that the Affiliation Reports have been prepared in compliance with the aforementioned Criteria, and no material discrepancy was found in the subject Reports as compared to the Notes to the 2011 Financial Statements.

KPMG Certified Public Accountants

Accountants :

SFC's Approval No. : (88)Tai-Tsai-Zheng-VI-18311

Jin-Guan-Zheng-(6) Zi-0980002150

23 March 2012

1. Relationship with the Holding Company:

Unit: Share; %

Name of the Controlling Entity	Reason of Control	Controlling Entity's Shareholding and Pledge			Directors, Supervisors or Managers Representing the Controlling Entity	
		No. of Shares ('000)	Shareholding (%)	No. of Pledged Shares ('000)	Title	Name
Standard Chartered Bank	Shareholding 100%	2,910,572	100 %	0	Director (Chairman)	Katherine King-Suen Tsang
					Director	Sunil Kaushal
					Director	Cheng Teck Lim
					Director	Kuei-Ling Hu
					Director	Fou Tsong Ling
					Independent Director	Teeh Lin Wang
					Independent Director	Nei-Ping Yin
					Supervisor	Norman Lyle
					Supervisor	Edward Martin Williams

2. The transactions with controlling entity :

(1) Purchase & sale transaction : None.

(2) Property transaction : None.

(3) Working capital financing : Not applicable.

(4) Asset lease : None.

(5) Other significant transactions :

- As of 31 December 2011, derivatives balance engaging with Standard Chartered Bank posted a loss of NTD 27,100 thousands; financial debenture payable deriving from the issuance of financial debentures to Standard Chartered Bank was NTD 9,080,872 thousands; interest expense incurred from the above transactions was NTD 326,144 thousands and interest payable totaled NTD 19,524 thousands; administration fees and other expenses for professional technical supports payable to Standard Chartered Bank amounted to NTD 3,761,788 thousands; share-based payment to Standard Chartered Bank schemes amounted to NTD 408,262 thousands; royalty payable to Standard Chartered Bank amounted to NTD 53,284 thousands; funding from the Standard Chartered Group for making up previous-year loss of structured notes borne by the Bank amounted to USD 141,000 thousands and was booked under the NPL reversal.

3. Endorsements & guarantees of the Bank to the controlling entity : Not applicable.**4. Other material transactions which were significant to Financial and Business : None.**

II. Private Placement of Securities : [None]

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

IV. Other Supplementary Notes : [None]

Appendix

Directory of Branches and Offices



Standard
Chartered



Directory of Branches and Offices

Branch Name	Address	Telephone No.	Fax No.
Business Department	No.106, Zhongyang Rd., East Dist., Hsinchu City	03-5243151	03-5230963
Hsinchu Branch	No.35, Fuxing Rd., East Dist., Hsinchu City	03-5266171	03-5236079
Kuangfu Branch	No.270, Guangfu Rd., Sec.1, East Dist., Hsinchu City	03-5775663	03-5781742
Chungcheng Branch	No.326, Zhongzheng Rd., North Dist., Hsinchu City	03-5348939	03-5349865
Yenping Branch	No.50, Ln.214, Sec.1, Yanping Rd., North Dist., Hsinchu City	03-5219216	03-5219215
Chutung Branch	No.300, Sec.1, Changchun Rd., Zhudong Township, Hsinchu County	03-5965711	03-5954025
Hsinpu Branch	No.386, Zhongzheng Rd., Xipu Township, Hsinchu County	03-5883611	03-5883344
Hukou Branch	No.82, Sec.1, Zhongzheng Rd., Hukou Township, Hsinchu County	03-5992614	03-5901627
Chupei Branch	No.59, Sanmin Rd., Zhubei City, Hsinchu County	03-5513115	03-5512190
Kuanshi Branch	No.21, Mingde Rd., Guanxi Township, Hsinchu County	03-5875151	03-5877927
Hsinfeng Branch	No.155-7, Sec.1, Jianxing Rd., Hsinfeng Township, Hsinchu County	03-5591113	03-5594636
Hsinshing Branch	No.130, Siwei Rd., North Dist., Hsinchu City	03-5233171	03-5233177
Hsinshy Branch	No.141, Zhongzheng W. Rd., Zhubei City, Hsinchu County	03-5519456	03-5551783
Science Park Branch	No.11, Yuanqu 2 nd Rd., Hsinchu Science Park, East Dist., Hsinchu City	03-5785355	03-5787055
North Hsinchu Branch	No.6, Beida Rd., East Dist., Hsinchu City	03-5348155	03-5421589
Taoyuan Branch	No.66, Zhongzheng Rd., Taoyuan City, Taoyuan County	03-3340176	03-3371647
Dashi Branch	No.253, Kangzhuang Rd., Daxi Township, Taoyuan County	03-3873915	03-3889901
Dayuan Branch	No.44, Zhongshan N. Rd., Dayuan Township, Taoyuan County	03-3861130	03-3861924
Chungli Branch	No.194, Zhongshan Rd., Zhongli City, Taoyuan County	03-4252186	03-4256977
Yangmei Branch	No.105, Dacheng Rd., Yangmei City, Taoyuan County	03-4783491	03-4752718
Hsinwu Branch	No.251, Zhongshan Rd., Hsinwu Township, Taoyuan County	03-4773226	03-4772052
Lungtan Branch	No.202, Beilong Rd., Lungtan Township, Taoyuan County	03-4793185	03-4708175
Sanmin Branch	No.301, Sec.3, Sanmin Rd., Taoyuan City, Taoyuan County	03-3351593	03-3328102
Neili Branch	No.83, Xinyi Rd., Zhongli City, Taoyuan County	03-4553122	03-4524244
Pateh Branch	No.43, Sec.2, Jieshou Rd., Bade City, Taoyuan County	03-3634341	03-3660967
YungAn Branch	No.465, Zhongzheng Rd., Taoyuan City, Taoyuan County	03-3324002	03-3361491
Hsinming Branch	No.56, Minzu Rd., Zhongli City, Taoyuan County	03-4918701	03-4918710
Kueishan Branch	No.1077, Sec.2, Wanshou Rd., Guishan Township, Taoyuan County	03-3290728	03-3290273
Nankan Branch	No.90, Zhongzheng Rd., Luzhu Township, Taoyuan County	03-3524148	03-3226443

