

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

December 31, 2012 and 2011

(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, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2012 and 2011. 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, 2012 and 2011, 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.

KPMG
March 28, 2013

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, 2012 and 2011
(Expressed in thousands of New Taiwan dollars, except for par value)

		December 31, 2012	December 31, 2011	Change %			December 31, 2012	December 31, 2011	Change %
Assets					Liabilities and Stockholders' Equity				
11000	Cash and cash equivalents (notes 4(1) and 5)	\$ 6,697,772	11,469,535	(42)	Liabilities :				
11500	Balance at Central Bank and loans and advances to banks (notes 4(2) and 5)	68,073,194	74,398,541	(9)	21000	Deposits by Central Bank and other banks (note 5)	\$ 9,283,983	18,390,389	(50)
12000	Financial assets at fair value through profit or loss (notes 4(3), (20) and 5)	29,544,710	40,867,691	(28)	22000	Financial liabilities at fair value through profit or loss (notes 4(3), (20) and 5)	8,357,471	14,863,355	(44)
12500	Bills and bonds investments under reverse sell agreements (note 4(4))	3,402,039	8,456,414	(60)	23000	Accounts payables (notes 5 and 7)	6,081,872	4,893,190	24
13000	Accounts receivables, net (notes 4(5), (6), (18), 5, 6, and 11)	37,868,843	34,442,522	10	23010	Accounts payables—related parties (notes 4(17) and 5)	6,012,064	4,284,892	40
13500	Loans and advances to customers, net (notes 4(6), (20), 5 and 11)	350,387,046	346,151,003	1	23500	Deposits and remittances (notes 4(12), (20) and 5)	563,071,977	596,151,692	(6)
14000	Available-for-sale financial assets, net (notes 4(7), (20), 5 and 6)	227,027,332	213,257,021	6	24000	Financial debentures (notes 4(13), (20) and 5)	62,014,537	47,512,170	31
15000	Investment in associates under equity method, net (notes 4(8) and 11)	369,417	279,579	32	25500	Other financial liabilities (note 4(20))	34,703,759	10,188,173	241
15500	Other financial assets, net (notes 4(8), (20) and 11)	580,392	887,031	(35)	29500	Other liabilities (notes 4(16) and 7)	<u>2,405,204</u>	<u>2,141,004</u>	12
18500	Property and equipment, net (note 4(9))	5,546,985	6,076,890	(9)	Total liabilities				
19000	Intangible assets (notes 4(10) and (16))	3,244,154	3,303,198	(2)					
19500	Other assets (notes 4(11), (18) and 6)	3,049,972	4,071,478	(25)	<u>691,930,867</u> <u>698,424,865</u> (1)				
					Stockholders' Equity (notes 4(7), (16) and (19)):				
					31001	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>	-
					31500	Capital surplus	<u>5,786,031</u>	<u>5,786,031</u>	-
					Retained earnings:				
					32001	Legal reserve	3,388,832	876,897	286
					32003	Special reserve	136,034	136,034	-
					32012	Accumulated earnings	<u>4,498,875</u>	<u>8,373,320</u>	(46)
					<u>8,023,741</u> <u>9,386,251</u> (15)				
					Others to stockholders' equity:				
					32503	Unrealized revaluation increments on property and equipment	239,413	239,413	-
					32523	Unrealized gain on available-for-sale financial assets	851,045	772,342	10
					32525	Unrealized gain on cash flow hedge	133,675	190,367	(30)
					32544	Net loss on unrecognized pension cost	<u>(278,636)</u>	<u>(244,086)</u>	(14)
					<u>945,497</u> <u>958,036</u> (1)				
					Total stockholders' equity				
					43,860,989 45,236,038 (3)				
					Commitments and contingent liabilities (notes 4(11), (20), 6 and 7)				
Total Assets					Total Liabilities and Stockholders' Equity				
		<u>\$ 735,791,856</u>	<u>743,660,903</u>	(1)			<u>\$ 735,791,856</u>	<u>743,660,903</u>	(1)

See accompanying notes to the financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Income

For the years ended December 31, 2012 and 2011

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

	2012	2011	Change %
41000 Interest income (notes 4(3), (14) and 5)	\$ 15,295,217	13,906,960	10
51000 Less: Interest expenses (note 5)	<u>5,259,856</u>	<u>4,723,475</u>	11
Net interest income	10,035,361	9,183,485	9
Other operating income:			
49100 Fees and commission income, net (note 7)	2,808,275	3,976,302	(29)
49200 Gain on financial instruments at fair value through profit or loss (notes 4(3), (20) and 5)	1,731,628	941,798	84
49300 Realized (loss) gain on available-for-sale financial assets (note 4(7))	(6,451)	22,749	(128)
49500 Investment income from interest in associates under equity method (note 4(8))	299,125	209,288	43
49600 Foreign exchange gain (loss), net	249,202	862,501	(71)
49700 Impairment loss on assets, net (notes 4(7), (8) and (11))	(12,832)	(169,782)	92
49821 Gain on sale of non-performing loans (note 11)	648,300	914,171	(29)
49863 Net gain on disposal of property (note 11)	232,585	1,065,367	(78)
49800 Other non-interest income for sundries, net (notes 4(8), (11), (15) and 5)	<u>149,292</u>	<u>137,638</u>	8
Operating income	<u>16,134,485</u>	<u>17,143,517</u>	(6)
51500 Bad debt expenses (gain on reversal) (notes 4(5), (6) and 5)	<u>2,020,735</u>	<u>(3,154,511)</u>	164
Operating expenses:			
58500 Staff costs (notes 4(16), (17), 5 and 10(1))	5,719,069	5,647,077	1
59000 Depreciation and amortization expenses (notes 4(9), (10) and 10(1))	414,562	577,498	(28)
59500 General and administrative expenses (notes 5 and 7)	<u>4,410,520</u>	<u>4,297,338</u>	3
	<u>10,544,151</u>	<u>10,521,913</u>	-
61001 Profit from continuing operations before income tax	3,569,599	9,776,115	(63)
63003 Income tax expense (note 4(18))	<u>566,251</u>	<u>1,403,000</u>	(60)
69000 Net income	<u>\$ 3,003,348</u>	<u>8,373,115</u>	(64)
	Before tax	After tax	Before tax
	After tax	Before tax	After tax
69500 Basic earnings per share (note 4(19))	<u>\$ 1.23</u>	<u>1.03</u>	<u>3.36</u>
	<u>2.88</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, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	Retained earnings					Others				Total
	Common stock	Capital surplus	Legal reserve	Special reserve	Accumulated earnings	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, 2011	\$ 29,105,720	5,786,031	-	-	2,922,991	363,949	373,167	66,283	(328,353)	38,289,788
Net gain for the year ended December 31, 2011	-	-	-	-	8,373,115	-	-	-	-	8,373,115
Appropriation of retained earnings:										
Legal reserve (note 4(19))	-	-	876,897	-	(876,897)	-	-	-	-	-
Cash dividends (note 4(19))	-	-	-	-	(2,045,889)	-	-	-	-	(2,045,889)
Conversion from default loss reserve to 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
Net gain for the year ended December 31, 2012	-	-	-	-	3,003,348	-	-	-	-	3,003,348
Appropriation of retained earnings (note):										
Legal reserve (note 4(19))	-	-	2,511,935	-	(2,511,935)	-	-	-	-	-
Cash dividends (note 4(19))	-	-	-	-	(4,365,858)	-	-	-	-	(4,365,858)
Movement of unrealized gain on available-for-sale financial assets (note 4(7))	-	-	-	-	-	-	78,703	-	-	78,703
Movement of unrealized gain on cash flow hedge (note 4(20))	-	-	-	-	-	-	-	(56,692)	-	(56,692)
Net loss on unrecognized pension cost	-	-	-	-	-	-	-	-	(34,550)	(34,550)
Balance as of December 31, 2012	<u>\$ 29,105,720</u>	<u>5,786,031</u>	<u>3,388,832</u>	<u>136,034</u>	<u>4,498,875</u>	<u>239,413</u>	<u>851,045</u>	<u>133,675</u>	<u>(278,636)</u>	<u>43,860,989</u>

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

See accompanying notes to the financial statements.

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 3,003,348	8,373,115
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expenses	389,073	497,062
Amortization expenses	25,489	80,436
Provision (reversal of) for bad debt expenses	2,020,735	(3,154,511)
Reserves	68,640	636
Investment income from interest in associates under equity method	(299,125)	(209,288)
Cash dividends from interest in associates under equity method	209,287	6,401
Investment income from financial assets carried at cost	(1,386)	(12,421)
Impairment loss	12,832	169,782
Gain on disposal of non-performing loans	(648,300)	(914,171)
Gain on disposal and obsolescence of property and equipment, intangible assets and other assets, net	(232,585)	(1,065,367)
Realized deferred revenue	(29,755)	(26,881)
Net increase (decrease) in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	11,322,981	(12,461,721)
Decrease (increase) in bills and bonds investments under reverse sell agreements	5,054,375	(8,456,414)
Increase in accounts receivables	(3,426,321)	(7,485,818)
Decrease in deferred income tax assets	251,949	1,310,163
Decrease in other financial assets	70	201,528
Decrease (increase) in other assets	561,254	(213,063)
Decrease in financial liabilities at fair value through profit or loss	(6,505,884)	(4,937,951)
Increase (decrease) in accounts payables	1,188,682	(1,570,361)
Increase in accounts payables — related parties	1,727,172	2,005,281
Increase (decrease) in other financial liabilities	24,587,958	(1,250,798)
Increase (decrease) in other liabilities	210,054	(775,449)
Net cash provided by (used in) operating activities	<u>39,490,543</u>	<u>(29,889,810)</u>
Cash flows from investing activities:		
Decrease in balance at Central Bank and loans and advances to banks	6,325,347	25,253,717
(Increase) decrease in loans and advances to customers	(6,408,078)	1,249,462
Proceeds from disposal of non-performing loans	773,234	1,248,847
Increase in available-for-sale financial assets	(13,657,044)	(34,770,350)
Proceeds from the capital reduction on financial assets carried at cost	7,979	12,421
Acquisition of property, equipment and intangible assets	(2,937)	(70,093)
Proceeds from disposal of property, equipment and other assets	565,952	1,826,590
Net cash used in investing activities	<u>(12,395,547)</u>	<u>(5,249,406)</u>
Cash flows from financing activities:		
(Decrease) increase in deposits by Central Bank and other banks	(9,106,406)	7,743,030
(Decrease) increase in deposits and remittances	(33,018,107)	5,445,206
Increase in financial debentures payable	14,623,612	27,962,743
Distribute cash dividends	(4,365,858)	(2,045,889)
Net cash (used in) provided by financing activities	<u>(31,866,759)</u>	<u>39,105,090</u>
Net (decrease) increase in cash and cash equivalents	(4,771,763)	3,965,874
Cash and cash equivalents at beginning of period	<u>11,469,535</u>	<u>7,503,661</u>
Cash and cash equivalents at end of period	<u>\$ 6,697,772</u>	<u>11,469,535</u>
Supplemental disclosure of cash flow information:		
Cash payments of interest, except capital interest	<u>\$ 4,994,005</u>	<u>4,374,699</u>
Cash payments of income tax	<u>\$ 10,030</u>	<u>170,577</u>
Investing and financing activities not affecting cash flows:		
Unrealized gain on available-for-sale financial assets	<u>\$ 78,703</u>	<u>399,175</u>

See accompanying notes to the financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

December 31, 2012 and 2011

(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, 2012 and 2011, the numbers of employees employed by the Bank were 4,157 and 3,853, 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 ruling 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 or loss upon initial recognition which do not meet the preceding criterion may be reclassified out of the fair value through profit or loss category only in rare circumstances and shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- c) Financial assets classified as available-for-sale upon initial recognition that would have met the definition of loans and receivables shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable, if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity.

For any previous gain or loss on a financial asset that has been recognized directly in equity, if the financial asset has a fixed maturity date, the gain or loss should be amortized to current profit or loss over the remaining 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 less than one year is called short-term credit; credit maturing more than one year but less than seven years is called medium-term credit; and credit maturing more than seven years is called long-term credit. Loans with collateral, pledged assets and qualified guarantees to secure credit are secured loans.

Loans are recorded initially at principal and reported at their outstanding balances after netting with any provisions for doubtful accounts. In accordance with the 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 an impairment is or continued to be recognized.

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

11) Investment in associates under equity method

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to 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) Other liabilities – 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 for the year ended December 31, 2011.

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.

The comparative information for the initial year of application has been provided.

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

As of December 31, 2012 and 2011, cash and cash equivalents were as follows:

	December 31, 2012	December 31, 2011
Cash on hand	\$ 5,096,769	5,728,508
Deposits with other banks	447,927	767,217
Deposits with affiliates	1,153,076	4,973,810
	<u>\$ 6,697,772</u>	<u>11,469,535</u>

(Continued)

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, 2012 and 2011, the balances at the Central Bank and loans and advances to banks were as follows:

	December 31, 2012	December 31, 2011
Balances at Central Bank:		
Reserve for deposits – checking account	\$ 8,609,988	11,090,163
Reserve for deposits – demand account	17,709,933	18,439,964
Reserve for deposits – foreign currency	174,212	160,429
Reserve for deposits – settlement accounts	<u>1,038,443</u>	<u>704,826</u>
	<u>27,532,576</u>	<u>30,395,382</u>
Loans and advances to other banks	5,451,764	10,502,914
Loans and advances to affiliates	<u>35,088,854</u>	<u>33,500,245</u>
	<u>40,540,618</u>	<u>44,003,159</u>
	<u>\$ 68,073,194</u>	<u>74,398,541</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, 2012 and 2011, financial assets and liabilities at fair value through profit or loss were as follows:

	December 31, 2012	December 31, 2011
Trading financial assets:		
Debt instruments	\$ 21,512,425	25,458,794
Derivatives	<u>8,032,285</u>	<u>15,408,897</u>
	<u>\$ 29,544,710</u>	<u>40,867,691</u>
Trading financial liabilities:		
Derivatives	<u>\$ 8,357,471</u>	<u>14,863,355</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the years ended December 31, 2012 and 2011, net gain on financial assets and liabilities at fair value through profit or loss recognized by the Bank were as follows:

	2012	2011
Net gain on both valuation and disposal of trading financial assets and liabilities:		
Debt instruments	\$ 82,065	52,919
Derivatives	1,649,563	923,704
	<u>\$ 1,731,628</u>	<u>976,623</u>
Interest income	<u>\$ 220,281</u>	<u>128,263</u>

4) Bills and bonds investments under reverse sell agreements

As of December 31, 2012 and 2011, the book values of bills and bonds investments under reverse sell agreements were as follows:

	December 31, 2012	December 31, 2011
Bills and bonds investments under reverse sell agreements	<u>\$ 3,402,039</u>	<u>8,456,414</u>

As of December 31, 2012 and 2011, the settlement date for bills and bonds investments under reverse sell agreements were January 10, 2013 and January 6, 2012; interest rates of the aforementioned reverse sell agreements were 0.77% and 0.73%~0.76%, respectively. The contracted prices for the aforementioned reverse sell agreements were \$3,402,775 thousand and \$8,457,410 thousand, respectively.

