

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

December 31, 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 December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Standard Chartered Bank (Taiwan) Limited as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks, the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles.

Standard Chartered Bank (Taiwan) Limited has prepared its consolidated financial statements for the Bank and its subsidiaries as of the years ended December 31, 2011 and 2010, on which we have expressed an unqualified audit opinion.

KPMG
March 23, 2012

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

Standard Chartered Bank (Taiwan) Limited
Balance Sheets
December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars, except for par value)

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

See accompanying notes to the financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Income

For the years ended December 31, 2011 and 2010

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

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

See accompanying notes to the financial statements.

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

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

Note: The employee bonus was recognized as operating expenses — staff costs in statement 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 December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

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

See accompanying notes to the financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

December 31, 2011 and 2010

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

(1) Organization

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

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

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

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

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

As of December 31, 2011 and 2010, the numbers of employees employed by the Bank were 3,853 and 4,015, respectively.

(2) Summary of Significant Accounting Policies

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the 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 the preparation of the financial statements.

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

2) Foreign currency transactions

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

3) Cash and cash equivalents

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

4) Reserves for deposits

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the 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 the 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. The difference between the fair value and the unamortized cost is the unrealized gain or loss, which is accounted for as an adjustment to stockholders' equity. When available-for-sale financial assets are sold or derecognized, cumulative gain or loss previously recognized in stockholders' equity is recognized in the income statement. Interest income and cash dividends are recorded under "interest income" and "realized gain on available-for-sale financial assets", respectively. Cash dividends are recognized as revenue on the ex-dividend date or the date that the board declares the cash dividends. Stock dividends are not recognized as income but treated as an increase in the number of shares held.

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the 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 offset the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the 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 in less than a year is called short-term credit; credit maturing more than one year but less than seven years is called medium-term credit; and credit maturing more than seven years is called long-term credit. Loans with collateral, pledged assets and qualified guarantees to secure credit are secured loans.

Loans are recorded initially at principal and reported at their outstanding balances after netting with any provisions for doubtful accounts. In accordance with the Financial Supervisory Commission ("FSC") for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, an allowance for doubtful accounts is determined by evaluating the collectability of loans and days past due of receivables (including non-performing loans, overdue receivables, and interest receivable) and of advance accounts. Any non-performing loans or non-accrual loans, after subtracting the estimated recoverable portion, having one of the following characteristics shall be written off:

- a) The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- b) The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Bank might collect from the debtors where there is no financial benefit in execution.
- c) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the Bank's taking possession of such collateral.
- d) More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the collection efforts have failed.
- e) Other non-performing loans or non-accrual loans for which it has been ascertained that the efforts of collection have failed.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the 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 a reliable measure becomes available for the aforementioned financial assets for which such a measure was previously not available, the financial assets should be measured at fair value and reclassified as available-for-sale. If there is objective evidence of impairment, the impairment loss should be recognized. Such impairment losses are not allowed to be reversed.

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

13) Property and equipment, and related depreciation

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

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

Except for land, depreciation of property and equipment is calculated using the straight-line method over its estimated useful life. Gains or losses on the disposal of property and equipment are recorded as other non-interest income or losses.

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

18) Financial debentures

The issuance of a debt instrument is recorded at its fair value using a valuation technique. If the issuing price of such debt instrument is different from its face value, the difference is amortized as interest income or expense by the interest method over the period from the acquisition date to the maturity date.

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

19) Provisions for liabilities and charges

In accordance with the Rules Governing Securities Firms ("RGSF"), if the profit for trading securities for the Bank's own account exceeds the amount of loss, 10% of the portion in excess on a monthly basis is allocated as a trading loss reserve. The trading loss reserve cannot be used except for the purpose of covering the amount of trading loss in excess of the amount of trading profit. When the accumulated amount of the trading loss reserve reaches NT\$200,000 thousand, allocation may cease.

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

According to the RGSF, 0.0028% of the transaction price of the traded securities (for customers' accounts) must be provided on a monthly basis as reserve for breach of contract losses default reserve. The default reserve for breach of contract losses cannot be used except for the purpose of covering the losses caused by breach of contract in trading on customers' accounts or for a purpose approved by the Securities and Futures Bureau. When the accumulated default reserve for breach of contract losses reaches NT\$200,000 thousand, allocation will cease.

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

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

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

20) Pension

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the 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.

21) Share-based compensation

The Standard Chartered PLC Group has set up several share-based compensation schemes. The fair value of share-based awards measured due to the services rendered by employees shall be recognized as an expense at the grant date.

For equity-settled share-based payments, the total amount to be recognized as expenses over the vesting period is determined by the fair value of the equity instruments granted, excluding the impact of any non-market vesting conditions, such as profitability and the index of growth rate. The fair value of equity instruments granted shall be based on market prices, if available, at the date of grant. If the market price is not available, the fair value of the equity instruments granted is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the share-based transactions. During the vesting period, the Bank revises its original estimates of the number of share options that are expected to be exercised. The Bank recognizes the impact of the revision of original estimates, if any, in current period profit or loss.

22) Employee bonuses and directors' and supervisors' remuneration

Employee bonuses and directors' and supervisors' remuneration appropriated after January 1, 2008, are accounted for by Interpretation Letter No. Ji-Mi-Zih-052 issued by the Accounting Research and Development Foundation ("ARDF"). The Bank estimates the amount of employee bonuses and directors' and supervisors' remuneration according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as current period profit or loss.

23) Revenue recognition

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the 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.

24) Income tax

Estimation of income tax expense is based on the financial income recognized in accordance with financial accounting standards. Due to the differences between the income tax amount in the financial statements and the tax basis of asset and liability accounts, deferred income tax is recognized by taking into account the income tax consequences and enacted tax rates for the periods in which deferred tax liabilities or assets are expected to be settled or realized. The deferred income tax consequences attributable to taxable temporary differences are recognized as deferred tax liabilities. The deferred income tax consequences attributable to deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred tax assets. The probability of realization of a deferred tax asset is evaluated, and a valuation allowance account is recognized accordingly.

The items that are directly debited or credited to stockholders' equity do not affect pretax financial income for the current period but are, according to the tax laws, included in taxable income, affecting current income tax. Items that are directly debited or credited to stockholders' equity are not included in taxable income, but a difference between the tax basis and the book value of the related asset or liability will arise. When the related asset or liability is recovered or settled, a taxable or deductible amount will result. The deferred tax asset or liability is recognized in the current period.

In accordance with the R.O.C. Income Tax Act, an additional income tax at the rate of 10 percent on undistributed earnings is recognized as current income tax expense in the year of the resolution in the shareholders' meeting to distribute earnings.

The Income Basic Tax Act was announced and became effective on January 1, 2006. The calculation of the Bank's basic income is the sum of the taxable income as defined in accordance with the Income Tax Act and the provisions or tax benefits that are included in the Income Tax Act and other laws. The amount of basic tax of the Bank is the amount of basic income as calculated in accordance with the preceding rules, with a deduction of NT\$2,000 thousand, and then multiplied by the tax rate (10%) prescribed by the Executive Yuan. The greater of income basic tax expense or income tax expense is the current tax expense actually paid by the Bank.

25) Earnings per share of common stock

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

26) Operating segment

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

(3) Changes in Accounting Principle

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

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

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

4) Bills and bonds investments under reverse sell agreements

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

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

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

5) Accounts receivables, net

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

6) Loans and advances to customers

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

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

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

7) Available-for-sale financial assets

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

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

B. Sensitivity analysis

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

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

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

C. As of December 31, 2011 and 2010, there was no actual credit loss on the securitized mortgage loan; therefore, the expected static pool default rate was equal to the expected default rate.

