

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2010 and 2009. 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, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles.

Standard Chartered Bank (Taiwan) Limited has prepared its consolidated financial statements for the Bank and its subsidiaries as of and for the years ended December 31, 2010 and 2009, on which we have expressed an unqualified audit opinion.

KPMG
March 2, 2011

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

Standard Chartered Bank (Taiwan) Limited
Balance Sheets
December 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars, except for par value)

	2010	2009	Change %		2010	2009	Change %
Assets				Liabilities and Stockholders' Equity			
Cash and cash equivalents (notes 4(1) and 5)	\$ 7,503,661	5,808,959	29	Liabilities :			
Balance at Central Bank and loans and advances to banks (notes 4(2) and 5)	99,652,258	113,755,340	(12)	Deposits by Central Bank and other banks (note 5)	\$ 10,647,359	49,355,596	(78)
Financial assets at fair value through profit or loss (notes 4(3) and (19) and 5)	28,405,970	28,514,878	-	Financial liabilities at fair value through profit or loss (notes 4(3) and (19) and 5)	19,801,306	19,961,310	(1)
Accounts receivables, net (notes 4(4), (5) and (17) and 5)	26,956,704	27,262,328	(1)	Notes and accounts payables (notes 4(16), 5 and 7)	6,734,441	6,408,514	5
Loans and advances to customers, net (notes 4(5) and (19), 5 and 11)	344,500,675	313,086,588	10	Accounts payables—related parties (note 5)	2,008,720	2,577,875	(22)
Available-for-sale financial assets, net (notes 4(6) and (19), 5 and 6)	178,338,617	108,235,427	65	Deposits and remittances (notes 4(11) and 5)	601,720,416	470,195,395	28
Investment in associates under equity method, net (note 4(7) and 11)	76,692	368,502	(79)	Financial debentures (notes 4(12) and 5)	19,224,205	29,500,120	(35)
Other financial assets, net (notes 4(7) and (19) and 11)	445,803	340,118	31	Other financial liabilities (note 4(19))	358,260	331,065	8
Property and equipment, net (note 4(8))	7,253,113	7,589,391	(4)	Other liabilities (notes 4(15), 5 and 7)	<u>3,168,023</u>	<u>3,103,634</u>	2
Intangible assets (notes 4(9) and (15) and 10(3))	3,408,715	3,516,119	(3)	Total liabilities	<u>663,662,730</u>	<u>581,433,509</u>	14
Other assets (notes 4(10) and (17) and 6)	5,410,310	7,964,904	(32)	Stockholders' Equity (notes 4(6), (15) and (18)):			
				Common stock, par value \$10, authorized 3,000,000 thousand shares and issued 2,910,572 thousand shares as of December 31, 2010 and 2009.	<u>29,105,720</u>	<u>29,105,720</u>	-
				Capital surplus	<u>5,786,031</u>	<u>10,430,441</u>	(45)
				Retained earnings:			
				Legal reserve	-	5,374	(100)
				Accumulated earnings (deficits)	<u>2,922,991</u>	<u>(4,649,784)</u>	163
					<u>2,922,991</u>	<u>(4,644,410)</u>	163
				Other adjustments to stockholders' equity:			
				Unrealized revaluation increments on property and equipment	363,949	381,303	(5)
				Unrealized gain on available-for-sale financial assets	373,167	28,128	1,227
				Unrealized gain on cash flow hedge	66,283	3,253	1,938
				Net loss on unrecognized pension cost	<u>(328,353)</u>	<u>(295,390)</u>	(11)
					<u>475,046</u>	<u>117,294</u>	305
				Total stockholders' equity	38,289,788	35,009,045	9
				Commitments and contingent liabilities (notes 4(10), and (19), 6 and 7)			
Total Assets	<u>\$ 701,952,518</u>	<u>616,442,554</u>	14	Total Liabilities and Stockholders' Equity	<u>\$ 701,952,518</u>	<u>616,442,554</u>	14

See accompanying notes to the financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Income

For the years ended December 31, 2010 and 2009

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

	2010	2009	Change %
Interest income (notes 4(3) and (13) and 5)	\$ 11,938,256	13,332,390	(10)
Less: Interest expenses (note 5)	<u>3,026,837</u>	<u>4,793,264</u>	(37)
Net interest income	<u>8,911,419</u>	<u>8,539,126</u>	4
Other operating income:			
Fees and commission income, net (note 7(1))	5,230,746	3,388,655	54
Gain on financial instruments at fair value through profit or loss (notes 4(3) and 5)	1,918,992	1,448,951	32
Realized gain on available-for-sale financial assets (note 4(6))	51,864	233,778	(78)
Investment income from interest in associates under equity method (note 4(7))	87,556	297,240	(71)
Foreign exchange (loss) gain, net	(170,243)	772,839	(122)
Impairment loss on assets	(103,520)	(45,203)	(129)
Gain on sale of non-performing loans (note 11)	745,691	361,307	106
Other non-interest income, net (notes 4(7), (10), and (14))	<u>278,511</u>	<u>91,954</u>	203
Operating income	<u>16,951,016</u>	<u>15,088,647</u>	12
Bad debt expenses:			
Provision for accounts receivables, loans and advances to customers, and guarantee (note 4(4) and (5))	1,453,276	2,173,515	(33)
PEM receivable (notes 4(4) and (5))	<u>-</u>	<u>5,454,655</u>	-
	<u>1,453,276</u>	<u>7,628,170</u>	(81)
Operating expenses:			
Staff costs (notes 4(15) and (16), 5 and 10(1))	5,983,753	6,092,847	(2)
Depreciation and amortization expenses (notes 4(9) and 10(1))	614,361	646,288	(5)
General and administrative expenses (notes 5 and 7)	<u>4,378,406</u>	<u>5,595,930</u>	(22)
	<u>10,976,520</u>	<u>12,335,065</u>	(11)
Profit (loss) from continuing operations before income tax	4,521,220	(4,874,588)	193
Income tax expense (benefit) (note 4(17))	<u>1,598,229</u>	<u>(212,263)</u>	853
Net income (loss)	<u>\$ 2,922,991</u>	<u>(4,662,325)</u>	163
	Before tax	After tax	Before tax
	After tax	Before tax	After tax
Basic (deficits) earnings per share (note 4(18))	\$ <u>1.55</u>	<u>1.00</u>	<u>(1.94)</u>
	<u>(1.86)</u>		

See accompanying notes to the financial statements.

Standard Chartered Bank (Taiwan) Limited
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Accumulated (deficits) earnings	Unrealized revaluation increments on property and equipment	Other adjustments Unrealized (loss) 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, 2009	\$ 24,855,720	6,183,410	-	17,915	381,303	352,768	-	(192,116)	31,599,000
Capital injection in cash (note 4(18))	4,250,000	4,247,031	-	-	-	-	-	-	8,497,031
Legal reserve (note 4(18))	-	-	5,374	(5,374)	-	-	-	-	-
Net loss for the year ended December 31, 2009	-	-	-	(4,662,325)	-	-	-	-	(4,662,325)
Movement of unrealized loss on available-for-sale financial assets (note 4(6))	-	-	-	-	-	(324,640)	-	-	(324,640)
Unrealized gain on cash flow hedge (notes 4(5) and (19))	-	-	-	-	-	-	3,253	-	3,253
Net loss on unrecognized pension cost	-	-	-	-	-	-	-	(103,274)	(103,274)
Balance as of December 31, 2009	<u>29,105,720</u>	<u>10,430,441</u>	<u>5,374</u>	<u>(4,649,784)</u>	<u>381,303</u>	<u>28,128</u>	<u>3,253</u>	<u>(295,390)</u>	<u>35,009,045</u>
Capital surplus for offsetting against accumulated deficits (note 4(18))	-	(4,644,410)	-	4,644,410	-	-	-	-	-
Legal reserve for offsetting against accumulated deficits (note 4(18))	-	-	(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(6))	-	-	-	-	-	345,039	-	-	345,039
Unrealized gain on cash flow hedge (notes 4(5) and (19))	-	-	-	-	-	-	63,030	-	63,030
Net loss on unrecognized pension cost	-	-	-	-	-	-	-	(32,963)	(32,963)
Balance as of December 31, 2010	<u>\$ 29,105,720</u>	<u>5,786,031</u>	<u>-</u>	<u>2,922,991</u>	<u>363,949</u>	<u>373,167</u>	<u>66,283</u>	<u>(328,353)</u>	<u>38,289,788</u>

See accompanying notes to the financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 2,922,991	(4,662,325)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expenses	524,595	551,958
Amortization expenses	89,766	94,330
Bad debt expenses—accounts receivables, loans and advances to customers, and guarantee	1,453,276	2,173,515
Bad debt expenses—provision for compensation receivable	-	5,454,655
Reserves	11,386	28,866
(Gain) loss on disposal and obsolescence of property and equipment, intangible assets, and other assets	(56,688)	288,986
Realized gain on available-for-sale financial assets	(51,864)	(233,778)
Investment income from interest in associates under equity method	(87,556)	(297,240)
Net impairment loss	103,520	45,203
Gain on disposal of non-performing loans	(745,691)	(361,307)
Deferred income tax expense (benefit)	1,168,520	(361,838)
Realized deferred revenue	(123,122)	(123,122)
Derecognition of fixed assets as expenses	367	-
Investment income from financial assets carried at cost	(1,271)	-
Decrease in unrealized gain on inter-affiliate transactions	(45)	(98)
Cash dividends from interest in associates under equity method	298,210	202,405
Decrease in operating assets:		
Decrease in bills and bonds purchased under reverse repurchase agreements	-	1,179,467
Decrease in financial assets at fair value through profit and loss	108,908	10,783,884
(Increase) decrease in accounts receivables	(124,376)	268,349
Decrease (increase) in other financial assets	109,555	(229,551)
Decrease in other assets	274,809	1,065,427
Increase (decrease) operating liabilities:		
Decrease in financial liabilities at fair value through profit or loss	(160,004)	(10,732,147)
Increase (decrease) in accounts payables	325,927	(6,403,291)
(Decrease) increase in accounts payables—related parties	(569,155)	658,748
Increase (decrease) in other liabilities	155,849	(487,821)
Net cash provided by (used in) operating activities	<u>5,627,907</u>	<u>(1,096,725)</u>
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(600,751,643)	(468,223,217)
Proceeds from disposal of available-for-sale financial assets	531,093,122	481,518,941
Proceeds from disposal of investment in associates under equity method	81,156	-
Proceeds from disposal of assets held for sale	-	189,284
Acquisition of property and equipment	(358,439)	(292,027)
Proceeds from disposal of property and equipment	60,536	149,681
Proceeds from disposal of other assets	1,126,454	99,812
Net cash provided by business acquisition (note 10(3))	-	224,291
Decrease (increase) in balance at Central Bank and loans and advances to banks	14,103,082	(14,946,694)
Increase in loans and advances to customers	(32,919,598)	(12,343,620)
Proceeds from disposal of non-performing loans	1,228,381	2,431,202
Proceeds from the capital reduction on financial assets carried at cost	39,336	-
Acquisition of intangible assets	(11,882)	(7,789)
Proceeds from disposal of intangible assets	-	4,242
Net cash used in investing activities	<u>(86,309,495)</u>	<u>(11,195,894)</u>
Cash flows from financing activities:		
Decrease in bills and bonds sold under repurchase agreements	-	(412,853)
Issuance of financial debentures	-	19,699,039
Repayment of financial debentures	(10,469,480)	(9,826,299)
Capital injection in cash	-	8,497,031
(Decrease) increase in deposits by Central Bank and other banks	(38,708,237)	28,317,594
Increase (decrease) in deposits and remittances	131,554,007	(43,843,875)
Net cash provided by financing activities	<u>82,376,290</u>	<u>2,430,637</u>
Net increase (decrease) in cash and cash equivalents	1,694,702	(9,861,982)
Cash and cash equivalents at beginning of period	<u>5,808,959</u>	<u>15,670,941</u>
Cash and cash equivalents at end of period	<u>\$ 7,503,661</u>	<u>\$ 5,808,959</u>
Supplemental disclosure of cash flow information:		
Cash payments of interest, except capital interest	<u>\$ 2,945,644</u>	<u>6,027,208</u>
Cash payments of income tax	<u>\$ 132,453</u>	<u>252,384</u>
Investing and financing activities not affecting cash flows:		
Unrealized gain (loss) on available-for-sale financial assets	<u>\$ 345,039</u>	<u>(324,640)</u>

See accompanying notes to the financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

December 31, 2010 and 2009

(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, 2010 and 2009, the numbers of the Bank's employees were 4,015 and 3,895, 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.

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

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

The preparation of financial statements in conformity with related regulations requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise 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 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 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.

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

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

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

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

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

Financial assets and liabilities at fair value through profit or loss are subsequently carried at fair value. The fair value of an asset is the amount at which the asset could be purchased or sold in a current arm's-length transaction between knowledgeable, willing parties. The best evidence of fair value is quoted prices in an active market. The fair value of listed or over-the-counter ("OTC") stocks is the market closing price on the balance sheet date. The 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:

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

- a) Financial assets classified as assets at fair value through profit or loss upon initial recognition that would have met the definition of loans and receivables shall be reclassified at their value on the date of reclassification, which will become 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 and 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 and 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 and loss or 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. 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. The difference between the fair value and the unamortized cost is the unrealized gain or loss, which is accounted for as an adjustment to stockholders' equity. When available-for-sale financial assets are sold or derecognized, cumulative gain or loss previously recognized in stockholders' equity is recognized in the income statement.

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

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

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 and willing parties. The best evidence of fair value is the 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 set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

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 repurchase agreements

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

10) Loans and allowance for doubtful accounts

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

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

Loans are recorded initially at principal and reported at their outstanding balances after netting with any provisions for doubtful accounts. In accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, an allowance for doubtful accounts is determined by evaluating the collectability of loans and days past due of receivables (including 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.

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

The unrecovered amount of non-performing loans and non-accrual loans (with payoff period over half a year but less than two years) shall be deducted from the balance of those loans and transferred to bad debt expense after collection efforts have been performed. However, when requested by the competent authority or any financial examination agency (organization), loans must be immediately written off, a report must be made to the subsequent board meeting, and the supervisors must be notified for acknowledgement. Collections after write-off are recorded under other non-interest income, net.

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

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

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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. 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.

13) Property and equipment, and related depreciation

Property and equipment are measured at cost on acquisition. 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. If the estimated useful life has been reached for property and equipment and such assets are still in use, a new useful life is estimated based on the residual value of the asset, and the asset is depreciated thereafter. Gains or losses on the disposal of property and equipment are recorded as other non-interest income or losses.

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

Buildings	5 to 60 years
Office equipment	3 to 8 years
Transportation equipment	3 years
Leasehold improvement	3 to 8 years
Other equipment	3 to 10 years

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.

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

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) Other assets — foreclosed assets

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

18) 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 having indefinite lives or being not yet available for use on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

19) 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.

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

20) 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".

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".

21) 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.

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

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.

22) 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.

23) Employee bonuses and directors' and supervisors' remuneration

Employee bonuses and directors' and supervisors' remuneration appropriated after January 1, 2008, are accounted for by Interpretation Letter No. Ji-Mi-Zih-0000000052 issued by the Accounting Research and Development Foundation ("ARDF"). The Bank estimates the amount of employee bonuses and directors' and supervisors' 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.

24) 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.

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

25) 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.

26) Earnings per share of common stock

Earnings per share ("EPS") are computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted-average number of issued common shares outstanding during the period. If the number of common shares or potential common shares outstanding increases as result of capitalization of retained earnings, additional paid-in capital, or 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.

