

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited as of June 30, 2011 and 2010, and the related statements of income, changes in stockholders' equity, and cash flows for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Standard Chartered Bank (Taiwan) Limited as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks, the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles.

Standard Chartered Bank (Taiwan) Limited has prepared its consolidated financial statements for the Bank and its subsidiaries as of and six months periods ended June 30, 2011 and 2010, on which we have expressed an standard unqualified review opinion.

KPMG
August 12, 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
June 30, 2011 and 2010
(Expressed in thousands of New Taiwan dollars, except for par value)

	June 30, 2011	June 30, 2010	Change %		June 30, 2011	June 30, 2010	Change %
Assets				Liabilities and Stockholders' Equity			
Cash and cash equivalents (notes 4(1) and 5)	\$ 7,785,883	7,548,293	3	Liabilities :			
Balance at Central Bank and loans and advances to banks (notes 4(2) and 5)	76,633,693	103,703,592	(26)	Deposits by Central Bank and other banks (note 5)	\$ 30,690,409	31,966,531	(4)
Financial assets at fair value through profit or loss (notes 4(3) and (20) and 5)	28,257,104	30,456,162	(7)	Financial liabilities at fair value through profit or loss (notes 4(3) and (20) and 5)	16,576,037	16,858,836	(2)
Bills and bonds investments under reverse sell agreements (note 4(4))	2,068,587	-	-	Notes and accounts payables (notes 5 and 7)	7,166,636	7,633,561	(6)
Accounts receivables, net (notes 4(5), (6) and (18) and 5)	31,336,359	32,355,130	(3)	Accounts payables—related parties (notes 4(17) and 5)	4,971,056	1,379,587	260
Loans and advances to customers, net (notes 4(6) and (20), 5 and 11)	354,503,475	326,460,767	9	Deposits and remittances (notes 4(12) and (20) and 5)	577,860,042	494,455,342	17
Available-for-sale financial assets, net (notes 4(7) and (20), 5 and 6)	229,483,299	121,759,092	88	Financial debentures (notes 4(13) and (20) and 5)	46,740,565	19,780,538	136
Investment in associates under equity method, net (notes 4(8) and 11)	151,290	14,076	975	Other financial liabilities (note 4(20))	14,678,535	27,277,175	(46)
Other financial assets, net (notes 4(8) and (20) and 11)	472,803	518,306	(9)	Other liabilities (notes 4(16), 5 and 7)	<u>3,369,509</u>	<u>3,291,638</u>	2
Property and equipment, net (note 4(9))	6,306,715	7,508,148	(16)	Total liabilities	<u>702,052,789</u>	<u>602,643,208</u>	16
Intangible assets (notes 4(10) and (16))	3,377,882	3,488,201	(3)	Stockholders' Equity (notes 4(7), (16) and (19)):			
Other assets (notes 4(11) and (18) and 6)	4,259,801	5,547,840	(23)	Common stock, par value \$10, authorized 3,000,000 thousand shares and issued 2,910,572 thousand shares.			
					<u>29,105,720</u>	<u>29,105,720</u>	-
				Capital surplus	<u>5,786,031</u>	<u>5,786,031</u>	-
				Retained earnings:			
				Legal reserve	876,897	-	-
				Special reserve	136,034	-	(100)
				Accumulated earnings	<u>6,164,038</u>	<u>1,356,257</u>	354
					<u>7,176,969</u>	<u>1,356,257</u>	429
				Other adjustments to stockholders' equity:			
				Unrealized revaluation increments on property and equipment	243,384	363,949	(33)
				Unrealized gain on available-for-sale financial assets	529,936	350,187	51
				Unrealized gain on cash flow hedge	70,415	53,517	32
				Net loss on unrecognized pension cost	<u>(328,353)</u>	<u>(299,262)</u>	(10)
					<u>515,382</u>	<u>468,391</u>	10
				Total stockholders' equity	42,584,102	36,716,399	16
				Commitments and contingent liabilities			
				(notes 4(11), and (20), 6 and 7)			
Total Assets	<u>\$ 744,636,891</u>	<u>639,359,607</u>	16	Total Liabilities and Stockholders' Equity	<u>\$ 744,636,891</u>	<u>639,359,607</u>	16

See accompanying notes to the financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Income

For the six months periods ended June 30, 2011 and 2010
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	June 30, 2011	June 30, 2010	Change %
Interest income (notes 4(3) and (14) and 5)	\$ 6,500,094	5,791,254	12
Less: Interest expenses (note 5)	<u>2,232,565</u>	<u>1,309,637</u>	70
Net interest income	4,267,529	4,481,617	(5)
Other operating income:			
Fees and commission income, net (note 7(1))	2,446,045	2,319,486	5
Gain on financial instruments at fair value through profit or loss (notes 4(3), (20) and 5)	406,391	873,146	(53)
Realized gain on available-for-sale financial assets (note 4(7))	590	31,150	(98)
Investment income from interest in associates under equity method (note 4(8))	74,598	24,003	211
Foreign exchange gain, net	297,022	77,391	284
Impairment loss on assets (note 4(7))	(197,987)	-	-
Gain on sale of non-performing loans(note 11)	838,262	70,342	1,092
Net gain on disposal of property (note 11)	1,015,466	144,425	603
Gain on reversal of provision for doubtful accounts (notes 4(5), and (6) and 5)	3,311,033	40,651	8,045
Other non-interest income for sundries, net(notes 4(8), (11) and (15))	<u>163,564</u>	<u>71,890</u>	128
Operating income	12,622,513	8,134,101	55
Operating expenses:			
Staff costs (notes 4(16) and (17), 5 and 10(1))	2,935,185	2,886,965	2
Depreciation and amortization expenses (notes 4(10) and 10(1))	316,701	319,247	(1)
General and administrative expenses (notes 5 and 7)	<u>2,171,741</u>	<u>2,106,933</u>	3
	<u>5,423,627</u>	<u>5,313,145</u>	2
Profit from continuing operations before income tax	7,198,886	2,820,956	155
Income tax expense (note 4(18))	<u>1,035,053</u>	<u>1,464,699</u>	(29)
Net income	<u>\$ 6,163,833</u>	<u>1,356,257</u>	354
	Before tax	After tax	Before tax
	After tax	Before tax	After tax
Basic earnings per share (note 4(19))	<u>\$ 2.47</u>	<u>2.12</u>	<u>0.97</u>
	<u>0.47</u>	<u>0.47</u>	<u>0.47</u>

See accompanying notes to the financial statements.

Standard Chartered Bank (Taiwan) Limited
Statements of Changes in Stockholders' Equity
For the six months periods ended June 30, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings			Unrealized revaluation increments on property and equipment	Other adjustments			Total
			Legal reserve	Special reserve	Accumulated (deficits) earnings		Unrealized gain on available-for-sale financial assets	Unrealized gain on cash flow hedge	Net loss on unrecognized pension cost	
Balance as of January 1, 2010	\$ 29,105,720	10,430,441	5,374	-	(4,649,784)	381,303	28,128	3,253	(295,390)	35,009,045
Capital surplus for offsetting against accumulated deficits (note 4(19))	-	(4,644,410)	-	-	4,644,410	-	-	-	-	-
Legal reserve for offsetting against accumulated deficits (note 4(19))	-	-	(5,374)	-	5,374	-	-	-	-	-
Net gain for the six months period ended June 30, 2010	-	-	-	-	1,356,257	-	-	-	-	1,356,257
Movement of unrealized revaluation increments on property and equipment	-	-	-	-	-	(17,354)	-	-	-	(17,354)
Movement of unrealized gain on available-for-sale financial assets (note 4(7))	-	-	-	-	-	-	322,059	-	-	322,059
Movement of unrealized gain on cash flow hedge (note 4(20))	-	-	-	-	-	-	-	50,264	-	50,264
Net loss on unrecognized pension cost (note 4(16))	-	-	-	-	-	-	-	-	(3,872)	(3,872)
Balance as of June 30, 2010	<u>\$ 29,105,720</u>	<u>5,786,031</u>	<u>-</u>	<u>-</u>	<u>1,356,257</u>	<u>363,949</u>	<u>350,187</u>	<u>53,517</u>	<u>(299,262)</u>	<u>36,716,399</u>
Balance as of January 1, 2011	\$ 29,105,720	5,786,031	-	-	2,922,991	363,949	373,167	66,283	(328,353)	38,289,788
Net gain for the six months period ended June 30, 2011	-	-	-	-	6,163,833	-	-	-	-	6,163,833
Appropriation of retained earnings:										
Legal reserve (note 4(19))	-	-	876,897	-	(876,897)	-	-	-	-	-
Cash dividends (note 4(19))	-	-	-	-	(2,045,889)	-	-	-	-	(2,045,889)
Conversion from default losses reserve to special reserve	-	-	-	136,034	-	-	-	-	-	136,034
Movement of unrealized revaluation increments on property and equipment	-	-	-	-	-	(120,565)	-	-	-	(120,565)
Movement of unrealized gain on available-for-sale financial assets (note 4(7))	-	-	-	-	-	-	156,769	-	-	156,769
Movement of unrealized gain on cash flow hedge (note 4(20))	-	-	-	-	-	-	-	4,132	-	4,132
Balance as of June 30, 2011	<u>\$ 29,105,720</u>	<u>5,786,031</u>	<u>876,897</u>	<u>136,034</u>	<u>6,164,038</u>	<u>243,384</u>	<u>529,936</u>	<u>70,415</u>	<u>(328,353)</u>	<u>42,584,102</u>

Note: The employee bonus of \$205 thousand in 2010 was recognized as operating expenses – staff costs in statement income, not as earning distribution.

See accompanying notes to the financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the six months periods ended June 30, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	June 30, 2011	June 30, 2010
Cash flows from operating activities:		
Net income	\$ 6,163,833	1,356,257
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expenses	276,452	276,231
Amortization expenses	40,249	43,016
(Reversal of) provision for bad debt expenses	(3,311,033)	790,241
Reserves	385	6,390
Investment (income) loss from interest in associates under equity method	(74,598)	56,216
Gain on disposal of investments in associates under equity method	-	(80,219)
Cash dividends from interest in associates under equity method	-	298,210
Investment income from financial assets carried at cost	(12,421)	-
Impairment loss	197,987	-
Gain on disposal of non-performing loans	(838,262)	(70,342)
Gain on disposal and obsolescence of property and equipment, intangible assets and other assets	(1,015,466)	(144,425)
Depreciation of fixed assets as expenses	-	1,926
Realized deferred revenue	(61,561)	(61,561)
Increase in realized gain on inter-affiliate transactions	(45)	(1)
Decrease in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	148,866	(1,941,284)
Increase in bills and bonds investments under resale agreements	(2,068,587)	-
Increase in accounts receivables	(265,797)	(5,092,802)
Decrease in deferred income tax assets	995,604	1,089,694
Decrease in other financial assets	33,671	50,848
Decrease in other assets	91,088	271,926
Increase (decrease) operating liabilities:		
Decrease in financial liabilities at fair value through profit or loss	(3,225,269)	(3,102,474)
Increase in accounts payables	432,195	1,225,047
Increase (decrease) in accounts payables – related parties	916,447	(1,198,288)
Increase (decrease) in other financial liabilities	271,095	(163,509)
Increase in other liabilities	522,124	251,532
Net cash used in operating activities	<u>(783,043)</u>	<u>(6,137,371)</u>
Cash flows from investing activities:		
Decrease in balance at Central Bank and loans and advances to banks	23,018,565	10,051,748
Increase in loans and advances to customers	(11,011,803)	(14,164,067)
Increase in available-for-sale financial assets	(51,236,818)	(13,158,327)
Proceeds from disposal of investment in associates under equity method	-	80,219
Acquisition of property, equipment and intangible assets	(54,727)	(222,772)
Proceeds from disposal of property, equipment and other assets	1,577,586	1,126,454
Proceeds from disposal of non-performing loans	1,043,606	70,342
Net cash used in investing activities	<u>(36,663,591)</u>	<u>(16,216,403)</u>
Cash flows from financing activities:		
Increase (decrease) in deposits by Central Bank and other banks	20,043,050	(17,389,065)
(Decrease) increase in deposits and remittances	(9,814,359)	51,369,566
Increase (decrease) in financial debentures payable	27,500,165	(9,887,393)
Net cash provided by financing activities	<u>37,728,856</u>	<u>24,093,108</u>
Net increase in cash and cash equivalents	282,222	1,739,334
Cash and cash equivalents at beginning of period	<u>7,503,661</u>	<u>5,808,959</u>
Cash and cash equivalents at end of period	<u>\$ 7,785,883</u>	<u>\$ 7,548,293</u>
Supplemental disclosure of cash flow information:		
Cash payments of interest, except capital interest	<u>\$ 1,810,587</u>	<u>1,329,886</u>
Cash payments of income tax	<u>\$ 68,385</u>	<u>89,525</u>
Investing and financing activities not affecting cash flows:		
Unrealized gain on available-for-sale financial assets	<u>\$ 156,769</u>	<u>322,059</u>

See accompanying notes to the financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

June 30, 2011 and 2010

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

(1) Organization

Standard Chartered Bank (Taiwan) Limited (the "Bank") was established on September 15, 1948, in the Taoyuan, Hsinchu, and Miaoli areas. The original name of the Bank was Hsinchu District's Mutual Loan Inc., which specialized in the mutual loan business, deposits, loans, and payment collection. In compliance with the Banking Act of the Republic of China ("ROC"), the Bank restructured to become The Small and Medium Business Bank of Hsinchu District on January 1, 1978, and in addition to the original lines of business, the Bank started to conduct checking deposit and regular banking businesses.

Pursuant to an approval granted by the Securities and Futures Commission ("SFC"), which subsequently changed its name to the Securities and Futures Bureau ("SFB") on July 1, 2004, the Bank's shares were authorized to be publicly traded beginning March 22, 1983. Additionally, pursuant to approval granted by the Ministry of Finance ("MOF"), the Bank established a Trust Department in January 1989 and an International Business Department in March 1993. In July 1992, the Bank established the securities trading business and the securities broker business, respectively, and both were approved by the MOF. On January 16, 1995, the Bank established an Offshore Banking Unit ("OBU"), which began operations immediately.

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

During 2006, Standard Chartered Bank provided a tender offer to acquire the outstanding shares of Hsinchu International Bank Co., Ltd. Accordingly, Standard Chartered Bank acquired over 95% of the outstanding. After completion of the acquisition of shares, Hsinchu International Bank Co., Ltd. immediately submitted the delisting application, which was approved by the related authorities on January 18, 2007. On June 30, 2007, the operations of Standard Chartered Bank, Taipei Branch were transferred to Hsinchu International Bank Co., Ltd.; subsequently, Hsinchu International Bank Co., Ltd. was renamed Standard Chartered Bank (Taiwan) Limited on July 2, 2007.

The Bank acquired the outstanding assets, liabilities and operations of American Express Bank, Taipei Branch (AEB) and Asia Trust Investment Co., Ltd. (ATIC) on August 1 and December 27, 2008, respectively.

As of June 30, 2011 and 2010, the numbers of the Bank's employees were 3,826 and 3,990, 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 Public Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and R.O.C. generally accepted accounting principles. The financial statements are prepared primarily on a historical cost basis except as otherwise specified in the following accounting policies.

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

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

1) Basis of preparation of financial statements

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

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

2) Foreign currency transactions

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

3) Cash and cash equivalents

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

4) Reserves for deposits

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

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

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

6) Available-for-sale financial assets

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

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

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

Available-for-sale financial assets are subsequently carried at fair value. The best evidence of fair value is quoted prices in an active market. If a quoted market price is not available, fair value is estimated using the best information available in the circumstances or an appropriate valuation technique. 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, willing parties. The best evidence of fair value is quoted prices in an active market. If a quoted market price is not available, fair value is estimated by using the best information available in the circumstances or an appropriate valuation technique. Estimation of fair value is usually based on recent trading prices of such financial instruments with similar asset class and credit quality, supplemented by related valuation techniques.

An embedded derivative that is attached to a financial instrument but contractually transferable independently from the attached instrument while all of the criteria per SFAS No. 34, for bifurcation are met is separated from the host contract and accounted for as a derivative. If an embedded derivative is separated, the host contract is accounted for in accordance with SFAS No. 34 based on the type of financial instrument.

Changes in the fair value of hedging instruments that are designated and qualify as fair value hedges are recognized in profit or loss. The gain or loss from changes in the fair value of the hedged items attributable to the hedged risk is recognized in profit or loss. They are both recorded as other non-interest income, net.