D. Cash flows

The cash flows received from or paid to securitization trusts for the years ended December 31, 2011 and 2010, were summarized as follows:

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

	December 31, 2011			December 31, 2010		
	Percentage of ownership	Investment cost	Book value	Percentage of ownership	Investment cost	Book value
Equity method:						
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	\$ 21	258,244	100.00	21	65,175
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	21,335	100.00	368	11,517
		<u>\$ 389</u>	<u>279,579</u>		<u>389</u>	<u>76,692</u>
Financial assets carried at cost:						
Fuji Enterprise Management Consulting Co., Ltd	0.99	\$ -	-	0.99	-	-
Taiwan Small and Medium Enterprises Development Corp.	4.84	29,000	29,000	4.84	29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500	1.14	45,500	45,500
Taipei Forex Inc.	3.18	6,673	6,673	3.18	6,673	6,673
TSC Bio Venture Management, Inc.	5.00	20,250	20,250	5.00	20,250	20,250
Liyu Venture Investment, Inc.	4.76	10,080	10,080	4.76	10,080	10,080
Windance Co., Ltd.	2.73	188,500	188,500	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000	2.94	50,000	50,000
Yang Guang Asset Management Company	1.42	849	849	1.42	849	849
Taiwanpay Corporation	3.35	2,468	2,468	3.35	2,468	2,468
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277	0.17	9,277	9,277
Taiwan Cooperative Financial Holdings	-	-	-	5.24	94,546	94,546
Subtotal		<u>362,597</u>	<u>362,597</u>		<u>457,143</u>	<u>457,143</u>
Less: accumulated impairment		<u>-</u>	<u>204,595</u>		<u>-</u>	<u>218,044</u>
		<u>\$ 362,597</u>	<u>158,002</u>		<u>457,143</u>	<u>239,099</u>

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

9) Property and equipment

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

10) Intangible assets

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

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

11) Other assets

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

12) Deposits and remittances

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

13) Financial debentures

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

Bond	Conditions for issuance	December 31, 2011	December 31, 2010
91-1A	5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	\$ 1,000	1,200
94-1	No maturity date, interest payable semi-annually, based on the average one-year regular floating rate of the nine largest banks plus 1.493%	4,100	8,900
94-2	No maturity date, interest payable semi-annually, based on the average one-year regular floating rate of the nine largest banks plus 1.493%	5,900	9,400
98-1	10-year term, interest payable quarterly, annual interest rate for the first 5 years is 2.9% and 3.4% for the last 5 years; maturity date: October 28, 2019	10,000,000	10,000,000
98-2	No maturity date, interest payable quarterly, annual interest rate from issuance date to June 11, 2015, is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,540,436	4,554,814
98-3	No maturity date, interest payable quarterly, annual interest rate from issuance date to June 11, 2015, is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,540,436	4,554,814
100-1A	2-year term, interest payable quarterly, annual interest rate is 1.03%; maturity date: May 19, 2013	800,000	-
100-1B	3-year term, interest payable quarterly, annual interest rate is 1.17%; maturity date: May 19, 2014	100,000	-
100-1C	4-year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	650,000	-
100-1D	5-year term, interest payable quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000	-
100-1E	6-year term, interest payable quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	1,000,000	-
100-1F	7-year term, interest payable quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000	-
100-1G	2-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2013	3,700,000	-
100-1H	5-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2016	400,000	-
100-1I	7-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2018	4,000,000	-
100-2	5-year term, interest payable quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000	-
100-3A	2-year term, interest payable quarterly, annual interest rate is 1.04%; maturity date: June 23, 2013	950,000	-
100-3B	2-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: June 23, 2013	700,000	-

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

The board of directors approved the issuance of the 91-1A subordinated debentures at a total amount \$8,000,000 thousand on April 2, 2002; the MOF then approved this issuance on June 27, 2002 and the related subscription was completed in July 2002.

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

14) Interest income

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

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

15) Other non-interest income, net

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

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

16) Pension

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

17) Share-based payments

Standard Chartered PLC Group (the "SC PLC Group") has established five main share-based payment schemes for its directors and employees. For the years ended December 31, 2011 and 2010, the share-based payment schemes adopted by the Bank were as follows:

A. International Sharesave Schemes

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

The option movements of the ISS were as follows:

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

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

B. Restricted share award (restricted share scheme)

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

The option movements of the RSS were as follows:

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

2011

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

2010

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

C. Executive share option scheme

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

D. Performance share award (performance share plan)

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

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

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

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

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

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

2011

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

2010

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

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

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

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

The option movements of the SRSS were as follows:

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

2011

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

2010

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

18) Income tax

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

In accordance with the R.O.C. Income Tax Act, assessed net loss can be carried forward for ten consecutive years to reduce taxable income. As of December 31, 2011, the amount of loss carryforwards and the year of expiry were as follows:

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

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

19) Stockholders' equity

A. Common stock

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

B. Capital surplus

The R.O.C. Company Act as amended in January 2012 requires capital surplus to be used to offset an accumulated deficit before capitalization to shareholders' equity with the restriction that capital surplus can never be distributed as cash dividends. The aforementioned capital surplus includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank. In accordance with "Regulations Governing the Offering and Issuance of Securities", the amount of capital surplus capitalized each year may not exceed 10 percentage of the Bank's issued share capital.

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the Financial Statements****C. Legal reserve and appropriated special reserve**

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

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

D. Dividend policy and appropriation of earnings

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

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

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

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

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

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

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

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

E. Weighted-average outstanding shares of common stock

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

20) Disclosure of financial instruments

A. Fair value of financial instruments

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

- a. The book value of financial instruments which have a short maturity period will be considered as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, balances at Central Bank and loans and advances to banks, bills and bonds purchased under reverse repurchase agreements, accounts receivables, refundable deposits recorded as other assets, deposits by Central Bank and other banks, bills and bonds sold under repurchase agreements, payables, and guarantee deposits.
- b. The fair value of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets is the quoted market prices if the instruments are actively traded in the market. If a quoted market price is unavailable, the fair value is determined based on certain valuation techniques.
- c. The interest on loans and advances to customers is mainly based on floating rates. Therefore, the book value is approximately equal to the fair value.
- d. Other financial assets held by the Bank include unlisted equity shares over which the Bank is unable to exercise significant influence and derivatives that are linked to or deemed to be settled by the aforementioned shares. In accordance with the guidelines for preparation of financial statements by public banks, the aforementioned financial assets shall be evaluated at cost.
- e. Most deposits and remittances mature in less than one year, and therefore the book value is equal to the fair value. The fair value of deposits with maturity over one year is the net present value of future cash flows.
- f. Financial debentures are financial liabilities with mainly floating interest rates, and therefore their fair value is equal to their carrying value.
- g. When derivatives and structured notes lack quoted market prices in active markets, the Black-Scholes model is applied to calculate the fair value of option contracts; forward contracts are evaluated individually using the rates quoted on the FBS system to discount their future cash flows to present values; interest rate swap and cross-currency swap contracts are evaluated individually using quotes from counterparties or from the Reuters system to discount their future cash flows to present value.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

C. Financial risk management and risk information

a. Market risk

The Bank mainly applies value at risk to assess the market risk of financial instruments. When negative changes in market factors arise, the value at risk states the potential losses at certain holding periods and confidence levels. The Bank estimated its value at risk for each held or issued financial instrument based on the fluctuation of the related historical price during the previous 260 trading days.

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

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

b. Credit risk

Potential losses on financial instruments held or issued by the Bank may arise due to nonfulfillment of contractual obligations by the counterparties. When placing loans, loan commitments, or loan guarantees, the Bank conducts its credit assessment on the counterparty. As of December 31, 2011 and 2010, the percentages of loans with collateral were 69.55% and 74.34%, respectively. The collateral obtained from loans, commitments, and guarantees consisted of cash and cash equivalents, inventories, marketable securities, and other assets. When counterparties breach agreements or contracts, the Bank has rights over the collateral, which mitigates the credit risk. However, when disclosing the amount of maximum credit risk exposure, the fair value of collateral is ignored. No additional disclosure was provided for financial assets associated with credit risks since their book value, net of corresponding valuation allowance, reflects their maximum credit exposures.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

The amount of the abovementioned credit risk was assessed based on the financial instruments with positive fair value at the balance sheet date. Concentration of credit risk refers to the significant risks from all financial instruments, regardless of whether the risks are from an individual counterparty or group of counterparties. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank maintains positions in a number of industries and with a variety of counterparties or obligors.