(3) Changes in Accounting Principle: none.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

As of December 31, 2010 and 2009, cash and cash equivalents were as follows:

	2010	2009
Cash on hand	\$ 4,981,364	4,302,736
Deposits with other banks	379,579	443,271
Deposits with affiliates	<u>2,142,718</u>	<u>1,062,952</u>
	<u>\$ 7,503,661</u>	<u>5,808,959</u>

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

As of December 31, 2010 and 2009, the balances at the Central Bank and loans and advances to banks were as follows:

	2010	2009
Balances at Central Bank:		
Reserve for deposits – checking account	\$ 12,620,522	3,200,573
Reserve for deposits – demand account	15,020,523	13,628,425
Reserve for deposits – foreign currency	112,353	105,572
Reserve for deposits – settlement accounts	<u>688,879</u>	<u>576,292</u>
	<u>28,442,277</u>	<u>17,510,862</u>
Loans and advances to other banks	30,736,162	33,084,623
Loans and advances to affiliates	<u>40,473,819</u>	<u>63,159,855</u>
	<u>71,209,981</u>	<u>96,244,478</u>
	<u>\$ 99,652,258</u>	<u>113,755,340</u>

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

As of December 31, 2010 and 2009, financial assets and liabilities at fair value through profit and loss were as follows:

	2010	2009
Trading financial assets:		
Debt instruments	\$ 8,384,584	7,801,409
Derivatives	<u>20,021,386</u>	<u>20,713,469</u>
	<u>\$ 28,405,970</u>	<u>28,514,878</u>
Trading financial liabilities:		
Debt instruments	\$ 99,468	-
Derivatives	<u>19,701,838</u>	<u>19,961,310</u>
	<u>\$ 19,801,306</u>	<u>19,961,310</u>

For the years ended December 31, 2010 and 2009, net gain (loss) on financial assets and liabilities at fair value through profit or loss recognized by the Bank were as follows:

	2010	2009
Net gain on both valuation and disposal of trading financial assets and liabilities:		
Debt instruments	\$ 137,343	89,899
Derivatives	<u>1,781,649</u>	<u>1,359,052</u>
	<u>\$ 1,918,992</u>	<u>1,448,951</u>
Interest income	<u>\$ 276,260</u>	<u>267,967</u>

4) Accounts receivables

As of December 31, 2010 and 2009, details of accounts receivables were as follows:

	2010	2009
Accounts receivables	\$ 939,643	337,546
Acceptance receivables	423,679	708,509
Factoring loan receivable, without recourse	16,858,972	16,044,809
Interest receivables	1,495,563	1,509,772
Credit card receivables	6,261,378	7,223,801
Compensation receivable	5,831,152	6,141,413
Tax refund receivables	211,256	321,368
Others	<u>761,130</u>	<u>506,521</u>
	32,782,773	32,793,739
Less: allowance for doubtful accounts — accounts receivables	648,642	76,756
allowance for doubtful accounts — compensation receivable	5,177,427	5,454,655
Total	<u>\$ 26,956,704</u>	<u>27,262,328</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Prior to the acquisition by Standard Chartered Group, Hsinchu International Bank Co., Ltd. sold structured notes issued by GVEC Resource IV Inc. (GVEC), a special purpose entity set up by Private Equity Management (PEM) Group, through pecuniary trust during the period from July to December 2006. In April 2009, the US Securities and Exchange Commission investigated the PEM Group and preliminarily determined that it had committed deception. In order to protect certain investors' rights, after the approval by the Board of Directors' on June 3, 2009, the Bank bought back all the aforementioned structured notes, which had been valued around USD 192,033 thousand, recorded as account receivable with allowance for doubtful accounts of USD 170,000 thousand since July 9, 2009.

5) Loans and advances to customers

As of December 31, 2010 and 2009, details of loans and advances to customers were as follows:

	2010	2009
Negotiations and discounts	\$ 3,646,019	2,637,315
Short-term unsecured loans and overdrafts	21,819,523	30,516,779
Short-term secured loans	13,090,861	9,127,235
Medium-term unsecured loans	56,462,317	57,681,758
Medium-term secured loans	5,355,496	8,021,854
Long-term unsecured loans	6,922,590	11,212,658
Long-term secured loans	239,351,734	193,059,868
Non-performing loans	<u>1,550,130</u>	<u>3,102,856</u>
Subtotal	348,198,670	315,360,323
Less: allowance for doubtful accounts	<u>3,697,995</u>	<u>2,273,735</u>
Total	<u><u>\$ 344,500,675</u></u>	<u><u>313,086,588</u></u>

As of December 31, 2010 and 2009, 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 nonrecovery of specific outstanding loans, and the risk of non recovery is assessed by the probability of default.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the years ended December 31, 2010 and 2009, the movements of allowance for doubtful accounts were as follows:

	Specific provision	2010 General provision	Total
Beginning balance	\$ 7,101,184	703,962	7,805,146
Add: provision for doubtful accounts (reversal of 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	<u>277,367</u>	<u>-</u>	<u>277,367</u>
Ending balance	<u>\$ 6,353,546</u>	<u>3,170,518</u>	<u>9,524,064</u>
	Specific provision	2009 General provision	Total
Beginning balance	\$ 2,576,909	1,203,510	3,780,419
Add: provision for doubtful accounts (reversal of pension for doubtful accounts)	8,152,378	(499,548)	7,652,830
recovery from written-off loans	2,274,048	-	2,274,048
Less: write-off	5,815,186	-	5,815,186
adjustment for exchange rate difference and others	<u>86,965</u>	<u>-</u>	<u>86,965</u>
Ending balance	<u>\$ 7,101,184</u>	<u>703,962</u>	<u>7,805,146</u>

For the year ended 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, 2009, the allowance for doubtful accounts was \$7,805,146 thousand. This amount consisted of loans and advances to customers of \$2,273,735 thousand and accounts receivables (including compensation receivable) of \$5,531,411 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, 2009, the Bank's bad debt expense was \$7,628,170 thousand. This amount consisted of bad debt expense for accounts receivables and loans and advances to customers of \$2,198,175 thousand, compensation receivable of \$5,454,655 thousand, and reversal of provision for guarantee amounting to \$24,660 thousand.

In accordance with the Value-Added and Non-Value-Added Tax Law, the Bank has to accrue 3% of operation revenue as allowance for doubtful accounts for writing off overdue loans. For the years ended December 31, 2010 and 2009, the amounts of allowance for doubtful accounts generated from 3% of operating revenue were \$311,509 thousand and \$423,445 thousand, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of December 31, 2010 and 2009, the amounts of outstanding loans with interest charges suspended amounted to \$1,550,130 thousand and \$3,102,856 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$57,156 thousand and \$27,714 thousand, respectively.

As of December 31, 2010 and 2009, loans and advances to customers excluding allowance for doubtful accounts classified by geographical region were as follows:

	2010	2009
Domestic	\$ 335,290,992	306,532,870
Overseas	<u>12,907,678</u>	<u>8,827,453</u>
Total	<u>\$ 348,198,670</u>	<u>315,360,323</u>

As of December 31, 2010 and 2009, information regarding asset quality of loans and advances to customers was as follows:

Product		Period	2010					
			Non-performing loan	Loan balances	Overdue ratio	Allowance for bad debts	Coverage rate	
Wholesale Banking	Secured		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	-	-	-	

Product		Period	2009					
			Non-performing loan	Loan balances	Overdue ratio	Allowance for bad debts	Coverage rate	
Wholesale Banking	Secured		813,737	23,230,899	3.50 %	330,393	40.60 %	
	Unsecured		885,384	55,217,370	1.60 %	1,039,721	117.43 %	
Consumer Banking	Mortgage		2,436,600	186,664,327	1.31 %	455,150	18.68 %	
	Personal loan		306,396	47,326,707	0.65 %	448,471	146.37 %	
	Others	Secured		-	2,617,285	-	-	-
		Unsecured		-	303,735	-	-	-
Total			4,442,117	315,360,323	1.41 %	2,273,735	51.19 %	
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage rate	
Credit card			43,173	7,223,801	0.60 %	66,785	154.69 %	
Factoring loan receivable without recourse			-	16,044,809	-	-	-	

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of December 31, 2010 and 2009, the information of loans and accounts receivables which need not be reported as non-performing loans or as overdue accounts receivables were as follows:

	2010		2009	
	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	\$ 35,479	135,325	37,914	176,821
The amount not required to be reported as debts under debt discharge program and rehabilitation program without default by debtors	434,143	-	394,252	-
	<u>\$ 469,622</u>	<u>135,325</u>	<u>432,166</u>	<u>176,821</u>

6) Available-for-sale financial assets

As of December 31, 2010 and 2009, available-for-sale financial assets were as follows:

	2010	2009
Debt instruments:		
Treasury bills	\$ 14,859,307	9,985,487
Government bonds	15,942,101	16,164,082
Commercial paper	-	192,977
Negotiable certificates of deposits	136,278,708	66,895,496
Financial debentures	5,599,489	5,376,000
Corporate bonds	<u>856,927</u>	<u>4,892,330</u>
Subtotal	173,536,532	103,506,372
Beneficiary certificates	<u>4,802,085</u>	<u>4,729,055</u>
Total	<u>\$ 178,338,617</u>	<u>108,235,427</u>
Mark-to-market adjustments for hedged assets included in the above balance	<u>\$ 47,818</u>	<u>255</u>

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

For the years ended December 31, 2010 and 2009, the movements of unrealized gain (loss) on available-for-sale financial assets were as follows:

	2010	2009
Beginning balance	\$ 28,128	352,768
Add: unrealized gain (loss) recognized during the period	396,903	(90,862)
Less: realized gain on disposal during the period	<u>51,864</u>	<u>233,778</u>
Ending balance	<u>\$ 373,167</u>	<u>28,128</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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.

A. As of December 31, 2010 and 2009, key assumptions used in measuring retained interests were as follows:

	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 %
	2009	
	First Issuance	Second Issuance
Prepayment rate (annualized rate) — assumption 1	30.00 %	20.00 %
Weighted-average life	0.73 years	1.33 years
Expected credit losses rate (annualized rate) — assumption 2	1.50 %	2.50 %
Discounted rate for residual cash flows	2.60 %	2.60 %

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

B. Sensitivity analysis

As of December 31, 2010 and 2009, 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:

	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)
	2009	
	First Issuance	Second Issuance
Carrying amount of retained interest	\$ 1,725,467	2,633,445
Assumption 1 – impact on fair value of 10% adverse change	(347)	(7,964)
Assumption 2 – impact on fair value of 10% adverse change	(650)	(3,510)

C. As of December 31, 2010 and 2009, 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, 2010 and 2009, were summarized as follows:

	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)
	2009	
	First Issuance	Second Issuance
Other cash flows received on retained interests	\$ 68,117	94,237
Service fee received	5,000	5,000
Cash received for prepayment of services	529	2,110
Prepayment of services	(530)	(1,933)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

	December 31, 2010			December 31, 2009		
	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	65,175	100.00	21	343,738
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	11,517	100.00	368	24,764
Paradigm Assets Management Co., Ltd.	-	-	-	20.00	98,400	95,747
		<u>389</u>	<u>76,692</u>		<u>98,789</u>	<u>464,249</u>
Less: accumulated impairment		-	-		-	95,747
		<u>\$ 389</u>	<u>76,692</u>		<u>98,789</u>	<u>368,502</u>
Financial assets carried at cost:						
Fuji Enterprise Management Consulting Co., Ltd (formerly Fubon Securities Finance Co., Ltd)	0.99	\$ -	-	0.99	38,065	38,065
Taiwan Small and Medium Enterprises Development Corp.	4.84	29,000	29,000	4.84	29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500	1.14	45,500	45,500
Taipei Forex Inc.	3.18	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 (formerly Wan Chi Co., Ltd.)	3.35	2,468	2,468	3.35	2,468	2,468
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277	0.17	9,277	9,277
Taiwan Cooperative Bills Finance Corporation	5.24	94,546	94,546	5.24	94,546	94,546
Subtotal		<u>457,143</u>	<u>457,143</u>		<u>495,208</u>	<u>495,208</u>
Less: accumulated impairment		-	218,044		-	202,969
		<u>\$ 457,143</u>	<u>239,099</u>		<u>495,208</u>	<u>292,239</u>

For the years ended December 31, 2010 and 2009, the Bank recognized investment (loss)/income from investment in associates under the equity method of \$6,400 thousand and \$297,240 thousand, respectively. For the years ended December 31, 2010 and 2009, the cash dividends from associates under the equity method were \$298,210 thousand and \$202,405 thousand, respectively, which reduced the book value of the investment.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the years ended December 31, 2010 and 2009, the dividend revenue recognized from financial assets carried at cost were \$19,871 thousand and \$16,731 thousand, respectively, recorded as other non-interest income, net.

On December 7, 2009, the Financial Supervisory Commission (FSC) approved the additional investment of \$673 thousand in Taipei Forex Inc., an investee company classified as financial assets carried at cost of the Bank.

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 \$81,156 thousand, respectively. The gain on disposal of the aforementioned investment was \$81,156 thousand, which was recognized as investment income from investment in associates under equity method.

On December 31, 2010, the Bank received \$39,336 thousand from Fuji Enterprise Management Consulting Co., Ltd. (formerly Fubon Securities Co., Ltd.) following a 99.75% capital reduction of the capital stock at \$10 per share. The investment, classified as financial asset carried at cost, had a cost of investment of \$38,065 thousand and the Bank recognized \$1,271 thousand as investment income (recorded as other non-interest income, net).

8) Property and equipment

As of December 31, 2010 and 2009, details of property and equipment were as follows:

	2010	2009
Cost:		
Land	\$ 3,676,554	3,734,784
Buildings	3,431,991	3,461,529
Office equipment	829,915	972,783
Transportation equipment	3,210	6,700
Leasehold improvements	806,725	531,490
Other equipment	<u>1,639,574</u>	<u>2,633,947</u>
Subtotal	10,387,969	11,341,233
Less: accumulated depreciation and impairment	<u>3,151,683</u>	<u>3,801,953</u>
Subtotal	<u>7,236,286</u>	<u>7,539,280</u>
Work in progress	15,200	13,826
Prepayment for equipment	<u>1,627</u>	<u>36,285</u>
Total	<u><u>\$ 7,253,113</u></u>	<u><u>7,589,391</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the years ended December 31, 2010 and 2009, movements of accumulated depreciation were as follows:

	2010	2009
Beginning balance	\$ 3,777,905	4,009,495
Add: depreciation	512,373	518,396
reclassification	-	27,562
Less: disposal and obsolescence	1,135,474	777,548
reclassification	3,121	-
Ending balance	<u>\$ 3,151,683</u>	<u>3,777,905</u>

9) Intangible assets

	2010	2009
Goodwill	\$ 3,156,048	3,156,048
Deferred pension costs	119,795	154,333
Software	132,872	205,738
	<u>\$ 3,408,715</u>	<u>3,516,119</u>

The Bank acquired the assets and liabilities of Asia Trust Investment Co., Ltd. on December 27, 2008. Consequently, the Bank recognized goodwill of \$3,156,048 thousand, based on SFAS No. 25 "Business Combinations", as stated in note 10(3).

For the years ended December 31, 2010 and 2009, the recognized amortization expenses from computer software were \$89,766 thousand and \$94,330 thousand, respectively, recognized as operating expenses – depreciation and amortization expenses.