5) Accounts receivables, net

As of December 31, 2012 and 2011, details of accounts receivables were as follows:

	December 31, 2012	December 31, 2011
Factoring loan receivables, without recourse	\$ 26,424,694	25,387,750
Credit card receivables	5,762,258	5,772,545
Accounts receivables	2,378,579	432,549
Interest receivables	1,712,587	1,634,132
Acceptance receivables	986,121	613,647
Accounts receivables — related parties	583,071	357,035
Tax refund receivables	115,818	224,890
Others	129,100	489,049
Subtotal	<u>38,092,228</u>	<u>34,911,597</u>
Less: allowance for doubtful accounts — accounts receivables	223,385	469,075
Total	<u>\$ 37,868,843</u>	<u>34,442,522</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

6) Loans and advances to customers

As of December 31, 2012 and 2011, details of loans and advances to customers were as follows:

	December 31, 2012	December 31, 2011
Negotiations and discounts	\$ 1,255,554	4,094,073
Short-term unsecured loans and overdrafts	56,985,085	32,721,346
Short-term secured loans	5,334,209	6,722,615
Medium-term unsecured loans	66,481,682	62,843,278
Medium-term secured loans	5,197,138	3,623,958
Long-term unsecured loans	5,510,350	6,687,553
Long-term secured loans	213,644,721	233,075,672
Non-accrual loans	<u>1,204,944</u>	<u>530,267</u>
Subtotal	355,613,683	350,298,762
Adjustment loan of discount/premium	221,704	85,739
Less: allowance for doubtful accounts	<u>5,448,341</u>	<u>4,233,498</u>
Total	<u><u>\$ 350,387,046</u></u>	<u><u>346,151,003</u></u>

As of December 31, 2012 and 2011, 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, 2012 and 2011, the movements of allowance for doubtful accounts were as follows:

	2012		
	Specific provision	General provision	Total
Beginning balance	\$ 2,338,688	2,363,885	4,702,573
Add: provision for doubtful accounts	1,957,413	89,688	2,047,101
recovery from written-off loans	957,854	-	957,854
Less: write-off	1,785,614	-	1,785,614
exchange rate movements and others	<u>266,523</u>	<u>(16,335)</u>	<u>250,188</u>
Ending balance	<u><u>\$ 3,201,818</u></u>	<u><u>2,469,908</u></u>	<u><u>5,671,726</u></u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	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 provision for guarantees	2,707	-	2,707
Transfer in and transfer out	457,482	(457,482)	-
Ending balance	<u>\$ 2,338,688</u>	<u>2,363,885</u>	<u>4,702,573</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:

		December 31, 2012	
		Loans and advances and account receivables	Provision
Items			
With the objective evidence of impairment	Individual assessment of impairment	\$ 13,278,911	3,201,818
Without the objective evidence of impairment	Portfolio assessment of impairment	<u>380,427,000</u>	<u>2,469,908</u>
		<u>\$ 393,705,911</u>	<u>5,671,726</u>
		December 31, 2011	
		Loans and advances and account receivables	Provision
Items			
With the objective evidence of impairment	Individual assessment of impairment	\$ 13,243,638	2,338,688
Without the objective evidence of impairment	Portfolio assessment of impairment	<u>371,966,721</u>	<u>2,363,885</u>
		<u>\$ 385,210,359</u>	<u>4,702,573</u>

As of December 31, 2012, the allowance for doubtful accounts was \$5,671,726 thousand. This amount consists of loans and advances to customers of \$5,448,341 thousand and accounts receivables of \$223,385 thousand. 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 (including compensation receivable) of \$469,075 thousand.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the year ended December 31, 2012, bad debt expense was \$2,020,735 thousand. This amount consists of provision for bad debt expense for accounts receivables, loans and advances to customers of \$2,047,101 thousand and reversal of provision for guarantee amounting to \$26,366 thousand. For the year ended December 31, 2011, the Bank's gain on reversal of bad debt expense was \$3,154,511 thousand. This amount consists of reversal of provisions for accounts receivables and the reversal of loans and advances to customers of \$3,234,466 thousand, and the reversal of provision for guarantee amounting to \$79,955 thousand.

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

As of December 31, 2012 and 2011, the amounts of outstanding loans with interest charges suspended amounted to \$1,204,944 thousand and \$530,267 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$4,213 thousand and \$2,203 thousand, respectively.

As of December 31, 2012 and 2011, the amounts of loans and advances to customers, which were classified by geographical region were as follows:

	December 31, 2012	December 31, 2011
Domestic	\$ 310,708,028	326,336,975
Overseas	44,905,655	23,961,787
Total	<u>\$ 355,613,683</u>	<u>350,298,762</u>

As of December 31, 2012 and 2011, information regarding asset quality of loans and advances to customers was as follows:

Product		Period	December 31, 2012					
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio	
Wholesale Banking	Secured		122,083	21,716,460	0.56 %	1,071,623	877.78 %	
	Unsecured		990,716	69,585,547	1.42 %	916,151	92.47 %	
Consumer Banking	Mortgage		834,357	201,380,086	0.41 %	1,367,330	163.88 %	
	Personal loan		542,323	57,544,132	0.94 %	2,089,812	385.34 %	
	Others	Secured		-	750,352	-	-	-
		Unsecured		-	4,637,106	-	3,425	-
Total			2,489,479	355,613,683	0.70 %	5,448,341	218.85 %	
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage ratio	
Credit card			41,280	5,762,258	0.72 %	220,298	533.67 %	
Factoring loan receivable without recourse			-	26,424,694	-	-	-	

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Product		Period	December 31, 2011					
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio	
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 ratio	
Credit card			19,375	5,772,545	0.34 %	464,752	2,398.72 %	
Factoring loan receivable without recourse			-	25,387,750	- %	-	- %	

As of December 31, 2012 and 2011, 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, 2012		December 31, 2011	
	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	\$ 20,895	75,306	27,145	99,544
The amount not required to be reported as debts under debt discharge program and rehabilitation program without default by debtors	475,817	-	429,271	-
	<u>\$ 496,712</u>	<u>75,306</u>	<u>456,416</u>	<u>99,544</u>

7) Available-for-sale financial assets

As of December 31, 2012 and 2011, available-for-sale financial assets were as follows:

	December 31, 2012	December 31, 2011
Debt instruments:		
Negotiable certificates of deposits	\$ 177,952,550	178,915,781
Treasury bills	23,434,770	11,360,269
Government bonds	19,454,877	15,135,188
Financial debentures	5,549,175	5,092,553
Corporate bonds	557,107	917,053
Subtotal	226,948,479	211,420,844
Beneficiary certificates	-	1,800,791
Equity instruments	93,322	98,064
Less: accumulated impairments	14,469	62,678
Total	<u>\$ 227,027,332</u>	<u>213,257,021</u>
Mark-to-market adjustments for hedged assets included in the above balance	<u>\$ 3,088</u>	<u>26,641</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

For the years ended December 31, 2012 and 2011, the movements of unrealized gain on available-for-sale financial assets were as follows:

	2012	2011
Beginning balance	\$ 772,342	373,167
Add: unrealized gain recognized during the period	72,252	421,924
Less: realized (loss) gain on disposal during the period	<u>(6,451)</u>	<u>22,749</u>
Ending balance	<u>\$ 851,045</u>	<u>772,342</u>

In December 2005, the carrying value of \$12,005,275 thousand of the mortgage loans was entrusted by the Bank to Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates via securitization. Deutsche Bank AG, Taipei Branch issued both an "Investor Certificate" and a "Seller Certificate" amounting to \$10,204,484 thousand and \$1,800,791 thousand, respectively, at face amount. The duration period of the first beneficiary certificates is from December 20, 2005, to July 20, 2027.

In September 2006, the carrying value of \$13,234,322 thousand of the mortgage loans was entrusted by the Bank to Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates via securitization. Deutsche Bank AG, Taipei Branch issued both an "Investor Certificate" and a "Seller Certificate" amounting to \$10,322,771 thousand and \$2,911,551 thousand, respectively, at face amount. The duration period of the second beneficiary certificates is from September 2006 to the trust distribution date in January 2028.

At the first and second issuance of the beneficiary certificates, the Bank held the subordinated Seller Certificates of \$1,800,791 thousand and \$2,911,551 thousand, respectively, which were recorded as available-for-sale financial assets with the right to interest in excess of the fixed amount paid to investors. If the debtors fail to repay the entrusted loans, investors and Deutsche Bank AG, Taipei Branch have no right of recourse to the Bank's other assets. The Bank's right to the repayment of the entrusted loans as subordinated Seller Certificates is inferior to the investors', and the value of these subordinated Seller Certificates is affected by the exposure to credit risk, the early repayment rate, and changes in interest rate on those entrusted loans.

The Bank evaluated the Seller Certificates on hand in accordance with the securitization agreement regarding the redemption of these certificates. Indication of impairment exists; therefore, the Bank recognized \$168,762 thousand impairment loss of the first and second certificates for the year ended December 31, 2011. The Bank reversed \$48,209 thousand impairment loss for the year ended December 31, 2012. The Bank redeemed the first and second issuance of the mortgage loan on October 9, 2012 and December 19, 2011, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- A. As of December 31, 2011, 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 loss rate (annualized rate) – assumption 2	1.50 %	- %
Discounted rate for residual cash flows	2.60 %	- %

- B. Sensitivity analysis

As of December 31, 2011, 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)	-

- C. As of December 31, 2011, 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, 2012 and 2011, were summarized as follows:

	2012	
	First issuance	Second issuance
Other cash flows received on retained interests	\$ 28,438	-
Service fee received	5,000	-
Cash received for prepayment of services	434	-
Prepayment of services	(171)	-

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	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)

8) Equity accounted and financial assets carried at cost

	December 31, 2012			December 31, 2011		
	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	345,887	100.00	21	258,244
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	23,528	100.00	368	21,335
		<u>\$ 389</u>	<u>369,415</u>		<u>389</u>	<u>279,579</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	15,188	15,188	5.00	20,250	20,250
Liyu Venture Investment, Inc.	4.76	8,549	8,549	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
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277	0.17	9,277	9,277
Subtotal		<u>353,536</u>	<u>353,536</u>		<u>362,597</u>	<u>362,597</u>
Less: accumulated impairment		<u>-</u>	<u>202,127</u>		<u>-</u>	<u>204,595</u>
		<u>\$ 353,536</u>	<u>151,409</u>		<u>362,597</u>	<u>158,002</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the years ended December 31, 2012 and 2011, the Bank recognized investment income from investment in associates under the equity method of \$299,125 thousand and \$209,288 thousand, respectively. For the years ended December 31, 2012 and 2011, the cash dividends from associates under the equity method were \$209,287 thousand and \$6,401 thousand, respectively, which reduced the book value of the investment.

For the years ended December 31, 2012 and 2011, the dividend revenue recognized from financial assets carried at cost were \$16,757 thousand and \$11,778 thousand, respectively, recorded as other non-interest income, net.

Due to corporate restructuring of Taiwan Cooperative Bills Finance Corporation on December 1, 2011, 13,346 thousand shares held by the company were converted 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 increased its capital by 12700% on April 30, 2011. A further buyback on June 30, 2011 resulted in a capital reduction of 98.44% shares and bought back \$12,421 thousand at \$10 per share. The cost of the investment is at \$0, the full amount is recognized as investment income from associates under non interest income for sundries.

Taiwanpay Corporation began the process of liquidation on March 30, 2012 and paid back \$987 thousand for the company's investment in its shares. On June 13, 2012, Taiwanpay Corporation wound up and completed the liquidation process. The distribution of remaining assets amounts to \$421 thousand. The cost of the investment is at \$0, the full amount is recognized as investment income from associates under non interest income for sundries. TSC Bio Venture Management Inc. bought back capital on July 31, 2012 with a capital reduction rate of 25% and paid the company \$5,062 thousand for the company's investment in its shares at \$10 per share. Liyu Venture Investment Inc. bought back capital on July 31, 2012 with a capital reduction rate of 15.19% and paid the company \$1,509 thousand for the company's investment in its shares, and a loss on investment of \$22 thousand was recognized.

As of December 31, 2012, and 2011, the Bank recognized impairment loss of \$0 thousand and \$1,020 thousand under accumulated impairment.

9) Property and equipment

As of December 31, 2012 and 2011, details of property and equipment were as follows:

	December 31, 2012	December 31, 2011
	<hr/>	<hr/>
Cost:		
Land	\$ 3,126,362	3,136,106
Buildings	2,738,907	2,939,399
Office equipment	723,825	755,261
Leasehold improvements	582,680	821,300
Other equipment	<u>1,315,226</u>	<u>1,491,822</u>
Subtotal	8,487,000	9,143,888
Less: accumulated depreciation	2,923,493	3,066,998
accumulated impairment	<u>16,522</u>	<u>-</u>
Total	<u><u>\$ 5,546,985</u></u>	<u><u>6,076,890</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the years ended December 31, 2012 and 2011, movements of accumulated depreciation were as follows:

	2012	2011
Beginning balance	\$ 3,066,998	3,151,683
Add: depreciation	382,120	487,093
reclassification	18,697	-
Less: disposal and obsolescence	544,322	548,608
reclassification	-	23,170
Ending balance	<u>\$ 2,923,493</u>	<u>3,066,998</u>

10) Intangible assets

	December 31, 2012	December 31, 2011
Goodwill	\$ 3,156,048	3,156,048
Deferred pension costs	50,719	85,257
Software	37,387	61,893
	<u>\$ 3,244,154</u>	<u>3,303,198</u>

For the years ended December 31, 2012 and 2011, the recognized amortization expenses from computer software were \$25,489 thousand and \$80,436 thousand, respectively, recognized as operating expenses—depreciation and amortization expenses.