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

c. Liquidity risk

As of December 31, 2011 and 2010, the liquidity reserve ratios were 51.96% and 37.98%, respectively; liquidity risk of derivatives instruments held by the Bank is low except for interest rate swaps, which had a leverage effect. Therefore, this limits the exposure to liquidity risk.

One of the most important aspects of the Bank's management is to match its assets and liabilities with related interest rates and durations. Due to variation and uncertainties of contractual terms, the interest rates and maturity dates of assets and liabilities may not be matched; therefore, this can cause considerable profit or loss. As of December 31, 2011 and 2010, the liquidity of the Bank was assessed by grouping of assets and liabilities over various duration periods from the balance sheet date to an individual financial instruments contractual maturity. If the assets or liabilities have no contractual maturity date, they are classified to the "over 5 years" category.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Financial Assets	December 31, 2011				
	Within 3 months	3 months-1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 11,469,535	-	-	-	11,469,535
Balance at Central Bank and loans and advances to banks	71,371,584	3,026,957	-	-	74,398,541
Financial assets at fair value through profit or loss	40,867,691	-	-	-	40,867,691
Bills and bonds investments under reverse sell agreements	8,456,414	-	-	-	8,456,414
Loans and advances to customers, net	32,847,183	10,651,845	36,948,350	265,703,625	346,151,003
Available-for-sale financial assets, net	62,200,932	132,057,362	12,064,722	6,934,005	213,257,021
Other financial assets, net	28,268	3,820	488,876	366,067	887,031
Total	<u>\$ 227,241,607</u>	<u>145,739,984</u>	<u>49,501,948</u>	<u>273,003,697</u>	<u>695,487,236</u>
Financial Liabilities					
Deposits by Central Bank and other banks	\$ 17,243,476	1,146,913	-	-	18,390,389
Financial liabilities at fair value through profit or loss	14,863,355	-	-	-	14,863,355
Deposits and remittances	420,055,136	147,055,447	29,041,109	-	596,151,692
Financial debentures	-	-	18,600,092	28,912,078	47,512,170
Other financial liabilities	5,958,368	100,020	1,227,166	2,902,619	10,188,173
Total	<u>\$ 458,120,335</u>	<u>148,302,380</u>	<u>48,868,367</u>	<u>31,814,697</u>	<u>687,105,779</u>
Gap	<u>\$ (230,878,728)</u>	<u>(2,562,396)</u>	<u>633,581</u>	<u>241,189,000</u>	<u>8,381,457</u>
December 31, 2010					
Financial Assets	Within 3 months	3 months-1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 5,360,943	-	-	2,142,718	7,503,661
Balance at Central Bank and loans and advances to banks	42,666,650	1,491,266	-	55,494,342	99,652,258
Financial assets at fair value through profit or loss	5,010,237	11,932,529	9,862,304	1,600,900	28,405,970
Loans and advances to customers, net	31,854,186	10,721,507	34,753,236	267,171,746	344,500,675
Available-for-sale financial assets, net	35,105,139	126,272,778	12,261,533	4,699,167	178,338,617
Other financial assets, net	1,383	-	205,321	239,099	445,803
Total	<u>\$ 119,998,538</u>	<u>150,418,080</u>	<u>57,082,394</u>	<u>331,347,972</u>	<u>658,846,984</u>
Financial Liabilities					
Deposits by Central Bank and other banks	\$ 4,923,231	1,163,940	-	4,560,188	10,647,359
Financial liabilities at fair value through profit or loss	5,497,897	5,056,553	8,852,202	394,654	19,801,306
Deposits and remittances	390,855,572	167,097,729	32,665,227	-	590,618,528
Financial debentures	1,200	-	-	19,223,005	19,224,205
Other financial liabilities	3,565,558	-	694,590	7,200,000	11,460,148
Total	<u>\$ 404,843,458</u>	<u>173,318,222</u>	<u>42,212,019</u>	<u>31,377,847</u>	<u>651,751,546</u>
Gap	<u>\$ (284,844,920)</u>	<u>(22,900,142)</u>	<u>14,870,375</u>	<u>299,970,125</u>	<u>7,095,438</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 828,288,527	179,777,567	120,082,839	72,244,490	174,627,253	281,556,378
Capital used	845,379,289	121,583,216	184,292,171	108,323,178	89,799,803	341,380,921
Gap	(17,090,762)	58,194,351	(64,209,332)	(36,078,688)	84,827,450	(59,824,543)

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

(expressed in thousands of US dollars)

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 12,475,547	4,363,809	5,017,542	1,509,401	1,199,636	385,159
Capital used	12,618,871	4,209,749	4,914,597	1,108,572	1,508,339	877,614
Gap	(143,324)	154,060	102,945	400,829	(308,703)	(492,455)

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

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 833,800,989	189,464,605	80,025,133	68,575,128	155,934,615	339,801,508
Capital used	852,688,289	140,661,080	144,288,150	160,037,177	102,320,356	305,381,526
Gap	(18,887,300)	48,803,525	(64,263,017)	(91,462,049)	53,614,259	34,419,982

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

(expressed in thousands of US dollars)

	Total	Remaining period to expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 11,339,604	3,050,794	3,163,934	2,525,227	945,780	1,653,869
Capital used	11,129,921	4,167,413	3,140,695	1,057,170	612,288	2,152,355
Gap	209,683	(1,116,619)	23,239	1,468,057	333,492	(498,486)

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

Cash flow risk arises from assets and liabilities with floating interest rates held by the Bank where the cash flow may fluctuate due to changes in market interest rates. Fair value risk arises from changes in the fair value of fixed interest rates assets and liabilities held by the Bank due to change in market interest rates. Since such cash flow risk and fair value risk are assessed as potentially significant, the Bank has entered into interest rate swap contracts to mitigate the risk.

As of December 31, 2011 and 2010, the Bank presumed that the expected re-pricing dates and maturity dates were not affected by contractual terms. The interest rate risks listed below are stated based on the book value of financial assets and liabilities held by the Bank and classified based on the earlier of the maturity date or re-pricing date.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

(expressed in thousands of US dollars)

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 2,214,959	408,411	106,828	290,153	3,020,351
Interest-rate-sensitive liabilities	3,607,752	174,587	195,446	644,190	4,621,975
Interest-rate-sensitive spread	(1,392,793)	233,824	(88,618)	(354,037)	(1,601,624)
Net worth					57,159
Ratio of interest-rate-sensitive assets to liabilities (%)					65.35
Ratio of interest-rate-sensitive spread to net worth (%)					(2,802.05)

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

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

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

(expressed in thousands of US dollars)

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 1,704,555	649,959	71	210,680	2,565,265
Interest-rate-sensitive liabilities	561,550	1,991,467	114,387	317,445	2,984,849
Interest-rate-sensitive spread	1,143,005	(1,341,508)	(114,316)	(106,765)	(419,584)
Net worth					36,867
Ratio of interest-rate-sensitive assets to liabilities (%)					85.94
Ratio of interest-rate-sensitive spread to net worth (%)					(1,138.10)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

f. Operational risk

Operational risk can be defined as the risk of monetary losses resulting from inadequate or failure of internal processes, people, and systems or from external events. The Bank implements monitoring systems for operational risk exposures and losses for each major business lines. Risk management policies and procedures for controlling or mitigating operational risk are put in place and enforced through regular internal auditing.

g. Legal risk

Legal risk arises from the possibility that an entity may not be able to comply with regulations issued by the government and may not be able to enforce a contract against another party. Legal risk arises from possible risk of loss due to an unenforceable contract or an “ultra vires” act of a counterparty. Legal risk involves the potential illegality of the contract, as well as the possibility that the other party entered into the contract without proper authority. The legal affairs department of the Bank is responsible for providing professional legal consulting and review services for internal regulations and all counterparty's contracts, and making sure that the Bank follows the financial regulations and operational regulations.