10) Other assets

As of December 31, 2010 and 2009, details of other assets were as follows:

	2010	2009
Deferred income tax assets, net	\$ 3,590,142	4,778,567
Idle assets, net of accumulated impairment of \$138,273 thousand and \$25,035 thousand as of December 31, 2010 and 2009, respectively	501,589	835,582
Assets leased to others, net of accumulated impairment of \$0 thousand and \$181,168 thousand as of December 31, 2010 and 2009	354,168	1,111,532
Refundable deposits	601,772	613,542
Others	362,639	625,681
	<u>\$ 5,410,310</u>	<u>7,964,904</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

The Bank leased out its office buildings under operating leases with lease terms ranging from one to five years. As of December 31, 2010, future lease payments to be received were as follows:

Period	Amount
2011	\$ 39,299
2012	32,732
2013	29,879
2014	27,202
2015 and thereafter	<u>25,367</u>
	<u><u>\$ 154,479</u></u>

11) Deposits and remittances

As of December 31, 2010 and 2009, deposits and remittances were as follows:

	2010	2009
Checking deposits	\$ 3,475,229	3,485,983
Demand deposits	173,831,849	169,908,865
Time deposits	204,402,184	101,109,499
Savings deposits	132,797,277	128,563,288
Time savings deposits	86,933,516	66,268,395
Trust fund with designated purpose	191,252	767,371
Remittances	<u>89,109</u>	<u>91,994</u>
Total	<u><u>\$ 601,720,416</u></u>	<u><u>470,195,395</u></u>
Mark-to-market adjustments for the hedged liabilities included in the above balance	<u><u>\$ 2,651</u></u>	<u><u>31,637</u></u>

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

12) Financial debentures

As of December 31, 2010 and 2009, details of subordinated debentures issued by the Bank were as follows:

Bond	Conditions for issuance	2010	2009
91-1A	5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	1,200	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%	18,300	7,636,700
94-2	No maturity date, interest payable semi-annually, based on the average one-year regular floating rate of the nine largest banks plus 1.493%	-	2,363,300
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	4,554,814	4,798,704
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	4,554,814	4,798,704
		19,129,128	29,598,608
	Mark-to-market adjustment on hedged items	95,077	(98,488)
		\$ 19,224,205	29,500,120

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. As of December 31, 2010, 94-2 subordinated debentures were completely redeemed.

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 then 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 USD 300,000 thousand equivalent on March 25, 2009. The FSC then approved the issuance on September 15, 2009.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

13) Interest income

For the years ended December 31, 2010 and 2009, details of interest income were as follows:

	2010	2009
Interbank transactions	\$ 592,172	1,514,811
Loans and advances to customers	9,491,892	9,315,448
Credit cards (revolving)	549,580	842,696
Financial assets at fair value through profit or loss	276,260	267,967
Available-for-sale financial assets	<u>1,028,352</u>	<u>1,391,468</u>
Total	<u>\$ 11,938,256</u>	<u>13,332,390</u>

14) Other non-interest income, net

For the years ended December 31, 2010 and 2009, details of non-interest income (loss), net were as follows:

	2010	2009
Securities brokerage commissions	\$ 170,076	237,108
Rental income	26,980	49,115
Net (loss) gain on fair value hedge	(138,592)	37,968
Net gain (loss) on disposal of property	162,035	(110,080)
Dividend income from financial assets carried at cost	19,871	16,731
Loss on obsolescent equipment	(105,347)	(157,061)
Others	<u>143,488</u>	<u>18,173</u>
Total	<u>\$ 278,511</u>	<u>91,954</u>

15) Pension

For the years ended December 31, 2010 and 2009, the related pension assets, costs, and accrued liabilities of the Bank were as follows:

	2010	2009
Fair value of pension assets at end of period	\$ 1,596,851	1,571,343
Pension cost:		
Defined benefit pension scheme	275,957	508,825
Defined contribution pension scheme	154,182	148,051
Accrued pension liabilities	746,576	565,650

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

The Bank monthly provided deposits in a pension account for the engaged employees in Bank of Taiwan (formerly the Central Trust of China) in 2010 and 2009. Furthermore, the Bank deposited an amount equal to 6% of the monthly gross salary payment in the Bureau of Labor Insurance in 2010 and 2009. The measurement dates of the actuarial reports were December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, the reconciliation of the funded status and accrued pension liabilities was as follows:

	2010	2009
Benefit obligation:		
Vested benefit obligation	\$ (1,674,975)	(1,431,739)
Non-vested benefit obligation	<u>(668,452)</u>	<u>(705,254)</u>
Accumulated benefit obligation	(2,343,427)	(2,136,993)
Additional benefits based on future compensation	<u>(964,454)</u>	<u>(982,543)</u>
Projected benefit obligation	(3,307,881)	(3,119,536)
Fair value of plan assets	<u>1,596,851</u>	<u>1,571,343</u>
Funded status	(1,711,030)	(1,548,193)
Unrecognized net transition obligation	111,771	143,221
Unrecognized prior service cost	8,024	11,112
Unrecognized pension loss	1,360,060	1,303,751
Additional minimum pension liabilities	<u>(515,401)</u>	<u>(475,541)</u>
Accrued pension liabilities	<u>\$ (746,576)</u>	<u>(565,650)</u>
Vested benefit	<u>\$ 1,938,589</u>	<u>1,783,476</u>
	2010	2009
Service cost	\$ 167,486	177,177
Interest cost	45,450	60,667
Expected return on pension plan assets	(23,717)	(44,782)
Amortization	86,738	83,478
Curtailment/settlement effect	<u>-</u>	<u>232,285</u>
Net pension cost	<u>\$ 275,957</u>	<u>508,825</u>
	2010	2009
Discount rate	1.40 %	1.50 %
Rate of increase in future compensation	3.50 %	3.50 %
Rate of projected return on plan assets	1.50 %	2.50 %

For the years ended December 31, 2010 and 2009, payments for retirement and severance were \$134,891 and \$354,391, respectively. For the years ended December 31, 2010 and 2009, net pension costs for employees rotated from foreign affiliate companies were \$6,408 and \$8,030, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

16) 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, 2010 and 2009, 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:

	2010	2009
Beginning balance	715,514	781,577
Add: granted	138,463	150,439
Less: exercised	159,053	19,357
lapsed	<u>114,275</u>	<u>197,145</u>
Ending balance	<u><u>580,649</u></u>	<u><u>715,514</u></u>

For the years ended December 31, 2010 and 2009, the costs of the ISS charged to profits or losses were \$44,464 thousand and \$96,366 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:

	2010			
Grant date	October 9		October 5	
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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

	2009			
		October 9		October 5
Grant date				
Share price at grant date	£	15.57	£	14.92
Exercise price	£	11.46	£	11.46
Vesting period (years)		3/5		3/5
Expected volatility (%)		52.9/43.7		52.9/42.6
Expected option life (years)		3.33/5.33		3.33/5.33
Risk free rate (%)		1.8/2.5		1.8/2.5
Expected dividends yield (%)		3.3/3.2		3.3/3.2
Fair value	£	6.4/6.2	£	5.9/5.8

B. Restricted Share Scheme

The SC PLC Group established the Restricted Share Scheme ("RSS") to reward and retain employees who have good performance and high potential. SC PLC Group grants RSS awards only at the time of hiring, and there are no performance conditions that must be met. Executive directors are not generally eligible to participate in the RSS. 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:

	2010	2009
Beginning balance	141,749	71,198
Add: granted	140,642	82,020
Less: exercised	13,378	8,909
lapsed	20,340	2,560
Ending balance	<u>248,673</u>	<u>141,749</u>

For the years ended December 31, 2010 and 2009, the costs of the RSS charged to profits or losses were \$38,475 thousand and \$38,002 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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)		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

2009

Grant date		December 3	September 28	September 15	June 23	March 11
Share price at grant date	£	15.51	£ 14.98	£ 14.44	£ 11.75	£ 8.10
Vesting period (years)		2/3	2/3	2/3	2/3	2/3
Expected dividends (yield) (%)		3.45	3.45	3.45	3.73	3.73
Fair value	£	14.25	£ 13.76	£ 13.27	£ 10.72	£ 7.39

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

C. Executive Share Option Scheme

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

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

	2010	2009
Beginning balance	6,005	6,005
Add: granted	<u>228</u>	<u>-</u>
Ending balance	<u><u>6,233</u></u>	<u><u>6,005</u></u>

There were no costs of the ESOS charged to profit or loss recognized for the years ended December 31, 2010 and 2009.

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, 2010 and 2009, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

D. Performance Share Plan

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

The option movements of the PSP were as follows:

	2010	2009
Beginning balance	113,439	52,383
Add: granted	3,995	61,056
Less: exercised	8,140	-
lapsed	4,239	-
Ending balance	<u>105,055</u>	<u>113,439</u>

For the years ended December 31, 2010 and 2009, the costs of the PSP charged to profit or loss were \$10,558 thousand and \$13,280 thousand, respectively, recorded as operating expenses – staff costs.

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

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

2009

Grant date	December 3	September 15	June 23	March 11
Share price at grant date	£ 15.51	£ 14.44	£ 11.75	£ 8.10
Vesting period (years)	3	3	3	3
Expected dividends (yield) (%)	3.43	3.43	3.41	3.41
Fair value (EPS)	£ 7.13	£ 6.63	£ 5.40	£ 3.73
Fair value (TSR)	£ 2.81	£ 2.61	£ 2.13	£ 1.46

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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 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. Executive directors are not permitted to participate in SRSS, and new shares issued are forbidden to be used as rewards. 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:

	2010	2009
Beginning balance	13,157	5,142
Add: granted	30,977	8,015
Less: lapsed	<u>1,969</u>	<u>-</u>
Ending balance	<u>42,165</u>	<u>13,157</u>

For the years ended December 31, 2010 and 2009, the costs of the SRSS charged to profits or losses were \$12,213 thousand and \$2,660 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.

	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)	2/3	2/3	2/3	2/3
Expected dividends (yield) (%)	3.7	3.7	3.9	2.7/3.9
Fair value	£ 16.11	£ 17.46	£ 15.8	£ 16.93/15.8

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

2009

Grant date	December 3	September 15	June 23	March 11
Share price at grant date	£ 15.51	£ 14.44	£ 11.75	£ 8.10
Vesting period (years)	2/3	2/3	2/3	2/3
Expected dividends (yield) (%)	3.45	3.45	3.73	3.73
Fair value	£ 14.25	£ 13.27	£ 10.72	£ 7.39

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

17) Income tax

The Bank is subject to the R.O.C. income tax at a maximum rate of 25% in 2009. Starting January 1, 2010, the enacted income tax rate has been reduced 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 during the years ended December 31, 2010 and 2009 are 17% and 25%, respectively, and the Bank's basic statutory tax amount is based on the R.O.C. "Income Basic Tax Act". The income tax expense (benefit) for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
Current income tax expense	\$ 350,234	148,321
Deferred income tax expense (benefit)	1,168,520	(361,838)
Additional 10% surtax on undistributed earnings	-	1,254
basic income tax	<u>79,475</u>	<u>-</u>
Income tax expense (benefit)	<u>\$ 1,598,229</u>	<u>(212,263)</u>

The differences between the "expected" income tax at statutory income tax rates and the income tax expense (benefit) as reported in the accompanying financial statements for the years ended December 31, 2010 and 2009, were as follows:

	2010	2009
Income tax at statutory rate	\$ 768,607	(1,218,647)
Adjustment:		
Permanent difference	(238,536)	(326,166)
Prior-year income tax adjustments	336,875	4,097
Other adjustments for tax regulation	(75,014)	48,836
Adjustment due to change in income tax rate	726,822	1,278,363
Basic income tax	79,475	-
Additional 10% surtax on undistributed earnings	-	1,254
Income tax expense (benefit)	<u>\$ 1,598,229</u>	<u>(212,263)</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the years ended December 31, 2010 and 2009, the components of deferred income tax expense (benefit) were as follows:

	2010	2009
Expenses from share-based payments	\$ (26,489)	-
Unrealized interest income from financial assets	35,309	39,276
Allowance for doubtful accounts	(246,293)	(758,249)
Deferred revenue	38,201	71,401
Provision for guarantee	10,963	(12,898)
Reserve for trading loss and default loss	(1,935)	(6,295)
Pension cost	(23,981)	(30,887)
Unrealized gain on inter-affiliate transactions	8	20
Depreciation of property and equipment	(2,336)	14,150
Impairment loss on assets	59,243	157,657
Amortization of goodwill	53,653	63,121
Loss carryforwards	545,355	(795,862)
Deferred income tax adjustment due to change in tax rate	726,822	896,728
Deferred income tax expense (benefit)	<u>\$ 1,168,520</u>	<u>(361,838)</u>

As of December 31, 2010 and 2009, details of the temporary differences, loss carryforwards and tax credits, and their respective income tax effect were as follows:

	2010		2009	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Expense from share-based	\$ 155,819	26,489	-	-
Unrealized interest income from financial assets	2,231,143	379,294	2,438,840	487,768
Allowance for doubtful accounts	5,874,411	998,650	4,425,621	885,124
Deferred revenue	239,091	40,646	463,804	92,762
Provision for guarantee	-	-	64,490	12,898
Reserve for trading losses and default losses	\$ 164,206	27,915	152,820	30,564
Pension costs	729,192	123,963	321,612	64,322
Unrealized gain on inter-affiliate transactions	5,829	991	5,874	1,175
Depreciation of property and equipment	76,144	12,944	62,399	12,480
Asset impairment loss	237,443	40,366	585,935	117,187
Amortization goodwill	(631,210)	(107,306)	(315,605)	(63,121)
Loss carryforwards	12,942,705	2,200,261	16,150,683	3,230,137
Unrealized gain on available-for-sale financial assets	(826,439)	(140,495)	(463,647)	(92,729)
Unrealized gain on cash flow hedge	(79,859)	(13,576)	-	-
	<u>\$ 3,590,142</u>	<u></u>	<u></u>	<u>4,778,567</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of December 31, 2010 and 2009, the components of tax refund receivables recorded under accounts receivables were as follows:

	2010	2009
Current income tax	\$ (350,234)	(148,321)
Withheld income tax	119,091	108,160
Income tax receivables from prior years	171,637	214,462
Prior-year income tax adjustments	336,875	4,097
Separate tax on interest income	13,362	144,224
Additional 10% surtax on undistributed earnings	-	(1,254)
Basic income tax	<u>(79,475)</u>	<u>-</u>
	<u><u>\$ 211,256</u></u>	<u><u>321,368</u></u>

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, 2010, the amount of loss carryforwards and the year of expiry were as follows:

Year loss incurred	Amount	Year of expiry
2006 (assessed)	\$ 3,421,990	2016
2008 (assessed)	6,171,264	2018
2009 (filed)	<u>3,349,451</u>	2019
	<u><u>\$ 12,942,705</u></u>	

The Bank's income tax returns have been assessed by the tax authority for all years through 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, 2010 and 2009 were as follows:

	2010	2009
ICA	<u><u>\$ 528,451</u></u>	<u><u>451,062</u></u>
	2010	2009

Tax creditable ratio of distribution of retained earnings generated from fiscal year 2009 and 2008 to R.O.C. residents	<u><u>18.08%</u></u> (estimated)	<u><u>0.00%</u></u> (actual)
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The accumulated earnings (deficits) as of December 31, 2010 and 2009 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

18) Stockholders' equity

A. Common stock

On June 30, 2009, the board of directors approved an increase in capital by issuance of 425,000 thousand shares at \$20 per share via private placement. The board of directors had authorized the chairman to set December 21, 2009, as the basis date for the capital increase, and the related registration was completed.

B. Capital surplus

The R.O.C. Company Act requires capital surplus to be used to offset an accumulated deficit before capitalization to 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. The amount of capital surplus capitalized each year may not exceed a certain percentage of the Bank's issued share capital. Capitalization of capital surplus provided by the amount in excess of par value is limited to once a year and cannot be made in the same year when the excess is generated through issuance of new shares.

As of December 31, 2010 and 2009, details of capital surplus were as follows:

	2010	2009
Capital surplus provided by the amount in excess of par value	\$ <u>5,786,031</u>	<u>10,430,441</u>

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, 30 percent of its net income is appropriated as legal reserve after the deduction of income tax. Until the amount of the legal reserve has reached the total amount of common stock equity, the amount of profit distributed as cash dividends may not exceed 15 percent of total common stock equity. The aforementioned rule is not required to be complied with if the amount of legal reserve is equal to the total amount of common stock equity. 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 2008 earnings on June 30, 2009, and appropriated legal reserve of \$5,374 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%

(Continued)

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

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.

The estimated amount of bonuses distributed to employees who remain employed at the end of 2010 is \$0 thousand 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, the difference shall be identified as changes in accounting estimate and recognized as the profit or loss for the current period.

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

In the year 2009, no retained earnings were available for distribution due to the net loss.