11) Other assets

As of December 31, 2012 and 2011, details of other assets were as follows:

	December 31, 2012	December 31, 2011
Deferred income tax assets, net	\$ 1,940,302	2,190,547
Idle assets, net (Accumulated impairment of \$64,775 thousand and \$96,525 thousand as of December 31, 2012 and 2011, respectively)	131,666	368,929
Assets leased to others, net (Accumulated impairment of \$2,695 thousand and \$0 thousand as of December 31, 2012 and 2011, respectively)	342,003	321,824
Refundable deposits	461,413	527,012
Derivatives collateral	-	488,599
Others	174,588	174,567
	<u>\$ 3,049,972</u>	<u>4,071,478</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, 2012, future lease payments to be received were as follows:

Period	Amount
2013	\$ 15,786
2014	10,631
2015	5,558
2016	3,651
2017	3,730
	<u>\$ 39,356</u>

12) Deposits and remittances

As of December 31, 2012 and 2011, deposits and remittances were as follows:

	December 31, 2012	December 31, 2011
Checking deposits	\$ 4,538,083	5,182,659
Demand deposits	162,443,255	171,321,632
Time deposits	178,958,735	198,619,187
Savings deposits	127,267,949	126,998,272
Time savings deposits	89,789,541	93,898,964
Trust fund with designated purpose	-	59,822
Remittances	74,414	71,156
Total	<u>\$ 563,071,977</u>	<u>596,151,692</u>
Mark-to-market adjustments for the hedged liabilities included in the above balance	<u>\$ 29,001</u>	<u>90,609</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, 2012 and 2011, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	December 31, 2012	December 31, 2011
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	1,000
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%	2,400	4,100
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%	1,500	5,900
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	4,355,292	4,540,436
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	4,355,292	4,540,436
100-1A	2-year term, interest payable quarterly, annual interest rate is 1.03%; maturity date: May 19, 2013	800,000	800,000
100-1B	3-year term, interest payable quarterly, annual interest rate is 1.17%; maturity date: May 19, 2014	100,000	100,000
100-1C	4-year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	650,000	650,000
100-1D	5-year term, interest payable quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000	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	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	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	3,700,000
100-1H	5-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2016	400,000	400,000
100-1I	7-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: May 19, 2018	4,000,000	4,000,000
100-2	5-year term, interest payable quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000	500,000
100-3A	2-year term, interest payable quarterly, annual interest rate is 1.04%; maturity date: June 23, 2013	950,000	950,000
100-3B	2-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: June 23, 2013	700,000	700,000
100-3C	5-year term, interest payable quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	1,100,000	1,100,000

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Bond	Conditions for issuance	December 31, 2012	December 31, 2011
100-4A	3-year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: June 29, 2014	\$ 2,000,000	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	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	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	2,000,000
101-1A	2-year term, interest payable quarterly, annual interest rate is 1.05%; maturity date: January 17, 2014	7,000,000	-
101-1B	2-year term, interest payable quarterly, TWD 90-day CP interest rate plus 0.25% interest rate; maturity date: January 17, 2014	700,000	-
101-1C	3-year term interest payable quarterly, annual interest is 1.09%; maturity date: January 17, 2015	600,000	-
101-2	2-year term, interest payable annually, annual interest rate is 1.05%; maturity date: May 24, 2014	6,700,000	-
		61,715,484	47,091,872
Mark-to-market adjustment on hedged items		299,053	420,298
Total		<u>\$ 62,014,537</u>	<u>47,512,170</u>

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. These debentures began to be traded on the over-the-counter market on December 11, 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The board of directors approved the issuance of the 101-1 and 101-2 senior unsecured debentures at an amount of \$15,000,000 thousand on June 21, 2011; the FSC subsequently approved the issuance on November 28, 2011. These senior unsecured debentures began to be traded on the over-the-counter market on January 17, 2012 and May 24, 2012, respectively.

14) Interest income

For the years ended December 31, 2012 and 2011, details of interest income were as follows:

	2012	2011
Interbank transactions	\$ 406,417	335,690
Financial assets at fair value through profit or loss	220,281	128,263
Credit cards (revolving)	416,958	389,100
Loans and advances to customers	11,178,294	10,473,714
Available-for-sale financial assets	2,131,823	1,921,969
Accounts receivable without recourse	485,147	273,344
Others	456,297	384,880
Total	<u>\$ 15,295,217</u>	<u>13,906,960</u>

15) Other non-interest income (loss), net

For the years ended December 31, 2012 and 2011, details of non-interest income (loss), net were as follows:

	2012	2011
Securities brokerage commissions, net	\$ 90,229	134,127
Rental income	18,551	21,251
Net loss on fair value hedge	(26,770)	(48,679)
Investment income from financial assets carried at cost	18,143	24,199
Others	49,139	6,740
Total	<u>\$ 149,292</u>	<u>137,638</u>

16) Pension

For the years ended December 31, 2012 and 2011, the related pension assets, costs, and accrued liabilities of the Bank were as follows:

	2012	2011
Fair value of pension assets at end of period	\$ 1,567,871	1,576,523
Pension cost:		
Defined benefit pension scheme	255,507	273,365
Defined contribution pension scheme	161,125	160,366
Accrued pension liabilities	870,161	733,450

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The Bank also adopted the defined benefit plan, in which employees' pension is calculated based on the employees' years of service under the Labor Standards Act and the employees' base salary at the time of retirement. Currently, the Bank contributes 2.2% of eligible employees' base salary to the retirement reserve trust account at Bank of Taiwan. The Bank adopted the defined contribution plan pursuant to the Labor Pension Act. Currently, the Bank contributes, monthly, 6% of eligible employees' salary to each employee's individual pension account at the Bureau of Labor Insurance. The measurement dates of the actuarial reports were December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, the reconciliation of the funded status and accrued pension liabilities were as follows:

	December 31, 2012	December 31, 2011
Benefit obligation:		
Vested benefit obligation	\$ (1,897,209)	(1,720,978)
Non-vested benefit obligation	<u>(540,823)</u>	<u>(588,995)</u>
Accumulated benefit obligation	(2,438,032)	(2,309,973)
Additional benefits based on future compensation	<u>(966,008)</u>	<u>(917,883)</u>
Projected benefit obligation	(3,404,040)	(3,227,856)
Fair value of plan assets	<u>1,567,871</u>	<u>1,576,523</u>
Funded status	(1,836,169)	(1,651,333)
Unrecognized net transition obligation	48,871	80,321
Unrecognized prior service cost	1,848	4,936
Unrecognized pension loss	1,294,637	1,211,962
Additional minimum pension liabilities	<u>(379,348)</u>	<u>(379,336)</u>
Accrued pension liabilities	<u>\$ (870,161)</u>	<u>(733,450)</u>
Vested benefit	<u>\$ (1,940,044)</u>	<u>(1,941,142)</u>

For the years ended December 31, 2012 and 2011, the components of net pension cost were as follows:

	2012	2011
Service cost	\$ 148,527	160,770
Interest cost	43,758	44,827
Expected return on pension plan assets	(23,620)	(23,952)
Amortization	<u>86,842</u>	<u>91,720</u>
Net pension cost	<u>\$ 255,507</u>	<u>273,365</u>

Actuarial assumptions for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	1.20 %	1.40 %
Rate of increase in future compensation	3.50 %	3.50 %
Rate of projected return on plan assets	1.50 %	1.50 %

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the years ended December 31, 2012 and 2011, payments for retirement and severance were \$118,808 thousand and \$150,426 thousand, respectively.

For the years ended December 31, 2012 and 2011, net pension costs for employees rotated from foreign affiliate companies were \$5,680 thousand and \$8,496 thousand, respectively.

17) Share-based payments

Standard Chartered PLC Group (the "SC PLC Group") has established five main share-based payment schemes for its directors and employees. For the years ended December 31, 2012 and 2011, 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, 2012	December 31, 2011
Beginning balance	576,342	580,649
Add: granted	182,838	215,079
Less: exercised	144,161	123,871
lapsed	85,485	95,515
Ending balance	529,534	576,342

For the years ended December 31, 2012 and 2011, the costs of the ISS charged to profits or losses were \$27,936 thousand and \$36,247 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:

	2012	
	October 11	October 1
Grant date		
Share price at grant date	£ 13.95	£ 14.35
Exercise price	£ 11.40	£ 11.40
Vesting period (years)	3	3
Expected volatility (%)	29.80	30.00
Expected option life (years)	3.33	3.33
Risk free rate (%)	0.40	0.40
Expected dividends (yield) (%)	3.10	3.10
Fair value	£ 3.28	£ 3.53

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	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 (%)	0.90/1.40	0.70/1.20
Expected dividends (yield) (%)	3.90/3.50	3.90/3.50
Fair value	£ 5.46/5.39	£ 3.87/3.87

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, 2012	December 31, 2011
Beginning balance	254,648	248,673
Add: granted	1,454	48,049
Less: exercised	95,518	25,612
lapsed	32,880	16,462
Ending balance	<u>127,704</u>	<u>254,648</u>

For the years ended December 31, 2012 and 2011, the costs of the RSS charged to profits or losses were \$45,304 thousand and \$59,369 thousand, respectively, recorded as operating expenses — staff costs.

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

	2011
	March 10
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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

This scheme has been granted and set out under the new RSA plan, effective May 5, 2011.

2012

Grant date	December 21	September 19	June 20	March 13
Share price at grant date	£ 15.84	£ 14.82	£ 14.17	£ 15.65
Vesting period (years)	2/3 1/2/3/4	2/3	2/3	2/3
Expected dividends (yield) (%)	3.70	3.00	3.80	3.80
Fair value	£ 14.46	£ 13.76	£ 12.91	£ 14.26

2011

Grant date	December 14	September 20	June 22
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

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, 2012	December 31, 2011
Beginning balance	6,233	6,233
Less: lapsed	6,233	-
Ending balance	-	6,233

There were no costs of the ESOS charged to profit or loss recognized for the years ended December 31, 2012 and 2011.

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, 2012 and 2011 .

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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, 2012	December 31, 2011
Beginning balance	77,608	105,055
Less: exercised	44,109	12,523
lapsed	18,495	14,924
Ending balance	<u>15,004</u>	<u>77,608</u>

For the years ended December 31, 2012 and 2011, the costs of the PSA (PSP) charged to profit or loss were \$5,372 thousand and \$9,023 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.

This scheme has been granted and set out under the new PSA plan, effective May 5, 2011.

2012

Grant date	December 21		September 19		June 20		March 13	
Share price at grant date	£	15.84	£	14.82	£	14.17	£	15.65
Vesting period (years)		3		3		3		3
Expected dividends (yield) (%)		3.73		3.15		3.50		3.50
Fair value (EPS)	£	4.73	£	4.50	£	4.26	£	4.71
Fair value (TSR)	£	1.86	£	1.77	£	1.68	£	1.85

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

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 eight years after the grant date.

The option movements of the SRSS were as follows:

	December 31, 2012	December 31, 2011
Beginning balance	32,457	42,165
Less: exercised	11,515	9,640
lapsed	491	68
Ending balance	20,451	32,457

For the years ended December 31, 2012 and 2011, the costs of the SRSS charged to profit or loss were \$1,024 thousand and \$3,999 thousand, respectively, recorded as operating expenses – staff costs.

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

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

This scheme has been granted and set out under the new SRSA plan, effective May 5, 2011.

	2012			
	December 21	September 19	June 20	March 13
Grant date				
Share price at grant date	£ 15.84	£ 14.82	£ 14.17	£ 15.65
Vesting period (years)	2/3 1/2/3/4	2/3	2/3	2/3
Expected dividends (yield) (%)	3.70	3.00	3.80	3.80
Fair value	£ 14.46	£ 13.76	£ 12.91	£ 14.26

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

2011

Grant date	December 14	September 20	June 22
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

18) Income tax

The Bank's basic statutory tax rate is 17%. Based on the R.O.C. "Basic Income Tax Act", the income tax expense for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Current income tax (benefit) expense	\$ (7,084)	1,811
Deferred income tax expense	251,949	1,310,163
10% surtax on undistributed earnings	149,532	20
Basic income tax	171,854	91,006
Income tax expense	<u>\$ 566,251</u>	<u>1,403,000</u>

The differences between the expected income tax at statutory income tax rates and the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Income tax at statutory rates	\$ 606,832	1,661,940
Adjustment:		
Permanent difference	(395,265)	(345,174)
Prior-year income tax adjustments	(7,084)	1,811
10% surtax on undistributed earnings	149,532	20
Basic income tax	171,854	91,006
Other adjustments for tax regulation	40,382	(6,603)
Income tax expense	<u>\$ 566,251</u>	<u>1,403,000</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the years ended December 31, 2012 and 2011, the components of deferred income tax expense were as follows:

	2012	2011
Expenses from share-based payments	\$ (1,836)	(10,210)
Unrealized interest income from financial assets	40,911	36,492
Allowance for doubtful accounts	(224,820)	789,727
Deferred revenue	47,539	38,993
Reserve for various loss	(11,720)	(108)
Pension cost	(23,237)	(20,900)
Unrealized gain on inter-affiliate transactions	-	991
Depreciation of property and equipment	(1,017)	6,439
Impairment loss on assets	3,366	(7,264)
Amortization of goodwill	53,652	53,653
Loss carryforwards	369,111	422,350
Deferred income tax expense	<u>\$ 251,949</u>	<u>1,310,163</u>

As of December 31, 2012 and 2011, details of the temporary differences, loss carryforwards and tax credits, and their respective income tax effect were as follows:

	December 31, 2012		December 31, 2011	
	Amount	Income tax effect	Amount	Income tax effect
Expenses from share-based payments	\$ 226,677	38,535	215,877	36,699
Unrealized interest income from financial assets	1,775,832	301,891	2,016,480	342,802
Allowance for doubtful accounts	2,551,427	433,743	1,228,959	208,923
Deferred revenue	(269,914)	(45,886)	9,722	1,653
Reserve for various loss	69,886	11,881	946	161
Pension cost	887,296	150,840	750,605	127,603
Depreciation of property and equipment	44,245	7,522	38,265	6,505
Impairment loss on assets	260,380	44,264	280,173	47,630
Amortization of goodwill	(1,262,419)	(214,611)	(946,814)	(160,959)
Loss carryforwards	8,287,052	1,408,800	10,458,302	1,777,911
Unrealized gain on available-for-sale financial assets	(995,873)	(169,298)	(937,589)	(159,390)
Unrealized gain on cash flow hedge	(161,054)	(27,379)	(229,358)	(38,991)
	<u>\$ 1,940,302</u>		<u>2,190,547</u>	

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

As of December 31, 2012 and 2011, the components of tax refund receivables (income tax payables) for current year were as follows:

	December 31, 2012	December 31, 2011
Current income tax benefits (expenses)	\$ 7,084	(1,811)
Withheld income tax	266,767	170,577
Prior-year income tax adjustments	(7,084)	1,811
10% surtax on undistributed earnings	(149,532)	(20)
Basic income tax	(171,854)	(91,006)
	<u>\$ (54,619)</u>	<u>79,551</u>

As of December 31, 2012, the Bank's income tax receivables from prior years was \$115,818 thousand, and the income tax payables from prior years was \$11,161 thousand. As of December 31, 2011, the Bank's income tax receivables from prior years was \$145,339 thousand, and the income tax payables from prior year was \$21,191 thousand.

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, 2012, the amount of loss carryforwards and the year of expiry were as follows:

Year loss incurred	December 31, 2012	Year of expiry
2008 (assessed)	\$ 4,937,601	2018
2009 (assessed)	3,349,451	2019
	<u>\$ 8,287,052</u>	

The Bank's income tax returns have been assessed by the tax authority for all years through to 2009.