Derivatives with positive fair value are accounted for as assets, while derivatives with negative fair value are accounted for as liabilities. Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to 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 sell agreements

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

10) Loans and allowance for doubtful accounts

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

The term of credit is decided by the length of credit maturity. Credit maturing less than one year is called short-term credit; credit maturing more than one year but less than seven years is called medium-term credit; and credit maturing more than seven years is called long-term credit. Loans with collateral, pledged assets and qualified guarantees to secure credit are secured loans.

Loans are recorded initially at principal and reported at their outstanding balances after netting with any provisions for doubtful accounts. In accordance with the 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.
- e) Other non-performing loans or non-accrual loans for which it has been ascertained that the efforts of collection have failed.

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

However, when requested by the competent authority or any financial examination agency (organization), loans must be immediately written off, a report must be made to the subsequent board meeting, and the supervisors must be notified for acknowledgement. Collections after write-off shall be reversed from the allowance for bad debt expense.

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

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

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

11) Investment in associates under equity method

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

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

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

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

The Bank obtains control over an investee when it directly or indirectly owns more than one half of the voting power of the investee. The aforementioned investees are accounted for using the equity method. Consolidated financial statements including the aforementioned investees are prepared at the end of each June and December.

12) Other financial assets

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

Cash dividends received from the aforementioned financial assets are recorded under "other non-interest income, net" on the ex-dividend date or the date that the board declares a cash dividend. Nevertheless, dividends received will be deducted from the equity investment if they are declared out of profits prior to the acquisition of the investment. Stock dividends are not recognized as income but treated as increases in the number of shares held. 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

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

14) Intangible assets – goodwill

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

15) Other assets – idle assets

When property and equipment are not used for operations or any other purposes, the Bank should transfer the initial cost, the associated accumulated depreciation, and accumulated impairment of the assets to other assets – idle assets. Idle assets are measured at the lower of the net realizable value or recoverable amount.

16) Other assets – assets leased to others

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

17) 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 that has indefinite lives or is not yet available for use on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

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

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.

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".

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

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

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.

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

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

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

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

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-052 issued by the Accounting Research and Development Foundation ("ARDF"). The Bank estimates the amount of employee bonuses and directors' and supervisors' remuneration according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as current period profit or loss.

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.

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

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.

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 a result of capitalization of retained earnings, additional paid-in capital, or employee bonuses, or decreases as a result of a reverse capitalization due to losses, the calculation of basic EPS and diluted EPS for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the issuance date of the financial statements, such EPS calculations are also adjusted retrospectively. When calculating diluted EPS, the net income (or loss) attributable to common shareholders and the weighted-average number of shares outstanding shall be adjusted for the effects of all dilutive potential common shares.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

27) Operating segment

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

(3) Changes in Accounting Principle

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

Effective January 1, 2011, the Bank has adopted the newly issued SFAS No.41, "Operating Segments." In accordance with SFAS No.41, information is disclosed to enable users of the Bank's financial statements to evaluate the nature and financial effects of the business activities in which the Bank engages, and the economic environment in which it operates. Accordingly, the Bank determines and presents operating segments based on the information that is internally provided to the major operating decision maker. In addition, the Bank disclosed operating segment information in the consolidated financial statement; therefore, it did not disclose the information in the individual financial statement. This new accounting standard superseded SFAS No. 20 "Segment Reporting." The adoption of this accounting standard didn't have any cumulative effect for the six months period ended June 30, 2011.

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

As of June 30, 2011 and 2010, cash and cash equivalents were as follows:

	June 30, 2011	June 30, 2010
Cash on hand	\$ 4,301,061	4,373,718
Deposits with other banks	572,266	1,058,397
Deposits with affiliates	<u>2,912,556</u>	<u>2,116,178</u>
	<u><u>\$ 7,785,883</u></u>	<u><u>7,548,293</u></u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

As of June 30, 2011 and 2010, the balances at the Central Bank and loans and advances to banks were as follows:

	June 30, 2011	June 30, 2010
Balances at Central Bank:		
Reserve for deposits – checking account	\$ 11,008,431	9,699,945
Reserve for deposits – demand account	20,082,341	14,822,640
Reserve for deposits – foreign currency	123,490	112,962
Reserve for deposits – settlement accounts	<u>594,441</u>	<u>574,905</u>
	<u>31,808,703</u>	<u>25,210,452</u>
Loans and advances to other banks	16,585,731	30,896,272
Loans and advances to affiliates	<u>28,239,259</u>	<u>47,596,868</u>
	<u>44,824,990</u>	<u>78,493,140</u>
	<u>\$ 76,633,693</u>	<u>103,703,592</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.

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

As of June 30, 2011 and 2010, financial assets and liabilities at fair value through profit and loss were as follows:

	June 30, 2011	June 30, 2010
Trading financial assets:		
Debt instruments	\$ 11,018,140	10,457,782
Derivatives	<u>17,238,964</u>	<u>19,998,380</u>
	<u>\$ 28,257,104</u>	<u>30,456,162</u>
Trading financial liabilities:		
Debt instruments	\$ 883,536	-
Derivatives	<u>15,692,501</u>	<u>16,858,836</u>
	<u>\$ 16,576,037</u>	<u>16,858,836</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the six months periods ended June 30, 2011 and 2010, net gain (loss) on financial assets and liabilities at fair value through profit or loss recognized by the Bank were as follows:

	June 30, 2011	June 30, 2010
Net gain on both valuation and disposal of trading financial assets and liabilities:		
Debt instruments	\$ 30,396	64,427
Derivatives	<u>375,995</u>	<u>808,719</u>
	<u>\$ 406,391</u>	<u>873,146</u>
Interest income	<u>\$ 46,324</u>	<u>35,915</u>

4) Bills and bonds investments under reverse sell agreements

As of June 30, 2011 and 2010, the book value of bills and bonds investments under reverse sell agreements were as follows:

	June 30, 2011	June 30, 2010
Bills and bonds investments under reverse sell agreements	\$ <u>2,068,587</u>	<u>-</u>

As of June 30, 2011, the settlement date for bills and bonds investments under reverse sell agreements was July 14, 2011; interest rates of the aforementioned reverse sell agreements ranged from 0.55% to 0.60%. The contracted prices for the aforementioned reverse sell agreements was \$2,068,700 thousand.

5) Accounts receivables, net

As of June 30, 2011 and 2010, details of accounts receivables were as follows:

	June 30, 2011	June 30, 2010
Accounts receivables	\$ 2,411,496	2,328,969
Acceptance receivables	765,763	770,950
Factoring loan receivable, without recourse	15,411,756	19,187,335
Interest receivables	1,624,988	1,347,414
Credit card receivables	6,124,070	6,392,097
Compensation receivable	1,402,574	6,197,797
Tax refund receivables	176,086	248,043
Accounts receivables – related parties	4,197,044	979,860
Others	<u>597,234</u>	<u>476,037</u>
	32,711,011	37,928,502
Less: allowance for doubtful accounts – accounts receivables	591,866	70,404
allowance for doubtful accounts – compensation receivable	782,786	5,502,968
Total	<u>\$ 31,336,359</u>	<u>32,355,130</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

6) Loans and advances to customers

As of June 30, 2011 and 2010, details of loans and advances to customers were as follows:

	June 30, 2011	June 30, 2010
Negotiations and discounts	\$ 4,989,907	3,460,233
Short-term unsecured loans and overdrafts	27,099,351	31,037,661
Short-term secured loans	12,377,551	10,682,830
Medium-term unsecured loans	56,270,763	56,096,363
Medium-term secured loans	4,781,747	5,735,157
Long-term unsecured loans	6,866,924	7,600,165
Long-term secured loans	245,596,019	212,199,594
Non-performing loans	<u>1,041,590</u>	<u>2,757,613</u>
Subtotal	359,023,852	329,569,616
Less: allowance for doubtful accounts	<u>4,520,377</u>	<u>3,108,849</u>
Total	<u><u>\$ 354,503,475</u></u>	<u><u>326,460,767</u></u>

As of June 30, 2011 and 2010, the Bank's long-term loan with floating rate mentioned above has adopted cash flow hedge in order to reduce the impact of cash flow that was affected by interest-rate fluctuation.

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

For the six months periods ended June 30, 2011 and 2010, the movements of allowance for doubtful accounts were as follows:

	June 30, 2011		
	Specific provision	General provision	Total
Beginning balance	\$ 6,353,546	3,170,518	9,524,064
Add: reversal of provision for doubtful accounts	(3,076,721)	(233,478)	(3,310,199)
recovery from written-off loans	682,662	-	682,662
Less: write-off	646,582	-	646,582
exchange rate movements and others	354,916	-	354,916
Transfer in and transfer out	<u>457,482</u>	<u>(457,482)</u>	<u>-</u>
Ending balance	<u><u>\$ 3,415,471</u></u>	<u><u>2,479,558</u></u>	<u><u>5,895,029</u></u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

		June 30, 2010		
		Specific provision	General provision	Total
Beginning balance	\$	7,101,184	703,962	7,805,146
Add: provision for doubtful accounts (reversal of provision for doubtful accounts)		120,535	(161,539)	(41,004)
recovery from written-off loans		830,892	-	830,892
exchange rate movements and others		49,493	1,066,371	1,115,864
Less: write-off		<u>1,028,677</u>	<u>-</u>	<u>1,028,677</u>
Ending balance	\$	<u><u>7,073,427</u></u>	<u><u>1,608,794</u></u>	<u><u>8,682,221</u></u>

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

Items		June 30, 2011	
		Loans and advances and account receivables	Provision
With the objective evidence of impairment	Individual assessment of impairment	\$ 15,094,027	3,415,471
Without the objective evidence of impairment	Portfolio assessment of impairment	<u>376,640,836</u>	<u>2,479,558</u>
		<u><u>\$ 391,734,863</u></u>	<u><u>5,895,029</u></u>

As of June 30, 2011, the allowance for doubtful accounts was \$5,895,029 thousand. This amount consisted of loans and advances to customers of \$4,520,377 thousand and accounts receivables (including compensation receivable) of \$1,374,652 thousand. As of June 30, 2010, the allowance for doubtful accounts was \$8,682,221 thousand. This amount consisted of loans and advances to customers of \$3,108,849 thousand and accounts receivables (including compensation receivable) of \$5,573,372 thousand.

For the six months period ended June 30, 2011, the Bank's reversal of bad debt expense was \$3,311,033 thousand. This amount consisted of bad debt expense for accounts receivables and loans and reversal of advances to customers of \$3,310,199 thousand and reversal of provision for guarantee amounting to \$834 thousand. For the six months period ended June 30, 2010, the Bank's reversal of bad debt expense was \$40,651 thousand. This amount consisted of bad debt expense for accounts receivables and loans and reversal of advances to customers of \$41,004 thousand, and provision for guarantee amounting to \$353 thousand.

For the six months period ended June 30, 2011, the Bank made an additional provision of allowance for doubtful account for mortgage loan and home renovation to up to 0.6%, amounted \$858,478 thousand, in accordance with the rule set by FSC Jin-Kuan-Yin-Guo No. 10020003841 on June 27, 2011.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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 six months periods ended June 30, 2011 and 2010, the amounts of allowance for doubtful accounts generated from 3% of operating revenue were \$248,433 thousand and \$233,436 thousand, respectively.

As of June 30, 2011 and 2010, the amounts of outstanding loans with interest charges suspended amounted to \$1,041,590 thousand and \$2,757,613 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$58,847 thousand and \$184,268 thousand, respectively.

As of June 30, 2011 and 2010, the amounts of loans and advances to customers, which were classified by geographical region were as follows:

	June 30, 2011	June 30, 2010
Domestic	\$ 340,928,170	315,932,668
Overseas	<u>18,095,682</u>	<u>13,636,948</u>
Total	<u>\$ 359,023,852</u>	<u>329,569,616</u>

As of June 30, 2011 and 2010, information regarding asset quality of loans and advances to customers was as follows:

Product		Period	June 30, 2011					
			Non-performing loan	Loan balances	Overdue ratio	Allowance for bad debts	Coverage rate	
Wholesale Banking	Secured		298,206	28,868,119	1.03 %	433,813	145.47 %	
	Unsecured		438,000	43,415,990	1.01 %	1,243,615	283.93 %	
Consumer Banking	Mortgage		844,397	231,319,412	0.37 %	1,198,160	141.90 %	
	Personal loan		290,798	52,277,591	0.56 %	1,644,331	565.45 %	
	Others	Secured		-	3,133,354	-	-	-
		Unsecured		-	9,386	-	458	-
Total			1,871,401	359,023,852	0.52 %	4,520,377	241.55 %	
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage rate	
Credit card			15,929	6,124,070	0.26 %	586,876	3,684.32 %	
Factoring loan receivable without recourse			-	15,411,756	-	-	-	

Product		Period	June 30, 2010					
			Non-performing loan	Loan balances	Overdue ratio	Allowance for bad debts	Coverage rate	
Wholesale Banking	Secured		695,310	25,215,689	2.76 %	378,746	54.47 %	
	Unsecured		815,786	50,384,272	1.62 %	975,225	119.54 %	
Consumer Banking	Mortgage		2,128,856	202,444,907	1.05 %	407,208	19.13 %	
	Personal loan		275,477	48,643,542	0.57 %	1,347,670	489.21 %	
	Others	Secured		-	2,878,206	-	-	-
		Unsecured		-	3,000	-	-	-
Total			3,915,429	329,569,616	1.19 %	3,108,849	79.40 %	
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage rate	
Credit card			22,994	6,392,097	0.36 %	62,166	270.36 %	
Factoring loan receivable without recourse			-	19,187,335	-	-	-	

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

As of June 30, 2011 and 2010, the information of loans and accounts receivables which need not be reported as non-performing loans or as overdue accounts receivables were as follows:

	June 30, 2011		June 30, 2010	
	Loans not required to be reported as non-performing loans	Accounts receivables not required to be reported as overdue accounts receivables	Loans not required to be reported as non-performing loans	Accounts receivables not required to be reported as overdue accounts receivables
The amount not required to be reported as debts under Inter-bank Debt Relief Program without default by debtors	\$ 30,672	115,062	39,594	155,087
The amount not required to be reported as debts under debt discharge program and rehabilitation program without default by debtors	427,925	-	438,918	-
	<u>\$ 458,597</u>	<u>115,062</u>	<u>478,512</u>	<u>155,087</u>

7) Available-for-sale financial assets

As of June 30, 2011 and 2010, available-for-sale financial assets were as follows:

	June 30, 2011	June 30, 2010
Debt instruments:		
Treasury bills	\$ 6,938,964	1,998,968
Government bonds	10,612,960	12,884,693
Commercial paper	-	99,984
Negotiable certificates of deposits	201,113,428	93,000,826
Financial debentures	5,456,876	5,774,297
Corporate bonds	853,610	3,195,270
Subtotal	224,975,838	116,954,038
Beneficiary certificates	4,507,461	4,805,054
Total	<u>\$ 229,483,299</u>	<u>121,759,092</u>
Mark-to-market adjustments for hedged assets included in the above balance	<u>\$ 36,757</u>	<u>36,426</u>

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

For the six months periods ended June 30, 2011 and 2010, the movements of unrealized gain (loss) on available-for-sale financial assets were as follows:

	June 30, 2011	June 30, 2010
Beginning balance	\$ 373,167	28,128
Add: unrealized (loss) gain recognized during the period	(40,628)	353,209
Less: realized (loss) gain recognized during the period	(197,397)	31,150
Ending balance	<u>\$ 529,936</u>	<u>350,187</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.

The bank evaluated the on-hand Seller Certificates in accordance with securitization agreement regarding rules of redemption of mortgage loans and determined that the Seller Certificates might impair. Therefore, the Bank recognized \$197,987 thousand impairment loss for the six months period ended June 30, 2011.