E. Weighted-average outstanding shares of common stock

As of December 31, 2010 and 2009, the weighted-average number of common shares outstanding were 2,910,572 thousand shares and 2,510,024 thousand shares, respectively. Furthermore, there is no dilutive potential common share as of December 31, 2010 and 2009.

19) Disclosure of financial instruments

A. Fair value of financial instruments

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

- a. The book value of financial instruments which have a short maturity period will be considered their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

- f. Subordinated debentures are financial liabilities with floating interest rates, and therefore their fair value is equal to their carrying value.
- g. When derivatives and structured notes lack quoted market prices in active markets, the Black-Scholes model is applied to calculate the fair value of option contracts; forward contracts are evaluated individually using the rates quoted on the FBS system to discount their future cash flows to present values; interest rate swap and cross-currency swap contracts are evaluated individually using quotes from counterparties or from the Reuters system to discount their future cash flows to present value.

As of December 31, 2010 and 2009, the fair values of the Bank's financial assets and liabilities evaluated using valuation techniques were as listed below:

Accounts	2010	2009
Financial assets at fair value through profit or loss – debt instruments	8,384,584	7,801,409
Financial assets at fair value through profit or loss – derivatives	20,021,386	20,713,469
Available-for-sale financial assets – debt instruments	173,536,532	103,506,372
Available-for-sale financial assets – beneficiary certificates	4,802,085	4,729,055
Financial liabilities at fair value through profit or loss – debt instruments	99,468	-
Financial liabilities at fair value through profit or loss – derivatives	19,701,838	19,961,310

For the years ended December 31, 2010 and 2009, the Bank recognized gain amounting to \$2,242,527 thousand and \$2,228,263 thousand, respectively, from the changes in fair value of financial instruments that were evaluated using valuation techniques.

- B. As of December 31, 2010 and 2009, outstanding derivative contracts held by the Bank were as listed below:

	December 31, 2010		
	Notional amount	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
	<u>\$ 2,589,930,656</u>	<u>20,021,386</u>	<u>19,701,838</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

	December 31, 2009		
	Notional amount	Gain (assets)	Loss (liabilities)
Option contracts	\$ 103,353,309	977,667	971,665
Forward contracts	510,240,073	6,835,654	4,067,496
Cross-currency swaps	138,824,441	4,253,060	2,849,562
Interest rate swaps	930,428,026	7,091,197	10,624,630
Interest rate derivatives	105,113,077	681,981	574,047
Commodity swaps	39,420,008	873,910	873,910
	\$ 1,827,378,934	20,713,469	19,961,310

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

C. Financial risk management and risk information

a. Market risk

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

The table below lists the market risk of financial instruments of the Bank as of December 31, 2010 and 2009. 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	Annual average	2010		Annual average	2009	
		Maximum	Minimum		Maximum	Minimum
Exchange rate	\$ 12,172	29,161	2,010	12,157	23,387	2,896
Interest rate	45,230	78,665	17,099	39,791	67,307	25,878

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, 2010 and 2009, the percentages of loans with collateral were 74.34% and 67.39%, respectively. The collateral obtained from loans, commitments, and guarantees consisted of cash and cash equivalents, inventories, marketable securities, and other assets. When counterparties breach agreements or contracts, the Bank has rights over the collateral, which can mitigate the credit risk. However, when disclosing the amount of maximum credit risk exposure, the fair value of collateral is ignored. No additional disclosure was provided for financial assets associated with credit risks since their book value, net of corresponding valuation allowance, reflects their maximum credit exposures.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of December 31, 2010 and 2009, 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	2010	2009
Manufacturing	\$ 32,042,525	38,502,036
Commercial	10,734,846	11,805,610
Construction	3,117,328	1,789,587
Individual	287,215,479	241,855,850
Others	<u>15,088,492</u>	<u>21,407,240</u>
	<u>\$ 348,198,670</u>	<u>315,360,323</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, 2010 and 2009, the industry classifications of the 10 group enterprises with the largest outstanding loans were as follows:

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 %

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

December 31, 2009			
Rank	Industry Classification of Group Enterprise	Outstanding loan	% of net assets
1	LCD and components manufacturing industry	2,472,854	7.05 %
2	Other computer peripheral manufacturing industry	1,775,956	5.06 %
3	Semiconductor manufacturing industry	1,666,746	4.75 %
4	Footwear manufacturing industry	1,430,094	4.08 %
5	Wire and cable manufacturing industry	1,373,170	3.91 %
6	Wholesale industry	1,165,000	3.32 %
7	Property leasing industry	1,043,723	2.97 %
8	Cable TV and other pay program industry	1,010,316	2.88 %
9	Wholesale industry	961,189	2.74 %
10	Semiconductor manufacturing industry	880,545	2.51 %

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

c. Liquidity risk

As of December 31, 2010 and 2009, the liquidity reserve ratios were 37.98% and 23.56%, 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, which may cause considerable impact on the liquidity profile of the Bank. As of December 31, 2010 and 2009, the liquidity of the Bank was assessed by groups of interest-earning assets and interest-bearing 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Financial Assets	2010				Total
	Within 3 months	3 months-1 year	1~5 years	Over 5 years	
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	35,105,139	126,272,778	12,261,533	4,699,167	178,338,617
Other financial assets	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	394,062,870	167,097,729	33,359,817	7,200,000	601,720,416
Financial debentures	1,200	-	-	19,223,005	19,224,205
Other financial liabilities	358,260	-	-	-	358,260
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
2009					
Financial Assets	Within 3 months	3 months-1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 4,746,007	-	-	1,062,952	5,808,959
Balance at Central Bank and loans and advances to banks	19,241,649	17,149,119	-	77,364,572	113,755,340
Financial assets at fair value through profit or loss	3,370,710	3,865,240	20,890,859	388,069	28,514,878
Loans and advances to customers, net	34,226,389	6,580,670	38,162,195	234,117,334	313,086,588
Available-for-sale financial assets	63,946,293	25,895,456	13,904,643	4,489,035	108,235,427
Other financial assets	47,760	119	-	292,239	340,118
Total assets	\$ 125,578,808	53,490,604	72,957,697	317,714,201	569,741,310
Financial Liabilities					
Deposits by Central Bank and other banks	\$ 23,933,453	3,624,234	-	21,797,909	49,355,596
Financial liabilities at fair value through profit or loss	3,207,850	4,183,786	12,283,559	286,115	19,961,310
Deposits and remittances	383,328,870	77,373,238	8,693,289	799,998	470,195,395
Financial debentures	9,902,712	-	-	19,597,408	29,500,120
Other financial liabilities	331,065	-	-	-	331,065
Total liabilities	\$ 420,703,950	85,181,258	20,976,848	42,481,430	569,343,486
Gap	\$ (295,125,142)	(31,690,654)	51,980,849	275,232,771	397,824

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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, 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)

Structure Analysis of Maturity Date (New Taiwan Dollars)
December 31, 2009

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 714,384,894	237,231,273	70,641,377	38,345,980	44,762,699	323,403,565
Capital used	749,893,572	174,460,708	118,181,672	90,897,321	59,843,803	306,510,068
Gap	(35,508,678)	62,770,565	(47,540,295)	(52,551,341)	(15,081,104)	16,893,497

Structure Analysis of Maturity Date (U.S. Dollars)
December 31, 2009

(expressed in thousands of US dollars)

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 180 to 1 year	Over 1 year
Capital provided	\$ 11,525,663	3,460,335	2,646,084	2,182,517	1,038,473	2,198,254
Capital used	10,660,644	6,021,755	1,966,569	556,611	297,698	1,818,011
Gap	865,019	(2,561,420)	679,515	1,625,906	740,775	380,243

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, 2010 and 2009, 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Financial Assets	December 31, 2010									Total
	Within 1 month	1-3 months	3 months ~ 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Non-interest	
Cash and cash equivalents	\$ 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	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	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	344,399,834	49,200,488	167,097,729	4,783,168	27,718,141	263,918	594,590	7,200,000	462,548	601,720,416
Financial debentures	19,224,205	-	-	-	-	-	-	-	-	19,224,205
Other financial liabilities	358,260	-	-	-	-	-	-	-	-	358,260
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
December 31, 2009										
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	\$ 5,806,520	-	-	-	-	-	-	-	2,439	5,808,959
Balance at Central Bank and loans and advances to banks	55,589,708	20,520,526	36,807,808	331,969	204,831	-	300,498	-	-	113,755,340
Financial assets at fair value through profit or loss	28,469,016	2,155	38,686	3,285	-	-	1,736	-	-	28,514,878
Loans and advances to customers, net	16,220,219	17,200,038	7,435,473	7,179,125	9,526,561	12,014,508	9,442,000	228,530,090	5,538,574	313,086,588
Available-for-sale financial assets	49,145,047	15,098,211	21,217,586	12,419,824	2,646,657	2,846,201	372,866	4,489,035	-	108,235,427
Other financial assets	47,760	-	119	-	-	-	-	292,239	-	340,118
Total assets	\$ 155,278,270	52,820,930	65,499,672	19,934,203	12,378,049	14,860,709	10,117,100	233,311,364	5,541,013	569,741,310
Financial Liabilities										
Deposits by Central Bank and other banks	\$ 45,131,236	600,126	3,624,234	-	-	-	-	-	-	49,355,596
Financial liabilities at fair value through profit or loss	19,961,310	-	-	-	-	-	-	-	-	19,961,310
Deposits and remittances	345,431,020	37,465,361	77,373,238	7,789,548	522,100	100,000	281,642	831,634	400,852	470,195,395
Financial debentures	29,500,120	-	-	-	-	-	-	-	-	29,500,120
Other financial liabilities	232,577	-	-	-	-	-	-	98,488	-	331,065
Total liabilities	\$ 440,256,263	38,065,487	80,997,472	7,789,548	522,100	100,000	281,642	930,122	400,852	569,343,486
Sensitivity gap	\$ (284,977,993)	14,755,443	(15,497,800)	12,144,655	11,855,949	14,760,709	9,835,458	232,381,242	5,140,161	397,824

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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, 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
New 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)

Interest-Rate Sensitivity Analysis (New Taiwan Dollars) December 31, 2009

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 112,825,713	28,153,812	37,724,681	238,755,792	417,459,998
Interest-rate-sensitive liabilities	83,005,668	256,715,791	42,230,731	21,864,993	403,817,183
Interest-rate-sensitive spread	29,820,045	(228,561,979)	(4,506,050)	216,890,799	13,642,815
Net worth					35,009,045
Ratio of interest-rate-sensitive assets to liabilities (%)					103.38
Ratio of interest-rate-sensitive spread to net worth (%)					38.97

Interest-Rate Sensitivity Analysis (U.S. Dollars) December 31, 2009

(expressed in thousands of US dollars)

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 1,980,943	676,358	506,017	213,325	3,376,643
Interest-rate-sensitive liabilities	1,299,790	1,474,728	76,413	325,387	3,176,318
Interest-rate-sensitive spread	681,153	(798,370)	429,604	(112,062)	200,325
Net worth					33,777
Ratio of interest-rate-sensitive assets to liabilities (%)					106.31
Ratio of interest-rate-sensitive spread to net worth (%)					593.08

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

	2010	
	Average amount	Average %
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
	2009	
	Average amount	Average %
Assets:		
Balance at Central Bank	\$ 12,873,223	0.40
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	110,119,613	1.51
Loans and advances to customers	319,925,693	2.92
Financial assets at fair value through profit or loss	4,702,969	1.39
Available-for-sale financial assets	107,503,638	1.30
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	39,210,577	0.69
Demand deposits (including local currency and foreign currency)	279,851,246	0.19
Time deposits (including local currency and foreign currency)	216,548,149	1.34
Negotiable certificates of deposits	620,953	0.58
Financial debentures	21,647,792	2.52

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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, 2010 and 2009, 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	2010	Contract type
		2010
Available-for-sale financial assets:		
Government 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>

Hedged item	Hedging instruments	
Underlying instruments	2009	Contract type
		2009
Available-for-sale financial assets:		
Government bonds and corporate bonds	\$ 10,017	Interest rate swaps (10,906)
Government bonds	(9,762)	Cross-currency swaps 11,115
Time deposits – NTD	(31,637)	Interest rate swaps 31,581
Subordinated debentures	98,488	Interest rate swaps (101,382)
	<u>\$ 67,106</u>	<u>\$ (69,592)</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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, 2010 and 2009, details of hedged items and designated hedging instruments (recorded under other financial assets or liabilities, net) were summarized as follows:

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

		December 31, 2009			Forecasted period during which gain/loss is recognized in the income statement
Hedged items	Financial instrument designated as hedging instruments	Designated hedging instruments		Forecasted period of cash flow generation	
		Notional	Fair value		
Long-term floating rate loans	Interest rate swap contracts	\$ 6,300,000	3,253	2009-2012	2009-2012

The detail of unrealized gains or losses on cash flow hedge for the years ended December 31, 2010 and 2009 were as below:

	2010	2009
Adjustments to stockholders' equity	\$ <u>63,030</u>	<u>3,253</u>

23) Information on reclassification of financial assets

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

(5) Related-party transactions

1) Name and relationship of related parties

Name	Relationship
Standard Chartered Bank ("SCB")	The Bank's parent company
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
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 Hong Kong Limited ("SCB HK")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate
Standard Chartered Bank India ("SCB India")	Affiliate
Standard Chartered Bank Dubai ("SCB Dubai")	Affiliate
AMEX Bank Limited Singapore ("AEB Singapore")	Affiliate
Standard Chartered Bank Malaysia ("SCB Malaysia")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Scope International Private Limited	Affiliate
Scope International (M) Sdn Bhd	Affiliate
Standard Chartered First Bank Korea Limited ("SCFB Korea")	Affiliate
Standard Chartered Bank (China) Limited ("SCB China")	Affiliate
Standard Chartered APR Limited ("SC APR")	Affiliate
Others	Including directors, supervisors, managers and their families, spouses, etc.
Directors, Supervisors, President and Vice Presidents	The senior management of the Bank

2) Significant transactions with related parties

A. Deposits

As of December 31, 2010 and 2009, deposits provided by related parties were as summarized below:

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Name	2009		Interest rate (%)
	Ending balance	Percentage of deposits (%)	
Deposits by individual related parties not over 1% of total deposits	<u>\$ 819,560</u>	<u>0.17</u>	0.00~8.00

Except for the up to 8% interest rate on employee savings accounts, the interest rates and other terms offered to the above related parties were the same as the terms offered to the general public. The interest rate on employee savings accounts was calculated based on the interest rate of time savings deposits with three-year term offered to the general public plus 3% starting March 9, 2009. In addition, preferential deposit interest rate for employees was cancelled in April, 2010.

For the years ended December 31, 2010 and 2009, interest expenses on the above deposits were \$5,845 thousand and \$9,200 thousand, respectively.

B. Loans

As of December 31, 2010 and 2009, loans to related parties were as below:

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

2009							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	26	9,312	5,425	5,425	-	Unsecured lending	None
Mortgage	36	124,927	101,277	101,277	-	House	None
Others	2	6,296	5,392	5,392	-	Overdraft on the comprehensive deposits	None

For the years ended December 31, 2010 and 2009, interest incomes resulting from the above loans were \$3,316 thousand and \$2,155 thousand, respectively.

C. Deposits with affiliates

For the years ended December 31, 2010 and 2009, deposits with affiliates and related interest income were as follows:

	2010		
	Balance	Interest rate	Interest income
SCB HK	2,011,846	-	-
Others	<u>130,872</u>	0.05~0.9	<u>993</u>
	<u>\$ 2,142,718</u>		<u>993</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

	Balance	2009 Interest rate	Interest income
SCB New York	\$ 750,427	0.05~0.60	268
SCB HK	192,522	-	-
SCB Tokyo	57,588	0.00~0.74	3
Others	62,415	0.01~1.97	181
	<u>\$ 1,062,952</u>		<u>452</u>

D. Loans and advances to affiliates

For the years ended December 31, 2010 and 2009, loans and advances to affiliates and related interest income were as follows:

	Balance	2010 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
	<u>\$ 40,473,819</u>		<u>264,099</u>

	Balance	2009 Interest rate	Interest income
SCFB Korea	\$ 25,593,086	0.27~1.05	35,254
SCB Taipei	24,247,260	0.05~3.30	272,048
SCB New York	5,438,531	0.85~1.70	116,210
SCB	3,618,555	1.10~5.88	662,142
Others	4,262,423	0.03~4.64	135,574
	<u>\$ 63,159,855</u>		<u>1,221,228</u>

As of December 31, 2010 and 2009, the interest receivables resulting from the above loans and advances to affiliates were \$27,904 thousand and \$87,800 thousand, respectively.