The balances of the imputation credit account (ICA) as of December 31, 2012 and 2011 were as follows:

	December 31, 2012	December 31, 2011
ICA	\$ 28,169	15,842
	2012 (estimated)	2011 (actual)
Tax creditable ratios of distribution of retained earnings to R.O.C. residents	1.88 %	20.48 %

The accumulated earnings as of December 31, 2012 and 2011 were all generated after 1998.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

19) Stockholders' equity

A. Common stock

As of December 31, 2012, the Bank's authorized and issued capital were \$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.

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 year, 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 2011 and 2010 earnings on June 29, 2012 and June 21, 2011, and appropriated legal reserve of \$2,511,935 thousand and \$876,897 thousand, respectively.

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 bonus: 99.99%
- b. Employee bonus: 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 bonus for distribution if necessary.

On June 29, 2012 and June 21, 2011, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2011 and 2010 of \$4,365,858 thousand and \$2,045,889 thousand, respectively.

The estimated amount of bonus 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.

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

The board of directors approved the distribution of 2010 earnings on June 21, 2011, and distributed bonus to employees for \$205 thousand. This difference shall be identified as changes in accounting estimate and recognized as profit or loss in 2011. Furthermore, the board of directors approved the distribution of 2011 earnings on June 29, 2012 and distributed bonus to employees for \$586 thousand. The estimated employee bonus was \$589 thousand; this difference of \$3 thousand shall be treated as changes in accounting estimate and recognized as profit or loss in 2012.

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

E. Weighted-average outstanding shares of common stock

As of December 31, 2012 and 2011, 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, 2012 and 2011.

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 investments under reverse sell 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. For deposits and remittances with maturity less than one year, their book values will be equal to their fair values. The fair values of deposits with maturity over than one year are 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

As of December 31, 2012 and 2011, the fair values of the Bank's financial assets and liabilities evaluated using valuation techniques were as listed below:

Accounts	December 31, 2012	December 31, 2011
Financial assets at fair value through profit or loss – debt instruments	\$ 21,512,425	25,458,794
Financial assets at fair value through profit or loss – derivatives	8,032,285	15,408,897
Available-for-sale financial assets – debt instruments	226,948,479	211,420,844
Available-for-sale financial assets – beneficiary certificates	-	1,752,582
Available-for-sale financial assets – equity securities	78,853	83,595
Financial liabilities at fair value through profit or loss – derivatives	8,357,471	14,863,355

For the years ended December 31, 2012 and 2011, the Bank recognized gain amounting to \$1,170,969 thousand and \$59,127 thousand, respectively, and the differences were caused by their fair value of financial instruments that were evaluated using valuation techniques.

- B. As of December 31, 2012 and 2011, outstanding derivative contracts held by the Bank were as listed below:

	December 31, 2012	
	Notional amount	Fair value
		Gain (assets) Loss (liabilities)
Interest rate swaps	\$ 1,125,438,066	4,687,570 4,062,267
Interest rate option contracts	76,268,998	379,105 342,588
Forward contracts	406,792,774	1,940,777 2,576,715
Cross-currency swaps	49,101,587	811,690 745,182
Foreign exchange option contracts	102,604,481	557,384 559,500
Commodity swaps	1,855,622	83,370 83,370
Commodity option contracts	1,237,542	1,372 1,372
	<u>\$ 1,763,299,070</u>	<u>8,461,268 8,370,994</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	December 31, 2011		
	Notional amount	Fair value	
		Gain (assets)	Loss (liabilities)
Interest rate swaps	\$ 1,253,545,029	7,954,488	7,690,979
Interest rate option contracts	97,397,841	665,870	628,723
Forward contracts	508,895,192	4,725,797	3,580,035
Cross-currency swaps	76,947,143	2,177,960	2,443,187
Foreign exchange option contracts	135,253,814	557,455	556,586
Commodity swaps	933,114	29,286	29,286
Commodity option contracts	7,360,167	27,000	27,000
	<u>\$ 2,080,332,300</u>	<u>16,137,856</u>	<u>14,955,796</u>

Note: The above derivative contracts includes 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 250 trading days.

The table below lists the market risk of financial instruments of the Bank as of December 31, 2012 and 2011. 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	2012			2011		
	Annual average	Maximum	Minimum	Annual average	Maximum	Minimum
Exchange rate	\$ 6,213	12,847	2,233	4,182	12,420	814
Interest rate	14,695	25,317	8,270	20,433	44,971	12,865

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, 2012 and 2011, the percentages of loans with collateral were 62.95% and 69.55%, 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 is 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, 2012 and 2011, 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, 2012	December 31, 2011
Manufacturing	\$ 43,306,915	36,758,508
Commercial	15,019,866	7,932,603
Construction	1,455,281	6,142,979
Individual	267,830,077	285,470,139
Financial	12,947,258	3,104,060
Others	15,054,286	10,890,473
	<u>\$ 355,613,683</u>	<u>350,298,762</u>

The amount of the above mentioned 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, 2012 and 2011, the industry classifications of the 10 group enterprises with the largest outstanding credits were as follows:

December 31, 2012			
Rank	Industry Classification of Group Enterprise	Outstanding credit	% of net assets
1	Petrochemical manufacturing	3,187,547	7.27 %
2	Other computer peripheral manufacturing industry	3,048,214	6.95 %
3	Cement manufacturing	2,846,157	6.49 %
4	Sheet glass and glass made products manufacturing	2,605,617	5.94 %
5	Cement manufacturing	2,445,178	5.58 %
6	Semiconductors packaging and testing	1,923,089	4.38 %
7	Banking	1,914,763	4.37 %
8	Banking	1,859,884	4.24 %
9	Banking	1,806,378	4.12 %
10	Tires manufacturing	1,742,134	3.97 %

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

December 31, 2011			
Rank	Industry Classification of Group Enterprise	Outstanding credit	% 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	Semi-conductors 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	1,774,955	3.92 %
7	Integrated circuit manufacturing	1,696,163	3.75 %
8	Sheet glass and sheet glass products manufacturing	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 %

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 devalued.

c. Liquidity risk

As of December 31, 2012 and 2011, the liquidity reserve ratios were 54.96% and 51.96%, 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, 2012 and 2011, 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Financial Assets	December 31, 2012				
	Within 3 months	3 months-1 year	1~5 years	Over 5 years	Total
Cash and cash equivalents	\$ 6,697,772	-	-	-	6,697,772
Balance at Central Bank and loans and advances to banks	44,761,072	5,602,189	-	17,709,933	68,073,194
Financial assets at fair value through profit or loss	29,544,710	-	-	-	29,544,710
Bills and bonds investments under reverse sell agreements	3,402,039	-	-	-	3,402,039
Loans and advances to customers, net	41,526,564	18,892,737	42,314,966	247,652,779	350,387,046
Available-for-sale financial assets, net	34,098,421	174,647,837	18,197,055	84,019	227,027,332
Other financial assets, net	3,162	41,582	330,163	205,485	580,392
Total	<u>\$ 160,033,740</u>	<u>199,184,345</u>	<u>60,842,184</u>	<u>265,652,216</u>	<u>685,712,485</u>
Financial Liabilities					
Deposits by Central Bank and other banks	\$ 8,220,944	1,063,039	-	-	9,283,983
Financial liabilities at fair value through profit or loss	8,357,471	-	-	-	8,357,471
Deposits and remittances	397,093,200	162,292,496	3,686,281	-	563,071,977
Financial debentures	4,900	6,550,805	28,026,644	27,432,188	62,014,537
Other financial liabilities	3,157,766	2,004,601	28,541,392	1,000,000	34,703,759
Total	<u>\$ 416,834,281</u>	<u>171,910,941</u>	<u>60,254,317</u>	<u>28,432,188</u>	<u>677,431,727</u>
Gap	<u>\$ (256,800,541)</u>	<u>27,273,404</u>	<u>587,867</u>	<u>237,220,028</u>	<u>8,280,758</u>
December 31, 2011					
Financial Assets	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	52,931,620	3,026,957	-	18,439,964	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>\$ 208,801,643</u>	<u>145,739,984</u>	<u>49,501,948</u>	<u>291,443,661</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>\$ (249,318,692)</u>	<u>(2,562,396)</u>	<u>633,581</u>	<u>259,628,964</u>	<u>8,381,457</u>

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

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, 2012

	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	\$ 796,223,830	190,823,333	56,801,342	101,985,455	176,682,452	269,931,248
Capital used	796,639,425	144,584,908	90,529,993	124,157,229	92,979,710	344,387,585
Gap	(415,595)	46,238,425	(33,728,651)	(22,171,774)	83,702,742	(74,456,337)

Structure Analysis of Maturity Date U.S. Dollars
December 31, 2012

(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	\$ 11,924,036	4,903,564	3,166,560	1,575,848	1,303,847	974,217
Capital used	11,955,176	4,559,336	3,356,929	959,154	1,338,252	1,741,505
Gap	(31,140)	344,228	(190,369)	616,694	(34,405)	(767,288)

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)

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, 2012 and 2011, 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, 2012									Total	
	Within 1 month	1-3 months	3 months ~ 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Non-interest		
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-	6,697,772	6,697,772
Balance at Central Bank and loans and advances to banks	48,438,343	4,210,019	5,602,189	-	-	-	-	-	-	9,822,643	68,073,194
Financial assets at fair value through profit or loss	26,150,117	-	-	-	-	-	-	-	-	3,394,593	29,544,710
Bills and bonds investments under reverse sell agreements	3,402,039	-	-	-	-	-	-	-	-	-	3,402,039
Loans and advances to customers, net	87,673,119	243,564,165	16,733,684	125,095	272,595	1,652,429	357,722	4,029,930	(4,021,693)	350,387,046	
Available-for-sale financial assets, net	24,802,045	9,296,376	174,647,837	4,696,248	3,159,005	5,093,966	5,247,836	5,166	78,853	227,027,332	
Other financial assets, net	458	2,704	41,582	182,749	7,757	122,511	17,146	54,076	151,409	580,392	
Total	\$ 190,466,121	257,073,264	197,025,292	5,004,092	3,439,357	6,868,906	5,622,704	4,089,172	16,123,577	685,712,485	
Financial Liabilities											
Deposits by Central Bank and other banks	\$ 5,678,976	3,600,375	-	-	-	-	-	-	-	4,632	9,283,983
Financial liabilities at fair value through profit or loss	4,391,333	-	-	-	-	-	-	-	-	3,966,138	8,357,471
Deposits and remittances	364,492,669	47,628,042	143,426,565	2,792,612	194,006	-	-	-	-	4,538,083	563,071,977
Financial debentures	10,119,343	47,190,294	-	4,700,000	-	-	-	-	-	4,900	62,014,537
Other financial liabilities	12,554,704	22,135,532	4,601	5,098	-	82	3,742	-	-	-	34,703,759
Total	\$ 397,237,025	120,554,243	143,431,166	7,497,710	194,006	82	3,742	-	8,513,753	677,431,727	
Sensitivity gap	\$ (206,770,904)	136,519,021	53,594,126	(2,493,618)	3,245,351	6,868,824	5,618,962	4,089,172	7,609,824	8,280,758	
December 31, 2011											
Financial Assets	Within 1 month	1-3 months	3 months ~ 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Non-interest	Total	
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-	11,469,535	11,469,535
Balance at Central Bank and loans and advances to banks	48,129,918	11,286,248	3,026,957	-	-	-	-	-	-	11,955,418	74,398,541
Financial assets at fair value through profit or loss	33,377,868	-	-	-	-	-	-	-	-	7,489,823	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	\$ 136,200,176	348,684,219	157,670,877	4,106,454	1,051,609	1,283,857	9,178,853	10,368,249	26,942,942	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	8,300,681	-	-	-	-	-	-	-	-	6,562,674	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	10,420,299	37,080,871	-	-	-	-	-	-	-	11,000	47,512,170
Other financial liabilities	5,274,243	4,894,908	20	-	11,071	5,313	-	2,618	-	-	10,188,173
Total	\$ 396,120,066	117,171,169	134,118,743	27,100,312	1,206,424	5,313	-	2,618	11,381,134	687,105,779	
Sensitivity gap	\$ (259,919,890)	231,513,050	23,552,134	(22,993,858)	(154,815)	1,278,544	9,178,853	10,365,631	15,561,808	8,381,457	

(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, 2012**

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 402,400,674	71,950,273	119,455,103	20,110,449	613,916,499
Interest-rate-sensitive liabilities	412,576,436	78,419,804	47,247,334	7,444,461	545,688,035
Interest-rate-sensitive spread	(10,175,762)	(6,469,531)	72,207,769	12,665,988	68,228,464
Net worth					41,261,858
Ratio of interest-rate-sensitive assets to liabilities (%)					112.50
Ratio of interest-rate-sensitive spread to net worth (%)					165.35

**Interest-Rate Sensitivity Analysis U.S. Dollars
December 31, 2012**

(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	\$ 3,152,544	33,294	195,110	181,567	3,562,515
Interest-rate-sensitive liabilities	4,032,098	141,171	316,698	8,648	4,498,615
Interest-rate-sensitive spread	(879,554)	(107,877)	(121,588)	172,919	(936,100)
Net worth					89,328
Ratio of interest-rate-sensitive assets to liabilities (%)					79.19
Ratio of interest-rate-sensitive spread to net worth (%)					(1,047.94)

**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)

(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:

	2012	
	Average amount	Average interest rate %
Assets:		
Balance at Central Bank - Demand account	\$ 17,303,941	0.48
Loans and advances to banks (including deposits with affiliate companies and advances to affiliate companies)	50,009,448	0.65
Loans and advances to customers	352,506,144	3.17
Financial assets at fair value through profit or loss	22,531,811	0.98
Available-for-sale financial assets	209,841,833	1.02
Liabilities:		
Deposits by Central Bank and loans from other banks (including deposits from affiliate companies)	28,878,149	0.65
Demand deposits (including local currency and foreign currency)	295,695,458	0.23
Time deposits (including local currency and foreign currency)	244,561,379	1.23
Negotiable certificates of deposits	13,484,320	1.04
Financial debentures	58,880,459	1.86
2011		
	Average amount	Average interest rate %
Assets:		
Balance at Central Bank - Demand account	\$ 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

(Continued)

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 or loss. As of December 31, 2012 and 2011, 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, 2012	Contract type	December 31, 2012
Available-for-sale financial assets:			
Government bonds	\$ 3,088	Interest rate swaps	\$ (3,209)
Time deposits – NTD	(29,001)	Interest rate swaps	26,942
Financial debentures	(299,053)	Interest rate swaps	300,723
	<u>\$ (324,966)</u>		<u>\$ 324,456</u>

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

(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, 2012 and 2011, details of hedged items and designated hedging instruments (recorded under other financial assets or liabilities, net) were summarized as follows:

December 31, 2012					
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	\$ 43,238,932	161,054	2010-2017	2010-2017