A. As of June 30, 2011 and 2010, key assumptions used in measuring retained interests were as follows:

	June 30, 2011	
	First Issuance	Second Issuance
Prepayment rate (annualized rate) — assumption 1	30.00 %	20.00 %
Weighted-average life	1.44 years	0.24 years
Expected credit losses rate (annualized rate) — assumption 2	1.50 %	1.50 %
Discounted rate for residual cash flows	2.60 %	2.60 %
	June 30, 2010	
	First Issuance	Second Issuance
Prepayment rate (annualized rate) — assumption 1	30.00 %	20.00 %
Weighted-average life	0.48 years	0.93 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 June 30, 2011 and 2010, if the key economic assumptions as below were adversely changed by 10%, the sensitivity of the current fair value of residual cash flows would be as follows:

	June 30, 2011	
	First Issuance	Second Issuance
Carrying amount of retained interest	\$ 1,745,688	2,763,215
Assumption 1 – impact on fair value of 10% adverse change	(633)	(76)
Assumption 2 – impact on fair value of 10% adverse change	(1,869)	(2,217)
	June 30, 2010	
	First Issuance	Second Issuance
Carrying amount of retained interest	\$ 1,726,020	2,699,034
Assumption 1 – impact on fair value of 10% adverse change	(133)	(21,791)
Assumption 2 – impact on fair value of 10% adverse change	(340)	(16,146)

C. As of June 30, 2011 and 2010, there was no actual credit loss on the securitized mortgage loan; therefore, the expected static pool default rate was equal to the expected default rate.

D. Cash flows

The cash flows received from or paid to securitization trusts for the six months periods ended June 30, 2011 and 2010, were summarized as follows:

	June 30, 2011	
	First Issuance	Second Issuance
Other cash flows received on retained interests	\$ 16,687	29,262
Service fee received	2,500	2,500
Cash received for prepayment of services	11	140
Prepayment of services	(20)	(107)
	June 30, 2010	
	First Issuance	Second Issuance
Other cash flows received on retained interests	\$ 22,959	38,857
Service fee received	2,500	2,500
Cash received for prepayment of services	159	159
Prepayment of services	(151)	(271)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

	June 30, 2011			June 30, 2010		
	Percentage of ownership	Investment cost	Book value	Percentage of ownership	Investment cost	Book value
Equity method:						
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	\$ 21	130,816	100.00	21	7,354
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	20,474	100.00	368	6,722
		<u>\$ 389</u>	<u>151,290</u>		<u>389</u>	<u>14,076</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	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		-	<u>218,044</u>		-	<u>202,969</u>
		<u>\$ 457,143</u>	<u>239,099</u>		<u>495,208</u>	<u>292,239</u>

For the six months periods ended June 30, 2011 and 2010, the Bank recognized investment income (loss) from investment in associates under the equity method of \$74,598 thousand and \$(56,216) thousand, respectively. For the six months periods ended June 30, 2010, the cash dividends from associates under the equity method was \$298,210 thousand, which reduced the book value of the investment.

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the six months periods ended June 30, 2011 and 2010, the dividend revenue recognized from financial assets carried at cost were \$4,173 thousand and \$2,122 thousand, respectively, recorded as other non-interest income, net.

The capital investment of financial assets held by the Bank carried at cost, Fuji Enterprise Management Consulting Co., Ltd. (formerly Fubon Securities Finance Co., Ltd.) was increased by 12700% on April 30, 2011. Then on June 30, 2011, the capital investment held by the Bank was decreased by 98.44%. As a result, \$12,421 thousand was obtained at \$10 per share. Since the book value of investment cost is \$0 thousand, the Bank recognized this as investment income from investment in associates under non interest income for sundries.

9) Property and equipment

As of June 30, 2011 and 2010, details of property and equipment were as follows:

	June 30, 2011	June 30, 2010
Cost:		
Land	\$ 3,152,388	3,734,784
Buildings	2,945,899	3,461,529
Office equipment	812,996	863,514
Transportation equipment	3,210	6,700
Leasehold improvements	840,631	560,023
Other equipment	<u>1,520,658</u>	<u>2,188,580</u>
Subtotal	9,275,782	10,815,130
Less: accumulated depreciation and impairment	<u>2,969,067</u>	<u>3,320,089</u>
Subtotal	<u>6,306,715</u>	<u>7,495,041</u>
Work in progress	-	1,880
Prepayment for equipment	-	11,227
Total	<u><u>\$ 6,306,715</u></u>	<u><u>7,508,148</u></u>

For the six months period ended June 30, 2011 and 2010, movements of accumulated depreciation were as follows:

	June 30, 2011	June 30, 2010
Beginning balance	\$ 3,151,683	3,777,905
Add: depreciation	271,200	269,367
Less: disposal and obsolescence	430,199	751,153
reclassification	<u>23,617</u>	<u>78</u>
Ending balance	<u><u>\$ 2,969,067</u></u>	<u><u>3,296,041</u></u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

10) Intangible assets

	June 30, 2011	June 30, 2010
Goodwill	\$ 3,156,048	3,156,048
Deferred pension costs	119,795	154,333
Software	<u>102,039</u>	<u>177,820</u>
	<u>\$ 3,377,882</u>	<u>3,488,201</u>

For the six months periods ended June 30, 2011 and 2010, the recognized amortization expenses from software were \$40,249 thousand and \$43,016 thousand, respectively, recognized as operating expenses – depreciation and amortization expenses.

11) Other assets

As of June 30, 2011 and 2010, details of other assets were as follows:

	June 30, 2011	June 30, 2010
Deferred income tax assets, net	\$ 2,592,836	3,644,667
Idle assets, net of accumulated impairment of \$138,273 thousand and \$25,035 thousand as of June 30, 2011 and 2010, respectively	493,482	620,556
Assets leased to others, net of accumulated impairment of \$0 thousand and \$746 thousand as of June 30, 2011 and 2010, respectively	300,160	329,226
Refundable deposits	567,661	597,735
Others	<u>305,662</u>	<u>355,656</u>
	<u>\$ 4,259,801</u>	<u>5,547,840</u>

The Bank leased out its office buildings under operating leases with lease terms ranging from one to five years. As of June 30, 2011, future lease payments to be received were as follows:

Period	Amount
for the second half year of 2011	\$ 5,911
2012	10,702
2013	7,753
2014	4,965
2015 and thereafter	<u>3,181</u>
	<u>\$ 32,512</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

12) Deposits and remittances

As of June 30, 2011 and 2010, deposits and remittances were as follows:

	June 30, 2011	June 30, 2010
Checking deposits	\$ 4,538,369	3,216,577
Demand deposits	168,407,307	178,862,558
Time deposits	184,971,586	122,049,621
Savings deposits	129,276,505	121,561,940
Time savings deposits	90,442,430	68,151,390
Trust fund with designated purpose	157,209	520,396
Remittances	66,636	92,860
Total	<u>\$ 577,860,042</u>	<u>494,455,342</u>
Mark-to-market adjustments for the hedged liabilities included in the above balance	<u>\$ 22,011</u>	<u>22,018</u>

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

13) Financial debentures

As of June 30, 2011 and 2010, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	June 30, 2011	June 30, 2010
91-1A	5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	\$ 1,000	1,200
94-1	No maturity date, interest payable semi-annually, based on the average one-year regular floating rate of the nine largest banks plus 1.493%	12,700	27,600
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	4,307,796	4,841,207
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	4,307,796	4,841,207
100-1A	2-year term, interest payable quarterly, annual interest rate is 1.03%; maturity date: May 19, 2013	800,000	-
100-1B	3-year term, interest payable quarterly, annual interest rate is 1.17%; maturity date: May 19, 2014	100,000	-
100-1C	4-year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	650,000	-
100-1D	5-year term, interest payable quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000	-

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Bond	Conditions for issuance	June 30, 2011	June 30, 2010
100-1E	6-year term, interest payable quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	\$ 1,000,000	-
100-1F	7-year term, interest payable quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000	-
100-1G	2-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2013	3,700,000	-
100-1H	5-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2016	400,000	-
100-1I	7-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2018	4,000,000	-
100-2	5-year term, interest payable quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000	-
100-3A	2-year term, interest payable quarterly, annual interest rate is 1.04%; maturity date: June 23, 2013	950,000	-
100-3B	2-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: June 23, 2013	700,000	-
100-3C	5-year term, interest payable quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	1,100,000	-
100-4A	3-year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: June 29, 2014	2,000,000	-
100-4B	2-year term, interest payable quarterly, TWD 90-day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2013	400,000	-
100-4C	3-year term, interest payable quarterly, TWD 90-day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2014	1,000,000	-
100-4D	10-year term, interest payable quarterly, TWD 90-day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021	2,000,000	-
		46,629,292	19,711,214
	Mark-to-market adjustment on hedged items	111,273	69,324
		\$ 46,740,565	19,780,538

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 June 30, 2011, 94-2 subordinated debentures were completely redeemed.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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 USD300,000 thousand equivalent on March 25, 2009. The FSC then approved the issuance on September 15, 2009.

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

14) Interest income

For the six months periods ended June 30, 2011 and 2010, details of interest income were as follows:

	June 30, 2011	June 30, 2010
Interbank transactions	\$ 166,288	299,431
Loans and advances to customers	4,872,218	4,084,669
Credit cards (revolving)	227,936	291,166
Financial assets at fair value through profit or loss	46,324	35,915
Available-for-sale financial assets	866,237	562,524
Others	<u>321,091</u>	<u>517,549</u>
Total	<u><u>\$ 6,500,094</u></u>	<u><u>5,791,254</u></u>

15) Other non-interest income, net

For the six months periods ended June 30, 2011 and 2010, details of non-interest income (loss), net were as follows:

	June 30, 2011	June 30, 2010
Securities brokerage commissions	\$ 75,377	72,788
Rental income	12,426	14,420
Net gain (loss) on fair value hedge	65,742	(23,457)
Investment income from financial assets carried at cost	16,594	2,122
Others	<u>(6,575)</u>	<u>6,017</u>
Total	<u><u>\$ 163,564</u></u>	<u><u>71,890</u></u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

16) Pension

For the six months periods ended June 30, 2011 and 2010, the related pension assets, costs, and accrued liabilities of the Bank were as follows:

	June 30, 2011	June 30, 2010
Fair value of pension assets at end of period	\$ 1,577,445	1,576,713
Pension cost:		
Defined benefit pension scheme	136,682	130,073
Defined contribution pension scheme	82,733	74,546
Accrued pension liabilities	802,140	639,030

For the six months periods ended June 30, 2011 and 2010 net pension costs for employees rotated from foreign affiliate companies were \$4,386 thousand and \$3,208 thousand, respectively.

17) Share-based payments

Standard Chartered PLC Group (the "SC PLC Group") has established five main share-based payment schemes for its directors and employees. For the six months periods ended June 30, 2011 and 2010, the share-based payment schemes adopted by the Bank were as follows:

A. International Sharesave Schemes

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

The option movements of the ISS were as follows:

	June 30, 2011	June 30, 2010
Beginning balance	580,649	715,514
Less: exercised	72,685	22,297
lapsed	<u>68,949</u>	<u>27,918</u>
Ending balance	<u><u>439,015</u></u>	<u><u>665,299</u></u>

For the six months periods ended June 30, 2011 and 2010, the costs of the ISS charged to profits or losses were \$18,684 thousand and \$26,721 thousand, respectively, recorded as operating expenses — staff costs.

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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:

	June 30, 2011	June 30, 2010
Beginning balance	248,673	141,749
Add: granted	48,049	119,064
Less: exercised	14,250	7,908
lapsed	<u>7,152</u>	<u>4,048</u>
Ending balance	<u><u>275,320</u></u>	<u><u>248,857</u></u>

For the six months periods ended June 30, 2011 and 2010, the costs of the RSS charged to profits or losses were \$32,619 thousand and \$15,783 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.

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:

	June 30, 2011	June 30, 2010
Beginning balance (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 six months periods ended June 30, 2011 and 2010.

The valuation of share options is performed using a binomial option-pricing model. There were no such share-based award granted for the six months periods ended June 30, 2011 and 2010.

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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 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:

	June 30, 2011	June 30, 2010
Beginning balance	105,055	113,439
Add: granted	32,062	-
Less: exercised	10,673	3,963
lapsed	<u>16,718</u>	<u>4,239</u>
Ending balance	<u>109,726</u>	<u>105,237</u>

For the six months periods ended June 30, 2011 and 2010, the costs of the PSP charged to profit or loss were \$4,966 thousand and \$5,822 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.

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:

	June 30, 2011	June 30, 2010
Beginning balance	42,165	13,157
Add: granted	-	29,437
Less: lapsed	<u>8,044</u>	<u>331</u>
Ending balance	<u>34,121</u>	<u>42,263</u>

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For the six months periods ended June 30, 2011 and 2010, the costs of the SRSS charged to profits or losses were \$4,238 thousand and \$6,918 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.

18) 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 six months periods ended June 30, 2011 and 2010 are both 17%, and the Bank's basic statutory tax amount is based on the R.O.C. "Income Basic Tax Act". The income tax expense for the six months periods ended June 30, 2011 and 2010 were as follows:

	June 30, 2011	June 30, 2010
Current income tax expense	\$ 1,811	341,329
Deferred income tax expense	995,604	1,089,694
Additional 10% surtax on undistributed earnings	20	-
Basic income tax	<u>37,618</u>	<u>33,676</u>
Income tax expense	<u>\$ 1,035,053</u>	<u>1,464,699</u>

The differences between the "expected" income tax at statutory income tax rates and the income tax expense as reported in the accompanying financial statements for the six months periods ended June 30, 2011 and 2010, were as follows:

	June 30, 2011	June 30, 2010
Income tax at statutory rate	\$ 1,223,811	479,562
Adjustment:		
Permanent difference	(221,604)	(160,879)
Prior-year income tax adjustments	1,811	336,875
Adjustment due to change in income tax rate	-	726,822
Additional 10% surtax on undistributed earnings	20	-
Basic income tax	37,618	33,676
Other adjustments for tax regulation	<u>(6,603)</u>	<u>48,643</u>
Income tax expense	<u>\$ 1,035,053</u>	<u>1,464,699</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the six months periods ended June 30, 2011 and 2010, the components of deferred income tax expense were as follows:

	June 30, 2011	June 30, 2010
Expenses from share-based payments	\$ (3,494)	(25,552)
Unrealized interest income from financial assets	17,588	17,369
Allowance for doubtful accounts	604,938	(129,628)
Deferred revenue	13,780	21,207
Provision for guarantee	-	10,963
Reserve for various losses	15	(570)
Pension cost	(9,446)	(12,475)
Unrealized gain on inter-affiliate transactions	8	-
Depreciation of property and equipment	7,191	23,507
Impairment loss on assets	(33,658)	58,732
Amortization of goodwill	26,826	26,826
Loss carryforwards	371,856	372,493
Deferred income tax adjustment due to change in tax rate	-	726,822
Deferred income tax expense	<u>\$ 995,604</u>	<u>1,089,694</u>

As of June 30, 2011 and 2010, details of the temporary differences, loss carryforwards and tax credits, and their respective income tax effect were as follows:

	June 30, 2011		June 30, 2010	
	Amount	Income tax effect	Amount	Income tax effect
Expenses from share-based payments	\$ 176,374	29,984	150,308	25,552
Unrealized interest income from financial assets	2,127,682	361,706	2,336,667	397,233
Allowance for doubtful accounts	2,315,960	393,713	5,188,140	881,984
Deferred revenue	158,033	26,866	339,059	57,640
Reserve for various losses	222	38	156,174	26,549
Pension costs	784,756	133,409	394,992	67,149
Unrealized gain on inter-affiliate transactions	5,784	983	5,873	998
Depreciation of property and equipment	33,841	5,753	(75,876)	(12,899)
Impairment loss on assets	435,430	74,023	240,449	40,877
Amortization of goodwill	(789,012)	(134,132)	(473,407)	(80,479)
Loss carryforwards	10,755,317	1,828,404	13,959,545	2,373,123
Unrealized gain on available-for-sale financial assets	(667,581)	(113,489)	(718,228)	(122,099)
Unrealized gain on cash flow hedge	(84,837)	(14,422)	(64,479)	(10,961)
	<u>\$ 2,592,836</u>		<u>3,644,667</u>	

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Notes to Financial Statements

As of June 30, 2011 and 2010, the components of tax refund receivables recorded under accounts receivables were as follows:

	June 30, 2011	June 30, 2010
Current income tax	\$ (1,811)	(341,329)
Withheld income tax	68,384	85,073
Income tax receivables from prior years	145,340	196,648
Prior-year income tax adjustments	1,811	336,875
Separate tax on interest income	-	4,452
Additional 10% surtax on undistributed earnings	(20)	-
Basic income tax	<u>(37,618)</u>	<u>(33,676)</u>
	<u>\$ 176,086</u>	<u>248,043</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 June 30, 2011, the amount of loss carryforwards and the year of expiry were as follows:

Year loss incurred	Amount	Year of expiry
2006 (assessed)	\$ 1,234,601	2016
2008 (assessed)	6,171,265	2018
2009 (filed)	<u>3,349,451</u>	2019
	<u>\$ 10,755,317</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 June 30, 2011 and 2010 were as follows:

	June 30, 2011	June 30, 2010
ICA	<u>\$ 49,137</u>	<u>509,611</u>
	June 30, 2011	June 30, 2010
Tax creditable ratio of distribution of retained earnings generated from fiscal year 2010 and 2009 to R.O.C. residents	<u>20.48%(actual)</u>	<u>-%(actual)</u>

The accumulated earnings as of June 30, 2011 and 2010 were all generated after 1998. Due to the Bank having a net loss in 2009, no earnings were available for distribution, and accordingly, no tax creditable ratio calculation is necessary.