D. Fair value hedge

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

E. Cash flow hedge

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

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

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

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

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

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

2) Significant transactions with related parties

A. Deposits

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

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

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

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

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

B. Loans

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

December 31, 2011							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	19	9,792	8,500	8,500	-	Unsecured lending	None
Mortgage	58	678,867	568,911	568,911	-	House	None
Others	3	13,105	12,267	12,267	-	Overdraft on the comprehensive deposits	None

December 31, 2010							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	13	7,959	5,439	5,439	-	Unsecured lending	None
Mortgage	49	437,913	393,972	393,972	-	House	None
Others	2	6,842	4,505	4,505	-	Overdraft on the comprehensive deposits	None

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

C. Deposits with affiliates

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

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

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

D. Loans and advances to affiliates

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

E. Deposits by affiliates from affiliates

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

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

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

F. Overdrafts to affiliates

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

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

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

G. Loans from affiliates

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

H. Derivative transactions

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

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

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

(Continued)

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

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

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

- K. In December 2004, the Bank sold the land and building located at No. 1-23 and No. 1-49, Dongmen Sec. 2, Hsinchu City, to Standard Chartered Life Insurance Agency. The contracted selling price was \$42,500 thousand, and the gain on disposal was \$23,130 thousand after deducting net book value and the related expenses. The Bank transferred the ownership in January 2005. As of December 31, 2010, unrealized gains from affiliated-company transactions amounted to \$22,641 thousand, recorded as other liabilities. As of December 31, 2011, Standard Chartered Life Insurance Agency Co., Ltd. had sold the above buildings and accordingly \$22,641 thousand has been realized.
- L. For the year ended December 31, 2011, head office administration fee, support expenses arising from regional headquarter, and wholesale banking operation were \$964,306 thousand, \$653,122 thousand, and \$278,306 thousand, respectively. For the year ended December 31, 2010, head office administration fee, support expenses arising from regional headquarter, and wholesale banking operation were \$962,911 thousand, \$544,498 thousand, and \$211,468 thousand, respectively. As of December 31, 2011 and 2010, head office administration fees and other expenses arising from professional technical support payable to SCB were \$3,761,788 thousand and \$1,815,937 thousand, respectively, recorded under accounts payables—related parties. Moreover, for the years ended December 31, 2011 and 2010, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to \$49,880 thousand and \$87,141 thousand, respectively. As of December 31, 2011 and 2010, the royalty expenses payable to SCB were \$53,284 thousand and \$83,715 thousand, respectively, recorded under accounts payables—related parties.
- M. For the year ended December 31, 2011 and 2010, the related cost of the Executive Share Option Scheme amounted to \$108,638 thousand and \$105,710 thousand, respectively. As of December 31, 2011 and 2010, accounts payable to SCB for the share-based payment scheme costs amounted to \$408,262 thousand and \$242,967 thousand, respectively, recorded under accounts payables—related parties.
- N. For the year ended December 31, 2011, the Bank received USD141,000 thousand from SCB for the recovery on the structured notes payments made previously.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

- P. As of December 31, 2011 and 2010, the deposits of Standard Chartered Life Insurance Agency Co., Ltd. were \$383,227 thousand and \$178,486 thousand, respectively, and the interest expenses were \$1,458 thousand and \$515 thousand, respectively, and the interest payables \$67 thousand and \$18 thousand, respectively. The deposits of Taiwan Standard Chartered Insurance Agency Co., Ltd. were \$33,071 thousand and \$20,794 thousand, respectively, and the interest expenses were \$138 thousand and \$48 thousand, respectively, and the interest payables \$6 thousand and \$1 thousand, respectively.
- Q. As of December 31, 2011 and 2010, the accounts receivable that the Bank supported Standard Chartered Life Insurance Agency Co., Ltd. for its sales were \$185,400 thousand and \$167,600 thousand, respectively, and the related service income were \$187,880 thousand and \$350,702 thousand, respectively. The accounts receivable that the Bank supported Taiwan Standard Chartered Insurance Agency Co., Ltd. for its sales were \$12,600 thousand and \$10,700 thousand, respectively, and the related service income were \$11,702 thousand and \$20,246 thousand, respectively.
- 3) The salary and remuneration of senior management.

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(6) Pledged Assets

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

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

Security deposits	Purpose	Amount	
		December 31, 2011	December 31, 2010
Bonds (recorded as available-for-sale financial assets)	Reserve for trust funds	\$ 25,000	150,000
	Reserve for indemnity obligations	150,000	150,000
	Security deposits for futures trading	35,000	35,000
	Security deposits for security brokerage	225,000	200,000
	Bid for bonds	-	10,000
Negotiable certificates of deposits (recorded as available-for-sale financial assets)	Security deposits for bill trading operations	<u>50,000</u>	<u>50,000</u>
		<u>485,000</u>	<u>595,000</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
		<u>110,000</u>	<u>110,000</u>
Total		<u>\$ 595,000</u>	<u>705,000</u>

- 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.

(Continued)

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

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

(7) Commitments and Contingent Liabilities

- 1) Significant service agreements

The Bank entered into a bancassurance agreement with PCA Life Assurance Co., Ltd. ("PCA") to promote and sell approved insurance policies in October 2007. Pursuant to the agreement, during the contract period from October 2007 to September 2015, the Bank should establish a sales team for PCA life insurance products, maintain a customer database, and exclusively sell such life insurance products underwritten by PCA through the distribution networks in Taiwan. In consideration of the exclusive distribution arrangement, PCA had paid to the Bank a facilitation fee of USD 32,000 thousand. The amounts of \$123,122 thousand were both recognized as fee income for the years ended December 31, 2011 and 2010, and the remaining amount was recorded as other liabilities – unearned receipts.

- 2) Significant purchase agreements

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

3) Operating leases

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

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

4) Others

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

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

Trust Balance Sheet

December 31, 2011

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Trust Balance Sheet

December 31, 2010

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

Trust Income Statements

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Schedules of investment for trust business

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

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

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

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

(10) **Others**

1) Summary of staff costs, depreciation and amortization expenses

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

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

2) Reclassification

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

A. Major foreign currency positions

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

B. Profitability

Unit: %

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

4) Capital adequacy

Capital adequacy ratios of the Bank are disclosed below:

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

5) Foreign currency financial assets and liabilities

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

6) IFRS transition disclosure requirements

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

(11) Other Disclosure Items

1) Related information on material transaction items:

- A. Information regarding long-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
- B. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
- C. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- b. Information on individual NPL sales transactions of more than \$1 billion (exclusive of sales to related parties): None
- G. Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: none.
- H. Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: none.
- 2) Information on long-term equity investments:
- A. Information on investees' name, location, etc.:

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares	Percentage	
Standard Chartered Life Insurance Agency Co., Ltd.	No. 85, Chung-Zeng Road, Hsinchu, Taiwan	Life insurance agent	100.00 %	258,244	195,684	300	-	300	100.00 %	-
Taiwan Standard Chartered Insurance Agency Co., Ltd.	No. 85, Chung-Zeng Road, Hsinchu, Taiwan	Property insurance agent	100.00 %	21,335	13,604	300	-	300	100.00 %	-
Fuji Enterprise Management Consulting Co., Ltd.	6-7F., No.258, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 10687, Taiwan	Financial securities services	0.99 %	-	-	20	-	20	0.99 %	-
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan	Small and medium enterprises improvement services	4.84 %	29,000	-	3,417	-	3,417	4.84 %	-
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan	Information technology services	1.14 %	45,500	-	5,119	-	5,119	1.14 %	-
Taipei Forex Inc.	8F., No.400, Sec. 2, Bade Rd., Songshan District, Taipei City 10556, Taiwan	Foreign exchange and foreign currency lending services	3.18 %	6,673	-	630	-	630	3.18 %	-
TSC Bio Venture Management, Inc.	11F.-1, No.176, Sec. 1, Keelung Rd., Xinyi District, Taipei City 11070, Taiwan	Venture capital services	5.00 %	20,250	-	2,025	-	2,025	5.00 %	-
Liyu Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 10489, Taiwan	Venture capital services	4.76 %	10,080	-	1,008	-	1,008	4.76 %	-
Windance Co., Ltd.	No.243-1, 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 the 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	-	520	-	520	0.17 %	-
Taiwan Cooperative Financial Holdings	14F., No. 85, Sec 2, Nan Jing Dong Rd., Zhongshan District, Taipei City, Taiwan	Financial securities services	0.07 %	80,077	-	4,593	-	4,593	0.07 %	Note

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

- B. Lending to other parties: none.
- C. Guarantees and endorsements for other parties: none.
- D. Information regarding securities held: none.
- E. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
- F. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
- G. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
- H. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.
- I. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
- J. Information regarding trading in derivative financial instruments: none.
- K. Information regarding selling non-performing loans: none.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- L. Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: none.
- M. Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: none.

(12) Operating Segment Financial Information

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

Standard Chartered Bank (Taiwan) Limited
Cash and Cash Equivalents
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash in transit:		
NTD		\$ 5,264,142
USD	USD5,683@30.2696	172,000
JPY	JPY292,541@0.3899	114,071
HKD	HKD24,751@3.8965	96,440
EUR	EUR1,650@39.0984	64,510
GBP	GBP223@46.6536	10,383
CNY	CNY1,174@4.8194	5,657
SGD	SGD56@23.2703	1,305
	Subtotal	<u>5,728,508</u>
Deposits with other banks	Bank of Taiwan	127,817
	Shanghai Commercial & Savings Bank	50,874
	JP Morgan Chase	12,377
	Shin Kong Commercial Bank	3,996
	Taiwan Business Bank	31,456
	Credit Suisse	165,338
	Others (Note)	<u>375,359</u>
	Subtotal	<u>767,217</u>
Deposits with affiliates	SCB Germany	3,422,811
	SCB HK	1,114,127
	Others (Note)	<u>436,872</u>
	Subtotal	<u>4,973,810</u>
Total		<u><u>\$ 11,469,535</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, Loans and Advances
to Banks

December 31, 2011

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Balances at Central Bank:		
Reserve for deposits	Reserve deposits for deposits – checking account	\$ 11,090,163
	Reserve deposits for deposits – demand account	18,439,964
Reserve for deposits – foreign currency		160,429
Reserve for deposits – settlement accounts		<u>704,826</u>
		<u>30,395,382</u>
Loans and advances to other banks	FIRST COMMERCIAL BANK TAIPEI USD 50,000@30.2696	1,513,479
	INDUSTRIAL BK OF TAIWAN TAIPEI TWD USD 20,000@30.2696	700,000 605,391
	CHUNG HWA POST TAIPEI	3,000,000
	TAIPEI FUBON COMMERCIAL BK CO., LTD.	908,087
	TAIWAN COOPERATIVE BK TAIPEI	908,087
	Others (Note)	<u>2,867,870</u>
	Subtotal	<u>10,502,914</u>
Loans and advances to affiliates	SCB Taipei USD1,010,344@30.2696	30,582,685
	JPY4,000@0.3899	1,560
	TWD	<u>2,916,000</u>
	Subtotal	<u>33,500,245</u>
		<u><u>\$ 74,398,541</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
December 31, 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	-	-	\$ 6,300,000	-	6,386,060	-	6,386,879	
	Corporate bonds	-	-	10,990,000	-	11,069,056	-	11,071,168	
	Negotiable certificates of deposits	-	-	8,000,000	-	<u>8,000,000</u>	-	<u>8,000,747</u>	
	Subtotal					<u>25,455,116</u>		<u>25,458,794</u>	
Derivatives:									
	Option contracts	-	-	-	-	-	-	559,782	Note
	Forward contracts	-	-	-	-	-	-	4,723,470	Note
	Cross currency swaps	-	-	-	-	-	-	2,150,285	Note
	Interest rate swaps	-	-	-	-	-	-	7,881,558	Note
	Interest rate derivatives	-	-	-	-	-	-	37,516	Note
	Commodity swaps					-		<u>56,286</u>	Note
	Subtotal					<u>-</u>		<u>15,408,897</u>	
Total						<u>25,455,116</u>		<u>\$ 40,867,691</u>	

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

Standard Chartered Bank (Taiwan) Limited
Accounts Receivables
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accounts receivables	Receivable for options premium	\$ 39,763
	Earned revenue receivables	76,096
	Wealth management receivables	<u>316,690</u>
	Subtotal	<u>432,549</u>
Acceptance receivables		<u>613,647</u>
Factoring loan receivable - without recourse		<u>25,387,750</u>
Interest receivables	Loans and advances to banks	6,373
	Debt instruments	974,706
	Loans	602,299
	Others (Note)	<u>50,754</u>
	Subtotal	<u>1,634,132</u>
Credit card receivables		<u>5,772,545</u>
Tax refund receivables		<u>224,890</u>
Accounts receivables - related parties	SCB	<u>357,035</u>
Others	Interbank transfer fee	<u>489,049</u>
Less: allowance for doubtful accounts – accounts receivables		<u>469,075</u>
Total		<u><u>\$ 34,442,522</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
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Negotiations and discounts		\$ 4,094,073
Short-term unsecured loans and overdrafts		32,721,346
Short-term secured loans		6,722,615
Medium-term unsecured loans		62,843,278
Medium-term secured loans		3,623,958
Long-term unsecured loans		6,687,553
Long-term secured loans		233,075,672
Non-accrual loans		<u>530,267</u>
Subtotal		350,298,762
Adjustment loan for discount/premium		85,739
Less: Allowance for doubtful accounts		<u>4,233,498</u>
Total		<u><u>\$ 346,151,003</u></u>

Standard Chartered Bank (Taiwan) Limited
Available-for-sale financial Assets
December 31, 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		-	-	\$ 11,412,000	-	11,356,846	3,423	-	\$ 11,360,269	-	
Government bonds		-	-	14,815,700		15,106,629	28,559	-	15,135,188	-	Note 1 and Note 2
Negotiable certificates of deposits		-	-	178,855,000		178,855,000	60,781	-	178,915,781	-	Note 1
Financial debentures		-	-	6,053,914		4,222,686	869,867	-	5,092,553	-	
Corporate bonds		-	-	900,000	-	899,797	17,256	-	917,053	-	
Beneficiary certificates		-	-	1,800,791	-	1,800,791	(48,209)	-	1,752,582	-	
Equity instruments		-	-	80,077		80,077	3,518	-	83,595		
						212,321,826	935,195		\$ 213,257,021		

Note 1: par value NT\$1,383,000 thousand for collateralization, more details refer to Note (6) Pledged Assets.

Note 2: The fair value of financial assets for fair value hedge is \$1,570,017 thousand, and the mark-to-market value adjustment is \$26,641 thousand.

Standard Chartered Bank (Taiwan) Limited
Investment in Associates Under Equity Method

December 31, 2011

(Expressed in thousands of New Taiwan dollars)

(Except for market unit price which is in 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	-	-	-	2,615 (note 2)	195,684	300	258,244	860.81	258,244	None
Taiwan Standard Chartered Insurance Agency Co., Ltd.	300	11,517	-	-	-	3,786 (note 2)	13,604	300	21,335	71.12	21,335	//
		<u>\$ 76,692</u>		<u>-</u>		<u>6,401</u>	<u>209,288</u>		<u>279,579</u>		<u>279,579</u>	

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

Note 2: Cash dividends from associates under equity method.