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

The detail of unrealized gains or losses on cash flow hedge for the years ended December 31, 2012 and 2011 were as below:

	2012	2011
Adjustments to stockholders' equity	<u>\$ (56,692)</u>	<u>124,084</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, 2012			
	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	\$ 21,512,425	4,366,153	17,146,272	-
Available-for-sale financial assets				
Investment in bonds	226,948,479	19,457,576	207,490,903	-
Equity securities	78,853	78,853	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	8,032,285	2,631	8,029,654	-
Other financial assets				
Hedging derivative financial assets	428,983	-	428,983	-
Liabilities:				
Financial liabilities at fair value through profit or loss	8,357,471	3,935	8,353,536	-
Other financial liabilities				
Hedging derivative financial liabilities	13,523	-	13,523	-
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	-

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

		December 31, 2012							
Items	Beginning balance	The amount recognized in current net gains (losses) or stockholders' equity	Purchase or issue	Transfer in of level 3 and out of other levels	Transfer in of level 3 of financial assets and out of level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of 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	\$ 1,752,582	-	-	-	-	(1,752,582)	-	-	-
Derivative financial instruments									
Financial assets at fair value through profit or loss									
	362,955	-	-	-	-	(362,955)	-	-	-
	<u>\$ 2,115,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,115,537)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2011							
Items	Beginning balance	The amount recognized in current net gains (losses) or stockholders' equity	Purchase or issue	Transfer in of level 3 and out of other levels	Transfer in of level 3 of financial assets and out of level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of 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>

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

		December 31, 2012							
Items	Beginning balance	The amount recognized in current net gains (losses) or stockholders' equity	Purchase or issue	Transfer in of level 3 and out of other levels	Transfer in of level 3 of financial assets and out of level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of level 3	Transfer in of level 3 of financial liabilities and out of level 3 of financial assets	Ending balance
Derivative financial instruments									
Financial liabilities at fair value through profit or loss									
	<u>\$ 275,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(275,719)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2011							
Items	Beginning balance	The amount recognized in current net gains (losses) or stockholders' equity	Purchase or issue	Transfer in of level 3 and out of other levels	Transfer in of level 3 of financial assets and out of level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of level 3	Transfer in of level 3 of financial liabilities and out of level 3 of financial assets	Ending balance
Derivative financial instruments									
Financial liabilities at fair value through profit or loss									
	<u>\$ 500,037</u>	<u>(224,318)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,719</u>

(Continued)

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

- Note 1: Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. In accordance with the fifth paragraph of SFAS No. 34 "Financial Instruments: Recognition and Measurement", the definition of active market fulfills all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.
- Note 2: Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:
- (1) The quoted price for an identical financial instrument in an active market means the fair value from the occurring market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices does not represent fair value at the measurement date), difference of transaction terms for financial instruments, transaction prices involved in related parties, and correlation between the observable transaction prices of identical financial instruments and the market price of held financial instruments.
 - (2) The quoted market price of the same or identical financial instruments in an inactive market.
 - (3) The fair value is estimated on the basis of the results of a valuation technique and the market inputs (i.e., interest rate, yield curve, and fluctuation rate) used were based on obtainable data from market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
 - (4) A majority of inputs derived from observable market data, or the input correlation can be tested based on observable market data.
- Note 3: Input for a fair value measurement for a financial instrument classified in level 3 is not based on obtainable data from market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(5) Related-party transactions

1) Name and relationship of related parties

Name	Relationship
Standard Chartered Bank ("SCB")	The Bank's parent company
Standard Chartered 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 Bank China Limited ("SCB China")	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	Families, spouses of the senior management of the Bank

2) Significant transactions with related parties

A. Deposits

As of December 31, 2012 and 2011, deposits provided by related parties were summarized below:

December 31, 2012			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>790,139</u>	<u>0.14</u>	0.00~5.28
December 31, 2011			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>603,637</u>	<u>0.10</u>	0.00~5.31

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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, 2012 and 2011, interest expenses on the above deposits were \$4,191 thousand and \$3,446 thousand, respectively, and the interest payables on the above transaction were \$252 thousand and \$339 thousand, respectively.

B. Loans

As of December 31, 2012 and 2011, loans to related parties were as below:

December 31, 2012							
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	8	5,950	3,188	3,188	-	Unsecured lending	None
Mortgage	17	170,970	160,719	160,719	-	House	None
Others	2	6,994	6,610	6,610	-	Overdraft on the comprehensive deposits	None

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	13	7,623	6,437	6,437	-	Unsecured lending	None
Mortgage	16	146,679	129,714	129,714	-	House	None
Others	1	10,091	2,724	2,724	-	Overdraft on the comprehensive deposits	None

For the years ended December 31, 2012 and 2011, interest income on the above loans were \$2,205 thousand and \$1,971 thousand, respectively, and the interest receivables on the above transaction were \$142 thousand and \$104 thousand, respectively.

C. Deposits with affiliates

For the years ended December 31, 2012 and 2011, deposits with affiliates and related interest income were as follows:

	2012		
	Balance	Interest rate %	Interest income
SCB New York	\$ 531,282	0.08~1.28	1,537
SCB China	498,620	-	-
SCB HK	60,487	-	-
SCB Singapore	28,641	-	-
Others	34,046	-	-
	<u>\$ 1,153,076</u>		<u>1,537</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	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>

As of December 31, 2012 and 2011, 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, 2012 and 2011, loans and advances to affiliates and related interest income were as follows:

	2012		
	Balance	Interest rate %	Interest income
SCB Taipei	<u>\$ 35,088,854</u>	0.10~1.93	<u>232,387</u>

	2011		
	Balance	Interest rate %	Interest income
SCB Taipei	<u>\$ 33,500,245</u>	0.03~1.45	<u>149,883</u>

As of December 31, 2012 and 2011, the interest receivables resulting from the above loans and advances to affiliates were \$101,489 thousand and \$12,182 thousand, respectively.

E. Deposits from affiliates

For the years ended December 31, 2012 and 2011, deposits from affiliates and related interest expenses were as follows:

	2012		
	Balance	Interest rate %	Interest expense
SCB Taipei	<u>\$ 489</u>	0.01	<u>7</u>

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

As of December 31, 2012 and 2011, the interest payables resulting from the above deposits by affiliates from affiliates were \$0 thousand.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

F. Overdrafts to affiliates

For the years ended December 31, 2012 and 2011, overdrafts to affiliates and related interest expenses were as follows:

	2012		
	Balance	Interest rate %	Interest expense
SCB Germany	\$ 89,885	-	-
SCB HK	33,844	0.01	52
Others	<u>45</u>	-	-
	<u>\$ 123,774</u>		<u>52</u>
	2011		
	Balance	Interest rate %	Interest expense
SCB New York	<u>\$ 790,183</u>	-	-

G. Loans from affiliates

For the years ended December 31, 2012 and 2011, loans from affiliates and related interest expenses were as follows:

	2012		
	Balance	Interest rate %	Interest expense
SCB Tokyo	\$ 303,496	0.01	14
SCB HK	<u>235,366</u>	0.07~3.00	<u>25,127</u>
	<u>\$ 538,862</u>		<u>25,141</u>
	2011		
	Balance	Interest rate %	Interest expense
SCB HK	\$ 6,053,914	0.01~1.32	39,959
SCB Taipei	<u>3,026,957</u>	0.44~1.38	<u>11,378</u>
	<u>\$ 9,080,871</u>		<u>51,337</u>

As of December 31, 2012 and 2011, the interest payables resulting from the above loans from affiliates were \$494 thousand and \$17,805 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

H. Derivative transactions

For the years ended December 31, 2012 and 2011, derivative transactions engaged with affiliated parties were as follows:

Name	Contracts	Contract duration period	December 31, 2012		Balance sheet	
			Notional	Net valuation adjustment	Account	Balance
SCB	Interest rate swap	2013.1.9~ 2017.10.11	\$ 18,842,156	(181,650)	Financial assets at fair value through profit or loss	137,400
					Financial liabilities at fair value through profit or loss	(319,050)
	Interest rate option contract	2013.1.2~ 2017.8.22	2,286,528	2,129	Financial assets at fair value through profit or loss	2,601
					Financial liabilities at fair value through profit or loss	(472)
	Forward contract	2013.1.2~ 2013.11.6	57,122,853	217,649	Financial assets at fair value through profit or loss	655,146
					Financial liabilities at fair value through profit or loss	(437,497)
	Cross currency swap	2013.10.1	29,035	2,859	Financial assets at fair value through profit or loss	2,859
					Foreign exchange option contract	2013.1.1~ 2014.12.3
	Financial liabilities at fair value through profit or loss	(528,505)				
	Commodity swap	2013.1.3~ 2013.6.4	687,614	392	Financial assets at fair value through profit or loss	41,881
Financial liabilities at fair value through profit or loss					(41,489)	
Commodity option contract	2013.1.14~ 2013.7.2	618,771	(1,372)	Financial liabilities at fair value through profit or loss	(1,372)	
Interest rate swap (Hedge)	2013.5.2~ 2017.9.18	7,955,215	7,969	Financial assets at fair value through profit or loss	8,225	
				Financial liabilities at fair value through profit or loss	(256)	
SCB Singapore	Forward contract	2013.1.3~ 2013.8.22	13,965,608	(92,140)	Financial assets at fair value through profit or loss	75,228
					Financial liabilities at fair value through profit or loss	(167,368)
SCB HK	Forward contract	2013.1.4~ 2013.12.18	23,463,139	(107,356)	Financial assets at fair value through profit or loss	108,520
					Financial liabilities at fair value through profit or loss	(215,876)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Name	Contracts	Contract duration period	December 31, 2011		Balance sheet	
			Notional	Net valuation adjustment	Account	Balance
SCB	Interest rate swap	2012.1.10~ 2016.12.1	\$ 46,343,512	(763,358)	Financial assets at fair value through profit or loss	453,627
					Financial liabilities at fair value through profit or loss	(1,216,985)
	Interest rate option contract	2012.1.3~ 2016.8.29	8,406,594	(32,539)	Financial assets at fair value through profit or loss	2
					Financial liabilities at fair value through profit or loss	(32,541)
	Forward contract	2012.1.3~ 2013.4.24	51,385,246	1,013,273	Financial assets at fair value through profit or loss	1,206,737
					Financial liabilities at fair value through profit or loss	(193,464)
	Cross currency swap	2012.2.22~ 2012.10.12	14,036,427	100,590	Financial assets at fair value through profit or loss	644,326
					Financial liabilities at fair value through profit or loss	(543,736)
	Foreign exchange option contract	2012.1.2~ 2013.11.28	67,626,906	(362,349)	Financial assets at fair value through profit or loss	97,118
					Financial liabilities at fair value through profit or loss	(459,467)
Commodity swap	2012.1.9~ 2012.4.20	696,813	20,954	Financial assets at fair value through profit or loss	25,120	
				Financial liabilities at fair value through profit or loss	(4,166)	
Commodity option contract	2012.1.9~ 2012.9.10	3,680,084	(3,671)	Financial assets at fair value through profit or loss	13,879	
				Financial liabilities at fair value through profit or loss	(17,550)	
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)

- I. As of December 31, 2012 and 2011, 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, 2012	December 31, 2011
SCB HK	\$ 5,247,836	5,092,553

- J. As of December 31, 2012 and 2011, financial debenture payables deriving from the issuance of financial debentures to affiliates were as follows:

Name	Bond (note)	December 31, 2012	December 31, 2011
SCB	98-2	\$ 4,355,292	4,540,436
SCB	98-3	4,355,292	4,540,436

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, 2012 and 2011, the interest expense on the above transaction were \$341,765 thousand and \$326,144 thousand, respectively, and the interest payables on the above transaction were \$18,493 thousand and \$19,524 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. On December 21, 2011, Standard Chartered Life Insurance Agency Co., Ltd. sold the above land and buildings.
- L. For the year ended December 31, 2012, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$1,052,814 thousand, \$535,044 thousand, and \$277,831 thousand, respectively. For the year ended December 31, 2011, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$964,306 thousand, \$653,122 thousand, and \$278,306 thousand, respectively. As of December 31, 2012 and 2011, fees payables to SCB were \$5,465,118 thousand and \$3,761,788 thousand, respectively, recorded under accounts payables—related parties. Moreover, for the years ended December 31, 2012 and 2011, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to \$44,794 thousand and \$49,880 thousand, respectively. As of December 31, 2012 and 2011, the royalty expenses payable to SCB were \$48,663 thousand and \$53,284 thousand, respectively, recorded under accounts payables—related parties.
- M. For the years ended December 31, 2012 and 2011, the related cost of the Executive Share Option Scheme amounted to \$79,636 thousand and \$108,638 thousand, respectively. As of December 31, 2012 and 2011, accounts payable to SCB for the share-based payment scheme costs amounted to \$473,700 thousand and \$408,262 thousand, respectively, recorded under accounts payables—related parties.
- N. For the year ended December 31, 2011, the Bank received USD141,000 thousand from SCB for the recovery on the structured notes payments made previously.
- O. For the years ended December 31, 2012 and 2011, expenses resulting from operating activities with affiliates were as follows:

	<u>2012</u>	<u>2011</u>
Technical support mandate service:		
SCB	\$ 62,667	62,537
Other	-	1,480
Total	<u>\$ 62,667</u>	<u>64,017</u>
Information technology service fees:		
Scope International Private Ltd.	\$ 67,629	56,023
Scope International (M) Sdn. Bhd	70,914	68,189
Other	-	6,329
Total	<u>\$ 138,543</u>	<u>130,541</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- P. As of December 31, 2012 and 2011, the deposits of Standard Chartered Life Insurance Agency Co., Ltd. were \$608,503 thousand and \$383,227 thousand, respectively, the interest expenses were \$2,126 thousand and \$1,458 thousand, respectively, and the interest payables \$48 thousand and \$67 thousand, respectively. The deposits of Taiwan Standard Chartered Insurance Agency Co., Ltd. were \$33,442 thousand and \$33,071 thousand, respectively, the interest expenses were \$173 thousand and \$138 thousand, respectively, and the interest payables \$1 thousand and \$6 thousand, respectively.
- Q. For the year ended December 31, 2012, the Bank signed rental contracts with Standard Chartered Life Insurance Agency Co., Ltd. Rental amount was \$15 thousand.
- R. As of December 31, 2012 and 2011, the accounts receivable that the Bank supported Standard Chartered Life Insurance Agency Co., Ltd. for its sales were \$387,140 thousand and \$185,400 thousand, respectively, and the related service income were \$394,233 thousand and \$187,880 thousand, respectively. The accounts receivable that the Bank supported Taiwan Standard Chartered Insurance Agency Co., Ltd. for its sales were \$9,720 thousand and \$12,600 thousand, respectively, and the related service income were \$10,767 thousand and \$11,702 thousand, respectively.
- S. For the year ended December 31, 2012, the Bank has signed rental contracts with SCB Taipei. Rental amount was \$4,278 thousand.
- 3) The salary and remuneration of major management.