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

19) Stockholders' equity

A. Common stock

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

B. Capital surplus

The R.O.C. Company Act 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.

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 2010 earnings on June 21, 2011, and appropriated legal reserve of \$876,897 thousand.

D. Dividend policy and appropriation of earnings

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

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

The appropriation of the aforementioned special reserve is required by law, or is proposed by the board of directors, depending on the needs for business operations. The board of directors can propose to the annual shareholders' meeting a resolution regarding the proportion of employee bonuses for distribution if necessary.

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

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

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

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

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

E. Weighted-average outstanding shares of common stock

As of June 30, 2011 and 2010, the weighted-average number of common shares outstanding were both 2,910,572 thousand shares. Furthermore, there is no dilutive potential common share as of June 30, 2011 and 2010.

20) Disclosure of financial instruments

A. Fair value of financial instruments

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

- a. The book value of financial instruments which have a short maturity period will be considered as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, balances at Central Bank and loans and advances to banks, bills and bonds purchased under reverse repurchase agreements, accounts receivables, refundable deposits recorded as other assets, deposits by Central Bank and other banks, bills and bonds sold under repurchase agreements, payables, and guarantee deposits.
- b. The fair value of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets is the quoted market prices if the instruments are actively traded in the market. If a quoted market price is unavailable, the fair value is determined based on certain valuation techniques.
- c. The interest on loans and advances to customers is mainly based on floating rates. Therefore, the book value is approximately equal to the fair value.
- d. Other financial assets held by the Bank include unlisted equity shares over which the Bank is unable to exercise significant influence and derivatives that are linked to or deemed to be settled by the aforementioned shares. In accordance with the guidelines for preparation of financial statements by public banks, the aforementioned financial assets shall be evaluated at cost.
- e. Most deposits and remittances mature in less than one year, and therefore the book value is equal to the fair value. The fair value of deposits with maturity over one year is the net present value of future cash flows.

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Notes to Financial Statements

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

As of June 30, 2011 and 2010, the fair values of the Bank's financial assets and liabilities evaluated using valuation techniques were as listed below:

Accounts	June 30, 2011	June 30, 2010
Financial assets at fair value through profit or loss – debt instruments	11,018,140	10,457,782
Financial assets at fair value through profit or loss – derivatives	17,238,964	19,998,380
Available-for-sale financial assets – debt instruments	224,975,838	116,954,038
Available-for-sale financial assets – beneficiary certificates	4,507,461	4,805,054
Financial liabilities at fair value through profit or loss – debt instruments	883,536	-
Financial liabilities at fair value through profit or loss – derivatives	15,692,501	16,858,836

For the six months periods ended June 30, 2011 and 2010, the Bank recognized gain amounting to \$819,193 thousand and \$1,850,762 thousand, respectively, from the changes in fair value of financial instruments that were evaluated using valuation techniques.

- B. As of June 30, 2011 and 2010, outstanding derivative contracts held by the Bank were as listed below:

	Notional amount	June 30, 2011 Fair value	
		Gain (assets)	Loss (liabilities)
Option contracts	\$ 155,776,630	569,027	569,282
Forward contracts	845,100,792	4,822,327	3,596,125
Cross-currency swaps	192,988,358	5,711,822	4,773,158
Interest rate swaps	1,293,499,695	5,812,776	6,479,920
Interest rate derivatives	48,394,432	90,900	41,904
Commodity swaps	8,736,918	232,112	232,112
	<u>\$ 2,544,496,825</u>	<u>17,238,964</u>	<u>15,692,501</u>

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Notes to Financial Statements

	Notional amount	June 30, 2010 Fair value	
		Gain (assets)	Loss (liabilities)
Forward rate agreements	\$ 2,645,494	398	144
Option contracts	92,353,415	725,886	759,327
Forward contracts	566,940,903	8,081,759	4,083,165
Cross-currency swaps	135,791,362	3,053,798	1,799,734
Interest rate swaps	1,099,469,888	7,116,691	9,491,893
Interest rate derivatives	169,558,457	836,444	541,169
Commodity swaps	18,801,336	183,404	183,404
	<u>\$ 2,085,560,855</u>	<u>19,998,380</u>	<u>16,858,836</u>

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

C. Financial risk management and risk information

a. Market risk

The Bank mainly 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 June 30, 2011 and 2010. Market risk represents potential losses that the Bank may suffer in one day when unfavorable changes occur on the Bank's position at a 97.5% confidence interval under a certain price probability distribution.

Type of market risk		June 30, 2011			June 30, 2010		
		Annual average	Maximum	Minimum	Annual average	Maximum	Minimum
Exchange rate	\$	3,761	7,915	814	18,995	30,995	7,479
Interest rate		22,767	44,971	12,865	33,431	50,039	18,846

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 June 30, 2011 and 2010, the percentages of loans with collateral were 73.34% and 69.95%, 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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As of June 30, 2011 and 2010, the maximum credit risk exposure of the Bank's loans and advances to customers excluding allowance for doubtful accounts in the event of other parties failing to perform their obligations were as summarized below by industry category:

Industry	June 30, 2011	June 30, 2010
Manufacturing	\$ 33,644,505	37,124,860
Commercial	12,912,791	11,230,921
Construction	3,868,618	1,783,858
Financial	861,559	5,513,346
Individual	294,301,865	259,650,222
Others	<u>13,434,514</u>	<u>14,266,409</u>
	<u>\$ 359,023,852</u>	<u>329,569,616</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 June 30, 2011 and 2010, the industry classifications of the 10 group enterprises with the largest outstanding loans were as follows:

June 30, 2011			
Rank	Industry Classification of Group Enterprise	Outstanding loan	% of net assets
1	Real estate for sale and rental with own or leased property	3,525,000	8.28 %
2	Semiconductors packaging and testing	2,176,805	5.11 %
3	Other computer peripheral equipment manufacturing	2,073,577	4.87 %
4	Semiconductors manufacturing	1,737,461	4.08 %
5	Other food manufacturing not elsewhere classified	1,550,807	3.64 %
6	Sheet glass and sheet glass products manufacturing	1,524,839	3.58 %
7	Electric wires and cables manufacturing	1,414,319	3.32 %
8	Cement manufacturing	1,365,322	3.21 %
9	Retail sale of automobiles in specialized stores	1,352,058	3.18 %
10	LCD and components manufacturing	1,138,582	2.67 %

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June 30, 2010			
Rank	Industry Classification of Group Enterprise	Outstanding loan	% of net assets
1	Petrochemical manufacturing	4,914,314	13.38 %
2	Retail sale of computer and peripheral equipment, software	3,872,966	10.55 %
3	Real estate for sale and rental with own or leased property	3,300,000	8.99 %
4	LCD and components manufacturing	2,339,540	6.37 %
5	Computer manufacturing	1,963,637	5.35 %
6	Wholesale industry	1,899,577	5.17 %
7	LCD and components manufacturing	1,538,206	4.19 %
8	Electric wires and cables manufacturing	1,457,006	3.97 %
9	Computer manufacturing	1,405,741	3.83 %
10	Semiconductor manufacturing	1,384,471	3.77 %

Note: The above listed group enterprises refer to a group of corporate entities defined by the Sixth Article of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

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

c. Liquidity risk

As of June 30, 2011 and 2010, the liquidity reserve ratios were 46.76% and 31.74%, respectively; liquidity risk of derivatives instruments held by the Bank is low except for interest rate swaps, which had a leverage effect. Therefore, this limits the exposure to liquidity risk.

One of the most important aspects of the Bank's management is to match its assets and liabilities with related interest rates and durations. Due to variation and uncertainties of contractual terms, the interest rates and maturity dates of assets and liabilities may not be matched; therefore, can cause considerable profit or loss. As of June 30, 2011 and 2010, the liquidity of the Bank was assessed by grouping of assets and liabilities over various duration periods from the balance sheet date to an individual financial instruments contractual maturity. If the assets or liabilities have no contractual maturity date, they are classified to the "over 5 years" category.

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Financial Assets	June 30, 2011				
	Within 3 months	3 months-1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 7,785,883	-	-	-	7,785,883
Balance at Central Bank and loans and advances to banks	76,633,693	-	-	-	76,633,693
Financial assets at fair value through profit or loss	5,941,958	9,637,130	11,440,235	1,237,781	28,257,104
Bills and bonds investments under reverse sell agreements	2,068,587	-	-	-	2,068,587
Loans and advances to customers, net	36,404,218	11,783,813	34,644,114	271,671,330	354,503,475
Available-for-sale financial assets, net	79,261,413	133,884,548	7,169,780	9,167,558	229,483,299
Other financial assets, net	-	-	-	472,803	472,803
Total	<u>\$ 208,095,752</u>	<u>155,305,491</u>	<u>53,254,129</u>	<u>282,549,472</u>	<u>699,204,844</u>
Financial Liabilities					
Deposits by Central Bank and other banks	\$ 30,690,409	-	-	-	30,690,409
Financial liabilities at fair value through profit or loss	3,193,110	5,673,194	6,301,725	1,408,008	16,576,037
Deposits and remittances	418,328,888	127,366,272	32,164,882	-	577,860,042
Financial debentures	1,000	-	17,350,000	29,389,565	46,740,565
Other financial liabilities	3,358,075	343,939	867,382	10,109,139	14,678,535
Total	<u>\$ 455,571,482</u>	<u>133,383,405</u>	<u>56,683,989</u>	<u>40,906,712</u>	<u>686,545,588</u>
Gap	<u>\$ (247,475,730)</u>	<u>21,922,086</u>	<u>(3,429,860)</u>	<u>241,642,760</u>	<u>12,659,256</u>
June 30, 2010					
Financial Assets	Within 3 months	3 months-1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 7,548,293	-	-	-	7,548,293
Balance at Central Bank and loans and advances to banks	85,040,851	3,840,101	-	14,822,640	103,703,592
Financial assets at fair value through profit or loss	4,056,232	10,554,903	15,171,629	673,398	30,456,162
Loans and advances to customers, net	37,774,709	13,206,553	33,565,528	241,913,977	326,460,767
Available-for-sale financial assets, net	69,408,305	30,765,548	16,703,443	4,881,796	121,759,092
Other financial assets, net	226,067	-	-	292,239	518,306
Total	<u>\$ 204,054,457</u>	<u>58,367,105</u>	<u>65,440,600</u>	<u>262,584,050</u>	<u>590,446,212</u>
Financial Liabilities					
Deposits by Central Bank and other banks	\$ 19,487,052	12,273,194	-	206,285	31,966,531
Financial liabilities at fair value through profit or loss	2,658,285	3,762,125	10,017,802	420,624	16,858,836
Deposits and remittances	387,910,228	93,704,368	12,818,664	22,082	494,455,342
Financial debentures	1,200	-	-	19,779,338	19,780,538
Other financial liabilities	5,976,585	1,200,000	13,900,590	6,200,000	27,277,175
Total	<u>\$ 416,033,350</u>	<u>110,939,687</u>	<u>36,737,056</u>	<u>26,628,329</u>	<u>590,338,422</u>
Gap	<u>\$ (211,978,893)</u>	<u>(52,572,582)</u>	<u>28,703,544</u>	<u>235,955,721</u>	<u>107,790</u>

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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) June 30, 2011

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 830,848,336	207,368,136	83,513,770	124,975,527	144,063,228	270,927,675
Capital used	846,649,538	167,252,100	137,168,104	165,840,423	84,343,785	292,045,126
Gap	(15,801,202)	40,116,036	(53,654,334)	(40,864,896)	59,719,443	(21,117,451)

Structure Analysis of Maturity Date (U.S. Dollars) June 30, 2011

(expressed in thousands of US dollars)

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 11,080,996	4,617,369	2,294,211	2,267,477	1,288,635	613,304
Capital used	11,105,156	4,950,218	2,186,837	1,640,368	1,216,458	1,111,275
Gap	(24,160)	(332,849)	107,374	627,109	72,177	(497,971)

Structure Analysis of Maturity Date (New Taiwan Dollars) June 30, 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	\$ 754,928,746	170,300,563	103,507,263	82,624,496	71,160,998	327,335,426
Capital used	786,938,927	137,606,576	137,017,525	124,606,240	87,027,708	300,680,878
Gap	(32,010,181)	32,693,987	(33,510,262)	(41,981,744)	(15,866,710)	26,654,548

Structure Analysis of Maturity Date (U.S. Dollars) June 30, 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 180 to 1 year	Over 1 year
Capital provided	\$ 12,428,353	3,368,901	2,031,422	3,011,921	1,515,896	2,500,213
Capital used	11,601,846	3,708,463	2,760,641	2,116,333	940,356	2,076,053
Gap	826,507	(339,562)	(729,219)	895,588	575,540	424,160

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 June 30, 2011 and 2010, the Bank presumed that the expected re-pricing dates and maturity dates were not affected by contractual terms. The interest rate risks listed below are stated based on the book value of financial assets and liabilities held by the Bank and classified based on the earlier of the maturity date or re-pricing date.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Financial Assets	June 30, 2011									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	\$ -	-	-	-	-	-	-	-	7,785,883	7,785,883
Balance at Central Bank and loans and advances to banks	55,870,278	-	-	-	-	-	-	-	20,763,415	76,633,693
Financial assets at fair value through profit or loss	28,257,104	-	-	-	-	-	-	-	-	28,257,104
Bills and bonds investments under reverse sell agreements	2,068,587	-	-	-	-	-	-	-	-	2,068,587
Loans and advances to customers, net	24,221,500	12,752,216	11,727,243	6,081,512	6,770,633	10,875,457	10,916,512	275,678,779	(4,520,377)	354,503,475
Available-for-sale financial assets, net	79,257,608	-	133,888,353	4,511,004	617,430	2,041,345	-	9,167,559	-	229,483,299
Other financial assets, net	233,704	-	-	-	-	-	-	-	239,099	472,803
Total	\$ 189,908,781	12,752,216	145,615,596	10,592,516	7,388,063	12,916,802	10,916,512	284,846,338	24,268,020	699,204,844
Financial Liabilities										
Deposits by Central Bank and other banks	\$ 30,690,409	-	-	-	-	-	-	-	-	30,690,409
Financial liabilities at fair value through profit or loss	16,576,037	-	-	-	-	-	-	-	-	16,576,037
Deposits and remittances	349,091,258	64,743,886	127,309,982	13,179,858	18,748,600	248,089	-	-	4,538,369	577,860,042
Financial debentures	10,124,947	36,615,618	-	-	-	-	-	-	-	46,740,565
Other financial liabilities	519,019	3,356,760	8,616	100,000	-	594,140	-	10,100,000	-	14,678,535
Total	\$ 407,001,670	104,716,264	127,318,598	13,279,858	18,748,600	842,229	-	10,100,000	4,538,369	686,545,588
Sensitivity gap	\$ (217,092,889)	(91,964,048)	18,296,998	(2,687,342)	(11,360,537)	12,074,573	10,916,512	274,746,338	19,729,651	12,659,256