Standard Chartered Bank (Taiwan) Limited
Other Financial Assets
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Hedging financial instruments	Fair value hedge and cash flow hedge	\$ 728,959
Financial assets carried at cost	Refer to details on page 82	158,002
Cheques purchased	Cheques purchased	70
Total		\$ 887,031

Standard Chartered Bank (Taiwan) Limited
Other Financial Assets - Change in Financial Assets Carried at Cost
December 31, 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 1)	
Fuji Enterprises Management Consulting Co., Ltd.	10	\$ -	1,252	-	1,242	-	20	-	-	- (note 3)	None
Taiwan Small and Medium Enterprises Development Corp.	3,417	29,000	-	-	-	-	3,417	29,000	6.82	23,303	"
Financial Information Service Co., Ltd.	4,550	45,500	569	-	-	-	5,119	45,500	16.78	85,915	"
Taipei Forex Inc.	630	6,673	-	-	-	-	630	6,673	27.87	17,559	"
TSC Bio Venture Management, Inc.	2,025	20,250	-	-	-	-	2,025	20,250	7.77	15,725	"
Liyu Venture Investment, Inc.	1,008	10,080	-	-	-	-	1,008	10,080	8.56	8,628	"
Windance Co., Ltd.	18,850	188,500	-	-	-	-	18,850	188,500	-	- (note 3)	"
Taiwan Asset Service Corporation	5,000	50,000	-	-	-	-	5,000	50,000	10.58	52,919	"
Yang Guang Asset Management Company	85	849	-	-	-	-	85	849	12.44	1,057	"
Taiwanpay Corporation	197	2,468	-	-	-	-	197	2,468	6.94	1,371	"
Taiwan Depository and Clearing Corporation	495	9,277	25	-	-	-	520	9,277	45.06	23,411	"
Taiwan Cooperative Financial Holdings	13,346	94,546	-	-	13,346	94,546	-	-	-	-	"
Subtotal		457,143		-		94,546 (note 2)		362,597		229,888	
Less: Accumulated impairment		218,044		-		13,449		204,595		-	
		<u>\$ 239,099</u>		<u>-</u>		<u>81,097</u>		<u>158,002</u>		<u>229,888</u>	

Note 1: 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.

Note 2: Reclassified as available for sale financial assets on December 1, 2011.

Note 3: As of December 31, 2011, the Company is in the process of winding up.

Standard Chartered Bank (Taiwan) Limited
Property and Equipment
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost:						
Land	\$ 3,676,554	-	403,639	(136,809)	3,136,106	None
Buildings	3,431,991	-	418,457	(74,135)	2,939,399	"
Office equipment	829,915	18,543	94,824	1,627	755,261	"
Transportation equipment	3,210	-	3,210	-	-	"
Leasehold improvements	806,725	8,625	24,750	30,700	821,300	"
Other equipment	<u>1,639,574</u>	<u>17,585</u>	<u>165,337</u>	<u>-</u>	<u>1,491,822</u>	"
Subtotal	<u>10,387,969</u>	<u>44,753</u>	<u>1,110,217</u>	<u>(178,617)</u>	<u>9,143,888</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>\$ 10,404,796</u>	<u>60,253</u>	<u>1,110,217</u>	<u>(210,944)</u>	<u>9,143,888</u>	

Standard Chartered Bank (Taiwan) Limited
Accumulated Depreciation for Property and Equipment

December 31, 2011

(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance
Buildings	\$ 1,071,937	64,286	286,474	(23,170)	826,579
Office equipment	570,221	110,754	90,347	-	590,628
Transportation equipment	3,210	-	3,210	-	-
Leasehold improvements	424,419	130,737	20,402	-	534,754
Other equipment	1,081,896	181,316	148,175	-	1,115,037
Total	\$ 3,151,683	487,093	548,608	(23,170)	3,066,998

Standard Chartered Bank (Taiwan) Limited
Other Assets
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Abstract</u>	<u>Amount</u>
Deferred income tax assets, net		\$ <u>2,190,547</u>
Idle assets, net	Idle asset	548,714
	Less: accumulated depreciation	83,260
	accumulated impairment	<u>96,525</u>
		<u>368,929</u>
Assets leased to others, net	Assets leased to others	366,194
	Less: accumulated depreciation	<u>44,370</u>
		<u>321,824</u>
Refundable deposits	Securitization of debt margins	47,516
	Rental deposits	181,710
	Clearing and settlement fund	198,747
	Credit card deposits	49,576
	Others (note)	<u>49,463</u>
		<u>527,012</u>
Derivatives collateral		<u>488,599</u>
Others (Note)	Prepayments	<u>177,837</u>
Total		<u>\$ <u>4,074,748</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
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost						
Land	\$ 383,382	-	132,409	-	250,973	None
Buildings	<u>355,572</u>	<u>-</u>	<u>57,831</u>	<u>-</u>	<u>297,741</u>	"
	<u>738,954</u>	<u>-</u>	<u>190,240</u>	<u>-</u>	<u>548,714</u>	
Accumulated depreciation	99,092	6,950	22,589	(193)	83,260	
Accumulated impairment	<u>138,273</u>	<u>-</u>	<u>41,748</u>	<u>-</u>	<u>96,525</u>	
	<u>\$ 501,589</u>	<u>(6,950)</u>	<u>125,903</u>	<u>193</u>	<u>368,929</u>	

Standard Chartered Bank (Taiwan) Limited
Assets Leased to Others
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost						
Land	\$ 271,326	-	176,319	136,809	231,816	None
Buildings	158,710	-	98,467	74,135	134,378	"
	<u>430,036</u>	<u>-</u>	<u>274,786</u>	<u>210,944</u>	<u>366,194</u>	
Accumulated depreciation	<u>75,868</u>	<u>3,019</u>	<u>57,880</u>	<u>23,363</u>	<u>44,370</u>	
	<u>\$ 354,168</u>	<u>(3,019)</u>	<u>216,906</u>	<u>187,581</u>	<u>321,824</u>	

Standard Chartered Bank (Taiwan) Limited
Deposits by Central Bank and other banks
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Details	Amount
Deposits by banks	Chunghwa Post Co.	\$ 1,545,731
	Credit Suisse Taipei	376,718
	SCB Taipei	58,737
	Others (Note)	<u>3,755</u>
		1,984,941
Overdraft from Banks	SCB New York	790,183
	Other (Note)	<u>7,815</u>
		<u>797,998</u>
Loans from banks	International Indonesia	3,935,044
	Taiwan Cooperation Bank	1,677,316
	Land Bank	350,549
	Others (Note)	<u>563,670</u>
		<u>6,526,579</u>
Deposits by affiliates and loans from affiliates	SCB HK	6,053,914
	SCB Taipei	<u>3,026,957</u>
		<u>9,080,871</u>
Total		<u><u>\$ 18,390,389</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
December 31, 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:									
Derivatives:									
Option contracts		-	-	-	-	-	-	558,914	"
Forward contracts		-	-	-	-	-	-	3,577,707	"
Cross currency swaps		-	-	-	-	-	-	2,369,767	"
Interest rate swaps		-	-	-	-	-	-	8,300,681	"
Commodity swaps		-	-	-	-	-	-	56,286	"
						-	-	\$ 14,863,355	
						-	-	\$ 14,863,355	