The salary and remuneration of the directors, supervisors, president, vice presidents and major management for the years ended December 31, 2012 and 2011, were as below:

	2012	2011
Salary	\$ 93,881	78,512
Rewards, special allowance and remuneration	113,697	93,034

(6) Pledged Assets

Pledged assets	Pledged for	Amount	
		December 31, 2012	December 31, 2011
Bonds (recorded as available-for-sale financial assets)	Provisional seizure	\$ 154,000	198,000
	Securitization of mortgage loans	-	700,000
Bonds (recorded as accounts receivables)	Provisional seizure	11,200	11,200
Total		<u>\$ 165,200</u>	<u>909,200</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

Security deposits	Purpose	Amount	
		December 31, 2012	December 31, 2011
Negotiable Certificates of Deposits and Bonds (recorded as available-for-sale financial assets)	Reserve for trust funds	\$ -	25,000
	Reserve for indemnity obligations	150,000	150,000
	Security deposits for futures trading	35,000	35,000
	Security deposits for security brokerage	225,000	225,000
	Bid for bonds	100,000	50,000
		<u>510,000</u>	<u>485,000</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>\$ 620,000</u>	<u>595,000</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 trust indemnity obligations are provided by deposits placed in the Central Bank of China for conducting a trust business.
- 3) Assets pledged for provisional seizure are provided by collateral placed with the court in order to execute the Bank's right over debtors' properties.
- 4) Security deposits for bill trading are provided by deposits placed in the Central Bank of China for the Bank's bill trading business.
- 5) Security deposits for bond proprietary trading and underwriting are provided by deposits placed in the OTC Securities Exchange for the Bank's government bond trading and underwriting business.
- 6) The cash deposited in the clearing account reserve were both \$40,000 thousand as of December 31, 2012 and 2011.
- 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(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, 2012 and 2011, and the remaining amount was recorded as other liabilities – unearned receipts.

2) Significant purchase agreements

As of December 31, 2012 and 2011, the Bank had construction agreements for expansion and renovation of buildings amounting to \$31,614 thousand and \$31,614 thousand, respectively. The unpaid amounts of the aforementioned agreements were \$944 thousand and \$1,118 thousand, respectively (recorded as accounts payables).

3) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2012, estimated minimum future lease payments were as follows:

Fiscal year	Amount
2013	\$ 518,034
2014	448,073
2015	308,511
2016	123,845
2017	3,698
	<u>\$ 1,402,161</u>

4) Others

	December 31, 2012	December 31, 2011
Consignment collection for others	\$ 9,176,863	10,448,433
Traveler's checks held on consignment for sale	85,584	123,009
Securities, consignments and goods in custody	1,642,020,829	1,374,512,602
Trust assets	<u>112,727,231</u>	<u>131,948,904</u>
	<u>\$ 1,764,010,507</u>	<u>1,517,032,948</u>
Unused lines of credit	<u>\$ 2,177,170</u>	<u>1,169,610</u>
Other guarantees	<u>\$ 7,066,722</u>	<u>9,390,534</u>
Letters of credit issued	<u>\$ 1,878,599</u>	<u>2,291,150</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- 5) 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, 2012

Trust assets		Trust liabilities	
Bank deposits	\$ 18,069	Accounts payables	\$ 14
Short-term investments	108,235,720	Taxes payables	1
Structured notes	2,565,637	Payables for securities under	
Securities under custody	1,907,799	custody	1,907,799
Other assets	6	Trust capital	110,819,417
Total trust assets	<u>\$ 112,727,231</u>	Total trust liabilities and capital	<u>\$ 112,727,231</u>

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 and capital	<u>\$ 131,948,904</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Trust Income Statements

	2012	2011
Trust revenue:		
Interest revenue	\$ 113	135
Common stock cash dividends	799	16,253
Realized gain on investments	52	-
Unrealized gain on investments	1,992	-
Gain on trading of assets	-	555
	<u>2,956</u>	<u>16,943</u>
Trust expenses:		
Management expenses	178	195
Service charges	1	390
Realized loss on investments	-	268
Unrealized loss on investments	-	811
Net loss on trading of assets	468	-
	<u>647</u>	<u>1,664</u>
Net income before income tax	2,309	15,279
Income tax expense	12	13
Net income after income tax	<u>\$ 2,297</u>	<u>15,266</u>

Schedules of investment for trust business

Investment items	December 31, 2012	December 31, 2011
Bank deposits	\$ 18,069	20,840
Short-term investments:		
Bonds	8,789,054	2,830,507
Common stock	2,475,194	3,047,643
Funds	96,971,472	117,465,414
Structured notes	2,565,637	6,037,371
Securities under custody	1,907,799	2,547,111
Other assets	6	18
	<u>\$ 112,727,231</u>	<u>131,948,904</u>

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of December 31, 2012 and 2011 was included in the trust balance sheets and schedules of investment for trust business.

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(10) Others

1) Summary of staff costs, depreciation and amortization expenses

A summary of staff costs, depreciation and amortization expenses for the years ended December 31, 2012 and 2011, were as follows:

Account	Function	2012			2011		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Staff costs:							
Salaries		-	4,637,855	4,637,855	-	4,589,075	4,589,075
Labor and health insurance		-	324,230	324,230	-	319,948	319,948
Pension		-	422,312	422,312	-	442,227	442,227
Other		-	334,672	334,672	-	295,827	295,827
Depreciation		-	389,073	389,073	-	497,062	497,062
Amortization		-	25,489	25,489	-	80,436	80,436

2) Reclassification

For the year ended December 31, 2011, certain amounts have been reclassified and presented to conform to the financial statements for the year ended December 31, 2012. The financial statements are not significantly affected by such reclassifications.

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

A. Major foreign currency positions

December 31, 2012			December 31, 2011		
Currency	Original currency	NTD equivalent	Currency	Original currency	NTD equivalent
ZAR	11,239	\$ 38,457	EUR	79,569	\$ 3,111,005
CNY	5,652	26,607	AUD	739	22,712
AUD	678	20,428	NZD	751	17,562
SGD	673	15,995	CNY	(49,752)	(239,774)
USD	(6,880)	(199,765)	USD	(123,563)	(3,740,196)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

B. Profitability

Unit: %

Items		2012	2011
Return on assets (note 1)	Before income tax	0.48	1.35
	After income tax	0.41	1.16
Return on equity (note 2)	Before income tax	8.01	23.41
	After income tax	6.74	20.05
Net profit ratio (note 3)		18.61	48.84

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

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

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

4) Capital adequacy

Capital adequacy ratios of the Bank are disclosed below:

Item		Period-end	December 31, 2012	December 31, 2011
Self-owned capital	Tier 1 Capital		39,138,981	40,574,699
	Tier 2 Capital		20,120,730	19,626,805
	Tier 3 Capital		-	-
	Total Self-owned Capital		59,259,711	60,201,504
Risk- weighted assets	Credit risk	Standardized approach	319,947,000	308,452,918
		Internal-rating-based approach	-	-
		Securitized assets	-	-
	Operational risk	Basic indicator approach	31,379,656	33,554,611
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	18,918,596	22,005,098
		Internal model approach	-	-
Risk-weighted assets			370,245,252	364,012,628
Capital adequacy ratio			16.01 %	16.54 %
Tier 1 capital / risk-weighted assets			10.57 %	11.15 %
Tier 2 capital / risk-weighted assets			5.43 %	5.39 %
Tier 3 capital / risk-weighted assets			- %	- %
Common stock / total assets			3.96 %	3.91 %
Leverage ratio			5.32 %	5.64 %

(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, 2012	December 31, 2011
Self-owned capital	Tier 1 Capital		39,323,690	40,714,489
	Tier 2 Capital		20,305,439	19,766,595
	Tier 3 Capital		-	-
	Total Self-owned Capital		59,629,129	60,481,084
Risk- weighted assets	Credit risk	Standardized approach	320,140,839	308,549,573
		Internal-rating-based approach	-	-
		Securitized assets	-	-
	Operational risk	Basic indicator approach	31,816,384	33,361,767
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	18,918,596	22,005,098
		Internal model approach	-	-
Risk-weighted assets		370,875,819	363,916,439	
Capital adequacy ratio			16.08 %	16.62 %
Tier 1 capital / risk-weighted assets			10.60 %	11.19 %
Tier 2 capital / risk-weighted assets			5.47 %	5.43 %
Tier 3 capital / risk-weighted assets			- %	- %
Common stock / total assets			3.96 %	3.91 %
Leverage ratio			5.34 %	5.66 %

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

5) Foreign currency financial assets and liabilities

As of December 31, 2012 and 2011, the foreign currency financial assets and liabilities as follows:

	December 31, 2012			December 31, 2011		
	Foreign currency	Exchange rate	New Taiwan dollars	Foreign currency	Exchange rate	New Taiwan dollars
Financial assets						
Monetary items						
USD	4,266,372	29.04	\$ 123,875,289	3,698,639	30.27	111,956,229
Non-monetary items						
USD	851,470	29.04	24,722,682	487,534	30.27	14,757,435
Financial liabilities						
Monetary items						
USD	4,641,574	29.04	134,769,406	4,906,216	30.27	148,509,061
Non-monetary items						
USD	953,020	29.04	27,671,201	543,230	30.27	16,443,353

6) IFRS transition disclosure requirements

Please refer to the consolidated financial statements for the Company for the year ended December 31, 2012.

(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	\$ 272,084	\$ 530,000	Payment Received	\$ 232,625	Pei Qian Co., Ltd..	None	To avoid future violation of the Banking Law regarding bank's investment of real estate	Referring to the appraisal report	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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

F. Information regarding selling of non-performing loans:

a. Summary table for sale of non-performing loans

Transaction date	Counterparty	Content	Book value	Price	Gain from sale	Attachment clause	Relationship
2012.5.25	Taiwan Cooperative Asset Management Co., Ltd.	Mortgage & corporate finance	37,062	139,397	99,045	Repurchase agreement	Non-related party
2012.5.31	Taiwan Cooperative Asset Management Co., Ltd.	Credit card, credit loan & corporate finance	-	266,026	258,105	Repurchase agreement	Non-related party
2012.11.28	Taiwan Cooperative Asset Management Co., Ltd.	Mortgage & corporate finance	67,481	150,933	80,915	Repurchase agreement	Non-related party
2012.11.28	Liang Jing Industrial Co., Ltd	Credit card & credit loan & corporate finance	-	216,878	210,235	Repurchase agreement	Non-related party

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

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

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. 106, Chung-Yeng Road, Hsinchu, Taiwan	Life insurance agent	100.00 %	345,889	283,328	300	-	300	100.00 %	-
Taiwan Standard Chartered Insurance Agency Co., Ltd.	No. 106, Chung-Yeng Road, Hsinchu, Taiwan	Property insurance agent	100.00 %	23,528	15,797	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 %	-

(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 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 %	15,188	-	1,519	-	1,519	5.00 %	-
Liyu Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Zhongshan District, Taipei City 10489, Taiwan	Venture capital services	4.76 %	8,549	-	855	-	855	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 %	-
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	-	-	-	-	-	-	-	Note 1
Taiwan Depository and Clearing Corporation	11F., No.363, Fushing N. Rd., Songshan District, Taipei City 10542, Taiwan	Securities custodian	0.17 %	9,277	-	533	-	533	0.17 %	-
Taiwan Cooperative Financial Holdings	14F., No. 85, Sec. 2, Nan Jing Dong Rd., Zhongshan District, Taipei City, Taiwan	Financial securities services	0.06 %	78,853	-	4,823	-	4,823	0.06 %	Note 2

(Continued)

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

Note 1: Taiwanpay Corporation completed the process of winding up on June 13, 2012.

Note 2: Former Taiwan Cooperative Bills Finance Corporation was restructured into Taiwan Cooperative Financial Holdings Co., Ltd. on December 1, 2011.

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

(12) Operating Segment Financial Information

Please refer to the consolidated financial statements for the Company for the year ended December 31, 2012.

Standard Chartered Bank (Taiwan) Limited
Cash and Cash Equivalents
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash on hand:		
NTD		\$ 4,621,866
USD	USD5,521@29.0353	160,292
HKD	HKD30,511@3.7457	114,285
JPY	JPY259,717@0.3372	99,721
EUR	EUR2,111@38.2949	80,824
GBP	GBP244@46.9275	11,459
CNY	CNY1,523@4.7073	7,171
SGD	SGD48@23.7674	1,151
	Subtotal	<u>5,096,769</u>
Deposits with other banks	Shanghai Commercial & Savings Bank	85,172
	Royal Bank of Canada	58,587
	Bank of Taiwan	56,293
	Standard Bank of South Africa Limited	54,967
	Taichung Bank	53,454
	Taiwan Business Bank	42,026
	Auckland Savings Bank	28,458
	Credit Suisse	11,599
	JP Morgan Chase	4,413
	Others (Note)	52,958
	Subtotal	<u>447,927</u>
Deposits with affiliates	SCB New York	531,282
	SCB China	498,620
	SCB HK	60,487
	SCB Singapore	28,641
	Others (Note)	34,046
	Subtotal	<u>1,153,076</u>
Total		<u><u>\$ 6,697,772</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, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Balances at Central Bank:		
Reserve for deposits	Reserve deposits for deposits – checking account	\$ 8,609,988
	Reserve deposits for deposits – demand account	17,709,933
Reserve for deposits – foreign currency		174,212
Reserve for deposits – settlement accounts		<u>1,038,443</u>
	Subtotal	<u>27,532,576</u>
Loans and advances to other banks		
	Bank Of Taiwan	
	TWD	1,000,000
	USD 50,000@29.0353	1,451,764
	Hua Nan Commercial Bank Ltd. Taipei	1,000,000
	Taipei Fubon Commercial Bank Co., Ltd.	1,000,000
	Bank of New York Taipei	600,000
	E-Sun Commercial Bank Ltd. Taipei	<u>400,000</u>
	Subtotal	<u>5,451,764</u>
Loans and advances to affiliates		
	SCB Taipei	
	TWD	2,700,000
	USD1,115,500@29.0353	<u>32,388,854</u>
	Subtotal	<u>35,088,854</u>
Total		\$ <u><u>68,073,194</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, 2012
(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			\$	4,300,000	-	4,369,808	-	4,366,153	
Corporate bonds				4,100,000	-	4,146,856	-	4,143,910	
Negotiable certificates of deposits				13,000,000	-	13,000,000	-	13,002,362	
Subtotal						<u>\$ 21,516,664</u>		<u>21,512,425</u>	
Derivatives:									
Interest rate swaps								4,258,587	Note
Interest rate option contracts								379,105	Note
Forward contracts								1,940,777	Note
Cross currency swaps								811,690	Note
Foreign exchange option contracts								557,384	Note
Commodity swaps								83,370	Note
Commodity option contracts								<u>1,372</u>	Note
Subtotal								<u>8,032,285</u>	
Total								<u>\$ 29,544,710</u>	