Financial Assets	June 30, 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	\$ 3,174,575	-	-	-	-	-	-	-	4,373,718	7,548,293
Balance at Central Bank and loans and advances to banks	66,786,265	5,643,719	31,273,608	-	-	-	-	-	-	103,703,592
Financial assets at fair value through profit or loss	30,215,066	31,768	45,213	91,870	38,343	6,392	27,510	-	-	30,456,162
Loans and advances to customers, net	22,459,736	15,314,973	13,206,553	5,596,489	8,186,486	7,823,287	11,959,266	236,340,339	5,573,638	326,460,767
Available-for-sale financial assets, net	38,345,301	31,122,685	30,765,147	9,619,170	4,631,122	619,501	1,774,370	4,881,796	-	121,759,092
Other financial assets, net	226,067	-	-	-	-	-	-	292,239	-	518,306
Total	\$ 161,207,010	52,113,145	75,290,521	15,307,529	12,855,951	8,449,180	13,761,146	241,514,374	9,947,356	590,446,212
Financial Liabilities										
Deposits by Central Bank and other banks	\$ 15,816,139	3,877,198	12,273,194	-	-	-	-	-	-	31,966,531
Financial liabilities at fair value through profit or loss	16,693,815	35,531	53,429	10,611	5,036	9,892	-	50,522	-	16,858,836
Deposits and remittances	336,728,707	50,876,538	93,704,368	2,316,847	10,220,453	-	281,364	22,082	304,983	494,455,342
Financial debentures	19,780,538	-	-	-	-	-	-	-	-	19,780,538
Other financial liabilities	5,557,472	419,113	1,200,000	3,800,000	5,600,000	100,000	4,400,590	6,200,000	-	27,277,175
Total	\$ 394,576,671	55,208,380	107,230,991	6,127,458	15,825,489	109,892	4,681,954	6,272,604	304,983	590,338,422
Sensitivity gap	\$ (233,369,661)	(3,095,235)	(31,940,470)	9,180,071	(2,969,538)	8,339,288	9,079,192	235,241,770	9,642,373	107,790

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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) June 30, 2011

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 150,528,778	97,613,856	112,709,969	247,007,688	607,860,291
Interest-rate-sensitive liabilities	108,616,033	307,781,585	45,089,306	70,637,388	532,124,312
Interest-rate-sensitive spread	41,912,745	(210,167,729)	67,620,663	176,370,300	75,735,979
Net worth					39,308,275
Ratio of interest-rate-sensitive assets to liabilities (%)					114.23
Ratio of interest-rate-sensitive spread to net worth (%)					192.67

Interest-Rate Sensitivity Analysis (U.S. Dollars) June 30, 2011

(expressed in thousands of US dollars)

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 1,853,456	275,051	4,207	238,276	2,370,990
Interest-rate-sensitive liabilities	1,007,684	2,444,242	109,689	317,074	3,878,689
Interest-rate-sensitive spread	845,772	(2,169,191)	(105,482)	(78,798)	(1,507,699)
Net worth					17,895
Ratio of interest-rate-sensitive assets to liabilities (%)					61.13
Ratio of interest-rate-sensitive spread to net worth (%)					(8,425.25)

Interest-Rate Sensitivity Analysis (New Taiwan Dollars) June 30, 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	\$ 125,715,954	35,626,152	48,031,134	243,197,161	452,570,401
Interest-rate-sensitive liabilities	87,826,296	266,872,998	58,824,193	22,167,992	435,691,479
Interest-rate-sensitive spread	37,889,658	(231,246,846)	(10,793,059)	221,029,169	16,878,922
Net worth					34,888,477
Ratio of interest-rate-sensitive assets to liabilities (%)					103.87
Ratio of interest-rate-sensitive spread to net worth (%)					48.38

Interest-Rate Sensitivity Analysis (U.S. Dollars) June 30, 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	\$ 1,169,093	515,018	598,414	200,972	2,483,497
Interest-rate-sensitive liabilities	523,051	1,440,318	228,439	325,697	2,517,505
Interest-rate-sensitive spread	646,042	(925,300)	369,975	(124,725)	(34,008)
Net worth					58,055
Ratio of interest-rate-sensitive assets to liabilities (%)					98.65
Ratio of interest-rate-sensitive spread to net worth (%)					(58.58)

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

	June 30, 2011	
	Average amount	Average interest rate %
Assets:		
Balance at Central Bank	\$ 19,327,564	0.45
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	52,346,639	0.47
Loans and advances to customers	358,641,532	2.71
Financial assets at fair value through profit or loss	11,100,278	0.83
Available-for-sale financial assets	200,465,831	0.86
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	14,917,712	0.72
Demand deposits (including local currency and foreign currency)	295,931,680	0.15
Time deposits (including local currency and foreign currency)	283,213,136	1.08
Negotiable certificates of deposits	8,121,792	1.00
Financial debentures	23,345,925	2.62
June 30, 2010		
	Average amount	Average interest rate %
Assets:		
Balance at Central Bank	\$ 13,767,549	0.32
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	95,941,396	0.99
Loans and advances to customers	338,855,688	2.65
Financial assets at fair value through profit or loss	9,323,455	0.90
Available-for-sale financial assets	105,581,968	0.86
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	44,071,331	0.59
Demand deposits (including local currency and foreign currency)	311,334,452	0.13
Time deposits (including local currency and foreign currency)	178,241,774	0.44
Negotiable certificates of deposits	819,812	0.36
Financial debentures	20,158,148	3.22

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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 June 30, 2011 and 2010, mark-to-market adjustments of hedged items and the corresponding hedging instruments (recorded under other financial assets or liabilities, net) accounted as fair value hedge were as follows:

	Hedged item		Hedging instruments	
	Underlying instruments	June 30, 2011	Contract type	June 30, 2011
Available-for-sale financial assets:				
Government bonds	\$	16,565	Interest rate swaps	\$ (16,719)
Government bonds		20,192	Cross-currency swaps	(19,875)
Time deposits – NTD		(22,011)	Interest rate swaps	22,350
Financial debentures		(111,273)	Interest rate swaps	115,881
	\$	<u>(96,527)</u>		<u>\$ 101,637</u>

	Hedged item		Hedging instruments	
	Underlying instruments	June 30, 2010	Contract type	June 30, 2010
Available-for-sale financial assets:				
Government bonds and corporate bonds	\$	13,066	Interest rate swaps	(12,117)
Government bonds		23,360	Cross-currency swaps	(23,076)
Time deposits – NTD		(22,018)	Interest rate swaps	21,907
Subordinated debentures		(69,324)	Interest rate swaps	72,478
	\$	<u>(54,916)</u>		<u>\$ 59,192</u>

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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 June 30, 2011 and 2010, details of hedged items and designated hedging instruments (recorded under other financial assets or liabilities, net) were summarized as follows:

June 30, 2011					
Hedged items	Financial instrument designated as hedging instruments	Designated hedging instruments		Forecasted period of cash flow generation	Forecasted period during which gain/loss is recognized in the income statement
		Notional	Fair value		
Long-term floating rate loans	Interest rate swap contracts	\$ 70,800,000	84,837	2009-2016	2009-2016
June 30, 2010					
Hedged items	Financial instrument designated as hedging instruments	Designated hedging instruments		Forecasted period of cash flow generation	Forecasted period during which gain/loss is recognized in the income statement
		Notional	Fair value		
Long-term floating rate loans	Interest rate swap contracts	\$ 54,600,000	64,239	2009-2015	2009-2015

The detail of unrealized gains or losses on cash flow hedge for the six months period ended June 30, 2011 and 2010 were as below:

	June 30, 2011	June 30, 2010
Adjustments to stockholders' equity	<u>\$ 4,132</u>	<u>50,264</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

a. Fair value hierarchy information of financial instruments

A fair value measurement for a financial instrument	Total	June 30, 2011		
		Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Investment in bonds	\$ 11,018,140	1,083,086	9,935,054	-
Available-for-sale financial assets				
Investment in bonds	229,483,299	17,551,924	207,423,914	4,507,461
Liabilities:				
Financial liabilities at fair value through profit or loss	883,536	883,536	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	17,238,964	31,657	16,768,998	438,309
Other financial assets				
Hedging derivative financial assets	233,681	-	233,681	-
Liabilities:				
Financial liabilities at fair value through profit or loss	15,692,501	18,603	15,344,240	329,658
Other financial liabilities				
Hedging derivative financial liabilities	519,019	-	519,019	-

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

Items	Beginning balance	The amount recognized in current net gains (losses) or stockholders' equity	Purchase or issue	Transfer in of level 3 and out of other levels	June 30, 2011				Ending balance
					Transfer in of level 3 of financial assets and out of level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of level3	Transfer in of level 3 of financial liabilities and out of level 3 of financial assets	
Non-derivative financial instruments									
Available-for-sale financial assets:									
Investment in bonds	\$ 4,951,442	(443,981)	-	-	-	-	-	-	4,507,461
Derivative financial instruments									
Financial assets at fair value through profit or loss	598,304	(159,995)	-	-	-	-	-	-	438,309
	<u>\$ 5,549,746</u>	<u>(603,976)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,945,770</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

Items	Beginning balance	The amount recognized in current net gains (losses) or stockholders' equity	Purchase or issue	Transfer in of level 3 and out of other levels	June 30, 2011				Ending balance
					Transfer in of level 3 of financial assets and out of level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of level3	Transfer in of level 3 of financial liabilities and out of level 3 of financial assets	
Derivative financial instruments									
Financial liabilities at fair value through profit or loss	\$ 500,037	(170,379)	-	-	-	-	-	-	329,658

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

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

(5) Related-party transactions

1) Name and relationship of related parties

Name	Relationship
Standard Chartered Bank ("SCB")	The Bank's parent company
Standard Chartered 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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

2) Significant transactions with related parties

A. Deposits

As of June 30, 2011 and 2010, deposits provided by related parties were as summarized below:

June 30, 2011			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>897,696</u>	<u>0.16</u>	0.00~5.31

June 30, 2010			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>935,017</u>	<u>0.18</u>	0.00~3.40

The interest rates and other terms offered to the above related parties, which were calculated based on regulative interest, 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.

For the six months periods ended June 30, 2011 and 2010, interest expenses on the above deposits were \$4,597 thousand and \$2,690 thousand, respectively.

B. Loans

As of June 30, 2011 and 2010, loans to related parties were as below:

June 30, 2011							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	14	6,383	5,766	5,766	-	Unsecured lending	None
Mortgage	62	621,812	581,986	581,986	-	House	None
Others	3	13,105	12,684	12,684	-	Overdraft on the comprehensive deposits	None

June 30, 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	14	7,177	5,148	5,148	-	Unsecured lending	None
Mortgage	41	252,888	236,890	236,890	-	House	None
Others	2	5,392	3,985	3,985	-	Overdraft on the comprehensive deposits	None

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

For the six months periods ended June 30, 2011 and 2010, interest incomes resulting from the above loans were \$3,182 thousand and \$1,579 thousand, respectively.

C. Deposits with affiliates

For the six months periods ended June 30, 2011 and 2010, deposits with affiliates and related interest income were as follows:

	Balance	June 30, 2011 Interest rate %	Interest income
SCB New York	\$ 2,253,906	0.05	439
SCB Germany	404,591	-	-
Others	<u>254,059</u>	-	<u>-</u>
	<u><u>\$ 2,912,556</u></u>		<u><u>439</u></u>
	Balance	June 30, 2010 Interest rate %	Interest income
SCB New York	\$ 1,273,781	0.27~0.40	137
SCB HK	620,741	0.01~1.17	159
Others	<u>221,656</u>	0.13~4.80	<u>380</u>
	<u><u>\$ 2,116,178</u></u>		<u><u>676</u></u>

D. Loans and advances to affiliates

For the six months periods ended June 30, 2011 and 2010, loans and advances to affiliates and related interest income were as follows:

	Balance	June 30, 2011 Interest rate %	Interest income
SCB Taipei	<u><u>28,239,259</u></u>	0.03~1.25	<u><u>20,442</u></u>
	Balance	June 30, 2010 Interest rate %	Interest income
SCFB Korea	\$ 26,465,265	0.20~1.00	89,761
SCB Taipei	18,549,626	0.03~0.78	3,529
SCB	<u>2,581,977</u>	0.32~1.20	<u>4,100</u>
	<u><u>\$ 47,596,868</u></u>		<u><u>97,390</u></u>

As of June 30, 2011 and 2010, the interest receivables resulting from the above loans and advances to affiliates were \$9,068 thousand and \$43,658 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

E. Deposits by affiliates and loans from affiliates

For the six months periods ended June 30, 2011 and 2010, deposits by and loans from affiliates and related interest expenses were as follows:

		June 30, 2011	
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ 14,359,322	0.44~0.46	2,870
SCB HK	<u>8,615,593</u>	0.01~1.10	<u>10,948</u>
	<u>\$ 22,974,915</u>		<u>13,818</u>
		June 30, 2010	
	Balance	Interest rate %	Interest expense
SCB HK	\$ 6,454,943	0.01~1.17	3,213
SCB Taipei	6,454,943	0.10~1.12	4,100
SCB Tokyo	4,169,435	0.13~4.80	22,630
SCB	3,303,184	0.25~0.54	3,529
SCB Germany	<u>206,285</u>	-	<u>-</u>
	<u>\$ 20,588,790</u>		<u>33,472</u>

As of June 30, 2011 and 2010, the interest payables resulting from the above deposits by affiliates and loans from affiliates were \$13,017 thousand and \$2,313 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

F. Derivative transactions

As of June 30, 2011 and 2010, derivative transactions engaged with affiliated parties were as follows:

Name	Contracts	Contract duration period	June 30, 2011		Balance sheet Account	Balance
			Notional	Net valuation adjustment		
SCB	Forward contract	2011.7.1~2013.4.24	\$ 243,108,454	1,748,515	Financial assets at fair value through profit or loss	2,760,586
					Financial liabilities at fair value through profit or loss	(1,012,071)
	Cross currency swap	2011.9.27~2012.10.12	49,750,231	(79,504)	Financial assets at fair value through profit or loss	1,836,982
					Financial liabilities at fair value through profit or loss	(1,916,486)
	Commodity swap	2011.8.20~2012.1.1	4,311,718	62,115	Financial assets at fair value through profit or loss	147,114
					Financial liabilities at fair value through profit or loss	(84,999)
	Interest rate derivative	2011.7.8~2013.8.13	15,915,872	(27,873)	Financial assets at fair value through profit or loss	8,638
Financial liabilities at fair value through profit or loss					(36,511)	
Interest rate swap	2011.7.5~2015.10.20	57,625,706	(912,151)	Financial assets at fair value through profit or loss	593,093	
				Financial liabilities at fair value through profit or loss	(1,505,244)	
Option contract	2011.7.1~2013.6.20	77,888,313	(337,608)	Financial assets at fair value through profit or loss	111,971	
				Financial liabilities at fair value through profit or loss	(449,579)	
SCB Singapore	Forward contract	2011.7.1~2011.12.30	26,867,509	132,293	Financial assets at fair value through profit or loss	286,038
					Financial liabilities at fair value through profit or loss	(153,745)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Name	Contracts	Contract duration period	June 30, 2010		Balance sheet Account	Balance
			Notional	Net valuation adjustment		
SCB	Forward contract	2010.7.1~ 2013.4.24	\$ 53,393,430	1,710,107	Financial assets at fair value through profit or loss	2,153,227
					Financial liabilities at fair value through profit or loss	(443,120)
	Cross currency swap	2010.12.15~ 2012.10.3	37,813,458	743,635	Financial assets at fair value through profit or loss	1,398,508
					Financial liabilities at fair value through profit or loss	(654,873)
	Interest rate derivative	2010.7.2~ 2011.8.19	1,065,066	(64,178)	Financial assets at fair value through profit or loss	48
Financial liabilities at fair value through profit or loss					(64,226)	
Interest rate swap	2010.8.20~ 2013.9.5	35,663,559	120,668	Financial assets at fair value through profit or loss	482,987	
				Financial liabilities at fair value through profit or loss	(362,319)	
Option contract	2010.7.1~ 2012.5.29	40,911,727	(249,881)	Financial assets at fair value through profit or loss	177,414	
				Financial liabilities at fair value through profit or loss	(427,295)	
SCB Singapore	Forward contract	2010.7.1~ 2010.12.29	76,590,758	955,885	Financial assets at fair value through profit or loss	1,548,969
					Financial liabilities at fair value through profit or loss	(593,083)
SCB New York	Forward contract	2010.7.1~ 2011.3.28	797,679	(7,501)	Financial assets at fair value through profit or loss	920
					Financial liabilities at fair value through profit or loss	(8,421)

- G. As of June 30, 2011 and 2010, the fair values of financial debentures acquired from affiliates were as follows:

Name	Fair value	
	June 30, 2011	June 30, 2010
SCB HK	\$ 4,653,569	4,876,709

- H. As of June 30, 2011 and 2010, financial debenture payables deriving from the issuance of financial debentures to affiliates were as follows:

Name	Bond (note)	June 30, 2011	June 30, 2010
SCB	98-2	\$ 4,307,796	4,841,207
SCB	98-3	4,307,796	-
SC APR	98-3	-	4,841,207

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

For the six months periods ended, June 30, 2011 and 2010, the interest expense from above transaction were \$161,456 thousand and \$174,212 thousand, respectively.