E. Deposits by affiliates and loans from affiliates

For the years ended December 31, 2010 and 2009, deposits by and loans from affiliates and related interest expenses were as follows:

	Balance	2010 Interest rate	Interest expense
SCB HK	4,233,206	0.01~1.17	33,563
Other	326,982	0.13~4.50	47,885
	<u>\$ 4,560,188</u>		<u>81,448</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

		2009	
	Balance	Interest rate	Interest expense
SCB New York	\$ 7,997,839	0.18~0.28	591
SCB Tokyo	6,088,881	0.31~3.60	26,232
SCB HK	3,846,329	0.10~0.35	20,620
SCB Taipei	<u>3,808,592</u>	0.28~1.04	<u>20,658</u>
	<u><u>\$ 21,741,641</u></u>		<u><u>68,101</u></u>

As of December 31, 2010 and 2009, the interest payables resulting from the above deposits by and loans from affiliates were \$76 thousand and \$2,638 thousand, respectively.

F. Derivative transactions

As of December 31, 2010 and 2009, derivative transactions engaged with affiliated parties were as follows:

Name	Contracts	Contract duration period	2010		Balance sheet Account	Balance
			Notional	Net valuation adjustment		
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
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)	
SCB Singapore	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 assets 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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Name	Contracts	Contract duration period	2009		Balance sheet Account	Balance
			Notional	Net valuation adjustment		
SCB	Forward contract	2010.1.4~ 2013.4.24	\$ 76,568,818	1,374,422	Financial assets at fair value through profit or loss	1,912,018
					Financial liabilities at fair value through profit or loss	(537,596)
	Cross currency swap	2010.5.20~ 2012.10.12	47,837,186	716,835	Financial assets at fair value through profit or loss	2,256,986
					Financial liabilities at fair value through profit or loss	(1,540,151)
	Commodity swap	2010.1.8~ 2010.10.7	19,361,678	(57,444)	Financial assets at fair value through profit or loss	408,233
					Financial liabilities at fair value through profit or loss	(465,677)
	Interest rate derivative	2010.2.2~ 2013.8.13	25,275,049	(122,573)	Financial assets at fair value through profit or loss	151,992
					Financial liabilities at fair value through profit or loss	(274,565)
	Interest rate swap	2010.1.11~ 2014.4.9	84,305,356	(3,091,246)	Financial assets at fair value through profit or loss	912,632
					Financial liabilities at fair value through profit or loss	(4,003,878)
Option contract	2010.1.1~ 2016.10.9	55,429,063	(93,108)	Financial assets at fair value through profit or loss	433,420	
				Financial liabilities at fair value through profit or loss	(526,528)	
SCB Singapore	Forward contract	2010.1.4~ 2010.9.3	75,763,653	(186,725)	Financial assets at fair value through profit or loss	799,466
					Financial liabilities at fair value through profit or loss	(986,191)
	Interest rate swap	2011.12.19	703,810	14,211	Financial assets at fair value through profit or loss	14,211
SCB New York	Forward contract	2010.1.4~ 2010.5.24	174,279	(5,083)	Financial assets at fair value through profit or loss	590
					Financial liabilities at fair value through profit or loss	(5,673)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

- G. As of December 31, 2010 and 2009, the fair values of financial debentures acquired from affiliates were as follows:

Name	Fair value	
	2010	2009
SCB HK	\$ 4,698,139	4,483,269

- H. As of December 31, 2010 and 2009, financial debenture payables deriving from the issuance of financial debentures to affiliates were as follows:

Name	Bond (note)	2010	2009
SCB	98-2	\$ 4,554,814	4,798,704
SCB	98-3	4,554,814	-
SC APR	98-3	-	4,798,704

Note: The issuance conditions and details of financial debentures are stated in note 4(12).

- I. In December 2004, the Bank sold the land and building located at No. 1-23 and No. 1-49, Dongmen Sec. 2, Hsinchu City, to Standard Chartered Life Insurance 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 and 2009, unrealized gains from affiliated-company transactions amounted to \$22,641 thousand and \$22,686 thousand, respectively, recorded as other liabilities.
- J. For the years 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. For the year ended December 31, 2009, head office administration fee, support expenses arising from regional headquarter and wholesale banking operation, and other expenses from professional technical support were \$1,165,734 thousand, \$573,652 thousand, \$180,849 and \$26,996 thousand, respectively. As of December 31, 2010 and 2009, head office administration fees and other expenses arising from professional technical support payable to SCB were \$1,815,937 thousand and \$2,515,939 thousand, respectively, recorded under accounts payables—related parties. Moreover, for the years ended December 31, 2010 and 2009, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to \$87,141 thousand and \$75,945 thousand, respectively. As of December 31, 2010 and 2009, the royalty expenses payable to SCB were \$83,715 thousand and \$72,243 thousand, respectively, recorded under accounts payables.
- K. For the years ended December 31, 2010 and 2009, the related cost of the Executive Share Option Scheme amounted to \$105,710 thousand and \$150,308 thousand, respectively. As of December 31, 2010 and 2009, accounts payable to SCB for the share-based payment scheme costs amounted to \$242,967 thousand and \$147,512 thousand, respectively, recorded as accounts payables.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

- L. For the years ended December 31, 2010 and 2009, expenses resulting from operating activities with affiliates were as follows:

	2010	2009
Technical support mandate service:		
SCB New York	\$ 7,912	2,949
SCB HK	5,409	13,435
SCB Singapore	676	3,249
SCB	17,765	9,819
Others	367	956
	<u>\$ 32,129</u>	<u>30,408</u>
Information technology service fees:		
Scope International Private Ltd.	\$ 49,480	36,605
SCB New York	-	38,890
Scope International (M) Sdn Bhd	52,644	-
SCB Singapore	26,079	2,597
Others	4,095	20,865
	<u>\$ 132,298</u>	<u>98,957</u>

- M. As of December 31, 2010 and 2009, the deposits of Standard Chartered Life Insurance Agency Co., Ltd. were \$178,486 thousand and \$340,466 thousand, respectively, and the interest expenses were \$515 thousand and \$890 thousand, respectively. The deposits of Taiwan Standard Chartered Insurance Agency Co., Ltd. were \$20,794 thousand and \$22,832 thousand, respectively, and the interest expenses were \$48 thousand and \$57 thousand, respectively.
- N. As of December 31, 2010, the accounts receivable and related service income that the Bank supported Standard Chartered Life Insurance Agency Co., Ltd. for its sales were \$167,600 thousand and \$350,702 thousand; the accounts receivable and related service income that the Bank supported Taiwan Standard Chartered Insurance Agency Co., Ltd. for its sales were \$10,700 thousand and \$20,246 thousand, respectively.
- O. The Bank has signed rental contracts with Standard Chartered Life Insurance Agency Co., Ltd. Rental amount and collection method are consistent with arm's-length transaction terms.
- 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, 2010 and 2009, were as below:

	2010	2009
Salary	\$ 70,209	64,851
Rewards, special allowance and remuneration	73,825	42,335

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

(6) Pledged Assets

Pledged assets	Pledged for	Amount	
		December 31, 2010	December 31, 2009
Bonds (recorded as available-for-sale financial assets)	Provisional seizure	\$ 245,600	315,000
	Securitization of mortgage loans	700,000	700,000
Total		<u>\$ 945,600</u>	<u>1,015,000</u>

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

Security deposits	Purpose	Amount	
		December 31, 2010	December 31, 2009
Bonds and negotiable certificates of deposits (recorded as available-for-sale financial assets)	Reserve for trust funds	\$ 250,000	700,000
	Reserve for indemnity obligations	50,000	50,000
	Security deposits for performance	-	300,000
	Security deposits for bill trading operations	50,000	100,000
	Security deposits for futures trading	35,000	35,000
	Security deposits for security brokerage	200,000	150,000
	Bid of bonds	<u>10,000</u>	<u>-</u>
		<u>595,000</u>	<u>1,335,000</u>
Certificates of deposits (recorded as refundable deposits)	Clearing account reserve	100,000	100,000
	Security deposits for bond proprietary trading underwriting	10,000	10,000
		<u>110,000</u>	<u>110,000</u>
Total		<u>\$ 705,000</u>	<u>1,445,000</u>

(Continued)

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

- 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) Security deposits for performance are provided by deposits placed in the Central Deposit Insurance Corporation to perform the contract as agreed.
- 4) Assets pledged for provisional seizure are provided by collateral placed with the court in order to execute the Bank's right over debtors' properties.
- 5) Security deposits for bill trading are provided by deposits placed in the Central Bank of China for the Bank's bill trading business.
- 6) 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. Furthermore, reserve for trading losses has been set to conform to securities regulations.
- 7) The cash deposited in the clearing account reserve were both \$40,400 thousand as of December 31, 2010 and 2009.
- 8) 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.
- 9) 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.
- 10) Bid of 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, 2010 and 2009, respectively, and the remaining amount was \$574,570 thousand recorded as unearned receipts under other liabilities.

- 2) Significant purchase agreements

As of December 31, 2010 and 2009, the Bank had construction agreements for expansion and renovation of buildings amounting to \$338,070 thousand and \$342,658 thousand, respectively. The unpaid amounts of the aforementioned agreements were \$15,347 thousand and \$91,551 thousand, respectively (recorded as accounts payables).

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

3) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2010, estimated minimum future lease payments were as follows:

Fiscal year	Amount
2011	\$ 439,476
2012	407,972
2013	386,464
2014	262,324
2015 and thereafter	<u>54,888</u>
	<u><u>\$ 1,551,124</u></u>

4) Others

	December 31, 2010	December 31, 2009
Consignment collection for others	\$ 10,482,346	10,231,201
Traveler's checks held on consignment for sale	109,339	146,976
Securities, consignments and goods in custody	1,680,051,081	1,447,565,399
Trust assets	<u>143,490,416</u>	<u>141,883,069</u>
	<u><u>\$ 1,834,133,182</u></u>	<u><u>1,599,826,645</u></u>
Unused lines of credit	<u>\$ 17,385,747</u>	<u>16,879,061</u>
Other guarantees	<u>\$ 6,986,325</u>	<u>8,590,738</u>
Letters of credit issued	<u><u>\$ 4,537,769</u></u>	<u><u>2,788,530</u></u>

5) For the years ended December 31, 2010 and 2009, 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, 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	3,613,607
Other assets	2,862	custody	
Securities under custody	<u>3,613,607</u>	Trust capital	<u>139,876,791</u>
Total trust assets	<u><u>\$ 143,490,416</u></u>	Total trust liabilities	<u><u>\$ 143,490,416</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Trust Balance Sheet

December 31, 2009

Trust assets		Trust liabilities	
Bank deposits	\$ 21,183	Accounts payables	\$ 17
Short-term investments	135,464,613	Taxes payables	9
Other marketable securities	72,878	Payables for securities under custody	6,324,309
Accounts receivables	86	Trust capital	135,558,734
Securities under custody	<u>6,324,309</u>	Total trust liabilities	<u>\$ 141,883,069</u>
Total trust assets	<u>\$ 141,883,069</u>		

Trust Income Statements

	2010	2009
Trust revenue:		
Interest revenue	\$ 125	341
Common stock cash dividends	17,509	27,143
Realized gain on investments, net	2,016	317
Unrealized gain on investments, net	<u>38,257</u>	<u>348,812</u>
	<u>57,907</u>	<u>376,613</u>
Trust expenses:		
Management expenses	209	216
Service charges	1,233	194
Loss on trading of assets	<u>1,003</u>	<u>183</u>
	<u>2,445</u>	<u>593</u>
Net income before income tax	55,462	376,020
Income tax expense	<u>530</u>	<u>475</u>
Net income after income tax	<u>\$ 54,932</u>	<u>375,545</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Schedules of investment for trust business

Investment items	December 31, 2010	December 31, 2009
Bank deposits	\$ 20,923	21,183
Short-term investments:		
Bonds	1,293,220	20,433,019
Common stock	3,035,076	3,547,306
Funds	124,612,965	111,484,288
Structured notes	10,911,763	-
Other securities	-	72,878
Accounts receivables	-	86
Securities under custody	3,613,607	6,324,309
Other assets	2,862	-
	<u>\$ 143,490,416</u>	<u>141,883,069</u>

Foreign currency trust business engaged in by the Offshore Banking Unit (OBU) as of December 31, 2010 and 2009 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 and depreciation and amortization expenses for the years ended December 31, 2010 and 2009, is as follows:

Account	Function	2010			2009		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Staff costs:							
Salaries		-	4,929,036	4,929,036	-	4,649,788	4,649,788
Labor and health insurance		-	304,927	304,927	-	290,903	290,903
Pension		-	436,547	436,547	-	664,906	664,906
Other		-	313,243	313,243	-	487,250	487,250
Depreciation		-	524,595	524,595	-	551,958	551,958
Amortization		-	89,766	89,766	-	94,330	94,330

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

2) Reclassification

For the year ended December 31, 2009, certain amounts have been reclassified and presented to conform to the financial statements for the year ended December 31, 2010. The financial statements are not significantly affected by such reclassifications.

3) The Bank acquired ATIC on December 27, 2008 for its operation and specific assets and liabilities. The difference between the compensation amount paid by the Central Deposit Insurance Corporation and Resolution Trust Corporation and the fair value for the acquired assets and liabilities is recognized as Goodwill. In addition, the Bank received the compensation of \$224,291 thousand from the Central Deposit Insurance Corporation and Resolution Trust Corporation for the years ended December 31, 2009. In accordance with SFAS No.25 "the accounting standards for business combination that use the purchase method", the finally recognized Goodwill is amounted to \$3,156,048 thousand.