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

Standard Chartered Bank (Taiwan) Limited
Accounts Payables
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Detail	Amount
Accounts payables		\$ <u>102,037</u>
Interest payables		<u>941,134</u>
Other accounts payables		
	Accrued expenses	1,421,791
	Revenue distribution payables	9,824
	Income tax payables	21,191
	Payables for receipts under custody	<u>88,824</u>
Subtotal		<u>1,541,630</u>
Acceptance payables		<u>613,647</u>
Other payables		
	Payables for fixed income financial assets settlement	17,463
	Temporary receipts	569,273
	Sundry client creditors	649,830
	Cheque collection	88,613
	Others (Note)	<u>369,563</u>
Subtotal		<u>1,694,742</u>
Total		<u><u>\$ 4,893,190</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
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Checking deposits		\$ 5,182,659
Demand deposits		171,321,632
Time deposits		198,619,187
Savings deposits	Savings deposits	126,998,272
	Time savings deposits	93,898,964
Trust fund with designated purpose		59,822
Remittances		71,156
		\$ 596,151,692

Standard Chartered Bank (Taiwan) Limited
Other Financial Liabilities
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Structured deposit		\$ 10,095,732
Derivative financial liability for hedging		92,441
		<u>\$ 10,188,173</u>

Standard Chartered Bank (Taiwan) Limited
Financial Debentures
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

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	4,100
94-2 subordinated debentures	2005.1.28	(Note 2)	(Note 3)	-	10,000	5,900
98-1 subordinated debentures	2009.10.28	2019.10.28	(Note 4)	-	100	10,000,000
98-2 subordinated debentures	2009.12.11	(Note 2)	(Note 5)	-	4,798,704 (Note 6)	4,540,436
98-3 subordinated debentures	2009.12.11	(Note 2)	(Note 5)	-	4,798,704 (Note 6)	4,540,436
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)
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

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	2,000,000
						47,091,872
Mark-to-market adjustment on hedged items						420,298
						\$ 47,512,170

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
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accrued pension liabilities		\$ 733,450
Unearned receipts		474,943
Taxes payable		438,589
Deposits received		156,360
Receipts under custody for derivatives		169,448
Deferred revenue		107,400
Others (Note)		<u>64,084</u>
		<u><u>\$ 2,144,274</u></u>

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

Standard Chartered Bank (Taiwan) Limited
Interest Income
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Interbank transactions	Balances at Central Bank	\$ 89,964
	Loans and advances to banks	245,726
	Subtotal	335,690
Loans and advances to customers	Loans and overdrafts	10,473,714
Credit cards (revolving)		389,100
Financial assets at fair value through profit or loss		128,263
Available-for-sale financial assets		1,921,969
Others (note)		658,224
Total		<u>\$ 13,906,960</u>

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

Standard Chartered Bank (Taiwan) Limited
Interest Expenses
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Deposits	Time deposits	\$ 3,194,630
	Demand deposits	488,690
	Subtotal	3,683,320
Distributions for trust revenue		1,715
Deposits by and loans from other banks	Deposits by and loans from other banks	137,150
	Financial debentures	809,370
	Subtotal	946,520
Structured Deposits		89,143
Others (Note)		2,777
		\$ 4,723,475

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
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Fees and commission income	Trust fees	\$ 2,968,382
	Loan fees	639,152
	Credit card fees	335,841
	Agency commission	130,923
	Remittances and interbank transaction service fee	102,490
	Warranty, imports and exports fee	88,682
	Others (Note)	226,537
		4,492,007
Fees and commission expenses	Agency commission	210,216
	Interbank transaction service fees	130,347
	Custody fees	102,961
	Others (Note)	72,181
		515,705
		\$ 3,976,302

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
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Amount		Total
	Realized (loss) gain	Valuation (loss) gain	
<hr/>			
Trading financial assets and liabilities:			
Debt instruments:			
Government bonds	\$ (15,036)	11,944	(3,092)
Negotiable certificates of deposits	-	(20,018)	(20,018)
Corporate bonds, financial bonds and treasury bills	<u>67,081</u>	<u>8,948</u>	<u>76,029</u>
Subtotal	<u>52,045</u>	<u>874</u>	<u>52,919</u>
Derivatives	<u>865,451</u>	<u>58,253</u>	<u>923,704</u>
Total	<u><u>\$ 917,496</u></u>	<u><u>59,127</u></u>	<u><u>976,623</u></u>

Standard Chartered Bank (Taiwan) Limited
Realized Gain and Loss on Available-for-sale
Financial Assets
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Government bonds	Net gain on sale	\$ 22,160
Corporate bonds and financial bonds	Net loss on sale	(24)
Treasury bills	Net gain on sale	613
		<u>\$ 22,749</u>

Standard Chartered Bank (Taiwan) Limited
Other Non-interest Income (Loss) for Sundries,
Net
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Other non-interest income for sundries:		
	Security brokage commissions	\$ 142,345
	Rental income	21,251
	Investment income from financial assets carried at cost	<u>24,199</u>
		<u>187,795</u>
Other non-interest loss for sundries:		
	Net loss on hedging derivatives	48,679
	Others (note)	<u>1,478</u>
Net income		<u><u>\$ 137,638</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
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Salaries		\$ 4,589,075
Labor and health insurance		319,948
Pension		442,227
Others		<u>295,827</u>
		<u><u>\$ 5,647,077</u></u>

Standard Chartered Bank (Taiwan) Limited
Depreciation and Amortization Expenses
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Depreciation	Land and buildings	\$ 74,255
	Office equipment	110,754
	Leasehold improvements	130,737
	Other equipment	181,316
Subtotal		497,062
Amortization	Computer software	80,436
		\$ 577,498

Standard Chartered Bank (Taiwan) Limited
General and Administrative Expenses
December 31, 2011
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Rental expenses	\$ 557,934
Postage	242,235
Maintenance and repairs expenses	149,419
Advertising expenses	174,129
Taxes and dues	555,706
Professional service fees	136,571
Head office administrative expenses and other technical support fees	1,895,734
Others (Note)	<u>585,610</u>
Total	<u><u>\$ 4,297,338</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
December 31, 2011 and 2010

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED - SECURITIES DEPARTMENT

Balance Sheet

December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

Assets	December 31,2011		December 31,2010		Liabilities and Stockholders' Equity	December 31,2011		December 31,2010	
	<u>Amount</u>	%	<u>Amount</u>	%		<u>Amount</u>	%	<u>Amount</u>	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 4(1))	\$ 61	-	1,382	-	Financial liabilities measured at fair value through profit or loss — current (notes 4(7) and (8))	\$ -	-	99,468	-
Financial assets at fair value through profit or loss — current (notes 4(2) and (8))	17,462,441	41	2,356,654	11	Financing securities guaranteed deposits	30,233	-	26,877	-
Bonds purchased under reserve repurchase agreements	8,456,414	20	-	-	Financing securities guaranteed proceeds payable	33,324	-	29,574	-
Receivables from securities financing (note 4 (3))	584,732	1	982,013	5	Accounts payables	27,549	-	100,793	1
Securities refinancing margin deposits	-	-	2,332	-	Other payables	-	-	7,953	-
Receivables from securities refinancing	-	-	2,590	-	Total current liabilities	<u>91,106</u>	-	<u>264,665</u>	<u>1</u>
Accounts receivables	346,266	1	484,481	2	Other liabilities:				
Available-for-sale financial assets — current (notes 4(4), (8) and 6)	16,037,521	37	17,678,810	81	Breach of Contract Losses Default Reserve	-	-	73,175	-
Other current assets	<u>2,754</u>	-	<u>17,737</u>	-	Reserve for trading losses	-	-	90,721	1
Total current assets	<u>42,889,919</u>	<u>100</u>	<u>21,525,999</u>	<u>99</u>	Inter-departmental account	<u>40,568,859</u>	<u>94</u>	<u>18,716,145</u>	<u>86</u>
Property and equipment (note 4(5)):					Total other liabilities	<u>40,568,859</u>	<u>94</u>	<u>18,880,041</u>	<u>87</u>
Cost:					Total liabilities	<u>40,659,965</u>	<u>94</u>	<u>19,144,706</u>	<u>88</u>
Equipment	36,823	-	57,280	-	Stockholders' equity:				
Leasehold improvements	<u>16,632</u>	-	<u>17,082</u>	-	Designated capital	2,000,000	5	2,000,000	9
	53,455	-	74,362	-	Unappropriated earnings	400,605	1	494,084	2
Less: Accumulated depreciation	<u>36,278</u>	-	<u>49,129</u>	-	Unrealized gain on financial assets	<u>45,299</u>	-	<u>123,579</u>	<u>1</u>
Total property and equipment, net	<u>17,177</u>	-	<u>25,233</u>	-	Total stockholders' equity	2,445,904	6	2,617,663	12
Intangible assets	<u>26</u>	-	<u>343</u>	-	Significant commitments and contingencies				
Other assets (note 4(6))	198,747		210,794	1	Total liabilities and stockholders' equity	\$ <u>43,105,869</u>	<u>100</u>	<u>21,762,369</u>	<u>100</u>
Total assets	\$ <u>43,105,869</u>	<u>100</u>	<u>21,762,369</u>	<u>100</u>					

See accompanying notes to financial statements.