- 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 June 30, 2011 and 2010, unrealized gains from affiliated-company transactions amounted to \$22,597 thousand and \$22,685 thousand, respectively, recorded as other liabilities.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

- J. For the six months period ended June 30, 2011, head office administration fee, support expenses arising from regional headquarter, and wholesale banking operation were \$498,481 thousand, \$296,829 thousand, and \$157,995 thousand, respectively. For the six months period ended June 30, 2010, head office administration fee, support expenses arising from regional headquarter, and wholesale banking operation were \$454,201 thousand, \$167,822 thousand, and \$132,246 thousand, respectively. As of June 30, 2011 and 2010, head office administration fees and other expenses arising from professional technical support payable to SCB were \$2,658,132 thousand and \$997,078 thousand, respectively, recorded under accounts payables—related parties. Moreover, for the six months periods ended June 30, 2011 and 2010, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to \$27,603 thousand and \$44,130 thousand, respectively. As of June 30, 2011 and 2010, the royalty expenses payable to SCB were \$110,546 thousand and \$116,374 thousand, respectively, recorded under accounts payables—related parties.
- K. For the six months periods ended June 30, 2011 and 2010, the related cost of the Executive Share Option Scheme amounted to \$60,507 thousand and \$55,244 thousand, respectively. As of June 30, 2011 and 2010, accounts payable to SCB for the share-based payment scheme costs amounted to \$341,504 thousand and \$203,651 thousand, respectively, recorded under accounts payables—related parties.
- L. For the six months period ended June 30, 2011, the Bank received USD141,000 thousand from SCB for recovery on structured notes payments made previously, and recorded the amount under both accounts receivables—related parties, and gain on reversal of provision for doubtful accounts.
- M. For the six months periods ended June 30, 2011 and 2010, expenses resulting from operating activities with affiliates were as follows:

	June 30, 2011	June 30, 2010
Technical support mandate service:		
SCB New York	\$ -	6,281
SCB HK	-	3,132
SCB Singapore	-	676
SCB	54,559	11,321
Others	405	367
	<u>\$ 54,964</u>	<u>21,777</u>
Information technology service fees:		
Scope International Private Ltd.	\$ 29,561	15,646
SCB New York	-	29,512
SCB Singapore	-	10,012
Scope International (M) Sdn Bhd	35,769	14,020
Others	5,304	2,466
	<u>\$ 70,634</u>	<u>71,656</u>

- N. As of June 30, 2011 and 2010, the deposits of Standard Chartered Life Insurance Agency Co., Ltd. were \$136,957 thousand and \$326,107 thousand, respectively, and the interest expenses were \$490 thousand and \$302 thousand, respectively. The deposits of Taiwan Standard Chartered Insurance Agency Co., Ltd. were \$23,590 thousand and \$24,097 thousand, respectively, and the interest expenses were \$50 thousand and \$24 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

- O. As of June 30, 2011 and 2010, the accounts receivable that the Bank supported Standard Chartered Life Insurance Agency Co., Ltd. for its sales were \$77,500 thousand and \$88,002 thousand, respectively, and the related service income were \$79,828 thousand and \$268,402 thousand, respectively. The accounts receivable that the Bank supported Taiwan Standard Chartered Insurance Agency Co., Ltd. for its sales were \$5,400 thousand and \$4,001 thousand, respectively, and the related service income were \$5,850 thousand and \$13,096 thousand, respectively.
- P. 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.

(6) Pledged Assets

Pledged assets	Pledged for	Amount	
		June 30, 2011	June 30, 2010
Bonds (recorded as available-for-sale financial assets)	Provisional seizure	\$ 243,800	287,800
	Securitization of mortgage loans	700,000	700,000
Total		<u>\$ 943,800</u>	<u>987,800</u>

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

Security deposits	Purpose	Amount	
		June 30, 2011	June 30, 2010
Bonds and negotiable certificates of deposits (recorded as available-for-sale financial assets)	Reserve for trust funds	\$ 175,000	200,000
	Reserve for indemnity obligations	-	50,000
	Security deposits for bill trading operations	50,000	50,000
	Security deposits for futures trading	35,000	35,000
	Security deposits for security brokerage	200,000	190,000
	Bid of bonds	-	10,000
		<u>460,000</u>	<u>535,000</u>
Certificates of deposits (recorded as refundable deposits)	Clearing account reserve	100,000	100,000
	Security deposits for bond proprietary trading and underwriting	10,000	10,000
Total		<u>\$ 110,000</u>	<u>110,000</u>
		<u>\$ 570,000</u>	<u>645,000</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.
- 7) The cash deposited in the clearing account reserve were both \$40,000 thousand as of June 30, 2011 and 2010.
- 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 \$61,561 thousand were both recognized as fee income for the six months periods ended June 30, 2011 and 2010, and the remaining amount was recorded as other liabilities – unearned receipts.

2) Significant purchase agreements

As of June 30, 2011 and 2010, the Bank had construction agreements for expansion and renovation of buildings amounting to \$31,109 thousand and \$677,614 thousand, respectively. The unpaid amounts of the aforementioned agreements were \$3,307 thousand and \$177,349 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 June 30, 2011, estimated minimum future lease payments were as follows:

Fiscal year	Amount
For the second half year of 2011	\$ 269,501
2012	502,826
2013	480,115
2014	419,874
2015 and thereafter	<u>293,704</u>
	<u><u>\$ 1,966,020</u></u>

4) Others

	June 30, 2011	June 30, 2010
Consignment collection for others	\$ 10,158,264	10,025,393
Traveler's checks held on consignment for sale	128,981	108,867
Securities, consignments and goods in custody	1,700,417,741	1,280,489,147
Trust assets	<u>139,982,333</u>	<u>145,854,134</u>
	<u><u>\$ 1,850,687,319</u></u>	<u><u>1,436,477,541</u></u>
Unused lines of credit	<u>\$ 18,074,836</u>	<u>17,463,338</u>
Other guarantees	<u>\$ 6,492,880</u>	<u>7,951,686</u>
Letters of credit issued	<u><u>\$ 2,652,324</u></u>	<u><u>4,644,963</u></u>

5) For the six months periods ended June 30, 2011 and 2010, disclosures required by Article 17 of the Trust Enterprise Law on trust balance sheets, trust income statements, and trust assets were as follows:

Trust Balance Sheet

June 30, 2011

Trust assets		Trust liabilities	
Bank deposits	\$ 20,877	Accounts payables	\$ 16
Short-term investments	129,100,884	Taxes payables	3
Structured notes	8,063,178	Payables for securities under	
Securities under custody	2,797,364	custody	2,797,364
Other assets	<u>30</u>	Trust capital	<u>137,184,950</u>
Total trust assets	<u><u>\$ 139,982,333</u></u>	Total trust liabilities	<u><u>\$ 139,982,333</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Trust Balance Sheet

June 30, 2010

Trust assets		Trust liabilities	
Bank deposits	\$ 22,121	Accounts payables	\$ 17
Short-term investments	124,960,164	Taxes payables	12
Other marketable securities	16,856,219	Payables for securities under custody	3,949,669
Accounts receivables	118	Trust capital	141,847,645
Securities under custody	3,949,669	All reserves and retained earnings	56,791
Other assets	65,843		
Total trust assets	<u>\$ 145,854,134</u>	Total trust liabilities	<u>\$ 145,854,134</u>

Trust Income Statements

June 30, 2011

June 30, 2010

Trust revenue:		
Interest revenue	\$ 72	50
Common stock cash dividends	439	547
Realized gain on investments, net	1,746	1,141
Unrealized gain on investments, net	37,452	-
Gain on trading of assets	-	49
	<u>39,709</u>	<u>1,787</u>
Trust expenses:		
Management expenses	100	104
Service charges	369	489
Loss on trading of assets	190	-
Unrealized loss on investments	-	84,770
	<u>659</u>	<u>85,363</u>
Net income (loss) before income tax	39,050	(83,576)
Income tax expense (benefit)	3	(1)
Net income (loss) after income tax	<u>\$ 39,047</u>	<u>(83,575)</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

Schedules of investment for trust business

Investment items	June 30, 2011	June 30, 2010
Bank deposits	\$ 20,877	22,121
Short-term investments:		
Bonds	1,665,433	552,183
Common stock	3,047,681	3,390,803
Funds	124,387,770	121,017,178
Structured notes	8,063,178	-
Other securities	-	16,856,219
Accounts receivables	-	118
Securities under custody	2,797,364	3,949,669
Other assets	30	65,843
	<u>\$ 139,982,333</u>	<u>145,854,134</u>

Foreign currency trust business engaged in by the Offshore Banking Unit (OBU) as of June 30, 2011 and 2010 was included in the trust balance sheets and schedules of investment for trust business.

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

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

(10) **Others**

1) Summary of staff costs, depreciation and amortization expenses

A summary of staff costs, depreciation expenses, and amortization expenses for the six months ended June 30, 2011 and 2010, is as follows:

Account	Function	June 30, 2011			June 30, 2010		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Staff costs:							
Salaries		-	2,425,743	2,425,743	-	2,395,324	2,395,324
Labor and health insurance		-	163,596	163,596	-	149,055	149,055
Pension		-	223,801	223,801	-	207,827	207,827
Other		-	122,045	122,045	-	134,759	134,759
Depreciation		-	276,452	276,452	-	276,231	276,231
Amortization		-	40,249	40,249	-	43,016	43,016

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

2) Reclassification

For the six months period ended June 30, 2010, certain amounts have been reclassified and presented to conform to the financial statements for the six months period ended June 30, 2011. The financial statements are not significantly affected by such reclassifications.

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

A. Major foreign currency positions

Currency	June 30, 2011		Currency	June 30, 2010	
	Original currency	NTD equivalent		Original currency	NTD equivalent
USD	\$ 6,817	195,771	USD	54,303	1,752,609
AUD	1,632	50,263	AUD	4,176	115,224
HKD	(9,581)	(35,355)	SGD	2,895	66,877
GBP	(836)	(38,460)	NZD	2,060	46,139
SGD	(2,043)	(47,733)	JPY	(152,429)	(55,496)

B. Profitability

Items		June 30, 2011	June 30, 2010
Return on assets (note 1)	Before income tax	1.00	0.45
	After income tax	0.85	0.22
Return on equity (note 2)	Before income tax	17.80	7.87
	After income tax	15.24	3.78
Net profit ratio (note 3)		48.83	16.76

Unit: %

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

4) Capital adequacy

Capital adequacy ratios of the Bank are disclosed below:

Item		Period-end	December 31,	June 30, 2010	
		June 30, 2011	2010	June 30, 2010	
Self-owned capital	Tier 1 Capital	38,039,558	32,831,721	29,508,263	
	Tier 2 Capital	19,524,051	19,673,401	20,253,472	
	Tier 3 Capital	-	-	-	
	Total Self-owned Capital	57,563,609	52,505,122	49,761,735	
Risk-weighted assets	Credit risk	Standardized approach	310,841,860	307,469,370	319,529,359
		Internal-rating-based approach	-	-	-
		Secularizations	-	-	-
	Operational risk	Basic indicator approach	33,554,611	33,762,611	33,762,611
		Standardized approach / alternative approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	19,535,742	28,841,002	43,757,136
		Internal model approach	-	-	-
	Risk-weighted assets		363,932,213	370,072,983	397,049,106
Capital adequacy ratio		15.82 %	14.19 %	12.53 %	
Tier 1 capital / risk-weighted assets		10.45 %	8.87 %	7.43 %	
Tier 2 capital / risk-weighted assets		5.36 %	5.32 %	5.10 %	
Tier 3 capital / risk-weighted assets		- %	- %	- %	
Common stock / total assets		3.91 %	4.15 %	4.55 %	
Leverage ratio		5.28 %	5.01 %	4.74 %	

(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,	June 30, 2010	
		June 30, 2011	2010	June 30, 2010	
Self-owned capital	Tier 1 Capital	38,115,203	32,870,068	29,515,302	
	Tier 2 Capital	19,599,696	19,711,747	20,260,511	
	Tier 3 Capital	-	-	-	
	Total Self-owned Capital	57,714,899	52,581,815	49,775,813	
Risk-weighted assets	Credit risk	Standardized approach	310,821,835	307,577,173	319,600,208
		Internal-rating-based approach	-	-	-
		Secularizations	-	-	-
	Operational risk	Basic indicator approach	33,361,767	33,678,309	33,678,309
		Standardized approach / alternative approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	19,535,742	28,841,002	43,757,136
		Internal model approach	-	-	-
	Risk-weighted assets		363,719,344	370,036,484	397,035,653
Capital adequacy ratio		15.87 %	14.21 %	12.54 %	
Tier 1 capital / risk-weighted assets		10.48 %	8.88 %	7.43 %	
Tier 2 capital / risk-weighted assets		5.39 %	5.33 %	5.10 %	
Tier 3 capital / risk-weighted assets		- %	- %	- %	
Common stock / total assets		3.91 %	4.15 %	4.55 %	
Leverage ratio		5.30 %	5.02 %	4.75 %	

5) Foreign currency financial assets and liabilities

As of June 30, 2011 and 2010, the foreign currency financial assets and liabilities which have significant influence in the Bank were as follows:

	June 30, 2011			June 30, 2010		
	Foreign currency	Exchange rate	New Taiwan dollars	Foreign currency	Exchange rate	New Taiwan dollars
Financial assets						
Monetary items						
USD	\$ 1,677,663	28.72	48,180,195	2,688,430	32.27	86,768,286
Non-monetary items						
USD	678,997	28.72	19,499,862	1,890,562	32.27	61,017,323
Financial liabilities						
Monetary items						
USD	4,133,551	28.72	118,709,965	3,298,637	32.27	106,462,531
Non-monetary items						
USD	966,565	28.72	27,758,429	1,593,544	32.27	51,431,152

(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	\$ 569,569	\$ 1,470,000	Payment Received	\$ 1,020,918	Xin Yue Investment Co. Ltd., Yong Jun Investment Co. Ltd., Jie Cheng Engineering Co. Ltd.	None	To make a profit	Arm's length transaction	None

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

a. Summary for sale of non-performing loans

Transaction date	Counterparty	Content	Book value	Price	Gain from sale	Attachment clause	Relationship
2011.5.13	Yuanta Asset Management Co., Ltd	Mortgage & Corporate finance	167,264	233,786	59,042	Repurchase agreement	Non-related party
2011.5.20	Yuanta Asset Management Co., Ltd	Credit card & Credit loan & Corporate finance	-	487,943	474,462	Repurchase agreement	Non-related party
2011.5.20	Taishin Asset Management Co., Ltd	Credit card & Credit loan & Corporate finance	-	315,662	304,758	Repurchase agreement	Non-related party

- 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 %	130,816	65,641	300	-	300	100.00 %	-
Taiwan Standard Chartered Insurance Agency Co., Ltd.	No. 85, Chung-Zeng Road, Hsinchu, Taiwan	Property insurance agent	100.00 %	20,474	8,957	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 %	-	-	20	-	20	0.99 %	-
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan	Small and medium enterprises improvement services	4.84 %	29,000	-	3,417	-	3,417	4.84 %	-
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan	Information technology services	1.14 %	45,500	-	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	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: 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) Operating Segment Financial Information

Please refer to the consolidated financial statements for the Company as of and six months periods ended June 30, 2011, which has been reviewed by the independent auditors.