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

Standard Chartered Bank (Taiwan) Limited
Accounts Receivables
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Factoring loan receivable, without recourse		\$ <u>26,424,694</u>
Credit card receivables		<u>5,762,258</u>
Accounts receivables	Receivable for options premium	24,814
	Earned revenue receivables	92,710
	Wealth management receivables	343,558
	Bonds receivables	600,318
	Receivables for fixed income financial assets settlement	<u>1,317,179</u>
	Subtotal	<u>2,378,579</u>
Interest receivables	Loans and advances to banks	231
	Interest rate instruments	964,429
	Loans	681,688
	Others (Note)	<u>66,239</u>
	Subtotal	<u>1,712,587</u>
Acceptance receivables		<u>986,121</u>
Accounts receivables – related parties		<u>583,071</u>
Tax refund receivables		<u>115,818</u>
Others	Interbank transfer fee	<u>129,100</u>
Less: allowance for doubtful accounts – accounts receivables		<u>223,385</u>
Total		<u>\$ <u>37,868,843</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, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Negotiations and discounts		\$ 1,255,554
Short-term unsecured loans and overdrafts		56,985,085
Short-term secured loans		5,334,209
Medium-term unsecured loans		66,481,682
Medium-term secured loans		5,197,138
Long-term unsecured loans		5,510,350
Long-term secured loans		213,644,721
Non-accrual loans		<u>1,204,944</u>
Subtotal		355,613,683
Discount/premium adjustments on loans		221,704
Less: allowance for doubtful accounts		<u>5,448,341</u>
Total		<u><u>\$ 350,387,046</u></u>

Standard Chartered Bank (Taiwan) Limited
Available-for-sale financial Assets
December 31, 2012
(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		
Negotiable certificates of deposits		-	-	\$177,920,000	-	177,920,000	32,550	-	\$ 177,952,550	-	Note 1
Treasury bills		-	-	23,500,000		23,431,196	3,574	-	23,434,770	-	
Government bonds		-	-	18,964,000	-	19,419,128	35,749	-	19,454,877	-	Note 1 and Note 2
Financial debentures		-	-	6,107,056	-	4,586,827	962,348	-	5,549,175	-	
Corporate bonds		-	-	550,000	-	549,944	7,163	-	557,107	-	
Equity instruments		-	-	94,546	-	94,546	(1,224)	-	93,322	-	
Subtotal						226,001,641	1,040,160		227,041,801		
Less: Accumulated impairments						14,469	-		14,469		
						<u>225,987,172</u>	<u>1,040,160</u>		<u>\$ 227,027,332</u>		

Note 1: Par value NT\$664,000 thousand for collateralization, more details refer to Note (6) Pledged Assets.

Note 2: The fair value of financial assets for fair value hedge is \$2,911,574 thousand, and the mark-to-market value adjustment is \$3,088 thousand.

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

December 31, 2012

(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	\$ 258,244	-	-	-	195,683	283,328	300	345,889	1,152.96	345,889	None
Taiwan Standard Chartered Insurance Agency Co., Ltd.	300	21,335	-	-	-	13,604	15,797	300	23,528	78.43	23,528	//
		<u>\$ 279,579</u>		<u>-</u>		<u>209,287</u>	<u>299,125</u>		<u>369,417</u>		<u>369,417</u>	

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

Standard Chartered Bank (Taiwan) Limited
Other Financial Assets
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Derivative financial asset for hedging	Fair value hedge and cash flow hedge	\$ 428,983
Financial assets carried at cost	Refer to details on page 86	151,409
Total		\$ 580,392

Standard Chartered Bank (Taiwan) Limited
Other Financial Assets - Change in Financial Assets Carried at Cost
December 31, 2012
(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 Enterprise Management Consulting Co., Ltd.	20	\$ -	-	-	-	-	20	-	-	- (note 2)	None
Taiwan Small and Medium Enterprises Development Corp.	3,417	29,000	-	-	-	-	3,417	29,000	7.16	24,471	"
Financial Information Service Co., Ltd.	5,119	45,500	-	-	-	-	5,119	45,500	16.93	86,642	"
Taipei Forex Inc.	630	6,673	-	-	-	-	630	6,673	29.75	18,745	"
TSC Bio Venture Management, Inc.	2,025	20,250	-	-	506	5,062	1,519	15,188	10.03	15,233 (note 3)	"
Liyu Venture Investment, Inc.	1,008	10,080	-	-	153	1,531	855	8,549	7.98	6,820 (note 4)	"
Windance Co., Ltd.	18,850	188,500	-	-	-	-	18,850	188,500	-	- (note 2)	"
Taiwan Asset Service Corporation	5,000	50,000	-	-	-	-	5,000	50,000	10.58	52,915	"
Yang Guang Asset Management Company	85	849	-	-	-	-	85	849	12.09	1,028	"
Taiwanpay Corporation	197	2,468	-	-	197	2,468	-	-	-	- (note 5)	"
Taiwan Depository and Clearing Corporation	520	9,277	13	-	-	-	533	9,277	46.25	24,633	"
Subtotal		362,597		-		9,061		353,536		230,487	
Less: Accumulated impairment		204,595		-		2,468		202,127		-	
		<u>\$ 158,002</u>		<u>-</u>		<u>6,593</u>		<u>151,409</u>		<u>230,487</u>	

Note 1: Financial assets carried at cost are SCBTL investments in non-public companies, and these assets are not traded in open market; therefore, only their net equity value are listed.

Note 2: As of December 31, 2012, the Company has winded up, but has not liquidated yet.

Note 3: The Company has reduced capital on July 31, 2012. The capital reduction rate is 25%, and the shares returned is \$5,062 thousand.

Note 4: The Company has reduced capital on July 31, 2012. The capital reduction rate is 15.19%, and the shares returned is \$1,509 thousand.

Note 5: On June 13, 2012, the Company has winded up and completed the process of liquidation.

Standard Chartered Bank (Taiwan) Limited
Property and Equipment
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost:						
Land	\$ 3,136,106	-	76,640	66,896	3,126,362	None
Buildings	2,939,399	-	263,867	63,375	2,738,907	"
Office equipment	755,261	4,908	36,344	-	723,825	"
Leasehold improvements	821,300	2,043	240,663	-	582,680	"
Other equipment	<u>1,491,822</u>	<u>29,541</u>	<u>206,137</u>	<u>-</u>	<u>1,315,226</u>	"
Subtotal	<u>9,143,888</u>	<u>36,492</u>	<u>823,651</u>	<u>130,271</u>	<u>8,487,000</u>	
	<u>\$ 9,143,888</u>	<u>36,492</u>	<u>823,651</u>	<u>130,271</u>	<u>8,487,000</u>	

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

December 31, 2012

(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance
Buildings	\$ 826,579	59,625	78,805	18,697	826,096
Office equipment	590,628	92,671	34,846	-	648,453
Leasehold improvements	534,754	107,842	240,613	-	401,983
Other equipment	1,115,037	121,982	190,058	-	1,046,961
Total	\$ 3,066,998	382,120	544,322	18,697	2,923,493

Standard Chartered Bank (Taiwan) Limited
Accumulated Impairment for Property and Equipment
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance
Buildings	\$ -	-	-	16,522	16,522

Standard Chartered Bank (Taiwan) Limited
Other Assets
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Abstract</u>	<u>Amount</u>
Deferred income tax assets, net		\$ <u>1,940,302</u>
Idle assets, net	Idle assets	239,126
	Less: accumulated depreciation	42,685
	accumulated impairment	<u>64,775</u>
		<u>131,666</u>
Assets leased to others, net	Assets leased to others	395,051
	Less: accumulated depreciation	50,353
	accumulated impairment	<u>2,695</u>
		<u>342,003</u>
Refundable deposits	Rental deposits	175,169
	Clearing and settlement fund	172,691
	Credit card deposits	59,903
	Others (note)	<u>53,650</u>
		<u>461,413</u>
Others (Note)	Prepayments and etc.	<u>174,588</u>
Total		\$ <u><u>3,049,972</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, 2012
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost						
Land	\$ 250,973	-	55,010	(84,451)	111,512	None
Buildings	<u>297,741</u>	<u>-</u>	<u>95,450</u>	<u>(74,677)</u>	<u>127,614</u>	"
	<u>548,714</u>	<u>-</u>	<u>150,460</u>	<u>(159,128)</u>	<u>239,126</u>	
Accumulated depreciation	83,260	3,830	22,848	(21,557)	42,685	
Accumulated impairment	<u>96,525</u>	<u>61,041</u>	<u>73,574</u>	<u>(19,217)</u>	<u>64,775</u>	
	<u>\$ 368,929</u>	<u>(64,871)</u>	<u>54,038</u>	<u>(118,354)</u>	<u>131,666</u>	

Standard Chartered Bank (Taiwan) Limited
Assets Leased to Others
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Items	Beginning balance	Increase	Decrease	Reclassification	Ending balance	Collateralization
Cost						
Land	\$ 231,816	-	-	17,555	249,371	None
Buildings	134,378	-	-	11,302	145,680	"
	<u>366,194</u>	<u>-</u>	<u>-</u>	<u>28,857</u>	<u>395,051</u>	
Accumulated depreciation	44,370	3,123	-	2,860	50,353	
Accumulated impairment	-	-	-	2,695	2,695	
	<u>\$ 321,824</u>	<u>(3,123)</u>	<u>-</u>	<u>23,302</u>	<u>342,003</u>	

Standard Chartered Bank (Taiwan) Limited
Deposits by Central Bank and other banks
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Items	Details	Amount
Deposits by banks	Chunghwa Post Co.	\$ 1,346,281
	SCB Taipei	489
	Others (Note)	<u>7,903</u>
		<u>1,354,673</u>
Overdraft from Banks	Westpac	137,823
	SCB Germany	89,885
	SCB HK	33,844
	Mega Bank	29,578
	Other (Note)	<u>3,250</u>
	<u>294,380</u>	
Loans from banks	Northern Trust Company London	2,322,822
	Bank of Taiwan	1,161,411
	Taiwan Business Bank Hong Kong	754,917
	Bank of Taiwan Tokyo	406,494
	Hua Nan Commercial Bank Ltd. Hong Kong	580,706
	Land Bank of Taiwan	563,130
	Hua Nan Bank	435,529
	Mega Intl Commercial Bankk Co., Ltd. Hong Kong	290,353
	Bank International Indonesia Tbk JK	290,353
	Taiwan Business Bank	<u>290,353</u>
	<u>7,096,068</u>	
Deposits and loans from affiliates	SCB Tokyo	303,496
	SCB HK	<u>235,366</u>
	<u>538,862</u>	
Total		<u><u>\$ 9,283,983</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, 2012
(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:									
	Interest rate swaps							4,048,744	Note
	Interest rate option contracts							342,588	"
	Forward contracts							2,576,715	Note
	Cross currency swaps							745,182	Note
	Foreign exchange option contracts							559,500	
	Commodity swaps							83,370	Note
	Commodity option contracts							1,372	Note
Total						-		\$ 8,357,471	

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

Standard Chartered Bank (Taiwan) Limited
Accounts Payables
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Detail</u>	<u>Amount</u>
Accounts payables		\$ <u>49,160</u>
Interest payables		<u>1,206,985</u>
Other accounts payables		
	Accrued expenses	1,514,092
	Income tax payables	65,780
	Payables for receipts under custody	<u>141,717</u>
Subtotal		<u>1,721,589</u>
Acceptance payables		<u>986,121</u>
Other payables		
	Payables for fixed income financial liabilities settlement	1,275,263
	Temporary receipts	190,531
	Sundry client creditors	156,832
	Cheque collection	37,564
	Others (Note)	<u>457,827</u>
Subtotal		<u>2,118,017</u>
Total		<u>\$ <u>6,081,872</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, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Checking deposits		\$ 4,538,083
Demand deposits		162,443,255
Time deposits		178,958,735
Savings deposits	Savings deposits	127,267,949
	Time savings deposits	89,789,541
Remittances		<u>74,414</u>
Total		<u><u>\$ 563,071,977</u></u>

Standard Chartered Bank (Taiwan) Limited
Other Financial Liabilities
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Structured deposits		\$ 34,690,236
Derivative financial liabilities for hedging		<u>13,523</u>
Total		<u><u>\$ 34,703,759</u></u>

Standard Chartered Bank (Taiwan) Limited
Financial Debentures
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Bond	Conditions for trading			Financial debentures		Transaction amount
	Issuing date	Maturity date	Coupon rate%	Type	Face value	
91-1A subordinated debentures	2002.7.19	2007.7.19	(Note 1)	A	\$ 1,000	1,000
94-1 subordinated debentures	2005.1.28	(Note 2)	(Note 3)	-	1,000	2,400
94-2 subordinated debentures	2005.1.28	(Note 2)	(Note 3)	-	1,000	1,500
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)	4,355,292
98-3 subordinated debentures	2009.12.11	(Note 2)	(Note 5)	-	4,798,704 (Note 6)	4,355,292
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, 2012
(Expressed in thousands of New Taiwan dollars)

Bond	Conditions for trading			Financial debentures		Transaction 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
101-1 senior unsecured bond	2012.1.17	2014.1.17	(Note 11)	A	1,000	7,000,000
	2012.1.17	2014.1.17	"	B	1,000	700,000
	2012.1.17	2015.1.17	"	C	1,000	600,000
101-2 senior unsecured bond	2012.5.24	2014.5.24	(Note 12)	-	1,000	6,700,000
						61,715,484
Mark-to-market adjustment on hedged items						299,053
						\$ 62,014,537

Note 1: Annual interest rate is 4.25% for the first 3 years 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 is 2.90% for the first 5 years 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% after June 11, 2015.

Note 6: Face value is USD150,000 thousand.

Note 7: Annual interest rate of 100-1A:1.03%; B:1.17%; 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%.

Note 11: Annual interest rate of 101-1 A: 1.05%; B:TWD 90-day CP interest rate plus 0.25%; C:1.09%.

Note 12: Annual interest rate of 101-2 1.05%.