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

Statements of Income

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

	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues:				
Securities brokerage commissions (note 5)	\$ 142,345	24	174,809	24
Gain on sale of securities – dealer (note 4(2))	70,249	12	97,032	13
Interest income (note 4(2))	357,188	59	455,889	62
Gain on valuation of securities (note 4(2))	25,286	4	-	-
Commission revenue for futures	6,723	1	6,108	1
Other operating income	2,870	-	1,772	-
Non-operating revenue	-	-	183	-
Total revenues	<u>604,661</u>	<u>100</u>	<u>735,793</u>	<u>100</u>
Expenses:				
Handling charges – brokers	8,218	1	9,956	1
Handling charges – dealers	423	-	1,065	-
Handling charges – refinancing	59	-	54	-
Interest expense	44	-	50	-
Loss on valuation of securities (note 4(2))	-	-	4,288	1
Operating expenses (note 10)	187,022	32	218,490	30
Non-operating expense and losses	8,290	1	7,806	1
Total expenses	<u>204,056</u>	<u>34</u>	<u>241,709</u>	<u>33</u>
Operation net income	<u>400,605</u>	<u>66</u>	<u>494,084</u>	<u>67</u>
Profit from continuing operation before income tax	400,605	66	494,084	67
Income tax expense	-	-	-	-
Net income	<u>\$ 400,605</u>	<u>66</u>	<u>494,084</u>	<u>67</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2011 and 2010
(expressed in New Taiwan dollars unless otherwise specified)

(1) Organization

- 1) In October, 1989, Standard Chartered Company (Taiwan) Limited (“SCBTL”) established its first securities brokerage (the “Company”) in Taoyuan and then established several branches to provide securities brokerage service in various districts. In January, 1993, SCBTL founded the pecuniary or securities financing facilities for securities trading. In August, 1995, SCBTL began the brokerage of marketable securities at the Over-The-Counter. As of December 31, 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 collectibility 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. Changes 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 the 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 the 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 Companying and securities department.

14) Designated capital

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

(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 on 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 change in accounting principle does not have significant impact on the financial statements for the year December 31, 2011.

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Company accounts:		
Checking accounts	\$ <u>61</u>	<u>1,382</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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Government bonds	\$ 6,386,060	1,094,032
Corporate bonds	<u>11,069,056</u>	<u>1,287,488</u>
Subtotal	17,455,116	2,381,520
Valuation adjustment	<u>7,325</u>	<u>(24,866)</u>
Total	<u>\$ 17,462,441</u>	<u>2,356,654</u>

For the years ended December 31, 2011 and 2010, the details of gains arising from financial assets at fair value through profit or loss were as follows:

	<u>2011</u>	<u>2010</u>
Gain on sale of Securities-dealer	\$ <u>70,249</u>	<u>97,032</u>
Gain (loss) on valuation of securities	\$ <u>25,286</u>	<u>(4,288)</u>
Interest income	\$ <u>161,001</u>	<u>135,896</u>

3) Bonds purchased under reserve repurchase

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

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

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

4) Available-for-sale financial assets – current

Operating securities – dealership

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Government bonds	\$ 15,092,155	15,457,805
Corporation bonds	599,881	837,869
Financial debentures	299,916	899,851
Beneficiary certificates	-	359,706
Subtotal	<u>15,991,952</u>	<u>17,555,231</u>
Valuation adjustment	<u>45,299</u>	<u>123,579</u>
Total	<u>\$ 16,037,251</u>	<u>17,678,810</u>
Interest Income	<u>\$ 146,139</u>	<u>258,368</u>

5) Property and equipment

	December 31, 2011		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Office and other equipment	\$ 36,823	29,721	7,102
Leasehold improvements	<u>16,632</u>	<u>6,557</u>	<u>10,075</u>
Total	<u>\$ 53,455</u>	<u>36,278</u>	<u>17,177</u>
	December 31, 2010		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Office and other equipment	\$ 57,280	46,107	11,173
Leasehold improvements	<u>17,082</u>	<u>3,022</u>	<u>14,060</u>
Total	<u>\$ 74,362</u>	<u>49,129</u>	<u>25,233</u>

6) Other assets

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Refundable deposits – securities settlement fund	\$ 198,069	209,031
Refundable deposits – other	<u>678</u>	<u>1,763</u>
Total	<u>\$ 198,747</u>	<u>210,794</u>

As of December 31, 2011 and 2010, the Company, based on RGSF, “The Negotiable Securities

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

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 \$209,031 thousand dollars, respectively as securities settlement fund, recorded as refundable deposits as of December 31,2011 and 2010.

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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Financial liabilities held for trading:		
Borrowed securities payable	\$ -	99,207
Adjustments in value of borrowed securities payable	-	261
Total	<u>\$ -</u>	<u>99,468</u>

- 8) 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.

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STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

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

Account	Amount	
	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Financial assets at fair value through profit or Loss – current	\$ 17,462,441	2,356,654
Available-for-sale financial assets – current	16,037,251	17,678,810
Financial liabilities at fair value through profit or loss – current	-	99,468

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.

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

(5) Related-Party Transactions

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

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

- 2) Significant transactions with related parties

For the years ended December 31, 2011 and 2010, brokerage commissions with the related parties from securities trading were as follows:

Name of related party	December 31, 2011		December 31, 2010	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Income by individual related parties not over 1% of total income	\$ <u>127</u>	<u>-</u>	<u>106</u>	<u>-</u>

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

(6) Pledged Assets

As of December 31, 2011 and 2010, the Company provided the assets below as refundable security deposits for securities operation.

Security deposits	<u>Purpose</u>	Amount	
		<u>December 31, 2011</u>	<u>December 31, 2010</u>
Operating securities – Government bonds (recorded as available-for-sale financial assets as of December 31, 2011 and 2010)	Security deposits for futures trading	\$ 35,000	35,000
	Security deposits for security brokerage	225,000	200,000
		<u>260,000</u>	<u>235,000</u>
Certificates of deposits (recorded as refundable deposits as of December 31, 2011 and 2010)	Security deposits for bond underwriting	10,000	-
		<u>\$ 270,000</u>	<u>235,000</u>

- 7) Significant Commitments and Contingencies: none.

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STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

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

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

(10) **Other**

Summary of staff cost, depreciation and amortization expenses for the years ended December 31, 2011 and 2010 is as follows:

	2011			2010		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Staff cost						
Salaries	-	80,119	80,119	-	82,746	82,746
Labor and health insurance	-	7,412	7,412	-	6,718	6,718
Pension	-	8,963	8,963	-	8,332	8,332
Others	-	3,038	3,038	-	2,641	2,641
Depreciation	-	8,123	8,123	-	5,032	5,032
Amortization	-	317	317	-	634	634

(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**