Standard Chartered Bank (Taiwan) Limited
Cash and Cash Equivalents
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash in transit:		
NTD		\$ 3,902,258
USD	USD4,647@28.7186	133,470
JPY	JPY267,955@0.3571	95,731
HKD	HKD26,210@3.6899	96,715
EUR	EUR1,345@41.5936	55,958
GBP	GBP203@45.9866	9,361
CNY	CNY1,376@4.4452	6,117
SGD	SGD62@23.3654	<u>1,451</u>
	Subtotal	<u>4,301,061</u>
Deposits with other banks	Bank of Taiwan	179,557
	Shanghai Commercial & Savings Bank	35,697
	JPMorgan Chase	21,164
	Macoto Commercial Bank	10,284
	Taiwan Business Bank	26,326
	Credit Suisse	100,724
	Others (Note)	<u>198,514</u>
	Subtotal	<u>572,266</u>
Deposits with affiliates	SCB New York	2,253,906
	Others (Note)	<u>658,650</u>
	Subtotal	<u>2,912,556</u>
Total		<u><u>\$ 7,785,883</u></u>

Note: The amount 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
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Balances at Central Bank:		
Reserve for deposits	Reserve deposits for deposits – checking account	\$ 11,008,431
	Reserve deposits for deposits – demand account	20,082,341
Reserve for deposits – foreign currency		123,490
Reserve for deposits – settlement accounts		<u>594,441</u>
		<u>31,808,703</u>
Loans and advances to other banks	BANK OF TAIWAN TAIPEI	2,000,000
	CHUNG HWA POST TAIPEI	6,000,000
	HUA NAN COML BK LTD TAIPEI	2,500,000
	LAND BK OF TAIWAN TAIPEI	2,000,000
	Others (Note)	<u>4,085,731</u>
	Subtotal	<u>16,585,731</u>
Loans and advances to affiliates	SCB Taipei	
	EUR89,500@41.593	3,722,628
	JPY1,130,000@0.357	403,649
	USD839,628@28.7186	<u>24,112,982</u>
	Subtotal	<u>28,239,259</u>
		<u><u>\$ 76,633,693</u></u>

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

Standard Chartered Bank (Taiwan) Limited
Financial Assets at Fair Value Through Profit or Loss
June 30, 2011
(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	-	-	1,050,000	-	\$ 1,087,226	-	1,083,086	
	Corporate bonds	-	-	7,365,000	-	7,423,724	-	7,435,463	
	Negotiable certificates of deposits	-	-	2,500,000	-	<u>2,500,000</u>	-	<u>2,499,591</u>	
	Subtotal					<u>11,010,950</u>		<u>11,018,140</u>	
Derivatives:									
	Option contracts	-	-	-	-	-	-	569,027	Note
	Forward contracts	-	-	-	-	-	-	4,822,327	Note
	Cross currency swaps	-	-	-	-	-	-	5,711,822	Note
	Interest rate swaps	-	-	-	-	-	-	5,812,776	Note
	Interest rate derivatives	-	-	-	-	-	-	90,900	Note
	Commodity swaps					-		<u>232,112</u>	Note
	Subtotal					<u>-</u>		<u>17,238,964</u>	
Total						<u>\$ 11,010,950</u>		<u>28,257,104</u>	

Note: Contracts amount (notional amount) please refer to note 4(20)

Standard Chartered Bank (Taiwan) Limited
Accounts Receivables
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Accounts receivables	Receivable for fixed income financial assets settlement	\$ 1,911,915
	Receivable for options premium	33,515
	Earned revenue receivables	89,352
	Wealth management receivables	<u>376,714</u>
	Subtotal	<u>2,411,496</u>
Acceptance receivables		<u>765,763</u>
Factoring loan receivable, without recourse		<u>15,411,756</u>
Interest receivables	Loans and advances to banks (including advances to affiliates)	9,537
	Debt instruments	868,405
	Loans	684,713
	Others (Note)	<u>62,333</u>
	Subtotal	<u>1,624,988</u>
Credit card receivables		<u>6,124,070</u>
Compensation receivable		<u>1,402,574</u>
Tax refund receivables		<u>176,086</u>
Accounts receivables-related parties	SCB	<u>4,197,044</u>
Others	Interbank transfer fee	<u>597,234</u>
Less: allowance for doubtful accounts – accounts receivables		591,866
allowance for doubtful accounts – compensation receivables		<u>782,786</u>
	Subtotal	<u>1,374,652</u>
Total		<u><u>\$ 31,336,359</u></u>

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

Standard Chartered Bank (Taiwan) Limited
Loans and Advances to Customers
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Negotiations and discounts		\$ 4,989,907
Short-term unsecured loans and overdrafts		27,099,351
Short-term secured loans		12,377,551
Medium-term unsecured loans		56,270,763
Medium-term secured loans		4,781,747
Long-term unsecured loans		6,866,924
Long-term secured loans		245,596,019
Non-performing loans		<u>1,041,590</u>
Subtotal		359,023,852
Less: Allowance for doubtful accounts		<u>4,520,377</u>
Total		<u><u>\$ 354,503,475</u></u>

Standard Chartered Bank (Taiwan) Limited
Available-for-sale financial Assets
June 30, 2011
(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		-	-	\$ 6,949,000	-	\$ 6,939,537	(573)	-	6,938,964	-	
Government bonds		-	-	10,451,500		10,549,817	63,143	-	10,612,960	-	Note 1 and Note 2
Negotiable certificates of deposits		-	-	201,200,000		201,200,000	(86,572)	-	201,113,428	-	Note 1
Financial debentures		-	-	6,543,729		4,698,729	758,147	-	5,456,876	-	
Corporate bonds		-	-	838,000	-	837,826	15,784	-	853,610	-	
Beneficiary certificates		-	-	4,712,342	-	<u>4,712,342</u>	<u>(204,881)</u>	-	<u>4,507,461</u>	-	
						<u><u>\$ 228,938,251</u></u>	<u><u>545,048</u></u>		<u><u>229,483,299</u></u>		

Note 1: par value NT\$1,403,800 thousand for collateralization, more details refer to Note (6) Pledged Assets.

Note 2: The fair value of financial assets for fair value hedge is \$8,964,910 thousand, and the mark-to-market value adjustment is \$36,757 thousand.

Standard Chartered Bank (Taiwan) Limited
Investment in Associates Under Equity Method
For the six months period ended June 30, 2011
(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	\$ 65,175	-	-	-	-	65,641	300	130,816	436.05	130,816	None
Taiwan Standard Chartered Insurance Agency Co., Ltd.	300	11,517	-	-	-	-	8,957	300	20,474	68.25	20,474	"
		<u>\$ 76,692</u>		<u>-</u>		<u>-</u>	<u>74,598</u>		<u>151,290</u>		<u>151,290</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.

Standard Chartered Bank (Taiwan) Limited
Other Financial Assets
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Hedging financial instruments	Fair value hedge and cash flow hedge	\$ 233,681
Financial assets carried at cost	Refer to details on page 76	239,099
Cheques purchased	Cheques purchased	<u>23</u>
Total		<u><u>\$ 472,803</u></u>

Standard Chartered Bank (Taiwan) Limited
Other Financial Assets-Change in Financial Assets Carried at Cost
For the six months period ended June 30, 2011
(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)	
Fuji Enterprises Management Consulting Co., Ltd.(formerly Fubon Securities Finance Co., Ltd)	10	\$ -	1,252	-	1,242	-	20	-	48.29	952	None
Taiwan Small and Medium Enterprises Development Corp.	3,417	29,000	-	-	-	-	3,417	29,000	6.95	23,754	"
Financial Information Service Co., Ltd.	4,550	45,500	-	-	-	-	4,550	45,500	0.02	79	"
Taipei Forex Inc.	630	6,673	-	-	-	-	630	6,673	25.35	15,970	"
TSC Bio Venture Management, Inc.	2,025	20,250	-	-	-	-	2,025	20,250	8.25	16,711	"
Liyu Venture Investment, Inc.	1,008	10,080	-	-	-	-	1,008	10,080	7.42	7,480	"
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	10.63	53,170	"
Yang Guang Asset Management Company	85	849	-	-	-	-	85	849	11.65	990	"
Taiwanpay Corporation	197	2,468	-	-	-	-	197	2,468	6.77	1,337	"
Taiwan Depository and Clearing Corporation	495	9,277	-	-	-	-	495	9,277	0.04	22	"
Taiwan Cooperative Bills Finance Corporation	13,346	94,546	-	-	-	-	13,346	94,546	11.82	157,716	"
Subtotal		457,143		-		-		457,143		405,230	
Less: Accumulated impairment		218,044		-		-		218,044		-	
		<u>\$ 239,099</u>		<u>-</u>		<u>-</u>		<u>239,099</u>		<u>405,230</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 six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost:						
Land	\$ 3,676,554	-	403,639	(120,527)	3,152,388	None
Buildings	3,431,991	-	418,457	(67,635)	2,945,899	"
Office equipment	829,915	17,515	36,061	1,627	812,996	"
Transportation equipment	3,210	-	-	-	3,210	"
Leasehold improvements	806,725	5,660	2,454	30,700	840,631	"
Other equipment	<u>1,639,574</u>	<u>6,254</u>	<u>125,170</u>	<u>-</u>	<u>1,520,658</u>	"
Subtotal	<u>10,387,969</u>	<u>29,429</u>	<u>985,781</u>	<u>(155,835)</u>	<u>9,275,782</u>	
Work in progress	15,200	15,500	-	(30,700)	-	
Prepayment for equipment	<u>1,627</u>	<u>-</u>	<u>-</u>	<u>(1,627)</u>	<u>-</u>	
	<u><u>\$ 10,404,796</u></u>	<u><u>44,929</u></u>	<u><u>985,781</u></u>	<u><u>(188,162)</u></u>	<u><u>9,275,782</u></u>	

Standard Chartered Bank (Taiwan) Limited
Accumulated Depreciation for Property and Equipment
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance
Buildings	\$ 1,071,937	33,047	286,474	(23,617)	794,893
Office equipment	570,221	55,781	32,419	-	593,583
Transportation equipment	3,210	-	-	-	3,210
Leasehold improvements	424,419	79,308	2,319	-	501,408
Other equipment	<u>1,081,896</u>	<u>103,064</u>	<u>108,987</u>	<u>-</u>	<u>1,075,973</u>
Total	<u>\$ 3,151,683</u>	<u>271,200</u>	<u>430,199</u>	<u>(23,617)</u>	<u>2,969,067</u>

Standard Chartered Bank (Taiwan) Limited
Other Assets
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Abstract	Amount
Deferred income tax assets, net		\$ <u>2,592,836</u>
Idle assets, net	Idle asset	733,715
	Less: accumulated depreciation	101,960
	accumulated impairment	<u>138,273</u>
		<u>493,482</u>
Assets leased to others, net	Assets leased to others	343,412
	Less: accumulated depreciation	<u>43,252</u>
		<u>300,160</u>
Refundable deposits	Securitization of debt margins	80,165
	Rental deposits	187,913
	Clearing and settlement fund	198,747
	Credit card deposits	49,576
	Others (note)	<u>51,260</u>
		<u>567,661</u>
Others (Note)	Prepayments and payment under custody for derivatives	<u>305,662</u>
Total		\$ <u><u>4,259,801</u></u>

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

Standard Chartered Bank (Taiwan) Limited
Idle Assets
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost						
Land	\$ 383,382	-	1,536	-	381,846	None
Buildings	<u>355,572</u>	<u>-</u>	<u>3,703</u>	<u>-</u>	<u>351,869</u>	"
	<u>738,954</u>	<u>-</u>	<u>5,239</u>	<u>-</u>	<u>733,715</u>	
Accumulated depreciation	99,092	3,605	737	-	101,960	
Accumulated impairment	<u>138,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,273</u>	
	<u>\$ 501,589</u>	<u>(3,605)</u>	<u>4,502</u>	<u>-</u>	<u>493,482</u>	

Standard Chartered Bank (Taiwan) Limited
Assets Leased to Others
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost						
Land	\$ 271,326	-	176,319	120,527	215,534	None
Buildings	<u>158,710</u>	<u>-</u>	<u>98,467</u>	<u>67,635</u>	<u>127,878</u>	"
	<u>430,036</u>	<u>-</u>	<u>274,786</u>	<u>188,162</u>	<u>343,412</u>	
Accumulated depreciation	<u>75,868</u>	<u>1,647</u>	<u>57,880</u>	<u>23,617</u>	<u>43,252</u>	
	<u>\$ 354,168</u>	<u>(1,647)</u>	<u>216,906</u>	<u>164,545</u>	<u>300,160</u>	

Standard Chartered Bank (Taiwan) Limited
Deposits by Central Bank and other banks
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Details	Amount
Deposits by banks	Chunghwa Post Co.	\$ 1,562,758
	SCB Taipei	1,412,586
	Others (Note)	<u>11,207</u>
		<u>2,986,551</u>
Loans from banks	CIMB Bank	2,584,678
	Hua Nan Bank	1,038,724
	First Commercial Bank	775,403
	Shin Kong commercial Bank	322,707
	Others (Note)	<u>7,431</u>
		<u>4,728,943</u>
Deposits by affiliates and loans from affiliates	SCB HK	8,615,593
	SCB Taipei	<u>14,359,322</u>
		<u>22,974,915</u>
Total		<u><u>\$ 30,690,409</u></u>

Note: The amount 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
June 30, 2011
(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	-	-	\$ 850,000	-	<u>883,713</u>	-	<u>883,536</u>	Note
Derivatives:									
	Option contracts	-	-	-	-	-	-	569,282	"
	Forward contracts	-	-	-	-	-	-	3,596,125	"
	Cross currency swaps	-	-	-	-	-	-	4,773,158	"
	Interest rate swaps	-	-	-	-	-	-	6,479,920	"
	Interest rate derivatives	-	-	-	-	-	-	41,904	"
	Commodity swaps	-	-	-	-	-	-	<u>232,112</u>	"
						<u>-</u>		<u>15,692,501</u>	
						<u>\$ 883,713</u>		<u>16,576,037</u>	

Note: Contract amounts (notional amounts) please refer to Note 4(20).

Standard Chartered Bank (Taiwan) Limited
Accounts Payables
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Detail	Amount
Accounts payables		\$ <u>115,827</u>
Interest payables		<u>1,051,664</u>
Other accounts payables		
	Accrued expenses	1,633,952
	Revenue distribution payables	14,413
	Income tax payables	21,188
	Payables for receipts under custody	<u>302,128</u>
Subtotal		<u>1,971,681</u>
Acceptance payables		<u>765,763</u>
Other payables		
	Payables for fixed income financial assets settlement	1,228,176
	Temporary receipts	1,090,265
	Sundry client creditors	371,891
	Cheque collection	278,765
	Others (Note)	<u>292,604</u>
Subtotal		<u>3,261,701</u>
Total		<u><u>\$ 7,166,636</u></u>

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

Standard Chartered Bank (Taiwan) Limited
Deposits and Remittances
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Checking deposits		\$ 4,538,369
Demand deposits		168,407,307
Time deposits		184,971,586
Savings deposits	Savings deposits	129,276,505
	Time savings deposits	90,442,430
Trust fund with designated purpose		157,209
Remittances		<u>66,636</u>
		<u><u>\$ 577,860,042</u></u>

Standard Chartered Bank (Taiwan) Limited**Other Financial Liabilities****June 30, 2011**

Item	Description	Amount
Structured deposit		\$ 14,159,516
Derivative financial liability for hedging		<u>519,019</u>
		<u><u>\$ 14,678,535</u></u>

Standard Chartered Bank (Taiwan) Limited

Financial Debentures

June 30, 2011

Bond	Conditions for trading			Financial debentures		Notional amount
	Issuing date	maturity date	Coupon rate%	Type	Face value	
91-1A subordinated debentures	2002.7.19	2007.7.19	(Note 1)	A	\$ 10,000	1,000
94-1 subordinated debentures	2005.1.28	(Note 2)	(Note 3)	-	10,000	12,700
98-1 subordinated debentures	2009.10.28	2019.10.28	(Note 4)	-	10,000	10,000,000
98-2 subordinated debentures	2009.12.11	(Note 2)	(Note 5)	-	4,798,704 (Note 6)	4,307,796
98-3 subordinated debentures	2009.12.11	(Note 2)	(Note 5)	-	4,798,704 (Note 6)	4,307,796
100-1 senior unsecured bond	2011.5.19	2013.5.19	(Note 7)	A	1,000	800,000
	2011.5.19	2014.5.19	"	B	1,000	100,000
	2011.5.19	2015.5.19	"	C	1,000	650,000
	2011.5.19	2016.5.19	"	D	1,000	6,150,000
	2011.5.19	2017.5.19	"	E	1,000	1,000,000
	2011.5.19	2018.5.19	"	F	1,000	2,550,000
	2011.5.19	2013.5.19	"	G	1,000	3,700,000
	2011.5.19	2016.5.19	"	H	1,000	400,000
	2011.5.19	2018.5.19	"	I	1,000	4,000,000
100-2 senior unsecured bond	2011.6.8	2016.6.8	(Note 8)	-	1,000	500,000
100-3 senior unsecured bond	2011.6.23	2013.6.23	(Note 9)	A	1,000	950,000
	2011.6.23	2013.6.23	"	B	1,000	700,000
	2011.6.23	2016.9.23	"	C	1,000	1,100,000

Standard Chartered Bank (Taiwan) Limited

Financial Debentures (Continued)

June 30, 2011

Bond	Conditions for trading			Financial debentures		Notional amount
	Issuing date	maturity date	Coupon rate%	Type	Face value	
100-4 senior unsecured bond	2011.6.29	2014.6.29	(Note 10)	A	\$ 1,000	2,000,000
	2011.6.29	2013.6.29	"	B	1,000	400,000
	2011.6.29	2014.6.29	"	C	1,000	1,000,000
	2011.6.29	2021.6.29	"	D	1,000	<u>2,000,000</u>
						46,629,292
Mark-to-market adjustment on hedged items						<u>111,273</u>
						<u>\$ 46,740,565</u>

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: Face value is USD150,000 thousands.