Standard Chartered Bank (Taiwan) Limited
Other Liabilities
December 31, 2012
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accrued pension liabilities		\$ 870,161
Taxes payable		529,451
Unearned receipts		355,950
Receipts under custody for derivatives		198,712
Deposits received		124,037
Deferred revenue		77,645
Provision for guarantees		68,936
Bid, offer reserve		68,085
Operational loss provision—external		64,161
Others (Note)		<u>48,066</u>
		<u><u>\$ 2,405,204</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
For the period January 1 to December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Interbank transactions	Balances at Central Bank	\$ 82,919
	Loans and advances to banks	323,498
	Subtotal	406,417
Financial assets at fair value through profit or loss		220,281
Credit cards (revolving)		416,958
Loans and advances to customers	Loans and overdrafts	11,178,294
Available-for-sale financial assets		2,131,823
Account receivables, without recourse		485,147
Others (note)		456,297
Total		\$ 15,295,217

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

Standard Chartered Bank (Taiwan) Limited
Interest Expenses
For the period January 1 to December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Deposits	Time deposits related	\$ 3,154,502
	Demand deposits related	681,745
	Subtotal	3,836,247
Distributions for trust revenue		93
Deposits by and loans from other banks	Deposits by and loans from other banks	187,701
	Financial debentures	1,092,995
	Subtotal	1,280,696
Structured Deposits		138,880
Others (Note)		3,940
Total		\$ 5,259,856

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

Standard Chartered Bank (Taiwan) Limited
Fees and Commission, Net
For the period January 1 to December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Fees and commission income	Trust fees	\$ 2,159,233
	Loan fees	217,061
	Credit card fees	310,864
	Agency commission	130,795
	Remittances and interbank transaction service fees	102,272
	Warranty, imports, exports and acceptance payable fees	108,423
	Receivable factor fees	87,987
	Others (Note)	111,485
	Subtotal	3,228,120
Fees and commission expenses	Agency commission	158,419
	Interbank transaction service fees	132,798
	Custody fees	107,625
	Others (Note)	21,003
	Subtotal	419,845
Total		\$ 2,808,275

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

Standard Chartered Bank (Taiwan) Limited
Gain (Loss) on Financial Assets and Liabilities at Fair Value Through Profit or Loss
For the period January 1 to December 31, 2012
(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	\$ 27,807	(4,015)	23,792
Negotiable certificates of deposits	-	1,615	1,615
Corporate bonds, financial debentures and treasury bills	<u>61,717</u>	<u>(5,059)</u>	<u>56,658</u>
Subtotal	<u>89,524</u>	<u>(7,459)</u>	<u>82,065</u>
Derivatives	<u>471,135</u>	<u>1,178,428</u>	<u>1,649,563</u>
Total	<u><u>\$ 560,659</u></u>	<u><u>1,170,969</u></u>	<u><u>1,731,628</u></u>

Standard Chartered Bank (Taiwan) Limited
Realized Gain and Loss on Available-for-sale
Financial Assets
For the period January 1 to December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Government bonds	Net loss on sale	\$ (8,752)
Equity investments	Stock dividend	2,296
Corporate bonds	Net gain on sale	<u>5</u>
Total		<u><u>\$ (6,451)</u></u>

Standard Chartered Bank (Taiwan) Limited
Other Non-interest Income (Loss) for Sundries, Net
For the period January 1 to December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Other non-interest income for sundries:		
	Net gain on securities brokerage commissions	\$ 90,229
	Rental income	18,551
	Investment income from financial assets carried at cost	18,143
	Others (note)	<u>49,139</u>
	Subtotal	<u>176,062</u>
Other non-interest loss for sundries:		
	Net loss on fair value hedge	<u>(26,770)</u>
Net income		<u><u>\$ 149,292</u></u>

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

Standard Chartered Bank (Taiwan) Limited
Staff Costs
For the period January 1 to December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Salaries		\$ 4,637,855
Labor and health insurance		324,230
Pension		422,312
Others		<u>334,672</u>
Total		<u><u>\$ 5,719,069</u></u>

Standard Chartered Bank (Taiwan) Limited
Depreciation and Amortization Expenses
For the period January 1 to December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Depreciation	Land and buildings	\$ 66,578
	Leasehold improvements	107,842
	Office equipment	92,671
	Other equipment	121,982
Subtotal		389,073
Amortization	Computer software	25,489
Total		\$ 414,562

Standard Chartered Bank (Taiwan) Limited
General and Administrative Expenses
For the period January 1 to December 31, 2012
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Rental expenses	\$ 565,154
Stationary & supplies	128,987
Postage	239,108
Maintenance and repairs expenses	189,379
Advertising expenses	212,156
Premises - utilities	112,946
Taxes and dues	540,550
Professional service fees	109,593
Operational and advisory service fees	1,052,814
Estate management fees	130,003
Computer related management fees	273,172
Consulting and technical support service fees	535,044
Wholesale banking business service fees	277,831
Others (Note)	<u>43,783</u>
Total	<u><u>\$ 4,410,520</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, 2012 and 2011

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED - SECURITIES DEPARTMENT

Balance Sheet

December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2012		December 31, 2011		Liabilities and Stockholders' Equity	December 31, 2012		December 31, 2011	
	<u>Amount</u>	%	<u>Amount</u>	%		<u>Amount</u>	%	<u>Amount</u>	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 4(1))	\$ 387	-	61	-	Financing securities guaranteed deposits	\$ 56,978	-	30,233	-
Financial assets at fair value through profit or loss — current (notes 4(2) and (8))	8,510,062	24	17,462,441	41	Financing securities guaranteed proceeds payable	62,224	-	33,324	-
Bills and bonds investments under reverse sell agreements (note 4(3))	3,402,039	10	8,456,414	20	Accounts payables	<u>1,286,518</u>	<u>4</u>	<u>27,549</u>	<u>-</u>
Receivables from securities financing (note 4(4))	593,455	2	584,732	1	Total current liabilities	<u>1,405,720</u>	<u>4</u>	<u>91,106</u>	<u>-</u>
Accounts receivables	1,678,271	5	346,266	1	Other liabilities:				
Available-for-sale financial assets — current (notes 4(5) and (8) and 6)	20,306,810	59	16,037,251	37	Inter-departmental account	<u>30,913,811</u>	<u>89</u>	<u>40,568,859</u>	<u>94</u>
Other current assets	<u>23,363</u>	<u>-</u>	<u>2,754</u>	<u>-</u>	Total liabilities	<u>32,319,531</u>	<u>93</u>	<u>40,659,965</u>	<u>94</u>
Total current assets	<u>34,514,387</u>	<u>100</u>	<u>42,889,919</u>	<u>100</u>	Stockholders' equity:				
Property and equipment (note 4(6)):					Designated capital	2,000,000	6	2,000,000	5
Cost:					Unappropriated earnings	330,724	1	400,605	1
Office and other equipment	34,845	-	36,823	-	Unrealized gain on financial assets	<u>46,730</u>	<u>-</u>	<u>45,299</u>	<u>-</u>
Leasehold improvements	<u>16,475</u>	<u>-</u>	<u>16,632</u>	<u>-</u>	Total stockholders' equity	<u>2,377,454</u>	<u>7</u>	<u>2,445,904</u>	<u>6</u>
	51,320	-	53,455	-					
Less: Accumulated depreciation	<u>40,494</u>	<u>-</u>	<u>36,278</u>	<u>-</u>					
Total property and equipment, net	<u>10,826</u>	<u>-</u>	<u>17,177</u>	<u>-</u>					
Intangible assets	<u>-</u>	<u>-</u>	<u>26</u>	<u>-</u>					
Other assets (notes 4(7) and 6)	<u>171,772</u>	<u>-</u>	<u>198,747</u>	<u>1</u>	Significant commitments and contingencies				
Total assets	<u>\$ 34,696,985</u>	<u>100</u>	<u>43,105,869</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 34,696,985</u>	<u>100</u>	<u>43,105,869</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, 2012 and 2011
(expressed in thousands of New Taiwan dollars)**

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenue:				
Securities brokerage commissions (note 5)	\$ 96,476	19	142,345	25
Gain on sale of securities – dealer (note 4(2))	80,539	15	70,249	12
Interest income (notes 4(2) and (5))	343,350	65	357,188	62
Commission revenue for futures	3,699	1	6,723	1
Other operating income	<u>1,267</u>	<u>-</u>	<u>2,870</u>	<u>-</u>
Total revenue	<u>525,331</u>	<u>100</u>	<u>579,375</u>	<u>100</u>
Expenses:				
Handling charges – brokers	6,247	1	8,218	2
Handling charges – dealers	2	-	423	-
Handling charges – refinancing	84	-	59	-
Interest expense	95	-	44	-
Loss (gain) on valuation of securities (note 4(2))	9,073	2	(25,286)	(4)
Operating expenses (note 10)	175,749	33	187,022	32
Non-operating net losses	<u>3,357</u>	<u>1</u>	<u>8,290</u>	<u>1</u>
Total expenses	<u>194,607</u>	<u>37</u>	<u>178,770</u>	<u>31</u>
Net income	\$ <u>330,724</u>	<u>63</u>	<u>400,605</u>	<u>69</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2012 and 2011

(expressed in thousands of 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, 2012, 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. Therefore, actual realized results could differ from these assumptions and estimates. 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, 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, 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 financing securities guaranteed deposits. 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 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 are 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 receivables from securities refinancing.

7) Allowances for doubtful accounts

Allowance for doubtful accounts is provided by assessing the collectability of the notes and accounts receivables at year-end.

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.**Notes to Financial Statements**

8) Property, 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, refer to the summary of significant accounting policies in SCBTL's financial report.

9) Asset impairment

The accounting policies adopted for the Company's assets impairment are the same as those of SCBTL; therefore, 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. Such deposits are recorded under other assets — operating deposits — securities settlement fund.

(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) Inter-departmental account

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

13) Designated capital

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

14) 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.

15) 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. For underwriting commission income and transactions fees, application income is recognized upon receipt of payments. Underwriting commission income and related transactions charges are recognized when the underwriting contracts are completed.

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

(3) Changes in Accounting Principle

Effective from January 1, 2011, the Company 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 years December 31, 2011.

(4) Disclosures of Significant Accounts

1) Cash and cash equivalents

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Company accounts:		
Checking accounts	\$ <u>387</u>	<u>61</u>

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

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Operating securities – dealership:		
Government bonds	\$ 4,369,809	6,386,060
Corporate bonds	<u>4,146,854</u>	<u>11,069,056</u>
Subtotal	8,516,663	17,455,116
Valuation adjustment	<u>(6,601)</u>	<u>7,325</u>
Total	\$ <u>8,510,062</u>	<u>17,462,411</u>

For the years ended December 31, 2012 and 2011, the details of gains and losses arising from financial assets at fair value through profit or loss were as follows:

	<u>2012</u>	<u>2011</u>
Gain on sale of Securities – dealer	\$ <u>80,539</u>	<u>70,249</u>
(Loss) gain on valuation of securities	\$ <u>(9,073)</u>	<u>25,286</u>
Interest income	\$ <u>132,782</u>	<u>161,001</u>

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

3) Bills and bonds investments under reserve sell agreements

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Bills and bonds investments under reverse sell agreements	\$ <u>3,402,039</u>	<u>8,456,414</u>

As of December 31, 2012 and 2011, the settlement dates for bills and bonds investments under reverse sell agreements were January 10, 2013 and January 6, 2012, respectively; interest rates of the aforementioned reverse sell agreements were 0.77% and 0.73% to 0.76%, respectively. The contracted prices for the aforementioned reverse sell agreements were \$3,402,775 thousand and \$8,457,410 thousand, respectively.

4) Receivables from securities financing

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Receivables from securities financing	\$ 596,437	587,670
Less: allowance for doubtful accounts	<u>2,982</u>	<u>2,938</u>
Total	\$ <u>593,455</u>	<u>584,732</u>

5) Available-for-sale financial assets – current

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Operating securities – dealership:		
Government bonds	\$ 19,410,172	15,092,155
Corporation bonds	549,944	599,881
Financial debentures	<u>299,964</u>	<u>299,916</u>
Subtotal	20,260,080	15,991,952
Valuation adjustment	<u>46,730</u>	<u>45,299</u>
Total	\$ <u>20,306,810</u>	<u>16,037,251</u>
Interest Income	\$ <u>175,602</u>	<u>146,139</u>

6) Property and equipment

	December 31, 2012		
	Cost	Accumulated depreciation	Net
Office and other equipment	\$ 34,845	30,357	4,488
Leasehold improvements	<u>16,475</u>	<u>10,137</u>	<u>6,338</u>
Total	\$ <u>51,320</u>	<u>40,494</u>	<u>10,826</u>

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

		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>

7) Other assets

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Refundable deposits – securities settlement fund	\$ 171,094	198,069
Refundable deposits – other	<u>678</u>	<u>678</u>
Total	<u>\$ 171,772</u>	<u>198,747</u>

The Company deposited time deposits based on RGSF, “The Negotiable Securities Counter Business Transaction Market Common Responsibility System Pays the Settlement Fund Policing Method “ and “The Bond Equivalent Deal System and Buys and Sells Two Kind of Stocks Circles to Save the Reserve Fund Policing Method”. As of December 31, 2012 and 2011, time deposits, recorded as Refundable deposits – securities settlement fund, were \$171,094 thousand and \$198,069 thousand, respectively.

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 of financial assets such as cash and cash equivalents, receivables from securities financing, securities refinancing margin deposits, receivables from securities refinancing, accounts receivables, other receivables, other current assets, securities settlement funds, guaranteed deposits paid, other assets, etc. and financial liabilities such as financing securities guaranteed deposits, financing securities guaranteed proceeds payables, accounts payables, etc.

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

- 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.

The fair values of the Company's financial assets and liabilities evaluated using valuation techniques were listed below:

Account	<u>Amount</u>	
	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Financial assets at fair value through profit or loss – current	\$ 8,510,062	17,462,441
Available-for-sale financial assets – current	20,306,810	16,037,251

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, 2012 and 2011, brokerage commissions with the related parties from securities trading were as follows:

<u>Name of related party</u>	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Income by individual related parties not over 1% of total income	\$ <u>114</u>	<u>-</u>	<u>842</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, 2012 and 2011, the Company provided the assets below as refundable security deposits for securities operation.

<u>Security deposits</u>	<u>Purpose</u>	<u>Amount</u>	
		<u>December 31, 2012</u>	<u>December 31, 2011</u>
Operating securities – Government bonds (recorded as available-for-sale financial assets – current)	Security deposits for futures trading	\$ 35,000	35,000
	Security deposits for security brokerage	225,000	225,000
		<u>260,000</u>	<u>260,000</u>
Certificates of deposits (recorded as other assets)	Security deposits for bond proprietary trading	10,000	10,000
		<u>\$ 270,000</u>	<u>270,000</u>

- 7) Significant Commitments and Contingencies: none.

(Continued)

STANDARD CHARTERED COMPANY (TAIWAN) LIMITED SECURITIES DEPARTMENT.

Notes to Financial Statements

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

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

(10) **Other**

Summary of staff cost, depreciation and amortization expenses for the years ended December 31, 2012 and 2011 are as follows:

	2012			2011		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Staff cost						
Salaries	-	71,479	71,479	-	80,119	80,119
Labor and health insurance	-	7,219	7,219	-	7,412	7,412
Pension	-	7,414	7,414	-	8,963	8,963
Others	-	2,663	2,663	-	3,038	3,038
Depreciation	-	8,015	8,015	-	8,123	8,123
Amortization	-	26	26	-	317	317

(11) **Other Disclosure Items**

1) Related information on material transactions items:

A. Lending to others: None.

B. Guarantee and endorsements 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**