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

A. Major foreign currency positions

Currency	December 31, 2010		Currency	December 31, 2009	
	Original currency	NTD equivalent		Original currency	NTD equivalent
AUD	\$ 593	18,337	USD	52,459	1,678,238
NZD	354	8,322	RMB	1,604	7,517
EUR	(143)	(5,796)	AUD	3,462	99,587
USD	(4,636)	(140,774)	NZD	1,438	33,438
JPY	(33,309)	(12,418)	JPY	(680,066)	(235,526)

B. Profitability

Unit: %

Items		2010	2009
Return on assets (note 1)	Before income tax	0.69	(0.78)
	After income tax	0.44	(0.74)
Return on net equity (note 2)	Before income tax	12.34	(14.64)
	After income tax	7.98	(14.00)
Net profit ratio (note 3)		17.24	(30.90)

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

5) Capital adequacy

Capital adequacy ratios of the Bank are disclosed below:

Item		Period-end	December 31, 2010	December 31, 2009
Self-owned capital	Tier 1 Capital		32,831,721	26,239,195
	Tier 2 Capital		19,673,401	26,239,195
	Tier 3 Capital		-	-
	Total Self-owned Capital		52,505,122	52,478,390
Risk-weighted assets	Credit risk	Standardized approach	307,469,370	314,873,303
		Internal-rating-based approach	-	-
		Secularizations	-	-
	Operational risk	Basic indicator approach	33,762,611	34,866,993
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	28,841,002	31,688,991
		Internal model approach	-	-
	Risk-weighted assets		370,072,983	381,429,287
Capital adequacy ratio			14.19 %	13.76 %
Tier 1 capital / risk-weighted assets			8.87 %	6.88 %
Tier 2 capital / risk-weighted assets			5.32 %	6.88 %
Tier 3 capital / risk-weighted assets			- %	- %
Common stock / total assets			4.15 %	4.72 %
Leverage ratio			5.01 %	4.25 %

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

Item	Period-end		December 31,	December 31,
			2010	2009
Self-owned capital	Tier 1 Capital		32,870,068	26,423,446
	Tier 2 Capital		19,711,747	26,423,446
	Tier 3 Capital		-	-
	Total Self-owned Capital		52,581,815	52,846,892
Risk-weighted assets	Credit risk	Standardized approach	307,517,173	314,952,176
		Internal-rating-based approach	-	-
		Secularizations	-	-
	Operational risk	Basic indicator approach	33,678,309	35,035,413
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	28,841,002	31,688,991
		Internal model approach	-	-
Risk-weighted assets		370,036,484	381,676,580	
Capital adequacy ratio		14.21 %	13.85 %	
Tier 1 capital / risk-weighted assets		8.88 %	6.92 %	
Tier 2 capital / risk-weighted assets		5.33 %	6.92 %	
Tier 3 capital / risk-weighted assets		- %	- %	
Common stock / total assets		4.15 %	4.72 %	
Leverage ratio		5.02 %	4.29 %	

6) Foreign currency financial assets and liabilities

For years ended December 31, 2010 and 2009, the foreign currency financial assets and liabilities which have significant influence in the Bank were as follows:

	December 31, 2010			December 31, 2009		
	Foreign currency	Exchange rate	New Taiwan dollars	Foreign currency	Exchange rate	New Taiwan dollars
Financial assets						
Monetary items						
USD	\$ 2,722,937	30.37	82,683,141	3,848,532	31.99	123,119,759
Non-monetary items						
USD	601,501	30.37	18,264,836	772,876	31.99	24,725,356
Financial liabilities						
Monetary items						
USD	3,103,863	30.37	94,250,142	3,244,285	31.99	103,789,093
Non-monetary items						
USD	384,993	30.37	11,690,479	126,223	31.99	4,038,040

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

(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	\$ 779,803	\$ 845,000	Payment Received	\$ 47,164	L'Hotel de Chine Group	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
2010.5.7	Chinatrust Asset Management Co., Ltd	Corporate & Personal finance	-	70,341	70,341	None	Non-related party
2010.8.2	Liang Jing Industrial Co., Ltd	Credit card & credit loan	-	218,795	218,795	Repurchase agreement	Non-related party
2010.9.8	80544292-China Growth Fourth Asset Management Company	Mortgage loan	582,185	562,044	97,241	Repurchase agreement	Non-related party
2010.10.19	Xpress Second Asset Management Company	Corporate & Personal finance	-	141,037	141,037	None	Non-related party
2010.12.1	Liang Jing Industrial Co., Ltd	Credit card & credit loan	-	218,277	218,277	Repurchase agreement	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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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 %	65,175	2,614	300	-	300	100.00 %	-
Taiwan Standard Chartered Insurance Agency Co., Ltd.	No. 85, Chung-Zeng Road, Hsinchu, Taiwan	Property insurance agent	100.00 %	11,517	3,786	300	-	300	100.00 %	-
Paradigm Assets Management Co., Ltd.	19F., No. 123, Sec. 2, Chung-Hsiao East Road, Taipei, Taiwan	Securities investment trust	- %	-	-	-	-	-	- %	Note 1
Fuji Enterprise Management Consulting Co., Ltd. (formerly Fubon Securities Co., Ltd.)	6-7F., No.258, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 10687, Taiwan	Financial securities services	0.99 %	-	-	10	-	10	0.99 %	-
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan	Small and medium enterprises improvement services	4.84 %	29,000	-	3,417	-	3,417	4.84 %	-
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan	Information technology services	1.14 %	45,500	-	4,550	-	4,550	1.14 %	-
Taipei Forex Inc.	8F., No.400, Sec. 2, Bade Rd., Songshan District, Taipei City 10556, Taiwan	Foreign exchange and foreign currency lending services	3.18 %	6,673	-	630	-	630	3.18 %	-
TSC Bio Venture Management, Inc.	11F.-1, No.176, Sec. 1, Keelung Rd., Sinyi District, Taipei City 11070, Taiwan	Venture capital services	5.00 %	20,250	-	2,025	-	2,025	5.00 %	-
Liyu Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., 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, Jhongyang Rd., North District, Hsinchu City 30041, Taiwan	Residential and commercial lease/sale services	2.73 %	188,500	-	18,850	-	18,850	2.73 %	-

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares	Percentage	
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 (formerly Wan Chi Co., Ltd.)	9F., No.333, Fushing N. Rd., Songshan District, Taipei City 10544, Taiwan	Information technology services	3.35 %	2,468	-	197	-	197	3.35 %	-
Taiwan Depository and Clearing Corporation	11F., No.363, Fushing N. Rd., Songshan District, Taipei City 10542, Taiwan	Securities custodian	0.17 %	9,277	-	495	-	495	0.17 %	-
Taiwan Cooperative Bills Finance Corporation	14F., No. 85, Sec 2, Nan Jing Dong Rd., Zhongshan District, Taipei City, Taiwan	Financial securities services	5.24 %	94,546	-	13,346	-	13,346	5.24 %	-

Note 1: The FSC approved the shares transferred on February 8, 2010.

- B. Lending to other parties: none.
- C. Guarantees and endorsements for other parties: none.
- D. Information regarding securities held as of June 30, 2010: 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.

(Continued)

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

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

(12) Business Segment Financial Information

1) Divisional financial information

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

2) Geographical financial information

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

3) Foreign exchange information

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

4) Important customer information

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

Standard Chartered Bank (Taiwan) Limited
Cash and Cash Equivalents
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash in transit:		
NTD		\$ 4,558,373
USD	USD4,960@30.3654	150,613
JPY	JPY264,694@0.3728	98,682
HKD	HKD25,194@3.9057	98,399
EUR	EUR1,446@40.5099	58,570
GBP	GBP220@47.0218	10,353
CNY	CNY1,111@4.6147	5,126
SGD	SGD53@23.6156	<u>1,248</u>
	Subtotal	<u>4,981,364</u>
Deposits with other banks		
	Bank of Taiwan	125,314
	Shanghai Commercial & Savings Bank	72,237
	JPMorgan Chase	23,984
	Macoto Commercial Bank	22,703
	Taiwan Business Bank	20,127
	Credit Suisse	19,285
	Others (Note)	<u>95,929</u>
	Subtotal	<u>379,579</u>
Deposits with affiliates		
	Standard Chartered Bank HK	1,965,301
	HKD503,189@3.9057	
	Others (Note)	<u>177,417</u>
	Subtotal	<u>2,142,718</u>
Total		<u><u>\$ 7,503,661</u></u>

Note: The value of each item is less than 5% of this account's ending balance.

Standard Chartered Bank (Taiwan) Limited
Balances at Central Bank, and Loans and
Advances to Banks
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Balances at Central Bank:		
Reserve for deposits	Reserve deposits for deposits – checking account	\$ 12,620,522
	Reserve deposits for deposits – demand account	15,020,523
Reserve for deposits – foreign currency		112,353
Reserve for deposits – settlement accounts		<u>688,879</u>
		<u>28,442,277</u>
Loans and advances to other banks	BANK OF TAIWAN TAIPEI	
	TWD	5,000,000
	CHUNG HWA POST TAIPEI	
	TWD	7,500,000
	LLOYDS TSB BK PLC	
	EUR50,000@40.5099	2,025,495
	JPY2,000,000@0.3728	745,633
	TAIWAN COOPERATIVE BANK	
	TWD	1,000,000
	JPY6,000,000@0.3728	2,236,898
	Others (Note)	<u>12,228,136</u>
	Subtotal	<u>30,736,162</u>
	Standard Chartered Bank Taipei Branch	
Loans and advances to affiliates	USD675,300@30.3654	20,505,774
	JPY5,000,000@0.3728	1,864,082
	EUR10,000@40.5099	405,099
	HKD100,000@3.9057	390,569
	Standard Chartered First Bank Korea	
	USD570,000@30.3654	<u>17,308,295</u>
	Subtotal	<u>40,473,819</u>
		<u><u>\$ 99,652,258</u></u>

Standard Chartered Bank (Taiwan) Limited
Financial Assets at Fair Value Through Profit or Loss
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Items	Details	Shares/Units	Par value	Total	Interest rate	Book value	Fair value		Note
							Unit price	Total	
Trading financial assets:									
Debt instruments:									
	Government bonds	-	-	1,060,000	-	\$ 1,094,031	-	1,083,167	
	Corporate bonds	-	-	1,250,000	-	1,287,488	-	1,280,652	
	Negotiable certificates of deposits	-	-	6,000,000	-	<u>6,000,000</u>	-	<u>6,020,765</u>	
	Subtotal					<u>8,381,519</u>		<u>8,384,584</u>	
Derivatives:									
	Option contracts	-	-	-	-	-	-	431,715	Note
	Forward contracts	-	-	-	-	-	-	7,472,138	Note
	Cross currency swaps	-	-	-	-	-	-	5,565,839	Note
	Interest rate swaps	-	-	-	-	-	-	6,295,813	Note
	Interest rate derivatives	-	-	-	-	-	-	199,767	Note
	Commodity swaps					-		<u>56,114</u>	Note
	Subtotal					<u>-</u>		<u>20,021,386</u>	
Total						<u>\$ 8,381,519</u>		<u>28,405,970</u>	

Note: Contracts amount (notional amount) please refer to note 4(19)

Standard Chartered Bank (Taiwan) Limited
Accounts Receivables
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Accounts receivables	Receivable for fixed income financial \$ assets settlement	446,775
	Receivable for options royalty	18,894
	Earned revenue receivables	91,597
	Wealth management receivables	<u>382,377</u>
	Subtotal	<u>939,643</u>
Acceptance receivables		<u>423,679</u>
Factoring loan receivable, without recourse		<u>16,858,972</u>
Interest receivables	Loans and advances to banks (including advances to affiliates)	44,569
	Debt instruments	635,378
	Loans	676,616
	Others (Note)	<u>139,000</u>
	Subtotal	<u>1,495,563</u>
Credit card receivables		<u>6,261,378</u>
Compensation receivable		<u>5,831,152</u>
Tax refund receivables		<u>211,256</u>
Others	Interbank transfer fee	<u>761,130</u>
Less: allowance for doubtful accounts — accounts receivables		648,642
	allowance for doubtful accounts — compensation receivables	<u>5,177,427</u>
	Subtotal	<u>5,826,069</u>
Total		<u><u>\$ 26,956,704</u></u>

Note: The value of each item is less than 5% of this account's ending balance.

Standard Chartered Bank (Taiwan) Limited
Loans and Advances to Customers
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Negotiations and discounts		\$ 3,646,019
Short-term unsecured loans and overdrafts		21,819,523
Short-term secured loans		13,090,861
Medium-term unsecured loans		56,462,317
Medium-term secured loans		5,355,496
Long-term unsecured loans		6,922,590
Long-term secured loans		239,351,734
Non-performing loans		<u>1,550,130</u>
Subtotal		348,198,670
Less: Allowance for doubtful accounts		<u>3,697,995</u>
Total		<u><u>\$ 344,500,675</u></u>

Standard Chartered Bank (Taiwan) Limited
Available-for-sale financial Assets
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Name of financial instrument	Detail	Shares or Units	Face value	Total	Interest rate	Book value	Valuation adjustment	Fair value		Date of repayment	Collateralization
								Unit price	Total		
Treasury bills		-	-	\$ 14,900,000	-	\$ 14,860,013	(706)	-	14,859,307	-	
Government bonds		-	-	15,699,400		15,837,467	104,634	-	15,942,101	-	Note 1 and Note 2
Negotiable certificates of deposits		-	-	136,135,000		136,135,000	143,708	-	136,278,708	-	Note 1
Financial debentures		-	-	6,973,086		4,914,552	684,937	-	5,599,489	-	
Corporate bonds		-	-	838,000	-	837,870	19,057	-	856,927	-	
Beneficiary certificates		-	-	5,075,787	-	<u>5,072,048</u>	<u>(269,963)</u>	-	<u>4,802,085</u>	-	
						<u>177,656,950</u>	<u>681,667</u>		<u>178,338,617</u>		

Note 1: par value NT\$1,540,600 thousand dollars for collateralization, more details refer to Note (6) Pledged Assets.

Note 2: The fair value of financial assets for fair value hedge is \$7,484,967 thousand dollars, and the mark-to-market value adjustment is \$47,818 thousand dollars.

Standard Chartered Bank (Taiwan) Limited
Investment in Associates Under Equity Method
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Name of investee	Beginning balance		Increase		Decrease		Investment income	Ending balance		Market value or net equity		Collate realization
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount	Unit price	Total price (note 1)	
Standard Chartered Life Insurance Agency Co., Ltd.	300	\$ 343,738	-	-	-	281,177 (Note 2)	2,614	300	65,175	217.25	65,175	None
Taiwan Standard Chartered Insurance Agency Co., Ltd.	300	24,764	-	-	-	17,033 (Note 2)	3,786	300	11,517	38.39	11,517	"
Paradigm Assets Management Co., Ltd.	6,030	95,747	-	-	6,030	95,747 (Note 3)	-	-	-	-	-	"
		<u>464,249</u>		<u>-</u>		<u>393,957</u>	<u>6,400</u>		<u>76,692</u>		<u>76,692</u>	
Less: Accumulated impairment		<u>(95,747)</u>		<u>-</u>		<u>(95,747)</u>	<u>-</u>		<u>-</u>		<u>-</u>	
		<u>\$ 368,502</u>		<u>-</u>		<u>298,210</u>	<u>6,400</u>		<u>76,692</u>		<u>76,692</u>	

Note 1: SCBTL invested in non-public companies which is not traded in public market, and only listed their net equity value on the balance sheet date.

Note 2: Cash dividends from interest in associates under equity method.

Note 3: The FSC approved the shares transferred on February 8, 2010.

Standard Chartered Bank (Taiwan) Limited
Other Financial Assets
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Hedging financial instruments	Fair value hedge and cash flow hedge	\$ 205,321
Financial assets carried at cost	Refer to details	239,099
Cheques purchased	Cheques purchased	<u>1,383</u>
Total		<u><u>\$ 445,803</u></u>

Standard Chartered Bank (Taiwan) Limited
Details of Other Financial Assets-Change in Financial Assets Carried at Cost
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Name of investee	Beginning balance		Increase		Decrease		Ending balance		Net equity value		Collateralization
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Unit price	Total price (Note)	
Fubon Securities Finance Co., Ltd.	3,943	\$ 38,065	-	-	3,933	38,065	10	-	1,631.19	16,081	None
Taiwan Small and Medium Enterprises Development Corp.	3,417	29,000	-	-	-	-	3,417	29,000	7.17	24,490	"
Financial Information Service Co., Ltd.	4,550	45,500	-	-	-	-	4,550	45,500	16.92	76,970	"
Taipei Forex Inc.	630	6,673	-	-	-	-	630	6,673	25.26	16,102	"
TSC Bio Venture Management, Inc.	2,025	20,250	-	-	-	-	2,025	20,250	8.57	17,355	"
Liyu Venture Investment, Inc.	1,008	10,080	-	-	-	-	1,008	10,080	7.72	7,780	"
Windance Co., Ltd.	18,850	188,500	-	-	-	-	18,850	188,500	6.74	127,049	"
Taiwan Asset Service Corporation	5,000	50,000	-	-	-	-	5,000	50,000	10.54	52,695	"
Yang Guang Asset Management	85	849	-	-	-	-	85	849	11.75	998	"
Taiwanpay Corporation (formerly Wan Chi Co., Ltd.)	197	2,468	-	-	-	-	197	2,468	6.81	1,344	"
Taiwan Depository and Clearing Corporation	495	9,277	-	-	-	-	495	9,277	43.28	21,418	"
Taiwan Cooperative Bills Finance Corporation	13,346	94,546	-	-	-	-	13,346	94,546	11.44	152,725	"
Subtotal		495,208		-		38,065		457,143		515,007	
Less: Accumulated impairment		202,969		15,075		-		218,044		-	
		<u>\$ 292,239</u>		<u>(15,075)</u>		<u>38,065</u>		<u>239,099</u>		<u>515,007</u>	

Note: Financial assets carried at cost is SCBTL invested in non-public companies which is not traded in open market, and only listed their net equity value.