Note 7: Annual interest rate of 100-1A:1.03%; B:1.170%; C:1.32%; D:1.45%; E:1.51%; F:1.60%; G, H and I: TWD 90-day CP interest rate.

Note 8: Annual interest rate: 1.451%; interest payable quarterly.

Note 9: Annual interest rate of 100-3 A:1.04%; B: TWD 90-day CP interest rate; C:1.40%; interest payable quarterly.

Note 10: Annual interest rate of 100-4 A:1.32%; B, C and D: TWD 90-day CP interest rate plus 0.15%.

Standard Chartered Bank (Taiwan) Limited
Other Liabilities
June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Accrued pension liabilities		\$ 802,140
Unearned receipts		568,516
Taxes payable		407,267
Deposits received		131,912
Receipts under custody for derivatives		446,212
Deferred revenue		147,377
Unsettlement payable		817,000
Others (Note)		49,085
		<u>\$ 3,369,509</u>

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

Standard Chartered Bank (Taiwan) Limited
Interest Income
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Interbank transactions	Balances at Central Bank	\$ 43,380
	Loans and advances to banks	<u>122,908</u>
	Subtotal	166,288
Loans and advances to customers	Loans and overdrafts	4,872,218
Credit cards (revolving)		227,936
Financial assets at fair value through profit or loss		46,324
Available-for-sale financial assets		866,237
Others (note)		<u>321,091</u>
Total		<u><u>\$ 6,500,094</u></u>

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

Standard Chartered Bank (Taiwan) Limited
Interest Expenses
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Deposits	Time deposits	\$ 1,567,361
	Demand deposits	<u>222,575</u>
	Subtotal	<u>1,789,936</u>
Distributions for trust revenue		<u>1,045</u>
Deposits by and loans from other banks	Deposits by and loans from other banks	53,872
	Financial debentures	<u>305,822</u>
	Subtotal	<u>359,694</u>
Structured Deposits		31,055
Others (Note)		<u>50,835</u>
		<u><u>\$ 2,232,565</u></u>

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

Standard Chartered Bank (Taiwan) Limited
Fees and Commission, Net
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Fees and commission income	Trust fee	\$ 1,775,014
	Wealth management fee	51,881
	Credit card fee	149,458
	Loans fee	421,064
	Warranty, imports and exports fee	48,182
	Agency commission	65,428
	Others (Note)	<u>182,789</u>
		<u>2,693,816</u>
Fees and commission expenses	Agency commission	104,060
	Interbank transaction service fee	63,939
	Custody fee	51,416
	Others (Note)	<u>28,356</u>
		<u>247,771</u>
		<u><u>\$ 2,446,045</u></u>

Note: The amount 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 six months period ended June 30, 2011
(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	\$ (27,673)	7,163	(20,510)
Negotiable certificates of deposits	-	(21,173)	(21,173)
Corporate bonds, financial bonds and treasury bills	<u>53,504</u>	<u>18,575</u>	<u>72,079</u>
Subtotal	<u>25,831</u>	<u>4,565</u>	<u>30,396</u>
Derivatives	<u>(438,633)</u>	<u>814,628</u>	<u>375,995</u>
Total	<u><u>\$ (412,802)</u></u>	<u><u>819,193</u></u>	<u><u>406,391</u></u>

Standard Chartered Bank (Taiwan) Limited
Realized Gain and Loss on Available-for-sale
Financial Assets
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Government bonds	Net gain on sale	\$ 324
Corporate bonds and financial bonds	Net loss on sale	(23)
Treasury bills	Net gain on sale	289
		<u>\$ 590</u>

Standard Chartered Bank (Taiwan) Limited
Other Non-interest Income(Loss) for Sundries, Net
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Other non-interest income for sundries:		
	Security brokage commissions	\$ 75,377
	Net gain on hedging derivatives	65,742
	Rental income	12,426
	Investment income from financial assets carried at cost	<u>16,594</u>
		<u>170,139</u>
Other non-interest loss for sundries:		
	Other (Note)	<u>6,575</u>
Net income		<u><u>\$ 163,564</u></u>

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

Standard Chartered Bank (Taiwan) Limited
Staff Costs
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Salaries		\$ 2,425,743
Labor and health insurance		163,596
Pension		223,801
Others		<u>122,045</u>
		<u><u>\$ 2,935,185</u></u>

Standard Chartered Bank (Taiwan) Limited
Depreciation and Amortization Expenses
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Depreciation	Land and buildings	\$ 38,299
	Office equipment	55,781
	Leasehold improvements	79,308
	Other equipment	<u>103,064</u>
Subtotal		<u>276,452</u>
Amortization	Computer software	<u>40,249</u>
		<u>\$ 316,701</u>

Standard Chartered Bank (Taiwan) Limited
General and Administrative Expenses
For the six months period ended June 30, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Rental expenses	\$ 274,080
Postage	113,861
Maintenance and repairs expenses	73,150
Advertising expenses	78,031
Taxes and dues	275,465
Professional service fees	82,066
Head office administrative expenses and other technical support fees	953,305
Others (Note)	<u>321,783</u>
Total	<u><u>\$ 2,171,741</u></u>

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

STANDARD CHARTERED BANK
(TAIWAN) LIMITED SECURITIES DEPARTMENT
Financial Statements
June 30, 2011 and 2010

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED-SECURITIES DEPARTMENT

Balance Sheets

June 30, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

Assets	2011		2010		Liabilities and Stockholders' Equity	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 4(1))	\$ 7,918	-	190	-	Financial liabilities measured at fair value through profit or loss – current (notes 4(8) and (9))	\$ 883,536	3	-	-
Financial assets at fair value through profit or loss – current (notes 4(2) and (9))	8,519,348	33	6,956,519	32	Financing securities guaranteed deposits	13,178	-	13,919	-
Bonds purchased under reserve repurchase agreements (note 4(3))	2,068,587	8	-	-	Financing securities guaranteed proceeds payable	14,536	-	15,381	-
Receivables from securities financing	802,735	3	956,479	4	Accounts payables	1,233,690	5	2,186,666	10
Securities refinancing margin deposits	457	-	-	-	Other payables	-	-	5	-
Receivables from securities refinancing	507	-	-	-	Total current liabilities	<u>2,144,940</u>	<u>8</u>	<u>2,215,971</u>	<u>10</u>
Accounts receivables	2,174,080	8	1,669,870	8	Other liabilities:				
Available-for-sale financial assets – current (notes 4(4), (9) and 6)	12,252,591	47	11,800,205	55	Breach of Contract Losses Default Reserve	-	-	70,672	-
Other current assets	3,316	-	65	-	Reserve for trading losses	-	-	85,148	1
Total current assets	<u>25,829,539</u>	<u>99</u>	<u>21,383,328</u>	<u>99</u>	Inter-departmental account	21,668,838	83	17,052,199	79
Property and equipment (note 4(5)):					Total other liabilities	<u>21,668,838</u>	<u>83</u>	<u>17,208,019</u>	<u>80</u>
Cost:					Total liabilities	<u>23,813,778</u>	<u>91</u>	<u>19,423,990</u>	<u>90</u>
Equipment	42,336	-	59,956	-	Stockholders' equity:				
Leasehold improvements	17,082	-	607	-	Designated capital	2,000,000	8	2,000,000	9
	59,418	-	60,563	-	Unappropriated earnings	156,318	1	124,251	1
Less: Accumulated depreciation	38,017	-	33,810	-	Unrealized gain on financial assets	79,776	-	68,785	-
Total property and equipment, net	<u>21,401</u>	<u>-</u>	<u>26,753</u>	<u>-</u>	Total stockholders' equity	<u>2,236,094</u>	<u>9</u>	<u>2,193,036</u>	<u>10</u>
Intangible assets	<u>185</u>	<u>-</u>	<u>1,003</u>	<u>-</u>	Significant commitments and contingencies				
Other assets (note 4(6))	<u>198,747</u>	<u>1</u>	<u>205,934</u>	<u>1</u>	Total liabilities and stockholders' equity	<u>\$ 26,049,872</u>	<u>100</u>	<u>21,617,026</u>	<u>100</u>
Securities brokerage debit account (note 4(7))	<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>					
Total assets	<u>\$ 26,049,872</u>	<u>100</u>	<u>21,617,026</u>	<u>100</u>					

See accompanying notes to financial statements.

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

Statements of Income

For the six months periods ended June 30, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	2011		2010	
	Amount	%	Amount	%
Revenues:				
Securities brokerage commissions	\$ 75,377	29	83,885	35
Gain on sale of securities – dealer (note 4(2))	22,199	8	41,221	17
Interest income (note 4(2))	131,881	51	102,155	42
Gain on valuation of securities (note 4(2))	25,738	10	11,336	5
Commission revenue for futures	2,748	1	-	-
Other operating income	<u>2,173</u>	<u>1</u>	<u>3,777</u>	<u>1</u>
Total revenues	<u>260,116</u>	<u>100</u>	<u>242,374</u>	<u>100</u>
Expenses:				
Handling charges – brokers	4,382	2	4,706	2
Handling charges – dealers	366	-	711	-
Handling charges – refinancing	37	-	23	-
Interest expense	22	-	25	-
Operating expenses (note 10)	94,750	36	111,595	46
Non-operating expense and losses	<u>4,241</u>	<u>2</u>	<u>1,063</u>	<u>1</u>
Total expenses	<u>103,798</u>	<u>40</u>	<u>118,123</u>	<u>49</u>
Operation net income	<u>156,318</u>	<u>60</u>	<u>124,251</u>	<u>51</u>
Profit from continuing operation before income tax	156,318	60	124,251	51
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income	\$ <u><u>156,318</u></u>	<u><u>60</u></u>	\$ <u><u>124,251</u></u>	<u><u>51</u></u>

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

Notes to Financial Statements

June 30, 2011 and 2010

(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 June 30, 2011, 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:

(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.

(Continued)

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.

(Continued)

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.

(Continued)

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 and trading loss reserve

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.

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.

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

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 Company 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.

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

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.
- 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

Effective from January 1, 2011, the Bank newly adopted the third amended SFAS No. 34 "Accounting for the Financial Instruments: Recognition and Measurement." In accordance with the revised SFAS No. 34, initial loans and receivables are applied to the statement of recognition, subsequent evaluation and impairments to loans and receivables. In addition, trouble debt restructuring and modification of debt agreements are also accounted for in accordance with revised SFAS No. 34 commencing from January 1, 2011. Therefore, the changes in accounting principle does not have significant impact on the financial statements for the six month period ended June 30, 2011.

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

	June 30, 2011	June 30, 2010
Company accounts:		
Checking accounts	\$ <u>7,918</u>	<u>190</u>

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

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

Operating securities — dealership

	June 30, 2011	June 30, 2010
Government bonds	\$ 1,086,638	1,806,139
Corporate bonds	<u>7,423,724</u>	<u>5,153,699</u>
Subtotal	8,510,362	6,959,838
Valuation adjustment	<u>8,986</u>	<u>(3,319)</u>
Total	<u>\$ 8,519,348</u>	<u>6,956,519</u>

For the six month periods ended June 30, 2011 and 2010, the details of gains arising from financial assets at fair value through profit or loss were as follows:

	June 30, 2011	June 30, 2010
Gain on sale of Securities-dealer	\$ <u>22,199</u>	<u>41,221</u>
Gain on valuation of securities	\$ <u>25,738</u>	<u>11,336</u>
Interest income	\$ <u>47,575</u>	<u>43,693</u>

3) Bonds purchased under reserve repurchase

	June 30, 2011	June 30, 2010
Receivables from securities financing	\$ <u>2,068,587</u>	<u>-</u>

As of June 30, 2011, the settlement date for bills and bonds sold under resell agreements was July 14, 2011; interest rates of the aforementioned resell agreements ranged from 0.55% to 0.60%. The contracted prices for the aforementioned resell agreements was \$2,068,700 thousand.

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

4) Available-for-sale financial assets – current

Operating securities – dealership

	June 30, 2011	June 30, 2010
Government bonds	\$ 10,535,101	7,280,325
Corporation bonds	837,827	3,170,486
Financial debentures	799,887	899,899
Beneficiary certificates	-	380,710
Subtotal	<u>12,172,815</u>	<u>11,731,420</u>
Valuation adjustment	<u>79,776</u>	<u>68,785</u>
Total	<u>\$ 12,252,591</u>	<u>11,800,205</u>
Interest income	<u>\$ 56,246</u>	<u>27,837</u>

5) Property and equipment

	Cost	June 30, 2011 Accumulated depreciation	Net
Office and other equipment	\$ 42,336	33,081	9,255
Leasehold improvements	<u>17,082</u>	<u>4,936</u>	<u>12,146</u>
Total	<u>\$ 59,418</u>	<u>38,017</u>	<u>21,401</u>

	Cost	June 30, 2010 Accumulated depreciation	Net
Office and other equipment	\$ 59,956	33,495	26,461
Leasehold improvements	<u>607</u>	<u>315</u>	<u>292</u>
Total	<u>\$ 60,563</u>	<u>33,810</u>	<u>26,753</u>

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

6) Other assets

	June 30, 2011	June 30, 2010
Refundable deposits – securities settlement fund	\$ 198,069	204,531
Refundable deposits – other	<u>678</u>	<u>1,403</u>
Total	<u>\$ 198,747</u>	<u>205,934</u>

As of June 30, 2011 and 2010, 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 \$198,069 thousand dollars and \$204,531 thousand dollars, respectively as securities settlement fund, recorded as refundable deposits as of 30,2011 and 2010.

7) Securities brokerage debit (credit) account - net

	June 30, 2011	June 30, 2010
Securities brokerage debit accounts:		
Receivable price of securities purchased for customers	\$ <u>12</u>	<u>358</u>
Securities brokerage credit accounts:		
Price payable of securities sold for customers	<u>12</u>	<u>350</u>
Total	<u>\$ -</u>	<u>8</u>

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

	June 30, 2011	June 30, 2010
Financial liabilities held for trading:		
Borrowed securities payable	\$ 883,713	-
Adjustments in value of borrowed securities payable	<u>(177)</u>	<u>-</u>
Total	<u>\$ 883,536</u>	<u>-</u>

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

9) 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 June 30, 2011 and 2010, the fair values of the Company's financial assets and liabilities evaluated using valuation techniques were as listed below:

Account	Amount	
	June 30, 2011	June 30, 2010
Financial assets at fair value through profit or Loss – current	\$ 8,519,348	6,956,519
Available-for-sale financial assets – current	12,252,591	11,800,205
Financial liabilities at fair value through profit or loss – current	883,536	-

(Continued)

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 six month periods ended June 30, 2011 and 2010, brokerage commissions with the related parties from securities trading were as follows:

Name of related party	June 30, 2011		June 30, 2010	
	Amount	%	Amount	%
Income by individual related parties not over 1% of total income	\$ <u>54</u>	<u>-</u>	<u>82</u>	<u>-</u>

(Continued)

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 June 30, 2011 and 2010, the Company provided the assets below as refundable security deposits for securities operation.

Security deposits	Purpose	Amount	
		June 30, 2011	June 30, 2010
Operating securities – Government bonds (recorded as available-for-sale financial assets as of June 30, 2011 and 2010)	Security deposits for futures trading	\$ 35,000	35,000
	Security deposits for security brokerage	200,000	190,000
		<u>235,000</u>	<u>225,000</u>
Certificates of deposits (recorded as refundable deposits as of June 30, 2011 and 2010)	Security deposits for bond underwriting	10,000	-
		\$ <u>245,000</u>	<u>225,000</u>

(7) Significant Commitments and Contingencies: none.

(8) Significant Disaster Losses: none.

(9) Significant of Subsequent Events: none.

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

(10) Others

Summary of staff cost, depreciation and amortization expenses for the years ended June 30, 2011 and 2010 is as follows:

	2011			2010		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Staff cost						
Salaries	-	43,512	43,512	-	43,848	43,848
Labor and health insurance	-	3,725	3,725	-	2,958	2,958
Pension	-	4,606	4,606	-	3,807	3,807
Others	-	1,597	1,597	-	1,018	1,018
Depreciation	-	4,072	4,072	-	1,791	1,791
Amortization	-	158	158	-	319	319

(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