Branch Name	Address	Telephone No.	Fax No.
Dashulin Branch	No.233, Taoying Rd., Taoyuan City, Taoyuan County	03-3664291	03-3664296
Lungkang Branch	No.302, Longdong Rd., Zhongli City, Taoyuan County	03-4657779	03-4567704
Shantzuting Branch	No.150, Shanding Sec., Zhongfeng Rd., Pingzhen City, Taoyuan County	03-4696257	03-4692907
Pushin Branch	No.351, Yongmei Rd., Yangmei City, Taoyuan County	03-4824984	03-4826073
Sinjhuang Mini Branch	No.879-17, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	02-29082996	02-29082952
Kuaichi Branch	No.862, Chunri Rd., Taoyuan City, Taoyuan County	03-3553278	03-3553723
Huanpei Branch	No.405, Huanbei Rd., Zhongli City, Taoyuan County	03-4511333	03-4513135
Guanyin Branch	No.833, Sec.2, Zhongshan Rd., Guanyin Township, Taoyuan County	03-4986401	03-4986404
Pingzhen Branch	No.225, Huannan Rd., Pingzhen City, Taoyuan County	03-4910311	03-4910319
Miaoli Branch	No.562, Zhongzheng Rd., Miaoli City, Miaoli County	037-324671	037-358940
Chunan Branch	No.217, Zhongzheng Rd., Zhunan Township, Miaoli County	037-476161	037-474882
Toufen Branch	No.106, Heping Rd., Toufen Township, Miaoli County	037-668281	037-676791
Yuanli Branch	No.19, Weigong Rd., Yuanli Township, Miaoli County	037-862851	037-852609
Kungkuan Branch	No.211, Zhongxiao Rd., Gongguan Township, Miaoli County	037-228525	037-221245
Tungshiao Branch	No.16, Ren'ai Rd., Tongxiao Township, Miaoli County	037-757511	037-757514
Houlung Branch	No.20, Chenggong Rd., Houlung Township, Miaoli County	037-724591	037-724980
Sanyi Branch	No.83, Zhongzheng Rd., Sanyi Township, Miaoli County	037-875281	037-875242
Tahu Branch	No.79, Minsheng Rd., Dahu Township, Miaoli County	037-995561	037-995564
Tunglo Branch	No.201, Zhongzheng Rd., Tongluo Township, Miaoli County	037-985211	037-985214
East Neili Branch	No.47, Rongmin Rd., Zhongli City, Taoyuan County	03-4351988	03-4351093
Kungshi Branch	No.237, Fuxing 1 st Rd., Guishan Township, Taoyuan County	03-3972288	03-3972266
Chuangching Branch	No.35, Sec.2, Daxing W. Rd., Taoyuan City, Taoyuan County	03-3026699	03-3028833
Chinling Branch	No.87, Jinling Rd., Pingzhen City, Taoyuan County	03-4579155	03-4579920
Jianguo Branch	No.38, Sec.1, Jianguo N. Rd., Zhongshan Dist., Taipei City	02-87723232	02-87723838
Banciao Branch	2F., No.1-1, Xinfu Rd., Banciao Dist., New Taipei City	02-66215700	02-66215799
Luchou Mini Branch	No.308, Jixian Rd., Luzhou Dist., New Taipei City	02-82828266	02-82815941
Neihu Branch	No.69, Donghu Rd., Neihu Dist., Taipei City	02-26318888	02-26326910
Wenshin Branch	No.380, Wenxin 1 st Rd., Nantun Dist., Taichung City	04-23192480	04-23192473
Fengyuan Branch	No.797, Yuanhuan E. Rd., Fengyuan Dist., Taichung City	04-25234116	04-25240078