Standard Chartered Bank (Taiwan) Limited
Property and Equipment
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost:						
Land	\$ 3,734,784	-	44,230	(14,000)	3,676,554	None
Buildings	3,461,529	-	16,670	(12,868)	3,431,991	"
Office equipment	972,783	64,772	233,117	25,477	829,915	"
Transportation equipment	6,700	-	3,490	-	3,210	"
Leasehold improvements	531,490	54,380	83,658	304,513	806,725	"
Other equipment	<u>2,633,947</u>	<u>86,477</u>	<u>920,542</u>	<u>(160,308)</u>	<u>1,639,574</u>	"
Subtotal	<u>11,341,233</u>	<u>205,629</u>	<u>1,301,707</u>	<u>142,814</u>	<u>10,387,969</u>	
Work in progress	13,826	133,629	99	(132,156)	15,200	
Prepayment for equipment	<u>36,285</u>	<u>19,181</u>	<u>11,186</u>	<u>(42,653)</u>	<u>1,627</u>	
	<u>\$ 11,391,344</u>	<u>358,439</u>	<u>1,312,992</u>	<u>(31,995)</u>	<u>10,404,796</u>	

Standard Chartered Bank (Taiwan) Limited
Accumulated Depreciation for Property and Equipment
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance
Buildings	\$ 1,006,367	69,296	684	(3,042)	1,071,937
Office equipment	681,407	114,766	225,952	-	570,221
Transportation equipment	5,847	520	3,157	-	3,210
Leasehold improvements	273,372	112,090	83,043	122,000	424,419
Other equipment	<u>1,810,912</u>	<u>215,701</u>	<u>822,638</u>	<u>(122,079)</u>	<u>1,081,896</u>
Total	<u>\$ 3,777,905</u>	<u>512,373</u>	<u>1,135,474</u>	<u>(3,121)</u>	<u>3,151,683</u>

Standard Chartered Bank (Taiwan) Limited
Other Assets
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Items	Abstract	Amount
Deferred income tax assets, net		\$ <u>3,590,142</u>
Idle assets, net	Idle asset	738,954
	Less: accumulated depreciation	99,092
	accumulated impairment	<u>138,273</u>
		<u>501,589</u>
Assets leased to others, net	Assets leased to others	430,036
	Less: accumulated depreciation	<u>75,868</u>
		<u>354,168</u>
Refundable deposits	Securitization of debt margins	106,248
	Rental deposits	183,132
	Clearing and settlement fund	215,716
	Others (note)	<u>96,676</u>
		<u>601,772</u>
Others (Note)	Prepayments and payment under custody for derivatives	<u>362,639</u>
Total		<u>\$ <u>5,410,310</u></u>

Note: the value of each item does not exceed 5% of this account's total ending balance.

Standard Chartered Bank (Taiwan) Limited
Idle Assets
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost						
Land	\$ 508,795	-	124,720	(693)	383,382	None
Buildings	<u>451,994</u>	<u>-</u>	<u>91,562</u>	<u>(4,860)</u>	<u>355,572</u>	"
	<u>960,789</u>	<u>-</u>	<u>216,282</u>	<u>(5,553)</u>	<u>738,954</u>	
Accumulated depreciation	100,172	8,078	5,617	(3,541)	99,092	
Accumulated impairment	<u>25,035</u>	<u>88,445</u>	<u>-</u>	<u>24,793</u>	<u>138,273</u>	
	<u><u>\$ 835,582</u></u>	<u><u>(96,523)</u></u>	<u><u>210,665</u></u>	<u><u>(26,805)</u></u>	<u><u>501,589</u></u>	

Standard Chartered Bank (Taiwan) Limited
Assets Leased to Others
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost						
Land	\$ 526,750	-	270,117	14,693	271,326	None
Buildings	<u>974,680</u>	<u>-</u>	<u>833,697</u>	<u>17,727</u>	<u>158,710</u>	"
	<u>1,501,430</u>	<u>-</u>	<u>1,103,814</u>	<u>32,420</u>	<u>430,036</u>	
Accumulated depreciation	208,730	4,144	143,589	6,583	75,868	
Accumulated impairment	<u>181,168</u>	<u>-</u>	<u>180,422</u>	<u>(746)</u>	<u>-</u>	
	<u>\$ 1,111,532</u>	<u>(4,144)</u>	<u>779,803</u>	<u>26,583</u>	<u>354,168</u>	

Standard Chartered Bank (Taiwan) Limited
Deposits by Central Bank and other banks
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Items	Details	Amount
Deposits by banks	Chunghwa Post Co.	\$ <u>1,662,177</u>
Loans from banks	BK International Indonesia TBK JKT	3,036,543
	Hua Nan Bank	1,032,100
	First Commercial Bank	242,923
	Shin Kong commercial Bank	<u>113,428</u>
		<u>4,424,994</u>
Deposits by affiliates and loans from affiliates	Standard Chartered Bank HK	4,233,206
	Standard Chartered bank Germany	224,866
	Standard Chartered bank USA	100,795
	Standard Chartered bank Japan	<u>1,321</u>
		<u>4,560,188</u>
Total		<u><u>\$ 10,647,359</u></u>

Note: The value of each item does not exceed 5% of this account's total ending balance.

Standard Chartered Bank (Taiwan) Limited
Financial Liabilities at Fair Value through Profit or Loss
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Items	Details	Shares/units	Face value	Total	Interest rate	Book value	Fair value		Note
							Par value	Total	
Trading financial liabilities:									
Debt instruments:									
	Government bonds	-	-	\$ 100,000	-	<u>99,207</u>	-	<u>99,468</u>	Note
Derivatives:									
	Option contracts	-	-	-	-	-	-	431,231	"
	Forward contracts	-	-	-	-	-	-	6,964,551	"
	Cross currency swaps	-	-	-	-	-	-	3,982,915	"
	Interest rate swaps	-	-	-	-	-	-	8,144,647	"
	Interest rate derivatives	-	-	-	-	-	-	122,380	"
	Commodity swaps	-	-	-	-	-	-	56,114	"
						<u>-</u>		<u>19,701,838</u>	
						<u>\$ 99,207</u>		<u>19,801,306</u>	

Note: Contract amounts (notional amounts) please refer to Note 4(19).

Standard Chartered Bank (Taiwan) Limited
Accounts Payables
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Detail	Amount
Accounts payables		\$ <u>104,203</u>
Interest payables		<u>629,686</u>
Accounts payables		
	Share-based payment	242,967
	Accrued expenses	2,300,780
	Revenue distribution payables	15,388
	Income tax payables	21,191
	Payables for receipts under custody	<u>107,284</u>
Subtotal		<u>2,687,610</u>
Acceptance payables		<u>423,679</u>
Other payables		
	Royalty expenses payables	83,715
	Payables for fixed income financial assets settlement	347,568
	Temporary receipts	1,240,549
	Sundry client creditors	310,615
	Cheque collection	260,671
	Others (Note)	<u>646,145</u>
Subtotal		<u>2,889,263</u>
Total		<u><u>\$ 6,734,441</u></u>

Note: The value of each item is less than 5% of this account's ending balance.

Standard Chartered Bank (Taiwan) Limited
Details of Deposits and Remittances
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Checking deposits		\$ 3,475,229
Demand deposits		173,831,849
Time deposits		204,402,184
Savings deposits	Savings deposits	132,797,277
	Time savings deposits	86,933,516
Trust fund with designated purpose		191,252
Remittances		<u>89,109</u>
		<u>\$ 601,720,416</u>

Standard Chartered Bank (Taiwan) Limited

Financial Debentures

December 31, 2010

Bond	Conditions for trading			Subordinated debentures		Transaction amount
	Issuing date	maturity date	Coupon rate%	Type	Book value	
91-1A subordinated debentures	91.7.19	96.7.19	(Note 1)	A	\$ 10,000	1,200
94-1 subordinated debentures	94.1.28	(Note 2)	(Note 3)	-	10,000	18,300
98-1 subordinated debentures	98.10.28	108.10.28	(Note 4)	-	10,000	10,000,000
98-2 subordinated debentures	98.12.11	(Note 2)	(Note 5)	-	4,798,704 (Note 6)	4,554,814
98-3 subordinated debentures	98.12.11	(Note 2)	(Note 5)	-	4,798,704 (Note 6)	4,554,814
						19,129,128
Mark-to-market adjustment on hedged items						95,077
						\$ 19,224,205

Note 1: Annual interest rate for the first 3 years is 4.25%, and 4.50% for the last 2 years.

Note 2: No maturity date.

Note 3: Based on the average one-year regular floating rate of the nine largest banks plus 1.493%.

Note 4: Annual interest rate for the first 5 years is 2.90% and 3.40% for the last 5 years;

Note 5: 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.

Note 6: Book value is USD150,000 thousands.

Standard Chartered Bank (Taiwan) Limited
Other Liabilities
December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Accrued pension liabilities		\$ 746,576
Unearned receipts		627,814
Taxes payable		480,567
Deposits received		136,050
Receipts under custody for derivatives		602,195
Reserves for losses		181,957
Others (Note)		<u>392,864</u>
		<u>\$ 3,168,023</u>

Note: The value of each item is less than 5% of this account's ending balance.

Standard Chartered Bank (Taiwan) Limited
Interest Income
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Interbank transactions	Balances at Central Bank	\$ 53,562
	Loans and advances to banks	<u>538,610</u>
	Subtotal	<u>592,172</u>
Loans and advances to customers	Loans and overdrafts	8,489,484
	Violation, advance pay and others (Note)	<u>1,002,408</u>
	Subtotal	<u>9,491,892</u>
Credit cards (revolving)		<u>549,580</u>
Financial assets at fair value through profit or loss		276,260
Available-for-sale financial assets		<u>1,028,352</u>
Total		\$ <u><u>11,938,256</u></u>

Note: The value of each item is less than 5% of this account's ending balance.

Standard Chartered Bank (Taiwan) Limited
Interest Expenses
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Deposits	Time deposits	\$ 988,915
	Demand deposits	<u>987,371</u>
	Subtotal	<u>1,976,286</u>
Distributions for trust revenue		<u>8,859</u>
Deposits by and loans from other banks	Deposits by and loans from other banks	295,435
	Financial debentures	<u>295,985</u>
	Subtotal	<u>591,420</u>
Others (Note)		<u>450,272</u>
		<u><u>\$ 3,026,837</u></u>

Note: The value of each item is less than 5% of this account's ending balance.

Standard Chartered Bank (Taiwan) Limited
Fees and Commission, Net
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Fees and commission income	Trust fee	\$ 4,370,977
	Wealth management fee	171,161
	Credit card fee	295,733
	Loans fee	438,222
	Warranty, imports and exports fee	110,282
	Agency commission	131,559
	Others (Note)	<u>261,519</u>
		<u>5,779,453</u>
Fees and commission expenses	Agency commission	277,508
	Interbank transaction service fee	121,281
	Custody fee	95,166
	Others (Note)	<u>54,752</u>
		<u>548,707</u>
		<u><u>\$ 5,230,746</u></u>

Note: The value of each item is less than 5% of this account's ending balance.

Standard Chartered Bank (Taiwan) Limited
Gain (Loss) on Financial Assets and Liabilities at Fair Value Through Profit or Loss
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Realized (loss) gain	Amount Valuation (loss) gain	Total
Trading financial assets and liabilities:			
Debt instruments:			
Government bonds	\$ 58,533	(9,762)	48,771
Negotiable certificates of deposits	-	20,765	20,765
Corporate bonds, financial debentures and treasury bills	<u>61,358</u>	<u>6,449</u>	<u>67,807</u>
Subtotal	<u>119,891</u>	<u>17,452</u>	<u>137,343</u>
Derivatives	<u>(443,426)</u>	<u>2,225,075</u>	<u>1,781,649</u>
Total	<u><u>\$ (323,535)</u></u>	<u><u>2,242,527</u></u>	<u><u>1,918,992</u></u>

Standard Chartered Bank (Taiwan) Limited
Realized Gain and Loss on Available-for-sale
Financial Assets
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Government bonds	Net gain on sale	\$ 41,853
Corporate bonds and financial debentures	Net gain on sale	8,946
Treasury bills	Net gain on sale	1,065
		<u>51,864</u>
		<u><u>\$ 51,864</u></u>

Standard Chartered Bank (Taiwan) Limited
Other Non-interest Income(Loss), Net
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Other non-interest income:		
	Security brokage commissions	\$ 170,076
	Rental income	26,980
	Net gain on disposal of idle assets	7,010
	Net gain on disposal of leased assets	47,164
	Net gain on disposal of collaterals	107,875
	Dividend income from financial assets carried at cost	19,871
	Others	<u>143,488</u>
		<u>522,464</u>
Other non-interest loss:		
	Loss on obsolescence of fixed assets	105,316
	Loss on obsolescence of intangible assets	31
	Net loss on hedging derivatives	138,592
	Loss on disposal of fixed assets	<u>14</u>
		<u>243,953</u>
Net income		<u><u>\$ 278,511</u></u>

Note: The value of each item is less than 5% of this account's ending balance.

Standard Chartered Bank (Taiwan) Limited
Staff Costs
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Salaries		\$ 4,929,036
Labor and health insurance		304,927
Pension		436,547
Others		<u>313,243</u>
		<u>\$ 5,983,753</u>

Standard Chartered Bank (Taiwan) Limited
Depreciation and Amortization Expenses
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Depreciation	Land and buildings	\$ 81,518
	Office equipment	114,766
	Leasehold improvements	112,090
	Other equipment	<u>216,221</u>
Subtotal		<u>524,595</u>
Amortization	Computer software	<u>89,766</u>
		<u>\$ 614,361</u>

Standard Chartered Bank (Taiwan) Limited
General and Administrative Expenses
For the year ended December 31, 2010
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Rental expenses	\$ 497,166
Postage	252,681
Maintenance and repairs expenses	181,262
Advertising expenses	317,264
Taxes and dues	506,277
Professional service fees	250,966
Head office management and other technical support fees	1,718,877
Others (Note)	<u>653,913</u>
Total	\$ <u><u>4,378,406</u></u>

Note: The value of each item is less than 5% of this account's ending balance.

**STANDARD CHARTERED COMPANY (TAIWAN) LIMITED-SECURITIES
DEPARTMENT**

Statements of Income

For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	2010		2009	
	Amount	%	Amount	%
Revenues:				
Securities brokerage commissions	\$ 174,809	24	243,811	30
Gain on sale of securities—dealer (note 4(2))	97,032	13	251,370	31
Interest income (note 4(2))	455,889	62	303,486	37
Commission revenue for futures	6,108	1	-	-
Other operating income	1,772	-	10,056	2
Non-operating income and gain	<u>183</u>	<u>-</u>	<u>1,231</u>	<u>-</u>
Total revenues	<u>735,793</u>	<u>100</u>	<u>809,954</u>	<u>100</u>
Expenses:				
Handling charges—brokers	9,956	1	14,043	2
Handling charges—dealers	1,065	-	2,178	-
Handling charges—refinancing	54	-	129	-
Interest expense	50	-	2,598	-
Valuation loss on operating securities (notes 4(2))	4,288	1	182,634	22
Operating expenses (notes 4(9) and 10)	218,490	30	271,352	31
Non-operating expense and losses	<u>7,806</u>	<u>1</u>	<u>6,629</u>	<u>1</u>
Total expenses	<u>241,709</u>	<u>33</u>	<u>479,563</u>	<u>56</u>
Operation net income	<u>494,084</u>	<u>67</u>	<u>330,391</u>	<u>44</u>
Profit from continuing operation before income tax	494,084	67	330,391	44
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ 494,084</u>	<u>67</u>	<u>330,391</u>	<u>44</u>

~99~

See accompanying notes to financial statements.

**STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES
DEPARTMENT**

Notes to Financial Statements

December 31, 2010 and 2009

(expressed in New Taiwan dollars unless otherwise specified)

(1) Organization

- 1) In October, 1989, Standard Chartered Company (Taiwan) Limited (“SCBTL”) established the first securities brokerage (the “Company”) in Taoyuan and then established several branches to provide securities brokerage service in various districts. In January, 1993, SCBTL founded the pecuniary or securities financing facilities for securities trading. In August, 1995, SCBTL began the brokerage of marketable securities at the Over-The-Counter. As of December 31, 2010, the total number of branches is 11.
- 2) Currently, the Company is authorized to engage in the following businesses :
 - A. Brokerage of marketable securities at the centralized securities exchange market (no face-to-face customer commission and no business office needed);
 - B. In-house marketable securities brokerage at the over-the-counter securities exchange market (no face-to-face customer commission and no business office needed);
 - C. Providing pecuniary or securities financing facilities for securities trading;
 - D. Auxiliary services for futures trading;
 - E. In-house bonds and securitized product (fixed-income securities only) dealership at the Over-The-Counter securities exchange market.

(2) Significant Accounting Policies

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The Company’s financial statements were prepared in accordance with the “Criteria Governing the Preparation of Financial Reports by Securities Firms”, “Business Entity Accounting Act”, “Regulation on Business Entity Accounting Handling”, and generally accepted accounting principles of the Republic of China. 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 is in conformity with the related regulations that require the use of certain critical accounting assumptions and estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. A summary of significant accounting policies and the measurement basis is as follows:

~100~

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

1) Principles of classifying assets and liability as current and non-current

Current assets include assets resulting from operating activities which are expected to be converted to cash, consumed, or sold within the normal operating period; assets held mainly for trading purposes; assets that are expected to be converted to cash within 12 months of the balance sheet date; cash and cash equivalents that are not to be exchanged or repaid for debt within 12 months of the balance sheet date and are not restricted. Non-current assets are assets which are not classified as current assets.

Current liabilities include liabilities accruing from operating activities which are expected to be repaid within the normal operating period, liabilities that mainly resulted from trading activities, liabilities that are expected to be repaid on demand within 12 months of the balance sheet date, and liabilities for which the Company cannot defer payments until 12 months after the balance sheet date without charges. Non-current liabilities are liabilities which are not classified as current liabilities.

2) Foreign currency transactions

The accounts of the Company are maintained in New Taiwan dollars. Foreign currency transactions are recorded at exchange rates prevailing on the transaction dates. Realized gains or losses resulting from the settlement of assets and liabilities denominated in foreign currencies are charged to current operations. Assets and liabilities denominated in foreign currencies are revalued at the exchange rates prevailing on the balance sheet date. The resulting translation differences are charged to current profit or loss.

3) Cash and Cash Equivalents

Cash and cash equivalents include cash, petty cash, unrestricted Company accounts and transferred time deposits and treasury bills, commercial paper and Company acceptance notes which are with maturities of three months or less at the date of purchase.

4) Financial assets and liabilities

According to the Statement of Financial Accounting Standards (“SFAS”) No.34” Accounting for Financial Instruments the Company classified financial assets and liabilities as financial assets and liabilities measured at fair value through profit or loss and available-for-sale financial assets.

The related accounting policies adopted by the Company are the same as those of SCBTL; therefore, please refer to the summary of significant accounting policies in SCBTL’s financial report.

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

5) Investments in Redeemable Bonds and Liability of Bonds with Repurchase Agreements

The financing method is adopted to account for bond transactions with terms to redeem and repurchase. Sales of bonds with repurchase terms for financing purposes are recorded as “repurchasable bonds payable”. The bond or bill sold or purchased is treated as collateral for financing transactions and not as sale or purchase of trading securities. Repurchase and redeem as bond and bill transactions are recorded as bonds sold under repurchase agreements and bonds and bills purchased under reverse repurchase agreements, respectively. The difference between the selling and purchase prices during the agreement period for the aforementioned transactions is treated as interest expense or interest income.

6) Margin Loans and Refinancing

For margin loans undertaken by the Company, the amount financed by the investors for the purchase of securities is recorded as receivable from securities financing. Such loans are secured by the securities purchased by the investors. These securities will be returned to the investors when the financing loans are repaid.

For securities financing transactions, the deposit on securities financing is recorded as securities financing guarantee deposit. Proceeds from sales of securities financed, less any dealing commission, financing commission, and security exchange tax, are held by the Company as collateral and recorded as deposit financing securities guaranteed proceeds payable. Deposits and proceeds payable are refunded to investors upon the repayment of the loans.

Should the Company have insufficient cash flow when undertaking margin loans, the Company could obtain refinancing from securities finance companies. Such financing is recorded as borrowing for refinancing and the related securities is held by the finance Company as collateral. Similarly, should the Company have insufficient securities position to undertake securities refinancing, the Company can borrow securities from securities finance companies. The deposits on the securities borrowed are recorded as deposits for securities refinancing. The proceeds from the sale of securities borrowed are held by the securities finance companies as collateral and are recorded as receivable from securities refinancing collateral.

7) Allowances for Doubtful Accounts

Allowance for doubtful accounts is provided by assessing the collect ability of the notes and accounts receivable at year-end.

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

8) Property and equipment, and related depreciation

The accounting policies adopted for the Company's property and equipment, and related depreciation are the same as those of SCBTL; therefore, please refer to the summary of significant accounting policies in SCBTL's financial report.

9) Assets impairment

The accounting policies adopted for the Company's assets impairment are the same as those of SCBTL; therefore, please refer to the summary of significant accounting policies in SCBTL's financial report.

10) Intangible Assets

The Company has adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, an intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

The depreciable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer Software	3 – 5 years
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The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. Such change shall be accounted for as changes in accounting estimates.

11) Deposits

As required by the Regulations Governing Securities Firms ("RGSF"), after completion of corporate registration, a securities firm shall lodge an operating deposit in accordance with the types of securities business the firm engages in. The Company provides deposits as operating guarantee deposits in order to conduct its principal business activities, which are recorded under other assets - operating deposits.

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

In accordance with the RGSF and the Regulations Governing Payment and Settlement Funds under the Responsibility System for OTC securities trading, the Company deposits an aggregate settlement fund with the Taiwan Stock Exchange Corporation (TSEC) and a clearing fund with the OTC in order to conduct securities trading consignments on the centralized securities exchange market and over-the-counter market, respectively. In accordance with OTC Securities Market Regulations Governing Bond Payment Settlement Reserves, the Company deposits settlement reserve to the OTC in order to conduct bonds trading consignments on over-the-counter market before trading bonds via the Electronics Bond Trading System.

12) Breach of Contract Losses Default Reserve

Starting from July 1, 2000 in compliance with the RGSF, the Company provides on a monthly basis a breach of contract losses default reserve of 0.0028% of securities brokerage commissions until the balance of the reserve reaches \$200,000 thousand, and records it as other liabilities. Such reserve may only be used to cover default losses from securities brokerage or otherwise upon Securities and Future Bureau approval.

13) Inter-departmental account

A Company applying for concurrent operation of securities businesses must set up receivable and payable accounts to record the dealings between the Companying and securities department.

14) Designated capital

A Company applying for concurrent operation of securities businesses must designate operating capital for the securities department's use.

15) Commitments and Contingencies

If a loss from a commitment or contingency is considered probable and the amount of loss can be reasonably estimated, the loss is recorded in the current year. Otherwise, commitments and contingencies are only disclosed in the notes to the financial statements.

16) Revenue and Cost Recognition

- A. Brokerage commissions, profit or loss from trading securities, and relevant brokerage securities transaction charges are recognized at the dealing date.
- B. Interest income or expense of margin loans and securities financing and refinancing and bonds purchased under agreements to resell and sold under agreements to repurchase are recognized during the transaction periods on an accrued basis.

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

C. Underwriting commission income and transactions fees; applying income is recognized when received or payments. Underwriting commission income and related transactions charges are recognized when the underwriting contracts are completed.

(3) Changes in Accounting Principle: none.

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

	December 31, 2010	December 31, 2009
Company accounts:		
Checking accounts	\$ <u>1,382</u>	<u>2,226</u>

2) Financial assets at fair value through profit and loss-current

Operating securities—dealership

	December 31, 2010	December 31, 2009
Government bonds	\$ 1,094,032	1,460,973
Corporate bonds	<u>1,287,488</u>	<u>6,154,109</u>
Subtotal	2,381,520	7,615,082
Valuation adjustment	<u>(24,866)</u>	<u>(14,441)</u>
Total	\$ <u>2,356,654</u>	<u>7,600,641</u>

For the year ended December 31, 2010 and 2009, the details of gains (losses) arising from financial assets at fair value through profit or loss were as follows:

	2010	2009
Gain on sale of trading securities	\$ <u>97,032</u>	<u>251,370</u>
Loss on valuation of trading securities	\$ <u>(4,288)</u>	<u>(182,634)</u>
Interest income	\$ <u>135,896</u>	<u>124,728</u>

3) Receivables from securities financing - net

	December 31, 2010	December 31, 2009
Receivables from securities financing	\$ <u>982,013</u>	<u>1,002,931</u>

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

4) Available-for-sale financial assets – current

Operating securities – dealership

	December 31, 2010	December 31, 2009
Government bonds	\$ 15,457,805	10,953,295
Corporation bonds	837,869	5,364,900
Financial debentures	899,851	597,581
Beneficiary certificates	<u>359,706</u>	<u>370,144</u>
Subtotal	17,555,231	17,285,920
Valuation adjustment	<u>123,579</u>	<u>268,312</u>
Total	<u>\$ 17,678,810</u>	<u>17,554,232</u>

5) Property and equipment

	December 31, 2010		
	Cost	Accumulated depreciation	Net
Leasehold improvements	\$ 17,082	3,022	14,060
Office and other equipment	<u>57,280</u>	<u>46,107</u>	<u>11,173</u>
Total	<u>\$ 74,362</u>	<u>49,129</u>	<u>25,233</u>

	December 31, 2009		
	Cost	Accumulated depreciation	Net
Leasehold improvements	\$ 607	270	337
Office and other equipment	<u>82,628</u>	<u>77,906</u>	<u>4,722</u>
Total	<u>\$ 83,235</u>	<u>78,176</u>	<u>5,059</u>

6) Securities settlement fund

As of December 31, 2010 and 2009, the Company based on RGSF, “The Negotiable Securities Counter Business Transaction Market Common Responsibility System Pays The Settlement Fund Policing Method”, and “The Bond Equivalent Deal System and Buys and Sells Two Kind of Stocks Circles to Save The Reserve Fund Policing Method” to deposit time deposits amounting of \$209,031 thousand dollars and \$201,832 thousand dollars, respectively as securities settlement fund.

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

7) Securities brokerage debit (credit) account - net

	December 31, 2010	December 31, 2009
Securities brokerage debit accounts:		
Receivable price of securities purchased for customers	\$ <u>167</u>	<u>6,166</u>
Securities brokerage credit accounts:		
Price payable of securities sold for customers	<u>167</u>	<u>6,157</u>
Total	\$ <u><u>-</u></u>	<u><u>9</u></u>

8) Financial liabilities at fair value through profit or loss - current

	December 31, 2010	December 31, 2009
Financial liabilities held for trading:		
Borrowed securities payable	\$ 99,207	-
Adjustments in value of borrowed securities payable	<u>261</u>	<u>-</u>
Total	\$ <u><u>99,468</u></u>	<u><u>-</u></u>

9) Provisions

For the years ended December 31, 2010 and 2009, the Company recognized default loss amounting to \$4,733 and \$6005, respectively, recorded as operating expenses - default loss.

For the year ended December 31, 2010 and 2009, the Company provided reserve for trading loss amounting to \$9,733 and \$22,163, respectively, recorded as operation expenses - trading loss.

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

10) Related information about financial instrument

A. Fair Value Information

a. Financial assets and liabilities at fair value equivalent to book value:

The fair values of short-term financial instruments are estimated using their book value on the balance sheet. Since such instruments will mature within a short time, book value is a reasonable basis to estimate the fair value, including financial assets such as cash and cash equivalents, receivables from securities financing, securities refinancing margin deposits, receivables from securities refinancing, accounts receivable, other receivables, other current assets, securities settlement fund, guarantee deposits paid, other assets, etc. and financial liabilities such as financing securities guaranty deposits, financing securities guaranteed proceeds payable, accounts payable, other payables, breach of contract losses reserve and trading loss reserve.

b. Financial assets and liabilities at fair value through profit and loss and available-for-sale financial assets:

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.

As of December 31, 2010 and 2009, the fair values of the Company's financial assets and liabilities evaluated using valuation techniques were as listed below:

Account	Amount	
	December 31, 2010	December 31, 2009
Financial liabilities at fair value through profit or Loss – current	\$ 2,356,654	7,600,641
Available-for-sale financial assets – current	17,678,810	17,554,232
Financial assets at fair value through profit or loss – current	99,468	-

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

B. Financial Risk Information

a. Market risk

The Company holds floating-rate financial assets; the fair value of the assets fluctuates with the market rate. The Company has established a risk management system to monitor and control the market risk of investments to reduce market risk.

b. Credit risk

The primary potential credit risk is derived from financial instruments such as bonds and other securities investments. In order to diversify and manage the risk, the Company specifies optimal investment and trade management policies according to the credit assessment for individual investment targets and customers. Therefore, the credit risk deriving from financial instruments held by the Company is not considered highly concentrated.

c. Liquidity risk

The Company's operating capital can cover all contract obligations, and thus the risk of inadequate capital to fulfill contract obligations is considered low. Moreover, the bonds held by the Company are actively traded on the market and are expected to be sold at fair value in the market.

(5) Related-Party Transactions

1) Names of related parties and their relationship with the Company

Name of related party	Relationship with the Company
Directors, supervisors, president and vice presidents	The senior management of the Company

2) Significant transactions with related parties

For the years ended December 31, 2010 and 2009, brokerage commissions with the related parties from securities trading were as follows:

Name of related party	2010		2009	
	Amount	%	Amount	%
Income by individual related parties not over 1% of total income	\$ <u>106</u>	<u>-</u>	<u>183</u>	<u>-</u>

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

The trading terms of securities brokerage with related parties above are similar to those with non-related parties.

(6) Pledged Assets

As of December 31, 2010 and 2009, the Company provided the assets below as guarantee for securities operation.

	Par Value	
	December 31, 2010	December 31, 2009
Operating securities – Government bonds (record as available-for-sale assets – current)	\$ <u>235,000</u>	<u>185,000</u>

(7) Significant Commitments and Contingencies: none.

(8) Significant Disaster Losses: none.

(9) Significant of Subsequent Events: none.

(10) Others

Summary of staff cost, depreciation and amortization expenses for the years ended December 31, 2010 and 2009 is as follows:

	2010			2009		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Staff cost						
Salaries	-	82,746	82,746	-	124,513	124,513
Labor and health insurance	-	6,718	6,718	-	7,018	7,018
Pension	-	8,332	8,332	-	10,062	10,062
Others	-	2,641	2,641	-	2,534	2,534
Depreciation	-	5,032	5,032	-	1,753	1,753
Amortization	-	634	634	-	581	581

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

(11) Other Disclosure Items

- 1) Related information on material transactions items:
 - A. Loans to others: None.
 - B. Endorsements and guarantee for others: None.
 - C. Acquisition of real estate over \$100,000 thousand or 20% of paid-in capital: None.
 - D. Disposal of real estate over \$100,000 thousand or 20% of paid-in capital: None.
 - E. Discount on commissions of transactions with related parties over \$5,000 thousand: None.
 - F. Receivables from related parties over \$100,000 thousand or 20% of paid-in capital: None.
- 2) Information on reinvestment business: None
- 3) Information on investment in Mainland China : None

(12) Business Segment Financial Information: None