Branch Name	Address	Telephone No.	Fax No.
Chiayi Branch	No.345, Minzu Rd., East Dist., Chiayi City	05-2288855	05-2240800
Tainan Branch	No.429, Sec.2, Jinhua Rd., South Dist., Tainan City	06-2648101	06-2648140
Jiuru Branch	No.383, Jiuru 1 st Rd., Sanmin Dist., Kaohsiung City	07-3872296	07-3860532
Tungning Branch	No.88, Dongxing Rd., East Dist., Tainan City	06-2761561	06-2761565
Tunghai Branch	No.306, Fuke Rd., Xitun Dist., Taichung City	04-24653500	04-24653501
Shenkang Branch	No.788, Zhongshan Rd., Shengang Dist., Taichung City	04-25622731	04-25617982
Nantun Branch	No.302, Sec.2, Liming Rd., Nantun Dist., Taichung City	04-22536208	04-22536205
Chungho Branch	No.182, Jian 1 st Rd., Zhonghe Dist., New Taipei City	02-82271656	02-82271659
Peituen Branch	No.236, Sec.4, Wenxin Rd., North Dist., Taichung City	04-22990755	04-22990803
Shituen Branch	No.327, Sec.2, Henan Rd., Xitun Dist., Taichung City	04-27081040	04-27081118
Taichung Branch	No.261, Sec.1, Taichung Port Rd., West Dist., Taichung City	04-36013800	04-23101118
Changhua Branch	No.53, Sec.2, Zhongzheng Rd., Changhua City, Changhua County	04-7282999	04-7229958
North Kaohsiung Branch	No.189, Wenxin Rd., Gushan Dist., Kaohsiung City	07-5501705	07-5502010
Fusing Branch	1F, No.420, Fusing N. Rd., Zhongshan Dist., Taipei City	02-66027676	02-66083069
Sanduo Branch	No.262, Zhongshan 2 nd Rd., Qianzhen Dist., Kaohsiung City	07-9660766	07-5368033
East Taipei Branch	No.128, Sec.3, Nanjing E. Rd., Zhongshan Dist., Taipei City	02-66192900	02-66192999
Daya Branch	No.57, Daya Rd., North Dist., Taichung City	04-36023300	04-36023399
East Tainan Branch	No.107, Sec.2, Minzu Rd., West Central District., Tainan City	06-2289777	06-2283722
Wufu Branch	3F, No.59, Wufu 3 rd Rd., Qianjin Dist., Kaohsiung City	07-9652900	07-2110007
Sihu Branch	No.66, Sec.1, Neihu Rd., Neihu Dist., Taipei City	02-66023000	02-66023099
Dunhua Branch	No.93, Sec.2, Dunhua S. Rd., Da'an Dist., Taipei City	02-66396000	02-66396099
Xinyi Branch	2-3F, No.97, Songren Rd., Xinyi Dist., Taipei City	02-27206118	02-66397033
Ren Ai Branch	No.1, Sec.4, Ren'ai Rd., Da'an Dist., Taipei City	02-66363700	02-66363799
Tienmu Branch	No.48, Sec.2, Zhongcheng Rd., Shilin Dist., Taipei City	02-66107600	02-66107699
Dunbei Branch	No.168, Dunhua N. Rd., Songshan Dist., Taipei City	02-66037168	02-66035058
Chungshan Branch	No.136, Sec.2, Zhongshan N. Rd., Zhongshan Dist., Taipei City	02-66197200	02-66197299
No.88 Branch	No.128, Sec.4, Zhongxiao E. Rd., Da'an Dist., Taipei City	02-66408888	02-27505088
Dazhi Branch	No.676, Mingshui Rd., Zhongshan Dist., Taipei City	02-66107500	02-85021610
Jinshan Branch	No.151, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City	02-66010700	02-23218766
Kaohsiung Branch	22F, No.175, Zhongzheng 2 nd Rd., Lingya Dist., Kaohsiung City	07-9685100	07-2221205

Standard Chartered Bank (Taiwan) Limited



Chairman



